
**Economic security—
the power to choose
among opportunities**

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Human security at its core requires a set of vital freedoms for everyone

A fifth of the world's people—1.2 billion—experience severe income poverty and live on less than \$1 a day, nearly two-thirds of them in Asia and a quarter in Africa. Another 1.6 billion live on less than \$2 a day. Together, 2.8 billion of the world's people live in a chronic state of poverty and daily insecurity, a number that has not changed much since 1990.¹ About 800 million people in the developing world and 24 million in developed and transition economies do not have enough to eat.²

Economic and financial crises reduce average wages and consumption, and poor people, especially the very poorest, feel the worst of the impact. Annually throughout the 1990s, natural disasters took the lives of some 80,000 people, affected 200 million people and cost an average of \$63 billion.³ The attacks of 11 September 2001 deepened the global economic downturn, with 10.5 million people in the travel and tourism industry alone losing their jobs.⁴

Poverty and human security

When people's livelihoods are deeply compromised—when people are uncertain where the next meal will come from, when their life savings suddenly plummet in value, when their crops fail and they have no savings—human security contracts. People eat less and some starve. They pull their children out of school. They cannot afford clothing, heating or health care. Repeated crises further increase the vulnerability of people in absolute or extreme poverty (box 5.1).

But vulnerability and insecurity are experienced not only by people who live in extreme poverty. There are also people who have jobs and yet cannot afford essential prescription

medicines, or safe living conditions, or school uniforms, lunches and transport costs to send their children to school. And people who have no means to replace earnings when disaster hits.

Thus people's human security is only partly produced by improving individual and household ability to generate and marshal resources.⁵ That is why human security at its core requires a set of vital freedoms for everyone, to prevent those who are income-poor or unable to grasp opportunities to develop their capabilities from going to the wall when crises hit. Besides basic income and resources, the freedoms to enjoy basic health, basic education, shelter, physical safety, and access to clean water and clean air are vitally important. Access to these basic resources and opportunities—to what might be called a social minimum—can be provided by negotiated arrangements by the state, political parties, public and private interest groups and many other social actors, operating at community, national and global levels.⁶

Adopting a human security approach

Three situations of economic insecurity regularly impair human security: insufficient economic resources, unstable economic flows and asset losses. An ability to save or invest or access resources is also instrumental to human security. People further their own security by setting aside savings and investing in physical, financial and human assets (a savings account, health insurance or education).

Three kinds of crises—economic (including financial crises, debt crises, terms of trade crises), natural disasters, and conflict—inflict the greatest shocks on society and people's human security.⁷ Economic downturns seem inescapable. Disasters are increasing.⁸ And conflicts continue.



Box 5.1 The challenge of extreme poverty

At times considered part of the social order, poverty was believed to be an inevitable evil associated with the human condition. Theories for eradicating poverty have abounded, from those of utopian visionaries such as Thomas More to others in more recent times. Society has responded through various institutional measures for alleviating poverty. The Millennium Development Goals, recently adopted by the United Nations, place the fight against poverty among the top priorities of the international community. It is unconscionable to think of human security while ignoring the problem of poverty.

In pre-modern societies, assistance to the poor was provided through local communities—by corporate associations, by religious communities, by the warm responses of human beings towards those who found themselves in distress. These forms of solidarity were effective in stable situations, when the incidence of poverty did not reach dramatic levels. However, during recurrent crises, such community-based activities can do very little to alleviate the suffering of the pauperized masses, defenseless against starvation and epidemics. Modern societies prohibited begging and isolated the poor in forced labour institutions. Faced with the magnitude of poverty, and driven by fear, organized society resorted to repression and exclusion, without being able to resolve the problem.

These social concerns and attendant reflection led to the emergence of modern-day social sciences and social policies. As early as the late 18th century, Jacques Necker, the Swiss-born finance adviser to the French king, developed the idea that assistance to the poor is not only the expression of good intentions, but also a political imperative for maintaining order. Thus, the fight against poverty appeared as a part of security in its national dimension as well as in its global one.

Discrepancies in the material situation of individuals and even differences in development or prosperity levels need not always be considered within the framework of security, however. Economic growth, social solidarity policies and social assistance must also provide answers to these social challenges. But it is extreme poverty that creates the most dramatic threats in today's societies.

Extreme poverty concerns all—individuals, families, groups—who subsist in a state of utter deprivation, without enough to eat and or a roof above their heads. It is not possible to measure extreme poverty only in income terms, since the poverty level also depends on the economic and social context. In Sub-Saharan Africa, death by starvation or malnutrition is at the horizon of everyday life, a threat that erodes the social fabric. In developed countries, continuous unemployment means not only loss of income but also a sense of total failure and exclusion from society. These groups of *laissés pour compte*, called the “Fourth World” in Europe, focus attention on the need for inclusionary social policies, not only for relief and temporary assistance.

It has rightly been said that poverty does not necessarily generate terrorism, since terrorists also come from among the privileged. It is nevertheless true that terrorism takes advantage of misery, knowing that despair creates favourable conditions for terrorist projects and actions.

Human security policies must consider the fight against poverty as a major challenge for the international community. It is imperative to develop global strategies supporting growth and sustainable development while at the same time implementing policies of economic development and social protection at the national level. Among these, the financing of micro-projects among the poor, as in Bangladesh and elsewhere, has proved its worth.

Bronislaw Geremek

Promoting basic economic security, by reducing poverty and raising living standards, can have substantial social impact

Promoting basic economic security, by reducing poverty and raising living standards, can have substantial social impact. Economic security and the development of social capabilities reinforce each other. An extensive body of literature and policy experience already exists on these issues. This chapter identifies four priorities for policy action to promote human security:

- Encouraging growth that reaches the extreme poor.
- Supporting sustainable livelihoods and decent work.
- Preventing and containing the effects of economic crises and natural disasters.
- Providing social protection for all situations.

Encouraging growth that reaches the extreme poor

Economic growth is essential for reducing income poverty. Projections estimate that it might be possible to achieve the Millennium Development Goal of halving the proportion of people who live on less than \$1 a day (from 29% in 1990 to 14.5% in 2015) if growth in average per capita income averages 3.6% a year. But this is nearly twice the average growth rate achieved over the past decade—an average that hides the spectacular success of China and the failed growth in 70 countries.⁹

Markets and trade are basic to economic growth and have been a source of unprecedented wealth for some. Market systems can also widen people's ability to choose and act on their own behalf. While some defend market economies and others criticize them, extensive use of markets will be required to generate the kinds of growth and human security measures that an expanding

human population needs. The central issue from a human security perspective is not whether to use markets. It is how to support the range of diverse institutions that ensure that markets enhance people's freedom and human security as effectively and equitably as possible—and that complement the market by providing core freedoms that the market cannot directly supply (see box 5.2).

Identifying the balance of institutions, policies and processes necessary for poverty-reducing growth has become somewhat of an international preoccupation. The poverty reduction strategy papers and comprehensive development frameworks of multilateral agencies and the donor community—and the combined effects of the United Nations Development Programme, World Bank, International Monetary Fund (IMF) and other international economic agencies and regional development banks—tend to emphasize these issues. Some advances have been made in understanding what is required, particularly in understanding the dynamic role that poor communities themselves can play in promoting, sustaining and benefiting from growth.

Addressing distributional issues. Human security is improved if the poor benefit from a greater share in the wealth and income generated by economic growth, as in Taiwan and the Republic of Korea. Also, the overall increase in national prosperity can help finance public services, including health care and education. But the fruits of growth certainly do not always expand social services or promote the protection and empowerment of people throughout a society. For example, “based on existing income distribution patterns, Brazil has to grow at three times the rate of Vietnam to achieve



Box 5.2 The market economy, non-market institutions and human security

Globalization has much to offer, but even as we defend it, we must also see the legitimacy of many of the questions that anti-globalization protesters ask. Can the deal that different groups get from globalized economic and social relations be changed? Can this be done without undermining market relations and without destroying the global market economy? There is evidence to argue that the answer is “yes”.

It is hard to achieve economic prosperity without making extensive use of the opportunities of exchange and specialization that market relations offer. Although the operation of the market economy can be significantly defective—and that must be taken into account in making public policy—there is no way of dispensing with markets as an engine of economic progress (see, for example, Akerlof 1970; Spence 1973; Stiglitz 1985).

Recognition of the significance of the market economy does not end the discussion about globalized

market relations; it only begins it. Market economies can have many different ownership patterns, resource availabilities, social opportunities and rules of operation (patent laws, anti-trust regulation). Depending on these enabling conditions, a market economy would generate different prices, terms of trades, income distributions and overall outcomes. The arrangements for social security, social protection and other public interventions can also alter the outcomes of market processes. All of these enabling conditions depend critically on economic, social and political institutions that operate nationally and globally. As amply established in empirical studies, the nature of market outcomes is strongly influenced by public policies in education, health care, social protection measures, land reform, microcredit facilities and appropriate legal protections. It is the combined use of markets and non-market institutions that offers the best prospects for less global inequality and more human security.

Source: Adapted from Sen 2002.

the same average income increase in the poorest one-fifth of the population. Similarly, Mexico would have to grow at almost twice the rate of Indonesia or Uganda to achieve a similar increase”.¹⁰ The initial distribution of resources—including human capital as well as economic resources—matters a great deal. Political processes and decisions need to address distributional issues in order to address persistent levels of inequality. The inequality of distribution across the globe also needs to be addressed (see box 5.3).

Reducing developed country trade barriers. Protectionist barriers in many developed countries block developing country access to markets that could help them generate productive growth and increased employment, exports and other opportunities for poor people (box 5.4). For example, in the agriculture and textile sectors, farmers and garment workers from developing countries face import barriers that are four times as high as those faced by producers in rich countries, making it difficult for their exports to compete. Average tariffs in countries of the Organisation for Economic Co-operation and Development on

agricultural goods and textiles, the predominant exports of developing countries, are higher than those in such sectors as cars and machine tools. Trade restrictions in rich countries are estimated to cost developing countries around \$100 billion a year—several times what they receive in official aid.¹¹ Opening up agricultural and textile markets by removing such protectionism would benefit the poorest countries most.

Developing governance and policies that empower. Distributional and trade issues aside, policy choices also affect how equitable growth will be. For example, the Republic of Korea did much better in channelling resources to education and health care than Brazil did in the 1960s and 1970s, despite Brazil’s significant economic growth at the time. This helped Korea achieve more equitable growth. Equitable development outcomes are fostered by the “human capital” that educational systems generate, the initial distribution and redistribution of assets and income, the availability of microcredit and legal protections, the extent of corruption and rule of law and the power of people’s movements to engage in social dialogue in support of the poorest.

Box 5.3 The importance of foreign direct investment

The spectacular increase in direct investment in developing countries by companies in high-income countries in recent decades offers one of the most important mechanisms for a fairer distribution of opportunity around the world.

Direct investment offers a lifeline connecting emerging economies to world markets. It is almost impossible to envisage how a poor country lacking the technology, management know-how and access to markets could start from scratch in any industry today. To develop a diverse range of high-value industries and services that will create and spread prosperity, such countries need the catalyst of finance and expertise from outside their borders.

The financial crises of the late 1990s tarnished the appeal of cross-border investment. But direct investment has in fact proven relatively stable, in contrast to portfolio investments in financial markets. Although the total flow of foreign direct investment to developing countries has declined from its peak of about \$150 billion a year during the 1990s because of the world economic slowdown, this was much less than the plunge in bank lending and portfolio investment in shares and bonds in recent years (World Bank 2002; IMF 2002).

Private business investment dwarfs the scale of official aid flows to poor countries. It is also, by definition, a productive transfer of funds. Business is about wealth creation, growing capital and paying dividends to shareholders. But this is not the only wealth it creates, nor are the shareholders the only beneficiaries. Multinational investors generate value in producing and distributing higher value products that local businesses and consumers need, as well as generating export earnings by serving markets overseas.

Successful businesses, whoever owns them, create wealth for the immediate community in other ways, through the extra jobs generated, and the salaries and benefits paid to employees. These wages help generate additional purchases and jobs, multiplying the beneficial impact on the local economy. Investment by

multinational corporations also tends to improve pay and working conditions and to introduce cleaner and more energy-efficient technologies. It can also transfer technology and build markets for local businesses. And the taxes collected and paid by multinational corporations help fund public services.

Investment by multinational firms has nevertheless sometimes been criticized for a variety of reasons. And there have been some cases of abuse. But emotional attacks on foreign direct investment threaten to damage the prospects for economic prosperity and security for people living in poor countries. Of course, companies must ensure that they have a robust corporate governance framework wherever they operate. But the evidence stacks up decisively in favour of the benefits of foreign direct investment for the host country (Klein, Aaron and Hadjimichael 2003).

These benefits mean that there is a challenge in ensuring that foreign direct investment in future is not concentrated on just a handful of countries, as it has been in the past. Most foreign direct investment still flows between the rich economies. Of the minority share flowing to developing countries, China, along with some East Asian and Latin American nations, has benefited the most. Just 10 countries accounted for more than half of all foreign direct investment inflows to developing countries through the 1990s, and 20 countries for almost three-quarters (UNCTAD). China alone attracted almost half the total in 2002, and about a quarter through the 1990s. The countries that have received the most foreign investment have also enjoyed the fastest growth in trade and GDP and the biggest declines in poverty.

As this contrast suggests, countries that could benefit enormously from foreign investment need to become more attractive places to do business. The reasons some of them fare badly in attracting investors vary, but include over-regulation, corruption, weak legal systems and political instability. In this way, the different sources of human insecurity in such countries reinforce each other, at great cost to their people.

Peter Sutherland



Box 5.4 Trade and protection

International trade is a crucial tool for development. But the reality facing the poor countries of the world is that rich countries still maintain high barriers against their exports. A poor person in a developing country trying to sell goods and services in global markets faces barriers twice as high as the typical worker in an industrial country. A recent study has estimated that full elimination of agricultural protection and production subsidies in rich countries would increase annual rural income in low- and middle-income countries by about \$60 billion, or 6 percent—more than worldwide aid. The recent Farm Bill in the United States and the European Union's decision to postpone reform of the Common Agricultural Policy show an unwillingness to address this injustice.

In a world where more than 2 billion people live on less than \$2 a day, European cattle farmers receive an average of \$2.50 a day per cow in subsidies. U.S. subsidies to cotton growers will total \$3.9 billion this

year, three times U.S. foreign aid to Africa. And it is poor farmers in North and West Africa, for whom cotton is the main cash crop, who will be hit hardest. Tariffs and quotas for textile imports to rich countries cost developing countries an estimated 27 million jobs.

Most perversely, it is often the higher value-added goods that face the highest barriers. A Chilean tomato exporter faces a U.S. tariff of 2.2% on exports of fresh tomatoes. But the tariff rises to 8.7% if producers dry and pack the tomatoes and to 11.6% if they process the tomatoes into sauce. This additional tax hampers efforts to move into higher value-added activities that would pay better wages and improve the economic security of workers. Such policies indicate the chasm between rich countries' rhetoric on trade liberalization and their actions, with far-reaching impacts on the livelihoods, incomes and dignity of poor people in the least developed countries.

Source: World Bank 2002a, 2003, Stern 2002.

In sum, crucial to healthy and sustainable growth is the mix of policies that support productivity, employment creation, enterprise and human resource development.

The development process in East and Southeast Asia shows what countries need to do to promote growth with human development:

- First, there has to be an emphasis on basic education as a prime mover of change.
- Second, wide dissemination of basic economic entitlements (through education and training, land reform, credit) broadens access to the opportunities offered by the market economy.
- Third, state action has to be judiciously combined with the use of the market economy.
- Fourth, a wide range of institutional interventions is required to enhance capabilities, promote social opportunities and support market arrangements.¹²

The capacity of states to promote governance that empowers people and to manage processes of economic globalization largely depends on changes to the institutional architecture for legal, educational, health, political, protective and judicial systems. The Bretton Woods institutions

and United Nations system set up after World War II have made major progress in strengthening market economies. In the 21st century, corresponding energy must be devoted to cultivating “non-market” institutions to ensure human security within the market economy and to protect people during downturns and other crises. When people experience repeated crises and unpreventable disasters that cause them to fall—whether from extreme poverty, personal injury or bankruptcy, or society-wide shocks or disasters—the human security perspective is that there should be hands to catch them.

Supporting sustainable livelihoods and decent work

Most people build or lose their economic security in the workplace—whether a factory or farm or financial centre or in the public sector or the service sector. In some instances, workers unions empower people to represent their needs to management and thus to protect their human security. In other instances, long-term firm loyalty and relationships provide some security. Changes in the global economy have altered production and

Women have less time to engage in activities that can generate income or enable them to overcome their marginalization

work patterns. Some trends have had a significant impact on the availability of jobs, especially for low-skill level workers, such as a growing informal sector¹³ and increasing female participation in the work force. Cutting across these trends are the needs to deal with environmental factors, address gender asymmetries in livelihoods and support microcredit initiatives to enable poor people to participate in economic activity.

Informalization of the labour force. With an estimated 400 million new entrants in the labour market and an existing pool of unemployed and under-employed people, more than a billion jobs need to be created by 2010,¹⁴ 60% of them in Asia. Indeed, given structural conditions, the skill pool and numbers of new job entrants in developing economies, employment in the formal sector may cease to be the norm anywhere—in developed and developing countries.

Recent trends in Latin America also indicate that significant growth in the labour force resulted in more self-employment. Self-employment plays a particularly strong role in Bolivia, where half the work force is self-employed. Substantial growth in self-employment also occurred in Colombia, rising from 32% to 39% of the labour force.

Developing livelihoods outside typical formal arrangements must involve creative ways of securing both income and meaningful work that build on the capacity and ingenuity of poor people themselves. Critical aspects to be addressed include access to land, credit, training and education.

The International Labour Organization's goal to promote “opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity” is

directed to “all workers”, irrespective of their sectors and whether they are waged or unwaged, home workers, or regulated, unregulated or self-regulated.¹⁵ Taking such a comprehensive approach ensures that different parts of the working population “whose fortunes do not always move together” are not neglected in the process of furthering the interests and demands of other groups.¹⁶

But working conditions and job-related benefits—such as pensions, health insurance and minimum wages—are only part of the problem. The insecurities of many self-employed rural workers are compounded by other conditions, such as environmental degradation and a lack of access to credit. Women's livelihoods merit particular attention.

The environment and livelihood insecurity. Many poor people have to depend on their local environment for their survival. Some 1.3 billion people live on marginal lands. Particularly for those who live in rural areas, economic security is intimately connected to the natural environment. People in rural areas rely on forests for fuel and on agriculture for subsistence. In Sub-Saharan Africa and Asia, 75% of the poor live in rural areas.¹⁷ Most are heavily reliant on common lands for necessities such as wood for fuel and fodder. In some states in India, the poor obtain 66–84% of their fodder from common lands.¹⁸ When these resources are degraded, the effect is direct and immediate: poor families are forced to migrate to ever more marginal lands, household income falls as non-timber forest products become depleted, and human security plunges.

Women suffer the effects of environmental degradation even more acutely since they are forced to walk further and further to collect wood



There is tremendous scope for strategic investment to scale-up initiatives that offer microcredit facilities to the poorest people

and water. As a result, they have less time to engage in activities that can generate income or enable them to overcome their marginalization. Time taken up in the struggles to survive places further limits on their limited resources and energy to participate in household and community decision-making processes.

Microcredit: supporting the livelihoods of poor people. The *State of the Microcredit Summit Campaign Report 2002* notes that “As of December 31, 2001, 2,186 microcredit institutions reported reaching 54,904,102 clients, 26,806,014 of whom were among the poorest when they took their first loan”.¹⁹ This is a significant advance since the campaign started in 1997, when microcredit schemes reached some 7.6 million of the poorest people. The campaign’s goal is to reach 100 million of the poorest families, especially the women of these families, with credit for self-employment and other financial and business services by 2005. The campaign is guided by four core themes:

- Reaching the poorest (defined initially as the bottom half of those living below their nation’s poverty line but expanded to include all those living under the international \$1 a day poverty line).
- Reaching and empowering women through other supportive initiatives (women constitute 21.2 million of the 26.8 million clients reached through microcredit initiatives thus far).
- Building financially self-sufficient institutions.
- Ensuring a positive, measurable impact on the lives of microcredit clients and their families.²⁰

Illustrative of the impact of microcredit financing is the experience in Bangladesh, where “as much as 5% of program-participating

households should be able to lift their families out of poverty every year from borrowing from a microcredit program”.²¹ Clearly, enhancing microcredit schemes to sustain poor people’s livelihoods under conditions that promote their active participation becomes a viable social protection and empowerment strategy. There is tremendous scope for strategic investment to scale-up initiatives that offer microcredit facilities to the poorest people.

Governments and the international aid community can align their interests to address poverty in a developmental way by creating an enabling environment for institutions owned and governed by the poor themselves, such as the Grameen Bank and the Self Employed Women’s Association’s Bank (box 5.5), so that they can better mobilize savings as well as lend money to poor people. One way to overcome barriers to such schemes is to set their capitalization requirements low enough that many of the thousands of small microfinance institutions that operate as non-governmental organizations can convert over time to regulated, special-purpose institutions.

Local strategies can also be aligned with effective actions by governments and the aid community to help create independent wholesaler on-lending institutions such as the Palli Karma-Sahayak Foundation in Bangladesh that can provide technical assistance and reliable financing to a large number of microfinance institutions in every country. The establishment of one or more wholesaler on-lending institutions creates a local currency mechanism for dynamic expansion and growth of a competitive microfinance sector. Ideally, this will give greater choices and options to the poorest.

Box 5.5 People's alternatives: the case of SEWA

A family illness or several days of rain can be just as devastating to the security of poor people as an earthquake or drought. The poor confront personal crises daily. Because poor people live in chronic insecurity, they draw on their own resilience under the harshest conditions. Yet poor people's ways of coping with crisis and protecting themselves and their families from future crises are rarely recognized.

Since 1972, the Self Employed Women's Association (SEWA), based in Ahmedabad, India, has been helping female workers in the informal sector to counter and cope with the many risks and vulnerabilities they experience—from the search for employment to dealing with illness to the lack of child-care. In the absence of state-supported basic social protection measures, few of these everyday problems and vulnerabilities are considered "risk worthy" by typical insurance arrangements. SEWA offers its members opportunities to access the kinds of banking and insurance services from which they are normally excluded, to further develop their skills and to organize for their political rights. Emphasizing that poor women's resilience is not a substitute for state and private sector responsibility, SEWA has identified some ways for shoring up poor people's coping strategies to achieve long-term human security:

- International organizations and the poor perceive disaster in different ways. For the poor, it matters

little whether the cause of their hunger or loss of livelihood is an earthquake or a broken leg, because their daily insecurity relates to lack of access to opportunities and conditions for their advancement at a structural level. These must be addressed with their participation.

- Especially in times of crisis, protecting poor people's livelihoods is essential. With few possessions left to lose, the loss of livelihood is often the most devastating. In 2001, for instance, flooding in Ahmedabad resulted in the destruction of many slum houses. Yet for the paper pickers who lived there, the most serious challenge was their loss of livelihood.
- Ongoing state-provided social services must be integrated into effective disaster-response strategies. Responding to drought through relief work and food programmes, for example, can help to improve people's security in the short-term. But mitigation and coping strategies—from fodder banks to rainwater harvesting to artisan training for alternative income—can make a long-term impact.
- Women, because of their multiple roles, especially in caring for children and the elderly, respond to disaster differently than men do. Women tend to plan for future downturns and, in the absence of material assets, look to skills-building, savings, insurance and group support to get them through times of vulnerability.

Source: Adapted from Vaux and Lund 2002.

Livelihoods for women. The notable increase in female-headed households, concentrated among the poor in developing countries, has implications not only for household composition but also for the division of labour between production and social reproduction activities. Illustrative of this trend: women head 31% of rural households in Sub-Saharan Africa, 17% in Latin America and the Caribbean and 14% in Asia.²² Women are experiencing increasing time, space, labour and financial pressures that affect their sense of security. Migration and internal displacement also contribute to changes in household composition as (usually male) workers cope with poverty by searching for jobs elsewhere.

Men and women experience economic insecurity differently and suffer from its

consequences differently. Women are often denied access to critical resources such as credit, land and inheritance rights, reflecting the effects of gender inequality in many societies. Gender can have an enormous impact on economic insecurity, especially in societies where women have a much lower status than men. In these situations, women are much more economically dependent on men. Even in agriculture and food production, women have limited access to resources and services to enable them to improve their economic security. While access to resources is generally limited in developing countries, cultural and traditional factors impose further restrictions on women.

The result is that the distribution of many income-generating assets is heavily skewed in favour of men. Women own less than 2% of land



The social dislocation and loss of human capital during crises limit the ability of poor people to participate in economic recovery

globally,²³ even as the proportion of female heads of households continues to grow. Even where land reform programmes have been instituted specifically to address inequality, land rights have often been transferred directly to male heads of households. The break-up of communal land holdings has led to similar results. In these situations, the property rights of female heads of households and those of married women are often dismissed.

A similar problem exists for access to credit. Only 10% of credit funds are extended to women,²⁴ primarily because national legislation and customary law prevent women from sharing land rights with their husbands or exclude female heads of households from land entitlement schemes, depriving them of the collateral required by lending institutions. As women's survival strategies are eroded within households, they run the risk of engaging in hazardous activities to earn an income.

Women's economic insecurity is often not treated with the same gravity as men's because women's labour takes place primarily in the household or non-market sphere, without formal financial compensation. Women often perform basic but critical activities, primarily in the social sphere, such as child rearing, caring for the elderly and undertaking community work. Although this work improves economic security at the household level, it is not recognized or valued. Depending on the region and the cultural practices, women may even be restricted to home-based activities because they are not permitted full mobility within society, or even the opportunity to interact socially outside of their homes. So empowering women with livelihoods is important for their economic security and that of their families. In addition, employment catalyzes the change in attitudes

towards women that alone can lead to enduring empowerment.

Preventing and containing the effects of economic crises and natural disasters

A market economy can spread risk and reduce volatility. But as the East Asian financial crises demonstrated, when volatility does occur those who are least able to bear the consequences, especially small and micro producers and poor people, are the most vulnerable to its impacts.

Containing economic and financial crises. Economic crises in developing countries often bring immediate threats to human security through shrinking output, declining incomes and rising unemployment, causing sharp increases in income poverty. Financial crises can also have damaging long-term effects on human security. The social dislocation and loss of human capital during crises limit the ability of poor people to participate in economic recovery.

- *Impacts on people.* Many people who previously had secure jobs and livelihoods suddenly lose them. Many others feel vulnerable, threatened by the risk of losing jobs and income. This was evident in Mexico (1994–95), in East Asia (1997–98), in Russia (1998), in Brazil (1999), and in Argentina, Turkey, and Uruguay (today).²⁵ In the wake of the Asian crisis of 1997, 4–5 million Indonesian workers lost their jobs, and an estimated 40 million people fell into poverty. During the first six months of the peso crisis in Argentina—which for years had the highest GDP per capita in Latin America—the value of the currency fell by 70%, unemployment skyrocketed to over 25% and

Market fluctuations generate insecurity in all states, including prosperous ones, and these fluctuations affect human security

real wages dropped. More than half the population is now impoverished.²⁶

Those already poor before a crisis hits are especially vulnerable.²⁷ First, the self-employed or family workers and unemployed are excluded from social insurance. Even wage earners are not spared since employers often are unable or unwilling to make contributions to employee benefit systems. Second, the poor are unlikely to save enough to self-insure or to rely on informal insurance. Third, credit mechanisms and private insurance are often unavailable because of high transaction costs and asymmetric information. Fourth, often the poor have no voice to demand the changes needed to improve their human security.²⁸ Fifth, the health, education and assistance programmes that do exist are often cut back during crises.

- *Crises in developing countries—deeper and longer.* Not all markets have the same risks, and the risks affect different population groups differently. The severity, frequency and duration of economic and financial downturns (both crises and recessions) are far greater in developing countries than in industrial countries.²⁹ As the IMF's *World Economic Outlook 2002* put it, "Economic fluctuations in developing countries are more severe and have more serious consequences than those in industrial countries. The volatility of real GDP growth in developing countries is higher than that in industrial countries, and the volatility of consumption growth is much higher".³⁰ Some groups are more likely to pay the costs of crises than others. "Labour in the informal economy, by definition that large segment deprived of any form of social protection, is most vulnerable.

The burden of a global financial crisis falls not so much on investors but on the households of workers made unemployed as a result of it—and within them disproportionately on women".³¹ The burden also falls on those who are still employed, but who are impoverished by rising prices and diminishing wages.

- *Financial contagion.* Globally integrated markets can promote abundant growth but they can also transmit downturns. The way various crises spread in the late 1990s astonished the world. Not only did Thailand's economic crisis spread through East Asia; reverberations were also felt in Africa, Latin America, Central and Eastern Europe, and Russia. While the incidence of economic and financial crises does not appear to have increased, the crises seemed to have a faster onset and to be "more severe and even less predictable and to come in waves".³² These interlinkages are important, as demonstrated in the willingness of the G-8 to provide \$300 billion in emergency loans to Mexico, East Asia, Brazil, and Russia to stabilize their economies—and thereby everyone else's.

Market fluctuations generate insecurity in all states, including prosperous ones, and these fluctuations affect human security. Such perturbations are a "hardy perennial" in the global economy.³³ During a third of the time since 1990, there has been a financial crisis somewhere in the world.³⁴ Instead of being surprised again and again, there must be preparations for these perennial uncertainties just as there are for perennial uncertainties of health, accidents and other threats. In the wake of the crises of the late 1990s, a number of institutional reforms, as well as new institutions, have been proposed and are under discussion.³⁵



The prevention or rapid mitigation of crises in developing countries would also improve human security in emerging markets and developed countries

With developing countries more prone to economic and financial crises (and in need of financial investment), and with such crises having a greater impact on the consumption of already vulnerable populations, an obvious step towards human security would be to prevent or mitigate crises. How? By developing early warning systems and by ensuring emergency lending. Social protection, discussed later in this chapter, is also essential.

Since the mid-1990s, two forums have been working to prevent and address economic crises. In 1998, the G-7 developed a “financial stability forum”, based in the Bank for International Settlements in Basel.³⁶ While it has conducted regional meetings, and involved developing country representatives in working parties, that forum does not yet represent the interests—and very different financial trends—of developing countries.³⁷ The other forum—the G-20—consists of a broader, informal grouping of countries, including 11 developing and transition economies, and it has had some success in negotiating more effective World Bank and IMF policies. Yet even this forum does not represent small or low-income countries, nor does its agenda as yet incorporate effective crisis prevention.

Required, then, is that all institutions improve the early warning systems now being developed and apply them to developing as well as developed countries. In an interlinked global economy, financial crises can spread rapidly, so the prevention or rapid mitigation of crises in developing countries would also improve human security in emerging markets and developed countries.

Preparing for natural disasters. The third large cause of shocks is natural disaster—earthquakes, floods, droughts and famine, windstorms. Over the 10 years from 1992, two-thirds of the people affected by disasters were affected by floods, nearly one quarter by drought and famine and 2% by earthquakes. But earthquakes were the leading cause of disaster-related deaths in 2001, mostly because of the terrible quakes in Gujarat, India. In Africa, 82% of the people who faced disasters faced drought and famine. Over the same 10-year period, earthquakes cost \$238 billion—34% of the total costs of natural disasters in that decade.

As terrible as these numbers are, they also hide tremendous progress. Disaster-related deaths in the 1990s were 40% of their level in the 1970s, despite the fact that there were more than twice as many reported disasters. Although natural disasters in the 1990s cost \$63 billion annually—more than all development assistance combined—and although global warming could push costs to \$300 billion, the good news is that preventive measures can be quite successful. On average, 13 times fewer people die in countries with high human development than in those with low.³⁸ But countries with low or medium human development can also manage recurrent natural forces.

- In Bangladesh, a cyclone-preparedness programme “has successfully warned, evacuated, and sheltered millions of people from cyclones since its inception in the early 1970s”. In the 1990s, the program evacuated 2.5 million people into emergency shelters before cyclones hit.³⁹
- “When floods struck Vietnam in 1999, only one of 2,450 flood- and typhoon-resistant homes built with Red Cross assistance succumbed”.⁴⁰

Measures to ensure that there is adequate social protection for all, including the working poor and those not in paid work, are critical

- “When two years of record floods inundated Mozambique, well-prepared local and national resources saved 34,000 people from drowning”.
- “When the most powerful hurricane for half a century hit Cuba...effective disaster planning and preparedness ensured that 700,000 people were evacuated to safety”.⁴¹

A human security approach would improve disaster preparedness, for example, by identifying risk-prone areas and encouraging families to move or develop insurance and coping mechanisms or by teaching earthquake-resistant building techniques and irrigation and planting techniques that acknowledge fragile environments. Direct investment in disaster preparation, and targets for reducing disaster risk, have been called for strongly by those who work in disaster preparedness.

Providing social protection for all situations

International, regional and national recognition of the precarious situation of people in a globalizing world has resulted in the search for new ways to meet people’s basic security needs in countries in all regions, including the provision, delivery and financing of social services. The search for responses to new and persistent problems prompted reform of welfare systems in developed countries, a revised social agenda following the collapse of state provision of social services in countries in transition, and a new interest in social “safety nets” and social protection in developing countries suffering economic setbacks engendered by financial volatility (as in East Asia), undergoing fundamental structural change (as in Latin America and elsewhere), or experiencing long periods of stagnation and even economic regress (as in Africa and elsewhere).⁴²

Social protection aims to provide a social minimum to ensure that every person is able to develop the capabilities to participate actively in all spheres of life. Measures to ensure that there is adequate social protection for all, including the working poor and those not in paid work, are critical interventions required of governments, business and citizens. Such measures should include employer- and employee-based contributions—to unemployment insurance, pensions, training—as well as government-subsidized social assistance (through public works) and cash and in-kind transfers) to those in need. These measures can provide a minimum economic and social standard, based on dialogue with all social actors, for those in chronic poverty as well as those who suffer temporary economic hardship during economic downturns and other crises. Policies and programmes to address the special needs of children, the elderly and the disabled should also be incorporated into social protection arrangements.

Establishing social protection measures may seem particularly difficult in times of acute economic or social stress, and each situation requires a set of policies that are responsive to specific contexts and history. Still, the lessons of the recent crises have shown the virtues of:

- Putting systems in place to ensure basic economic security before economic or catastrophic crises hit.
- Expanding existing programmes if the crisis has already hit. Scaling up existing programmes is one of the most cost-effective and time-effective ways of responding to a financial crisis or emergency.
- Setting up regular in-depth information-gathering mechanisms.



Negotiating policy priorities and the mix of public, private and community-led initiatives must be expanded to include poor people themselves

Decisions on the mix of policy and programme measures need to emerge from a social dialogue with all actors, not just the government, the private sector and workers organizations. Because the majority of the poorest people are not represented by these groups, or covered by any form of social security or social protection measures that can provide a springboard to propel them out of poverty, policy negotiations on what should be included in social protection programmes need their active engagement. The process of negotiating policy priorities and the mix of public, private and community-led initiatives must be expanded to include representation and voice of poor people themselves. This requires government and private sector support to provide the space and the information needed for the appropriate representation of community members. And it requires resources and aid to build the capacity to negotiate from informed positions. Some of the objectives of such an agenda:

- *Empowering workers to better integrate with the market.* Markets work more effectively in generating wealth and security if built on foundations that include adequate social security and social protection measures. Then, when downturns occur—and they will—people are protected, able to recover and to move ahead. In the absence of social protection, crises will threaten the market system itself, which flourishes only in the presence of productive workers, socio-political stability and sound social policies and investments. Conversely, financing social protection requires growth. Thus it is very important that countries both design and view “social protection interventions

as investments rather than costs. For example, helping poor people to maintain their access to basic social services during shocks fosters their future productive capacity”.⁴³

- *Sustaining poverty reduction.* Social protection measures should include active labour market initiatives, such as training and retraining the unemployed, the underemployed and new job entrants. Governments and other actors need to review private sector and public incentive measures, such as direct and indirect subsidies for job creation and enterprise development of micro initiatives at the community level. Also essential is redirecting resources into effective and sustained social expenditures, with better targeting towards the poorest and most vulnerable.
- *Fulfilling ethical and basic socio-economic obligations.* Governments, working with all stakeholders, have often committed themselves to promote, respect and protect people’s right to core capabilities and minimum economic security alongside their commitments to civil and political rights. These include the 145 governments that have ratified the International Covenant on Economic, Social and Cultural Rights. The obligation to end transient and chronic poverty by honouring the fundamental rights of people means that the state must take appropriate legislative, administrative, judicial and budgetary action to achieve this. The policies and institutional arrangements—including macroeconomic strategies and service delivery programmes that protect people’s rights to basic education, health care, food, shelter, water and income—must be made accessible and available to the most vulnerable and at-risk as a first priority.

Mechanisms must be in place to ensure multi-level and multi-stakeholder monitoring of social policy objectives

Many countries, including developed countries, in parallel with implementing social protection are actively incorporating social protection policies into the core business of the state. In that way, these policies anchor a human security approach of safeguarding people who are vulnerable and suffer the worst impacts of political and economic downturns and crises. What is needed is not large amounts of additional financial capacity within the state but more efficient integration of social policy objectives into macroeconomic and trade-related policy processes. Moreover, mechanisms must be in place to ensure multi-level and multi-stakeholder monitoring of these policy objectives. That requires leadership from within state and private sector-led processes and civil society initiatives. The emphasis would be on creating a broad participatory process to arrive at a focused agenda for social protection and to create the institutional and policy space to work towards achieving such an agenda in a systematic and phased way.

Governments cannot provide social protection alone (see box 5.6). Significant engagement by civil society also generates pressure and undergirds political will and policy choices—as India, Thailand and Latin America have shown.⁴⁴ To communicate concerns and develop an advocacy agenda to deal with insecurities, people need support from the range of institutions around them, as well as an umbrella of resources above them.

Supporting community organizations: the “first frontier”. At the community level, the capacity of grass-roots organizations and other intermediaries between the state and people is important. If

properly supported, people’s creative responses and resilience can provide the bulk of protection for human security. Grass-roots efforts to build people’s resilience through community-based savings schemes, credit facilities and insurance systems are important to enable people to survive low-intensity crises. For example, a local community-based organization might set up a revolving credit fund, from which community members can borrow to purchase a sewing machine or goat or table saw or other productive tool. Insurance costs are built into the repayment schedule. As loans are repaid, money becomes available for additional loans to other community members.

Such initiatives should be supported as the first frontier in building up productive assets and saving habits, thus helping to mitigate the impacts of some downturns. Grass-roots work can be strengthened from the outside. International NGOs such as Oxfam provide seed capital and technical assistance for revolving credit schemes run by community-based organizations. Community-driven development projects of international donors, such as the World Bank’s district poverty initiatives in four states in India or the Kecamatan Development Project in Indonesia, have granted large loans (\$100–200 million or more) to be disbursed to small self-formed groups at the village level for productive purposes. And then there are the microcredit institutions such as the Bangladesh Rural Advancement Committee and the Grameen Bank.

Promoting this first frontier of institutions requires assistance well beyond seed capital, assistance that builds up the institutional fabric itself. For small community-based organizations to support human security, they must mature into



Box 5.6 Civil society and human security

With more than 30,000 international non-governmental organizations (NGOs) and many more local and national NGOs, they are emerging as a visible, credible and accountable force in advancing human security. Cutbacks in state-run services and social expenditures have left many core health, education, livelihood and social security needs unmet, especially among poor people. NGOs and community-based organizations have moved in to fill some of the gap, developing creative responses to address poor people's needs. Less rigid in their operations than governments, they are able to find closer connecting points to people in need more quickly. Some NGOs have also become important advocates for policy change responsive to poverty and inequality.

Programmes in education, microfinance, insurance schemes and health care help to reduce and prevent livelihood insecurity, economic deprivation and the potential for household and community-based violence. Just as threats to people's security are now transnational (disease, crime syndicates, cross-border trafficking in women and children), so too are NGO systems of response. NGOs are linked to subregional, regional and international structures. Oxfam, for instance, has offices in more than 80 countries, while Development Alternatives with Women for a New Era (DAWN) has networks in Africa, Asia, Latin America, the Caribbean and Pacific Island states. Such initiatives, linked more closely to the poorest and most insecure people, are able to combine service and care with social movement activism on policy concerns in ways that can enhance human security across national boundaries.

Some civil society initiatives are also finding new ways of working with states to complement and support state-led action on problems faced by poor communities. In South Africa, a broad-based coalition

of civil society organizations under the umbrella of the Treatment Action Campaign (TAC) joined the government in its court action against pharmaceutical companies to make anti-retroviral drugs for the treatment of HIV/AIDS affordable and available in South Africa. Civil society organizations help to amplify the voice of the economically and politically disempowered. On issue-specific campaigns related to fair trade, violence against women, human rights and environmental violations, to name a few, international civil society has brought to the world's attention threats to human security. Pointing to problems of unaccountable, unrepresentative systems of political and economic governance at all levels, they highlight the need for better regulatory frameworks and institutional measures in support of poor people.

Civil society representatives ensure that human security is as much about building effective political, economic and social institutions as it is about challenging bad government policy and budget allocations or preparing for downside risks arising from natural disasters and financial crises. NGOs can empower and mobilize a range of civil society organizations within their countries through rights-based education to strengthen citizen participation in economic and political processes and to ensure that institutional arrangements are responsive to people's needs.

Promoting human security within a framework of protection and empowerment requires an enhanced role for civil society supported by more resources. A global initiative for human security is dependent on how well the international community mobilizes and harnesses the energy, commitment and creativity of the NGO sector and other social actors.

Source: Adapted from Michael 2002; Anheier, Glasius and Kaldor 2001.

Much of the motivation and leadership for social protection must come from within

organizations that can work with local governments and strengthen governance by building leadership that ensures the equitable delivery of services. Central is the need to develop the technical and policy capacity of such leadership to promote transparent, accountable, well-managed and financially sustainable processes. Participation in governance processes must ensure representation of previously excluded and marginalized groups and communities so that their interests, needs and concerns become part of a common social agenda.

For many communities, resilience against daily insecurities and risks depends on social networks and informal care arrangements, which provide support during times of crisis and stress. These informal networks are built on patterns of social solidarity that have evolved over time at the grass-roots level. Their effectiveness can be enhanced by giving communities access to basic social infrastructure and income. In numerous examples of household and community survival and coping strategies, orphans, the elderly and disabled, among others, have been able to provide mutual assistance, especially when they themselves have had a social minimum to help them anticipate and respond to risks within their own households.

But there are limits to people's resilience. The enormous and long-term impacts of HIV/AIDS and other infectious diseases, extended deprivation, unemployment, conflict and violence wipe out these coping mechanisms. And people's resilience and survival strategies cannot be a substitute for government responsibility for promoting and protecting human well-being.

Financing social protection internationally. Adequate financing for social protection is largely a matter of

political priority. The national insurance systems in Japan and Western Europe are struggling, and while the US economy was booming in the 1990s well over 40 million US citizens still lacked health insurance.⁴⁵ In contrast, Costa Rica, Sri Lanka and the Indian state of Kerala have managed very effective social protection systems on the same budget as other regions that offered no such protections.⁴⁶

The experience of the countries of the Commonwealth of Independent States shows the challenge of providing social protection during deep transitions. In 2000, their GDP stood at 63% of its 1990 level. Income poverty had increased fivefold.⁴⁷ How is the state to respond? Sudden economic and financial crises have also shown that even growth with equity, as in the Republic of Korea, was no guarantee that some people would not become poor or be pushed deeper into poverty. The absence of a proper system of social safety nets and a rapid system of compensatory protection led to new pockets of inequality and destitution in Korea, despite the country's remarkable growth and new social protection programmes during the crisis.⁴⁸

Again, much of the motivation and leadership for social protection must come from within—as it did in Korea, which responded to the crisis by instituting unemployment insurance, public works and pensions. Maintaining social protection during times of war or civil unrest, post-conflict reconstruction or economic liberalization is yet more difficult. But it is not impossible to protect at least some primary expenditures. In a study of patterns of government expenditure during 25 internal conflicts, only three countries reduced social and



If human security is to be realized, then, external resources must be available to national governments or their people for occasional crises

economic expenditures across the board in favour of military expenditures. In Mozambique, Nicaragua and Sudan, social expenditure per capita actually increased by more than 20% during the conflict period.⁴⁹

Moreover, when crises compound or states collapse, the ability to finance social protection evaporates. In many of the transition economies, unemployment was already high. But when the Russian economic crisis struck, social safety nets were incapable of dealing with more unemployment and falling real incomes. As a result, poverty generally worsened. In Moldova, for example, the poverty rate increased from 35% in mid-1997 to 46% at the end of 1998 and to 56% in mid-1999.⁵⁰

If human security is to be realized, then, external resources must be available to national governments or their people for occasional crises, and in a form that does not bind future generations to an intolerable burden of debt. Whether this assistance comes from governments or private sector institutions or a new self-standing funding mechanism, it is and will be integral to human security.

Policy conclusions

Along with the emphasis on “growth with equity”, we need a new commitment to “downturn with security”. We need to plan realistically how to protect people in adverse (but inevitable) situations of danger, inflation, unemployment and fiscal crises—when the constraints seem overwhelming and the freedom to undertake positive action seems frail.

- One of the keys to meeting the first Millennium Development Goal—to eradicate poverty and hunger—is for governments, the World Trade Organization and other actors

together to foster markets that will generate equitable growth. The strategies and policies are more or less known. The challenge: to act on them.

- Given the increased informalization of labour, new ways need to be found to empower workers to maintain a stable and sufficient income stream. Improving female labour markets is particularly important.
- Mitigating the effects of economic downturns and crises requires development and better understanding of early warning systems. It also requires that social protection systems be in place ahead of time. Similarly, preventive work can make an astonishing difference in limiting the human security cost of natural disasters.
- Support for social protection should be infused with the same professionalism, resource base and political will that has characterized support for market policies.

Notes

1. World Bank 1990.
2. FAO 1999 and United Nations Department of Economic and Social Affairs 2001b.
3. Walter 2002, pp. 9–10.
4. World Travel and Tourism Council 2002.
5. The household is a common unit of analysis for studies of income and consumption. The household generally consists of a group of people living together (though it can consist of only one person) and making common provisions for food and other essentials of living. Household members may pool their income to a greater or lesser extent; they may be related or unrelated persons or a combination of both.
6. Sen 1999b.

7. World Bank 2001b.
8. Walter 2002 reports 1,110 natural disasters in the 1970s, 1,987 in the 1980s, and 2,742 in the 1990s.
9. World Bank 2002c, p. 6.
10. Watkins 1998, p. 134.
11. Watkins 2002, pp. 10–11.
12. See, for instance, Sen 1999a.
13. See, for instance, United Nations, Department of Economic and Social Affairs, 2001. In many developing countries there has been a significant increase in the numbers of people working in the informal, unregulated sector of the economy, either as self employed workers at a survivalist level or as unregistered subcontracted workers for micro and small business enterprises.
14. ILO 2003.
15. Sen 2000, p. 120.
16. Sen 2000, p. 120.
17. Pinstrup-Andersen and Padya-Lorch 2001, p. 109.
18. Jodha 1986.
19. Daley-Harris 2002b, p. 3.
20. See Daley-Harris 2002a for research and thinking on these themes.
21. As concluded in Shahidur Khandker's research in the World Bank (1998). He studied Bangladesh: Grameen Bank with 2.3 million members, the Bangladesh Rural Advancement Committee (BRAC) with 3 million, and RD-12 (a government run program).
22. FAO 2002.
23. FAO 2003. [www.fao.org/sd/fsdirect/fbdirect/FSP001.htm].
24. FAO 2003. [www.fao.org/sd/fsdirect/fbdirect/FSP001.htm].
25. This section draws on the research paper by Griffith-Jones and Kimmis 2002.
26. ILO 2003, p. 19.
27. Lustig 2000.
28. Lustig 2000.
29. IMF 2002, box 3.4, p 125.
30. IMF 2002, box 3.4, p 125.
31. IMF 2002, p. 14.
32. IMF 1999, chap. 3, p. 68.
33. Kindelberger 2000.
34. Griffith-Jones and Kimmis 2002, p. 3.
35. Grunberg and Khan 2000.
36. Taylor 2002.
37. See IMF 2002, chap. 3, and Griffith-Jones and Kimmis 2002.
38. Walters 2002, p. 172.
39. Walters 2002, p.174.
40. Walters 2002, p. 15.
41. Walters 2002, p. 6.
42. As discussed in United Nations, Department of Economic and Social Affairs 2001 and Commission on Human Security 2002.
43. World Bank. 2001a, p. 9.
44. Gooptu 2001, Archer and Costello 1990, and Anheier, Clasus and Kaldor 2001.
45. Marshall and Butzback 2002.
46. Sen and Drèze 2002. See also Deneulin 2002.
47. World Bank 2002b.
48. World Bank 2002b.
49. Stewart, Huang and Wang 2001, p. 88.
50. World Bank 2002b, p. 13.

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