

## Comments

### **Comments on two papers ‘Financial Crisis and the Economic Conditions of Women’ by Professor Jayati Ghosh and ‘Finance and Instability in Asia’ by Professor Chalapurath P. Chandrasekher**

presented for a Symposium at Ochanomizu University (Institute for Gender Studies), 2016.4.11.

**Makoto Itoh** (Professor Emeritus of the University of Tokyo)

**F**rom two papers, I learned interesting problems on financial instability, its impact on employment, and women’s economic conditions in the contemporary world especially in Asia. Let me comment on each paper three issues mainly from a view of Japanese experiences, and add another separate point thereafter.

#### **On the first paper by Professor Ghosh;**

(1) The different effects of sub-prime financial crisis on men and women workers.

Women workers statistically seem affected less than men both in unemployment rates and in wage gender gaps. The author analyses that these facts originate from the socially gender biased structure of employment. Men were dominantly employed in financial and export-oriented industries with higher wages, whereas women were mainly in tertiary industries with lower wages. The financial crisis hit clearly the former than the latter. He also stress that women’s economic life was generally not improved but rather became unstable and harder as their jobs became more in the various forms of irregular employment, and also as their burden of unpaid work was added due to cuts of welfare policies.

This impressive analysis suggests that the different effects of financial crisis on men and women are deeply related to the background trend of socio-economic structural changes in our age of neo-liberal global capitalist development since the 1980s, which mobilized more and more of women to market labor beside their non-market labor, especially in tertiary industries, with lowly paid unstable irregular wages. As such a trend is exactly working also in Japan, we have to reconsider together how to overcome such a series of trends in our age.

(2) The vulnerability of export-oriented growth and recovery in Asian economies.

The paper clarifies that the export-oriented recovery and growth trajectory in Asian economies after the Asian crisis of 1997-98 worked suppressive on domestic consumption, and resultantly made these economies vulnerable in the process of the subprime global crisis. This point is applicable also to Japanese economy. As its recovery depended on export for several years until 2007, with rather deflationary domestic

demand, resulted in the worst macro-economic performance in a decline of real growth rate among the major economies, despite of its relative stability in the financial institutions. The point implies that much more domestic-oriented recovery strategies are surely necessary and desirable.

(3) What to think of the contents of Keynesian fiscal policies.

Thus the paper underlines the necessity of more positive Keynesian fiscal stimulus policies rather than the neo-liberal austerity policies in order to restore stable macro-economic balance. However it shows certain worries about Chinese fiscal stimulus spending mainly on public expenditure, allocating just less than 4% for health care and education. It appreciates more the case of Sweden and Argentina as models more desirable for treating women and younger generation such as educational and vocational guidance together with other social welfare measures.

We can add the case of Japanese unsuccessful decades of spending policies mainly for public expenditure by piling up huge amount of state debt more than twice of GDP, while cutting down budget for education and health care against need. Although Keynes himself believed in fiscal policy for public expenditure as an effective recovery measure, we have to doubt why it cannot work well in our age. Is it because the big business in general construction now using more of heavily automated machinery became less effective in generating employment by receiving demand for public expenditure? At least the initial phase of Japanese Democratic Party government born in 2009 after the subprime shock, following US Obama government, tried rather successfully a series of policies shifting ‘form concrete-cement to human-being’, including providing child-allowance without means-tests, and a sort of green-recovery policy in a form of eco-point system for purchasing eco-conscious electric appliances, cars, and houses, and managed to cause a wide recovery in 2010. However the government was pushed back in 2011, troubled deeply by the great earthquake, giant tsunami, and the disastrous accident at the Fukushima atomic power plant, and could not continue such policies..

### **On the second paper by Professor Chandrasekher;**

(1) What did financial liberalization positively result in Asian countries?

This paper strongly demonstrates that financial liberalization in Asia since the 1980s resulted in mostly negative effects; such as increased vulnerability, difficulties to use the financial system for state-led development or industrial policies, and the increased susceptibility to the external financial shock like the subprime crisis. Although these effects must be true and serious, there must be also positive side of effects in relation with increased inflow of foreign capital especially in the form of direct foreign capital investment, promoting high economic growth with expanding employment in many Asian emerging countries.

Such positive effects as a trend in this period of neo-liberalism seems obvious from a view of the contrasting accelerated industrial hollowing out and stagnant trend in advanced economies including Japan.

## (2) Why Japan did opt for financial liberalization?

This paper explains four sources of pressure on Japanese government to opt for financial liberalization; Japanese firms' multi-nationalization, lobbying by international financial institutions, these external agents' request to dilute the special relationship between the government, the financial system and the corporate circle, and fourthly together with Japanese financial institutions, these external agents demanded for greater flexibility in operation (p.4). Although these factors must actually have worked, I feel that US and other external pressures are overrated.

Behind the effects of these pressures from outside, there was also a fundamental internal shift in the functions of Japanese banking system since the end of high-economic growth period until 1973. In the high economic growth period, Japanese banks used to serve to industrial businesses by continuously supplying massive loans so as to promote their massive capital investment, forming a typical indirect over-loan by transmitting saving fund from households to industrial growth. After the end of high-economic growth, Japanese big industrial corporations became more and more self-financed, by reducing debt, and accumulated more of retained earnings, as real capital investment to plant and equipment reduced down. Thus Japanese banks had to find new operations to utilize idle fund more flexibly in capital market (to purchase directly or indirectly shares and public bonds), lending to smaller businesses, consumer credit and expanding multi-national financial operations, and thus moved for financial liberalization. The result was that the Japanese financial system also became much more speculative and insecure as the paper points out as a common tendency in contemporary Asian financial system.

We read in this paper (p.18-23) that in Asian emerging economies, the aggregate debt of non-financial sector is increasing including corporate debt. Comparison of statistical data on corporative debt between Japan and other Asian economies must be interesting if available.

## (3) Financialization of labor-power?

In retrospect, the modern financial system in capitalist societies in general used to concentrate loans to business firms, leaving out consumer credit to the hands of more traditional old types of money-lenders and pawnshops the peripheral area of finance. However, it is interesting to observe in our age of neo-liberal globalization, modern banks began to expand consumer credit to promote markets for consumer durables, such as cars and houses. Such a trend started from advanced economies including Japan, and came into Asian emerging economies as well, as this paper analyses after p.23. In Korea, one every 10 households spends more than 40% of income on serving such a debt (p.27).

Upon the ground of commodification of labor-power, capitalism in our age expands financialization of labor-power so as to exploit workers of their wage income in addition to exploitation in the labor process. The subprime crisis well shows how this financialization of labor-power added to vulnerability or inner contradiction of capitalist financial system, as well as in mass of workers' economic life.

There is an interesting issue what impacts do this financialization of labor-power give women's economic life. Is there gender discrimination in treating housing loan? Did it promoted women to get jobs in market? In what ways did it deepen women's double burden both in market and outside of market?

### **Ideas for 21<sup>st</sup> century models of alternative paths**

Let me add another point which may also worth discussing together concerning 21<sup>st</sup> century models of social democracy and socialism.

In my reading both authors are conscientious left Keynesian, taking care of issues how to improve economic difficulties among weaker people with warm heart. I am fully sympathetic to such a spirit, especially against neoliberal policies believing just in competitive market principles. Against neoliberalism, both papers suggests alternative desirable positive state policies of 21st century models of social democracy, such as a shift from mere public expenditure to social welfare, as a recovery strategy. We are witnessing increasing popularity of B. Sanders in USA, J. Corbyn in UK, and P. Iglesias in Spain, and expect a global sign for a new tide for socialism in a broad sense against neoliberalism containing such a renewed policy programs. Please let me hear if there is any information on this.

More specifically, in contrast to 20<sup>th</sup> century models of social democracy and socialism which expected nation state to work for redistribution in an egalitarian orientation, 21<sup>st</sup> century models of them must, in my view, have wider glass- roots often more localized various attempts to reconstruct social solidarity and mutual assistance from below. For instance, Mayor of Seoul Park Won-Soon initiated international Global Social Economy Forum (GSEF) in 2013 upon his practice in Seoul City, in order to promote social economy based on workers cooperative unions and other forms of non-profit regional organizations in cooperation with the local governments for the more humanistic future. Similar intention is found now in various local social movements to form local currencies, organization for local production and consumption, green-recovery strategies, sometimes liked with expectation for local administrations to act for recovery of local communities. Probably we should reconsider such ideas for the 21<sup>st</sup> models of social democracy and socialism, including various possibilities for more decentralized forms of micro-finance like Grameen banks.

I shall be happy if my comments can serve as suggestions for fruitful discussion in this symposium.