

June 8, 2023

Dear New York State Legislature,

We the undersigned advocates from the fields of economics, health and climate action write to you in recognition of the unique role that the New York state legislature can play in tackling today's profound global debt crisis, by passing The New York Taxpayer and International Debt Crises Protection Act.

By doing so, the New York Senate can support hundreds of millions of people in debt-burdened countries who are living in poverty. This act would also help to stabilize the global economy, and benefit taxpayers and citizens of New York State, the United States, and countries around the world.

Overlapping crises over the last three years have caused the government debts of poorer nations to balloon through no fault of their own. COVID-19, the war in Ukraine, climate disasters, inflation, interest rate rises and dollar appreciation are spelling disaster for governmental budgets.

40 out of 67 low-income countries and one out of five middle-income countries are drowning in debt. Instead of being able to meet people's basic needs in this moment of crisis, many of them are sending large portions of their budgets to lenders. In 2021, low and middle-income countries spent an average of 27.5% of their budgets on interests and debt repayments – more than was spent on education, healthcare, and social protection combined. A crisis of inequality is only set to exacerbate, as three quarters of the world's population is projected to be living under austerity measures through 2025.

As home to the world's principal financial center, New York holds a unique role and responsibility in alleviating this crisis of unsustainable and unpayable debt. About half of all low- and middle- income countries' public debt that is owed to private creditors is governed by New York laws, because of the depth of its financial market, the strength of its rule of law, and its rich jurisprudence.

But right now, New York's laws do not prevent private creditors from free-riding on taxpayer-funded debt relief efforts to alleviate the desperate situation.

New York's legislature can provide a critical missing piece in the international financial architecture by mandating that private creditors participate in debt relief at least to the same extent as the US government. That would enable enforcement of US policy and international debt relief agreements.

A Memorandum by Joseph Stiglitz, Martin Guzman and José Antonio Ocampo notes this Act “would protect debtors, creditors, taxpayers and financial stability”<sup>1</sup>. The UN independent expert on foreign debt, Attiya Waris, has welcomed the Act, underscoring that “the lack of debt restructuring can have a profound impact on the human rights of the people”<sup>2</sup>.

It is only right that powerful hedge funds and banks play by the same rules as taxpayers. They get higher returns on their loans; they should bear at least as much risk.

This legislation frees up budgets for life-saving and urgent investments in health and climate. And it also backs the generosity of the people of New York State, one of the most diverse collection of diasporas in the world. Many of these New Yorkers provide vital relief through a cut of their pay checks that they regularly send to their relatives abroad, “remittances” which can account for up to half of some low-income countries’ Gross Domestic Product. Passing this bill could ensure that these hard-earned dollars go where they are needed most rather than being siphoned back into the hands of unscrupulous profiteers.

New York State is voting on a game-changing act of global solidarity. We echo the calls of people in poorer countries, and New Yorkers, in adding our voice. We stand ready to support New York’s leaders in passing this common-sense legislation.

Signed,

**Ms. Winnie Byanyima** - Executive Director, UNAIDS and Under-Secretary General, United Nations (Uganda)

**Professor Olivier De Schutter** - UN Special Rapporteur on extreme poverty and human rights (Belgium)

**Ms. Christiana Figueres** - Former Executive Secretary, UN Framework Convention on Climate Change and Founding Partner, Global Optimism (Costa Rica)

**Professor Jayati Ghosh** - Professor of Economics, University of Massachusetts Amherst and Member of the WHO Council on Economics of Health for All (India)

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<sup>1</sup> <https://policydialogue.org/publications/policy-briefs/support-memorandum-to-the-new-york-taxpayer-and-international-crises-protection-act-hoylman-sigal-fahy-bill/>

<sup>2</sup> <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=27994>

**Professor Darrick Hamilton** – Henry Cohen Professor of Economics and Urban Policy, and Founding Director of the Institute on Race, Power, and Political Economy at The New School (United States)

**Dr. Guillaume Long** - former Ecuadorian Minister of Foreign Affairs and Senior Policy Analyst, Center for Economic & Policy Research (Ecuador)

**Dr. Carlos Lopes** - Board Chair, African Climate Foundation and Honorary Professor, Nelson Mandela School of Public Governance at University of Cape Town (Guinea Bissau)

**Professor Nora Lustig** - Samuel Z. Stone Professor of Latin American Economics and Founding Director, Tulane University Commitment to Equity Institute (Argentina)

**Dr Pamela Nakamba** – Economic Advisor to the President of Zambia (Zambia)

**Professor Gita Sen** - Founder and General Coordinator, Development Alternatives with Women for a New Era (India)

**Professor Joseph E. Stiglitz** – Nobel Laureate in Economics and University Professor at Columbia University (United States)

**Professor Attiya Waris** – United Nations Independent Expert on foreign debt, other international financial obligations, and human rights (Kenya)

**Dr. Mark Weisbrot** - Co-Director, Center for Economic and Policy Research (United States)