

Committee/Council: Social & Humanitarian Committee

Issue: The consequences of the economic crisis on human rights

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Introduction

The world today faces many challenges that devastate lives across it. Food shortages, around 1.4 billion people living under the poverty line and many more. Yet, not only third world citizens have problems, but people living in first world countries have many issues affecting their everyday lives. However, the financial crisis has affected almost everyone in the world, everyone but the 1% that is. Billions of humans across the globe are suffering from stress, depression, insecurity, injustice and the list only goes on. All of this is being caused by, as mentioned before, the 1%. 'Elite' people across the world, businesses and governments. Their actions and decisions are made by humans, controlled by humans and can be stopped by humans. Those same decisions are making people suffer for their own advantage(s), ignoring their basic human rights. Nations are getting bankrupt, unemployment rates are going up, businesses are collapsing and most importantly innocent people are getting hurt all for the so called 1% of the world acting careless for the rest 99%.

More specifically, western countries such as the US and countries in Europe are the ones most affected by this. This is because these countries are mostly capitalistic and they've only been developing and getting better since the end of the Second World War; but due to capitalistic rule the economy eventually started falling. The more left-handed countries such as China aren't affected by the global financial crisis yet, but economists say that their economic downfall will be later on. In this case, business' are making their products more in Asia than they use to before since they do not have the money to pay the amount of wage that they would normally pay in their nation. This means that fewer jobs get available in a nation, in the private sector that is. But in the public sector it isn't much different job-wise. Governments are on the line of bankruptcy, paying their employees less and less and increasing taxes only to see people again lose their jobs and less jobs being offered.

Unemployment rates are going high and fast. Unemployment is one of the keys in all of this. If people have jobs, they get more money; they can then afford a house, education and health care. The economy would flow in the country getting the taxes paid and people living under the minimum wage would decrease. Having a job is the beginning of how people can re-gain their rights that are being violated, but the question is how to create such jobs in an economy like this?

Definition of Key-Terms

Basic Human Rights

The rights inherited by a person for the simple reason of being human.

The Universal Declaration of Human Rights

The rights every nation is obliged to input in their society to be the base of freedom, justice and peace in the world.

Occupy Wall Street Movement

A movement started on the 17th of September 2011 and still ongoing. The 99% had enough of the 1%'s actions (or inactions) they started the protest on one of the largest financial markets in the world. This encouraged and sparked protests across the whole globe for the same reason.

The 1%

The richest people/businesses in the world not caring about the rest 99% of the world but only themselves. Often labeled as the people who run the world. The term became to be during the Occupy Wall Street Movement

Minimum Wage

The lowest wage payable to an employee of a certain business by law in a country.

Background Information

What happened and why

There are many reasons to why this saga happened, however banks across the world are a big contributor to it. Banks are businesses themselves. They make profit from the interest income from loans. So what banks do is give out money, then in the long term they get back more money than they actually gave out. All over the world, banks would lend money to people but many times the demand for loans was greater than the money they had in stock. So what banks would do is take a loan from other banks. This would create a chain reaction as banks would constantly loan money from/to each other. What banks did not realize at one point is that they lent loans to anyone and didn't carefully read over if the person could pay the money back, or sometimes they would give it out even if they knew. This brings us to 2008 where the Lehman Brothers Bank owed too much money and wasn't able to get any more money, filing for chapter 11 bankruptcy protection holding 600\$ billion in assets. A business may file chapter 11 bankruptcy only

once, where they get protected by the government and do not have to pay back money they owe. Since the Lehman Brothers could not pay back their assets, more importantly banks they owed money, this triggered a chain reaction to banks all over the world losing money as one bank gives money to another, and they give money to another and so on. So banks started collapsing, they didn't get income as the people they gave loans out to couldn't pay back so many banks either went bankrupt or simply lost a lot of money. Because of this, they wouldn't give out loans anymore, or much less anyways, however with the same demand. With less money flowing out to the people, the market remained stationary and no new money would enter the market in countries involved making their markets collapse.

What ended up happening

This led to the housing bubble burst in 2008. For the first time in DECADES, price of houses fell since banks would not give out mortgages to people anymore. Since the price of the households fell, people lost value in their personal assets. Banks actually looked at your assets before lending you money before you can pay back more carefully than before since they realized they had a problem and since people had less money banks were even more reluctant to lend some, so they increased their interest rates causing people to lose even more (chain effect once again).

Banks ended up taking what people put on a lease when taking the loan from the bank since they couldn't pay up, which in many occasions would be the house they would buy with that money or something else valuable. Like this, people would lose their homes, properties, cars etc. With less money in the market, people spent less, making businesses make salary cuts, firing employees and even closing down due to the lack of sales. This would make people lose their jobs and homes because they can't afford it anymore, so even less people would spend money and the cycle goes on. This brings us to today.

People today are on the line of losing their jobs, unemployment rates are rising in America and Europe, and countries are on the line of bankruptcy which doesn't help the situation at all. People worldwide are spending less since the markets have fallen and so money isn't flowing to create a strong economy.

One of the most important factors affecting basic human rights is the unemployment caused by the global financial crisis. With unemployment at a devastating high point, people do not earn an income so they cannot afford the house they're living in, health insurance, food to feed their families, education for their children, entertainment such as holidays (which breaks article 24 of the Universal Declaration of Human Rights which

states: **“Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.”**) (People are both not getting holidays they deserve and when they have jobs they work over hours for no extra bonus sometimes, just to keep their jobs.)

With the economy collapsing, less money is given to the public health system and education. With the public health system not getting any funds it means health centers close and only big hospitals stand making it bad for people living in the outskirts of that area, the hospitals don't get supplied with the things they need so they have shortages. Private hospitals may not be affected much but the majority of people relies on public hospitals and cannot pay health insurance. With the education getting fewer funds it means books cannot be supplied to public schools and teachers getting fired means a lack in staff. For example, in countries such as Greece the children lock up the schools as a way of protesting since they don't have the books to learn and get along with their lives which makes more students fail and when they grow up cannot get a job. This also breaks the Universal Declaration of Human Rights Article 26 section 1: **“everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.”**

As you can see, with no money to fund the public education and health system they slowly start to deteriorate so they must act fast to restore them.

Furthermore, pensions are reduced and so people don't get the money they have the right to earn with the amount of years in service and for the job they had.

With businesses at a down low point of their life, for reduction of expenses what they do is fire their current staff and employs people not from that country, of a different race just to pay them less since they are immigrants from another country. This breaks section 2 of article 23 of Universal Declaration of Human Rights which states that **“everyone, without any discrimination, has the right to equal pay for equal pay”**, yet nothing is done about it.

This whole saga is rejecting people from their basic human rights. People that have studied in universities and deserve a job and to support their families but instead they are on the streets because of losing their jobs, houses or even both. The minimum wage limit is being broken but employees cannot complain because their jobs are on the line. Families do not have the support they need for food, educational and health purposes. Yet governments are still struggling to get off their own feet so these rights

are hard to get fixed easily and soon.

Major Countries and Organizations Involved

United States of America

The USA has a national debt reaching over 15 trillion USD. However with their large labour force and export rates the country still holds. The unemployment rate however has risen to 9% in 2011. The nations' banks played a big role during the collapse of banks worldwide, the first banks collapsed in the US and the housing bubble burst first here as well.

Germany

Germany, being the engine of Europe at the moment, has helped bail out many European countries, more specifically the so called 'P.I.G.S' in Europe (Portugal, Greece, Italy and Spain, the 4 notorious European countries known for their poor economic state (the acronym is also used for criticism). Germany however when bailing countries out is putting high interest rates on the loans, making it very hard for the countries to pay it back as fast as Germany wants them to since the economy isn't flowing in their countries.

Portugal, Spain, Italy, Greece

These 4 notorious, as mentioned before, countries, are all very similar. Their unemployment rates are from 8.3% (Italy), 12.7% (Portugal), 17.3% (Greece) and 21.7% (Spain). Not only do they have very high unemployment rates but they owe money to mostly Germany and the European Bank. These countries are on the line of bankruptcy so they try and get loans from Germany, the European Central Bank and France. However, as stated before, the interest rates are high, the nations' economy isn't flowing and they import more than they export so they fall in the same loop again.

Timeline of Events

September 17 th 2008	Lehman Brothers Bank files chapter 11 bankruptcy after many small banks and home loan mortgage corporations fall since mid-2007. Lehman Brothers was a huge bank with many branches, so many other banks depended on it, therefore more banks started to collapse slowly.
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October 11 th 2008	G7 leaders meet in Washington, United States and discuss about the collapse of banks in mostly the US and Europe.
November 07 th 2008	240,000 jobs are lost in the US alone October of 2008 which would then continue to drop in 2009. Unemployment rate would rise up to 8.5%
November 14 th 2008	G20 Summit is called in Washington and the G20 leaders discuss of ways to reform the global financial system.
April 2 nd 2009	G20 Summit is once again called in London and the leaders continue to talk about how to improve the economy around the world.
September 25 th 2009	G20 and G8 have a summit in Pittsburgh and they discuss how to change the 'unsustainable global financial flows' and how countries in debt can cut spending.
June 2010	G20 meet in Toronto and disagreements arise when the topic of economic recovery strategies come up since already during the year Iceland and Greece have needed a bailout rescue package and European leaders are starting to grow a great concern.
August 07 th 2011	The European Central Bank decided to buy the Italian and Spanish bailout after buying a small proportion of the Irish, Portuguese and second Greek bailout earlier in the year fearing the backbone of European countries should not lend so much money for their own good.

Relevant Treaties/Resolutions/Events

- Center for Economic and Social Rights:

Human Rights and the Global Economic Crisis

<http://cesr.org/downloads/CESR->

[Human%20Rights%20and%20the%20Global%20Economic%20Crisis.pdf](http://cesr.org/downloads/CESR-Human%20Rights%20and%20the%20Global%20Economic%20Crisis.pdf)

Previous Attempts to Solve the Issue

- Loans/bailout packages have been used to try and stop countries from becoming

bankrupt. However these do no more than make the situation worse. For example, when Germany gave Greece a bailout package, a loan, they put the interest rates high. Therefore Greece has to give back much more money than they received and they are trying to pay back loans from other bailouts. With this, taxes will go up since the government will need more money meaning people would have to spend more. However people cannot do that since 17.3% of them are unemployed, a big amount is getting paid below the minimum wage so money isn't flowing in the markets. Also, Greece as a country is importing more than exporting. In short term loans help bailout countries in need but in long term it'll make it worse.

Possible Solutions

- Looking back in history, after the fall of the Tsar in the USSR and the end of his tyranny, the USSR considered themselves to be 100 years behind economic wise. Lenin, a communist that tended to have more socialistic ideas was able to "catch up" on the advance and once Stalin took control of the leadership in the Soviet Union, disregarding the terrible social aspect (100+ million deaths caused by him), but only looking at the economy, the Soviet Union was able to compete for the place of power nation. It took the USSR 50 years to become from a country that was 100 years behind to one of the most powerful countries in the world and to compete against the United States (Cold War) with communism. Socialism/Communism may not be the answer but it would be possible to take a look at some of their policies. (Take a look at China for example; the financial crisis hasn't hit that nation yet).

Some of their policies might help people become more equal economically wise and there wouldn't be a big difference in society which is great for a new start since this is where capitalism has a flaw. With capitalistic rule an individual must start from nothing and build up for his own. However when an economy is as bad as this, it's nearly impossible. In those flaws maybe it's good to implement socialistic/communistic ideas which helps everyone get a job and the economy flowing faster.

- Another solution is for countries on the line of bankruptcy in Europe to get kicked out of the EU. They would be considered bankrupt, so by going back to their old currency, they will not have a debt anymore. However, the import from those countries is much higher than the export, so they will not be able to cover the finances for all the products from other countries. Moreover, if they go bankrupt, the money that they owe to other countries or banks will be considered "lost", which will have exactly the same effect as when Lehman brothers went bankrupt, but on a bigger scale. EU would probably be dissolved. Then again, if all the countries in the EU declare themselves as bankrupt, no more EU, back to the old system and fresh start with the possibility to learn from previous errors (although don't forget that for each country going bankrupt will have a bigger effect on countries that lent out more money which means they won't be able to

pay enough things in their nation, such as roads, hospital, police etc.).

- A solution thought of by many nations which are on the line of bankruptcy is to sell all their public-owned businesses to the private sector. E.g. the electricity, water, national telephone company, transports companies etc. In most countries, these businesses are government-owned. By selling these companies the government would get a large sum of money since these are national companies. However, the possibility of prices going up is an issue. If sold to the private sector the prices would go up since usually there's only 1 water company in a nation or 1 main electric company. The private owners would not have any competition therefore they could adjust the price as much as they want. However, raising it too high would make things such as water and electricity a luxurious thing since job rates and income will only rise slowly. This would again take away a basic human right for people that couldn't afford water, so maybe a contract would be a good idea.

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