

# ***Children in times of economic crisis: a child rights perspective***

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UNIVERSITY OF BRISTOL

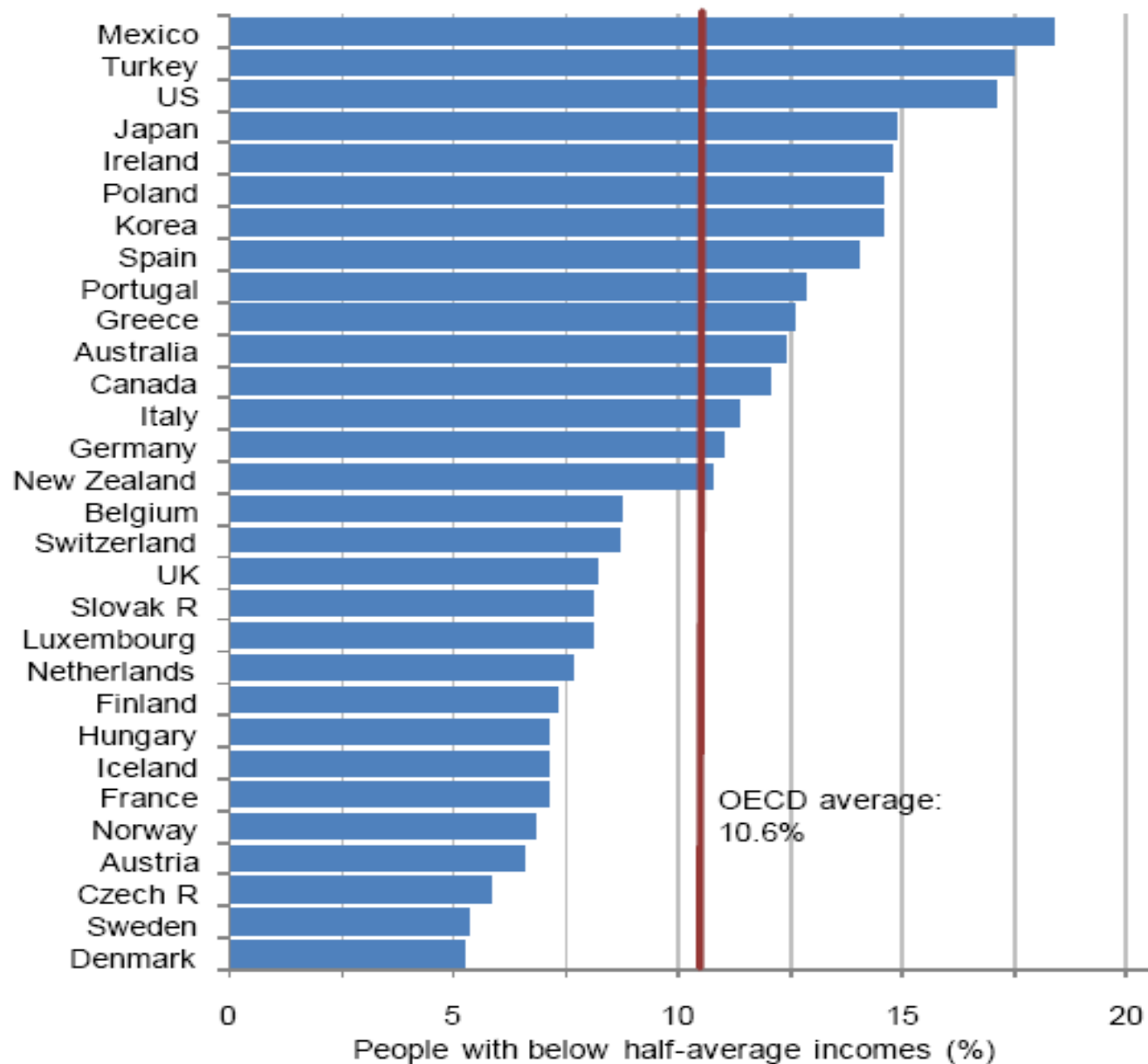
**Townsend Centre  
for International  
Poverty Research**



FIRST UNITED NATIONS DECADE FOR THE  
*eradication of poverty*  
(1997-2006)

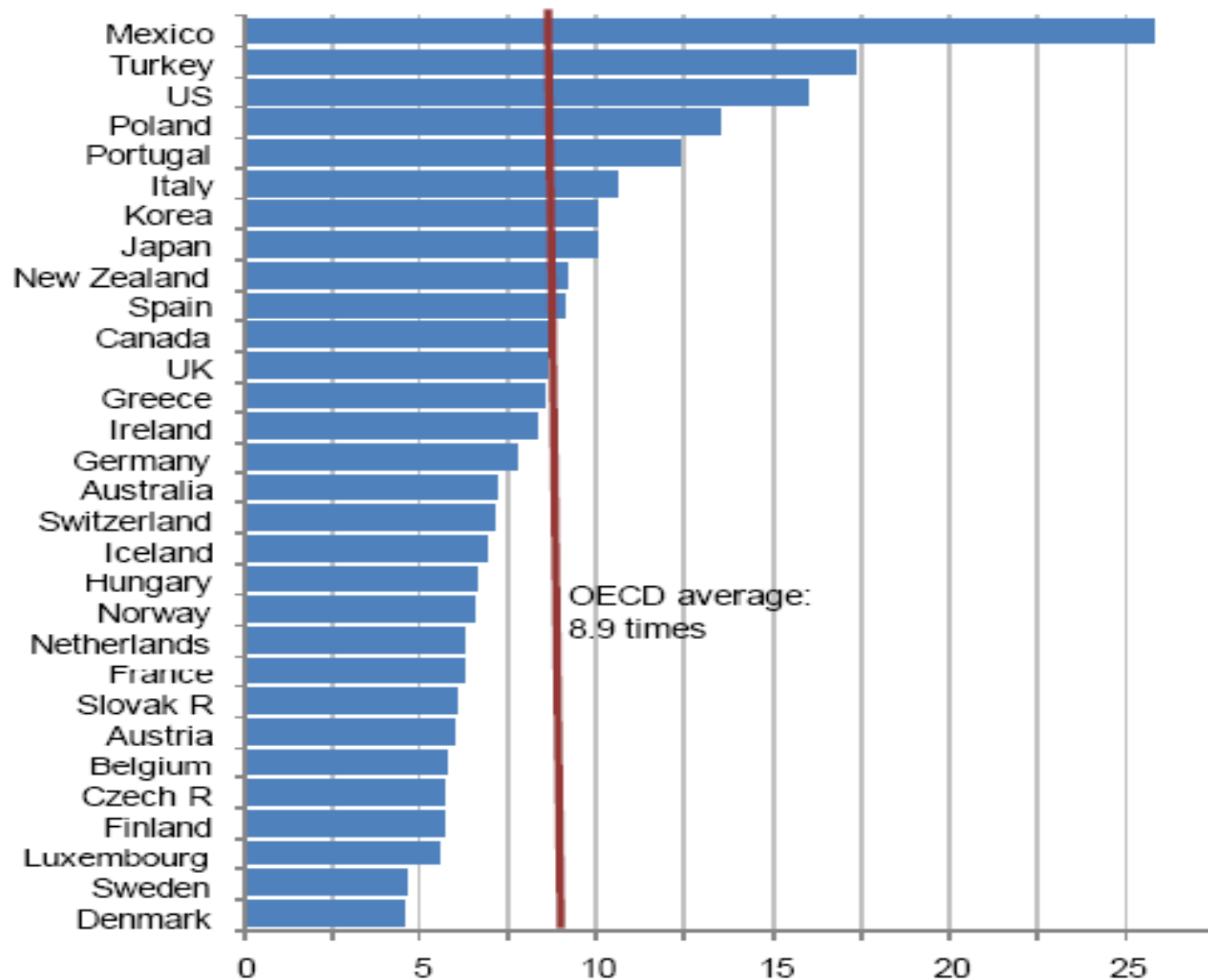
Web Site: <http://www.bris.ac.uk/poverty/>

### 3 Extent of poverty in 2005



Source: *Growing Unequal?* OECD, 2008.

# I The gap between rich and poor in 2005



Average incomes of richest 10%, multiple of average incomes of poorest 10%

Source: *Growing Unequal?* OECD, 2008.

# The Beginning of the Crisis? The Collapse of Lehman Brothers September 2008



# The Beginning of the Crisis? The Run on Northern Rock, September 2007



Until 2007, there had not been a run on a UK bank since 1866

# The Beginning of the Crisis? Food Price Riots 2007-2008

Between 2006- 2008 the price of rice, wheat, maize and soybeans more than doubled.

## **The Return of Food Riots;**

Morocco	September 2007
Uzbekistan	September 2007
India	November 2007
Mauritania	November 2007
Guinea	January 2008
Indonesia	January 2008
Pakistan	January 2008
Burkina Faso	February 2008
Cameroon	February 2008
Mozambique	February 2008
Côte d'Ivoire	March 2008
Senegal	March 2008
Yemen	March 2008
Bangladesh	April 2008
Egypt	April 2008
Haiti	April 2008
Somalia	May 2008

# The Effects of the Global Economic Crisis

Iceland effectively went bankrupt. Ireland almost went bankrupt. The IMF & EU had to provide emergency support to the economies of Armenia, Georgia, Hungary, Iceland, Latvia, Lithuania, Pakistan and Ukraine.

Unemployment has risen dramatically in many countries, for example the unemployment rate in the USA is 10% and the youth unemployment rate is over 25%.

Pakistan's foreign currency reserves are declining at \$1bn a month, inflation has risen to 25% and the London Swap Market estimates that there is a 90% chance of Pakistan defaulting on foreign loan payments over the next two years.



Popular Revolt in Iceland

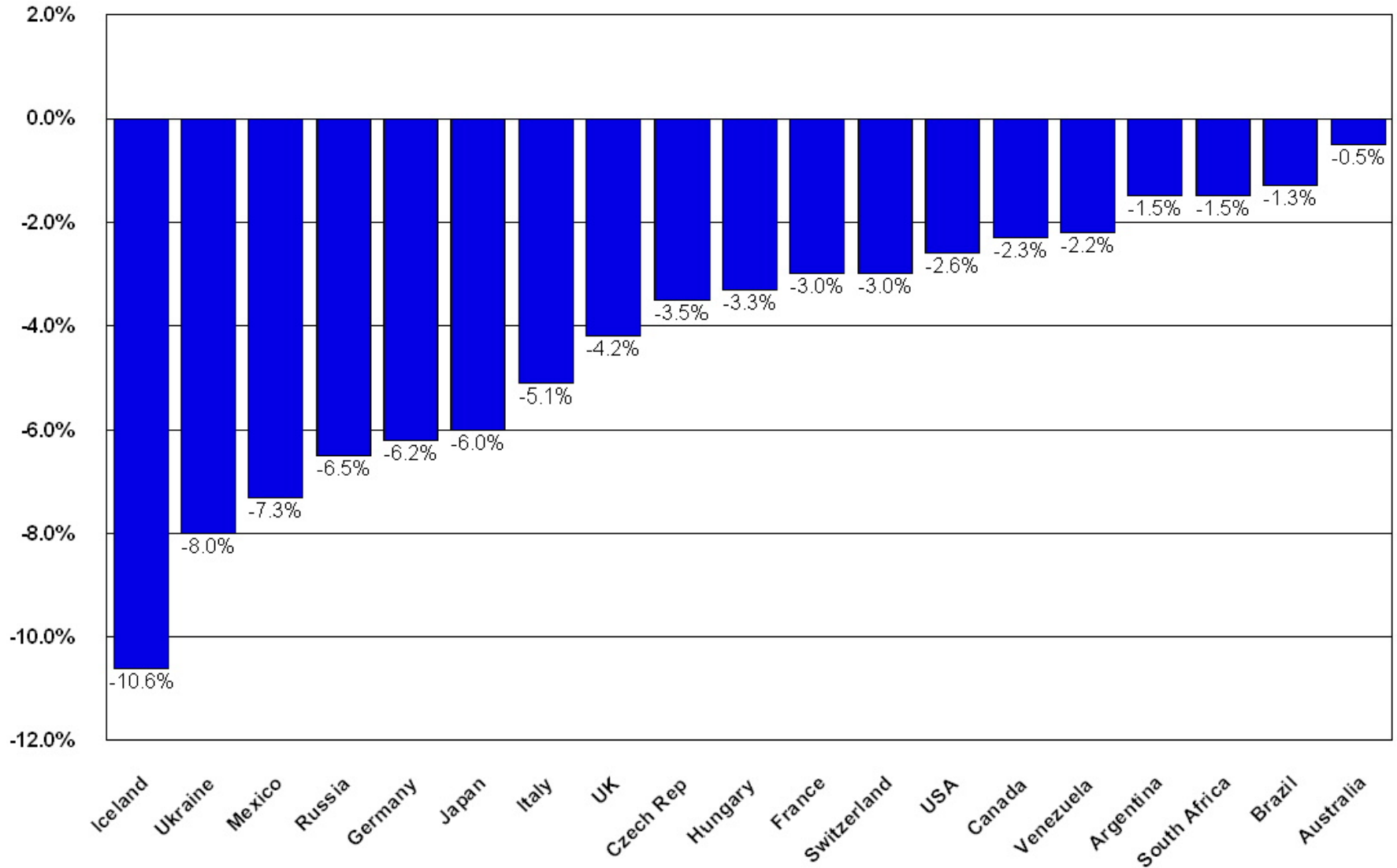


Education Cuts Protest in Latvia



# The Effects of the Global Economic Crisis

## 2009 GDP IMF Projections

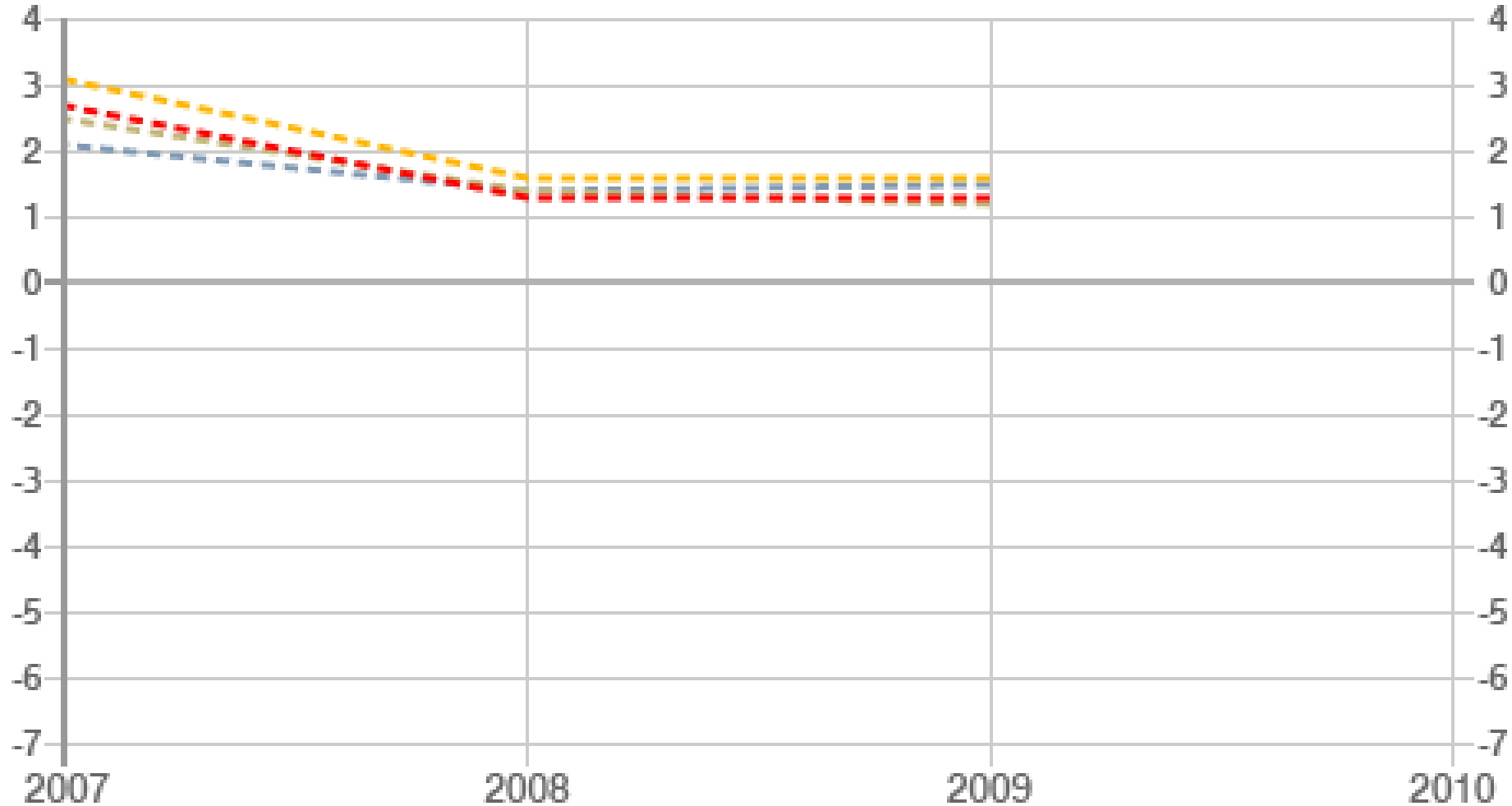


# How Good are the IMF Forecasts in Times of Crisis?

% change in GDP – April 2008

— US    — UK    — Germany    — Japan

----- Forecast  
—— Reported GDP



SOURCE: IMF

April 2008 forecast

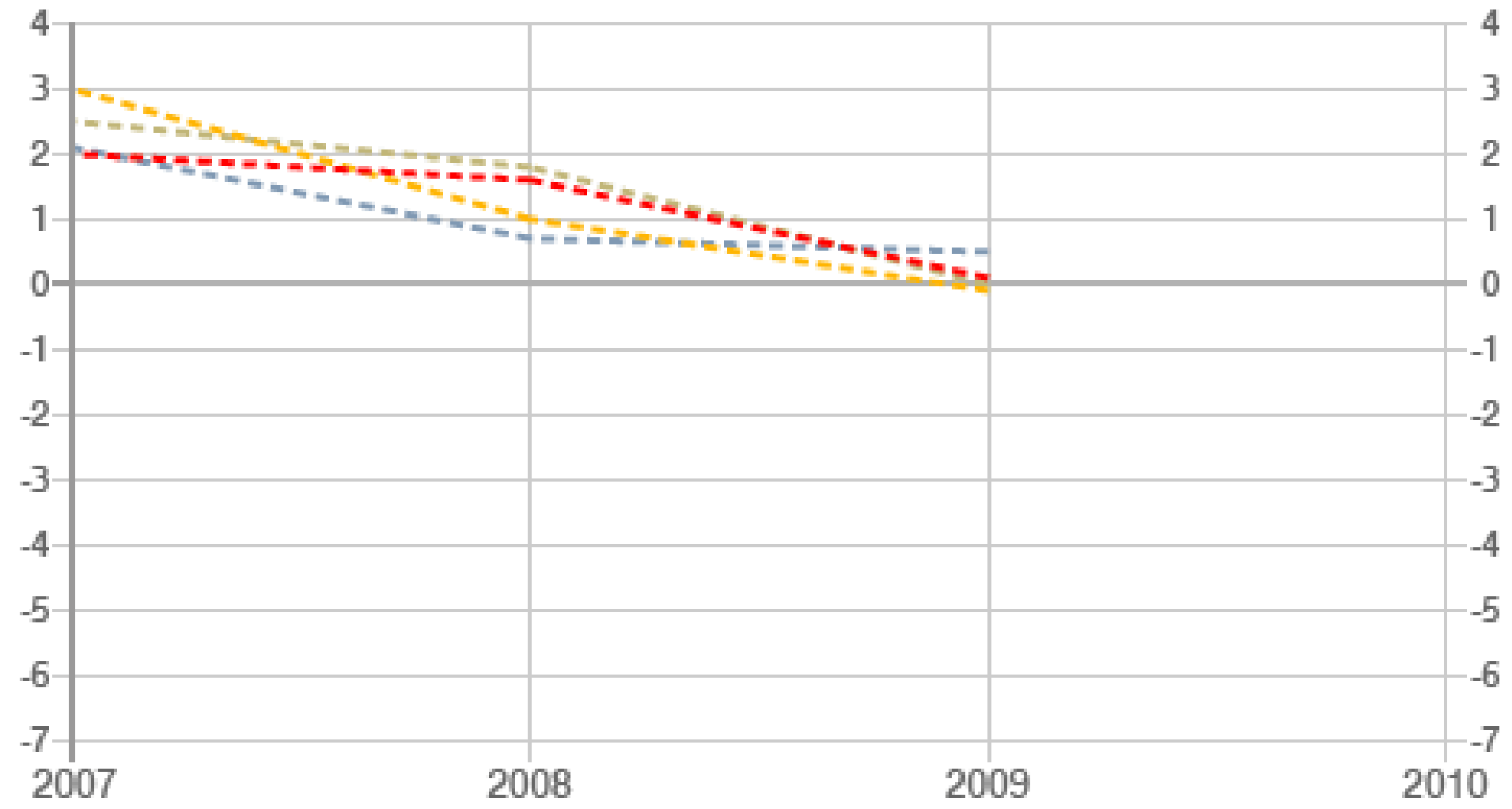
<http://news.bbc.co.uk/2/hi/business/8237553.stm>

# How Good are the IMF Forecasts in Times of Crisis?

% change in GDP – October 2008

US UK Germany Japan

----- Forecast  
—— Reported GDP



SOURCE: IMF

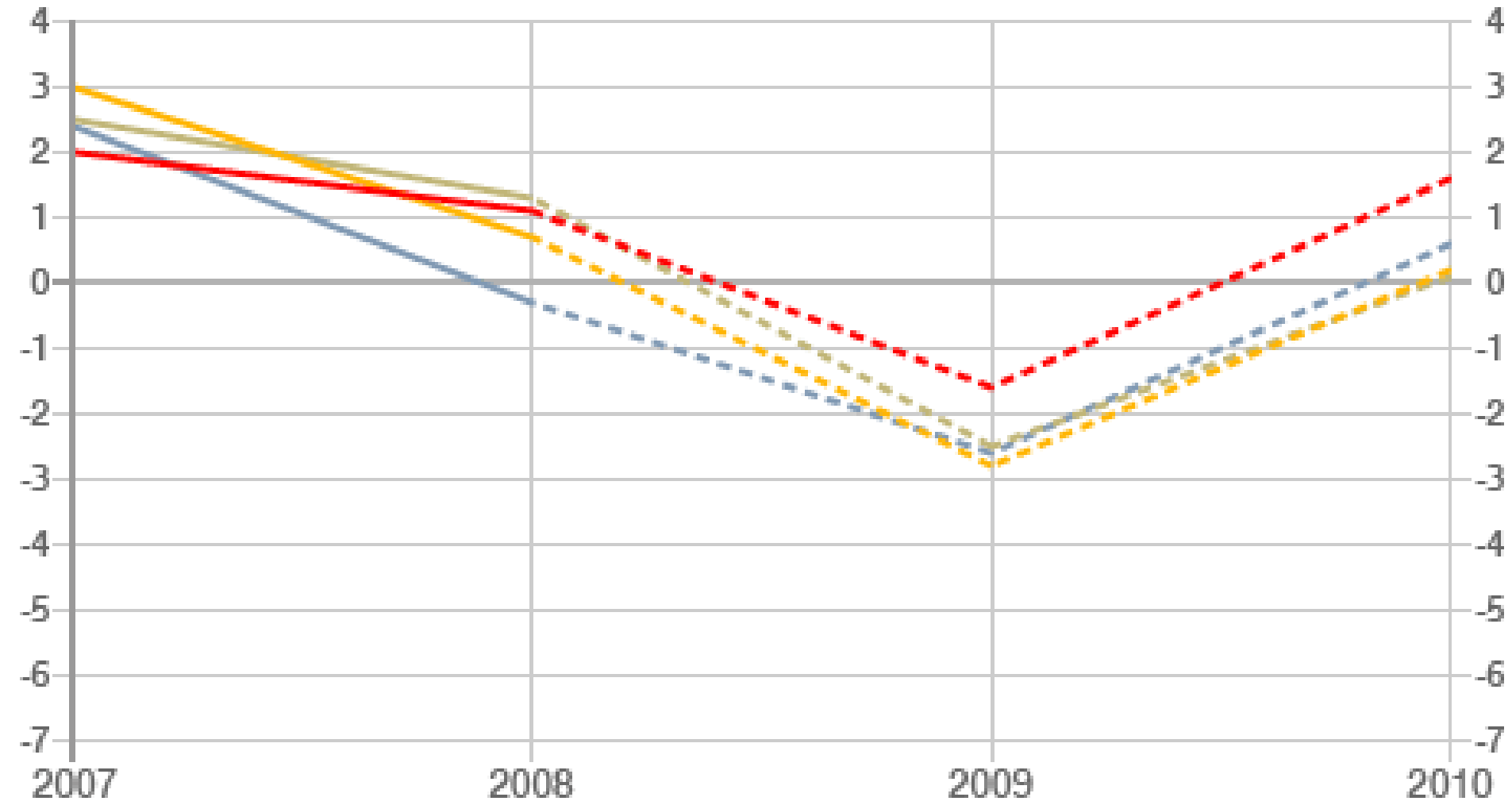
October 2008 forecast

# How Good are the IMF Forecasts in Times of Crisis?

% change in GDP – January 2009

— US    — UK    — Germany    — Japan

---- Forecast  
— Reported GDP



SOURCE: IMF

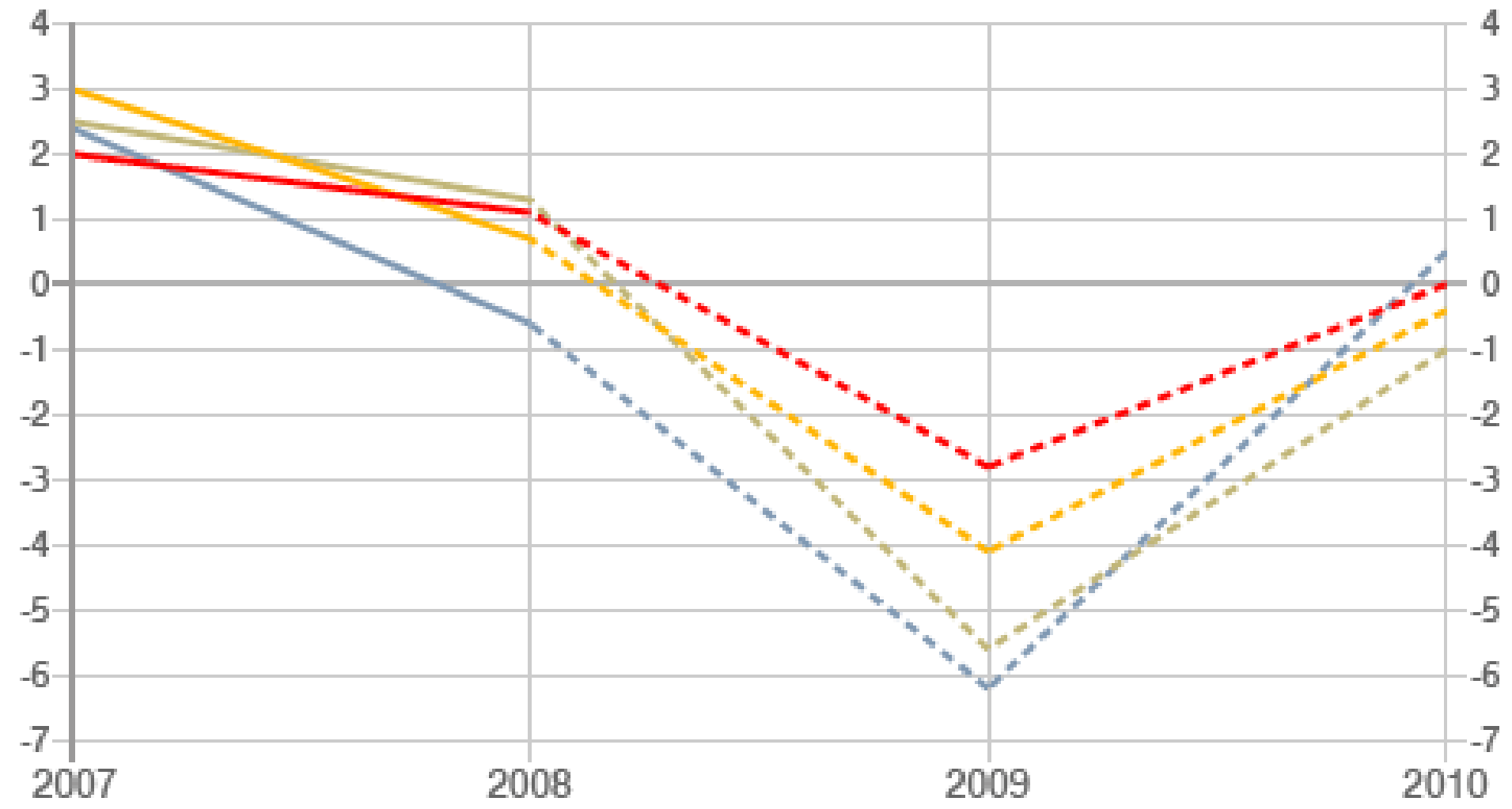
January 2009 forecast

# How Good are the IMF Forecasts in Times of Crisis?

% change in GDP – April 2009

US UK Germany Japan

---- Forecast  
— Reported GDP



SOURCE: IMF

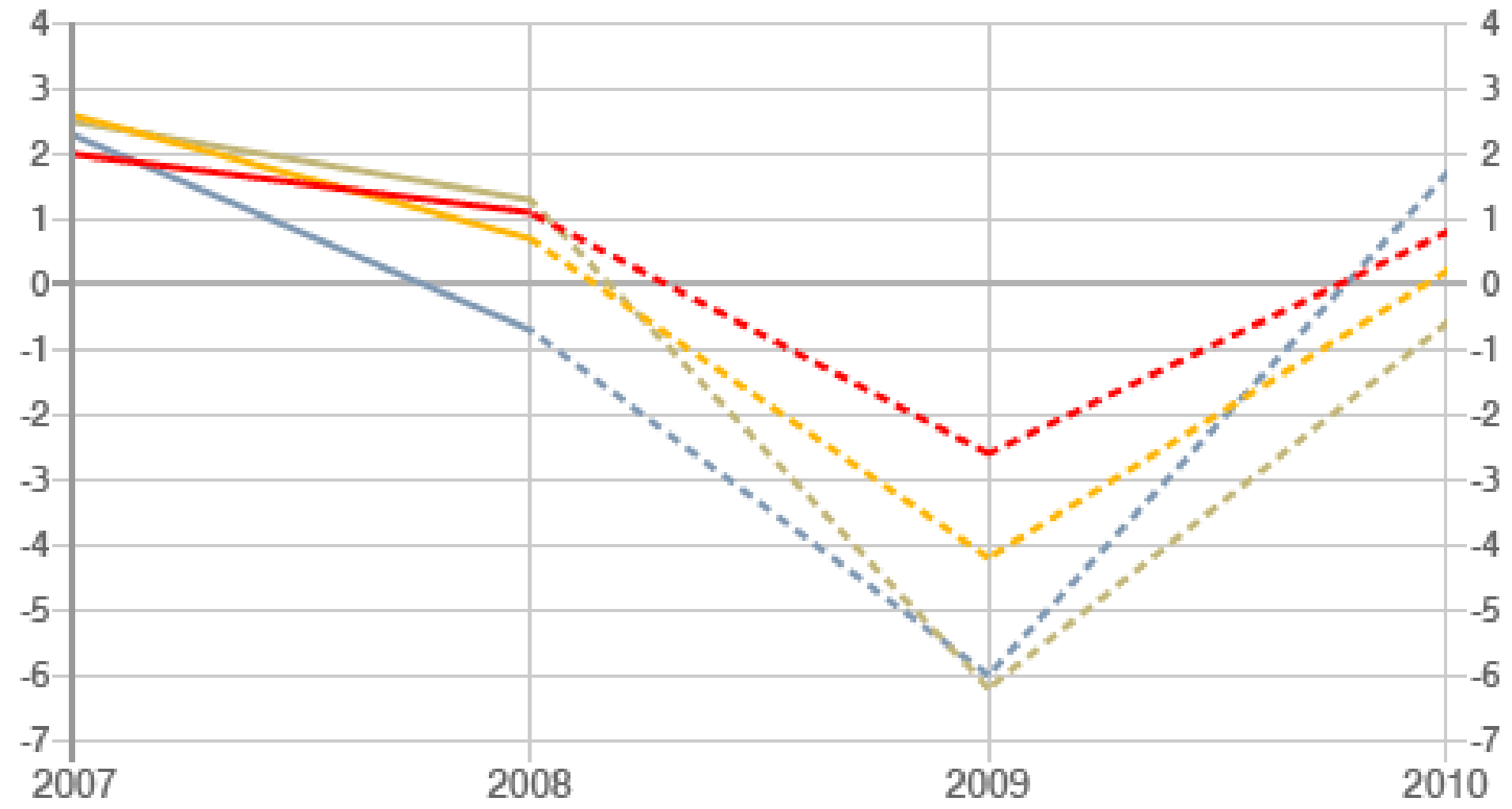
April 2009 forecast

# How Good are the IMF Forecasts in Times of Crisis?

% change in GDP – July 2009

US UK Germany Japan

---- Forecast  
— Reported GDP

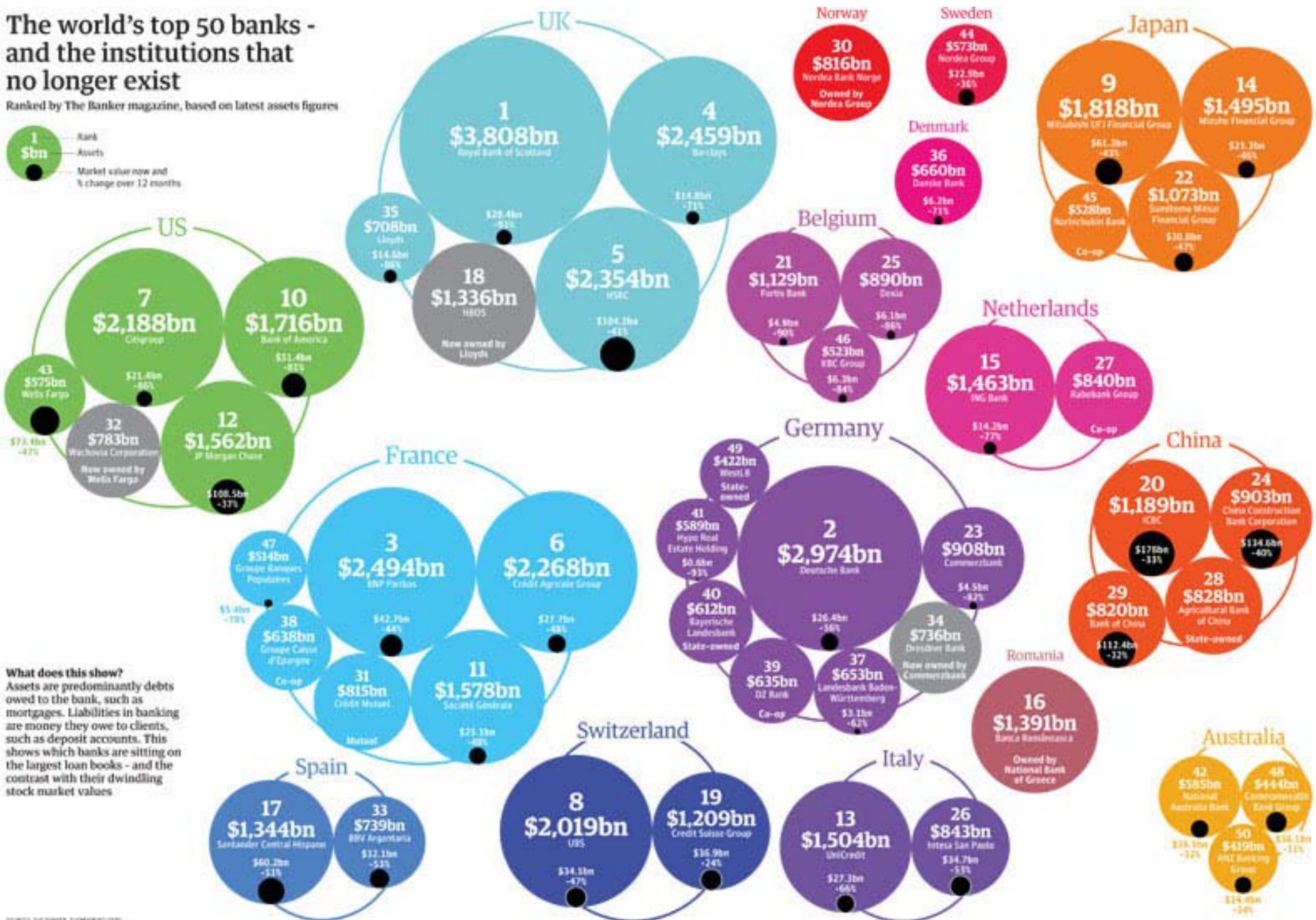


SOURCE: IMF

July 2009 forecast

# The world's top 50 banks - and the institutions that no longer exist

Ranked by The Banker magazine, based on latest assets figures



**What does this show?**  
Assets are predominantly debts owed to the bank, such as mortgages. Liabilities in banking are money they owe to clients, such as deposit accounts. This shows which banks are sitting on the largest loan books - and the contrast with their dwindling stock market values.

SOURCE: THE BANKER, THEMORNINGSTAR

# The Scale of the Financial Rescue in the USA & UK

All GDP figures for 2007

**US  
GDP**  
£7.9tn  
(\$13.8tn)

**US rescue  
package**  
£5.9tn  
(\$8.5tn)

**UK  
GDP**  
£1.4tn  
(\$2.5tn)

**UK rescue  
package**  
£1.22tn  
(\$2.12tn)

SOURCE: US Treasury, UK Treasury, Bloomberg

The bank's profits were private but the losses belong to the public!

<http://news.bbc.co.uk/2/hi/business/7893317.stm>



# Paying for the US Financial Rescue

## THE NUMBERS

the total bailout

**\$8,439,120,000,000**

the number of Americans

**305,781,407**

bailout per person

**\$27,599**

size of your family

**2**

**=**

your family's portion of the bailout

**\$55,198**

## THE TAXES

your yearly income

**\$50,000**

current income tax (estimated)

**\$9,600**

additional tax each year

**\$3,555**

tax increase

**37%**

total you will pay (over 30 years at 5% interest)

**\$106,671**

## THE HISTORY

Civil War (1865)  
**\$165B**

New Deal (1939)  
**\$500B**

Marshall Plan  
**\$115B (1947)**

Vietnam War  
**\$698B (1975)**

Iraq War  
**\$1.2T\* (03'-Today)**

Bailouts TODAY!  
**\$8.5T**

\*NYTimes  
(amounts inflation adjusted)

## THE VALUE



**8**

Chevy  
Aveos

**4**

College  
Tuitlons



**82**

iMacs

**27**

Vacatlons



# The Cause of the Crisis – Taking a Longer View

There are many newspaper articles which discuss the causes of the global financial crisis in terms of Credit Default Swaps, Sub-prime Mortgages, Exotic Financial Derivatives, etc. – but these are symptoms not ‘real’ causes.

## The longer view

The 1960s & 1970s were times of prosperity for working people in many ‘rich’ countries and ‘labour/workers’ received a reasonable share of the national wealth – labour was a scarce resource in many rich countries.

In the 1980’s and 1990’s ‘real’ wages were static or even fell and labour’s share of the national wealth declined. The labour scarcity ‘problem’ was solved by, increased immigration, off-shoring, technical change (ICT, containerisation) and anti-labour laws (e.g. Regan, Thatcher, Pinochet).

The decline in the relative wealth of labour presented a problem for the economy – how could people keep spending to buy the new products? The answer was financial deregulation resulting in a huge increase in household debt i.e. households maintained high spending by borrowing money. Securitisation resulted in people with almost no income being able to borrow!

The rich became relatively richer and invested their money in assets resulting in speculative bubbles e.g. dotcom, property, commodities (oil, food, etc.)

**This financial system has now collapsed**

# The end of the neo-liberal consensus?

“the financial system as a whole has grown bigger than is socially optimal”

“I think that some of it is socially useless activity”

“if increased capital requirements are insufficient I am happy to consider taxes on financial transactions – Tobin taxes, after the economist James Tobin. Such taxes have long been the dream of the development economists and those who care about climatic change – a nice sensible revenue source for funding global public goods”

“we are still trying to work out after a fairly complete train wreck of a predominant theory of economics and finance... we have had a very fundamental shock to the ‘efficient market hypothesis’ which has been the DNA of the FSA and securities and banking regulators throughout the world. The idea that more complete markets and more liquid markets are definitionally good and the more of them we have the more stable the system will be, that was asserted with great confidence up to three years ago. But what precisely we do as a result of the collapse of that approach is unclear.”

**Lord Adair Turner, Chair of the Financial Services Authority (FSA)** which regulates the financial sector in the UK – Interview Sept 2009, Prospect, 34-41.

Lord Turner is Baron Turner of Ecchinswell, he worked for Chase Manhattan Bank, then was director of McKinsey & Co, Director-General of the Confederation of British Industry (CBI) and then was Vice-Chairman of Merrill Lynch Europe

# The Global Financial Crisis: the Effects on Children & Young People

It seems inevitable that the global financial crisis will increase child and youth poverty in both the 'rich' and 'poor' countries.

The global recession will lead to cuts in social expenditures on health, education and other services which are crucial to children's well being.

Unemployment will increase and the worst affected are likely to be young workers (16-24), those with poor educational qualifications, those living in already impoverished areas/regions and some minority groups.

The value of remittances will decline as will economic migration opportunities.

Foreign Direct Investment will decline

Global demand for exports will decline

Child labour may increase in response to failing household incomes and reduced education budgets

Domestic violence and crime may increase due to financial stress

# Children, Poverty & Human Rights

The framework provided by international human rights conventions, such as the *Convention on the Rights of the Child* provides a helpful instrument for anti-poverty policy.

Firstly, these conventions have been signed by every country in the World and so can be considered to embody universal values and aspirations.

Secondly as Mary Robinson (former UN High Commissioner for Human Rights) has argued “*a human rights approach adds value because it provides a normative framework of obligations that has the legal power to render governments accountable*”.

Finally, a human rights approach shifts the emphasis in debates about poverty away from personal failure to a focus on the failure of macro-economic structures and policies created by nation states and international bodies (WTO, World Bank, IMF etc.). Hence, poverty in this context is no longer described as a ‘social problem’ but a ‘violation’.

# Human Rights and the Cause of Poverty

Human rights open up for analysis the structural causes of poverty, rather than only its symptoms, and the impact of government action or inaction on people living in poverty. In this sense, the goal of human rights is to '*render power accountable ... to reconnect power and obligations*' (Gready & Phillips, 2009, p 3).

Using human rights entails a shift in perspective from needs and charity to socially and legally guaranteed entitlements and duty: states have legal obligations for which they can be held accountable.

Seen through a human rights lens, poverty is '*neither natural nor inevitable but becomes something done to people, for whom certain actors bear responsibility*' (Gready, 2008, p. 742)

Source: Donald and Mottershaw (2009) Poverty, Inequality and Human Rights  
<http://www.jrf.org.uk/publications/poverty-inequality-human-rights>

# Human Rights and Poverty

## The Minimum Core Obligation

The UN Committee on Economic, Social and Cultural Rights *“is of the view that a minimum core obligation to ensure the satisfaction of, at least, minimum essential levels of each of the rights is incumbent upon every member state party. Thus, for example, a state party in which any significant number of individuals is deprived of essential foodstuffs, of essential primary health care, of basic shelter and housing, or of the most basic form of education is, prima facie, failing to discharge its obligations under the convention”*

## UN General Assembly Definition of Child Poverty, January 2007

*“Children living in poverty are deprived of nutrition, water and sanitation facilities, access to basic health-care services, shelter, education, participation and protection, and that while a severe lack of goods and services hurts every human being, it is most threatening and harmful to children, leaving them unable to enjoy their rights, to reach their full potential and to participate as full members of the society,”*

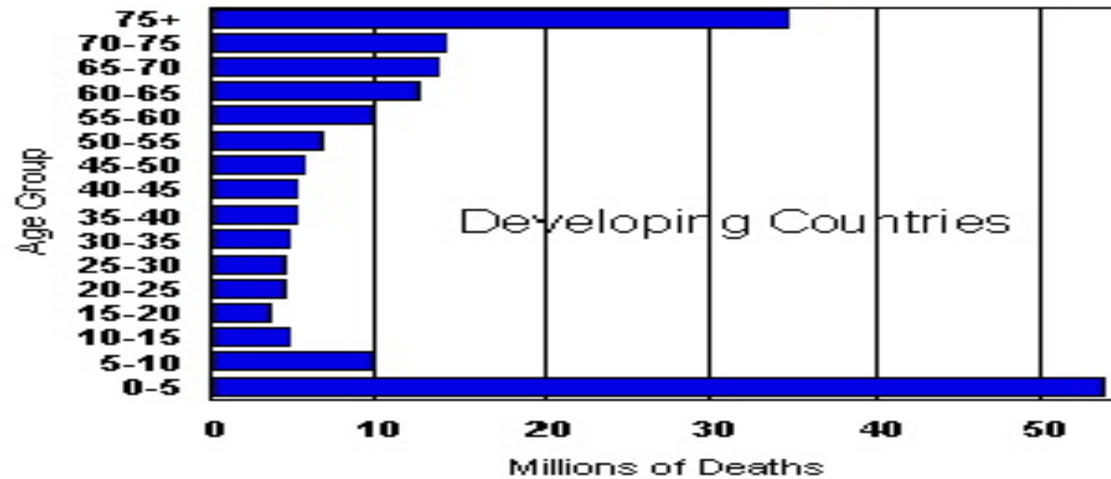
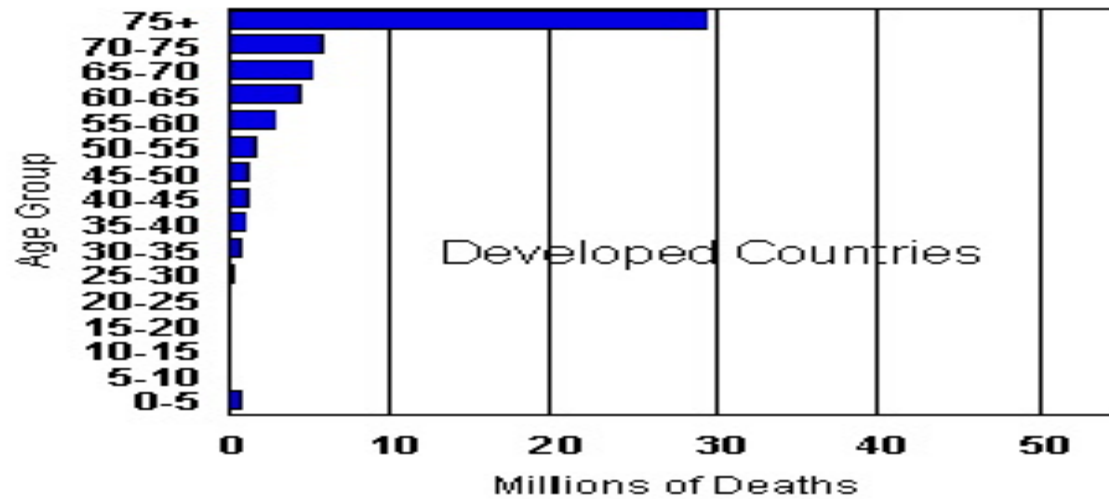


# Human Rights and Multidimensional Poverty

The full package of human rights provides a lens through which poverty is seen as multidimensional, encompassing not only a low income, but also other forms of deprivation and loss of dignity.

Donald and Mottershaw (2009) Poverty, Inequality and Human Rights

# Age at death by age group, 1990-1995



*“The world's biggest killer and the greatest cause of ill health and suffering across the globe is listed almost at the end of the International Classification of Diseases. It is given code Z59.5 -- extreme poverty.*

World Health Organisation (1995)

Seven out of 10 childhood deaths in developing countries can be attributed to just five main causes - or a combination of them: pneumonia, diarrhoea, measles, malaria and malnutrition. Around the world, three out of four children seen by health services are suffering from at least one of these conditions.

World Health Organisation (1996; 1998).

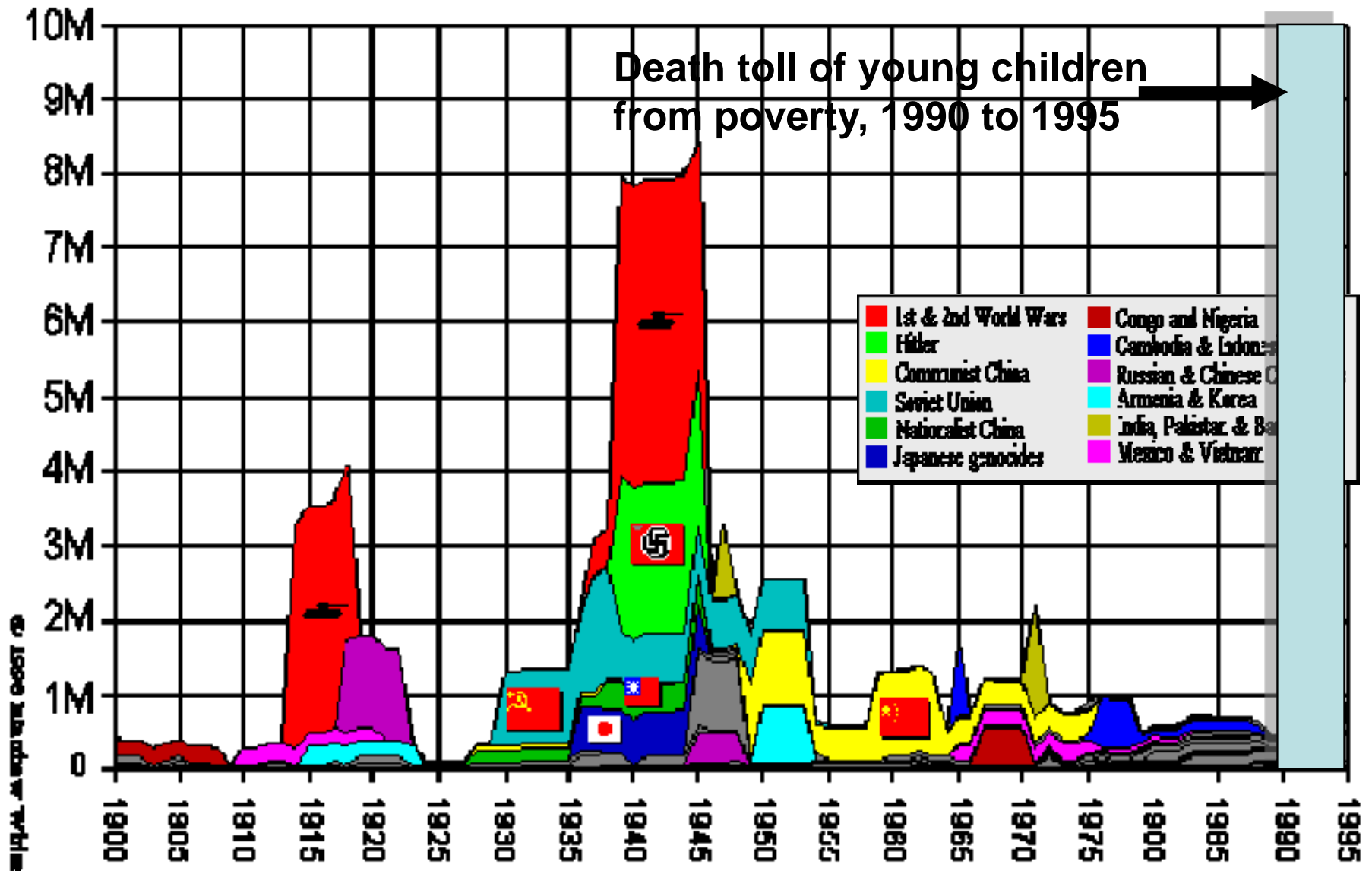
# The economic nature of violence

*In democratic countries, the violent nature of the economy is not perceived; in authoritarian countries, it is the economic nature of violence which is not perceived.*

(Bertolt Brecht)

# Death Toll of 20<sup>th</sup> Century Atrocities

<http://users.erols.com/mwhite28/war-1900.htm>



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# Child Poverty in the World

Over one billion children – **half** the children in the world- suffer from severe deprivation of basic human need and **30%** (650 million) suffer from absolute poverty (two or more severe deprivations).

‘severe deprivation of basic human need’ are those circumstances that are highly likely to have serious adverse consequences for the health, well-being and development of children. Severe deprivations are causally related to ‘poor’ developmental outcomes both long and short term.

## **Severe Deprivation of Basic Human Need for Children**

- Almost a third of the world's children live in dwellings with more than five people per room or which have a mud floor.
- Over half a billion children (27%) have no toilet facilities whatsoever.
- Over 400 million children (19%) are using unsafe (open) water sources or have more than a 15-minute walk to water.
- About one child in five, aged 3 to 18, lacks access to radio, television, telephone or newspapers at home.
- Sixteen percent of children under five years in the world are severely malnourished, almost half of whom are in South Asia.
- 275 million children (13%) have not been immunised against any diseases or have had a recent illness causing diarrhoea and have not received any medical advice or treatment.
- One child in nine aged between 7 and 18 (over 140 million) are severely educationally deprived - they have never been to school.

# Conclusions

The global economic crisis will inevitably lead to increased child poverty, suffering, death and disease in the short term.

In the longer term, the global financial crisis may benefit children (and adults) if it results in a reduction in the power of the financial sector to effect social and economic policy. If the financial sector is regulated so that it becomes of greater benefit to the people, rather than the people being regulated for the benefit of the financial sector.

A Human Rights approach is a powerful advocacy tool for arguing that the financial sector should not engage in socially worthless activities but should be regulated to produce wealth that can be used to fund socially desirable goals (like a global child or family benefit) via a Tobin Tax or similar mechanisms.