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For an Emancipatory Socio-Economics

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Introduction

In these brief remarks I would like to take up some of the issues raised by Thandika Mkandawire in his concept note for this workshop. This is not so much a finished paper as a contribution to a dialogue and an exploration of some ideas.

Rethinking Economics

I would like to take as my starting point the need to rethink **all** of economics, not only the kind of analysis and policy that is applied to the ensemble of countries in Asia, Africa and Latin America that are often labelled 'developing'. The problem is not that neoclassical economics works well for 'developed' countries while not fitting 'developing' countries, but that it does not work well for any country. In rethinking what kind of economics is needed for 'developing' countries, it is important to make links with currents of thought that are also challenging the hegemony of neoclassical economics in 'developed' and 'transition' countries. If neoclassical economics is allowed to appear (even by default) as the appropriate economics for rich and powerful countries, then any reconstituted 'development economics' will continue to be marginalised, both in the policy arena and in the curriculum.

There are several currents of thought that contain challenges to the dominance of neoclassical economic thinking- structuralist, post-keynesian, evolutionary economics among them. My remarks draw in particular on two -the human development current and the feminist economics current (see also Elson, 1997; Elson, 1999;Elson and Cagatay, 2000). They reflect a belief in the importance of pluralism in thinking about economies.

Unlike the World Bank's World Development Report, the UNDP Human Development Report examines issues of poverty, inequality and growth in all countries. The human development approach challenges the merely instrumental treatment of human beings as 'factors of production' in the service of economic growth no matter where it takes place. Similarly, feminist economics (as exemplified, for instance, in the journal *Feminist Economics*, and in special issues of *World Development* on gender, trade, and macroeconomics, Vol 23, No 11, 1995 and Vol 28, No.7, 2000) challenges the validity of 'rational economic man' for rich countries as well as for poor ones; and argues that unpaid time spent caring for family, friends and neighbours is an economic issue, not just a personal issue, all over the world. This does not mean that human development and feminist economics try to force all countries into a 'one size fits all' straitjacket. Rather they have rejected straitjackets as an appropriate way of dealing with intractable reality.

Of course, any social science has to engage in abstraction. The problem is to choose the forms appropriate to the question in hand. 'Horses for courses', as Joan Robinson was fond of saying. Rethinking cannot avoid some grappling with methodological issues.

There is a need for thought experiments at high levels of abstraction to think through possible regularities in interconnections and linkages; but in applied analysis, there has to be scope for investigating particularities that may subvert those generalities. The same set of stylised facts will not fit the whole world. This was indeed the premise of 'development economics'. However, there is no longer, if indeed there ever was, a neat bifurcation between a set of stylised facts that fit 'developed countries' and a set that fit 'developing countries'. A much richer typology is needed.

Institutional economics promises to pay more attention to particularities, but all too often treats local norms and routines as mere instantiations of an assumed universal rationality. Reducing all observable phenomena to the outcome of exercises in constrained optimisation by representative individuals is not a mark of scientific rigour but of an impoverished imagination. It ignores the evidence that human behaviour is much more complex (for a recent feminist contribution on this point, see Van Staveren, 1999) It grossly oversimplifies the problems of understanding the interaction of agency and structure. It can all too easily suggest that 'there is no alternative'; or that whatever is, is optimal, given the constraints (including availability of information). It diverts us from considering disequilibrium and allowing for incomplete and open-ended processes.

'Development' is interpreted in a variety of ways, but one of the core meanings is 'change and transformation'. In thinking about this, we need at times to step outside the box of formal models with determinate 'results'. It would, for instance, be useful to keep an open mind about the possibility of 'contradiction'; of a phenomenon having at the same moment different significances, in tension with one another. To be two things at once makes no sense in one-dimensional formal logic, but entertaining this idea may be helpful in understanding complex social phenomena which are inherently unstable and subject to change. This is particularly important for examining issues of power and conflict that neoclassical economics has difficulty treating (except through the limited metric of bargaining games). As Amartya Sen has pointed out, relations between employers and employees, and between members of a household, are sites of both conflict and cooperation. As feminist research has shown, export oriented industrialisation simultaneously empowers and disempowers women (eg Elson and Pearson, 1981;Cagatay, 2000). As Bowles and Gintis (1993) have argued, markets are sites of contestation as well as of contracts.

What Do We Want Economics For?

Discussions of methodology become arid if long divorced from the question of the purpose of the analysis. One important purpose is to guide practical decisions of politicians and officials. (Another is to provide a basis for critique of existing forms of economic organisation and the formulation of alternatives). In the golden age of development economics, the main stated policy purpose was to promote national development, measured in practice through structural change in the pattern of production (especially industrialisation) and growth of GDP. This was expected to lead to reduction of household poverty and of international inequality between countries.

In the era of the neoclassical counter revolution, the main stated policy purpose is to promote 'optimal' use of resources (where 'optimal' is related to the idea of global consumer choice, and formalised through the apparatus of welfare economics). Progress in achieving optimality is measured in practice by the growth of GNP. This is expected to lead to the reduction of household poverty and of inequality between countries. There is thus considerable common ground between these two paradigms in terms of stated purpose.(Both paradigms were also used by a variety of actors for other, less overt, purposes, such as enrichment of national elites or multinational corporations- but we shall not explore that here).

The argument is about the instruments that policy makers should use-the relative roles of 'state' and 'market' (both treated as internally undifferentiated and distinctly self-contained). It is important that our rethinking does not become trapped in this over-abstracted polarity. As Gita Sen (1996) has pointed out, it all depends on what kinds of state agency and what kinds of markets are involved; and what forms of power structure each. As experiences of privatisation have shown in many countries, the same set of people may control key resources, both when those resources are subject to state procedures and when they are subject to the disciplines of markets.

As is now abundantly clear, neither the project of national development nor the neoliberal project of global consumer choice has adequately fulfilled the hope for the substantial reduction of poverty and inequality. There is accumulating evidence that things got worse in the neoliberal era of the 80s and 90s, compared to the 50s, 60s, and 70s. Growth rates were lower and inequality widened. But even in the 'golden age', wealth and power were concentrated in the hands of a few; women were treated as dependants of men; and indigenous people were marginalised.

Human development and feminist approaches have a different project-the emancipation of individual human beings from the constraints that prevent them from living a 'good life'. This means enjoying a rich set of valued functionings, far beyond the utility to be got from visits to the shopping mall, including being free from poverty and social exclusion (see, for instance, Nussbaum, 2000). This position might be described as one of 'ethical individualism' in that it does not focus on national development, nor on the household but on the individual human beings celebrated in the Universal Declaration of Human Rights. But this position does not entail 'methodological individualism'.

Rather than tracing all institutions back to the choices of rational economic men, allowance is made for the sum total of individual actions to appear to have a 'life of its own', a force that bears down on individuals, and can only be changed by collective action. The socioeconomic relations in which individuals are embedded are the starting point. In terms of conventional economic categories, this implies a rejection of the idea that macro relations must be deduced from micro foundations, a position shared with many other currents of thinking that challenge neoclassical economics.

Progress towards realisation of the project of human emancipation cannot be encapsulated in the theorems of welfare economics or measured in terms of GDP or GNP. Nor can this realisation be conceptualised in terms of a simple 'instruments and objectives' model, since the objective includes the idea of self-emancipation (for instance Amartya Sen's idea of public action and the feminist idea of self-empowerment of women). It rejects a means-ends dichotomy and questions the organisation of policy processes themselves. (Indeed the objective itself is better seen as an ongoing open-ended process, rather than as a state of rest).

This more challenging project requires much more thought to be given to the interaction of micro and macro processes, allowing each their own relative autonomy, but exploring their interconnection. It also requires a reconceptualisation of what an economy is; how 'economic' and 'social' policy should interact; how policy success should be evaluated; and how policy processes should be organised. In what follows I draw on some recent feminist thinking to sketch out some possible directions.

Rethinking 'the Economy'

The starting point is the joint social process of production of the means of life and use of these means to reproduce life itself, on a daily and intergenerational basis. Most analysis of economies privileges production-tries to measure it, increase it, optimise it. Social reproduction is taken for granted, treated as a bottomless well, rather like the traditional sector in the Lewis model. Feminist economics, and to a lesser extent, human development has challenged this exclusion, arguing that as well as the 'commodity economy', we should take account of the 'unpaid care economy' in which people produce services for their families, friends and neighbours on the basis of social obligation, altruism and reciprocity (eg UNDP. 1995, 1999; Folbre, 1994, 2001).

There are two reasons to do this. The first is that the inputs of unpaid work and outputs of care are very important for human well-being. Too much unpaid work and too little care both jeopardise the possibility of living a 'good life'. The second is that though the 'unpaid care economy' is outside the production boundary, its operation has implications for what goes on inside the production boundary. Its operations affect the quantity and quality of labour supplied to production and the quantity and quality of goods demanded from production. Its operations affect the stability of the social framework in which market and state are embedded.

This interaction been analysed in a number of contexts relevant to 'development', with a particular emphasis on the gender relations that assign most of the responsibility for the supply of unpaid care to women. For instance, in the early 90s I examined the interaction in the context of structural adjustment arguing that the design of structural adjustment implicitly assumes unlimited supplies of female labour, available to make good any shortfalls in provision of public sector non-tradable services (such as health, education, water, sanitation); and to increase production of exports, while at the same time, maintaining household food security and the social fabric of family and community networks (Elson, 1991) Adjustment theory does not confront this implication because it appears to treat labour as a non-produced means of production, and all consumption as discretionary.

Gendered cultural norms about what is 'men's work' and 'women's work' mean that men's labour tends not to be reallocated to 'women's work' where there is a decrease in what is considered to be 'men's work' and an increase in what is considered to be 'women's work'. Instead, a more likely outcome is unemployment and underemployment for men, and overwork for women. Failure to take this into account in analysing adjustment results in extra burdens for women, and means that adjustment programmes are unlikely to be able to deliver the growth they promise:

> "Ignoring the implications of macro-economic changes for unpaid domestic labour inputs is tantamount to assuming that women's capacity to undertake extra work is infinitely elastic – able to stretch so as to make up for any shortfall in income and resources required for the production and maintenance of human resources. However, women's capacity for work is not infinitely elastic and breaking point may be reached. There may simply not be enough female labour time available to maintain the quality and quantity of human resources at its existing level. This may not have an immediate impact on the level and composition of gross national output, but in the longer run a deterioration in health, nutrition and education will have adverse impacts on output levels". (Elson, 1991: p.179).

Further examples of analysis that takes account of unpaid care work can be found in the 1995 special issue of *World Development* on macroeconomics and gender. William Darity (1995) constructed a two sector model of a gender segregated low income agrarian economy, in which one sector produced crops for export and the other sector produced subsistence food and care for the family. The model was used to show how a devaluation of the currency, which raises the relative price of export cash crops, means extra demand for women's labour in the export sector and extra income for their husbands who control the sale of the crop, given the prevailing pattern of gender relations in both sectors.

If women respond to this demand, through some combination of compensation, cooperation or coercion, output of food and of care is liable to fall under reasonable assumptions, with potentially adverse impact on heath and nutrition of women and children. On the other hand if women are able to resist the demand, the supply response of the export crop is muted, and the devaluation does not have to expected impact , a scenario explored by Warner and Campbell, 2000, in the second special issue of *World Development* on gender and economics.

In contrast, Korkut Erturk and Nilufer Cagatay (1995) focused on the investment behaviour of firms and savings behaviour of households in industrialising economies, drawing upon empirical research on patterns of economic development to identify some 'stylised facts' about the degree of feminisation of the paid labour force and the extent of women's unpaid household work. They assumed that a rise in the feminisation of the labour force stimulates investment by making available a new pool of low cost and malleable labour; while a rise in the extent of womens' unpaid household work is equivalent to an increase in savings because it reduces expenditure on marketed goods. The interaction of these two effects is examined in relation to recovery from economic crisis and recession, and it is concluded that recovery will be dampened if the positive impact of feminisation of the paid labour force on investment is weaker than the positive impact of an intensification of women's household work on savings.

In the same volume, Walters (1995) reconsidered growth theory, in the light of the conceptualisation of labour as an input produced in the 'unpaid care economy' (which he called the reproductive sector). He identified Harrod's theory of growth as the most fruitful for exploring potential imbalances between the productive and reproductive sectors.

These four articles all pitch their argument s at a high level of abstraction, but they are important as heuristic devices which begin the task of showing how gender-sensitive variables, which capture reproduction as well as production, and power as well as choice, can be incorporated into the analysis of growth and structural change.

As more comprehensive studies of time use become available for developing countries it will be possible to start exploring the inter connection between production and unpaid care empirically. Some examples which point the way can be found in the special issue of *World Development* on Growth, Trade, Finance and Gender Inequality (July, 2000). Fontana and Wood (2000) present a CGE model that includes the unpaid care economy (labelled 'social reproduction'). The model is calibrated for Bangladesh and is used to explore different trade policy regimes. Lim (2000) examines the effects of the East Asian financial crisis on employment in the Philippines and though the data on paid work is much richer than on unpaid work, is able to consider some of the interactions between the two in the aftermath of the crisis.

This kind of analysis brings together what has generally been thought of as ' the economy' with what has often been thought of as the domain of the 'social', and is an example of what I mean by 'socioeconomics'. It overcomes to some degree the dichotomisation between 'economic analysis' (largely pertaining to monetised aspects of life) and 'social analysis' (largely pertaining to non-monetised aspects of life). But it does not dissolve the difference between these two aspects of life, unlike, say, the 'new household economics' and other applications of rational choice theory to social life.

A New Synthesis of 'Economic' and 'Social' Policy

Although there is now widespread recognition of the need to integrate 'economic' and 'social' policy, there is still a strong tendency to think this means first designing what are termed 'sound' economic policies and then **adding-on** social policies in order to achieve socially desirable outcomes such as reduction of household poverty. This is how the World Bank's Comprehensive Development Framework operates. As shown in Elson and Cagatay (2000), the CDF does not explicitly consider macroeconomic policy at all. ‘Prudent’ fiscal and monetary polices are described as the ‘essential backdrop’ to the CDF and the specification of exactly what these are is treated as beyond discussion. The new IMF concern with social policy in the context of debt-relief initiatives operates in a similar fashion. The emphasis is on adding on new sectoral policies to help those adversely affected.

An alternative approach to considering social policies as an afterthought to economic policies would start with the idea of examining the intrinsic social content of macroeconomic polices.To do this one has to re-open the question of what constitutes a ‘sound’ and ‘prudent’ macroeconomic policy. To do so is to run the risk of being cast in the role of an irresponsible ‘macro populist’ advocating unsustainable and inefficient fiscal and monetary policies. But we have to insist that there are more than two alternatives – we do not have only the choice between an IMF –approved policy on the one hand, and hyperinflation and falling per capita income on the other. The viable alternatives depend on the ensemble of social as well as economic forces- what Lance Taylor (1991) has called the social matrix.

Moreover, while there are indeed aggregate real resource constraints on the achievement of ultimate objectives (such as emancipating people to lead the ‘good life’), these real constraints are not directly the object of macroeconomic policies. Macroeconomic policies address financial constraints-and financial constraints depend on the pattern of ownership and control of financial resources and the willingness of different groups of people to pay taxes and to buy government bonds. They are socially variable and socially malleable constraints. Macroeconomic policies which are ‘sound’ in the sense of balancing the budget, accepting the current balance of financial power, can be quite ‘unsound’ in the sense of exacerbating real resource constraints by destroying human capacities as people lose access to employment and goods and services. This destruction may not have immediate financial repercussions for the government budget, or the repercussions are roundabout and the connections not obvious, and so go unnoticed by economic policy makers. The destruction of real resources that occurs when human capacities are destroyed may even have benefits for capital accumulation if it is part of a process that lowers the unit cost of hiring labour. It is a mistake to equate the process of capital accumulation with a process of expansion of real resource availability. Competition to make a profit entails destruction as well as expansion of real resources, but national income accounting tends to capture the expansion better than the destruction (as environmentalists have pointed out).