ECONOMICS AND INEQUALITY: BLINDNESS AND INSIGHT

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I am extremely grateful to Bina Agarwal, IAFFE'S President, and to IAFFE for its generous invitation to be part of this splendid event. I have learnt a great deal over the last days, and am deeply grateful to all of you for that.

I would like to argue that feminist economics offers an important challenge to mainstream economics. It challenges economics to describe the world as it is and not as it is presumed to be. It challenges economics to broaden its evaluative framework. It challenges economics to pluralize its space of explanatory concepts. By challenging economics to reconstruct itself, feminist economics can give rise to a transformed discipline – one that is fit for humanity.

I begin with the premise that economics, like any other discipline, possesses both insight and blindness, perhaps in ways that are directly related. For example, it provides measures with which to assess the advantages and disadvantages experienced by different individuals, as well as their economic contributions. In this respect it can be a powerful tool for exposing inequality in the distribution of advantages and disadvantages, and injustices in the relationship between this distribution and the needs or contributions of individuals. We may think, for example, of the use of national income accounting by feminist economists as an application of this kind. At the same time, economics is full of blindnesses. Many of these blindnesses can be described as "reductionism": its descriptions inevitably fail to recognize the relevant complexity and diversity of human beings and of the values that are relevant to assessing the quality of our individual and shared lives. This can be evident even in the most sophisticated attempts to employ economic discourse, let alone the least sophisticated. Unfortunately, it often appears that we live under a tyranny of the latter. Consider, for instance this not untypical passage, from an article in the Financial Times published earlier this week (Wednesday, August 4th), which cites the conclusions of some well-esteemed and well-accredited technocrats:

"The International Monetary Fund yesterday called for decisive leadership from the European Union to help free up labour markets and encourage longer working hours in the Eurozone. In its latest report on the revision, it also urged the EU to 'name and shame' governments that staled on reforms, saying the eurozone's 'key structural challenge' was 'raising longer-term growth, in the first instance by strengthening the incentives to work'...It warned that greater use of labour in the economy – more annual hours worked [by which they appear to mean paid work] per capita – was essential to sustain welfare systems". Needless to say, the source of this essentiality, in societies that are among the richest known in human history, is not made clear, although it appears to have something to do with the presumed impossibility of raising the tax rate, or of raising the measured national income through other means. The IMF appears to view the increase in hours worked outside the home as costless.

This type of prescription, which is neither in the interest of women in particular nor of human beings in general, and which masquerades as possessing the inescapable force of logic, is sadly ubiquitious. Modern economics has perhaps lost sight of a central insight of the person that it often looks upon as its founder -- Adam Smith -- who believed firmly that the wealth of nations consists not in what he called "opulence" (or in other words, aggregate material prosperity) but rather in the "enjoyments, conveniences and subsistence of the people". Proper assessments as to what is desirable must necessarily refer to what promotes the well-being of the people.

Although policy conclusions of the kind that I have quoted above are unlikely to result from a rigorous application even of mainstream economics -- which properly employed must recognize the significance of reproduction as well as production, of production inside the home as well as outside the home, of production without payment as well as for payment, and of the value of so-called leisure time -- they are nevertheless supported by its current ethos, which in practice encourages what may only be called a fetish for increases in material output with limited regard for the impact of such increases on human lives. I have in mind first and foremost the biases and blindnesses that are part of the collective practice of mainstream economics, rather than to its high theory.

Nevertheless, its high theory is *also* at fault. Consider Amartya Sen 's description in his volume, <u>On Ethics and Economics</u>, of the assumptions implicit in the supposition of a 'homo economicus', which is still at the ground of modern mainstream economics, despite the main sources of pressure upon it, most recently from experimental and behavioural economics.

The first assumption is what he calls “self-centered welfare”. It states that individuals’ conception of their welfare is that which promotes their **own** welfare, very narrowly understood. In particular, it is not inclusive of the well-being of others, such as children, parents, partners, neighbours or others. Although this assumption is increasingly discarded, following the pioneering example of Gary Becker, it is still very much an unspoken mainstay of economic modelling, referred to as a conscious benchmark or an unconscious background. Departures from this assumption are typically viewed as requiring justification.

The second assumption is that called “self-welfare goal” which states that individuals’ goal is to promote their own welfare. This assumption rules out the possibility that individuals seek to promote non-consequentialist values or consequentialist values that are not welfarist. For instance, activities of looking after one’s children or one’s aging parents or contributing to the quality of life of one’s community may often be better understood as moral commitments than as ones that promote one’s own welfare, even when expansively understood. The desire to conduct one’s life (to quote one of yesterday’s plenary speakers, Aruna Roy) “as a revolution” may far better be understood in terms of the pursuit of a value related to personal integrity than as being grounded in the pursuit of individual welfare.

The third assumption is that called “self-goal choice”. It requires that the choices of individualsare those which promote their goals. Whereas the first two assumptions relate to the existence and interpretation of preferences, this assumption rules out the presence of gaps between preference and choice, caused for example by weakness of the will or the presence of unconscious factors in human life which cause actions that cannot be reconciled with an underlying preference relation.

One might add to these descriptive assumptions that of methodological individualism – that society can best be understood in terms of the strategic interaction between individual agents, each pursuing their own goals. Household bargaining models contest the unitary household model but largely remain within this framework. Obliquely, they refer to facts about human society that cannot be reduced to such an individualist description, such as social norms which govern the distribution of bargaining power among agents and the outside options that they perceive they have.

It may be useful also to remind ourselves of the implicit normative framework of modern mainstream economics. Its normative framework consists at least of the following two assumptions. The first normative assumption is that subjective-preference satisfaction is the appropriate measure of individual well-being, toward which social policy should aim. Since it is assumed that human preferences are diverse, and since this complicates the identification of which policies enhance subjective preference satisfaction, recourse is often made to the allegedly innocuous assumption that "more is better", or that greater command over commodities must necessarily promote welfare, whatever preferences agents have. Implicit in this approach is a privileging of human beings as consumers over their role as producers or as citizens. Indeed, work is assumed to be a disutility, which is merely instrumental to the satisfactions gained in consumption. On this view, utopia is the 'land of Cocaigne', a world of endless consumer pleasure and no work. Further, the focus on subjective-preference information forbids attention to objective information about individual well-being such as that which is contained in individual functionings – such as whether an individual lives a long and healthy life, has adequate education or participates in the life of her society. The debate on adaptive preferences is in this light really a debate about whether subjective preference information is an adequate basis for well-being assessment.

The second normative assumption is that there is no adequate basis for interpersonal comparison. In the famous words of Lionel Robbins, interpersonal comparisons are infeasible because they reduce to an issue of "my blood or thine". Thus, it is argued, through this rather war-like metaphor, that economists can at most comment on whether some people can be made better off without making others worse off – the so-called pareto criterion. Implicitly, this posture requires that no policy that helps some at the cost of harming others, however much the help and however little the harm, can be recommended. Needless to say, it hardly matters for the pristine economist that in practice all policies help some and harm others. What is important is that *in principle*, all can be made better off. Hence, the argument that free-trade is always a part of the first-best combination of policies hinges on the assumption that efficient ex-post tax and transfer schemes exist which can and will be used to compensate the losers. The fact that hardly any such schemes do in fact exist, and that where they do exist they do not compensate the losers for their economic losses, let alone their non-economic ones, does not perturb the exponents of free-trade optimality. On the contrary, they accuse their critics of a combination of ignorance and mental infirmity.

The problem with these descriptive and normative assumptions is that they adequately relate neither to how human beings – of any gender – behave in many important contexts, nor to a supportable view of what they most deeply value. As such, mainstream economics is handicapped both in its descriptions and its prescriptions, outside limited contexts. Among the contexts in which it is most handicapped are those which feminist economics has extensively explored.

At the risk of overreaching myself, I will describe the challenge of feminist economics to economics as consisting of at least three elements. First, feminist economics challenges economics to describe the world as it is and not as it is presumed to be. Feminist economics asks us to prioritize observations and experiences over presumptions and axioms. In the course of doing so, it asks us to give special importance to perceptions, experiences and contexts that have been heretofore neglected.

Second, feminist economics asks us to broaden the evaluative framework that we employ. It asks us to ground the assessment of actions and policies in explicit normative commitments. These normative commitments may go beyond subjective-preference satisfaction, and narrowly economistic premises. They may, for example, place weight on objective (or inter-subjective) information concerning deprivations that are suffered and advantages that are experienced, and more generally to give attention to the full diversity of peoples' lives, at home, at work, and in society. Its normative commitments may also go beyond the narrowly consequentialistic, and give attention to the legitimacy of the processes by which outcomes are brought about, and the nature of interpersonal relations that are involved.

Third, feminist economics asks us to pluralize the space of explanatory concepts. It asks us to adopt a pragmatic approach to explanation, employing whatever concepts seem necessary and useful. These may include concepts that are neither methodologically individualist nor subject to direct observation, but which are nevertheless indispensable to explanation. Concepts of this kind include "identity", "ideology" and "formative context" – by which I mean the institutional and experiential crucible in which the conscious and unconscious propensities of human beings are formed.

There is a perspectival element in each of these demands, but that does not make them parochial. By challenging economics as a subject to reconstruct itself in these ways, feminist economics can help to give rise to a transformed discipline – one that is, at long last, fit to serve the needs of all human beings.