Bringing Human Rights to Bear in Times of Crisis:

A human rights analysis of government responses to the economic crisis

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I. Introduction

It has been more than two years now since the start of the largest financial meltdown and global economic recession in over fifty years. And yet, how have our governments responded to this crisis in such a way as to uphold people’s fundamental dignity and human rights?

The following joint report aims to deepen our understanding of how governments have conducted themselves and how effective economic policies have been in defending and strengthening the enjoyment of human rights in a time of multiple and interlocking social and economic crises. As governments and international institutions begin to grow complacent, arguing that the worst of the crisis is over, we aim to bring civil society voices into the debate which can attest to a different reality—a reality of deepening unemployment, further disenfranchisement of the most vulnerable, the breakdown of social safety nets and protection systems and the associated increase in unpaid work done mostly by women, increasing hunger and limited policy space particularly for developing country governments to act take the necessary actions to avoid and prevent economic and social breakdown.

With this report, the Association for Women’s Rights in Development, the Center of Concern, Center for Economic and Social Rights, the Center for Women’s Global Leadership at Rutgers, The State University of New Jersey and the International Network for Economic, Social and Cultural Rights provide views and recommendations to various inter-governmental fora, including the 13th session of the Human Rights Council during its High-Level Segment on the impact of the global economic and financial crises as well as the 2010 ECOSOC Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development. We hope by analyzing government responses to the crisis from a human rights perspective and sharing best and worst practices in responding to the crisis, this report will provide a window into how governments’ actions worldwide have lived up to, or let down, their human rights obligations. We also aim with this report to contribute to the development, strengthening, implementation and monitoring of economic policies which make human rights real in the global economy, by both confronting head-on this enduring crisis and by preventing another collapse.

Methodology

In June 2009, ESCR-Net members and participants elaborated the Collective Statement on the Financial Crisis and Global Economic Recession: Towards a Human Rights Response.1 In it, almost 300 organizations and individuals call for a response to the financial crisis and economic recession that places human rights norms at the center, in which people and the environment, not banks or business, are at the foundation of economic policy-making.

With this statement at its heart, ESCR-Net participants developed a questionnaire to engage civil society in determining how governments were meeting their human rights obligations in their economic policies and to generate reflection and input from a broad community of social justice activists.2 The questionnaire presented 8 broad questions on fiscal and monetary economic measures taken by governments since the start of the economic crisis in the mid-2007 relating to economic stimulus packages, tax policy reforms, social protection programs, financial measures and international dimensions of the crisis. The information, views and recommendations presented in this report are derived from the responses to that questionnaire, along with complementary research conducted on specific measures and country responses.3 This report does not attempt to be comprehensive or exhaustive about the measures taken by governments, nor does it purport to describe in detail any particular response. Instead, it attempts to uncover certain trends, provide snap-shots of polices in (in)action, and share lessons-learned across different regions so as to bolster the central role human rights has to play in the design, implementation and monitoring of economic policies in these times of multiple, enduring crises.
II. Government’s Priorities in Response to the Economic Crisis

Deep economic inequalities between developing and developed countries, and the resulting global economic imbalances which were spawned in the early 2000s, laid the basis for an unsustainable credit boom in the U.S. and Europe. The resulting financial crisis accentuated the enduring food, fuel, housing, climate, water, care and economic crises already in play in developing countries, with dire impacts upon people and the environment, further deepening inequality within and amongst countries and frustrating important gains in the realization of human rights, especially economic and social rights. Some governments have in fact begun using the economic crisis as an excuse to further set aside their obligations to human rights.

Yet States, as primary duty-bearers of human rights obligations, are called on under international law to respect, protect and fulfill human rights as a matter of priority in their public and economic policy. The obligation to respect requires States to refrain from interfering directly or indirectly with the enjoyment of human rights at home or abroad. The obligation to protect requires States to prevent human rights abuses by third parties—be they individuals, businesses, banks, hedge funds or other non-state actors. It also means States must hold those responsible for human rights abuses to account and ensure accessible and effective remedies and reparations for those adversely affected. The obligation to fulfill requires States to adopt appropriate legislative, administrative, budgetary, judicial, promotional and other measures towards the full realization of human rights. This involves using the maximum of available resources to create the conditions under which all people living under their jurisdiction can exercise their full range of economic and social rights. Even during a crisis, governments must do all they can to avert retrogression in the realization of socio-economic rights, and governments must immediately avoid discrimination in their economic policy.

Economic policy is public policy. The following provides a critical human rights analysis of some economic policy tools governments have used—both individually and in concert—in response to the financial and economic crisis.

III. Fiscal Policy Measures

Countercyclical or expansive fiscal policies have been indispensable tools for governments in dealing effectively with the short-term consequences of this economic crisis. For those countries which can afford them and are permitted to use them, expansive fiscal policies have been essential for governments in fulfilling their core obligations to ensure the realization of minimum standards enshrined in the International Covenant on Economic, Social and Cultural Rights. Unlike pro-cyclical fiscal policies which encourage governments to cut back spending when the economy and people’s ability to spend is at its worst, countercyclical policies aim to stimulate economic activity when it is weakest with the aim of reducing the depth and duration of the crisis, especially as it impacts the economically disenfranchised. Countercyclical fiscal policy is also key to protecting people over the medium and long-term by providing social protection and social security programs to protect livelihoods. Expansive fiscal stimulus is also one of the most important policy levers in creating conditions for equality and non-discrimination once the economy is growing again. To date, counter-cyclical policies have generated some 11 post-crisis million jobs, according to estimates, cushioning people under distress and supplying some sense of security and confidence in the future.
A human rights analysis of government responses to the economic crisis

The lack of counter-cyclical policies in times of crisis often risks jeopardizing hard-fought gains in housing, education, health, water and employment.

Of course, fiscal policies of any type can have positive as well as negative consequences for the realization of human rights, depending on their design and implementation. Yet, reducing public services is almost always anathema to strengthening people’s and particularly women’s standards of living and decent work opportunities. Restrictive fiscal policy during the Asian financial crisis, for example, arguably led to increased job and income losses, affecting people in myriad ways. The lack of counter-cyclical policies in times of crisis often risks jeopardizing hard-fought gains in employment, education, health, water, sanitation and housing. If a government has, but chooses not to use, available resources for this purpose, serious questions arise about its dedication to fulfilling its obligations to progressively realize economic and social rights.

This section explores just three different and inter-related types of fiscal policy tools governments have adopted so far in response to the economic crisis: economic stimulus packages, social protection and social security programs and tax policy reforms.

Economic stimulus packages

During economic crises, family incomes tend to fall along with government social spending. In turn, households are often forced to deal with fulfilling their basic needs in a variety of ways which reinforce existing social inequalities and are harmful to future well-being. Households coping strategies include sending children and older persons to work, pulling children out of school, and reducing food consumption and health care. These actions are typically gendered, with women and girls bearing the brunt of these cutbacks. Girls are first to be pulled from school. Women and girls eat less and last when consumption is reduced, and often face increased incidents of violence. Women more often than men increase their paid and unpaid work burdens to compensate for the reduction in state expenditure on public services, such as healthcare. Economic stimulus packages may, if well-designed, aim to disrupt this cycle of poverty and deprivation of rights by making up for the faltering economy by stimulating demand through the generation of decent employment opportunities, increasing spending on social services and other income and rights-filling programs. Stimulus packages have been widely adopted at the national level since the onset of the economic crisis in 2007, and hold incredible potential for people under economic strain.

Economic stimulus packages which fail to measure, involve and target the economically disadvantaged will likely only reinforce their exclusion.

Yet, not all economic stimulus packages are alike. From a human rights perspective, the design and composition of any given economic stimulus packages, and how it is implemented and monitored, is equally as important as the existence of the package itself. Stimulus packages which fail, for example, to have in place disaggregated monitoring mechanisms to evaluate a policy’s likely distributional consequences across society will not likely lead to equitably shared benefits. Different people are differently situated in any given economy, and so feel the effects of economic policy in very different ways. Aggregated and net-impact analyses often mask important differences among different social groups. Economic stimulus packages
which fail to measure, involve and target the economically disadvantaged will likely only reinforce their exclusion.

Many policy responses to date have narrowly targeted formal and paid workers and the “productive” sector, with no emphasis on a significant proportion of people who work in informal and sometimes unpaid work arrangements. Unpaid care work tends to have no place in the macroeconomic models and analysis by governments and policy makers. This obscures the differentiated impact of the crisis on certain groups and the additional burden the most vulnerable must take on. This bias towards the formal and paid sectors not only fails to reach a key section of people facing the brunt of the crisis. It is also likely in conflict with the immediate obligation to cease discrimination.8

Governments intent on living up to their economic and social rights duties by using economic stimulus packages then must at a minimum assess impacts of their policies in a disaggregated way, transparently monitoring the benefits and adverse impacts of policies on paid, unpaid, formal and informal workers, and particularly marginalized groups, such as women, children, minorities, indigenous peoples, agricultural workers, migrants, people living with HIV/AIDS and older persons. Transparency and involvement of civil society is essential at every step to holding governments to account, and so should be central in efforts to ensuring that stimulus packages work for all.

Increases in funding for sectors which already enjoy a privileged status in government budget priorities sheets, such as military and defense, arguably do little to fulfill the minimum level of enjoyment of economic and social rights. Not only do they regularly strengthen the power of traditional elites, they have been shown to be less effective in stimulating demand, and thus growth, in an economy in crisis. In contrast, fiscal stimuli targeted at those more likely to use the increased resources for consumption, especially low income people, not only strengthen living conditions, but they arguably have much stronger multiplier effects to drive the real economy than packages which benefit those already well off.

Economic stimulus packages have encompassed a mix of different types of tools to stimulate the economy, from infrastructure projects to labor market policies. Some of these are analyzed from a human rights perspective below.

Overall, a heavy emphasis in economic policy responses has been on spending in infrastructure.9 Public infrastructure spending has the potential of providing increased employment opportunities for many, guaranteeing family income, and promoting an individual’s right to work.10 All unemployed people, regardless of previous employment status, can access benefits from infrastructure. Investments in infrastructure can also improve and create lasting assets for a country, which if well-designed, would include social infrastructure projects (e.g. health care, childcare, water, sanitation, education) and environmental protection. All this can serve as the backbone of a rights-fulfilling state.

Yet, despite these potential benefits, poorly designed infrastructure development policies, especially in the energy and transport sector, have in the past tended and continue to have severely adverse human rights impacts, especially through displacement, forced evictions and repression of communities that defend their rights to housing, property and access to land.11 Furthermore, equality in access to infrastructure-generated employment is a fallacy in most countries, simply because the bulk of jobs created are so often appropriated by men. Women, for example, tend to be underrepresented in the building and infrastructure sectors for a variety of reasons, and are therefore often excluded from benefiting from this government response. Infrastructure projects can be improved with regard to equality of access by designing recruitment and information dissemination strategies so that they reach unemployed women with childcare, family and other responsibilities.12
Several innovative labor market policies—such as work-time sharing schemes, hiring subsidies and workforce trainings—have been adopted in the face of this economic crisis to protect people and decent jobs by spreading out the negative impacts of the crisis and preventing layoffs. Applying a human rights lens to such policies would arguably strengthen their effectiveness in the short term, and lead to a more sustainable and just economy founded on job security in the medium term. Hiring subsidies targeted to specifically disadvantaged groups in the labor market for example may have the potential of strengthening more equal enjoyment of economic and social rights protection. Chile has included support for hiring youth in its response to the crisis, Japan has included support for hiring persons with disabilities, and the UK for those unemployed longer than 6 months. Governments should keep in mind however that some labor market policies which are positive in the aggregate may have their own de facto discriminatory effects.
Social Security and Social Protection

The right to social security is an obligation enshrined in the Universal Declaration of Human Rights and codified into international human rights law. Governments have an obligation to immediately establish a basic social protection system and progressively expand it over time according to their available resources. Systems of social security and social protection are essential in times of crisis to protect those who suffer from the negative effects of the economic crisis. In addition to flowing directly out of governments’ duties to fulfill the economic and social rights of its people, social security systems are also quite useful social and economic stabilizers in times of crisis, as they focus fiscal stimulus primarily on those more likely to consume, with positive consequences in combating inequality, supporting health and nutrition, developing educational levels, fighting child labor and ensuring gender equality. What’s more, basic social security programs are fiscally affordable to all but the poorest States.

There have been some encouraging signs of governments across all income groups increasing spending on social protection programs for vulnerable social groups post-crisis, including for migrant workers, older persons, women and mothers, the poor and low-income, persons with disabilities, youth and ethnic minorities. These programs include unemployment benefit schemes, cash transfers, support for pensioners, and other efforts to provide social protection. In the relatively resource-poor Caribbean, for example, governments have a good record of strengthening social spending and social protection in response to the crisis. The government of Antigua and Barbuda subsidized utilities for pensioners and increased pension payments. Social welfare payments increased by 10% in Dominica and the minimum wage was increased. In St. Kitts and Nevis, the government distributed 224 acres of land to rural workers for agricultural production. In Grenada, a free milk program for families with small children and persons with special needs was instated. The government of Bolivia—one of the world’s lowest income countries—raised the minimum wage 12% post-crisis, and spent more than 2% of its GDP investing in a number of social protection programs. These programs, transfers and bonuses helped to simultaneously offset the adverse impacts of the global downturn, bolster demand and economic activity, support particular disadvantaged groups (older persons, children, pregnant women and others) and help sustain people’s struggle out of poverty.
Yet, this assessment is not as rosy everywhere, as many countries are still faltering in their duties to provide basic social protections for all. Only 48% of countries in a recent survey targeted employment programs at the poor. Only 17% of higher-income countries implemented policies to increase women’s employment, including upon return from maternity and parental leave, established quotas for women in employment programs targeted at the poor, or facilitated the combination of professional and family responsibilities. And only 25% of countries surveyed provided additional support to the older persons.  

India’s National Rural Employment Guarantee

India had in place various social protection measures before the downturn to soften the blow of the economic crisis. The 2005 National Rural Employment Guarantee Act (NREGA) is one instance. Growing out of years of human rights advocacy and favorable legal holdings on the right to food, NREGA guarantees adult members of any rural household one hundred days of employment every year to carry out public work at the statutory minimum wage. At least one-third of those employed must be women, and the Act provides for equal daily remuneration for women and men. Safe and adequate working conditions must also be ensured. Use of this employment-generation and wage-led recovery program has doubled since the economic crisis struck India. It serves as a powerful example of a human rights-centered economic policy in action, cushioning economic shocks by undergirding the enjoyment of one key economic and social right—the right to work—of many rural and migrating Indians.

Tax policy reforms in times of crisis

A large share of stimulus packages worldwide, particularly in OECD economies, have included tax cuts. Policymakers have tried to justify these cuts by arguing that the increased income which results will drive spending, investment and thus economic recovery. Such a strong emphasis on tax cuts—in particular personal income tax reductions for the wealthy—are questionable from a human rights perspective, as the rich generally benefit proportionately more than the poor, and the resulting decrease in a government’s resources available to realize their rights commitments adversely impacts the poor more than the rich. Furthermore, tax cuts have been shown to be less effective in creating jobs and stimulating the economy than investments in social programs. People with disposable income save rather than spend in times of adversity, whereas investments in the poor and economically disadvantaged create rapid multipliers as consumption on basic necessities rise along with their capacities to spend.

On the other hand, post-crisis fiscal reforms aimed at increasing the tax base might also have negative human rights impacts, especially if regressive in nature. In Peru, for example, a flat sales-tax is responsible for 50% of the national budget. This regressive tax strikes the poor more than the rich as a percentage of their income, and includes several exemptions, mainly oriented to the private sectors. Raising this flat sales-tax in times of crisis would likely disproportionately harm those already experiencing the worst of the crisis. Governments in Eritrea and Djibouti in response to the crisis have purportedly considered raising taxes across the board while at the same time reducing public spending. Such measures are likely to disproportionately affect women, by reducing their access to essential public services and increasing their unpaid care work to compensate for the services that governments no longer provide. If tax policies are made more regressive, through for example VAT and indirect taxes, then poor women’s real incomes will also be adversely affected. For these reasons, any meaningful implementation of human rights norms in economic policy requires governments to avoid reforming the tax structure in ways which discriminate, or which pull resources away from fulfilling the economic and social rights of people.
Economic stimulus package in the U.S.

This global economic crisis had its origins in the U.S. financial markets. Therefore, one of the early priorities of the U.S. government was to stabilize the financial markets in an attempt to limit the negative impact on the economy. The policies pursued remain controversial and include bailouts and rescue packages extended to large financial corporations, often without explicit conditionalities on the use of the allotted funds (e.g. executive compensation). To the extent that the resources channeled to the financial sector prevented an escalation of the real economic crisis (in terms of rising unemployment and government cutbacks to essential services), they may have been justified as an emergency response to the turmoil in the financial markets. But from a human rights perspective, the impact of these policies is uncertain and should be subject to careful examination and consistent monitoring and evaluation.

The U.S. government enacted a multi-billion dollar stimulus package in response to the economic downturn, with the objectives of generating jobs and helping to cover some of the budget shortfalls state governments were facing. However, the resources devoted to rescuing the financial sector far exceed the resources used for direct stimulus of the real economy. The U.S. government authorized $700 billion to be used to save the financial sector through the Troubled Asset Relief Program (TARP), and although it has devoted approximately $787 billion dollars to fiscal stimulus through the American Recovery and Reinvestment Act, as much as $288 billion of that package is comprised of tax cuts. Given the immediacy and magnitude of the crisis, this may not have been the most effective or efficient way of creating jobs of dignity and building a just and resilient economic base.

Specific impacts of the stimulus package on realizing people’s human rights in the U.S. has been mixed so far. In some cases – for example, in closing the shortfall in the Medicaid budget – the stimulus was well-targeted to meet the needs of poor families and more vulnerable groups. However, many have argued that the sectors specifically targeted for job creation within the stimulus spending—construction in particular—have typically been dominated by men, and white men in particular. It is unclear in other words about whether the benefits of the stimulus spending will be equally shared in a non-discriminatory way. The issue is complicated by the fact that the many of the sectors targeted by the stimulus package are also the sectors which experienced the largest job losses as a result of the crisis. It is telling however that the individuals and families directly impacted by the sub-prime mortgage crisis (including many families of color and single mother households) have not received even close to the amount of assistance which the large financial conglomerates received. This raises questions about whether the U.S. government used the maximum available resources at its disposal to counteract the negative impact of the crisis on social and economic rights.

Significant cutbacks to areas fundamental to the realization of social and economic rights have been made, particularly at the state level, since the onset of the economic crisis in the U.S. Many states will face an even larger shortfall in the near future – even if the economy begins to recover. While tackling fiscal deficits may very well be of concern in the longer term, the protection of people’s economic and social rights in the short-term through equitable, participatory, transparent and expansionary fiscal policy is essential to rebuild confidence and sustainable economic growth.
IV. Financial and Monetary Measures

“We have to do more than just fix the current financial disorder. We have to improve governance so that globalization produces fairer results and promotes social justice. And we have to make sure that it is environmentally, economically, socially and politically sustainable.” ~ Ban Ki-moon, Secretary-General of the United Nations

The financial crisis of 2007 and 2008 was caused by failures in monetary and financial sector policies stemming from an unsustainable and flawed neo-liberal model of growth and development that has prioritized free markets over the public interest and the financial economy over the real economy.

While developed countries have been affected primarily via the extensive financial crisis, developing countries were affected more by the global economic trends that the financial crisis precipitated, as the problems of the financial sector spilled over into the real economy and global trade collapsed. Yet the monetary and financial measures taken at both national and international levels have tended to prioritize saving the international financial system and restoring the status quo, rather than radically reforming the financial system to prevent another collapse, let alone guaranteeing protection for the lives and livelihoods of the millions of people pushed into greater poverty and debt due to the crisis. Most government responses including monetary and financial policy responses have focused on treating the symptoms, rather than the underlying causes of the crisis.

Irresponsible financial risk-taking, combined with loose monetary policy and failures in banking regulation caused the financial crisis. Yet, accountability for these actions continues to lag.

The sub-prime mortgage crisis and loose monetary policy – the policy of low interest rates – combined with resistance to regulation and excessive risk-taking of the banks and the explosion of credit/debt between 2002-2007 were the causes of the financial crisis. As the Outcome Document of the UN’s June 2009 conference on the crisis makes clear, the majority of governments around the world recognize that the crisis was caused by “…regulatory failures, compounded by over-reliance on market self-regulation, overall lack of transparency, financial integrity and irresponsible behaviour…” Even Mr. Alan Greenspan, former president of the U.S. Federal Reserve, admitted that he had placed too much faith in the ability of markets to self-regulate.

Despite this recognition that the financial crisis was caused by concrete government policy choices as well as the irresponsible actions of the banking and financial sectors, there has been a tendency to characterize the financial crisis as an unpredictable, one-off event that no one could have seen coming – and therefore for which no one can be held responsible. Many civil society organizations including women’s rights organizations have been warning of this crisis and denouncing the economic model that produced this and other crises for decades. Yet the focus of policy responses overall has been to restore the stability of the financial sector, failing in general to take measures to hold those responsible to account for negligent, reckless or outright fraudulent behavior which may have precipitated the crisis or compounded its consequences. In sum, there has been little effort to integrate the key human rights principles of accountability and transparency into government policy responses.
Under human rights law, governments have a duty to take steps towards the full realization of the economic and social rights for all people living in their countries, as well as taking steps to avoid retrogression in the levels already achieved, even during periods of crisis.

During this crisis, monetary policy responses in the more developed countries at least have been highly expansionary and counter-cyclical, bold and unprecedented in scope. Central banks in these countries cut interest rates to close to zero (including the U.S. Federal Reserve, the Bank of England, the Bank of Japan, the Swiss National Bank and the Bank of Canada) which has helped the banking system and eased liquidity. Monetary authorities also provided unprecedented amounts of additional funds and liquidity to keep the banks and financial institutions afloat, including purchasing sub-prime and other toxic assets from the banks. Massive public funding was made available to recapitalize the banks, including taking partial or full government ownership, as well as backing deposits and other assets with government guarantees and insurance. These steps have not always ensured however that banks make loans to stimulate the economy.

These responses have been important to the extent that they have helped to stabilize financial markets and prevent a full-blown economic collapse. But the massive resources devoted to rescuing the financial sector have far exceeded the resources devoted to the fiscal stimulus or social protection programs needed to restore the economy and rescue peoples’ jobs and standards of living. Worldwide publicly guaranteed funding for financial sector operations has been estimated to be about U.S. $20 trillion (30% of world GDP), while fiscal stimulus packaged have totaled only U.S. $2.6 trillion (4.3% of world GDP). Some of the funds for financial sector operations may be recouped, but there are serious concerns that some forms of government asset purchases, asset insurance and government guarantees will not return to the public, and may in fact expose ordinary people to continued losses and un-quantified risks.

In the UK, for example, the National Audit Office has released a report that suggests that government support to the financial sector (including government purchases of shares, government loans, insurance and guarantees made to banks) has reached £850 billion, which amounts to £40,000 per family. Although some of these funds will be recuperated as the government sells these assets, the total cost to the taxpayer will not be known for many years. In the U.S., the billion-dollar bailouts have been highly controversial because they have benefited the largest, most powerful New York banks, including the investment banks with no depositors, without extending much support to the local or cooperative banks where many depositors have their accounts. Government responses to the sub-prime mortgage crisis in the U.S., which precipitated the financial crisis, have for their part prioritized easing liquidity problems for the bank over protecting people from losing their homes. While governments’ bailout funds include few explicit conditionalities on banks (e.g. limits on executive compensation), as many as two million families will be evicted from their homes as their cases make their way through the courts. There has also been little public analysis and dialogue about whether these massive bailout packages will come at the expense of social sector spending and the fulfillment of human rights in the future.
Under human rights law, governments have an obligation to ensure transparency, accountability, participation and equity in their public policies, yet many of the monetary and financial support measures of governments have failed to meet these standards.

Government responses have rarely been analyzed with respect to the implications for equity and inequality, for example. The trillions of dollars in banking bailouts may have effectively transferred the losses of the financial sector onto taxpayers, which amounts to a massive transfer of wealth from ordinary people to the wealthy. This has been popularly referred to as “privatizing profits and socializing losses” or “socialism for the rich, capitalism for the poor.”

This represents a transfer of wealth from ordinary families to the financial companies, and a redistribution of risk from financial markets to the economy as a whole, transforming what were private debts into significant public budget deficits. In the unfortunate but all too likely event that governments decide to cut back on economic and social rights protections as a result of these deficits, the bank bailouts may serve to exacerbate inequalities between rich and poor, with ordinary people bearing most of the costs of the financial meltdown with their lives and livelihoods.

What’s more, democratic debate of many of the measures adopted has been limited or ignored completely, despite the fact that ordinary citizens are being asked to bear such a substantial burden. Although widely agreed that the stability of the financial system is an important goal, there has been little public dialogue by governments as to how the costs of the rescue should be borne. From a human rights perspective, the right to information is particularly important to enable democratic debate and participation, but a marked lack of transparency and information about the precise details of many of the rescue packages has reigned. Some economists have suggested that the opaque and complicated nature of the bailout may not be entirely unintentional: "[Government officials] see this all as a Three Card Monte, moving everything around really quickly so the public won't understand that this really is an elaborate way to subsidize the banks," says Dean Baker of the Center for Economic and Policy Research, adding that the public "won't realize we gave money away to some of the richest people."

Under human rights law, governments have a duty to protect economic and social rights which means that they must regulate third party actors to prevent them from causing harm. This means that governments must play an important role in regulation, control and oversight of the financial industry (and other economic actors) to guard against excessive risk-taking, speculation and greed and to protect citizens and consumers against abuses of their rights.

Over the last 20 years, governments have moved towards ‘self-regulation’—that is to say biased regulation serving the needs of the financial sector—based on the belief that perfect, self-regulating markets would allow for the best allocation of resources. The financial crisis revealed the fallacy of this idea of ‘self-regulating’ markets and revealed how much of the financial innovation over the last five years led to the
creation of financial products focused on speculation with no economic or social utility. Much of the regulation which once existed to protect people and the real economy has been purposefully eliminated or re-written in favour of the financial sector. The sub-prime housing crisis in the U.S., as one example, demonstrates how regulation failed by permitting financial institutions to engage in predatory lending practices with loans on unfavourable terms targeted at low-income households.

Hedge funds, private equity funds, derivative instruments and credit rating agencies are other key financial market actors that have too long been left to their own devices, and which have had profound, measurable impacts on human rights. Hedge funds in many countries have been allowed to become mainstream mechanisms for ordinary citizens to hold their savings, widening the risk to the right to social security. Hedge funds and private equity funds have also forced irreversible restructuring of companies around the world, leading to sudden unemployment and related labor rights violations. Extraordinary profits were also fostered by leverage strategies that relied on tax exemptions on debt financing. This has put sources of public revenue at risk, and limited fiscal expansion possibilities of many governments just at the time they need it most to spur job creation and strengthen social protection measures.

Yet governments have been slow to prioritize fundamental reform of the financial sector and the way in which it is regulated. In the United States, draft legislation to regulate financial markets and institutions to prevent a repeat of the crisis has been introduced, but its final form is uncertain. It is certainly difficult to assess whether the measures which are finally adopted will be sufficient to protect people from a similar financial disaster in the future. Many seasoned experts are not so sanguine. Former IMF economist Simon Johnson for his part has persuasively argued that the finance industry has effectively captured the U.S. government, preventing precisely the type of policy actions needed to prevent another financial meltdown.

From a human rights perspective, governments must act to protect all people in their jurisdiction, not just specific groups with influence and power. Although human rights does not give precise guidance on what financial regulation should look like, many international experts and institutions have specified that as a start “prudential regulation and the effective supervision of financial institutions should aim at ensuring the solvency of financial institutions by establishing adequate capital requirements, appropriate standards for risk assessment and diversification, sufficient provision for non-performing and questionable portfolios and adequate levels of liquidity to address maturity mismatches between their assets and liabilities.” Strong international cooperation and assistance will be necessary in these efforts to protect the economic and social rights of all.

Central banks as public institutions have human rights duties. They can do more to strengthen the economic and social right, rather than stringently target inflation alone.

The realization of human rights can also be affected directly by monetary policy through for example its effects on the right to work and the right to housing. Many central banks have a dual mandate to promote price stability as well as maximum employment. Over the last two decades, however, the focus of monetary policy has become increasingly focused on the management of inflation alone. The current crisis has revealed how untenable this position is as monetary policy tools along with fiscal ones are being used to reflate economies. Central banks must go further to recognize that their autonomy does not mean lack of responsibility in serving the interests of society as a whole. Central banks must then balance the need to achieve stable and low inflation with their duties to battle income inequities and stabilize peoples’ employment and means of livelihood through various credit and supervisory instruments.
Although many central banks make substantial quantities of information public – including through the minutes of their meetings – there is no scope for direct participation in decision-making and the systems of accountability are severely limited. This has become clear during the crisis when policies have been instituted rapidly, without democratic dialogue or even transparency despite the use of billions of dollars of public funds.

South Africa: Working Towards a Participatory Response to the Crisis

The South African government has taken efforts to design its policy response to the economic crisis in a participatory way by joining with the National Economic Development and Labor Council (Nedlac), an autonomous institution specifically structured to bring together organized constituencies from government, the business sector, labor unions and the community to reach consensus on economic and social policy. Nedlac members have played an important role in the formulation of policy proposals, such as targeted tax relief at low-income workers and the poor, and a worker training scheme, which would allow struggling companies to suspend workers for a period, while providing workers with a training allowance. Nedlac members have also been active in holding the government accountable to its promises. COSATU, one of South Africa’s main labor unions, for example, has criticized the government for slow implementation of the its promise to create 500,000 jobs by the end of 2009 and four million jobs by 2014. While these efforts at designing a participatory economic policy in response to the economic crisis are noteworthy, few human rights organizations interviewed are involved in this initiative. There is therefore room for South Africa to move even closer towards achieving its collective response objective by allowing for greater dialogue and debate about policy measures with civil society at large.

V. International Constraints to Implementing a Human Rights Response

Various factors have turned a financial meltdown in the U.S. into a worldwide recession. In developing countries, especially those less integrated into the international financial system, the banking crisis has been less severe, and the impacts have been felt predominantly through the impact on the real economy through the collapse in trade and in employment. While this report focuses on national-level responses to the crisis, many governments—especially in developing countries—have faced almost insurmountable obstacles to implementing rights-fulfilling policies due to certain international dimensions of the crisis largely outside of their control. Three global factors stand out as especially potent in transmitting the crisis, exacerbating its impacts and constraining government policy options in the global South: trade, debt and aid.

Trade

The abrupt fall in demand and prices for export products from developing countries acted as a principal channel for the impacts of the economic crisis on developing countries, particularly the poorest of them. As export revenues drop, many countries in the South face a critical shortfall in government foreign exchange earnings and revenues from trade taxes – an important source of financing for development in many countries. Lacking these critical resources, governments are then severely constrained in their attempts to tackle the economic crisis through expansive, sustainable fiscal policies.

In countries where natural resources amount to an important portion of exports, the fall in demand called for tightening of the balance of payments. The Mongolian budget balance, for instance, went from a surplus to a deficit when the price of copper fell some 70%. In Zambia, where copper accounts for up to 80% of
all export earnings, the economic downturn led to the loss of some 8,500 jobs out of a total of 30,000 jobs in the mining sector, each one supporting up to another 20 jobs in the service sector. What’s worse, the Zambian government responded to this shock to their earnings by annulling the modern, progressive tax reforms in the mining sector won prior to the crisis and needed to invest in social programs. The new tax regime purportedly benefits large, foreign-owned copper companies.\textsuperscript{49} While jobs might be recreated, a progressive tax and royalty system will be much more difficult to re-establish.

Some export-dependent countries—especially in Africa—have chosen export competitiveness as their response strategy. With this aim, Cameroon reduced or waived import taxes on equipment, tools and goods required for oil exploration. While these tax cuts will certainly benefit oil companies, the positive impact of such measures on the overall balance of payments, government revenue (and thus social services and ability to enact inclusive, expansive fiscal policies) and economic growth is unclear. The Central Bank of Madagascar for its part chose to devalue its currency to bring the prices of its exports down on the global market. While such devaluation may achieve the goal of boosting exports, this policy has the trade-off of negatively affecting poor urban households and domestic firms as prices of imported consumer goods and production inputs rise.\textsuperscript{50}

But the trade impacts are not limited to countries dependent on commodities. For many countries services such as tourism and transport make up a large proportion of their earnings. Revenues from tourism in Egypt, declined by 7.8\% in the fourth quarter of 2008, compared to a growth of 38.3\% in the same period in 2007.\textsuperscript{51} Neither are those countries that succeeded in evolving a manufacturing industry doing a lot better. In Cambodia and Pakistan, where the garment industry constitutes such an important share of exports, the shrinking demand for clothes led to massive unemployment,\textsuperscript{52} particularly for women who occupy the majority of jobs in this industry.

Lower exports have led to less public finance precisely at the time when pressure on public budgets is greatest, making it even harder to introduce human rights consistent economic policies. The fall in trade is not of course important for its own sake, but because of the resulting employment losses, which by depriving people of a stable income in an already difficult economic environment compromises their ability to access food, shelter, and other essential economic and social entitlements. The heavy reliance of many developing countries on export-led economic strategies did not happen by coincidence or even by necessity, but came in many countries as a result of years of profound economic restructuring – stemming from a neo-liberal approach to growth and development - which in many cases was explicitly or implicitly imposed through conditionalities in financing programs entered into with international financial institutions and donors.

**Debt**

As a consequence of the crisis, debt levels in developing countries are on the rise. UNCTAD estimates that in 2009 debt service in relation to government revenue increased by more than 17\%. After a few years of improvement in the debt situation of developing countries, it was reported in 2009 that 28 countries already had debt in excess of 60\% of GDP. Accounting for additional borrowing needed to offset the shortfalls in external financing, estimates showed that a handful of countries are the verge of high risk of outright debt distress.\textsuperscript{53} The pressing financing needs to restore the economic and rescue people’s livelihoods have led governments to rush into growing indebtedness, with little attention to the potential impacts of such debt in future and without enough involvement of different stakeholders on the design of contracts, conditions undertaken and destination of the received resources. Such ominous debt burdens represent fundamental constraints for many governments in living up to their economic and social rights obligations through economic policies.
History shows that a large debt overhang acts as an impediment to the fiscal capacity of governments to meet their human rights obligations. The consequences of such indebtedness and their impacts on the progressive realization of human rights, especially economic and social rights, for the future cannot be ignored. Human rights norms and principles are critical in guiding the assessment of borrowing that needs to be undertaken and the demands that should be met through grants rather than loans. Principles of accountability and transparency are especially essential pieces to developing an orderly, transparent and fully participatory debt audit process and workout mechanism, and to ensuring new lending is engaged in a responsible way, with appropriate social control, so as to prevent the generation of more illegitimate debt future generations will be forced to pay.

While debt cancellation for countries which had no hand in spawning the global economic crisis is a way to increase the fiscal space for governments to undertake spending without further borrowing, there have been limited consideration of this option among the international responses to the crisis. Even a more limited call by UNCTAD last year to implement a 3-year moratorium on debt service for developing countries did not meet agreement in either the Group of 20 or the United Nations Summit on Financial and Economic Crisis.

**Aid**

International cooperation in the realization of economic, social and cultural rights is an obligation of all States under well-established principles of international law, particularly for those States responsible for the economic downturn or in a position to assist. Yet, human rights dimensions of the crisis have barely figured in the diagnoses or prescriptions in terms of aid proposed by the G20. The measures that donors and creditors announced in response to the crisis at the G20 Summit in London in April 2009 and subsequent inter-governmental conferences were, undoubtedly, unprecedented commitments of new finance to developing countries. But these commitments were, in large part, in the form of new non-concessional lending. Out of the impressive figure of $1.1 trillion which the G20 committed, it is estimated that very little if any of these funds would come as grants, but instead more debt-creating instruments. An amount of $750 billion are constituted by new resources that the International Monetary Fund (IMF), for instance, would have available, but this funding in all reality dwarfs traditional concessional aid commitments. As Salil Shetty, director of the UN Campaign to achieve the Millennium Development Goals, has pointed out:

“The massive bailouts we have seen for the financial industry have shown us that the real issue we face in addressing this global crisis is not the availability of money, but the availability of political will. The amount of money needed annually to achieve the Millennium Development Goals is a miniscule fraction of the estimated $5 trillion of public money mobilized for the bank bailouts.”

Moreover, it is far from clear that the bulk of such financing would go to developing countries or even those most in need. The IMF did in early 2009 implement measures to double concessional assistance to low-income countries and forfeit interest payments on outstanding loans to low-income countries until 2011, both steps in the right direction. But by November 2009, 18 countries had drawn on emergency financing through standby programs of the IMF, totaling some $53 billion, of which about $25 billion was allocated to Iceland and countries in Eastern and Central Europe, $18 billion to economies in transition and only $10 billion to developing countries.

Furthermore, the IMF continues to condition disbursement of funds on the reduction of fiscal deficits, despite a broad consensus on the need for fiscal stimulus actions to restore growth. As a result, several governments have been left with no room or freedom to engage in the countercyclical measures necessary to support economic and social rights. In Pakistan, for example, its IMF loan agreement explicitly requires a
reduction in the fiscal deficit from 7.4% of GDP to 4.2%. Romania for its part was required to bring the budget deficit down now and over time by restructuring wage policies and raising the age of retirement, with the frank IMF assessment that “excessive public spending in recent years and the current tight financing environment do not leave room for counter-cyclical fiscal policies.” Public expenditure reductions, fiscal consolidation plans, public sector wage cuts, the phased elimination of subsidies, capping pension payments and postponing social benefits are just a few ways such restrictive fiscal measures are carried out, posing clear threats to the equitable enjoyment of economic and social rights.59 By preventing, rather than supporting, the type of countercyclical spending (and autonomous policy space) highly required in times of crisis, conditionalities undermine human rights and gender equality.

Finally, it is feared that budget cuts and the shift of funds to fiscal stimulus packages by governments in the global North will lead to some substantial cut backs in development aid. Though not yet as precipitous as originally expected, some cuts have already been announced by governments. In other cases, the reduction results even when the respective donor maintains a percentage of GDP target, given the reduction in the overall GDP figures as a result of the crisis.

With the enjoyment of human rights, in particular the social rights of so many people at stake due to the financial crisis, donor governments must not regress on their obligations to international assistance. The economic crisis must not be a justification to cut development aid in any way, and those most responsible for the crisis have certain responsibilities to increasing its unconditioned financial commitments, strengthening the ability of developing country governments to discharge their obligations to avoid regressive measures in the fulfillment of economic and social rights.

VI. By Way of Conclusion

The profound downturn ravaging low- and now high-income countries is not only a crisis in the economy. It is also a crisis in confidence. This context of deep, interlocking economic, social and environmental calamities worldwide hands us an historic opportunity and indeed a generational responsibility to rethink the manner in which decision-making in economic policy has so far occurred, not only to alleviate the impact of this financial crisis but to re-structure our broken global economy with concrete economic policies founded in human rights norms and principles.

A human rights policy response does not presuppose a certain type of economic system, nor preordain detailed fiscal or monetary policies in all contexts. Yet, human rights do provide a clear and universally-recognized framework for guidance in the design, implementation and monitoring of economic policies and programs. Human rights-centered economic policies which generate real equal access to the benefits and ensures shared burdens from the harms of economic activity—protecting people and the environment—are not only necessary as a matter of morality and justice. They are crucial to ensuring a more sustainable, more equal and more resilient economic system in the trying times ahead.
VII. Views and Recommendations

To national governments

- Formulate, implement and oversee economic stimulus packages in gender-sensitive and non-discriminatory ways. The use of participatory human rights impact assessments—with data disaggregated by social group—are essential to ensuring economic stimulus packages and other economic policies do no harm and, moreover, have positive impacts equally across society in ways relevant to the local context.
- Protect and when possible augment investments in the fulfillment of economic and social rights for all, and ensure that any tax reforms are non-regressive by nature and effect.
- Ensure accountability, transparency, participation and equality/equity is at the heart of all economic policies, programs and projects.
- Guarantee in the context of export and development strategy the immediate fulfillment of minimum levels of economic and social rights, in a manner which secures prioritized protection of disadvantaged groups, the non-adoptions of retrogressive measures, and the full implementation of these rights in the near and longer-term in accordance with the maximum available resources.
- Primary commodity-dependent countries should see the current commodity price crisis as an opportunity to move away from the export-led model. Furthermore, these countries should increase their domestic demand by focusing on their domestic and/or regional markets, especially the food and consumer goods segments where small scale producers and women’s small and medium sized enterprises are concentrated.
- Governments—domestically and in concert with others—have obligations to adopt policy and legal measures to protect against abuse and fraud by preventing banking and other financial sector entities (such as hedge funds, private equity funds, derivative instruments and credit rating agencies) from actions which risk interfering with the realization of human rights. Governments in this regard must strengthen accountability and the rule of law by, for example, reigning in criminal behavior. Where certain acts are not qualified as crimes (i.e. "tax evasion" in certain countries) or as an offense that triggers legal liability, then appropriate legislation should be brought to bear. Further, governments must take serious action to ensure that those individuals and countries affected through no fault of their own attain appropriate remedies to hold those responsible to account and obtain redress.
- Banking sector reforms should preserve the space for national governments to regulate banking services to ensure that they do not discriminate against the poor or disadvantaged, but instead serve the interests of society by ensuring access to credit for all. If state-provided banking services are considered a better option for achieving those purposes, they should be fully employed.
- Central banks should recognize that their autonomy does not mean a lack of responsibility for the fulfillment of human rights obligations undertaken through policies of which they are part and parcel. Central banks must then balance the need to achieve stable and low inflation with their duties to battle income inequities and stabilize peoples’ employment and means of livelihood through various credit and supervisory instruments.

To the international community

- Engage in a comprehensive and systematic analysis of the structural causes of the crisis – and acknowledge the presence of multiple, interconnected crises. This analysis must include gender equality and human rights dimensions to identify emergency and long-term responses to mitigate the social, economic and cultural impacts of the crisis, especially on vulnerable populations. This analysis should,
in addition, initiate a long-awaited dialogue on the transformation of the international financial architecture.

- Principles of accountability and participation in economic policy-making are impaired when intrusive policy conditions are demanded by international financial institutions and donors. States should be empowered to assert that their human rights obligations take full priority over any other economic, trade or investment commitments. Developing countries should have policy space to develop responses/implement policies to the crisis that are best for all their citizens, particularly the poorest. In this vein, conditionalities imposed by international financial institutions should be removed. Specific policy measures should be agreed upon in advance of any commitments of new resources to the IMF, including more macroeconomic flexibility, and a guarantee that countries will have choice to expand healthcare and education spending, irrespective of budget caps.

- Ensure a coordinated global macroeconomic policy response that focuses on counter-cyclical and expansionary monetary, credit and fiscal policies not only in developed countries, but in all countries. This could include a global stimulus package for economic growth, creation of full and productive employment and decent work, social protection, food security and human development should be implemented. Furthermore, any such additional resources channeled through the IMF and World Bank should be contingent on necessary reforms in these institutions.

- Address the regulatory deficit of global finance, including through new financial governance with adequate representation of countries in the South and UN agencies, and the authority to influence decision making in national regulation bodies, especially in developed countries where the financial crisis originated.

- Trade policies and agreements should move countries away from the imbalances and gaps of the World Trade Organization (WTO) regime and the failed Doha Round. Mandatory clauses in the General Agreement on Trade in Services (GATS) and Free Trade Agreements (FTAs) on the liberalization of trade in financial services should be removed and the ability of developing countries to use a mix of trade and investment policy tools necessary for them to mitigate the impact of the global financial crisis on their real economies should be supported. Industrialized countries must not use their stimulus packages for subsidies and procurement that exacerbate asymmetries in the global trading system.

- Given the highly negative effects of the sharp decline in commodity prices on many developing countries caused by failures to protect in the financial market centers, establish compensatory financing schemes and quick-disbursing mechanisms with minimal conditionality to reduce the large costs of adjustment for countries hit by exogenous shocks linked to their terms of trade.

- The aid and financing for development agendas must be in line with international human rights obligations – and support gender equality and environmental sustainability. Decisions on aid and financing for development – as well as responses to the crisis - should convene all relevant stakeholders, including women’s rights organizations, in an open, democratic, transparent, non-discriminatory and accountable manner.

- Those States that have enjoyed a more powerful position in decision-making on global economic policies have had greater responsibilities in causing, through their actions and omissions, this global meltdown. This means that they, in turn, carry greater responsibility in the mitigation of the consequences, and in steps needed to assure a just and sustainable way forward.

To the United Nations Human Rights Council

- Continue to review and analyze the impacts of the financial and economic crisis on human rights, and to cooperate with governments and international institutions to bolster the design, implementation and monitoring of human rights-led economic policy platforms.
• Provide a follow-up report—with broad participation from civil society organizations, academic experts and intergovernmental organizations—on the impacts of the financial and economic crisis on human rights at the Human Rights Council’s next session.

• Strengthen the capacity of human rights institutions at global and regional levels to effectively monitor in a disaggregated way the impacts of the global financial crisis on human rights and engage in policy dialogue with the organizations with economic policy mandates that are directly designing, developing and implementing response measures.

• Appoint representatives from inter-governmental organizations with a human rights mandate to the ECOSOC panel of experts on the world economic and financial crisis and its impact on development once this body is established.

• Engage actively in the ad hoc Working Group of the General Assembly to ensure coherency between this Group’s work and the human rights protection regime.

• Establish a multi-stakeholder Group of Experts on human rights responses to economic and financial crises, with the mandate to monitor economic policies, formulate recommendations on policy measures that could mitigate the impacts of the global financial crisis as well as ensure that the negative effects of future crises on the enjoyment of human rights be prevented.
Endnotes


3 Useful insights and recommendations were also drawn from sub-regional briefs commissioned by AWID from several women’s rights experts, activists, and gender advocates (see AWID’s sub-regional brief series on the impact of the crisis on women’s rights, available at http://www.awid.org/eng/About-AWID/AWID-News/Brief-Series-Impact-of-the-crisis-on-women-sub-regional-perspectives), from “Highlights from the Strategy Meeting to Follow Up the Efforts on Aid Effectiveness, Gender Equality and the Impact of the Crisis on Women” stemming from a meeting co-organized by UNIFEM and AWID in August 2009, as well as Women’s Working Group on Financing for Development (WWG on FfD) “Time to Act: Women Cannot Wait A call for rights based responses to the global financial and economic crisis” (June 2009), available at http://www.awid.org/Issues-and-Analysis/Library/Time-to-Act-Women-Cannot-Wait2

4 More information can be found in the various General Comments of the UN Committee of Economic, Social and Cultural Rights, available at www.ohchr.org.


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10 See, for example, ILOb, supra.


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