

**ARTICLE**

# Macroeconomic policy tools to finance gender equality

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**Abstract**

Feminist economists and heterodox macroeconomists have contributed substantively to the body of research that explores the distributional effects of macro policies. This work explicitly addresses the livelihood problems created by neoliberalism and, in addition, it provides a pathway for identifying financing mechanisms. Building on earlier work by Seguino and Grown (2006), this article synthesizes and elaborates the major contributions of this body of gender and macro research and, from this, extrapolates macro-level policies and tools that support gender equality. Among the tools identified is targeted government spending on physical and social infrastructure, the latter a relatively new conceptual tool that is discussed in detail. A key argument is that financing for gender equality that raises economy-wide productivity can be self-sustaining. As a result, both physical and social infrastructure spending have the ability to create fiscal space. This possibility offers a financing framework for gender equality expenditures. A contribution of this article is to critique mainstream monetary policies and identify alternative approaches that expand the toolkit to achieve gender equality goals.

**KEYWORDS**

fiscal policy, fiscal space, gender, monetary policy, public investment

## 1 | INTRODUCTION

The adoption of the United Nation's Sustainable Development Goals (SDGs) in September 2015 has helped to focus attention on a rethinking of macroeconomic policy with a view to promoting broadly shared well-being within the limits of the earth's carrying capacity. Alternatives to mainstream macroeconomic policy and theory are especially necessary to address the global problem of the stark increase in economic insecurity and inequality within and between countries, exacerbated by neoliberal globalization (Atkinson, Piketty, & Saez, 2011; Braunstein, 2012; UNDP, 2013). A related challenge is how the global community and individual countries will finance the actions necessary to address these problems. This challenge is confronted in the context of the experience of the global financial crisis, which has to a limited degree opened up the range of policies and tools that governments are willing to consider.

This article identifies a series of macro policy tools to address the problems of inequality and, in particular, gender inequality. They emerge from feminist and heterodox macroeconomics research on inequality and growth and serve as an antidote to neoliberal macro policies that have fuelled globalization trends. One challenge is that many developing economies lack the resources to address intergroup inequality and, in particular, gender inequality. The policy tools explored here, however, have the potential to relax financial constraints as evidenced by a significant body of work linking gender equality to economic growth.

What types of gender inequality should be the proximate targets of policy? The answer to that question varies by country, stage of development and the types and degree of gender inequality in three key domains—capabilities, livelihoods and agency.<sup>1</sup> *Capabilities* can be thought of as the prerequisites for adults to engage in production that provides a secure and adequate livelihood, typically measured with education and health variables. *Livelihoods* refers to measures such as wages, employment, access to credit and ownership of productive assets. The third domain—agency (or empowerment)—can be understood as the ability of individuals and the groups to which they belong to shape their environment.

For some time, international development bodies have emphasized equality of capabilities, especially education. The evidence shows that this is not sufficient to leverage change in other domains, however. Gender gaps in employment remain much wider than gender gaps in education, and there is evidence of increased gender job segregation globally, with women's share of jobs in the industrial sector declining over the last 20 years (IDRC, 2013; Seguino, 2016).

On the other hand, improvements in women's ability to secure a livelihood generate bargaining power to influence the distribution of resources at the household level and, additionally, gender norms and stereotypes change as women's economic roles change. So, to achieve gender equality in livelihoods requires greater access to employment and productive resources, reduced job segregation, macro policies that promote full employment, and reductions in women's disproportionate unpaid care burden (Kabeer, 2005). Women's relatively (to men) greater access to and control over other assets such as land title, credit and other inputs into the production process for women farmers is also necessary to improve their relative well-being.

It is not enough to achieve improvements in women's economic empowerment if the changes are to be sustainable. The narrowing of gender gaps in employment has occurred in the context of falling employment rates for men, heightening gender conflict (Seguino, 2016). Women's increased access to employment and productive assets must occur in a context in which men's well-being is at least stable and, ideally, one in which men also experience improvements in well-being. Full employment is therefore needed, the definition of which will differ, depending on a given country's structure of production.

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<sup>1</sup>This framework for evaluating well-being draws on the work of Grown, Gupta, and Kes (2005).

How then might gender equality be advanced? Important institutional changes and innovations are necessary to work towards the gender equality goal. To be effective, these will need to be accompanied by appropriate and creative macroeconomic policies. Moving beyond and updating earlier work by Seguino and Grown (2006), this article explores recent feminist and heterodox macroeconomics research on macro-level policies that can help to achieve gender equality. The policies fall into several categories, of which the most important are fiscal policy (including spending and tax policies to promote full employment and gender-aware public investment) and monetary policy (including capital account management techniques). The impact of such policies on fiscal space, a key constraint on financing gender equality, is also explored. A further contribution of this article is to expand the framework of feminist macroeconomic policy to include evolving heterodox macroeconomics policy proposals, in part a response to the Great Recession of 2008. Many heterodox macro policies, although to all appearances gender-blind, have distributional effects that can help to promote gender equality. As such, they are part of the feminist's macro policy toolkit.

## 2 | MACRO-LEVEL POLICIES TO ACHIEVE GENDER EQUALITY

Macro-level policies refer to a broader set of instruments than we typically think of as part of the macroeconomist's tool kit. The latter is comprised of a limited range of fiscal, monetary and exchange rate policy tools, and a restricted role for the state. Since the 1980s, those tools have been applied to a narrower set of macroeconomic objectives than in previous eras and typical goals have included fiscal discipline, inflation targeting and market liberalization.

The lessons of the last three decades have taught us, however, that the state has a key role to play in facilitating a development strategy that promotes greater equality with attention to sustainability goals (Elson & Cagatay, 2000). In earlier research, Seguino and Grown (2006) critiqued the impact of globalization on gender equality in semi-industrialized, export-oriented developing economies, and explored a number of policies to promote gender equality, particularly in relation to industrial and agricultural policies to induce structural change. Since the time of that publication, feminist and heterodox macroeconomic theory and policy-related research have identified an even larger scope for macro-level policy to promote sustainable and equitable growth, reviewed here to identify an integrated set of policies that can both promote gender equality and be largely self-financing in the long run. Policies include targeted public investment and credit allocation, full employment goals and tools, and innovative monetary policy tools and capital management techniques. Tax policies formulated with a gender lens also have the potential to generate resources to fund gender-enhancing public spending. Although strategies to manage foreign direct investment and trade in ways that promote a country's sustainable development goals would also be part of this toolkit, this article focuses primarily on government spending, monetary policy, and tax policies.

### **A gender-equitable inclusive macroeconomic framework**

In the sections below, macro-level policies are discussed as distinct categories. In practice, policies need to be co-ordinated. This is especially true of fiscal and monetary policy, but it is also relevant with regard to trade and investment policies. The discussion of macro-level policies is categorized into three parts: (a) government spending,<sup>2</sup> (b) tax policy, and (c) monetary policies.

<sup>2</sup>The term government spending, rather than fiscal policy, is used since the latter is typically associated with efforts to influence the level of aggregate demand, without necessarily having the intention of altering the distribution of income and resources or influencing future growth patterns.

## Government spending

Governments tax and borrow in order to pool societal resources and redistribute them to achieve particular goals. For expositional purposes, I delineate several distinct categories of government expenditures, identifying the gender-relevant aspects of each—although they may in some cases overlap.<sup>3</sup>

### 2.1 | Public investment

There is a plethora of recent studies demonstrating that public investment has an important role to play in creating the conditions for gender equality. Public investment can be a tool to achieve full employment, promoting women's livelihoods while also reducing gender competition over scarce jobs (Antonopoulos, Kim, Masterson, & Zacharias, 2011; de Henau & Himmelweit, 2016; İlkkaracan, Kim, & Kaya, 2015; Bargawi & Cozzi, 2017). Public investment typically stimulates employment as businesses hire more workers to meet increased aggregate demand. Moreover, targeted public investment can leverage or “crowd in” private investment by lowering production costs, further stimulating aggregate demand and employment growth. Because public investment can raise economy-wide productivity (Bayraktar & Moreno-Dodson, 2010), it has two beneficial features. It creates fiscal space in the long run by stimulating income growth, expanding the taxable income base (Seguino, 2012). Secondly, well targeted investment can be anti-inflationary if it addresses supply bottlenecks that drive up prices.

Apart from these general effects of public investment, the state has the potential to redress inequalities and discrimination in the household, in asset ownership and in labour markets through targeted budget allocations. Feminist research has identified the usefulness of dividing public investment into two subcategories: *physical infrastructure investment* and *social infrastructure investment*.

#### Physical infrastructure investment to promote gender equality and productivity growth

Research identifies a strong link between physical infrastructure expenditures, women's unpaid care burden and the growth of potential output (Agénor, Canuto, & da Silva, 2010). Targeted investments can reduce women's unpaid labour burden, freeing up time to spend in remunerative labour activities, with benefits for gender equality and intrahousehold bargaining power (Chiappori & Meghir, 2014). Children's well-being and economy-wide long-run productivity growth also benefit.

For example, in low-income developing countries, improved water and sanitation facilities decrease illness and time spent fetching water, a major factor adding to the unpaid labour burden (UN Women, 2014). This is considered “female” work and, in regions where this burden is very high, rates of child labour are also higher, with negative effects on educational attainment (Edmonds & Pavcnik, 2005). In economies at all levels of development, transportation improvements reduce the time women spend in marketing goods and in provisioning for households, and improve women's ability to access services and labour markets.

Further, a large body of evidence indicates that women's increased access to income results in more resources invested in children's health, education and development. This is due to women's propensity to spend a larger share of their income on children than men do (Doss, 2013). Improvements in mothers' health have been found to affect children's health with evidence of long-term positive effects on children's cognitive skills and, thus, productivity. These linkages imply that physical infrastructure investments to reduce women's care burden and improve their health have long-term economic benefits in the form of a healthier, more educated and productive workforce (Agénor et al., 2010).

<sup>3</sup>Gender budgeting, a now well-known strategy for orienting public expenditure to support gender equality, is not discussed here because the focus is on macro-level policies themselves. For similar reasons, development co-operation and aid flows are not considered in this article.

Using data from Tanzanian time-use surveys, Fontana and Natali (2008) simulate the benefits of targeted physical infrastructure investments that reduce time spent on unpaid care activities for gender equality. They demonstrate that such investments, by reducing the time spent on fetching water, fuel and other unpaid household maintenance activities, reduce the care burden and as a result, raise the earnings potential of both women and men. Women benefit disproportionately from such investments. According to the simulations, the time released from unpaid work would raise women's income by 17.7% relative to the economy-wide average, and men's by 1.6% annually. Similarly, using a sample of 38 sub-Saharan African economies for the period 1991–2010, Seguino and Were (2014) find a positive effect of physical infrastructure investments on gender equality in employment rates.

Reductions in the time required for care work as a result of infrastructure investment do not automatically translate into more employment. Chakraborty (2010) found that, in India, physical infrastructure investment lessened the time stress in unpaid care work, but women's employment did not increase. She concludes that complementary employment policies are required to ensure the substitution of market work for unpaid work. These include quotas for project jobs to enhance women's opportunities for employment, investments in skill training, gender-sensitive transportation, on-site care facilities and jobs close to home. Moreover, sufficient employment demand (via, for example, expansionary fiscal policy) in the broader economy is required in order to absorb women as paid workers in response to reductions in time spent on unpaid care work.

### **Social infrastructure investment**

The term *social infrastructure* originally referenced physical infrastructure projects for social use, such as school buildings and medical clinics.<sup>4</sup> Feminist economists have since redefined that term to account for the positive externalities generated by spending on childcare, education and health care that promote human capacity development (Campbell, Elson, & McKay, 2013; Elson, 1993, 2016; Himmelweit, 2016). In this usage, *social infrastructure* refers to the fundamental social, intellectual and emotional skills, and health of individuals—or level of human development—a country relies on for its economy to function.<sup>5</sup> Unlike physical infrastructure—such as bridges, roads, telecommunications systems—which tend to be publicly owned, social infrastructure is embodied in people and is enhanced via social spending by governments. Investments in people's capabilities are theorized to have a public goods quality with positive spillover effects on economy-wide productivity. Such investments are therefore more properly classified as social infrastructure spending rather than government current consumption or even simply human development expenditures.

A number of feminist economists have emphasized the potential for such investments to be self-financing. This is because investments of this kind have the capacity to raise incomes and thus generate a stream of revenue in the future, thereby creating fiscal space in the long run (Elson & Warnecke, 2011; Seguino, 2012). More specifically, by expanding the productive base of the economy, such investments generate a flow of revenues into the future, made easier if increases in human productivity can be converted to higher incomes.<sup>6</sup>

<sup>4</sup>The World Bank, for example, uses this definition to distinguish it from infrastructure investments that “crowd in” private investment, that is, that support the productive as compared to reproductive economy.

<sup>5</sup>To be more precise, social infrastructure investment refers to public expenditures on health, education and care. The evidence of such expenditures is to be found embodied in people, but the impact of those expenditures extends beyond individual recipients to society at large, due to their public goods quality.

<sup>6</sup>Himmelweit (2016) cautions that a narrow focus on the benefits of social infrastructure investment for productivity growth can be problematic, insofar as it is harder to make an investment argument for expenditures on care of some members of society, such as those with disabilities and the elderly.

Much more empirical work is needed to identify the quantitative impact of such spending on long-run productivity growth. There is, however, already substantial evidence that, if such spending is targeted to address key intergroup inequalities, there will be sizeable beneficial economy-wide effects. Several studies provide evidence that closing the education gap between boys and girls has a positive effect on economic growth (Klasen & Lamanna, 2009; Bandara, 2015). Bandara (2015) finds, for example, that total annual output losses due to gender gaps in effective labour (the combined effect of inequality in education and labour market productivity) could exceed \$60 billion for sub-Saharan Africa.

There are several explanations for the positive growth effect of closing these gaps. Underinvestment in female education, female exclusion from jobs, and job segregation, result in selection distortion, reducing the efficiency of such investments. In addition to the direct productivity effects of closing educational gaps, more education for women makes it easier for them to control their fertility and to spend time in the paid labour market (in economic terms, more education raises the opportunity cost of care work). An additional economy-wide effect is that, with more education and lower fertility, there are typically more resources available to invest in each child and a positive effect on the quality of the future labour supply.

Social infrastructure spending can promote gender equality in employment in another important way. Because of the gender division of labour with women more likely to be employed in social service activities or the paid care sector of the economy, public spending in this area can narrow gender employment gaps. Several recent studies quantify the differential effect of public sector spending on social as compared to physical infrastructure. İlkkaracan et al. (2015) investigate the potential employment effects of a 20 billion Turkish lira expenditure on childcare centres and preschools versus public infrastructure and housing (the construction sector). They find that, while employment in the construction sector would increase by 290,000 (of which 6% would go to women), the same amount invested in childcare and preschool would generate 719,000 new jobs, of which 73% would go to women.

Similarly, Antonopoulos et al. (2011) present simulation results to show that, for the US, investment in social service delivery sectors—early childhood development and home-based health care—creates twice as many jobs as the same level of expenditures on physical infrastructure (which creates jobs in construction and energy). The authors find that those jobs are more effective at reaching disadvantaged workers and people from poor households with lower educational attainment. In sum, in terms of efficiency per dollar spent, social infrastructure spending is likely to have a larger job multiplier and greater effect on gender employment gaps.<sup>7</sup>

### **Countercyclical, full employment and other policies**

For several decades after the Great Depression, Keynesian demand-management policies had been routinely employed by governments of a wide array of political leanings—until the 1970s. Those policies entailed “leaning against the wind.” During economic downturns, governments increased spending on goods and services (or cut taxes) to soften the blow of unemployment and recession. Conversely, government spending would be cut during inflationary periods when the source of the problem was deemed to be business and household spending that exceeded the ability of the economy to produce. During the former periods, government budget deficits build up and, during the latter, surpluses amass, resulting in a relatively balanced national budget over the medium or long term.

For the achievement of gender equality and women's empowerment, a return to these countercyclical policies is needed on a global scale, and more generally gender-aware demand-led growth policies (Onaran, 2017). Industrialized economies typically are more able to adopt such policies as evidenced

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<sup>7</sup>See Bargawi and Cozzi (2017) and de Henau and Himmelweit (2016) for simulations for Europe and the UK.

during the Great Recession. That is, they tend to have greater fiscal space—the ability to borrow in order to deficit spend—due to their credibility with lenders.<sup>8</sup>

As noted above, the parameters of fiscal space to borrow and spend merit reconsideration, given the long-term effects of economic stagnation and unemployment. Long-term unemployment both contributes to skills erosion and also has negative psychological effects that harm worker productivity (Darity & Goldsmith, 1996). Women's unemployment has additional negative macroeconomic effects. Studies document the impact of a mother's poverty and depression on early childhood development (Agénor et al., 2010). At the macro level, then, sustained unemployment leads to *hysteresis* (Ball, 2014; Fatás & Summers, 2015). This underscores that unemployment is not a transitory problem when it persists for so long that it reduces labour productivity.

The adverse consequences of prolonged unemployment highlight the link between full employment policies and longer-run growth and development. Government expenditures to stimulate demand and full employment can be at least partially, if not fully, self-financing if we consider a longer time horizon. Economists and policy-makers have not typically thought about the gender effects of countercyclical or full employment policies—but they should. Evidence suggests that in many countries, women and racial/ethnic subordinate groups are at the back of the job queue during economic downturns, making strategies to promote full employment part of the toolkit to achieve gender equality (Seguino, 2003; Couch & Fairlie, 2010).

## 2.2 | Employer of last resort (ELR) Programmes

ELR programmes are another means to promote full employment and, at the same time, reduce gender conflict over scarce jobs. The ELR is a type of government-funded programme that employs all the jobless who are ready, willing and able to work in a public sector project at a base wage. This programme would eliminate unemployment by hiring any workers who apply, regardless of their work experience, skill background, race, age or gender. ELR programmes act as a buffer stock and can be used to prevent deskilling and to strategically invest in infrastructure. During recessions, ELR employment rises as the private sector sheds workers. During economic expansions, ELR employment rolls decline as workers seek employment in the higher wage private sector (Tcherneva, 2012).

Several countries have adopted ELR-type programmes. Argentina adopted *Plan Jefes y Jefas de Hogares* in 2001 after the financial meltdown to deal with the subsequent economic fallout (UN Women, 2015). The plan offers a job opportunity to unemployed heads of households in a community project. The programme was federally funded but locally administered, and reduced unemployment by about 2.5 percentage points.

In 2005, the Indian government adopted the National Rural Employment Guarantee Act (NREGA). This act establishes a legal job guarantee for 100 days of employment every year to adult members of any rural household willing to do public work (mainly unskilled) at the statutory minimum wage. The overall effect is to improve the incomes of rural people by providing primarily semi-skilled or unskilled work opportunities, whether or not they are below the poverty line. This programme differs from the *Plan Jefes* in Argentina, where only one member of a household was eligible for this work, thus creating gender competition for slots. In India, women's participation rate in the programme is double their participation rate in the casual labour market, and in 2009–2010 they comprised about 48% of those employed by this job guarantee scheme (Dutta, Murgai, Ravallion, & van de Walle, 2012).

<sup>8</sup>That said, the response of many European economies has been to adopt austerity measures in the wake of the global financial crisis (Bargawi et al., 2017).

## 2.3 | Spatially-targeted public investment and minimum wages

Spatially-targeted public investment (for example, to geographic areas where unemployment and poverty rates are high), sectoral policies and affirmative action policies can be used to reach priority groups, such as women workers and farmers. These examples are not new; the key point is that government spending has distributional implications and requires associated policies to ensure equitable outcomes. Low-income agricultural economies, for example, can target public investments that enhance farmers' access to inputs and other resources, thereby raising agricultural productivity. Emerging evidence suggests that relaxing constraints faced by women farmers is particularly beneficial. The Food and Agriculture Organization of the United Nations (FAO) summarizes results of yield studies for sub-Saharan Africa, which find that gender-equitable access to inputs, technology and extension services would increase women farmers' agricultural yields by 20% to 30% (FAO, 2011).<sup>9</sup> This would increase agricultural output in the developing countries for which data are available by an average of 2.5% to 4%.

Gender-sensitive agricultural investment can, as a result, increase domestic food production, lower food prices and reduce reliance on imported food, thus relaxing the balance of payments constraint to growth (Seguino, 2010). The latter suggests the potential for a beneficial demand-side effect (import leakages are attenuated). Of course, public investments that raise agricultural productivity will be beneficial even if not targeted to closing gender gaps. But there is an additional productivity boost derived from targeting women insofar as this improves children's outcomes in the long run. These effects make such investments more affordable because they have an impact on long-run growth and, thus, generate revenues to cover the cost of those investments.

Increases in minimum wages, while they do not solve the problem of job segregation, can contribute to greater gender wage equality, given that women tend to be concentrated in the lowest wage jobs. As a result of the higher consumption rates of low-income groups, higher minimum wages also stimulate aggregate demand and job growth, reducing women's unemployment and offsetting negative effects of higher female wages on female unemployment. Evidence from Latin America's decade of inequality reduction indicates that the gender employment gap was narrowed in the 2000s, in part due to higher minimum wages (Braunstein & Seguino, 2017).

### Tax policy

Two aspects of tax policy are relevant for redressing gender gaps identified in the SDGs—the *distributional impact* and the overall *level of tax revenues*. The *distributional impact* (specifically, the gender incidence) of taxation includes both direct (for example, personal income and corporate taxes) and implicit taxes (such as value-added, luxury and fuel taxes). The collection edited by Grown and Valodia (2010) provides an excellent and detailed analysis of gender effects of taxation and the reader is referred to that volume for approaches to such analysis.

It is useful to note that tax inequality may be direct (women and men are explicitly taxed at different rates), but the more frequent scenario is that gender bias is indirect and implicit, related to men's and women's different economic roles and norms. For example, insofar as women are the primary caretakers of families, taxes imposed on the consumption of basic goods will weigh more heavily on women. An example of gender-equalizing indirect taxation is South Africa, where basic food items

<sup>9</sup>An additional constraint faced by women farmers is access to credit due to restrictions on their right to own land, which could otherwise serve as collateral. But even this constraint can be overcome with appropriate monetary policy, a point taken up in more detail below.

and paraffin are zero-rated (there are no taxes on these items) in contrast to high taxes on alcohol and tobacco (Casale, 2012).

Tax codes may also reflect bias in the taxation of assets. Exemptions for mortgage interest payments, for instance, or dividend payments on stocks, disproportionately benefit men. With regard to direct income taxes, the gender impact depends on the effect of joint or individual filing. Joint filing may lead to higher marginal tax rates on women's income, even though they earn less than men, thus discouraging their labour force participation. Examining tax codes with a gender equity lens, then, can provide the foundation for tax code reforms that are gender equalizing. Rather than a one-size-fits-all tax policy approach, country-by-country analysis is required.

The *level of taxes* supports the ability of governments to reallocate pooled resources in ways to promote gender equality goals. In framing the financial costs of gender equality, it is again useful to underscore that some expenditures are actually investments because they increase output and incomes (Himmelweit, 2016). Through taxation and expenditure on appropriate gender targets, the increased income yields a payback for many years into the future, such that these expenditures at least partially, if not fully, pay for themselves eventually.

A challenge, then, is to identify appropriate sources and levels of taxation as one of the means to generate the financial resources for gender-equalizing public investment. Reflections on the potential for increased taxation as a revenue source to fund public investments are often conveyed with a sense of pessimism due to perceptions of scarcity. Scarcity, however, is in good part a social and political construction, based on years of globalization and neoliberal macroeconomic policies that have led to a decline in tax rates on the wealthiest and on capital. In many countries, the progressivity of taxation has declined, leading to budget cuts and/or higher tax rates on lower income groups.

The impact has been a decline in tax rates on capital. Decreases have been substantial. Average global corporate income tax rates (direct and indirect) have fallen from 38.0% in 1993 to 24.3% in 2017 (KPMG, 2014, 2017).<sup>10</sup> As Rodrik (1997) has noted, this has meant that the immobile factor of production—labour—increasingly bears the tax burden. This, coupled with the declining wage share of national income, has led to downward pressure on public spending, creating a fiscal squeeze. This squeeze on revenues has significant negative implications for the ability of countries to fund policies and programmes that promote gender equity.

Macro-level policies that manage capital flows and foreign direct investment can reduce the “threat effect” of capital flight or firm relocation, permitting higher rates of taxation. This will offset revenue losses from tax holidays and other tax favours granted by governments in order to attract foreign direct investment. This discussion highlights that the most significant challenges that governments face in collecting taxes from corporations and the wealthy are associated with the liberalization of cross-border financial flows. Estimates of the value of tax revenue losses due to corporate tax avoidance (resulting from, for example, transfer pricing and capital flight) is estimated to be in the range of \$217–\$692 billion annually (Center for Economic and Social Rights & Christian Aid, 2014). These challenges operate in an environment in which international governmental co-operation is institutionally lagging. The lag can in part be explained by governmental tax competition to attract much-needed investment.

Two other tax proposals have emerged to increase revenues collected from the financial sector—a financial transactions tax (FTT) and a currency transactions tax (CTT). FTTs are simply taxes imposed on the purchase and sale of financial securities. Taxes on financial transactions are not new. For

<sup>10</sup>These are statutory rates, or the base rate applied on all profits. Tax adjustments may be applied such that the effective tax rate differs from (and is lower than) the statutory rate. To take the US as an example, although the statutory tax rate in 2010 was 39.1%, the effective tax rate after deductions was 24.1% (KPMG, 2010).

example, the US imposed a stock transactions tax from 1914 to 1965, and this type of tax is currently about to be resuscitated in Europe. France adopted an FTT in 2012, and although the details are not yet finalized, 11 European countries have agreed to tax equities at a rate of 0.10% (and derivatives at a rate of 0.01%) with an annual predicted yield of \$100 billion<sup>11</sup> (Burman et al., 2015). The Center for Economic and Social Rights and Christian Aid (2014) estimate the resource yield from an FTT across major financial sectors to vary from \$70 billion to \$661 billion a year.

The CTT is a tax on currency exchanges. The foreign exchange market is the largest market in the world, with an estimated \$5 trillion of foreign exchange traded per day. Only a small percentage of currency exchanges are to finance international trade. Exchange rate speculation accounts for the overwhelming bulk of global currency market trading (UNCTAD, 2010; Bank of International Settlements, 2016). Tax rates proposed on CTTs are similar in magnitude to those on FTTs, and estimates of revenue generation vary as widely.

The speculative character of the bulk of financial and currency transactions creates several macro-level problems. First, such transactions tend to be focused on short-term gains rather than long-term productive investment. Second, speculative activity has harmful destabilizing effects on the real economy, contributing to volatility, financial crisis and, as a result, crises in the real economy in terms of lost output, unemployment and economic insecurity that weighs most heavily on households with low incomes and few assets—notably women.<sup>12</sup>

A second channel by which trading in financial instruments and currency produces social costs is the higher level of foreign exchange reserves that countries have been forced to hold to self-insure against speculative attacks on their currency. According to Rodrik (2006), the opportunity cost of those reserves is roughly 1% of gross domestic product (GDP). Hence, any analysis of the costs and benefits of such taxes would have to factor in the cost of reserves, as well as the impacts on volatility and crisis on households, especially those with few assets with which to smooth income.

Some have been sceptical that countries would agree to FTTs or CTTs. Since the 2008 Great Recession, sentiments have changed, however. The significant taxpayer resources devoted to financial sector bailouts have led to heightened sentiment that this sector is not paying its fair share of taxes. The rising share of rentier income in recent years, contributing as it does to global inequality and economic instability with substantial costs in terms of human development, make these taxes an appropriate source of revenue.

Rich countries would generate the bulk of the tax revenues and, more generally, the taxes would be highly progressive and, in essence, act as a sales tax. The question arises as to how the revenue from a multilateral tax should be distributed. This is a concern since financial activity tends to concentrate in certain developed country locations such as New York and London. Those financial centres will have greater capacity to raise revenue with a CTT than others. A multinational agreement on how to apportion these revenues would be required, if they were to be allocated to respond to global development challenges of inequality and, in particular, gender inequality. In earlier debates on this topic in the 1980s and 1990s, a variety of proposals as to how to administer and distribute the proceeds of a CTT were advanced (Griffith-Jones, 1996). Were there traction for this idea today, a portion of such revenues could be earmarked for investments that promote global progress on gender equality.

As set out above, the design of FTTs and CTTs continues to be debated. A first step in adopting such taxes is to reach sufficient global consensus that they are macroeconomically salutary and, from

<sup>11</sup>A number of other countries have FTTs, typically on stocks, including Australia, China, India, Italy, South Korea and the United Kingdom. Most rates are in the range of 0.1% to 0.3%, but are as high as 0.6% in Argentina (Burman et al., 2015).

<sup>12</sup>These effects were present in the Mexican crisis in 1994, the Asian financial crisis of 1997–1998, with contagion effects on Russia (1998) and Brazil (1999), as well as crises in Turkey (2000) and Argentina (2001).

a justice standpoint, lead to a fairer sharing of tax burdens in a way that contributes to equity. An attractive feature of these taxes is that financial and currency speculators can avoid the tax by reducing their transactions, a response that would have socially beneficial effects on families, especially low- and middle-income families, as well as women. Indeed, these taxes are similar to pollution taxes in the sense that they discourage a behaviour that can have negative social effects whose cost is not captured in the existing cost of trading, and in any case, is not fully borne by trading parties.

### 3 | A RETHINKING OF FISCAL SPACE: THE INVESTMENT CHARACTER OF EXPENDITURES GEARED TOWARDS ACHIEVING GENDER EQUALITY

As the discussion in the previous section underlines, physical and social infrastructure expenditures could help governments finance development for the future by generating increased productive capacity. This potential is more generally acknowledged with regard to physical infrastructure investments. To date, little attention has been given to the ability of social infrastructure spending to create fiscal space by raising the productive capacity of the economy. This may be due to the fact that analysts mistakenly categorize such spending to be for consumption and therefore discretionary, without any feedback effects on labour productivity and thus economic growth (Elson & Warnecke, 2011).

It may be more immediately clear to the reader that spending on *physical infrastructure* has a public goods quality because it produces spillover benefits to society as a whole, with the stream of returns accruing over many years. More concretely, there is ample evidence that physical infrastructure improvements “crowd in” private investment by lowering business costs (Seguino, 2012). Less clearly understood is that some forms of social spending are not only for social welfare or social protection but also improve *social infrastructure*. This is because, by raising labour productivity, such expenditures raise incomes, generating tax revenues with which to pay down the debt incurred to finance the original investment. Just as with physical infrastructure, social infrastructure improvements lower the costs of doing business by raising productivity (Himmelweit, 2016).

Under current fiscal discipline rules, many countries are assumed to lack sufficient fiscal space to undertake public investment. In particular, the degree of space is circumscribed by limits placed on a country's public debt relative to GDP. The current approach to establishing debt ceilings defines fiscal sustainability for the short term, an approach that ignores the interaction between fiscal policy and growth over the longer term. This leads to an underestimation of the long-term payback to fiscal sustainability of public investment that could be debt-financed. Relatedly, current guidelines for assessing fiscal space and sustainability ignore *what* the fiscal space is used for. Most budgets classify current and capital budgets separately, but this distinction is not made when evaluating fiscal deficits. The result is restrictive fiscal targets, and this has led to a decline in public investment/GDP ratios in many countries (Roy, Heuty, & Letouzé, 2009).

The challenge is for governments to reframe their thinking on public expenditures by recognizing the investment character of such expenditures. Some of the benefits are more immediate, but many are evident only in the longer run.<sup>13</sup> The timeframe for generating measurable returns to this type of spending (and thus, in many cases, borrowing) may be as long as five to 10 years. By that time, appropriate public investments will have begun to expand the productive base of the economy, generating (taxable) incomes with which to pay down the debt. So, such investments are both fiscally sound and

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<sup>13</sup>For a full treatment of this, modelled as an intertemporal budget constraint, see Rodríguez (2009) and Seguino (2012).

sustainable. A key factor here is that gender-responsive investment itself *creates* fiscal space by adding to the productive base of the economy. Even in the shorter run, investments in physical infrastructure have been shown to “crowd in” private investment by directly reducing the costs of doing business (Calderón & Servén, 2004; Bose, Haque, & Osborn, 2007). The evidence shows that better roads, better communications systems, immunization programmes and education all matter for the bottom line.

IMF rules on determining fiscal space are a barrier, insofar as the timeframe in which it evaluates public sector deficits for financial sustainability is typically short- or medium-term, thereby missing the long-run positive effects on income and revenues of such spending (Elson & Warnecke, 2011).<sup>14</sup> The task, then, is to develop alternative criteria for determining the appropriate fiscally sustainable level of public investment that takes into account the long-run economic benefits of such expenditures.

Developing alternative criteria is not enough. Expansion of fiscal space by reconceptualizing the investment character of public expenditures will also require lending institutions to accept these new criteria. To effectively make the rigorous case for the ability of expenditures that promote gender equality in other domains (for example, spending on health and other care expenditures) to expand medium- and long-run fiscal space will require more focused empirical research.<sup>15</sup> Funding targeted research on the payback of gender equality investments is pivotal to expanding the discourse and consensus on fiscal space.

## 4 | MONETARY POLICY TO PROMOTE SUSTAINABILITY AND GENDER EQUALITY

### Inflation targeting

Central banks have the potential to play an important role in promoting gender equality through their ability to influence credit availability. This can stimulate job growth and increase access to productive assets for women entrepreneurs and farmers. Central bank tools to reduce destabilizing cross-border capital movements can limit macroeconomic volatility and help to avoid economic crises that undermine the goal of secure livelihoods. Despite this potential, over the past two decades, central banks have narrowed the focus of their policy interventions to almost exclusively emphasize low inflation. At the same time, and perhaps because of their more limited monetary policy goals, they have also restricted their use of monetary policy tools that could help to achieve gender equality.

During this time, inflation targeting (*IT*) has gradually become the dominant monetary policy prescription for developing and developed countries alike. *IT* focuses on maintaining a low level of inflation, often in the single digits, to the exclusion of other important objectives such as employment generation, investment promotion, or poverty reduction. *IT* central banks adopt a single policy tool, the policy interest rate. As inflation rates approach the target set by the central bank, the policy rate is raised, putting upward pressure on commercial lending rates, reducing business spending and, as a

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<sup>14</sup>The timeframe the International Monetary Fund (IMF) uses to assess fiscal space is not the only impediment to incorporating feminist economics’ insights on this issue. Macro models on which the IMF relies to conduct “stress” tests are not gendered—that is, they do not reflect the most recent research on the macroeconomic effects of greater gender equality, making it impossible to account for the potential for care and other investments to be self-financing.

<sup>15</sup>With regard to gender equality, as noted previously, several studies demonstrate significant and substantial positive growth effects of gender equality in education (Klasen & Lamanna, 2009; Bandara, 2015; Cuberes & Teignier, 2016).

result, and contributing to economic slowdown and higher unemployment. The effect of *IT* policies, then, is to reduce aggregate demand, with several deleterious effects.

First, *IT* misses the dominant sources of inflation in many countries, which are often related to supply-side pressures—for example, low productivity due to ill health and lack of education, HIV/AIDS and other public health crises, agricultural shocks, energy costs and poor infrastructure. Second, *IT* is deflationary—that is, it leads to slower GDP and employment growth and dampens private investment. Because it also slows growth, tax revenues fall, making it even more difficult to finance growth-stimulating public investments in physical and social infrastructure. Third, *IT* contributes to growing inequality. As inflation falls and nominal interest rates rise, the real rate of return on financial investments rises. Evidence indicates that rentier income (income derived from wealth holdings as a share of national incomes) has been rising since the 1980s (Epstein, Grabel, & Jomo, 2004). This produces both a demand-side problem (aggregate demand falls due to the lower marginal propensity to consume of the wealthy), and it squeezes the incomes and thus consumption of lower income groups as well as their ability to invest in productivity-enhancing expenditures such as on their health and their children's education. Finally, *IT* policies, by raising interest rates, attract capital inflows due to the higher rate of return on financial assets, leading to currency appreciation and downward pressure on exports, growth, and jobs—with gendered effects.

Adherents to *IT* argue that while the short-term effects are painful, inflation is worse. This view is based on the premise that workers, observing price increases, accentuate their demands for higher pay, triggering an inflationary spiral. *IT* is meant to harness inflationary expectations and avoid such a spiral. *IT* adherents theorize low inflation will stimulate investment and output growth in the medium to long term. Thus, it is assumed that unemployment costs as a result of higher interest rates and slower growth are only temporary.

With more than 25 years of *IT* experience globally, enough evidence has accumulated to evaluate the effects of this policy stance. Some research shows that countries that have adopted *IT* have experienced reductions in inflation (Mishkin & Schmidt-Hebbel, 2007). Of course, inflation itself is not the end goal; employment, growth and development are. There, the record suggests *IT* has not achieved its goals.

A number of studies indicate that *IT* central banks do not reduce inflation at any lower cost than other countries' central banks in terms of job and output losses (Bernanke, Lauback, Mishkin, & Posen, 1999; Epstein & Yeldan, 2009). Moreover, there is growing evidence that *IT* increases inequality in job access, with disparate effects by race and gender (Rodgers, 2008; Braunstein & Heintz, 2008; Seguino & Heintz, 2012).

This is not to suggest that inflation should be ignored. Rather, the question is what the appropriate target should be. A common argument from *IT* adherents is that in order to prevent the harmful effects of inflation on long-run growth, inflation should be in the low single digits. Research on the relationship between inflation and growth shows, however, that much higher levels of inflation are consistent with growth. An early study by World Bank economist Michael Bruno (1995) found that growth increased as inflation rose up to the 15% to 20% range in a sample of 127 countries. A subsequent paper co-authored by Bruno and Easterly (1998) yielded empirical evidence that growth rates only declined when inflation exceeded 40%.

More recent studies find that the turning point at which inflation harms growth is much higher than the inflation targets in most developing countries. Pollin and Zhu (2006), for example, found that an inflation rate up to 15% to 18% is associated with moderate growth gains, after which growth declines. Anwar and Islam (2011) explore the inflation-growth trade-off for developing economies and obtain similar ranges of acceptable inflation rates that are growth-stimulating rather than growth-inhibiting. These rates are substantially lower than the inflation targets set in a number of developing countries,

which frequently lie between 3% and 6% (Epstein & Yeldan, 2009). By raising the target inflation rate, central banks could allow real interest rates to fall, thus stimulating output and growth, and generating revenues to fund infrastructure spending and employment growth. Well-targeted spending (on physical and social infrastructure) can promote gender employment equality.

It is worth reiterating that monetary policy has not typically been seen as a means to promote gender equality. Monetary policy, however, is not gender neutral. The monetary policy tool rightfully should be part of the toolkit of any government that desires to address systemic gender inequality. Clearly, such an approach would require central banks to expand beyond an exclusive focus on inflation and to articulate additional targets in addition to a (higher) inflation target. One approach that is particularly useful for promoting gender equality is what might be called the “real” targeting approach to monetary policy. The targets should be linked to the real economy (rather than simply monetary targets). In this approach, central banks would adopt country-appropriate targets such as employment growth, gender equality in employment, improved incomes for women farmers, investment promotion and structural change, subject to an inflation constraint (Epstein, 2007). The shift in policy framework would require the central bank to design new tools and to rediscover old tools used by developed economies as well as East Asian economies.<sup>16</sup>

### **Alternative central bank tools**

The implicit assumption in the development and use of new tools is that there are economy-wide benefits to discretionary policy interventions, and that decentralized private markets can and do generate sub-optimal outcomes which can be improved upon. A tool central banks could use to meet their now multiple targets in addition to the short-term interest rate is asset-based reserve requirements (ARRs). ARRs would require private banks to hold a certain proportion of their loans in designated high-priority areas or else hold the same proportion of their total assets in non-interest bearing reserve accounts. This system would incentivize but not require banks to lend in priority areas, given that they would incur a cost of holding reserves in reserve accounts that do not pay interest. This is a flexible method for directing credit to priority areas. Private banks would still be responsible for determining the creditworthiness of borrowers and thus retain a great deal of autonomy in lending practices.

The ability to qualify as creditworthy is a major roadblock for women borrowers, such as farmers, or for small- and medium-sized firms. Thus, even with the use of ARRs, governments must adopt additional tools to expand access to credit for women entrepreneurs and farmers. One approach is for the central bank to offer loan guarantees for targeted groups. Again, the private sector would provide the bulk of credit, but it would be characterized by low interest rates leveraged with government loan guarantees. Governments would guarantee a certain percentage of loans extended to priority areas, thereby reducing a bank's risk exposure and lowering the cost of lending to borrowers. These loan guarantees substitute for collateral, leveraging access to credit and potentially bringing informal sector businesses into the formal sector. Credit could also be directed to large-scale businesses that can demonstrate their ability to promote significant increases in employment relative to their total spending.

These are neither new nor radical approaches. At a time when economists were seeking to explain the rapid growth of East Asian economies, Amsden (2001) identified the importance of central bank mechanisms that promote medium- and long-term investment in late industrializing countries, supported by central bank policy tools to achieve this goal. Credit allocation policies were extensively

<sup>16</sup>See, for example, Amsden (1992), who noted the role of central banks in allocating subsidized credit to strategic sectors of the economy, with national governments requiring a quid pro quo in the sense that recipient firms were required to meet clear targets in return for such subsidies.

adopted, and included selective credit targeted to strategic sectors and support for specialized credit institutions to meet diverse credit needs. The central bank's role in enabling long-term productive investment, coupled with targeting subsidized credit to strategic sectors, is credited with the rapid growth of manufacturing and overall economic growth in these economies. This occurred during a period of time in which central banks worked with governments to promote economic development. That is, fiscal and monetary policies were co-ordinated.

Epstein (2015) describes policies adopted in recent years by developing country central banks that have expanded focus beyond inflation to economic development and employment growth, both key to promoting gender equality. The Central Bank of Bangladesh, for example, has developed policies to provide subsidized credit to small business, improve renewable energy use in agriculture, and increase assets for small farmers. In 2012, Argentina's parliament approved a new charter for the central bank that allows it to provide funds for domestic banks and other institutions involved in long-term financing of productive investment. This approach strongly mirrors not only that of late industrializers but also that of the early history of central banking in the US and UK, as well as the more recent innovation in policy tools used by developed country banks in the wake of the 2008 crisis (IMF, 2013).

This discussion highlights that monetary policy's strength lies in its employment generation possibilities in the context of high unemployment and gender job competition, as well as its ability to overcome asset inequality, whether in the form of land title or other forms of wealth that serve as collateral. Inclusive monetary policy cannot be unanchored, however. To be effective, it must be co-ordinated with public investment goals. To the extent that public investment reduces inflationary pressures, central banks can afford to lower interest rates, in turn making it less costly for governments to finance public investment.

### Capital management techniques

There is a good deal of evidence that financial liberalization has not brought with it the touted benefits of increased investment in developing countries and portfolio diversification that would reduce instability in financial markets and the real economy. On the contrary, financial liberalization appears to have had a deflationary effect that has reduced GDP and employment growth, hindering development and limiting resources to promote gender equality (Elson & Cagatay, 2000; Ghosh, 2005). It is useful to trace the negative effects of unregulated capital flows on the macroeconomy. This is an important exercise because their widespread effects are not immediately obvious if we only consider the impact on investment.

First, as noted above, wealth holders prefer low rates of inflation. Low inflation ensures that inflation-adjusted returns on investment (the rate of return on the investment less the inflation rate) are high, which is equivalent to saying profits derived from owning money rise.<sup>17</sup> As a result, when finance is deregulated, countries competing to attract the pool of global capital are forced to take steps to quell fears of inflation (even if those fears are irrational). As noted, to do this, many central banks adopted inflation-targeting policies, reducing their flexibility to use monetary policy to ensure adequate levels of employment.

As an alternative, capital management techniques can and have been adopted to control destabilizing flows of "hot money" and maintain more stable, competitive exchange rates that expand the space to adopt expansionary monetary policies. The benefits include a reduction of macroeconomic volatility and exchange rate volatility (and thus economic insecurity), and the ability to free up reserves held by governments to insure against a financial crisis or external shocks. Although capital management

<sup>17</sup>Economists call profits obtained from holding wealth "rentier" income, rentiers being wealth holders. Epstein and Jayadev (2005) provide evidence that rentier income has risen substantially in the neoliberal period.

techniques had faced objections from the IMF in the past, there has recently been a shift, albeit incomplete and begrudging, on the acceptability of capital controls (Gallagher & Ocampo, 2013).

With regard to reserves, international financial institutions such as the IMF have required countries to maintain larger foreign exchange reserves in order to hedge against crisis from financial panics, bankruptcies and competitive devaluations. Borrowing countries are required to place a significant portion of foreign aid into foreign exchange reserve accounts or use these funds to reduce debt. Reserves held by low-income countries amount to eight months of imports and almost 30% of GDP (Rodrik, 2006). The cost of holding such large reserves is the interest that could be earned from investing funds in higher-yielding financial assets as well as the potential for otherwise foregone public investment to “crowd in” private investments and reduce inequality (Elson & Warnecke, 2011).

Epstein et al. (2004) and Gallagher (2011) review experiences with capital management techniques.<sup>18</sup> Tools differ across countries and include reserve requirements on inflows of capital as well as diagnostic tools such as early warning systems that trigger regulation of capital flows. There is no one-size-fits-all toolkit to manage capital flows and the approach to the use of such tools has often been dynamic—that is, countries have flexibly adapted these tools to changes in the internal and external environment.

Rather than an extensive review of these tools, the points here are twofold. First, there is increased policy space to adopt such tools in the wake of the crisis and other negative effects of financial liberalization, as evidenced by the increased openness of the IMF to such controls. The second point is that capital controls are a gender equality issue (Gabel, 2013). Reduced volatility that leads to crisis is key to reducing women's care burden, exhaustion of limited savings and assets during crises and likelihood of being moved to the back of the job queue in response to the unemployment effects of crisis. Moreover, the government revenue sacrificed by holding reserves can be recuperated with controls, with a beneficial effect on public investment. Thus, policy-makers pursuing gender equality would benefit from linking what appear to be gender-neutral macro-level policies to their distributional effects on women and other groups who suffer resource deprivation in stratified societies.

## 5 | CONCLUSIONS

In the context of heightened global inequality both within and between countries, in no small measure due to neoliberal policies to promote globalization, the SDGs have now placed the dual global goals of sustainability and equality at centre stage. Gender inequality figures high on the list of types of intergroup inequality that require attention, due to its impact on other forms of inequality. Past approaches to gender equality have focused on the micro-level—education, health care access, support for childcare and access to productive resources. While those initiatives are important, it is clear they are not sufficient. For example, policies to increase women's education and labour force participation will only yield their full benefits with sufficient aggregate demand to generate employment demand. Volatile macroeconomic conditions increase economic vulnerability, a burden that is much greater for those providing caring labour<sup>19</sup> for others. Moreover, the resources to fund gender equality and other sustainability expenditures will be deficient in the absence of macro-level policies that can mobilize societal resources. In short, gender equality and other aspects of sustainability require a supportive macroeconomic environment.

<sup>18</sup>The CTTs and FTTs discussed in the previous section on tax policy can be categorized as capital management techniques.

<sup>19</sup>Caring labour refers to the work of caring for children, the elderly, and those who are sick. This work involves both emotional care as well as activities that meet fundamental basic needs such as for shelter and food.

This article outlines the implications of feminist and heterodox macroeconomics research for the generation of a supportive macroeconomic environment and resources to promote gender equality. For many gender equality advocates, macroeconomics is a new and unfamiliar policy arena. That said, macroeconomic policy is neither gender- nor class- nor race-neutral in its effects. To advance gender equality, macro policy must be conducted through an equity lens with much more attention to its distributional effects.

Two additional key points are made in this article. Employment (livelihood) improvement should be our central macroeconomic indicator (Nayyar, 2012; Kabeer et al., 2013). Second, financing for gender equality in employment and other domains can be self-sustaining because of the feedback effects from gender equality to economy-wide well-being. To that end, research on gender equality has made clear that gender-equitable livelihoods are required for sustainable development. This entails creating the conditions for women to increase their participation in remunerative work that pays well and is secure. Demand-stimulating macroeconomic policies are required in order to support this goal. Moreover, full employment is a prerequisite to address the problem of male unemployment. This will help to avoid gender conflict, resistance and, in some cases, backlash as more women enter the labour force in a global context in which men's access to paid work has been falling.

Gender-sensitive public expenditures are required in order to support women's access to paid work. Public investment should be directed at expenditures that reduce women's care burden and allow for care to be more equitably shared by the state and men and women. The fiscal space to fund such expenditures requires a reformulation of the way we understand financing for development and gender equality. Financing for gender equality is an investment that yields an income stream in the future, as a result of the beneficial development and growth effects of improvements women's absolute and relative economic well-being. Adopting this approach will require a change in thinking about public finance. While we know that gender equality has beneficial effects on the macroeconomy, in order to develop fiscal space guidelines that reflect this effect, research will be needed to better quantify the macroeconomic payback. Other innovative tools are available to promote gender equality and to finance development. New forms of finance, including taxation of the financial sector with CTTs and FTTs, are viable options.

It is also time for an expansion of monetary policy tools. Monetary policy has been excessively restrictive and ineffective in promoting gender equality and development. A multiplicity of policy tools available to central banks can be adopted rather than reliance on IT and the single tool of policy interest rates. These include capital management techniques, ARRs and loan guarantees in order to overcome women's lack of legal title to assets that could serve as collateral to obtain credit. The review of monetary policy tools here suggests another lesson. Emphasis on low inflation via the policy interest rate is a mismatched tool to address inflationary pressures. Those are best dealt with through targeted fiscal policies in education, health care and investment in strategic sectors, such as agriculture and infrastructure (Calderón & Servén, 2004; Fay, Leipziger, Wodon, & Yepes, 2005; Bayraktar & Moreno-Dodson, 2010). The resulting economic stimulus can generate rising incomes that can pay down public debt incurred to finance the investments. These strategies can also promote green development and growth.

It is worth emphasizing more explicitly that what is proposed here is a partial role-reversal between fiscal and monetary policy. Greater weight should be given to fiscal policy to control inflation and to monetary policy to generate employment growth. Fiscal policy would address inflationary pressures by funding social and physical infrastructure (for roads, research and development in agricultural and industry, irrigation, clean water, HIV/AIDS). Prioritization of investment projects should be gender responsive. Lowering inflationary pressures through public investment leaves more space for expansionary monetary policy and targeted credit allocation that can stimulate employment generation. Key

to both of these goals is a shift in focus away from IT by central banks and a stranglehold on sensible public sector investment that can expand the productive capacity of an economy.

Some of the macroeconomic policies identified in this article are already benefiting from greater support from key institutions such as the World Bank and IMF, which have begun to focus attention on the benefits of infrastructure investment, albeit with the narrow lens of increasing women's labour force participation. The effects of the global financial crisis have created some space for considering alternative strategies to promoting equality. There is less agreement on the benefits of a number of policies identified in this article—in particular, those related to monetary and tax policies. That the political climate is not amenable to such policies should not discourage academics and policy-makers from considering alternatives to mainstream macroeconomic policy. By advancing such proposals, and engaging in debate as well as the additional quantitative research necessary to quantify the benefits of such policies, the likelihood of their adoption increases.

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