

Macroeconomics and gender responsive budgeting in the current economic crisis

Diane Elson, University of Essex

**UNIFEM Panel on Gender Equality in Economic Crisis and Recovery
March 4, 2001, New York**

Why GRB needs to engage with macroeconomics

In the context of the economic recession and trajectories for recovery, progress in gender equality and women's empowerment depend on whether a government is judged to have enough 'fiscal space' for a 'fiscal stimulus'.

Or whether the judgement is that it must reduce the budget deficit and thus amount a government needs to borrow to in order finance the deficit.

Fiscal stimulus

Means that public expenditure is increased and/or taxation is reduced.

This creates more potential for expenditures and tax breaks that promote gender equality and empowerment of women.

Though the realization of this potential depends on the size and design of the stimulus.

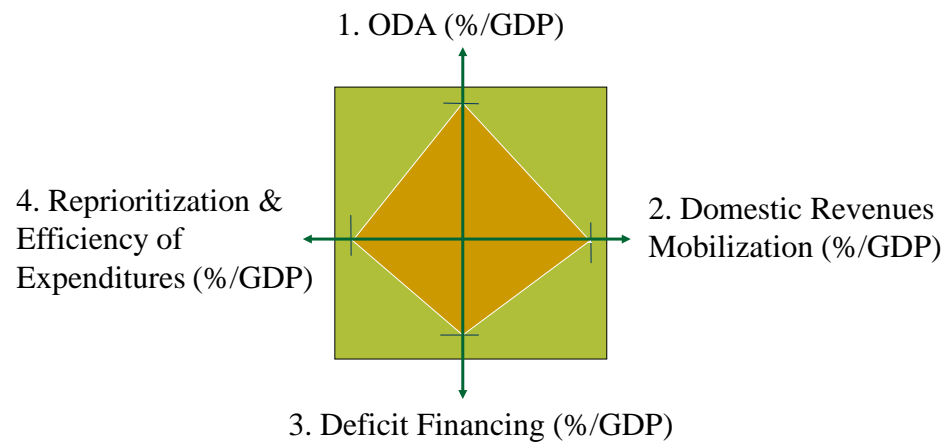
Deficit reduction

Means that public expenditure must be cut and/or taxation increased.

This carries the danger that promotion of gender equality and women's empowerment will be jeopardized.

Though the extent to which this happens depends on the size and speed of the deficit reduction.

Fiscal Space Diamond



Source: UNDP, 2007

Do poor countries have fiscal space?

- Rich countries responding to crisis through large fiscal interventions, some developing countries following suit (United States 7% of GDP / China 10%)
- But most developing countries, especially the poorest, lack fiscal capacity to respond to crisis
- New 'fiscal space indicator' establishes threshold for:
 - Fiscal deficits (3%)
 - Government debt-to-GDP (+20%)
 - Revenue-to-GDP (+13%)
 - Aid-to-GDP (+5%)

Source: Watkins and Montjourides, 2009

But does this tell the whole story?

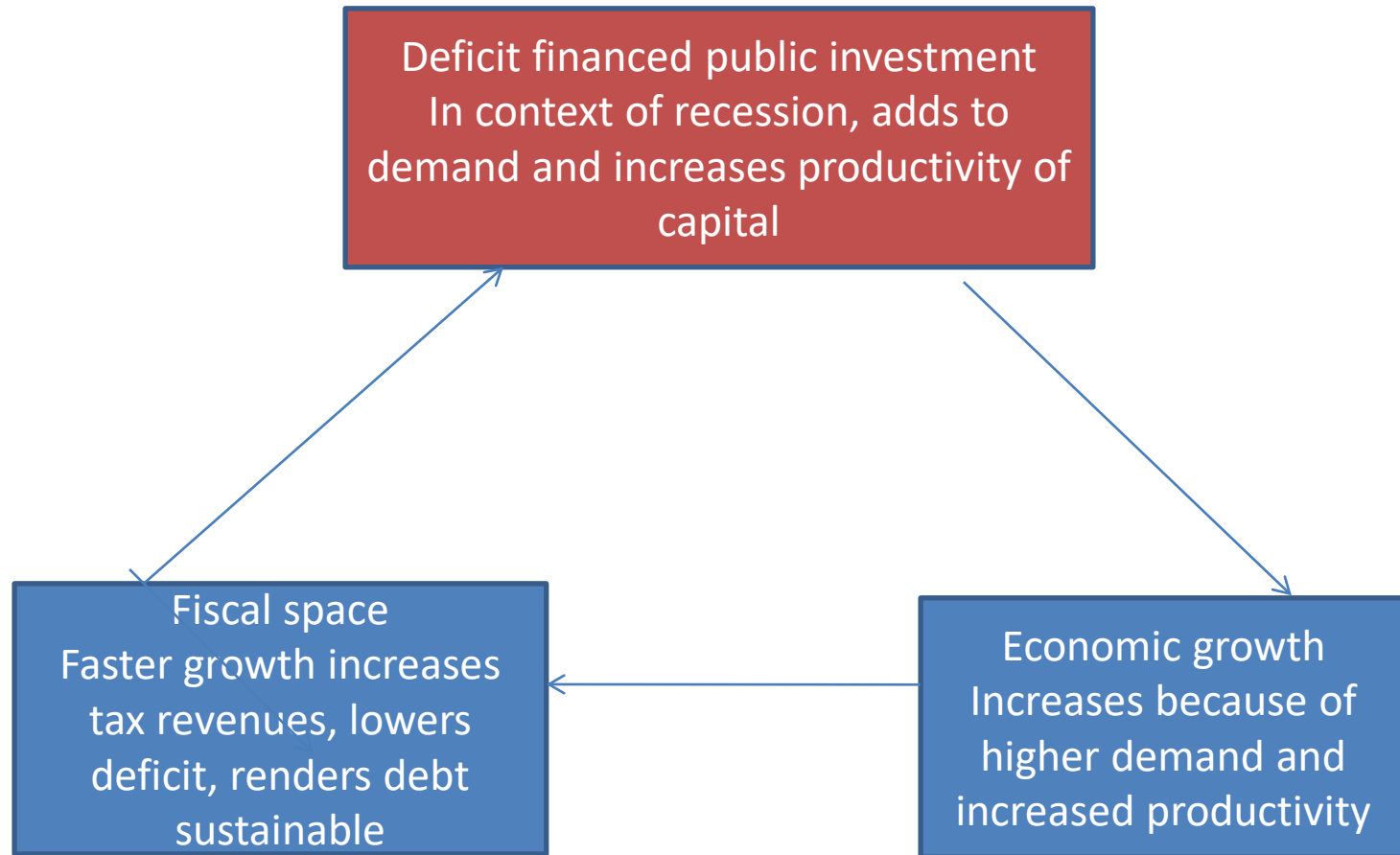
Need to take account of the economic cycle and of feedback loops.

Public expenditure has different impact in a recession than when the economy is growing fast.

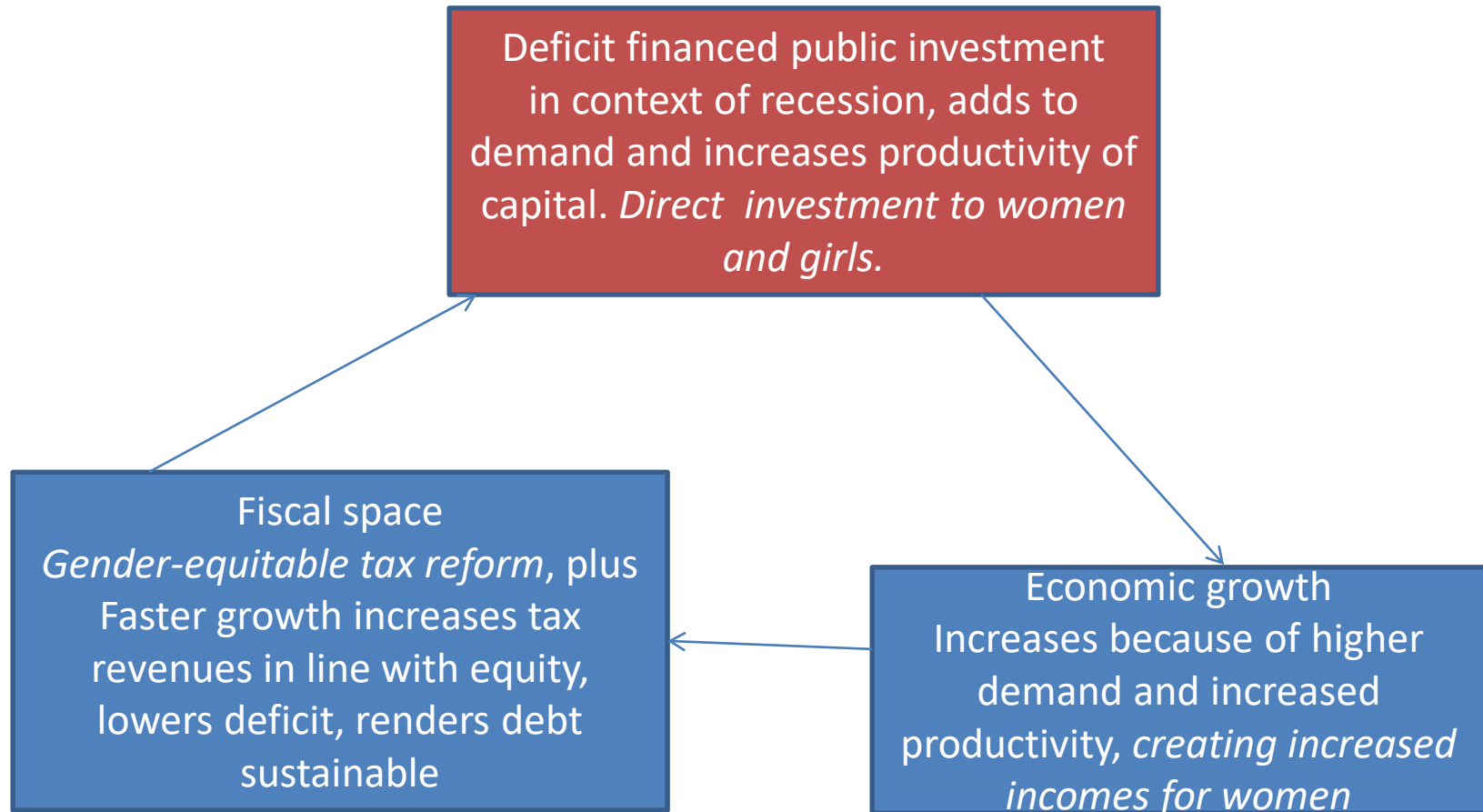
In recession, economies are more likely to be 'demand determined', not 'price determined'.

Virtuous circle linking growth and deficit financed public investment

(source: Palley 2009)



Even more virtuous circle: gender-equitable deficit financed public investment , gender-equitable economic growth , gender-equitable fiscal reform



Sources

- Hailu, D. and Weeks, J. (2009) 'Can Low-Income Countries Adopt Counter-Cyclical Policies?', One pager No.92, International Policy Centre for Inclusive Growth, Brasilia.
- Palley, T. (2009) 'The Fiscal Austerity Trap', New America Foundation, September.
- UNDP (2007) Primer: Fiscal Space for MDGs, June.
- Watkins, K. and Montjourides, P. (2009) 'The Millennium Development Goals: bankable pledge or sub-prime asset?' presentation to UNESCO Future Forum, March.