



Less Globalization Might Help Micro-Depositors

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Women, in general, are often more vulnerable to a slowing economy. But Susan Feiner says female micro-depositors at the bottom of the global credit ladder might enjoy a net gain if the pace of globalization slows.

(WOMENSENEWS)--Women, while bearing precious little blame for the disaster underway in global financial markets, are sure to bear a disproportionate amount of the brunt.

Over the past weeks Women's eNews' coverage has consistently explained why. Most fundamentally: women's lower salaries and scantier savings mean an economic downturn can take more away.

But one group of women--micro-depositors and borrowers at the very bottom of the global credit ladder in less-industrialized countries--might actually benefit.

Their rupees, takas, riels, renminbis and bhats--scraped together by the toil of running near-subsistence farms and selling their cooking and handicrafts on the street--have helped create significant capital pools.

Almost 45 percent of all savings accounts in East Asia and the Pacific (including China) are held in microfinance institutions, according to a recent World Bank report. Nearly 30 percent of total bank assets in East Asia and the Pacific (an amount equal to \$649 million in U.S. currency) are in savings banks. Of these fully one-third are held in "alternative financial institutions" designed to provide banking services for people--most of them women--who otherwise have no access to financial institutions.

Deposits Flow Up and Away

Such savings pools have created opportunities for rural banks to join the flow of global capital. Their managers--in search of security--have transferred depositors' savings to city and national banks that pay interest on the deposits of the smaller banks. Directors of the larger banking firms have to do something with these funds. Money stored in vaults doesn't earn interest (note to readers, these are "sterile reserves!")

Bank managers--seeking the highest possible rates of return--use depositors' money to buy into the multi-billion-dollar market in mortgages and mortgage back securities. Precisely the financial instruments at the root of the Wall Street credit debacle.

The result of this complex financial layering: the earnings of hard-working women climb up the credit chain. Very little trickles down, while the rewards have piled up for the richest at the top, helping them earn those stratospheric salaries that on Monday helped prove catastrophic for the \$700 billion bailout vote in Congress.

But as Wall Street and Main Street face dire prospects as a result of the intensifying credit crunch the women at the furthest reaches of the world financial network may actually benefit.

Why? Because more of their savings may stay close to home where the funds can be put to work in their communities.

In recent years that hasn't been happening. Look at India. Over the last decade households have dramatically increased their savings, but that pool of money has mainly been loaned to local businesses. The most successful local businesses have been able to tap foreign markets for major new projects in power generation, telecommunication, petroleum exploration, ports, airports and roads.

Opportunity to Exert Influence

This may have improved some women's standard of living, but because these projects rarely employ women, they haven't given many women a direct stake in the economic expansion. But if international capital stalls, Indian women may be able to assert more influence over national spending priorities.

The country hosts a new national Women's Party and boasts a sizable number of female political leaders. But, as of the World Economic Forum's gender gap index last November, India had one of the world's 10-most gender-biased economies, with women's participation in the paid work force at 36 percent. If female leaders could get their hands on some of the credit that's been flowing up and away from female workers, the country's gender-gap ranking might just have a chance to close.

Women's lives could also be improved by the effects of slower global capital inflows, or globalization, which has been associated with accelerating internal migrations that break up families and declining levels of girls' education, which undermine women's overall advancement. Women are the majority of the world's farmers. But agricultural changes brought about by major corporations have reduced subsistence crops, increased cash crops and caused more widespread hunger even as more edibles are produced.

Globalization, in general, has diverted resources from human needs to corporate needs. Wood, water, minerals and fuel are necessities, but as their prices rise, people suffer.

Given women's roles in maintaining daily life, price movements generated by global integration makes their lives harder.

Of course slower global economic growth will undoubtedly have negative effects, particularly on employment in East Asia. As U.S. demand for clothes, shoes and other small-ticket consumer goods declines, sweatshops--which employ large numbers of women--will close. Those who lose their jobs have no social protections like unemployment compensation.

But today, 10 years after the 1997 East Asian financial crisis, the World Bank reports that the region is far wealthier, has fewer poor people and people's incomes are well beyond where they were before the crisis. The current slowdown in the developing world will not be the result of an indigenous financial crisis, so the downturn is not likely to be as severe or last as long.

Draining Pool of Aid

Slower economic growth in the United States and elsewhere will inevitably reduce the flows of foreign aid, both public and philanthropic, and that has many people worried about the fate of girls and women.

But--as I am certainly not the first to argue--much of this money gets diverted to the private accounts of corrupt officials. Increased flows of aid monies to sub-Saharan Africa have been linked to declining political participation, which often means that women who are already marginalized wind up even more excluded from political decision-making.

There is significant evidence from around the world that when donors increase their investments in social services that most help women--like health and education--government accountability declines as outsiders are blamed for project inadequacies.

Add to all this the fact that U.N. funding goals for programs serving women and girls are way off target, the problems caused by lower aid flows may be outweighed by the benefits of less globalization.

Declining foreign aid, combined with a reduced pace of global integration, just might create some breathing space for low-income women. Certainly the micro-entrepreneurs and micro-borrowers can be expected to keep getting their tiny outlays. With a stellar repayment rate of around 95 percent, these women are some of the best credit risks in the world.

In the 1930s, when the United States and Europe were mired in the Great Depression and focused on fascism, colonial powers paid less attention to Africa, South America and Asia. Mass political mobilization strengthened pressure for economic development aimed at national improvements. In South Asia especially, pioneering efforts to direct

national resources to domestic economic development became a model for the rest of the world.

These are different times, but less meddling by the richer powers in the affairs of their poorer neighbors might once again produce social benefits.

As the latest and worst U.S. financial bubble bursts women in the developing world might be on the right side of the seesaw. As the pace of globalization slows their lives just might improve. Let's hope so.

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