INTERROGATE 01

UNDERSTANDING HOW THE ECONOMY AFFECTS HUMAN RIGHTS

Behind every act of injustice that affects an individual, a family or a community, there is a system that allows it to take place. This note describes the first step to *Decoding Injustice*, which is to *interrogate* how specific events are caused or enabled by a huge source of injustices today: the dominant economic system. Here, activists and changemakers will find the fundamentals to identify the root causes of - and responsibilities for - the injustices that are coded into the current system.

Key Questions

What is the economy?

How is injustice coded into our economic system?

How can a human rights lens help us analyze economic trends?

What tools help us look at the economy through a human rights lens?

CENTER for ECONOMIC and SOCIAL RIGHTS

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Introduction

The COVID-19 pandemic has shone a spotlight on the fundamental injustices at the core of our economic system. But our economies were in crisis long before COVID-19 struck. Extreme inequality —the vast gap between rich and poor — is a reality in practically every country, including the wealthestiest. In recent decades, this gap has been growing more pronounced. By even the most optimistic estimates, even before the pandemic, nearly 10% of the world's population (734 million people) were already extremely poor – surviving on less than 1.90 USD a day — and almost half of humanity was living on less than 5.50 USD a day. In contrast, by 2021, the 10 wealthiest people in the world collectively own 1.5 trillion USD — which is enough to bring everyone in the world above the official poverty line several times over. The COVID-19 crisis is making these glaring inequalities even worse.

Meanwhile, the global system that enriches the few by exploiting the many is also heavily reliant on environmental extraction and destruction. This has led to the climate crisis that we are currently struggling to confront. Millions of people around the world are already climate refugees, while 99% of us breathe polluted air and 7 million people die every year because of it. Areas of the globe – mostly those whose populations have contributed the least to climate change – are fast becoming uninhabitable. There is no clearer indication of how inhumane, lopsided and unethical the system is than the fact that short-term profit is prized more highly than the continued feasibility of human life on our planet.

Many people are starting to question our current economic system. But if we are to change it, we need to understand the forces that shape it — and they are complex, multidimensional and dynamic. These forces are so deeply embedded in the way things work that they are often difficult to see and make sense of. In other words, they are "coded" into the system. Like a cryptic message, they remain incomprehensible to most people. To some of us, they may even seem like natural laws, or "just the way things are".

If we are going to decode the injustices in our economies, we first need to map out the various elements in the system and connect the dots between them. This helps us to unpack how, together, they create the particular dynamics that sustain injustice. In this note, we introduce some key elements of our economic system and take stock of the trends of the past 40 years that have shaped the way they interact. We also discuss how the trends can be analyzed through a human rights lens and outline some of the tools needed to do so.

What is the Economy?

The economy is often talked about as a monolithic force that cannot be controlled, and which is separate from people's day-to-day lives. It's typically depicted as numbers on a chart, or the rise and fall of the stock market, or a mechanized assembly line in a factory. We talk about having to sacrifice health or justice or equity or environmental goals in service of "the economy". But in reality, *people are the economy*. That is, the economy is made up of the interactions between human beings every day.

This document is organized according to an innovative method for collecting, analyzing and presenting evidence around three steps:

INTERROGATE
Map the problem in depth using OPERA to identify indicators and benchmarks.

ILLUMINATE
Spotlight the underlying issues by collecting, analyzing and visualizing data.

INSPIRE
Take action to build power and hold decision-makers accountable.

DISCOVER MORE

The website **www.ecnmy.org** provides jargon-free explanations of the economic concepts behind our daily lives.

The economy operates in different spheres. These include:

Households: a lot of economic activity takes place here. Many people make a living out of goods or services they produce at home: small-scale agriculture, or small home-based businesses. But the daily work of caring for each other — called *social reproduction* — is also a crucial component of our economy that takes place in the *household*. Without it, children would not grow up healthy and adults would be in no state to undertake paid work. Although it rarely appears in official statistics, some estimates suggest that unpaid care work can amount to up to 39% of GDP per year. It is a massive hidden subsidy to the global economy, and it is mostly undertaken by women.

Workplaces: Workplaces are hugely varied. They include everything from a person working alone on their laptop at home, to a street vendor, to a huge transnational corporation. Workplaces, and the businesses behind them, shape the economy in all sorts of ways. They employ people, produce goods and services, buy and sell on the market, and interact with one another in an effort to increase productivity and maximize profit. This gives businesses a lot of power in the economy, which they use to influence economic policy decisions to their advantage.

Markets: Markets facilitate the exchange of goods and services, by allowing any tradeable item to be priced. Many economists believe that markets are the most efficient way of setting prices because they can achieve "equilibrium" between supply and demand. For this reason, it is argued, markets should be "free" of regulation by governments. However, others have stressed that there is no such thing as a deregulated market; markets are always embedded in legal and political rules that determine who bears the risks and who reaps the benefits in market exchanges. In most systems, markets are regulated in ways that "externalize" the social and environmental costs that cannot be priced; in other words, the full true cost (e.g., environmental or social cost) of producing a good or service is not taken into account. This widens social inequalities and fuels environmental breakdown.

Commons: The commons allow people to self-organize the way they use shareable resources for their individual and collective benefit. In other words, they don't need to rely on the State or market to do so. Resources include those found in the natural commons (e.g., air, water, and a habitable earth) and the digital commons (e.g., free and open-source software).

States: play a key role in the economy by setting economic policy. As we describe further below, these policies determine how governments raise and use public funds; the goods and services they provide, regardless of people's ability to pay; and the "rules of the game" that influence whether other economic activity happens in a fair way. How "interventionist" economic policy should be is a topic of heated debate in economics. States are also the main duty-bearers (that is, responsible parties) when it comes to human rights obligations.

The global economic system and institutions: A number of international economic institutions were created after the Second World War. These include the World Bank and the International Monetary Fund (IMF) — which together are commonly referred to as the Bretton Woods Institutions – and, later, the World Trade Organization (WTO). These institutions have a huge influence on global economic policy, and, in turn, on domestic economic policy. While these bodies claim to be multilateral spaces, their governance structures give disproportionate influence to Global North countries.

A key element in this system is economic policy. Essentially, economic policy describes decisions about how governments raise and spend public money, and how they regulate, control or guide economic activity. Some key areas of economic policy include:

Fiscal policy: this is a huge area, which encompasses all the ways in which governments raise money, including through taxation and borrowing, as well as what they spend it on. The government's annual budget is a key instrument for fiscal policy, typically directed by ministries of finance.

Monetary policy: controls the money supply in an economy (i.e., how much money there is to lend and spend) and regulates financial systems. Policy tools include setting interest rates; lending to government, commercial banks and other financial institutions; and regulating how a country is integrated in the global financial system. Central banks play a key role in this process.

Trade policy: governs the sale and purchase of goods and services from other countries. Policy tools include tariffs and quotas on the goods being imported into the country.

Industrial policy: refers to the strategic efforts that governments make, including through investment and regulation, to encourage the development and growth of all or part of the economy. The Green New Deal proposed in the United States, and similar initiatives elsewhere, are examples of a type of industrial policy that aims to accelerate the commercial viability of green industries, in order to transition towards a low-carbon economy.

Regulatory policies: govern the conduct of private sectors, including both financial and non-financial sectors. This ranges from breaking up monopolies through anti-trust or competition law, to protecting consumers by banning pollutants or introducing food safety standards, to guaranteeing workers' rights by shaping relationships between employers, employees and trade unions.

A *systems thinking approach* to economic policy — which sees policy as an element in the economic system — helps to make the complexity of the policy-making process visible. This, in turn, can strengthen our ability to influence it. In particular, it encourages us to see the interconnections between different tools and instruments for pursuing a particular policy. The overall effect of this mix of tools and instruments is not linear. In fact, its outcomes can be difficult to predict. It also encourages us to see the actors in the policy-making arena more clearly, including decision-makers, influential elites and ordinary citizens. As we will discuss below, this can reveal the deep disparities between the bargaining power of these different groups, which can distort or "capture" policy-making. The influence of international economic institutions is particularly significant.

How is Injustice Coded into our Economic System?

Although we can see the effects of injustice everywhere, its causes are typically more hidden. Sometimes it's very obvious how the economy shapes our lives. Economic policy decisions determine how much tax we pay, for example. If unemployment is high, we may find it difficult to get a job. But some of the other ways the economy shapes our lives and rights are less easy to see. For example, how much government funding does our local school receive, and how does this affect the education that our children receive? Why does it matter if a big corporation isn't paying tax? How much is being spent on funding healthcare, and how much on the military? What does sovereign debt have to do with whether our water is clean?

Governments can choose different ways to manage and prioritize all these things. Prevailing policy trends are not the only way to do things. Indeed, the dominant economic philosophy has undergone a radical shift within the past two generations.

The economic system that is in place in much of the world now, which took hold over the past few decades, can be described as "neoliberal". *Neoliberalism* has been defined as "a socioeconomic and political project that places the market at the center of all human interactions" (FEMNET and GADN). Proponents of neoliberalism argue that the economy will produce widespread prosperity when the market operates free of any restraints or interventions. A number of significant developments driven by this ideology have shaped our economies over the past 40 years, and many of these changes have had very definite — and often very detrimental — impacts on people's rights.

Since the 1980s, the roll-back and restructuring of welfare programs — originally envisaged as publicly funded schemes to ensure basic needs are met and a dignified life is achievable for all — has been a near-universal phenomenon. In practice, the shrinking of the welfare state has resulted in services such as healthcare, water and education becoming less affordable and accessible and lower in quality, and those who oversee their provision less accountable. This occurs either through direct cutbacks, or through the privatization, commodification and financialization of public services and infrastructure. The rise of fee-paying schools targeted at poorer households in low and middle-income countries is one example of this shift. The increasing prevalence of user fees for basic healthcare is another. All of these changes serve to put the goods and services that are essential for human rights enjoyment out of reach of many, and create two-tier systems in which those with means can access high-quality health and education, but those without means cannot. Meanwhile, social protection schemes are increasingly being narrowed and whittled down to minor palliative compensation, at best.

This shrinking of the welfare state has often taken place under the auspices of *fiscal consolidation*, or what is more commonly known as *austerity* or *structural adjustment*. The supposed logic of austerity is fiscal responsibility and governments not spending beyond their means. But, in reality, in recent decades progressive direct taxes (which ask most from the richest) have been dramatically scaled back, particularly those on corporations and wealthy individuals. For example, between 1980 and 2019, the average corporate tax rate around the world fell from 40% to 24%. Although the neoliberal argument is that there is no money for investment in public goods, the reality is that governments are less and less willing to raise it from politically powerful elites and sectors.

While tax cuts have been justified as a way to boost investment, austerity also prioritizes much looser regulations on corporations. This includes diluting their responsibilities to their employees. Impacts on workers have been drastic, resulting in jobs that are increasingly more precarious, in unsafe workplaces, with stagnant pay and with little chance of remedy against abusive employers.

Deprived of necessary tax revenue, many low- and middle-income countries face a vicious cycle of overdependence on *foreign debt*. The terms and conditions of a loan — including the currency it's in —significantly affect how manageable debt payments are. Inequities in the global financial system mean that terms and conditions differ among countries. In particular, low- and middle-income countries are often forced to rely on under-regulated international financial markets that are skewed in favor of private lenders. Their creditworthiness is perceived to be lower, so they end up having to borrow at high interest rates, and in US dollars. When they struggle to pay their debts, they have to renegotiate the loan (known as *debt restructuring*). Often this involves taking on further loans from public lenders, which impose stringent conditions to achieve certain economic targets and enact particular policies. In other words, more austerity. When debt payments squeeze government budgets, or debt relief comes with attached conditions, this leads to the privatization of public assets, cuts in social protection programs, and disinvestment in essential public services.

The human costs of the trajectory noted above are clear: badly paid and unsafe jobs have major impacts on health, income and family life, while weaker public services result in worse healthcare and education for those who are unable to pay for private provision. Women and girls often suffer the most from cuts to social spending. Their unpaid care and domestic work is relied on to fill the gaps created by austerity, which worsens their economic insecurity and social mobility.

But the biggest indictment of the neoliberal economic system is that it has failed to deliver even what it had promised on its own terms. According to neoliberal dogma, although a few individual employees or people might suffer temporarily, in the long term things will be better for everyone. This is sometimes characterized as *trickle-down theory*, or the idea that "a rising tide lifts all boats". But in practice, as we've seen, this increasingly harmful system has instead created unbelievable wealth for a few and very meager benefits for billions of others. Ultimately, it has failed to secure conditions of dignity for the majority of the world's population. By official measures, extreme poverty (defined as the number of people living on less than 1.90 USD a day) has declined globally. Yet almost 10% of the world's population still live under this line, which — as many researchers and experts have shown — is simply not sufficient for them to meet even the most basic needs and live in dignity. Measured by more reasonable thresholds, billions more people live in poverty or on the very edge of it. Even in wealthier countries – where hardly anyone lives on less than 1.90 USD a day — growing numbers of people are homeless and destitute.

Extreme poverty is, undeniably, a human rights violation. People living in this situation are by definition not able to enjoy their rights fully or equally. And as around the world neoliberal policies roll back the welfare state, even people who are living in less severe forms of poverty – the "working poor", for example — are unable to enjoy their rights to good-quality education, effective healthcare, decent work and equal wages, adequate housing, and reliable clean water and sanitation. This state of affairs is not an accident.

In a world where in 2017, just eight billionaires owned the same wealth as 50% of the world's entire population, the continued existence of poverty is a policy choice.

Indeed, poverty is intrinsically connected to inequality, which has widened dramatically in most regions of the world in recent years, and has likely been exacerbated by COVID-19. Economic policies — which are supposedly "neutral" — in fact reproduce and entrench discrimination and structural inequalities, as income, wealth and opportunity gaps widen along lines of race, class and gender. Extreme inequality is problematic from a human rights perspective because it is a clear indicator of discrimination somewhere in the system. If policies are neutral and everyone has the same "opportunity", then how can we explain such dramatic outcome differences between men and women, Black and white, indigenous and non-indigenous populations? Furthermore, extreme inequality also creates highly stratified societies where social mobility is extremely low, and "separate and unequal" systems emerge. The vast majority of people are unable to enjoy their rights to the full degree to which they are entitled, and in equality with their more fortunate neighbors.

One of the most significant social costs of neoliberal policies is booming levels of household debt. When governments roll back public services and social protection schemes, market-based, individualized solutions have to fill the gap. For those who can afford them, this means private hospitals, private childcare, private schools, private insurance, private pensions and private care homes. But for those who can't, this means borrowing more and more to maintain their standard of living.

In numerous countries, many people lack access to formal lending sources. In others, financial deregulation has made formal lending sources less safe. This leads to predatory lending. Excessive interest rates, abusive contractual terms, criminalization of debtors and harsh collection practices become more prevalent. This quickly leads to a never-ending cycle of personal, family and social tragedies for many people — putting their economic and social rights in even greater jeopardy and undermining their wellbeing and ability to realize their potential.

In such a skewed economic system, political power becomes more and more concentrated. People who suffer abuses at the hands of their employers are rarely able to hold them to account, corruption among elites can run rampant, and powerful corporations have a direct line to the policy-makers who keep enacting policies that protect and benefit them. We could characterize this as the "de-democratization" of the economy. At the same time, the impunity enjoyed by corporations and elites — especially in the Global North — allows them to continue despoiling the environment and emitting vast amounts of carbon, while the devastating impacts of pollution and climate change are increasingly felt in the Global South and accumulate among the poorest communities, especially communities of color.

How Can a Human Rights Lens Help Us Analyze Economic Trends?

At this point, it should be very clear that if we care about human rights, we have to engage with the economy. It's not something remote from people's daily lives and struggles; in fact, it is shaping, creating or exacerbating those struggles. In many ways, economic systems — and the institutions and policies that underpin them — may be the biggest determinant of how easily people are able to enjoy their rights. As we know, our economies affect different people differently, and economic inequality goes hand in hand with racism, sexism and other forms of discrimination on the basis of people's social status.

That said, a common question from activists is: how can claiming human rights help in pushing back against unfair economic policies? In CESR's own work — and the work of our partners and allies — we've found that using a human rights approach, or adopting a *human rights lens* when looking at the economy, is profoundly useful for a variety of reasons.

First, human rights provide a *normative, values-based framework* with which to analyze the economic system. Currently, the purpose of the economy is characterized by most policy-makers as economic growth, measured through Gross Domestic Product (GDP) — with poverty reduction or "development" as an assumed side effect. But if instead we think about human rights realization as the primary aim of the economy, we can shine a spotlight on whether economic policies are creating or combating deprivation, marginalization and exclusion.

A rights-based approach views poverty as injustice, not fate.

Human rights, after all, guarantee us the material conditions we all need to live a life of dignity. They ensure that everyone can achieve wellbeing, realize their potential, and have the opportunity to find happiness and fulfillment. They include the rights to education, work, food, shelter, healthcare, social security and cultural development. By seeing deprivations of these goods as denials of rights, rather than an inability to meet basic needs, *a rights-based approach views poverty as injustice, not fate*. It focuses on the relationships among groups in society, with the aim of holding the powerful accountable for the actions they take that cause, continue or worsen poverty.

Indeed, human rights create *legal obligations* that governments, large corporations and other powerful bodies must comply with. This is the **second** key reason that the human rights lens can be helpful. Recognizing that public goods such as health, water and education are rights means acknowledging that they are so essential for human dignity and wellbeing that access to them must be guaranteed to all; it cannot be left to the whims of the market or to the total discretion of decision-makers. This directly challenges the logic of neoliberalism; it gives primacy to people's internationally recognized human rights, over the spurious "rights" of investors and corporations.

Third, the universal character of human rights provides us with a widely agreed language to talk about the values that should underpin our economies. Human rights are codified in a comprehensive framework of binding standards and principles. These have been agreed by the vast majority of governments, and shaped by the struggles of countless communities deprived of their rights. This makes human rights a potentially powerful and unifying framework for advancing economic justice.

Fourth, human rights give us a holistic picture of wellbeing. The human rights framework contains a broad spectrum of rights: civil, cultural, economic, environmental, political and social. Many people and organizations interpret human rights narrowly, seeing them as being mainly about civil liberties. But human rights are far more holistic than that. Rethinking our economies on the basis of this broad range of rights — from the right to a fair trial to the right to be free from hunger and the right to enjoy the benefits of scientific progress — helps to overcome stale ideological debates over whether civil liberties or development (both narrowly defined) should be prioritized by governments. All rights are explicitly understood as interrelated and indivisible — where the right to health is just as non-negotiable as the right to freedom of expression — and indeed, they depend on each other. This reflects a much more compelling and accurate vision of our intertwined lives, societies and economies.

What Tools Help Us Look at the Economy Through a Human Rights Lens?

To understand and illustrate the impact of the economy on human rights, and make a case for how economic systems need to change, a basic level of economic literacy is necessary. This may sound daunting. But it's very possible to learn what you need to know without retraining as an economist. In fact, sometimes those of us who aren't economists can more easily step outside of the truisms and dogmas that are taught in mainstream economics courses.

For human rights activists, one of the biggest challenges is not so much educating ourselves about the economy, but stepping out of our comfort zones and learning to use analytical approaches and measurement methods that are not traditionally central to the human rights field. Human rights activists are often taught to look at individuals, not systems. We're used to analyzing events — a suppressed protest, an unfair trial — rather than ongoing chronic deprivations. Often, too, our methods are very legalistic.

But some of the most chronic and widespread injustices — such as economic inequality, environmental destruction and restriction of civic space — affect a vast range of human rights. They don't fit within a simple cause-and-effect analysis. Examining only one part of a system can lead to fragmentation and silos. The whole of a system is different from the sum of its parts, because of the interactions among those parts. Such an approach also tends to over-simplify the diagnosis of a problem. This, in turn, limits the prescriptions that can be made.

To do this work, we need to use a range of research methods. Some of these are drawn from the field of law. Others come from economics, sociology and beyond. The notes that make up the **Illuminate** and **Inspire Modules** will take you through many of these methods. The human rights framework — detailed in the following note — will always be our guide. What we ultimately care about is how we can make the most convincing case about whether or not people are enjoying the rights to which they are entitled.

CONCLUDING THOUGHTS

The human rights approach we have outlined in this note draws from (and adds to) a *systems thinking* or *systems change* approach to transforming our economies. Rather than simply trying to understand specific components in isolation, systems thinking takes into account the interactions between different parts of a system, in order to better understand how, together, they create particular dynamics that sustain (or can alter) the status quo. Analyzing the economic trends that have characterized recent decades through a human rights lens helps us to decode the injustices in our economies.

Ultimately, rethinking the economy to align it with human rights requires a dramatic shift in how we produce, distribute, consume and value different goods and services. Human rights provide a widely agreed set of the ethical values and legal obligations that should underpin our economies, informed by a holistic understanding of human wellbeing. The specifics of these obligations are detailed in the second note in this module.

Comparing the current economic system against human rights obligations pushes us to identify the root causes of and responsibilities for the injustices that are coded into the current system. At the same time, bringing systems thinking into our approach to human rights research can offer us a much more powerful and rigorous way to look at the economy. The third note in this module introduces a framework for doing so. It allows us to use different types of mapping tools to define or bound the economic system; identify the various elements in it; visualize how they interconnect and interact; and understand how, together, they create the particular dynamics that sustain injustice.