

GEM-IWG 2009

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**Feminist Perspectives on the
Macroeconomy**

Day 3, Session 1

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Gender-Blind Macroeconomics

- Treats labor as a non-produced factor of production
- Treats households as merely consumption units
- Ignores unpaid domestic care work
- Ignores gender division of labor
- Ignores inequalities within households
- Ignores behavioral differences (e.g. good mother thesis)

Bringing Gender into Macroeconomics

- Visions of the macroeconomy
- Models of the macroeconomy
- Gender-aware macroeconomic policy

- But what kind of Macromodels should we bring gender into ?
- Not only
- **Gender and Macroeconomics**
- but also:
- **Gender and Heterodox Macroeconomics**

The Macroeconomy can be conceptualized in terms of the interaction of the following three spheres:

Finance (Capital Market)

Production

Reproduction

Hierarchy of three Spheres

Keynesian Consensus

Production
Reproduction
Finance

Washington Consensus

Finance
Production
Reproduction

Feminist /Humanist/ Heterodox

Vision (Consensus ?)

Reproduction
Production
Finance

Keynesian Consensus

- Financial regulation kept 'finance' subordinate to 'production.'
- Social contract (capital – labor accord) kept 'production' responsive to the needs of the 'reproductive' sector.
- Male bread-winner wages.

Washington Consensus

- Financial Deregulation, made 'production' subservient to 'finance.'
- Market liberalization and deflationary bias made 'production' unresponsive to the needs of the reproductive sector.
- Labor market flexibilization has led to downward harmonization.

Feminist or Humanist or Human Development View of Economics

Criterion for Normative Evaluation:

All economic arrangements must be assessed with a view as to whether they render both 'finance' and 'production' responsive to the reproductive sector and
PROVISIONING OF HUMAN NEEDS .

Taking Stock:

1. The Labor Market is only the tip of the iceberg rising above the Reproductive Sector.
2. Reproductive Sector, and gender relations therein systematically affect macroeconomic outcomes through their impact on:
 - Social Protection
 - Cost of Producing Labor Power
 - Adjustment Costs of Re-allocation of Labor
 - Investment in Human Capabilities
3. Purpose of All Economic Activity is Ultimately the Provisioning of Human Needs

How are these spheres and their interaction conceptualized?

- Finance (Capital Market):

Money and Finance & Investment – Saving
Nexus

- Labor Market: Neoclassical, Keynes, Marx
- Production: Role of the Unproductive Sector

(Capital Market)

Intertemporal Coordination Problem?

or

“Investment and Savings” Nexus

How is “consumption today” *versus* “consumption tomorrow” mediated?

Orthodox Way of Thinking

1. Prices Change as a Function of Excess Demands or Supplies
2. Price Signals Work: The Way Agents Respond to them Tends to Eliminate the Initial Imbalance

An Increase in Savings Today Means:

- Reduced Demand for Present Output
- Increased Demand for Future Consumption

Then, If Savings are Used to Purchase
Claims Against Future Production

Price of Debt Instruments Issued by
Producers Rise & Investment Increases

Suppose Investment Fails to Increase Because Asset Prices Do not Rise

Unemployment and Output Contraction Results

Two Alternative Ways of Conceptualizing the Problem Are:

1. **Imperfectionist** (Market Imperfections)
2. **Heterodox** (Perverse Price Effects and Responses are Possible. Markets are Studied not Idealized.)
Markets DO NOT KNOW BEST

Alternative Approaches to Money and Finance

- Classical Dichotomy
vs.
- Financial Macroeconomics & Non Neutrality of Money

A Gendered Example: Excess Demand for Social Protection (Eg. Structural Adjustment)

- Problem: Chronic Balance of Payments Crises
- Diagnosis: Too High a Price of Tradables in Terms of Non-Tradables
- Solution: Cut Government Subsidies and Expenditures to Reduce Domestic Aggregate Demand
- Perverse Effects:
 1. Shifting Costs of Adjustment onto the Reproductive Sector who are Least Prepared to Cope With Them.
 2. Depletion of Human Capabilities and Weakening of the Reproductive Sector as the Provider of Last Resort of Social Security

Price Signals can be Either Perverse or Ineffective

E.G. Gendered Examples Are:

- Inelastic Supply of Agricultural Output (Price signals are ineffective)

1. Gender Analysis and heterodox economics – emphasis is on institutions, social and power relations rather than a narrowly conceived notion of market adjustments.

Examples:

- Social Protection
- Cost of Producing Labor Power
- Adjustment Costs of Re-allocation of Labor
- Investment in Human Capabilities

Gender Aware Macro Models

Why bother with models?

- Clarify direction and magnitude of key interactions
- Identify data needs
- Communicate with other economists
- Influence policy making

Types of models

- Simple analytical
- Econometric reduced form
- Computable

4 methods of bringing gender into models

- Disaggregate existing variables by sex
- Introduce gendered variables
- Introduce the unpaid economy (2 sectors: paid/unpaid)
- Combination Method
- (Cagatay, Elson and Grown 1995 Intro)

Disaggregate Existing Variables by Sex

- Consistent with gender as a characteristic of individuals, not a system of social power
- Can be consistent with 'representative agent' microfoundations of macroeconomics
- Can be consistent with 'mainstream' macroeconomics-no unpaid domestic care work in the model
- But can also be interpreted as consistent with post-Keynesian approaches where the gender characteristics are interpreted socially

Introduce Gendered Variables

Recognize parameters of the model as potentially variable 'bearers of gender'

- Analytical example: Elson, World Development, November 1995, relates the value of capital/output ratios to the gender system, suggesting gender inequality in access to productive assets results in higher capital/output ratios
- Example in Erturk and Cagatay (1995), investment is a function of the degree of feminization

Introduce new variables which represent the gender system

- Econometric example: Seguino, World Development, July 2000, introduces the gender wage gap into an 'accounting for growth' model for a group of semi-industrialized countries
- Results: high growth associated with high gender wage gap

The Two “Sector” Approach

Add a vector of non-monetary gender equality variables interacting with a vector of monetary macroeconomic variables

- Analytical example: Taylor, World Development, November 1995
- Gender equality variables could include per capita women’s years of schooling, and women’s labor force participation rate
- Model analyzes negative and positive feedbacks between the two sectors

Add an unpaid domestic care work sector,
producing labor for the monetized
economy, shaped by social norms rather
than by money

- Analytical example: Walters, World Development, November 1995
- Erturk and Cagatay (1995)

Modeling Macroeconomic Implications of Gender Linkages

- Stylized Facts
- Mega Themes

Mega Themes

- Female Workers as the Preferred Labor Supply: (Cheap and Docile Labor Force)
- Reproductive Economy as
 - Subsidy
 - Source of Market Expenditure Replacement

Stylized Facts

I. Changes in Feminization of Employment

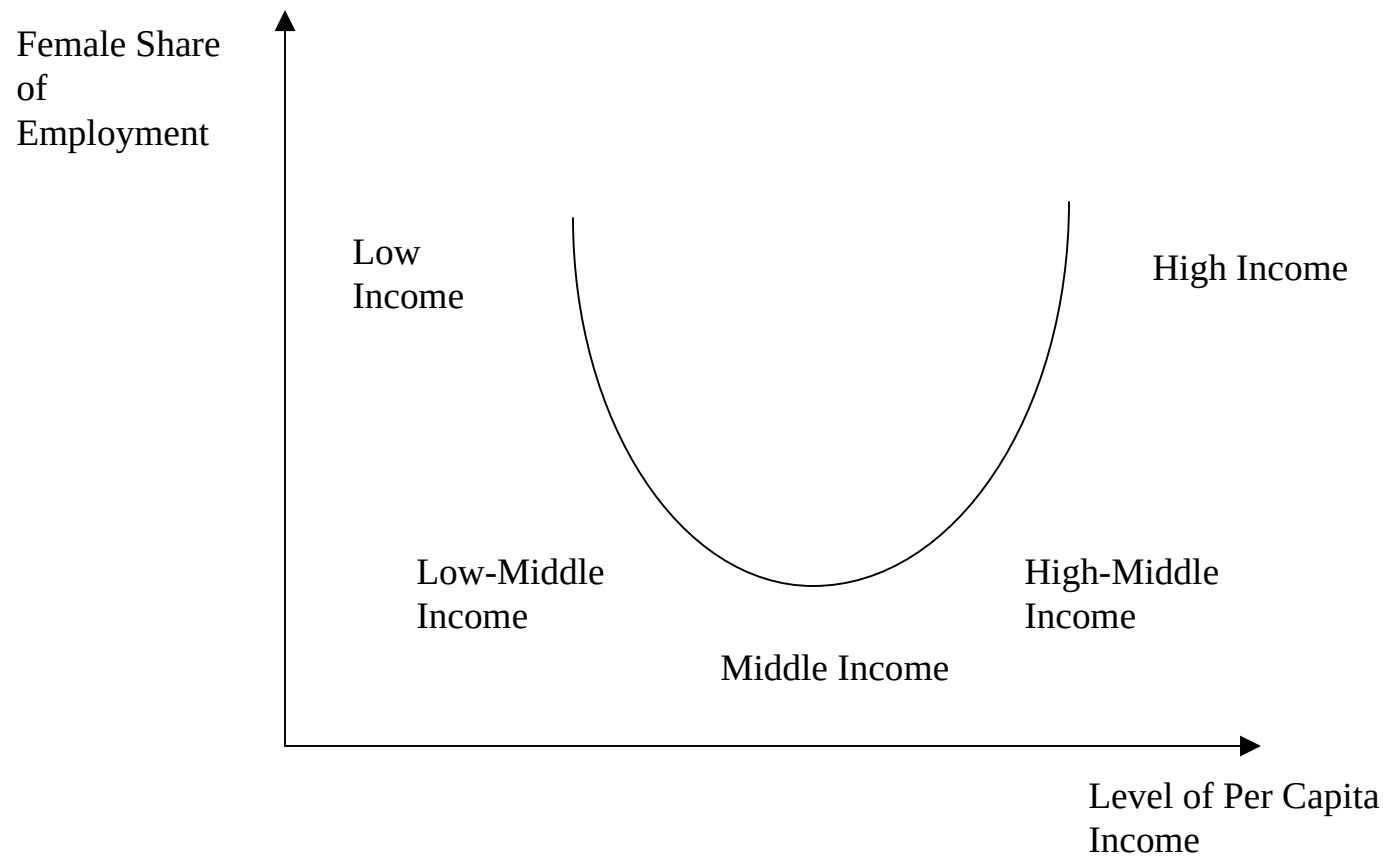
1. Cyclical Changes:

- Buffer Hypothesis
- Segmentation Hypothesis
- Substitution Hypothesis

2. Secular Changes: The Feminization U

II. Intensification and Expansion of Household Labor

Feminization U



I. Newly Industrializing Countries

- Feminization of Labor: Countercyclical
Substitution & Segmentation Hypotheses Hold
- Intensity of HH Labor: Countercyclical
- Secular Feminization: Negative, Zero or Positive,
Respectively, in Low-Middle, Middle and High-Middle
Income Countries

II. Low-Income Countries

- Negative Secular Feminization of Labor
- Secular Rise in the Intensity of HH Labor ?

III. High Income Countries

- Positive Secular Feminization of Labor
- Secular Fall in Intensity of HH Labor
- Buffer Hypothesis – Procyclical Feminization
- Countercyclical variation in Intensity of HH Labor ?

Combination Models

Computable example: Fontana and Wood, World Development, July 2000 extends a Computable General Equilibrium model

- Disaggregates labor by sex, with low elasticity of substitution of male and female labor
- Adds a leisure sector and an unpaid domestic care work sector, assumed to behave in just the same way as monetized production sectors

Calibrates model with data from Bangladesh and simulates effects of policy changes, e.g. introduction of export incentives

- Employment for women in manufacturing increases more than for men
- Women's unpaid domestic care work falls, offsetting more than half the rise in women's manufacturing employment
- Women's leisure time falls
- Time spent by men in leisure and unpaid domestic care work falls

Three Biases in Macroeconomics

- Deflationary bias
- Male 'bread-winner' bias
- Commodification/privatization bias
- (Elson and Cagatay 2000)

Some Questions for Discussion

Measuring and modeling unpaid care work

- Monetary equivalent—just another sector?
- Time use—a qualitatively different sector?

Gendered macro variables

- Gender wage gap?
- Feminization of poverty
- Female share of 'decent work'?

Gender disaggregations

- Savings?
- Investment?

What kind of macro models

- Full employment equilibrium models with markets that always clear?
- Unemployment models which allow for social norms and social power

How useful are models in policy advocacy?