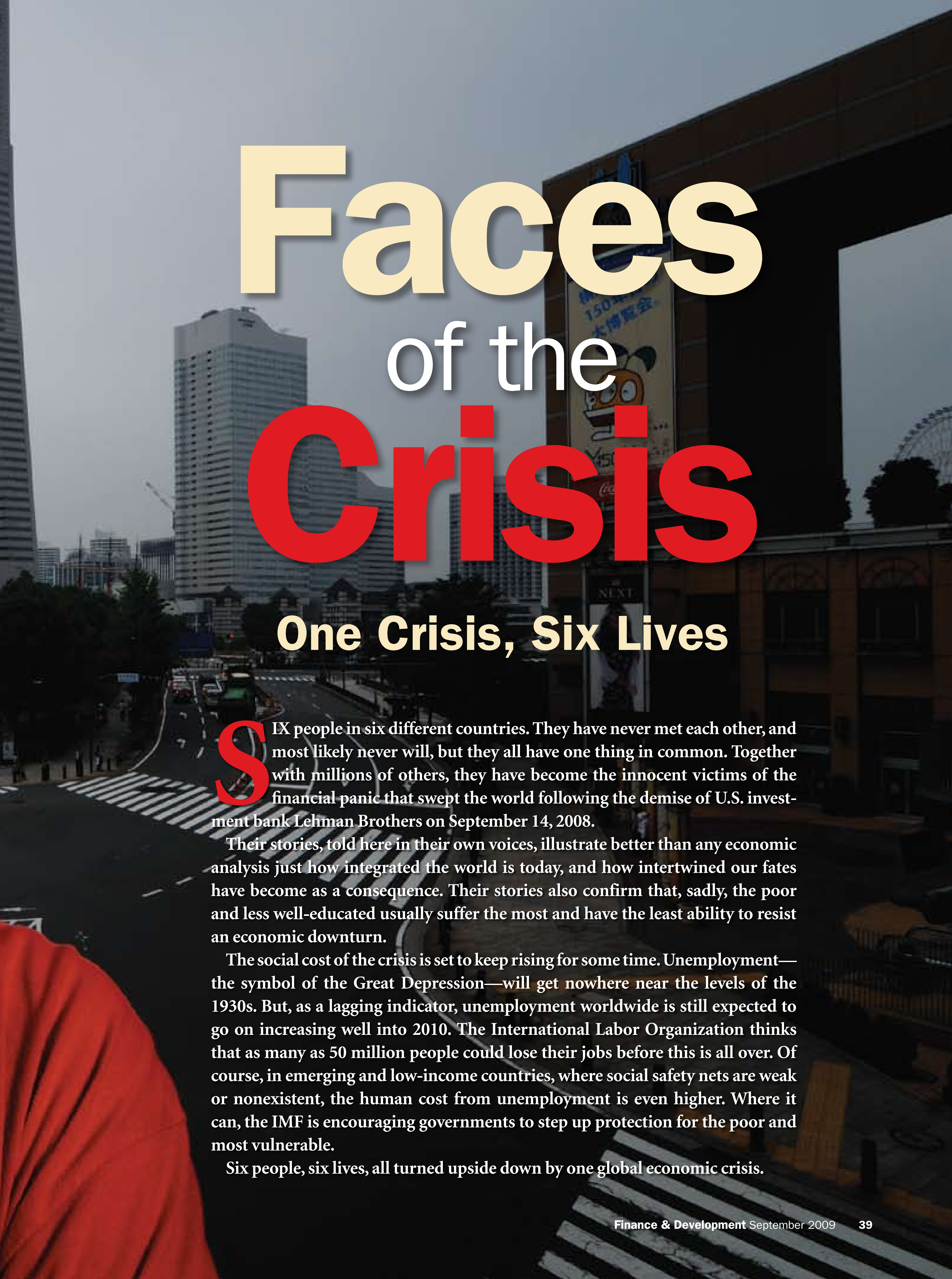

Faces of the Crisis

One Crisis, Six Lives

SIX people in six different countries. They have never met each other, and most likely never will, but they all have one thing in common. Together with millions of others, they have become the innocent victims of the financial panic that swept the world following the demise of U.S. investment bank Lehman Brothers on September 14, 2008.

Their stories, told here in their own voices, illustrate better than any economic analysis just how integrated the world is today, and how intertwined our fates have become as a consequence. Their stories also confirm that, sadly, the poor and less well-educated usually suffer the most and have the least ability to resist an economic downturn.

The social cost of the crisis is set to keep rising for some time. Unemployment—the symbol of the Great Depression—will get nowhere near the levels of the 1930s. But, as a lagging indicator, unemployment worldwide is still expected to go on increasing well into 2010. The International Labor Organization thinks that as many as 50 million people could lose their jobs before this is all over. Of course, in emerging and low-income countries, where social safety nets are weak or nonexistent, the human cost from unemployment is even higher. Where it can, the IMF is encouraging governments to step up protection for the poor and most vulnerable.

Six people, six lives, all turned upside down by one global economic crisis.

Francette Picard, from Haiti, survives on remittances sent home by cousin, Claude Bruno.

Claude Bruno earns money working as a dishwasher in a nursing

Haiti

Haiti's Lifeline from the United States

FRANCETTE Picard, 57, a single mother, supports herself and her two daughters with the monthly remittances received from her cousin, Claude Bruno, who lives in the United States. Before the economic crisis, she would receive about $250 a month. That has now shriveled to an occasional $30–60.

"He would send me money to pay for school and he would also send us food, but since the economic problems, he hasn't been able to do that," she says. "He called me to say that (it is) because things are difficult for him over there. In one week he might work three days and then have one or two weeks without working."

After years of double-digit growth, the World Bank is predicting a worldwide drop of 7–10 percent in remittance flows this year. Haiti has so far bucked the trend in Latin America and the Caribbean of declining remittances, but the outlook remains precarious for the small Caribbean country.

"Thankfully, the fall in remittances is not as bad as we expected, but with the population in Haiti growing at 2 percent a year, it is not going to be a good year," said Corinne Delechat of the International Monetary Fund. "Remittances are the one thing that keep many families going in Haiti."

Money sent home by Haiti's sizable diaspora represents the single largest source of foreign currency for the country and makes up over a quarter of its GDP, according to the Inter-American Development Bank. The amounts remitted are typically small—perhaps $100 a month—but in 2008, they totaled $1.25 billion, 2½ times the value of exports. The money is used to meet basic needs like food, housing, and education.

Just over an hour's flight from the United States, Haiti is the poorest country in the western hemisphere. Its recent history has been pockmarked by violence, political instability, scarce resources, and natural disasters. According to the United Nations, 80 percent of the population live on $2 or less a day.

Earlier this year, analysts were predicting that Haiti, like the rest of the world, would see a sharp fall in remittances off the back of the economic slump in North America—home to the majority of the two million Haitians living abroad. Contrary to expectations, however, the level of remittances not only remained steady, but has even seen a slight increase.

"Haiti is a country of such profound need that relatives abroad know the alternative if they stop sending money, so they are even more conscious of the need to send," says Gregory Watson of the Inter-American Development Bank.

It is this that drives Picard's cousin, Claude Bruno, to continue sending money, despite his own needs. At an age when many of his peers have started to think about retirement, the 61-year-old spends 8 hours a day in a hot, damp room washing dishes for the inhabitants of a nursing home in New Jersey.

The global slowdown and the 9.5 percent unemployment rate in the United States is causing immigrants there to send less money to family throughout Latin America and the Caribbean. Analysts believe the sustained level of support to Haiti could be because the remittances are typically small, and so are more likely to be immune to fluctuating personal circumstances, while those sectors in which Haitian migrants are concentrated, such as the service sector, have been less affected by the downturn.

That is small comfort for Francette Picard who is facing eviction from her home and resists going to the doctor to get treatment for headaches brought on by stress. "After midnight, I cannot sleep until the sun rises for thinking. Sometimes, I ask myself: What am I going to give to the children in the morning? I have to make their lunchboxes but you can't sleep when you don't have a penny."

Francette instinctively pinpoints her plight, and that of many of her fellow Haitians, with the outlook in the United States.

"We are completely lost, because without the United States, we in Haiti cannot live. It's the diaspora which supports this country." ■

home in New Jersey, United States.

Ignace Koffi Kassi says the crisis has made it even more difficult for cocoa farmers in Côte d'Ivoire to make ends meet.

Côte d'Ivoire

Farming Made More Difficult

IGNACE Koffi Kassi is a man who usually maintains a bright outlook on life. But ask him about his livelihood, farming cocoa, and you know he is preoccupied. "It is not easy to prosper as a cocoa planter in Côte d'Ivoire. Conditions are very difficult," he says.

Kassi, a big man, his muscles shaped by wielding a machete every day, is the father of 7 children. "But when I add it all up, I have at least 15 people dependent on me," he says. In an attempt to supplement his income, he recently diversified his crop by planting oil palms and rubber trees.

Once one of the most prosperous countries in West Africa, Côte d'Ivoire, a country of 19 million people, recently emerged from conflict. Economic revival was cut short by a military coup in 1999 and the start of a civil war in 2002. A transition government took power in 2007, and set about the task of rebuilding the country.

The global economic crisis is now making this task more difficult, not just for Côte d'Ivoire, but for the whole African continent. "Africa currently finds itself the innocent victim of a financial crisis that has its origin in advanced economies. Coming so soon after last year's food and fuel price shock, the global recession adds to the vulnerabilities of low-income countries through falling commodity prices, reduced trade and investment, and threats to development assistance," IMF Managing Director Dominique Strauss-Kahn said, speaking at the end of a trip to Côte d'Ivoire on May 27.

The IMF recently approved a $566 million loan for Côte d'Ivoire to help it push economic development along, and the country has also benefited from debt relief. But the global credit crunch has made it more difficult to attract much-needed foreign direct investment, including for cocoa farming. Côte d'Ivoire is the world's largest producer of cocoa, and cocoa is the country's main export, making up some 35 percent of goods sent abroad. The cocoa sector creates jobs for more than 4 million people and generates $1.4 billion worth of export revenue annually.

Cocoa prices were until recently at a historic high, but the gains have not trickled down to the country's small cocoa farmers. Kassi struggles with outdated equipment, lack of financing, and poor infrastructure that make it difficult to bring produce to local markets, let alone foreign ones. "We are an underdeveloped country, everything is done as in the old days, and cocoa is harvested with a machete, a tool of the past. There is no fertilizer," he complains.

Standing next to one of his cocoa trees, Kassi says that help from the international community, be it aid or debt relief, doesn't seem to lead to any tangible improvements for farmers like himself. "There is talk about building schools and hospitals. But if the grower cannot earn the money for health care and clothing and to send his children to school, what interest could farmers possibly have in the country qualifying for debt relief? What is needed is for taxes to be lowered and to give growers the ability to produce good quality cocoa."

Kassi thinks the global economic crisis may prove to be the last straw. "We have had problems for a long time but the crisis is killing us. Optimism loses ground and pessimism takes over. Farmers want to know when they will see an end to their suffering."

He would like to see the government take action to improve the profit margin of farmers. "We would like the issue of farmers' remuneration included in various discussions between the government and the development partners. After all, farmers are the ones who keep Côte d'Ivoire's economy going."

The good news, says IMF economist Alexei Kireyev, is that the government is stepping up reform with help from the international community. "A stepwise reduction of indirect taxation on cocoa from 32 percent to 22 percent by 2011 will increase the incomes of farmers like Koffi Kassi," he says. The government is also overhauling regulation of the sector, with a view to improving governance and transparency.

So there is hope that Kassi will soon see some of the changes he thinks are so desperately needed. In any case, he has no choice but to soldier on. There are 15 mouths to be fed, after all. ■

Gustavo Ramirez has seen his work hours decline in the port of Buenos Aires, Argentina.

Left to right: Nicole, 13; Solange, 16; wife, Evelina; Martina,

Argentina

No Port in This Global Storm

GUSTAVO Ramirez had been on a slow, steady climb up the economic ladder.

After nearly three years as a dockworker in the port of Buenos Aires, he'd been able to move his wife, Evelina, and four daughters from a one-bedroom apartment into a modest but more spacious flat in the working-class neighborhood of Barracas. Ramirez and Evelina, who works at a medical laboratory, were sending their 13-year-old to private school, dining out several times a month, and taking an occasional trip. Ramirez, 37, had resumed studying to become an elementary school teacher—a position that might not pay more than his job as a stevedore in the port, but one that would pay large social dividends.

Then the global economic crisis struck.

Argentina, like many emerging economies, had hoped to avoid the turmoil in advanced economies that had its roots in the 2007 decline in the U.S. mortgage market. But by the end of 2008, the sharp economic decline in advanced countries spread to emerging markets such as Argentina.

A weak global economy and strapped trade finance combined to trigger a collapse in global trade that began late last year. Trade was off more than 20 percent in the first half of 2009 and the IMF estimates it will decline around 12 percent for the full year. When world trade contracted sharply, Argentina's foreign trade declined too. Argentine exports fell, while imports plummeted. During the first four months of 2009, the volume of goods moving through the port of Buenos Aires declined 32 percent from the same period in 2008.

Work evaporated at the port on the south shore of the giant estuary, the Rio de la Plata. "One day there was a lot of work, the next day there wasn't," Ramirez lamented.

Until late last year, Ramirez, like the other 1,500-odd port workers, was averaging about 24 days of work a month, he says. Now work has been cut back sharply. Ramirez works roughly 14 or 15 days a month. More senior workers are guaranteed more days than Ramirez, while less senior get fewer.

Ramirez works at Terminales Rio de la Plata, which operates three of the five large terminals that make up the city port—through which passes nearly all of Argentina's import and export container traffic and a sizable portion of its total foreign trade. Most agricultural exports are shipped from ports west of the city on the Parana River.

The port job was an economic godsend for Ramirez. He'd been working 12 hours a day at a small store with days off mid-week. Not only were the wages low, the toll on family time was high. Three years ago, at a school function for his daughter Nicole—an accomplished young gymnast who has a bag of trophies tied to her top bunk—he learned of a job at the ports. The higher pay enabled the family to advance economically.

Ramirez is philosophical about his sudden cut in pay (Evelina's paycheck has mainly been steady). It's got its bad sides, he admits. It is much more difficult to get ahead and, since March, the family has been unable to pay all its bills—despite belt-tightening.

But life is better than it was "three or four years ago," and the crisis has brought the family closer together. Solange, 16, Ramirez's daughter from a previous marriage, has just moved in—so recently that the sign on the bedroom door announcing that Nicole, 13, Julieta, 5, and Martina, 2, sleep there had not yet been updated to include their older sister.

Moreover, Ramirez says, he has also been able to use his newfound free time to volunteer at the union, which he says he finds very satisfying.

Still, Ramirez is anxious about the things over which he thinks he, and Argentina, have little control. He worries that the global economic crisis will worsen into something like the Great Depression of the 1930s. For Argentines, this crisis is palpably different from earlier ones, Ramirez says. It is not homegrown but "much more widespread," emanating from world politics and economics external to the large South American nation, he says. ■

2; Julieta, 5, and Ramirez.

Shital Patel was laid off from Morgan Stanley in New York, United States, over a year ago.

United States

Banking on a New Job

SHITAL Patel still refers to Morgan Stanley as "we" and uses the present tense when she talks about her old employer.

The former research associate was let go by the New York investment bank in May 2008, in the weeks after the downfall of the troubled investment bank Bear Stearns. Patel, 31, joined the ranks of thousands of young, well educated, smart and ambitious professionals in the U.S. financial services industry unemployed as a result of the economic crisis.

"I was always the smart one with the great job, and suddenly I had to figure out who I am and what do I have to offer," says Patel.

The first few weeks Patel was in shock, but immersed herself in a job hunting routine. She had eight weeks of outplacement services to help her find work, which were part of her severance package from Morgan Stanley.

In the summer of 2008, Patel was getting called to interviews and she was hopeful. Then in September, Lehman Brothers collapsed and "everything fell off the map," says Patel.

Originally studying to be a doctor, Patel discovered economics when she took a course as an undergraduate at the University of Pennsylvania, and never looked back. She joined the Federal Reserve in Washington, D.C. straight out of college, and worked on the consumer spending and household portions of the Fed's economic forecasts.

Patel liked her work and her colleagues, but when an offer to interview for a job at Morgan Stanley literally appeared in her inbox, she jumped at the chance.

"It was my dream to work at a big investment bank," says Patel.

Patel worked as an economist on Morgan Stanley's U.S. economic forecast, and eventually her role expanded and she was coordinating the bank's global economic forecast. The learning curve was steep initially, and Patel loved her work.

But eight years after her first day on the job, Patel became yet another grim unemployment statistic generated by the financial crisis.

Job losses in the U.S. financial services industry were the harbinger of worse to come. What began as a crisis in subprime mortgages in the United States quickly spread to the global economy and caused the worst recession in 70 years. In 2008, the global economy contracted for the first time since World War II and jobs were lost in countries around the world that had relied on U.S. consumers to purchase their goods. The International Labor Organization predicts global unemployment will reach 210 million by the end of 2009. To date, just over half a million jobs have been lost in the financial services industry, according to U.S. Department of Labor statistics.

According to the IMF, the trouble in the U.S. labor markets is expected to restrain growth for some time and GDP is expected to contract by 2.5 percent in 2009. Many of these jobs are not expected to return, even when the industry recovers, according to a New York City fiscal monitor report published in May.

With many well-qualified people let go, the pool of talent competing for far fewer jobs has grown larger. Patel says employers tell her in job interviews they are not looking for economists.

"Being an economist is a scarlet letter," she says. "If you're looking through a stack of 500 résumés, being an economist is an easy way to get rid of one more."

Patel's finances were in good shape before she was laid off, because she had been living within her means. She owns her modest apartment in Greenwich Village, and has relied on a severance package from Morgan Stanley, some unemployment benefits, and her savings to make ends meet.

The loss of a job can be as stressful as dealing with death or divorce, and Patel said she went through the seven stages of grief, from shock and denial to acceptance.

There have been many very low moments, but with a recent interview coming up at the New York Federal Reserve, Patel is optimistic about finding a job.

"I'm really hopeful it will happen by the end of the year," she says. ■

Yoshinori Sato was fired from an auto factory in Japan.

Japan

Driving into a Dead End

BY most standards, Yoshinori Sato's hopes are reasonable. He wants to live with his family and he wants his old job back. The economic downturn that has devastated the Japanese auto industry means neither dream is likely to come true in the near future.

Sato, 50, moved to Yokohama seven years ago, leaving his family behind in his hometown of Hokkaido, to find work through a temporary staffing agency. Assigned to the Isuzu Motors Co. factory, he worked on the engine assembly line for trucks.

The pay was not great, he admits, but he made enough to get by. That was until November last year when 500 staff were told that the economic downturn and declining exports meant they would no longer have jobs by the end of the following month.

"It came completely out of the blue. None of us expected it," says Sato. After a day's shift, he recalls, "I went back to the staff room with four of my colleagues and there was a notice for each of us stating that because of the reduction in output it had been decided that we were to be laid off one month later."

The company requested the employees to continue to work hard until their final day of employment.

On December 26, 500 temporary workers clocked out for the last time and Sato was told that he had four days to vacate his company-owned dormitory room.

Car manufacturers in Japan are one of the largest employers of temporary workers on rolling one-year contracts. It is estimated that more than 3.8 million workers fall into that category. Rules on workers provided by labor agencies were relaxed in 2004. Japan, which has long since abandoned its old concept of "jobs for life," boasts some of the largest car manufacturers in the world but its auto industry has been among the hardest hit by the global downturn. The country's Automobile Manufacturers' Association reported that in May 2009, exports of vehicles fell more than 55 percent from the previous year—the eighth straight month of decline. Manufacturers have responded by reducing output and shedding jobs.

Japan was not at the center of the global crisis, but the subsequent collapse in global demand and financial spillovers plunged this export-dependent economy into its worst recession in over half a century.

Tokyo has also tried to implement measures to protect the most vulnerable, including temporary workers, from the worst excesses of the downturn. Measures include relaxing the eligibility criteria for employment insurance and a planned raise in minimum overtime pay. Sato's stint as a temporary worker spilled over into his personal life, costing him his marriage and a life spent with his wife and daughter. They were left behind in Hokkaido.

"I realized that I could not afford to continue sending money to my wife, so we agreed to get divorced so that she could become eligible for government benefits—but we still love each other and we speak by phone very often."

"I used to go back to Hokkaido every spring, as my daughter's birthday is April 29th. I have always wanted them to move here when I had enough money, but that looks impossible now."

The former assembly worker is trying to retrieve his job. He sued the employment agency for payment of his wages until the end of his contract in March. Sato says the court found in his favor. While he awaits the outcome of a separate case to get the car company to take him back as a regular employee, he is volunteering his services to the All Japan Metal and Information Machinery Workers' Union. In return the union acts as guarantor on his rented apartment.

"I wanted to become a full-time employee and I tried to show that I was a good employee by coming into the office one hour early every morning to prepare the lines for the working day," he says. "All I ever wanted was to lead a normal life—I don't want luxuries—and to bring my family here and live together," he adds. "Then I was given that notice and my dream was shattered." ■

Santiago Baena's income from Madrid real estate sales has plummeted.

Spain

Frozen Housing Market

SANTIAGO Baena has seen the best and the worst of the Spanish housing market during his 20-year career in real estate.

Baena grew up working with his 14 siblings at their parents' hostel in northern Spain. He entered the real estate business in his early 30s, selling houses and commercial property, a business that was booming until a couple of years ago.

House prices in Spain nearly tripled since Baena, age 53, became a licensed real estate agent in Madrid. The Spanish economy grew rapidly in the 1990s—the "golden years" for Spanish real estate. "Huge capital gains were made from property reappraisals, easy credit, increases in the value of property, and the potential for further revaluations, generating the characteristic bubble spiral," Baena says.

Spain's adoption of the euro in 1999 meant low borrowing costs, abundant credit, and easy financing. More than 90 percent of Spanish mortgage holders have variable rate loans, so lower rates effectively dropped the cost of housing.

But when the European Central Bank began raising interest rates in 2004, the Spanish housing market started to slow. When the global financial crisis swept across Europe three years later, Spain's economy proved especially vulnerable because economic growth had relied so heavily on credit-fueled domestic demand and the housing boom.

Today, Spain's housing market is in the doldrums. "The market is not cold—no, it is frozen," says Baena. Indeed, home sales fell by over 50 percent between the first quarter of 2007 and the first quarter of 2009, and in 2008 alone they fell by a third. The lack of sales has hit house prices, which Spanish bank BBVA predicts will have dropped 30 percent from their 2007 peak by end-2011.

The drop in sales and prices have meant lower take-home pay for people like Baena. Real estate agents in Spain charge 3–5 percent of the sale price as commission, but most have had to lower these rates in the past couple of years. "It's better to earn 50 percent of something than 100 percent of nothing," Baena says. Married with four children, he has seen his income drop 10 percent in the past year, and 30 percent the year before that, as a result of the housing crisis.

The wider economy is suffering as well. Because of the housing boom, the construction sector in the Spanish economy had come to account for 9 percent of the economy and 13 percent of all jobs. With the lack of buyers, new construction has ground to a halt. "Just look up at the skyline. If there are carts or other construction tools hanging from the cranes, the project has been stopped and the equipment has been put there so that it won't be stolen. Look up, you'll see the sky full of suspended carts," Baena says.

Wages in Spain are rigid, so most adjustment has to take place through layoffs. That means the recent drop-off in construction has aggravated Spain's already high unemployment rate, which now stands at nearly 20 percent.

The immediate future does not hold much hope for people looking for jobs. Spain's economy grew only 1.2 percent in 2008 and is expected to contract by 3–4 percent in 2009, says IMF economist Christian Henn. What Spain really needs, the IMF said in its recent assessment of the country's economy, is a new growth model. Residential construction and private consumption will no longer drive growth as they have in the past. In future, the country will have to rely more on industry and its services sector to generate jobs and growth. To do this, Spain's government needs to find ways to improve productivity and lower costs.

For Baena, and the many other people like him who relied on the housing sector for a living, the future is uncertain. "We continue to look to the future with hope," he says, his knitted brow belying his optimistic words. ■

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