Impact on children of Economic Policies

Address to the United Nations, Preparatory Committee on the UN Convention on the Rights of the Child, New York 30 May 2000

Distinguished delegates from all over the world, representatives from UNICEF, other UN organisations and the NGO community, ladies and gentlemen,

It is a pleasure and a privilege to be able to address this prominent and committed audience, and to get the opportunity to listen to the interesting speeches and discussions held during this preparatory committee meeting. I have benefitted much from these days, and I would like to add that I find the overall tone and contents of the discussions highly encouraging from the point of view of the further enhancement of the rights of the child on a global scale.

To be invited to participate at this important gathering is also somewhat of an honour for the profession I represent, economics. I know that many people working for the rights of the child regard economists and economics with indifference or even outright suspicion; sometimes, we are even looked upon as enemies.

And, to be frank: I can partly understand this attitude. We are today used to hearing economists talk about fiscal deficits, inflation, structural adjustment, financial markets, and so on - but very rarely about children. And although most economists have children, their professional career is largely child-blind. It is easy to get the impression that economists are not interested in children.

If we open a textbook in economics, children are not likely to appear even in a footnote. At best, there is a paragraph or two about human capital, and of the importance of investing in education. And I have never heard a head of a Central Bank make a statement of the following kind: "Out of concern for our country´s children, we have today decided to reduce the rate of discount with 0.5 per cent."

My point of departure is slightly different. I am convinced that economic policies in a broad sense - embracing choice of development strategy, fiscal policies, monetary policies, and even trade and exchange rate policies - are of paramount importance for our children´s well-being. Economic policy-making is not "child-neutral" - even policies which appear to have very little impact on children are likely to have a bias for, or against, the best interest of the child.

The policy implication is that a human development perspective, with children´s rights in focus, must be allowed to influence the design of economic policies as early and as comprehensively as possible. It is not enough - although it may be appropriate - to advocate that a larger share of public expenditure be directed to social sector development. A Central Bank may do more harm to a country´s children than, say, an incompetent Ministry of Education. And we know, as has been emphasised by several speakers during this conference, that a country´s foreign debt burden may represent a very serious threat to the children´s access to health services and education.

But while there has, in most countries, been little cooperation and understanding between economists and child-focussed organisations and individuals there exists, I think, a fertile ground for future cooperation. Economists and economics can become more useful than in the past in demonstrating that good economic policies and the best interests of the child go hand in hand.

To begin with, economic analysis can be used to illustrate that while the financial costs of creating a more child-friendly society are often surprisingly small, the social and economic benefits can be enormous.

To invest in children is a win-win strategy. The individual child and society as a whole benefit.

I am not, of course, suggesting that the protection of the rights of the child has to be justified with economic arguments. A happy childhood is an end in itself, and is the best foundation for a happy life. To defend the rights of the child, we can and should use a human rights argument: that children be given love and security, and be helped to develop their potential, can be seen as a fundamental human right.

And despite being an economist myself I am quite happy that it is not the economic perspective that permeates the CRC. In the Convention, we never see the argument that a child should be supported because she or he may become profitable as an adult. The CRC is based on a rights approach, as it should be.

We need no cost-benefit analysis to defend the rights of the child. It is imperative to avoid an instrumentalistic approach, in which children are viewed primarily as investment goods, whose usefulness can be assessed by their future contributions to economic growth. But this does not mean that we should be afraid of using economic arguments in discussions with politicians to illustrate that policies which go against the interests of the child tend to be very expensive and short-sighted.

To neglect children may lead to high social costs, and endanger a sustainable economic development.

Prevention is not only better than cure - it is also much cheaper. To create a child-friendly overall economic and social environment is the best way to prevent social exclusion and crime.

I am pleased - in my capacity as human being as well as economist - to see that UNICEF has suggested early childhood development as a priority area for concern in the coming years.

To invest in early childhood development may give a very high rate of return - to the individual and to society at large. Studies from many different countries show that intervening early in order to give children in disadvantaged situations a better start and to break the intergenerational transmission of poverty can help avoid costly future problems. Returns as high as seven dollars on each dollar spent on early intervention programs have been reported. These returns come in the form of higher return on investments in the formal education system, higher future earnings and productivity, cost savings associated with less need for remedial education and other social programs and, last but not least, lower costs related to violence and crime.

There is no conflict between good economics and investments in children - quite the contrary. Expenditures on children should always be treated as *investments*, not simply as "costs".

These investments are the best investments a society can make. The question should not be posed as: "Can we afford to invest in our children?" The real issue is that we cannot afford to neglect our children.

It should also be stressed that there is no conflict between economics and equity, or between good economics and providing support to the poorest and most disadvantaged groups of children. While each and every child has the right to love and care and development, the highest rates of return for society as a whole are registered when children living in poverty and deprivation are helped to a better start in life.

Inequality in opportunities is especially harmful for children. A stunted development for a child living in poverty is of great humanitarian concern, and may also carry high social and economic costs during the rest of his or her life. Child-friendly economic policies imply a strong emphasis on equity and equality of opportunities.

The creation of more child-friendly societies is under threat. My fellow panelists have today described two of the most frightening risks confronting children in many parts of the world: armed conflicts, where children tend to be the first victims, and the AIDS pandemic. Let me just add a few remarks on a third threat: poverty and marginalisation.

We are today witnessing increased polarisation of nations in respect of incomes and opportunities, and inequality both between and within nations appears to be on the rise.

The accelerating process of modernisation, urbanisation and globalisation is opening up new possibilities for economic development in large parts of the world. A number of countries, most notably in Asia, have utilised the opportunities offered by the closer integration of their economies with the dynamic world market. Rapid economic growth, underpinned by massive investments in human capital, has transformed the economies in an amazingly short period of time, and most indicators of human progress reveal remarkable and sustained progress.

In these countries, the young are the main winners. Their access to food, shelter, education and health services is vastly superior to what the older generations could enjoy when they were young. A number of social indicators - such as infant mortality rates, educational achievements and life expectancy - show great improvements over the last few decades and there is every reason to believe that the situation will improve further.

In other countries, especially in Africa and in some of the former Soviet republics, the process of closer integration into the global economy has failed to produce positive results. More than 80 countries in the world have per capita incomes which are today lower than a decade ago. The new international division of labour that is emerging appears more threatening than promising. In many of these countries, globalisation essentially entails a globalisation of a number of negative trends such as a reduction of welfare expenditures, more drug abuse, increased crime, urbanisation without urban jobs and the spread of HIV/AIDS. In addition, the transformation of economic and social life may reduce social cohesion and undermine local communities and traditional safety nets.

The process of globalisation is also putting pressure on care activities, which affects women and children in particular. In the wake of economic liberalisation and globalisation there is a danger that work in the reproductive sphere of the economy - which is where all children spend their early, most formative years - becomes devalued, as compared to work in the so-called productive, market-oriented sphere of the economy.

To avoid that children become the first victims of short-sighted and erroneous economic policies there is a need to consider the best interests of the child even in institutions such as Central Banks and Finance Ministries. Times does not permit a comprehensive discussion of what might constitute child- and family-friendly economic policies; suffice it here to suggest that the following elements may be considered:

* an emphasis on poverty reduction, which among other things implies economic growth plus policies that support an inclusive, broad-based and participatory pattern of growth. Today, when we are witnessing strong economic forces which tend to increase the gaps in incomes and opportunities both between and within the different countries, special emphasis must be put on equity and on policies which enhance the opportunities of children born into poverty;
* an emphasis on human and social development and on the accumulation of social capital and trust;
* an emphasis on job creation. High unemployment is particularly harmful for families with children. Apart from economic hardship resulting from unemployment, numerous studies from different countries show that children of unemployed parents have less successful school careers, and lower well-being and self-esteem, than children in families with at least one parent working. Also, youth unemployment easily leads to pessimism among the young, and to increased juvenile delinquency;
* predictability and stability, and a very long-term perspective. In the present era of globalisation, characterised by insecurity and rapid change and with much attention being paid to short-term movements on the global financial markets, it is particularly important that politicians provide a long-term perspective with our children´s future as their first priority.

Let me finally, ladies and gentlemen, end my brief address with an appeal to all of you. Let us all cooperate in our struggle to create a more child-friendly world, and let us work hard to make children visible in all areas of decision-making, including choice of development strategy and economic policies. We need to repeat, to politicians and decision-makers all over the world, that support to our children`s right to life and development must be regarded as investments - the best investments we can make. Let us also repeat again and again that economic policies which go against the best interest of the child are not only bad in themselves - they are in open contradiction with the Convention on the Rights of the Child and, last but not least: such policies also represent extremely bad economics.

Thank you.