

Case Report

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# The Betrayal of Human Dignity: Lebanon's Government and the Devastating Economic Crisis

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## ABSTRACT

On December 10, 2023, we celebrated the 75th anniversary of the Universal Declaration of Human Rights (UDHR). This document has been a cornerstone for countless countries to develop the legal frameworks and systems needed to secure women's rights, children's rights, the right to asylum, education, and an adequate standard of living. However, human dignity in the small Mediterranean country of Lebanon seems to be betrayed by its government and by the devastating economic crisis compounded by war. The case of Lebanon involves an intricate crisis of complex layers: vanishing foreign reserves, capital controls, lollars, dire public debt, and extravagant deficits, resulting in widespread poverty in the land of billionaires. While these layers have trampled many human rights, we will focus on their impact on the economic rights indispensable for human dignity. Furthermore, the purpose of this paper is to stimulate conversations on the protection and promotion of the rights of the Lebanese people. We hope the recommendations outlined here will encourage key players in Lebanon and internationally to implement the needed actions and changes to secure the rights outlined in the Universal Declaration of Human Rights.

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### **The Role of the Central Bank: Vanishing Foreign Reserves, Capital Controls, and Lollars**

In the wake of the severe economic and social crisis that has plagued Lebanon since 2019, the nation's once-optimistic dreams have turned into a bitter nightmare (United Nations, 2023b). Lebanon, known for its rich history and resilient spirit, now finds itself grappling with a government that has failed its people and violated their fundamental rights. Article 22 and point 3 of Article 23 of the Universal Declaration of Human Rights (United Nations, 1948), which guarantees the right to social security and just remuneration, are now distant promises, obscured by a state that has forsaken its duty to protect the dignity of its citizens. The core of Lebanon's financial and banking sector lies at the heart of this betrayal, with the depletion of Central Bank foreign reserves, capital controls, frozen deposits, and the infamous "lollars" mechanism exacerbating the suffering of its people (Al Arabiya News, 2022; United Nations, 2023; United Nations, 2023b; World Bank Group, 2021).

Lebanon's Central Bank, once a symbol of stability, has witnessed its foreign reserves vanish into thin air due to a series of mismanagement and flawed economic policies. The depletion of these reserves, meant to safeguard the nation's financial security and provide for its people, is a clear violation of Article 22. Instead of protecting the right to social security, the government allowed these reserves to be misused, leaving the Lebanese people without a safety net during times of crisis. The consequences of this irresponsibility have been dire, pushing the country deeper into economic turmoil and pushing countless families into the throes of poverty (De Shutter, 2021).

The imposition of stringent capital controls by the Lebanese government has shattered the people's trust and dealt a severe blow to the aspirations and dreams of the new generation (L'Orient Today, 2022). These measures, implemented in response to the deepening economic crisis, have resulted in a devastating breach of trust and a clear violation of Article 23, point 3 of the UDHR. Families have been left struggling to meet their basic needs, unable to access their funds to ensure an existence worthy of human dignity. The freezing of deposits, an act borne out of desperation, has become a bitter reminder of a government that has turned its back on its own citizens. These restrictions have not only disrupted the daily lives of the people but have also severed their ties to a globalized world. Lebanon's youth, known for their resilience and creativity, are now forced to navigate through a maze of bureaucratic hurdles, making it increasingly challenging for them to engage in international trade, investments, and educational pursuits, stifling their potential and diminishing their opportunities.

One of the most egregious manifestations of Lebanon's economic crisis is the "lollars" mechanism, where banks offer a portion of clients' dollar-denominated deposits in local currency at a lower exchange rate (The Organization for World Peace, 2020). This, in essence, strips citizens of their rightful earnings and violates their right to just and favourable remuneration under Article 23, point 3. The very institutions entrusted with safeguarding people's wealth have become instruments of oppression, contributing to the indignity faced by the Lebanese people. The "lollars" mechanism in Lebanon has had profound and far-reaching effects on the youth. The soaring cost of education in local currency has made quality education unattainable for many students, stifling their intellectual growth and career prospects. Additionally, the reduced

purchasing power of young professionals has prompted many to seek employment abroad, resulting in a "brain drain" that hampers the country's development. Moreover, the mechanism has hindered entrepreneurial endeavors, causing setbacks to economic growth and exacerbating social inequalities, pushing vulnerable communities deeper into poverty and limiting opportunities for upward mobility ([Human Rights Watch, 2023](#)).

Lebanon's government cannot absolve itself of responsibility for the devastating consequences of the economic crisis. The disregard for its citizens' rights to social security and just remuneration is a testament to its failure to ensure a dignified life for its people. The lack of appropriate measures, accountability, and a clear roadmap toward recovery has further deepened the crisis and worsened the violation of human dignity.

### **Recommendations**

The path to redeeming Lebanon's dignity and restoring hope requires a comprehensive government makeover. Key steps include embarking on a transparent and inclusive economic reform plan, combating corruption through independent anti-corruption bodies, and holding those involved accountable are crucial to rebuilding trust in the government and the financial and banking sectors. Prioritizing fiscal responsibility and collaborating with international organizations for debt restructuring is vital for a stable economic environment. Promoting investment and fostering a conducive environment for entrepreneurship can stimulate economic growth and create job opportunities. Moreover, to protect the right to social security, the government should establish and strengthen social safety nets, including unemployment benefits, healthcare assistance, and support for vulnerable populations. Most importantly, reforming the banking sector is crucial for restoring trust and confidence in financial institutions. Implementing sound banking regulations, promoting ethical practices, and ensuring depositor protection will be essential in rebuilding a stable and trustworthy banking system.

### **Macroeconomic Conditions**

#### ***A Downward Spiraling Vortex With No End In Sight***

##### *Dire Public Debt*

The disintegration of public services by the Lebanese central government is due to a multifactorial causal linkage leading to the collapse of public services and complete dilution of the social protection network for the Lebanese citizenry ([Reuters, 2022](#)). The main cause can be traced back to an abuse of moral hazard practices in collusion between the very prominent commercial banking sector and the public treasury embedded in the Central Bank of Lebanon ([Chaaban, 2019](#)). Despite its flagrant prominence, the private commercial banking system has culminated to an unprecedented historic total collapse of vital economic sectors in Lebanon. Coupled with a dire shortage of liquidity in both the local currency and the US dollar, starting with the Central Bank and then permeating through the entire commercial banking sector. Thus, the entire macroeconomic cycle of Lebanese society came to a standstill in the formal economy. Basic needs and daily operations have been reduced to a barter economy and/or a cash-only economy.

The central bank was drawing for years on its discretionary reserves, exhausting them beyond their legal limits ([Al Majalla, 2023](#)). This forced the central bank to enter extensive borrowing

practices with the then successful commercial banking system by lending and borrowing on the open market at extravagant interest rates in US dollars, aiming to shore up the artificial exchange rate of the local Lebanese currency, the Lebanese pound.

Once commercial banks crowded out the most productive private investment by satisfying the greedy indulgence of public borrowing, the ultimate effect was the incapacity of the central bank to satisfy its debt service requirements. In the Spring of 2020, the central government of Lebanon declared for the first time in its century-long history that it was in liquidity default and, therefore, unable to meet its debt service requirements ([The Guardian, 2020](#)). The immediate consequence was the catastrophic acceleration of the Lebanese currency's decline in value against the dollar, resulting in a liquidity shortage throughout the banking system.

### ***Moral Hazard or Immoral Hag***

Moral abuses started slowly and progressively over two decades ago when the public expenditures of the Lebanese central government consistently escaped the planning and control of proper fiscal policy ([Dakhlallah, 2020](#)). Incessantly, year after year, the public budget incurred extravagant deficits for a period exceeding 20 consecutive years. These deficits were financed by unbridled public borrowing, where more debt is incurred only to service previously existing debt. The accumulated public debt amounted to one of the largest public debts in the world in the current history of public economics. This extravagant public debt, combined with the continuing deficit, could only be remedied by immoral, albeit negligent lending and borrowing practices by the central government of Lebanon through shady decree transactions with the Central Bank. These decree-driven guidelines came to be glorified as the “financial engineering genius” of the Ponzi scheme fraudulent type campaigns of the Governor of the Central Bank. As of summer 2023, this governor is currently under criminal financial investigation in several European jurisdictions, in addition to a judicial forensic investigation in Lebanon, along with members of his household, family, and close financial collaborators ([L’Orient Today, 2023](#)). The entire socio-political narrow elite of Lebanese bandits’ style communal leaders is red-handedly caught in the infernal dysfunctional judicial machinery, domestically and on the world scene.

### ***Widespread Poverty in the Land of Billionaires***

Currently, Lebanon accounts for the highest concentration of billionaires among its citizenry. Yet, 90% of the citizenry is unable to meet their basic daily necessities, let alone their critical survival expenses such as medical bills, educational allowances, pharmaceuticals, and emergency travel ([Human Rights Watch, 2022](#)). This was combined with a drastic energy shortage of every sort and the complete blackout of electrical and fuel energy sources for the entire country for months and months on end ([Human Rights Watch, 2023](#)).

### ***Collapse of Purchasing Power***

The collapse of the exchange rate value of the local currency has brought the minimum wage well below \$100 per month. Most public wage earners, including military and security personnel, public health and education staff, and all government staff of various central government agencies who receive their wages in the local currency, have monthly earnings that place them below the

poverty line ([Credit Libanais, 2023](#)). A school principal or an army officer is now living with their entire family for \$100 per month. Competitively, private sector wages, which dropped much less than public wages, appear to be extravagantly more powerful than public wages. As a result, the entire public service sector throughout the whole country is, at best, fully paralyzed, if not entirely derelict. In a few cases, self-motivated, sensitive public agencies bravely survive at bare levels of necessity.

### ***Social Protection Bandits***

As a result of the abuses of public trust in the banking sector and in the bandit-driven monetary policy of public finances, the social protection net for the Lebanese citizenry has disintegrated. Wealth distribution gaps have widened to unprecedented levels, while the population below the poverty level threshold includes now more than 80% of the residents of the country, adding to that the plight of political refugees from neighboring countries who are leaning heavily on the public space and the already collapsing common safety protection net ([Credit Libanais, 2023](#)).

### ***Personal Dignity***

This sudden monetary collapse translated into everyday living, a loss of more than 95% of the purchasing power at all social levels of the economy except for the narrow group of the super-rich ([Reuters, 2022b](#)). The collapse of middle-class wage earners and the inability of bank depositors to access their funds in either local currency or dollars brought the country's economic activity to a complete standstill, transforming everyday living into a dire mode of bare survival in every aspect of life. The law of the jungle prevails, each one to themselves. Anger and aggressivity are ravaging the social fabric. Individual integrity is baffled, and social cohesion is disintegrating. The call of the wild advocates humiliation, resignation or escaping at all costs. Emigration, both legal and underground, is at an all-time high.

### **The Effects of War**

#### ***Economic Standstill or Opportunity for Stability?***

On October 7, 2023, Palestinian groups led by Hamas broke outside the Gaza Strip through the border control area inside Israeli-controlled territory. They conducted a series of violent raids against military and civilian targets, resulting in hundreds of casualties and hostages. Immediately, an all-out war declaration followed against the population of Gaza. Mass-scale military operations raged for a year ([Britannica, 2025](#)). Concurrently, political resistance groups in southern Lebanon led by Iranian allied groups opened a second front of military operations, hoping to distract and weaken the siege on Gaza. Military tension in southern Lebanon culminated a year later, in the fall of 2024, into a massive, wide-scale military combined operations of air raids, assassinations, and sustained aggressions against military targets and civilian infrastructure in Lebanon. For two months, intense daily operations targeted the entire Lebanese territory, disrupting every aspect of life in Lebanon. Economic activity in Lebanon came to a standstill ([World Bank, 2024](#)). This was only one added dimension to an evolving multi-layered downfall of social and economic collapse in Lebanon.

Finally, in November 2024, one year after the start of hostilities, a temporary ceasefire was established, leading to the emergence of a new political leadership in the government of Lebanon (BBC, 2024). The newly elected president, prime minister, and consequently appointed competent cabinet of ministers aim to distance themselves from the military conflict of the previous year. In reinforcing the ceasefire, there is hope for a return to some economic stability (The Washington Institute for Near East Policy, 2025). Diplomatic efforts are currently underway to achieve a cessation of all military operations in Lebanon. A new political equilibrium may contribute to some stability in Lebanon's economy. Foreign funds, investment sentiment, and consumer confidence appear to be immediate necessities for rekindling the Lebanese economy.

## Conclusion

The political, economic, and warfare crisis in Lebanon has resulted in a tragic betrayal of the people's trust and a profound violation of their fundamental rights. Nevertheless, through a comprehensive political and economic reform plan, Lebanon can begin the journey toward recovery, restoring the dignity and well-being of its people once more. Lebanon can overcome this dark chapter in its history through unity, resilience, and a commitment to upholding human rights and building a brighter future for all its citizens.

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