

GEM-IWG 2009

Gender, Fiscal Policy and Monetary Policy

Day 5, Session 5

July 3rd, 2009

- Social Content of Macroeconomics and Macroeconomic Policies

Elson and Cagatay (2000)

Fiscal Policy is a Distributive Device
and is the result of a Distributive Struggle

- Monetary Policy is also about a distributive Struggle
- What is Inflation ?
- (Distributive Struggles result in Inflation or Deflation)

- Neo-liberalism and the primacy of the anti-deficit radicalism was the result of distributive struggles
- (Third World Debt Crisis – loan pushing-why did we have a debt crisis in the first place ?)
- This debt crisis helped the neo-liberal agenda to be instituted

- In the age of globalization fiscal and monetary policies are not determined at the national level. Central Banks do not really have independence, neither do (most) govern

- Fiscal Policy and Monetary Policy are About Politics and are not merely technical matters

The Most Important struggle is the questioning of the Macroeconomic Framework

Macroeconomic Framework of Fiscal Policy

- Aggregate levels of revenue and expenditure in relation to GDP
- Size of budget deficit/surplus
- Behavior of fiscal policy over the economic cycle
- The weight given to the avoidance of inflation, compared to the promotion of employment and the policy rules that express this (e.g. balanced budget laws)

Macro Level of Fiscal Policy

- Fiscal stability
- Fiscal cyclicalality
- Fiscal squeeze

Fiscal Stability Since 1980

- Dominance of ‘anti-deficit radicalism’
- Prioritise low inflation
- Prioritise reducing budget deficits by cutting expenditure rather than raising revenue
- Problem of deflationary bias

Male and Female Unemployment in 2003

	Male	Female
Global	5.5%	6.4%

Fiscal Cyclicity

Fiscal policy should be counter-cyclical

- budget deficits rise when growth falls and unemployment rises

Fiscal policy is often pro-cyclical

- budget deficits fall when growth falls and unemployment rises

Women Provide the Safety Net

Example: Asian financial crisis of 1990s

- impact increased by pro-cyclical fiscal policy
- women lost formal sector employment
- women increased their paid work in informal sector
- women increased their unpaid work at home

Globalization and Fiscal Squeeze

- Trade liberalisation reduces revenue from import and export duties
- Growth of tax havens enables multinational corporations and rich individuals to evade taxes
- Competition to attract investment from multinational corporations leads to tax holidays, and lower rates of tax on profits and high income individuals
- Growth of the informal economy makes tax administration more difficult

Impact of Fiscal Squeeze

- Tax revenue to GDP low
- Expenditure kept low or cut
- Women's time squeezed

Enlarging Fiscal Space and Creating Fiscal Democracy

- Less pressure to reduce tariffs
- Debt cancellation
- More grant aid
- International tax and transfer system (e.g. Tobin tax)
- Anticyclical fiscal rules
- Transparency in fiscal policy
- Participation in fiscal policy

- We have to challenge the Macroeconomic Framework
- Fiscal crumbs or additionally
- GRBs are very USEFUL, but we must go beyond them
- Cagatay (2003) Gender Budgets and Beyond
- Global Taxation and Redistribution

- Coherence, Sequencing and Consistency
(the correct type)
- We have had perverse distribution in the last three decades
- These patterns have to be reversed , not only for justice and equity but also for restoring growth