Gender budgets and beyond: feminist fiscal policy in the context of globalisation

Nilüfer Çağatay

Macro-economic theories and macro-economic policies in general, and fiscal policies in particular, are seldom, if ever, gender-neutral. Since the mid-eighties, gender budget analysis, which has been undertaken in many countries, has been a key strategy to challenge macro-economic theorising and policy-making. Such initiatives, along with a variety of pro-poor budget initiatives, constitute the major challenge to the prevailing fiscal policy stance in many countries. The purpose of this paper is to discuss the changes in the fiscal policy stance in the context of liberalisation and globalisation in order to draw out their implications for social inequality, especially gender inequality. The article ends by discussing a variety of policy advocacy positions open to feminist activists, to build on the work of gender budget initiatives.

From the Keynesian consensus to the Washington consensus

In the post-war period, macro-economic policy making reflected the ‘Keynesian consensus’, which highlighted the role of the state in employment generation, growth and redistribution. In economies of the South, the developmental state took a leading role in promoting growth through investment. It was recognised that the active role of the state was needed to counter the effect of market failures, or the simple absence of markets. The Keynesian approach also recognised that capitalist economies are prone to economic crises, and go through cycles. Fiscal policy, especially in economies of the global North, was designed to counter the ups and downs of the cycle. Some forms of state expenditure, such as unemployment benefits, were called ‘automatic stabilisers’, in that they kicked in automatically to counter the effects of reductions in economic activity, and increased employment during economic downturns, and diminished as the economy came out of recession.

In the late 1970s and 1980s, partly as a result of the increase in oil prices and the ensuing debt crisis, budget deficits became unsustainable and inflationary. In the South, macro-economic stabilisation policies were adopted in conjunction with structural adjustment policies (SAPs). These were intended to minimise the role of the state, which had begun to be seen as ‘inefficient’. The ‘Washington consensus’, with its emphasis on market liberalisation, replaced the earlier ‘Keynesian consensus’. A variety of market liberalisation policies, such as trade liberalisation, financial liberalisation, labour market ‘deregulation’ and capital account liberalisation, were put into place. Similar sets of policies were also adopted in the industrialised economics in the 1980s. In the 1990s, the transition economies followed suit, under the rubric of economic restructuring. The immediate objective of these policies was to achieve...
macro-economic stabilisation, which was viewed as critical for achieving sustained growth. The broader objective was the reduction of the role of the state in economic life.

Fiscal policy was usually reoriented toward combating inflation and reducing current account deficits. Public spending – especially on social sectors – was cut in country after country, in order to achieve fiscal balance. Because the state was seen as crowding out the ‘efficient’ private sector, employment in the public sector was reduced, and the privatisation of public services became a key policy objective. User fees were adopted in order to increase the efficiency of public service delivery, and raise revenues. To be credible to financial investors, governments had to keep budget deficits low and interest rates high, which introduced a deflationary bias (that is, a bias in favour of deflation) into the world economy. All these policies were expected to produce sustained growth, increased efficiency and benefits that would improve the well-being of all, through the trickle-down of wealth.

The record of the last 20 years shows that market liberalisation policies have failed to deliver on many fronts. While the fiscal balances of many countries did improve, inflation rates did come down, and international trade and investment flows did increase immensely, the promise of higher and sustained growth rates has not materialised. The lower world growth rates in the world economy (compared to its record of the previous decades) reflect the deflationary bias of current economic policies. In many Latin American and sub-Saharan African economies, growth rates over the last two decades were very low, and macro-economic performance was generally characterised by stop-and-go cycles. The East Asian crisis of the late 1990s brought home the point that even the ‘miracle’ economies of East Asia, which had experienced sustained high growth rates for three decades, were not immune to deep crises. The world economy became more volatile, as economic crises spread from one country to another with lightning speed. The international integration of national economies through trade and investment flows has made it more difficult for governments to shield their economies against crises that break out in other economies.

The increased mobility of short-term capital flows means that relatively few financial investors could potentially wreak havoc in the world economy by moving funds from one country to another in a short period of time. This vulnerability has caused insecurity. At the same time, in many countries, inequality has worsened across households, between capital (business owners) and labour (their workforce), and among different segments of labour (highly skilled versus unskilled workers). Numbers of people living under poverty have either increased or remained constant in many countries. (van der Hoeven 2000; UNDP 1999, Milanovic 2003).

**Double jeopardy: the fiscal squeeze**

As outlined above, many of the liberalisation policies implemented as part of SAPs and macro-economic stabilisation programmes have led to a fiscal squeeze by putting pressure on public budgets (Grunberg 1998). On the revenue side, market liberalisation has led to erosion of public revenues, as I explain below. On the expenditure side, it has had the effect of increasing economic insecurity and vulnerability, because increasing volatility of markets leads to a rise in the demand for social protection (Rodrik 1997). The preferred way of closing deficits has been to cut expenditure.

Specifically, the Washington consensus has led to the following effects on the revenue side:
Trade taxes
Trade taxes, which amounted to about one-third of government revenues in many low-income countries, have been steeply reduced under trade liberalisation (Grunberg 1998; UNDP 2003). Competition among governments to attract foreign direct investment has led to a reduction in corporate and capital gains taxes. For example, in the OECD countries, all countries except for two reduced their rates in the top tax bracket in the late 1980s (UNDP 1999, 3). Thus the burden of taxation on owners of capital went down. At the same time, many countries have introduced export-processing zones where businesses are exempt from paying tax. This has meant a shift in the burden of taxation from business owners, whose funds are increasingly mobile, to workers, who are relatively immobile (except for highly skilled people). An implication of these phenomena is that the burden of taxation has also been shifting from men to women, since women own and control much less property compared to men worldwide, although the exact figures are not known.

No increase in official development assistance
Official development assistance (ODA), which is an important source of revenue for some of the poorest countries, has not increased, as many industrialised countries have failed to live up their pledge to channel 0.7 per cent of their GNP to development assistance.

Introduction of indirect taxes and user fees
In an effort to increase revenues, a number of countries have reformed tax collection, instituting value-added taxes or introducing user fees for some public services, which leads to people living in poverty shouldering more of the tax burden.

Privatisation and sales of public assets
Together, privatisation and sales of public assets in order to raise revenues have become an important, but unsustainable, method for governments to close budget deficits.

On the expenditure side, the following can be observed:

Increased demand for public spending, but fewer resources
Increased volatility, insecurity and income inequality has resulted in an increased demand for public spending in the form of social protection. But as many economies have continued to suffer from a high debt burden, debt servicing has left little in the way of resources for the provisioning of health, education and other needs. The HIPC (Highly Indebted Poor Income Countries) initiative has failed to provide much relief to such economies, as debt relief was made contingent upon the implementation of ‘sound macro-economic policy’. This means in effect the adoption of the Washington consensus approach, albeit with some recent modifications to put more emphasis on poverty and the reform of institutions. PRSPs (Poverty Reduction Strategy Papers) continue to insist on the same type of macro-economic strategies.

Continuing loss of public resources through corruption
The squandering of public resources through corruption has continued. Privatisation, which was supposed to reduce state expenditures and inefficiency as well as curb corruption, has become a new avenue for corruption.

Continued high levels of military spending
The politics of the Cold War and its continuing legacy of militarism in the North and the South, and the activities of arms dealers, mean that in many countries military
expenditure has kept its importance. The peace dividend that it was hoped would accompany the end of the Cold War has not materialised. While many governments have continued to plead poverty, they have resisted reducing military expenditure, and some of the poorest countries have continued to develop nuclear arms.3

The implications of fiscal retrenchment for growth, development and equality

These changes in the fiscal stance over the last two decades have many implications for economic growth, and for equality (in terms of class as well as gender relations). These are interconnected to some extent. Cuts in government spending and market liberalisation have had adverse effects on the ability of the state to promote growth and employment, human development, and social equity (ECLAC 1998). This has had profound implications for redistribution of income between classes (to the detriment of workers), and between women and men (to the detriment of women).

The way a government allocates its spending shows its vision and economic priorities, as well as the balance of power among different social groups. The fiscal policies of most governments in the last 20 years reflect the increased power of capital vis-à-vis labour, on the one hand, and of foreign and national investors vis-à-vis the rest of the citizenry, on the other. As men generally own and control a higher proportion of capital compared to women, this also represents the increased economic power of men vis-à-vis women.

However, the social content of macro-economic policies (Elson and Çağatay 2000) – that is, the fact that they reflect, and affect, the balance of power across different social groups because of the way in which they affect the distribution of resources – has been obscured because fiscal policymaking has been presented as a technical issue over the last 20 years. Because of this, little public debate has taken place on alternative patterns of taxation and public spending, and their impact on different social groups (ECLAC 1998), leading to a lack of accountability and transparency. While fiscal credibility and accountability vis-à-vis potential foreign investors has been of utmost importance, their significance for the citizenry at large as an aspect of economic democratisation is hardly recognised (Elson and Çağatay 2000).

Effects on growth and stability

1. Anti-deficit radicalism

It is argued that inflation is detrimental to economic growth and works against the interests of people in poverty, and that budgets therefore need to be balanced in order to achieve zero inflation rate. However, this ‘anti-deficit radicalism’ is misguided: while high levels of inflation do have adverse effects on economic growth, moderate levels of inflation do not have such an effect. (Sen, A.K. 1998; van der Hoeven 2000). As keeping budgets in check is accomplished through cuts in social services, anti-deficit radicalism has jeopardised long-term human development, well-being, social equity and growth (Sen, A.K. 1998, Sen, G. 2000). Limiting public spending on infrastructure, which as a rule encourages private investment, and limiting and/or cutting health and education expenditure, reduces social equity (as poor segments of the population and women are more likely to benefit from these services) and human development. In addition, such limitations also have negative feedback effects on the long-run growth potential of an economy (Sen, A.K. 1998).

At the same time, high interest rates that are intended to attract foreign investment have discouraged domestic investment and employment generation by the private sector. The expected flows of foreign direct investment have materialised in only a few countries, mostly in Asia, while the cost of
borrowing has remained high for domestic firms.

2. Failure to stabilise during economic downturns

Another related problem of the last two decades is that the approach to government spending in many countries has heightened the peaks and troughs of the economic cycle, rather than evened them out, as it used to during the Keynesian consensus.

Despite the achievement of low inflation rates and fiscal balances, which were envisioned as important elements in stabilising the economy, there are other sources of instability in the Washington consensus policy package. National economies are potentially less stable due to the liberalisation of capital flows. Governments are unable to take measures to stabilise the economy during downswings, partly because multilateral finance agencies that monitor structural adjustment programmes overemphasise deficit indicators without regard to whether the economy is in the upswing or downswing of a cycle (ECLAC 1998). Budget deficits are likely to change over the course of a cycle, usually increasing during the downswing. This practice of ignoring the impact of the cycle in the monitoring of deficits has led to drastic adjustments, with adverse consequences for the economy. For example, one of the initial policy positions, formulated by the IMF in response to the East Asian crisis (despite opposition from the World Bank), was to cut public expenditure (Stiglitz 2002). Increased restraint in government spending during a crisis only exacerbates the economic downturn. In economies with little or no social protection to speak of, the adverse distributive consequences for poor people and poor women, in particular, are immense.

The gender implications of liberalisation

1. Cutbacks in social spending

Gender equality and pro-poor budget initiatives undertaken in the last two decades have shown that the impact of public spending and various revenue-raising methods are seldom, if ever, gender or class-neutral. Excessive reductions in social programmes that directly enhance human capabilities are harmful for all living in poverty. However, social programmes ameliorate the impact of gender inequality within households, and cutbacks in these services therefore affect women and girls disproportionately. In extreme situations, gender inequality results in female deaths. For example, gender inequality means that in many societies, women and girls are less likely than men and boys to be well-nourished, or to have access to health care. There are an estimated up to 100 million ‘missing women’ worldwide (Sen, A.K. 2001). Given these facts, the state has an extremely important role to play in order to offset this gender bias, through social provisioning.

In most countries, poor or otherwise, the major responsibility for caring for the sick (as well as other forms of unpaid caring labour) at home falls on the shoulders of women. This results in another type of gender bias that can be seen in the unequal labour burden borne by women, which is largely invisible in traditional macro-economic analysis and policy making, since the latter focuses on the monetised economy. Cutbacks in state spending on social provisioning affect women disproportionately because of this unpaid labour. An example is state cutbacks in the provision of clean water. Lack of clean water is a major cause of disease and ill health for women and men alike. However, there are additional consequences for women and girls, as in poor countries it is their responsibility to fetch water.
2. Other spending and revenue-raising

Many other types of expenditure and revenue-raising also have implications for women, aggravating unequal gender relations. Cutbacks in the public sector have particular implications because of gender segregation in labour markets. In some economies, the public sector has in the past given greater employment opportunities to women compared to men. Outside the public sphere, there may be relatively few opportunities of employment that offer comparably good work conditions. Privatisation has led to large employment losses, and to cuts in the number of formal sector jobs, for example in Africa and Latin America (van der Hoeven 2000).

Revenue generation methods, such as user fees or indirect taxation such as consumption taxes (which are less progressive than income taxes) are class-biased against segments of the population with lower incomes, but they are also often gender-biased. This can result from the higher incidence of ‘income poverty’ among women and girls in some countries. It is also because women earn lower incomes compared to men.

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**Gender bias in economic crises: the impact on women**

The impact of economic crises and volatility is often more severe for women. There are a variety of reasons for this. First is the gender-biased nature of social protection systems. Such systems are very inadequate for both women and men in the global South, partly because women’s paid work conditions are inferior and more insecure compared to those of men. It is also because social insurance systems are almost invariably designed on the assumption that families have a male breadwinner in a formal sector job (Elson and Cağatay 2000). Women’s work is much more likely to be in the informal sector, and is therefore often outside the realm of existing social insurance systems. It is also assumed that women whose work consists of unpaid domestic labour will be the beneficiaries of social protection provided to the male breadwinners in the family. Thus, fewer women are recipients of social protection than men (United Nations 1999). This is one of the reasons why they are more vulnerable to poverty, and more insecure economically.

While this bias dates from the Keynesian consensus, the Washington consensus has added another: commodification bias (Elson and Cağatay 2000). This refers to the trend towards the private ownership of knowledge, life forms, and goods that were previously publicly provided or held in common. This works to the detriment of poor people, and especially of women and girls.

Economic crises and instability result in a huge additional work burden for women. In the last resort, women provide social protection in most developing countries, where social safety nets are few. They buffer their families from the ill-effects of economic crisis by working harder both within and outside the household, to make up for reduced private incomes and reduced public services. Their paid and unpaid workload often increases in absolute and relative terms compared to that of men.

Women’s role as primary carers for their families means that crisis makes disproportionate demands on their time and energy. Their work in the home (and sometimes in the wider community) increases, as they spend more time shopping trying to stretch their family budgets further, or working at home to substitute home-produced goods for those purchased outside. They may also sometimes respond to crisis by setting up ‘communal kitchens’, where economies of scale can be gained, or engaging in other types of communal (or volunteer) labour.
A third gender bias may result from the fact that income disparities may increase between men and women, as women crowd further into female-stereotyped work, which is often informal. A fourth gender bias may come about when girls, rather than boys, are pulled from schooling during periods of economic distress to care for younger siblings or other family members when their mothers seek paid work. They may also be pulled out disproportionately from schooling when family incomes go down, even if the cost of schooling remains the same (i.e. no new fees are imposed). Even if family incomes are restored after the economy enters a period of macro-economic recovery, the educational losses incurred are not easily remedied, and translate into permanent gender inequalities.

A fifth problem is that crises and instability may lead to increased social violence and domestic violence, as some dimensions of the ideologies of masculinity, such as the male breadwinner ideology, are challenged. This may result in more violence against women, as men attempt to regain a sense of power and agency.

**Democratising fiscal policy and increasing accountability to women**

However, during the last two decades, there have also been a wide range of efforts around the world to democratise fiscal policy in the form of pro-poor and gender-sensitive budget initiatives ( Çağatay, Keklik, Lal and Lang 2000). The latter focus mostly on the expenditure side, and analyse not only government allocations specifically targeted at women, but rather all allocations. The purpose is to uncover the differential impacts of allocations on women and men; boys and girls (Budlender, Sharp and Allen 1998; Commonwealth Secretariat 1999). Such analyses, which are sometimes accompanied by broader analyses of the macro-economic framework, then serve as the basis for the formulation of gender-equitable budgets. These initiatives have far-reaching political and economic implications, and are very important tools for women and poor people to make governments accountable, and for them to make claims on public resources.

However, in the context of globalisation, fiscal policy cannot be rendered gender-equitable or broadly equitable at the national or local levels alone. It is also necessary to address these concerns at the international level, and to ensure that there is coherence among the international dimensions of policy and advocacy and the national and local ones. A variety of policy positions (for example, on global taxation, debt cancellation, anti-militarism, and overseas development assistance) are taken by civil society organisations, including feminist ones, and these need to be supported by broader constituents of feminists with greater focus and visibility. There also needs to be more debate and dialogue on how to shape these positions in ways that are more gender-equitable.

A number of feminist groups, such as DAWN (Development Alternatives with Women for a New era) have been involved in these debates for a long time. The point here is not the absence of feminist analysis, but rather the strengthening of advocacy based on it. This can be accomplished through greater dialogue between a) feminists who are involved in national or local budget initiatives and those who do advocacy at the international level; b) between feminists and other groups who focus on democratising macro-economic policies (such as those who focus on pro-poor budgets or other types of progressive macro-economic policy making at the national and global levels and c) between feminists involved in budget initiatives in the South and the North. Some of these areas are briefly outlined below.
**Global taxation and redistribution schemes**

Schemes like the Tobin tax, or the institution of a global taxation authority, need to receive more attention from feminist activists. Revenue generated by such taxation could be an important source of universal public provisioning of basic social services, including healthcare, education, nutrition, sanitation and water, and funding to realise country-specific gender equity goals. A portion of the revenues could be awarded to governments for the design of gender-equitable social protection systems. A Tobin tax would be likely to reduce market volatility (Erturk 2002), a phenomenon which, as we have seen above, has disproportionately detrimental effects on women.

**Debt cancellation campaigns**

Many feminists from the South support unconditional debt cancellation. Others advocate attaching conditions relating to gender equality to such efforts. Even without specific gender-related conditions, debt cancellation would benefit women, as long as this was accompanied by a parallel demand for universal provisioning of social services. Women have more to gain than men from universal provisioning, as they are the ones who suffer more from a lack of such services, as outlined earlier.

**Reallocation of military spending toward poverty reduction and social equity in North and South**

This is another important demand, which was put forward recently in Brazil. Feminist activists working on gender budget initiatives in the North can demand from their governments a reallocation of their own military expenditures toward increased overseas development assistance.

**Opposition to anti-deficit radicalism**

Feminist activists need to oppose anti-deficit radicalism more forcefully, in company with others. More than ever before, the current danger in the world economy is not inflation, but deflation. Assessments of social equity, more specifically, the gender equity and growth implications of alternative fiscal policy scenarios (including scenarios with alternative budget deficit assumptions) can be important feminist tools in opposing anti-deficit radicalism (Sen, G. 2000). These would require integrating gender analysis into macro-economic modelling.

**Demand for increased international mobility of labour**

As pointed out above, a major reason behind the shift in the burden of taxation between labour and capital stems from the relative immobility of labour compared to capital. Such an asymmetry has also led to the erosion of workers’ rights. Feminist advocacy should include demands for increased international mobility of labour, as well as demands for increased national and international resources for the protection of workers’ rights (for example, from global taxation schemes). These are not only important as demands in themselves, but also because they have implications for taxation patterns. Campaigns to eliminate tax havens, which allow corporations to reduce their taxes, could also constitute another venue for feminist activism on gender-equitable taxation.

**Conclusion**

Feminist advocacy in these policy contexts would further the efforts toward democratisation of macro-economic policy making at all levels, from the local to the national and the international. They would help render gender budget initiatives, which have been the most important feminist macro-economic policy challenge so far, more effective by helping build greater solidarity within the global justice movement.
Notes

1 Fiscal policy means policy relating to government revenue, particularly taxation and spending.

2 The OECD (Organisation for Economic Co-operation and Development) is an international organisation helping 30 member governments (mostly of the global North) to tackle the economic, social and governance challenges of a globalised economy.

3 The continued primacy of military expenditures may be one aspect of fiscal policy that has remained ‘Keynesian’, a feature that is called military Keynesianism.

4 A recent paper by IMF economists, including the chief economist, argues that in poor countries financial integration to the world economy does not result in growth and leads to greater volatility in consumption and output. Although many economists have repeatedly made these arguments, this is the first time IMF economists have done so. See Prasad, Rogoff, and Kose (2003).

5 The Tobin tax, initially proposed by the Nobel prize-winner James Tobin, seeks to reduce volatility in the world economy by imposing a small international tax on foreign exchange transactions. It would be a significant source of revenue that could be used for human development purposes. See Haq, Kaul and Grunberg (1996).

References


