

## TOPIC: Inflation-targeting and employment – a gendered examination

**Conceptual rating:** INTERMEDIATE TO ADVANCED level

**Suggested module objectives:**

- 1) Introduce a gendered critique of a popular, specific approach to monetary policy – “inflation targeting” (IT)
- 2) Offer a practical application of a gendered critique through looking at the experience of certain developing nations following IT as a result of IMF programs.

**Key concepts:**

- 1) Inflation targeting – definition, rationale
- 2) Critiques of inflation targeting, including gendered critiques
- 3) Alternative policy approaches

**Cross references:**

- **Link to Module 1:** Why should we care about “macroeconomic policies”? Provides basics of monetary policy that can undergird Module 9.
- **Link to Module 10:** Gender and fiscal policy. This is a good pairing if you want to do a more advanced exploration of gender and macroeconomic policies.
- **Link to Module 11:** IFIs’ impact on people’s lives. Module 9 can provide strong examples of particularly harmful policy approaches.

**Time required:** 2 hours

**Suggested methodology:** SKIT/LIVE ILLUSTRATION., Large and small group DISCUSSION., CASE STUDIES. Mini LECTURE depending on audience knowledge.

*Note to facilitators:* This module assumes participants know the basics of monetary policy – what the common tools are, how they work, and the traditional goals for such tools. Ideally, readings would be distributed and done in advance of the session, but this design does not assume that.

*The strategy behind the design is to have the facilitator be responsible for explaining the more technical, academic material (Braunstein and Heintz, Epstein and Yeldan,*

*Grown and Seguino), and the participants will focus on the practical application material (Rowden).*

**Relevant readings:**

- Braunstein, Elissa and Heintz, James (2006) "Gender Bias and Central Bank Policy; Employment and Inflation Reduction." Working Paper 06-1.
- Elson, Diane, "Macroeconomic Policy and Employment Generation: Gender Dimensions", UN Department of Economic and Social Affairs Development Forum on Productive Employment and Decent Work, New York, 8-9 May, 2006. [www.un.org/docs/ecosoc/meetings/2006](http://www.un.org/docs/ecosoc/meetings/2006).
- Epstein, Gerald and Yeldan, Eric (2007) "Inflation Targeting, Employment Creation and Economic Development: Assessing the Impacts and Policy Alternatives: Draft Paper, version 4", May 24, 2007.
- Crown, Caren and Seguino, Stephanie, "*Feminist-Kaleskian Macroeconomic Policy for Developing Countries*", The Levy Economics Institute, Working Paper. No. 446, 2006.
- Rowden, Rick and Thapliyal, Nisha (2007), IMF Still Blocking Progress on HIV/AIDS, Health and Education. New Report Outrages Aid Advocates. Policies and Priorities, Volume 2, Issue 1.
- Rowden, Rick (2005). "Changing Course, Alternative Approaches to Achieve the Millennium Development Goals and Fight HIV/AIDS; September 2005; Action Aid International USA.
- Takhtamanova, Yelena, and Sierminska, Eva, "Gender Differences in the Effect of Monetary Policy on Employment: The Case of 9 OECD Countries", IRISS working paper, February 2008. [www.ceps.lu](http://www.ceps.lu).

**Preparation and supplies needed:**

- Newsprint pad/flip chart paper and markers to record certain parts of the discussion
- Review suggested reading material.
- Research the IMF's current relationship with your country. Is inflation-targeting being done in your country? Determine if you can get material for your country for a case study approach and want to substitute that or augment the Action Aid material.
- Select material from the Action Aid resources to duplicate for participants use in small groups. Prepare questions and write on newsprint/flipchart paper.
- Assemble props for intro skit (balloon, string or ribbon, pin, briefcase, optional costumes for the characters --or at least name tags so the audience

knows who is who). Decide who will play the characters and rehearse the skit.

### **Suggested content to be covered:**

- Definition of inflation targeting, examples of countries currently utilizing it (Epstein and Yeldan)
- Rationale for inflation targeting, political-economic analysis of its growing use (Epstein and Yeldan, Rowden)
- Empirical evidence related to why a singular, strong emphasis on reducing inflation is failing to produce sustained economic growth and increased employment (Epstein and Yeldan; Rowden in “Changing Course”)
- Empirical evidence about increased gender inequality in formal sector employment as a result of focus on inflation reduction (Braunstein and Heintz)
- Analysis of IMF relationship to developing countries, role of IT, multi-layered gendered consequences: impact on education and health outcomes – adults and children; impact on employment in health and education sectors (male-female differentials in this). Consequences for development, ability to meet Millennium Development Goals. Add in arguments from Braunstein’s last section which suggests there is a double whammy for these countries related to health, education and long-term development (the “good mother” hypothesis operating in households with employment outside the health and education sectors).
- Alternative policy approaches (Epstein and Yeldan, Grown and Seguíno, Rowden).

### **Description of how to conduct the session:**

1. Welcome by host group(s) and introduction of facilitator(s); provide any needed logistical information; outline goals for session.
2. Depending on size of group, invite participants to introduce themselves, share an expectation or question they bring. (Record expectations or questions on newsprint, if you are doing this step, and refer to them throughout the session.) If this is part of a larger economic literacy effort and the group has met recently, this step may be shortened or eliminated.
3. **SKIT/LIVE ILLUSTRATION.** Person dressed as Minister of Finance walks along, carries a half-full balloon, labeled “the economy” and a ribbon or string. Person dressed as IMF advisor also walking on the road from the other direction; carries a briefcase and a pin. They meet in the middle. Minister of Finance says “We’d sure like to get this economy growing more!” The IMF advisor says “Well, tackling inflation will really help you do that!” Minister of Finance tries to tie a string or ribbon around the balloon, doesn’t succeed because the air just moves to another section of the balloon. [Make

- sure the audience sees this.] The IMF advisor says – “Get serious! Adopt inflation targeting! I’ll show you how!” IMF advisor takes out the pin, examines the balloon closely, as if finding just the right spot – sticks the pin in. The balloon pops, collapses. The IMF advisor says “Oops!” (End of skit.)
4. Facilitator uses skit to segue into a **Mini-LECTURE or Large group DISCUSSION**, depending on knowledge level of group. Define inflation targeting, talk about what countries have adopted it (including your own country’s approach). Discuss the political-economic reasons behind its growing use, and empirical evidence indicating it is not bearing the promised results. Talk about gender research showing links with greater inequality in formal employment.
  5. **Small group DISCUSSION/CASE STUDIES.** Distribute Action Aid material if participants do not already have it. Break participants into small groups. Assign each group a different set of questions to answer, such that you cover:
    - a. What is the IMF prescribing to client countries related to inflation? What are the channels by which the IMF can make countries behave related to inflation targeting?
    - b. What is the relationship between inflation targeting and health and education spending in the countries described in the articles?
    - c. What is the impact on health and education as a result of the focus on keeping prices stable and inflation low? Be sure to look at the impact on boys and girls, women and men.
    - d. What kinds of alternative policies can government officials and advocates argue for that would enable governments to achieve the health and education goals and the MDGs?
  6. **Large group DISCUSSION.** De-brief the small group work. Probe, fill in gaps as needed. Synthesize the discussion. If the group is interested in advocacy, close by discussing what is happening in your country, and other initiatives that participants might join.
  7. Close the session underscoring three points: a) the relevance of seemingly obscure or abstract monetary policy to the hopes and concerns of the audience; b) the relevance of a gender analysis to every aspect of macroeconomic policy; and, c) how important it is that they participate in shaping the economic policy decisions in their country.
  8. If this is part of a larger economic literacy effort, link this session to the next one. Provide logistical details related to the next session, as appropriate. Thank the audience for their participation.

**Ideas for alternative methodologies/modification of the level of discussion:**

- **For a more advanced audience:** Distribute the academic papers and ask participants to read them in advance along with the Action Aid material. Consider adding a discussion and evaluation of your own country’s Central

Bank policy comparing and contrasting it with the 5 components of IT that Epstein and Yeldan outline. Discuss the sacrifice ratio in detail.

- **To make the material come alive**, form teams of people who will make presentations or participate in **DEBATES**. Use a presentation and/or debate format to present and process all the material, following the content points suggested above.
  - Team 1: the Central Bank/IMF folks who think IT is a good thing.
  - Team 2: the progressive economists who critique IT.
  - Team 3: Activists, medical and health personnel in developing countries who critique the policy prescriptions of the IMF, and want to challenge their Central Bank and Minister of Finance.
  - Team 4: progressive economists and developing country officials who want to argue alternatives to IT and the emphasis on low inflation rates as a strategy for growth and development.
- **For a basic to intermediate audience**: Include a **ROLE PLAY** to explain monetary policy tools and how they work in general. Run it a second time to simulate Braunstein and Heintz's results. There is likely to be a need to spend more time helping people understand the mechanics of the tools (e.g. how do you cut interest rates?), the dynamics (e.g. why does lowering inflation hurt employment?) and the neoclassical rationale (low inflation is a great thing).
- **For a more activist audience**: Focus the discussion on the implications of inflation targeting for your region or country. The Action Aid material can be a helpful general introduction to the impact on a country's ability to achieve various MDGs such as those on education, health, and gender equality.

**Some useful organizations or websites related to this topic:**

- [www.actionaidusa.org](http://www.actionaidusa.org) ActionAid's US office is coordinating a 3-country pilot to address inflation targeting and related macroeconomic policy requirements related to IMF programs in Kenya, Sierra Leone and Malawi. Periodic analyses and news reports of developments appear on their website.
- [www.genderandmacro.org](http://www.genderandmacro.org). In addition to their own publications and research findings, they have an excellent list of other links.
- [www.umass.edu/peri](http://www.umass.edu/peri) -- look under "programs -- globalization and macroeconomics – alternatives" and "Publications" section.