

Social Justice and the Crisis

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For at least two decades before the current economic crisis, there has been a steady waning of social justice across the world. The distribution of benefits and burdens within society became increasingly unjust. Few saw anything wrong with this, largely accepting it as a trivial price to pay for the rich rewards of globalization.

Yet hindsight now shows that this indifference to social justice created a permissive environment that spawned the financial excesses that brought the world economy to the brink of disaster. Worse, the prospects for recovery and corrective action now remain seriously compromised by the vast power that financial interests had been allowed to accumulate by the retreat from social justice.

The pre-crisis period of rapid globalization saw high economic growth across the world. At the same time there was, worldwide, a growing concentration of incomes, wealth and economic power.

This was widely endorsed by mainstream public opinion. The rise of the new global super-rich was welcomed with supine awe by the media, regardless of whether their wealth had been acquired through legitimate entrepreneurship or through political cronyism, the manipulation of markets, and other nefarious business practices. More broadly, there was wide social acceptance of the spread of unbridled debt-financed consumerism, celebrity worship, and a winner-take-all system of rewards.

An astonishing mass conversion to faith in the magic of free markets occurred. Political leaders, policy makers, central bankers, academic economists and the media, as well as masses of consumers and small investors all unthinkingly embraced the new faith.

A global wave of liberalization, privatization and deregulation set in. The market extended geographically to create a global economy. It also extended in scope through the progressive invasion of traditionally non-market spheres of activity. This included the provision of public goods such as public safety, health insurance, pensions, welfare, and other social services.

High growth and easy money in the boom years before the crisis fuelled rising stock and house prices from

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which the middle classes across the world benefited. This seemed to validate the new faith in the global market.

The huge inequalities in the size of the benefits received were accepted without qualm. Perhaps many, including those who were yet to gain anything, subconsciously saw the process as a huge lottery that provided ever more alluring jackpots which they too stood a chance of winning.

The increasing power and privilege of large financial institutions spearheaded this process. Deregulation led to rising profits, derived from increasingly risky, complex and opaque financial manipulations of dubious social value, which was translated into growing economic and political influence.

The reach of this power became increasingly global with worldwide financial liberalization. Countries that had liberalized their foreign exchange and capital markets surrendered autonomy over economic policies, being now subject to the disciplining power of large Western banks and hedge funds.

Motivated solely by a reckless search for short-term profits the activities of these financial institutions, within a totally unregulated global financial market, set of a series of financial and economic crises in emerging economies in the 1990s. The most devastating of these was the Asian Financial Crisis which reversed decades of successful development and inflicted massive social pain. The fact that a huge social injustice on a global scale had been perpetrated passed unnoticed.

The upshot was the rise of a hubristic financial class with massive power that felt totally exempt from social responsibilities and fully entitled to reward themselves with astronomical bonuses.



With amazing brazenness, this was justified in terms of the social good of wealth creation and market efficiency. Finance unlocked new fountains of growth in the global economy and super profits and bonuses were essential to keep this golden goose happy. Even more amazing was the fact that so many, including policy-makers and commentators who should have known better, bought into this self-serving myth.

Blinkered by the new faith in markets very few noticed that a dark side to these developments was unfolding. A wide breach had been allowed to open in the edifice of social justice that had shielded people from the ravages of unbridled market forces. The new acceptance of huge inequalities in wealth and economic power set in motion the undermining of democracy, social solidarity and systems of social protection.

Tax cuts were handed out to the rich and to corporations alongside the introduction of harsh restrictions on welfare and cuts in social expenditures. The mantra of 'labour market flexibility' weakened trade unions and

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made jobs more insecure and precarious.

Other blows against social justice were being struck by the growing reach and power of financial institutions. The increasing number of takeovers of publicly listed companies by private equity funds eroded public oversight of corporate behaviour. The doctrine of maximising 'shareholder value' trumped socially-responsible corporate governance and triggered off a string of high-profile corporate scandals that resulted in lost jobs and pensions for many workers.

The onset of the crisis exposed not only the big lie of market infallibility but also how foolish and irresponsible this disregard of social justice has been. The folly of allowing so much power to be accumulated by socially irresponsible financiers should now be plain to see.

Armed with weapons of mass social destruction they could now hold the world to ransom. The massive global economic disruption caused by the initial financial meltdown demonstrated the awesome power of these weapons. Facing the imminent threat of a second Great Depression there was no alternative to paying the ransom demanded by financial institutions 'too big to fail'.

Trillions of dollars of public funds have been put at risk to guarantee the bailout of banks. Similar sums have actually been spent on macroeconomic stimulus packages to stave off a global depression. These measures seem to have worked. But the onset of economic recovery should not lull us into overlooking the great social

robbery that has been involved in this rescue operation.

Millions of ordinary people across the world, including the poor in developing countries, have suffered great economic pain as a result of the crisis. There is now the grim prospect of a prolonged period of higher taxes, fiscal austerity, and greater economic insecurity.



Worse, salt is now being rubbed into these wounds by the perpetrators of this economic and social disaster. Instead of contrition the bankers are now back to their bad old ways. They are once again demanding mega bonuses in the name of market imperatives. Once again they are back at the old tricks of market manipulation, most glaringly evidenced by the role of Goldman Sachs in the unfolding Greek sovereign-debt crisis.

Is it not time to reclaim social justice? This is the great issue of our time that is, sadly, being still overlooked in the current pre-occupation with timid financial market reforms and the timing and pace of fiscal consolidation.

Further Resources

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ILO Publications

Ernst, E.; Escudero, V. 2008. [The effects of financial globalization on global imbalances, employment and inequality](#) - [pdf 586 KB] (Geneva, ILO).

Escudero, V. 2009. [Effects of the crisis on the financial sector: trends and policy issues](#) - [pdf 1.20 MB] (Geneva, ILO).

International Labour Office. 2009. [The financial and economic crisis: a decent work response](#) - [pdf 561 KB] (Geneva).

• [Français](#) - [pdf 612 KB] • [Español](#) - [pdf 621 KB]

International Labour Office. 2009. [Recovering from the crisis: A Global Jobs Pact](#) - [pdf 93 KB] (Geneva).

• [Français](#) - [pdf 105 KB] • [Español](#) - [pdf 108 KB]

International Labour Office. 2008. [ILO Declaration on Social Justice for a Fair Globalization](#) - [pdf 1.58 MB] (Geneva).

• [Français](#) - [pdf 1.59 MB] • [Español](#) - [pdf 1.59 MB]

International Labour Office, World Commission on the Social Dimension of Globalization. 2004. [A fair globalization: Creating opportunities for all](#) - [pdf 2.0 MB] (Geneva).

• [Français](#) - [pdf 2.25 MB] • [Español](#) - [pdf 1.18 MB]

Lee, E. ; Vivarelli, M. 2006. "The social impact of globalization in the developing countries", in International Labour Review, Vol. 145, No. 3, pp. 167-184.

Lee, E. 1998. [The Asian financial crisis : the challenge for social policy](#) - [pdf 723 KB] (Geneva, ILO).

• [Français](#) - [pdf 871 KB] • [Español](#) - [pdf 874 KB]

Rodgers, G. et al. 2009. [Executive summary: The International Labour Organization and the quest for social justice, 1919-2009](#) - [pdf 63 KB] (Geneva, ILO).

ILO Videos

[The ILO and the Quest for Social Justice](#) 

ILO Websites

[ILO Global Job Crisis Observatory: Fair Globalization](#)

[ILO Fair Globalization website](#)

[Voices on Social Justice](#)