

Lessons from the 2008 Global Economic Crisis: Making the Case for a Human Rights-Centered Macroeconomic and Financial Policy in the US¹

Center for Women's Global Leadership

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Why Does Macroeconomic and Financial Policy Matter?

The recent global economic crisis of 2008 created serious challenges for the realization of human rights in many countries around the world, including the United States. The "Great Recession" destroyed jobs, reduced standards of living, heightened risks for ordinary people and drove families deeper into poverty, especially women and racial minorities. The roots of the crisis stemmed from the US' financial markets and national policy decisions – deliberate legislative changes, the lack of regulatory protections for risky financial products offered by commercial or investment banks, and a failure to extend government oversight of the private sector. In addition, government recovery strategies gave priority to the financial sector at the expense of ordinary citizens. A human rights analysis of the US' response to the "Great Recession," focusing on macroeconomic policies and the impact of relief/recovery programs on women, racial/ethnic minorities and other economically marginalized groups, adds value to the ongoing discussion about the State's obligation to protect. In our interconnected world, the US must make economic decisions that respect the human rights of all individuals who will be impacted by national economic, financial and fiscal policy.

What are Some of the Existing Gaps in Financial Policy?

The evolution of the US' financial regulations over the past several decades set the stage for the global financial and economic crisis that emerged in 2007. During the 1930s, US government policies to address the "Great Depression" created structures of regulation to control the activities of banks. Beginning in 1980 many of these structures of regulation were dismantled: bank mergers were permitted and interest rates were deregulated. In addition, there was a failure to extend regulation to new more speculative financial products or to privately held companies. New laws have continued to remove earlier protections. For instance, The Gramm-Leach-Bliley Act (1999) ("Financial Services Modernization Act") repealed portions of the Glass-Steagall Act that established a firewall between banks and other financial institutions. It allowed the consolidation of commercial banks and investment banks, thereby setting the stage for the largest financial institutions to become 'too big to fail.' The Budget Control Act (2011) violated the principles of non-discrimination and equality and labor market trends reveal continuing inequalities.

Why Do We Need a Human Rights Approach?

Economic policy in the US should be guided by the principles of progressive realization and non-retrogression. Progressive realization recognizes that the resources at the disposition of a government are limited; nevertheless, a government must take specific steps to ensure that the enjoyment of economic and social rights improves over time. Non-retrogression means that once a particular level of enjoyment of rights has been realized, it should be maintained.

At another level, the right to non-discrimination and equality intersects all other human rights and is an essential component of the government's immediate obligation to protect. The economic downturn destroyed jobs, reduced standards of living, heightened risks for ordinary people and drove families deeper into poverty, especially women and other minorities. At every turn since, the right to non-discrimination and equality has been threatened. Examples

where the principles of progressive realization, non-retrogression and non-discrimination and equality were violated in the design, implementation, or outcomes of macroeconomic and financial policy decisions include:

The right to an adequate standard of living

As a result of the crisis, women continue to experience higher rates of poverty and the gender poverty gap increased. For example, the Special Supplemental Nutrition Program for Women, Infants and Children was reduced by 333 million USD despite the serious issue of food insecurity in the US. In 2012, 14.5% of US households were insecure at some point during the year and the majority of families affected were minorities. Within those households, single mother-households experienced a disproportionate higher rate of food insecurity (34.5 percent of these households) than households headed by single men (23.6 percent).

In October 2013, the government shutdown resulting from ongoing Congressional discord on budget issues had a negative human rights impact. The government shutdown impacted a broad variety of federal programs, as well as state and local programs supported by government funding and private industries that relied on government services. The federal government was forced to furlough approximately 850,000 federal employees per day, not including furloughed or laid-off workers employed by private companies that contract with the federal government. A wide range of government activities were delayed or postponed, including certain lending services and vital public health measures, such as NIH clinical trials, CDC flu monitoring and food safety inspections.

The 2013 sequester created serious funding challenges that threatened a range of publicly funded social programs with implications for the right of an adequate standard of living. Mandatory cuts impacted nutritional programs, housing support, educational programs, unemployment benefits, Medicare and the federal court system, and forced furloughs or delayed hiring at government agencies throughout the country.

The right to work

Unemployment rates rose dramatically at the beginning of the crisis, but have failed to return to pre-2008 levels. Underemployment rates continue to be four points higher than the average rate in 2007. In addition, the types of jobs created since 2010 have been on the whole lower paying or part-time positions, 1.85 million more people are employed in low-paying jobs than in 2008. African-American and Latino men and women faced higher rates of unemployment during the recession.

The long-term unemployment rate has remained high during the recovery, partially due to the large numbers of workers who lost jobs during the recession and who began their initial months of job-hunting in an extremely strained job market. Despite the unique difficulties facing the long-term unemployed, the federal Emergency Unemployment Compensation (EUC) expired in December 2013.

The right to non-discrimination and equality

Women have continued to experience higher rates of poverty and continue to make less money for comparable work than their male peers. The gender poverty gap has actually

expanded during the recovery, with 16.3 percent of women and 13.6 percent of men living in poverty in 2012, compared to 16.2 percent of women and 14.0 percent of men living in poverty in 2010.

Across professional fields, female workers make less than their male counterparts. In 2014, women continue to make only 77 cents for every dollar that their equally qualified male counterparts make.

What are Some Emerging Good Practices in Financial Regulation in the US?

The United States implemented the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to address the high-risk activity in the financial sector that contributed to the recession of 2007-2009. The Act increased federal oversight and regulation of financial services in the US and required more transparency and better information for potential investors and consumers of financial products. Several components of the Dodd-Frank Act support a human rights perspective to economic policy by reining in the power of major financial institutions and private businesses in the interest of the economy as a whole. However, many of the provisions of the Dodd-Frank Act require regulatory agencies, such as the Securities Exchange Commission, to develop new rules governing financial markets and institutions – a process which has been slow and remains incomplete.

Recommendations for a Human Rights-Centered Economic Policy in the US: Immediate Steps

Creating Enabling Environment for the Realization of all Human Rights

Right to work and the right to an adequate standard of living

- Expand macroeconomic initiatives to address the ongoing crisis of unemployment. Assess macro policy to ensure job creation and that jobs are of decent quality and employment opportunities are equitably distributed.
- Restore federal Emergency Unemployment Compensation for long-term unemployment relief. Extend disability benefits and support to low-income households to help maintain a minimal standard of living.

Right to non-discrimination/equality

- Monitor the job creation associated with the recovery to ensure that jobs are of decent quality and employment opportunities are provided in a non-discriminatory and gender-sensitive way.
- Ban credit checks as a pre-employment job-screening mechanism.
- Support policies that promote gender equity in the workplace, such as paid parental leave and affordable childcare.
- Ratify and implement CEDAW, without reservations.

Using a Human Rights Obligations Framework to Design and Implement Macroeconomic and Financial Policies

The US' obligation to protect

- Hold financial institutions accountable for use of bailout funds and liquidity introduced into the US economy. Increase transparency and accountability to ensure that the funds are being used to prevent the retrogression of rights, not simply the realization of profits.
- Ensure that fiscal policy promotes human rights, including the right to work and the right to an adequate standard of living.
- Strengthen the Dodd-Frank Act so that it would force commercial financial institutions to wall off standard bank deposits from the riskier activities of investment banking and develop specific and effective rules for regulating agencies to implement.

Progressive realization/non-retrogression of economic and social rights in the US

- Address long-term budget reform. Ensure counter-cyclical policy that does not lead to regression of social and economic rights.
- Provide additional federal relief to state and local government to prevent cuts to education, health, and core social services.

- Extend sequester relief funding.
- Ratify and implement the ICESCR, CEDAW and other relevant international human rights treaties. This includes removing all reservations.

A Thinking Piece for Human Rights Advocacy in the US: Where Do We Go from Here?

What Have We Learned?

- **Global Responsibility** – People around the world were impacted by the 2008 financial crisis which stemmed from the US' financial policies. The key human rights lesson from the crisis is that the economic and social rights of people and nations everywhere are interconnected. The fiscal regulatory decisions made by the US Congress can have a global human rights impact.
- **Priority for Right to Equality and Non-discrimination** – Financial policies and strategies for dealing with economic crisis must give priority to the identification of beneficiaries of programs to ensure that jobs are of decent quality and employment opportunities are provided in a non-discriminatory and gender sensitive way with special attention to protect those most vulnerable and disadvantaged.
- **The Right to Work in an Adequate Standard of Living** – Policy priorities must honor the goals of fully productive employment and decent work for all, as well as full recognition of the supporting role to be played by investments in education, healthcare, and other social spending and infrastructure support necessary for permanent employment gains.

What Can You Do?

The international human rights framework offers many opportunities to assess economic and financial policy and to hold governments accountable for their human rights obligations. The following are some of the ways in which this might be done:

- Gather stories and document the human rights impact of macroeconomic and financial policies on a diversity of individuals and communities. The process of framing and naming human violations is helpful in organizing.
- Make your evidence public, both locally and at the national and international levels, by learning and using human rights mechanisms, such as the Universal Periodic Review and the reviews of the UN human rights treaty bodies, such as the ICCPR, CAT and CERD.
- Consider linking your strategy to the US Human Rights Network, including efforts to ratify the CESC and CEDAW. We need more organizations using the human rights framework!
- Continue to learn about international human rights standards and macroeconomic policies.

Resources

US Human Rights Network

<http://www.ushrnetwork.org/our-work/project/upr-universal-periodic-review>

Universal Periodic Review Process

<http://www.ohchr.org/EN/HRBodies/UPR/Pages/UPRMain.aspx>

Towards a Human Rights-Centered Macroeconomic and Financial Policy in the U.S. (2010)

http://cwgl.rutgers.edu/component/docman/?task=doc_download&gid=650&Itemid=

¹ This fact sheet is adapted from the 2014 report by CWGL, PERI and partners, "Towards a Human Rights-Centered Macroeconomic and Financial Policy in the US: Revisited," http://cwgl.rutgers.edu/component/docman/doc_download/696-cwgl-peri-upr-review-stakeholder-report?Itemid=. References of studies, sources, secondary sources, etc. are available in the full report.