

The face of economic crisis

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Sister Joan with slum kids and their new school uniforms.

PHOTO BY JIM POLLARD/THE NATION (THAILAND)

Every morning, Sister Joan Evans, an Australian nun based in the slums of Klong Toey in Bangkok would have neighbours knocking at her doors. These days, the number of people asking for her help has been constantly high. The reason is not hard to fathom. The poor has become poorer and basic necessities have become out of reach.

Since the 77-year-old nun came to Klong Toey, a mecca of about 200,000 residents, located in one of the arteries of the mighty Chao Phraya River, in 1992, she has been a constant support for many families who need assistance to feed, clothe and send their children to school. Every fortnight, Sister Joan leads a milk run that provides milk formula to some 120 young mothers in the community. At the start of the school year, the nun provides school uniform, socks and bags to hundreds of underprivileged children. She has also been helping the elderly and the vulnerable get medical attention and care.

For years, Sister Joan has seen what life is in a poverty-stricken slum and her generosity has alleviated the hardships of many families.

The Klong Toey slum can be considered lucky to some extent but other poor communities do not have the same support like theirs. Klong Toey is just one of a hundred slums around the city. There are also poor families in rural areas particularly in the northeast region who are finding it difficult to cope with dwindling resources, skyrocketing food prices and other basic necessities. Every day, there are reports of young people going to the city to find their luck as maids, labourers or, worse, as prostitutes.

Somchai Jitsuchon, research director for macroeconomic development and income distribution at the Thailand Development Research Institute, said overall poverty in Thailand has worsened since 2008, in the wake of oil and food price increase.

He said the number of poor increased from 5.4 million in 2007 to 5.7 million in 2008, 11.4 per cent of the total population, 5.2 million of which are in rural areas, he claimed.

Inflation rate in Thailand has gone up from 2.2 per cent in 2007 to 5.5 per cent in 2008 while the GDP growth dived from 4.9 per cent in 2007 to 2.6 per cent in 2008, according to a United Nations United Nations Economic and Social Commission for Asia and the Pacific (Unescap) survey.

In India, which has the second-largest population in the world, slum dwellers continue to suffer in dismal conditions while poor farmers commit suicide for unpaid debts.

Farmers' suicides have tremendous impact on the families left behind. Take the case of a family in Yavatmal in eastern India's Maharashtra state. Eleven-year-old Digambar Rathod, whose 42-year-old cotton farmer father ended his life after accumulating a bank loan of 190,000 rupees (US\$3,960), instantly became the breadwinner in the family. The boy had dropped out of school to become a farmer and pay off the loans. His older sister had also stopped studying to take care of the household and their two other younger siblings.

In this state, farm suicides have become a scourge triggered by unpaid loan obligation due to rising input prices, declining incomes, lack of irrigation and volatile global prices. India's inflation rate rose from 6.2 per cent in 2007 to 9 per cent on 2008.

The Klong Toey slum and farmers' suicides in Yavatmal are just among the many faces of the economic crisis that has struck the underbelly of the world's poorest and most vulnerable.

At risk

According to the Unescap report, the people most at risk from the crisis are the poor, women who are labourers in the manufacturing sector, the youngest and oldest populations and socially excluded groups.

"Not only do these groups have fewer resources with which to cushion the impact of the shocks, but they also have less influence on economic and political decisions," the report added.

Countries with slowing economies and rapid labour force growth like Cambodia, Pakistan, Philippines, will experience the greatest impact.

Klong Toey dwellers painfully feel the pinch as most of them survive through port work, manual labour and street vending--irregular jobs that do not provide a steady stream of income. With commodity prices increasing, their incomes have been squeezed, with little or no buffer for health or medications in case a family member gets sick.

Professor Leonor Magtolis Briones, co-convenor of social Watch Philippines, warned that the implications of economic crisis will be severe if governments and civil society will not focus on the most vulnerable.

The economic crisis, she said, is worsened by two other factors--food and fuel price hike and climate change. These are serious threats to development in the Asia-Pacific region.

The Unescap report indicated that higher food prices in Asia and the Pacific pushed up the number of undernourished people in the region from 542 million in 2003 to 2005 to 584 million in 2007. Additional food price increases in 2008, along with the marked slowdown in economic activity, is likely to increase the number of undernourished even more.

Food price increases may push the poor to reduce the number of times and variety of food they eat, sell their meager assets, or take children out of school to work, harming their and their children's prospects.

"With the current rate of inflation, the poor who eat twice a day will be forced to eat only once a day. What happens to those who only eat once a day?" she asked.

But even before the onset of the economic crisis, many countries in Asia such as the Philippines, according to professor Briones, poverty had been rising; household incomes had already been falling; jobless growth has been persistent; and indicators in education, health and nutrition have not improved significantly with posted economic growth.

This means the economic crisis will hinder further economic development and the attainment of the millennium development goals (MDGs).

There are 189 countries committed to achieving the MDGs by 2015. The stakes for the world are for the 500 million be lifted out of extreme poverty; 300 million out of hunger; 30 million more children reach their 5th birthday; 2 million mothers' lives saved; 350 million fewer people without drinking water; 650 million fewer people without basic sanitation and hundreds of millions more women and girls will go to school, among others.

Human costs

Former Philippine economic development chief Cielito Habito said the human costs of the economic crisis include increased poverty, higher unemployment, increased school drop-outs, increased hunger, malnutrition sickness.

These are the effects of reduced social investment, budget cuts on social services, reduce public investments in human development and reduced provision of social services.

The governments' answer to the economic crisis is in the form of stimulus packages. Various countries allocated millions of dollars to revitalise the economy and encourage consumer spending.

In a recent forum in Manila, professor Briones questioned the nature of stimulus packages. She asked: "Are government efforts adequate to provide social protection in the short and long term?"

She went on scrutinising each government's stimulus plan.

Korea for example committed 4 per cent of its GDP for a package that includes job creation, welfare support and reduced real estate taxes. The 50-trillion-won (\$38.1 billion) 'Green New Deal Job Creation Plan' is intended for environment-friendly job creation.

India focuses on tax relief, support of manufacturing enterprises and infrastructure.

Pakistan has a \$7.6 billion stand-by arrangement with the International Monetary Fund to handle its budget deficit and has set up the Benazir Income Support Programme to provide monthly cash benefits.

Sri Lanka has unveiled a \$141 million package largely focused on incentives for exporters, cuts in energy prices, as well as reduction in the expenses of government officials.

In Southeast Asia, the countries have among the largest fiscal stimulus that are largely focused on tax breaks and incentives, rescue operations for industries and infrastructure. The following are Asean countries' allocations: Singapore (\$13.7 billion); Philippines (\$6.5 billion); Indonesia (\$6.1 billion); Malaysia (\$1.9 billion), Thailand (\$3.3 billion) and Viet Nam (\$1 billion).

Another economic professor and social commentator, Solita Monsod, said stimulus packages are not clearly explained to the public. The Philippine stimulus package for example is not clear where the money will go and there are no provisions for monitoring. Meanwhile, Malaysia's stimulus package reportedly has very long lead times. China's stimulus package (\$587 billion), which is 18 per cent of its GDP, is among the biggest but over a two year period. Monsod added that it is estimated that only \$173 billion of that is 'new' money. The rest represents previously budgeted expenditure items.

A stimulus package, she said, should be transparent and focused. More importantly, it should address the needs of the poor.

"The bottom line is MDGs will not be achieved unless stimulus package components are pro-poor," she added.

Quick results

With the amount of money involved, professor Briones said stimulus packages neglect development of local capacities to cope with crisis. Stimulus packages of both donor and recipient countries give an impression that these are designed for quick results.

"As the Unescap report points out, short term responses are not sustainable if the crisis will linger," she said.

She added that short-term solutions, like prolonged cash transfers, may not be complimentary to local capacity development, may lead to dependency and do not solve problems of poverty.

Professor Habito shared Briones' view. He said measures for short-run stabilisation may take a toll on human development and long-run sustainability.

He said, Asian governments must have effective and efficient targeting mechanisms such as public-private partnerships in public investments. Fiscal stimulus must subject to fiscal sustainability with emphasis on social sustainability.

Professor Briones, however, believed that beyond numbers, the economic crisis is quantifiable in practical terms--by just looking at the plight of the poor and the vulnerable.

"The financial crisis is not only about banks, stimulus packages, tax relief and infrastructure. The human face of the crisis is reflected on the mothers who die while giving birth unattended by physicians; infants dying due to preventable causes; workers laid-off from jobs; graduates who have little job opportunities; millions of people suffering from hunger and limited access to adequate food."

While billions of dollars are allocated for stimulus packages, Klong Toey slum dwellers in Bangkok have to continue on asking help from a kind-hearted nun and the Indian boy who inherited his father's debt has to go to farm before the sun breaks instead of going to school.

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