

The Role of Gender and Equity in Addressing the Problem of Global Imbalances

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A. Three Main Points –

1. Rising global imbalances provided fuel to the rise of the role of finance
 - helped determine the truly global scale of the crisis
 - process of disorderly unwinding is underway through trade collapse, massive employment and income losses
2. Global imbalance is only a symptom of underlying inequity in resources, incomes, and capabilities in terms of gender and class, within countries and among countries
 - which caused insufficient global demand to make export-oriented development feasible
 - solved by letting debt grow faster than production and incomes
3. Resolving the economic cooperation dimensions of global imbalances without addressing gender and equity will only restart unsustainable growth patterns

B. I want to Present a juxtaposition among seemingly unrelated ideas, that is important for policy consideration

1. that the basic inequalities need to be addressed for an orderly unwinding of global imbalances.
2. that fundamental reforms, which many parties are calling for, should include reducing gender and class inequalities
3. irony – that while developing countries most heavily disadvantaged and victimized by the crisis
4. technical design of effective stimulus unconsciously consistent, though what is needed is not a temporary band-aid

C. Global Imbalances –

1. sense in which not only large and growing trade and finance deficits among countries, but that deficits are going in the “wrong direction”
 - finance going from poor countries to rich
2. Rise of imbalances depended heavily on the recasting of development strategy into the axis of private sector led export dependence

3. Export markets are in the richer areas of the world
 4. Pattern of Global imbalances as a Ultimate perversion – of poor countries financing the consumption of their exports by rich countries.
- D. Inequality among countries - 70% of world inequality due to international inequalities
1. With inequality in incomes, there is a global problem of insufficient effective demand which undermines export orientation strategies beloved in the Bretton Woods institutions
 2. Growth pattern in recent years as a solution to the problem of inequality
 - as a proximate cause of the problem because this growth pattern was unsustainable
 - decade of strong growth funded by increasing debt
- E. Idea of course – rising exports would lead to increasing incomes in developing countries
1. Rising exports required competitiveness
 2. Feminization of export-oriented industries and the international trade in human services
 3. Well-known and well-documented attainment of competitiveness in many countries – both successful and unsuccessful globalizers –
 - Wage repression and gender wage gap – women wages only supplemental not needed for family breadwinner
 - Flexible labor – to be brought in and out of labor markets according to demand
 - Vulnerable labor more docile labor
 4. Income inequality across countries also played a role
 - global imbalances, up to 1 trillion per year by 2007
 - developing countries as a group net financiers to global system
 - ultimate 'perversion' of an export-oriented economy – providing the financing for the consumption of exports by rich countries using state resources
 - not sustainable – developing countries that need the resources to invest in their own development funding instead of financing consumption of rich countries
- F. Financing from Developing countries – as a group – provided
1. financial liquidity in developed countries, which had to be intermediated
 2. Not invested in more production of and innovation in the production of real goods and services in the US economy

- Insufficient demand inside the US economy because of domestic gender and income inequality
 - Insufficient demand outside the US economy for potential US produced goods because low investment demand in these countries
 - ◊ Partly due to constriction against public investment through IFI programs and the overall emphasis on private sector led export orientation
- G. Most of financing from developing countries invested in US treasury bills, which provided liquidity
1. which were intermediated not into increased production
 2. but instead increased consumer debt,
 - first credit cards – college student population only growth possibility
 - then housing mortgages
 3. Inside the US, pattern of debt outstripping income – an unsustainable process responding to the unsustainable process of poor countries financing consumption, not investment, in the rich countries
 4. Fabulous incomes in the financial sector instead of re-intermediated into lending into new production
- H. Financial sector dominance – profits from instability and volatility
1. that instability and volatility – in prices, in consumption, in production - is bad for almost everyone, but most especially for women and people living in poverty
 2. good for those working in financial sector, provides the scope for speculation on price trends
 3. Economic stability is therefore crucial to women's economic security and well-being
 4. Achieving greater economic stability would require in the first place re-regulating international capital flows and commodity markets.
 5. It would also be important that all countries have the capacity to manage external financial flows through capital - and that the international financial institutions do not undermine this - to protect their own domestic financial sectors, provide predictable exchange rates, and sustain domestic investment
- I. Economic crisis resolving the global imbalance de facto, in a haphazard way
1. Impact – greatest cost will be borne by countries and people which did not originate the crisis
 2. volume of trade will contract by at least 10 per cent in world trade in 2009
 - most adversely affected export industries

- ◇ impact most heavily on developing countries whose recent growth patterns have depended heavily on trade
- 3. commodity prices fallen – artificial run-up,
 - food crisis, previous US administration officials Secretary of State – Chinese getting more prosperous, were eating too much
- 4. private investment flows have reversed as in normal in a recession
- 5. cost of capital to developing countries have increased, increased borrowing by developed country governments crowding out funds availability
- J. Basically, export market in the rich countries have disappeared, perhaps for a decade
 1. Pattern of recovery could exacerbate global imbalances and inequalities
 2. Deeper and longer-lasting economic collapse in developing countries
- K. Alternative: For Developing countries, Greater reliance on Domestic Market
 1. which requires faster growth in domestic incomes
 2. consumption-led recovery and growth based on rising wages, instead of rising profits and income from assets
 3. Role of the state
 - first in substituting for loss of demand from the private
 - second shaping domestic investment programs for greater productivity
 - ◇ infrastructure programs need to be reoriented against external trade and toward standard of living infrastructure
 - (a) Japan's lost decade showed that infrastructure not as effective as spending on health, education, child and old age care at absorbing employment and restarting spending
 - (b) Unfortunately this will increase size of the state long-term, unlike infrastructure, and the IFIs are skeptical
- L. Need to provide coordination and coherence to individual country recovery programs
 1. Leakage into imports lowers the multiplier of stimulus programs
 2. Needs to coordinated response
- M. Long-term reforms
 1. Prevent the possibility of: Press the reset button, and restart the inequality-driven growth process
 2. Address the imbalances in access, powers, and responsibilities in the global economy
 - developed versus developing country

- wage earners versus property income earners
 - workers straddling both paid and unpaid markets (women) and those that
- N. Areas of reform – Over the long-run, need policies and growth patterns that reduce inequality instead of being dependent on them
1. greater reliance on the domestic market, instead external markets
 - in the immediate period this is not a matter of choice
 2. greater reliance on wage growth, instead of debt creation
- O. Addressing Global Imbalances through a More sustainable growth pattern
1. Faster growth in consumption in developing countries
 2. Consumption fueled by income, not debt creation
 3. Reduction of unpaid labor, the invisible tax being imposed on women in the global economy, which is the source of trade competitiveness
 - Full costing
 - Greater role of the State and market in activities currently unpaid
 4. Reverse hierarchy of finance over production, and, in turn, production over reproduction
 - Put Reproduction sector and human needs first
 5. Both trade and finance should serve human needs and human development. In a globalized world, both will bear pleasing fruit only when their processes are molded in the context of full employment, or near-full employment in each country. Otherwise, their results set off beggar-thy-neighbor processes.

Disorderly Unwinding of Global Imbalances

