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Advances in Feminist Economics in Times of Economic Crisis

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INTRODUCTION

> We feminist economists gathered in Barcelona on the occasion of the 21st Annual Conference of the International Association for Feminist Economics (IAFFE), considering that in the last decades neoliberalism has produced multiple crises, in different parts of the world, and this global crisis has moved from the periphery to the centre and is now hitting Europe. . . . We reject both the current mainstream explanations of the global crisis and the proposals for resolving it. We reject the economic strategies that continue to skew income and wealth distribution in favour of finance and large capital while depriving people of necessary care and the means for a sustainable life. We reject an economic system that exploits women's unpaid care work to keep the economic system going, relying on them to absorb the dramatic costs of the crisis.
> *Barcelona, June 28th, 2012*

The above extract, from a manifesto, signed by many participants in the IAFFE annual conference 2012, highlights the current frustration felt from within the feminist economics movement about the limitations of mainstream economic thinking. The economics discipline, as it is most commonly understood and practiced, failed to accurately forecast the outcomes of deregulated global financial markets or come up with an effective response to the crisis that followed the collapse of those markets. Indeed, rather than promote recovery, the favoured austerity measures, imposed across Europe in order to deal with the aftermath of bailing out failing banks, has led to further recession. At the time of writing, predictions of a triple dip recession dominate media headlines indicating little hope of economic recovery in the immediate future. It looks highly likely that more of the same will feature across the economies of Europe and the US—further job losses, greater incidences of personal bankruptcy, continued reductions in public spending and the associated contraction in public services. Thus the economic outlook, for women in particular, is pretty gloomy. Existing evidence tells us that women have borne the brunt of austerity measures to date. This is due primarily to the combined effect of their position in the labor market and their role as users and providers of key public services. It seems then that by continuing to absorb the dramatic costs of the crisis women will keep our economies afloat. However, with what impact, and is it a price worth paying?

Starting with the gendered impact of the current economic crisis, in this chapter, we point out the need for reshaping the economy and, the economics discipline, and highlight some promising theoretical and conceptual advances that can be part of such a necessary reshaping.

AN ECONOMY IN CRISIS—AN OPPORTUNITY FOR RESHAPING?

The bursting of a financial speculative bubble in 2008, that led to a crash in financial markets and the subsequent global banking crisis, provided an opportunity to learn from the apparent inherent failures in the system of financial capitalism. Perhaps even an opportunity to consider an alternative political economy trajectory that would better serve the needs of all citizens as opposed to a privileged minority. Instead, the chosen route was to follow a path that effectively rewarded our global financial institutions for behaviour that expanded our understanding of concepts such as speculation and risk to include actions that can only be described as reckless and irresponsible. This recklessness is embedded in the global financial architecture itself. Monopoly structures and cross-ownerships within the sector has led to extreme accumulation and globalization of systemic risk and an overwhelming concentration of power (Vitali et al.).

Bailing out failing banks, the common response to the crisis across Europe and the US, has been achieved at considerable cost. While government intervention to save failing private sector businesses is not unusual, what does distinguish the recent economic crisis from previous ones is not just the cost, but also the consequences of the intervention for the public finances. Once some stability had been restored to the financial system, governments, partly as a result of pressure from financial markets, became more concerned about the growing level of public sector debt. Subsequently their attention switched from saving the banking system to curbing public expenditure in order to reduce the level of government debt. As a result, the period since 2008 has been characterised by a major retrenchment of public services and employment.

Thus, the unique feature of this recession and associated recovery plans is that rather than serve as a buffer against the impact of the downturn, public spending has been the focus of an austerity policy with long lasting implications for the nature and purpose of the public sector in modern economies. It is this reconfiguration of the public sector that presents as a real crisis when we consider the impact on women and families:

> These crises have arisen out of gendered economic processes, in which women were virtually absent, from key sites of decision making in the financial sector: and in which neither private nor public finance was equitably distributed, and failed adequately to address the requirements of women as producers and as carers. The impact of this crisis is gendered too. (Elson 202)

Rapid fiscal consolidation, evidenced across Europe and the US, has led to significant retrenchment in policy areas that have been key in supporting greater rates of participation in the labor market amongst women, not least of which has been the significant reduction in public sector jobs. Patterns of gender based occupational segregation serve to protect women in times of economic recession where the impact of the downturn is normally felt in male dominated industries, such as manufacturing and construction. Ironically that same segregation is now exposing women to far greater risks than their male counterparts in the labor market.

Prolonged and deep-seated spending cuts will thus impact significantly on women as workers in the public sector but also as users of public services. This is mainly a result of the very different positions they occupy within both the paid and unpaid sectors of the economy, and the design and delivery of state welfare provision. They all combine to ensure women, throughout the course of their lives, are more vulnerable to the risk of poverty. Thus, women are less able to withstand the impact of recession.

Cuts in state support of care services, alongside restrictions in benefit entitlement, pay and recruitment freezes in the public sector, and pension reform have dominated the policy agenda since at least 2009. The combined effect has been to expose women to greater risks of job losses and real reductions in income over the longer term. The gendered impact of the current economic recession, and subsequent recovery packages, highlights how women are now disproportionately absorbing the costs.

Although this impact remains largely invisible in the context of mainstream economic analysis, there are signs that an understanding is working its way into economic institutions. In a working paper released in January 2013, IMF's chief economist Olivier Blanchard admitted they had grossly misjudged the effects of budget cuts on public revenue (the fiscal multiplier) (Blanchard and Leigh), thus illustrating the inadequacy of the chosen solutions and a crisis in the understanding and workings of the economic system.

The lack of understanding with regard to the effects of budget cuts are partly the result of a lack of understanding of the role of the public sector and care in wealth creation. Salimah Valiani provides quantitative and qualitative data from the Canadian province of Ontario that demonstrates the centrality, and indeed the superiority, of public sector expenditure and the care sector in supporting economic and human development. Spending cuts to public health care, education, and other public services are subsequently shown to have a strong negative effect on overall economic performance.

Therefore, as opposed to providing a justification for cutting public spending, the crisis in the economy may provide us with an opportunity to justify public sector investment in key areas that support the well being of families and wider communities, and the development of human capital in individuals as well as societies. If we improve upon our economic models in ways that incorporate care as a capital investment rather than resource expenditure then the economic impact of the lack of adequate care resources will be more transparent. This, however would require a fundamental shift in the way we think about and do economics.

A DISCIPLINE IN CRISIS?

The economics discipline is traditionally associated with a particular focus, and range of methods, that can be criticized for being androcentric. This particular view has effectively served to influence both theory and practice to the extent that it has emerged as dominant and indeed superior to all other views. Feminist economists have sought to reshape their discipline to be more inclusive, and to reorient the approach to study in a more gender-sensitive fashion. In doing so, much progress has been made in establishing a feminist economics perspective as a credible field within the economics discipline. However, as the feminist economists (quoted above) highlighted, given the continued dominance of mainstream approaches in informing economic policy and the very gendered consequences of such, perhaps now more than ever we are in need of this reshaping.

The economics profession failed to predict the most recent and catastrophic global financial crisis. Possibly more concerning is the subsequent failure of the profession to come up with suitable and effective remedies to counteract the effects of the most widespread and significant economic slump since the Second World War. Robert Skidelsky, leading scholar of Keynes's life and works, highlights the relationship between the financial crisis and the crisis in ideas within the mainstream economics profession:

> To understand the crisis we need to get beyond the blame game. For at the root of the crisis was not a failure of characters or competence, but a failure of ideas...the present crisis is to a large extent the fruit of the intellectual failure of the economics profession. (28)

Thus the current economic crisis and the crisis in economics presents as an opportunity to generate new ideas—reshape the discipline. What would that reshaping look like? Given the evidence emerging relating to the very gendered impact of the economic crisis (Bettio et al.; Seguino; and Smith) it would seem that any attempt to render the economics discipline more effective as a tool for predicting, analysing and responding to economic phenomena should incorporate a gender perspective. That is, what is required is a more useful framework for understanding the complexities of human activity, the life experiences of all individuals, women in particular, and a widening of the debate to include the whole range of factors that contribute to human well-being.

Feminist economists have criticized the assumptions of human nature, associated with the central character in mainstream economics:

> The subject of the economist's model is an individual who is self-interested, autonomous, rational and whose active choices are the focus of interest, as opposed to

> one who would be social, other interested, dependent, emotional and directed by an intrinsic nature. (Nelson 22-23)

Thus human beings are not unrelated and self-interested individuals, as assumed in Hobbes' "state of nature". Rather, they have been nurtured and cared for and subsequently socialized; they are part of communities, depending on each other and adhering to social norms, morals and other social structures (McCloskey). The state of nature is not one of isolation and competition, but one of care and cooperation. This capacity for cooperation, for good and for bad, also explains why there is no such thing as a free market without the regulatory framework of states and institutions.

The unrealistic assumption of human nature and societies underlying the "homo-economicus" hypothesis, however, remains the cornerstone of mainstream economic theory. This biased view results in limiting and biased economic models, which lead to biased and poorly targeted policies. We need to build economic theory, as well as policies informed by those theories on a more realistic assumption of human nature and human agency—taking "homo-socius" rather than "homo-economicus" as our starting point. Assuming that people are genuinely social, provides a more optimistic view of human capacities to build and maintain institutions and to pursue the common good. Mobilizing these human capacities is crucial in order to address the huge and manifold challenges of our time.

CHALLENGING THE NORM?

Feminist economics is but one approach in a strong tradition of challenges to the dominance of mainstream economics. However, despite the existence of varied approaches or traditions, captured under the umbrella term "heterodox economics" the policy world remains influenced by orthodox theory and practice. Furthermore, in its mainstream form, the economics discipline is a very powerful and persuasive feature of the public policy making process. As Keynes, so eloquently argued:

> The ideas of economists and political philosophers, both when they are wrong and when they are right are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. (383)

In considering how the "world is ruled by little else" in the context of creating space for new ideas that will more accurately acknowledge and account for the role of women in the economy, it is particularly worth noting that the dominant discipline continues to be a male dominated discipline. In 2010 women represented 22% of all academic staff in UK University Economics Departments and only 10% of full Professors (Blanco and Mumford, 2010). In the US the picture is strikingly similar. In 2011 women made up just over 22% of all faculty in PhD granting University Economics Departments and only 12.6% of full Professors were women (American Economics Association, 2011). In 2009 Professor Elinor Ostrom became the first, and to date only, woman, to be awarded the Nobel Memorial Price in Economic Sciences since it was established in 1968.

The marginalization of women throughout the economics profession has effectively rendered the discipline impractical. This bias and exclusion is particularly pertinent when considering the impact of current austerity measures. Policy measures directed at reducing state deficits by slashing public spending have involved both a transfer of responsibility for the production of certain goods and services from the public to the private sector and an absolute cut in particular areas of service provision. The consequences of such measures will have an impact on overall economic performance as well as individual welfare. Thus assessing the effectiveness of the cuts will require reference to standard market based indicators including the change in public expenditure, output levels and prices. This will provide quantifiable data on how effective the shift in emphasis from public to private provision, within a public policy context, has been in reducing state deficits. However, the exclusive reliance on such data will fail to account for the distributional consequences of the cuts and is therefore a very limiting approach to policy analysis.

State intervention in the provision of public goods and services is itself a response to an identified market failure. That is, the private market will fail to provide certain goods and services, such as health care, education and care services, in sufficient quantities due to the nature of such goods. The very significant social benefits, as opposed to private or individual benefits, associated with the consumption of "merit goods" such as education and health care are not accounted for in private market transactions, and thus the free market will not supply a level of goods deemed to be socially efficient. Hence, the justification for public provision, either directly or through state supported subsidies. The shift from public provision to a greater reliance on the private sector should thus be assessed with reference to the impact on the overall level of provision and any subsequent third party or "spill-over" effects. These effects tend to be gendered in that the shift from public to private has knock-on effects for the functioning of the domestic or household economy.

Much of what takes place within the household economy is unpaid and thus invisible in terms of market-based criteria. However, this unpaid activity, primarily undertaken by women, is crucial to the efficient functioning of market based economies. Significant and prolonged public spending cuts, involving the withdrawal of key public services, is taking place within a framework that provides little guarantee of the private sector stepping in to fill the gap. Questions remain as to who will fill the gap, how this will be sourced and the impact on individuals and communities.

Analysing the impact of deflationary fiscal policy should therefore include an examination of patterns of distribution both within and across households; an assessment of how a lack of affordable care services impacts on access to the formal labor market and an evaluation of how patterns of social reproduction are affected by a process of economic restructuring that transfers costs from the formal paid economy to the unpaid household economy. That is, policy analysis should consider more than standard market based indicators and should include a closer examination of the impact of policy change on the household and the interaction between the paid and unpaid economies. Assessing policy within such a framework would serve to incorporate a range of relevant social outcomes into the policy process and would facilitate a more inclusive approach to economic management.

CHANGING DIRECTION—WHAT COUNTS?

The question then is how feminist economics and other critical perspectives inside of and outside of the economics discipline can come to make a real change? The crisis in the economy and the discipline provide strong arguments for bringing critical and heterodox perspectives into the core of the discipline as well as into politics. In order to achieve change, it is necessary to draw on multiple approaches, acknowledging the overlap, inter-connection and cross-fertilization between feminist economics, feminist legal theory, theorizations of care, care-work and dependency, in philosophy as well as in comparative welfare state research, and the reinvigoration and new theorizations of human rights. A common denominator is concern about how some activities, people and groups are valued and privileged whilst other groups are undervalued and marginalized.

Thus we need to reshape the discipline in the context of a rethink about what counts. What do we value and perhaps more importantly what do we not value in the context of evaluating the performance of any economy? In responding to crisis, both in the economy and in the ideas of mainstream economists we are drawn to three particular approaches that provide us with insights into how to rethink the relationship between the economy and all humans.

VULNERABILITY AND THE HUMAN CONDITION

Martha Fineman's vulnerability approach aims at "Anchoring Equality in the Human Condition." It builds on and expands on her previous work in feminist legal theory and the theorization of care and dependency. The vulnerability approach is a reconceptualization of the human rights trope, emphasizing the human side, drawing attention to social institutions, distribution, resources and resilience, and the relations between the individual and the state, rather than individual rights. According to Fineman, vulnerability is constant, inevitable and universal, and stems from our embodiment, and she uses the concept to "define the meaning of what it means to be human" ("The Vulnerable Subject" 28). Vulnerability is constant as it "carries with it the imminent or ever present possibility of harm, injury, or misfortune," through external and internal forces, including the passing of time and eventually death. While universal and constant, vulnerability is also particular and is experienced differently, depending on our positions "within webs of economic and institutional relationships" and "the quality and quantity of resources we possess or can command" (31). Vulnerability is complex, and one harm may unleash accompanying harms, such as illness leading to unemployment and poverty. The implications of harm for the affected person, or group, depends on societal institutions, which are at the core of the vulnerability approach. Resilience comes from "having some means with which to address and confront misfortune" (32) and these means are to a large extent provided by societal institutions. Drawing on and expanding Peadar Kirby, Fineman lists five kinds of assets or resources that provide resilience: physical resources, human resources, social assets or resources, ecological resources and existential resources. Institutions play a core role in allocating resources, and are pivotal in the production of privilege and disadvantage.

ECONOMIC POLICY AND HUMAN RIGHTS—HOLDING GOVERNMENTS TO ACCOUNT

Also employing a human rights framework, feminist economists Radhika Balakrishnan and Diane Elson have recently created a useful and practicable framework for a legal and moral social containment of the economy using human rights as a tool for evaluation of macro-economic policies and for holding governments to account. Their work represents a promising further step from feminist economists' and activists' work on gender budgeting. In considering the economy as a whole they argue for an evaluation of the macro-economic policy of governments according to the human rights framework, including all relevant human, economic, social, political, civil and cultural rights. Their framework of analysis is based on the following key human rights principles: the requirement for progressive realization and the use of maximum available resources, the avoidance of retrogression, the satisfaction of minimum essential levels of economic and social rights, non-discrimination and equality, participation, transparency and accountability. Armed with this framework, the human rights dimensions and implications of macro-economic structures and processes such as fiscal and monetary policy and the right to work, public expenditure, taxation and economic and social rights, trade policy and pension reforms would feature more prominently in the evaluation process.

GOVERNING THE COMMONS—THE CASE FOR REASONABLE AND COOPERATIVE (WO)MAN

Starting with the assumption of social, reasonable and cooperative (wo)men leads us to Elinor Ostrom's important work on governing the commons. Her work provides hope of a more caring and responsible management of the economy including our common living space on Earth. Contrary to the widely accepted idea of the inevitable "tragedy of the commons" as described in Hardin's famous article from 1968—a purely theoretical work based on the assumption of unrelated and self-interested individuals—Ostrom has formulated the basic principles of how to govern common resources in sustainable ways. Backed by the evidence from studies of real societies from different parts of the world, Ostrom has formulated the following key principles for sustainable management of common pool resources: 1) Group boundaries clearly defined. 2) Rules governing the use of collective goods, well matched to local needs and conditions. 3) Most individuals affected by these rules can participate in modifying the rules. 4) The rights of community members to devise their own rules are respected by external authorities. 5) A system for monitoring member's behaviour exists; the community members themselves undertake this monitoring. 6) A graduated system of sanctions is used. 7) Community members have access to low-cost conflict resolution mechanisms. 8) For common pool resources that are parts of larger systems: appropriation, provision, monitoring, enforcement, conflict resolution, and governance activities are organized in multiple layers of nested enterprises. In a recent paper for the World Bank, *A Polycentric Approach*, Ostrom took issue with climate change. In *Working Together*, Ostrom and colleagues develop a collaborative, multi-method research approach to collective action and the commons, outlining a revised theory of collective action that includes three elements: individual decision making, micro-situational conditions, and features of the broader social-ecological context (Poteete et al.).

Ostrom's studies are encouraging in showing that people and societies are indeed able to achieve agreements and to establish and maintain institutions which make it possible to act responsibly and care for the replenishment of a common resource over generations. In view of the huge challenges to the climate and to common living space, it's time to use this human capacity to build the institutions necessary for sustainable governance of the common earth systems that we all depend upon.

CONCLUSION

We set out to discuss how the contemporary crisis in the economy and in the economics discipline forms the basis of arguments for a reshaping of how we think about the economy, what counts and how we practice economics. In doing so we drew attention to the apparent crisis in ideas within the mainstream economics discipline and the need to build upon current feminist critiques of that discipline to provide the required conceptual tools and frameworks for the kind of reshaping we call for. In considering the double crisis we have highlighted three distinct approaches that build upon our understanding of what counts and how we frame our institutions to support and value that activity. Common to these advances, is that they transcend gender. They also share a common emphasis on institutions: Fineman, arguing that universal vulnerability demands a "responsible state," focusing on the allocation of resources that provide resilience;

Balakrishnan and Elson pointing out that building and maintaining adequate institutions for raising and allocating necessary resources may be part of governments' human rights responsibilities; Ostrom focuses on institutions, although her emphasis is not the state, but rather the capacity of communities and groups of people—and of enlightened individuals, too, to act responsibly and to construct and maintain the necessary institutions for self-government and common action.

All three approaches start from an assumption of reasonable, responsible, socially embedded and governable people. These perspectives, alone and in combination can serve to develop further our understanding of the bias inherent within our current economic institutions and systems and provide us with very convincing theoretical propositions in support of a more equitable and sustainable world view. The insights provided by these scholars are invaluable in nudging us along the transformative path. They provide us with the new ideas and provide a basis for rethinking the economy along the lines of "economics for humans."

Let us not forget though that change will not come itself and in reminding ourselves of our role in orchestrating change we again count on Marilyn Waring:

> But no liberal minded male is waiting onstage to change the institutionalized value of women's work. That becomes the task for each of us in all that we do. . . . we women are visible and valuable to each other, and we must now in our billions proclaim that visibility and that worth. (*If Women Counted* 325-326)

Perhaps this crisis provides us with an opportunity to proclaim our visibility as our worth—all of us.

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