From Gender as Exogenous to Gender as Endogenous in the New Economics

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Abstract

This chapter argues that gender is endogenous to the economic process. It demonstrates a two-way relationship between the economy and gender relations, and emphasizes the macro level. It demonstrates that inequality in gender relations can have a negative effect on economic policy and economic outcomes. This integrated understanding of gender in economics, developed in feminist economics, is not possible in neoclassical economics because that treats gender, like any social structure, as exogenous, often as a given constraint on individual choices, or at most as a sex-disaggregated impact variable. Heterodox economics, in particular when applying a contextual view of the economy as embedded in social, cultural, and political structures, allows for an endogenous analysis of gender. This chapter shows, with examples from empirical research, how this may be done in a systematic way, by linking feminist economic insights with various key heterodox concepts.

1. Introduction

In neoclassical macroeconomics, gender is often completely absent, either as a variable, or as driving certain institutions, or as underlying the gender division of labour between the paid and unpaid economy. At the same time, the unpaid economy is often completely ignored. At most, gender is included as exogenous through a sex disaggregated variable such as male and female labour force participation. For example, in various analyses on EU economic growth in relation to an increasing dependency ratio due to the aging population, the relatively low female labour force participation rate has been identified as a constraint on economic growth and financial

sustainability of pension systems. Alternatively, some macroeconomic analyses may point at unequal impacts of macroeconomic phenomena on men and women, for example studies that have shown that cheap labour export strategies of developing countries have generated more employment for women as compared to men, because the kind of industries that have relocated to these countries are typically female intensive industries (textiles, garments, microelectronics assembly). So, women are recognized to benefit more than men from the jobs created in export industries. This is simply taken as a differential impact of export growth strategies, as if underlying gender relations, for example expressed through the gender wage gap, plays no role in bringing precisely such a female-intensive export strategy about. Apart from these examples, in which gender is pictured as an exogenous variable, a constraint, or a social differentiated impact variable of an economic strategy, the far majority of mainstream macroeconomics completely ignores gender.

The reason for the limited attention to the role of gender in economic analysis is that it is not recognized as part and parcel of economic processes and policies. In neoclassical economics, certainly in macroeconomics, agents are assumed to be homogeneous, so that rational economic man becomes the representative agent in economic analysis. REM, however, is implicitly defined in stereotype masculine terms (Folbre, 1994). He is competitive, not cooperative; he follows a maximization algorithm without an eye to social and moral context; he is de default head of household and breadwinner, who performs no unpaid work unless he regards it as leisure. In heterodox economics, gender can be understood as an endogenous variable, shaping and being shaped by economic forces, trends and policies. Gender must be understood as, first, shaping market processes in terms of access to and control over resources, such as education or incomes, second, as shaping people's choices and opportunities and constraints, for example in segmented labour markets with typically feminine and masculine jobs, third, as being inherently part of macroeconomic trends, for example through fluctuations in the female labour force participation rate, and forth as underlying the household gender division of labour leading to a large female intensive unpaid economy. Such a more differentiated and layered understanding of the relationship between gender and the economy – as a two way rather than a one way relation, as partially positive and partially negative – provides an important social dimension to economic analysis, a form of embedding economic analysis in social behavior and structures. As a consequence of developing such gender-aware economics, or to put it more explicitly, feminist economics, simple, straightforward conclusions on the goodness or badness for women and men of certain economic processes or policies can no longer be defended. Economic analysis should no longer reduce important influences on the economic process and from the economic process

on social phenomena to exogenous variables. One such important force is gender, which influences the economy and is at the same time influenced by it, in a two-way process.

In this chapter, I would like to show that in heterodox economics, particularly feminist economics, but also strands of structuralist economics, social economics and institutional economics, gender has increasingly been recognized as endogenous to the economic process. This implies that not only there are economic impacts that are often different – unequal – for men and women, but also that existing gender relations have an impact on the economy, either positive or negative, and on economic outcomes. And, that these two directions of the relationships between the economy and gender mutually influence each other, directly as well indirectly through feedback effects. In neoclassical economics, gender is at most included as simply sex-disaggregated labour market variables, mostly limited to the labour supply variable. Differences in labour supply and its elasticity are then attributed to exogenous variables such as the availability of childcare or culture. The analysis of gender differences in the labour market, hence, is then reduced to the behavioral question why women behave differently in the labour market than men, without understanding how gender affects the economic process and is being influenced by dynamic efficiencies, unpaid work, asymmetric institutions, risk-strategies of households, path-dependence of institutions that generally benefit males over females. At the micro level, there exists already a substantial body of literature on such two-way relationships between the economy and gender, in particular in labour economics and household analysis. At the macro level, however, the literature on this two-way relationship between gender and the economy is still at an early stage of development. But what does emerge from this literature is that for a full understanding of the macro economy, gender can no longer be ignored. In the present chapter, I will point out in which ways gender helps to improve macroeconomic analysis, with examples from my own work in development economics.

2. Micro-meso-macro approach, long-run inefficiencies and short run efficiencies of gender inequality

Elson (1995) has developed the so-called micro-meso-macro approach to studying gender impacts of macroeconomic policies and feedback effects. The approach focuses on the linkages between the micro and macro levels through households, structured labour markets and other structured markets (land, credit), gender asymmetries in institutions (welfare regimes, property rights, childcare arrangements, tax systems), and macro economic policies (trade, privatisation, devaluation). At the same time, the micro-meso-macro approach recognizes trends in

macroeconomic variables, such as export volumes or GDP growth rates that are partly driven by gender relations (female labour force participation, household dependent agricultural export supply response, female or male intensive employment sectors). So, the micro-meso-macro approach enables a two-way analytical framework for the analysis of gender and the economy, moving back and forth between the micro and macro level of analysis. This framework helps to recognize inefficiencies of gender inequality.

Feminist economists reject the mainstream assumption that economic growth will automatically bring a reduction in gender inequality. Inglehart and Norris (2003) conclude from their cross-country research that: "growing affluence does tend to generate the expansion of literacy and schooling, the establishment of a social protection safety net, and the rise of white-collar jobs in the service sector, but this process is not inevitable. Nor does it necessarily automatically benefit women's lives" (5f). At the same time, gender inequality can be bad for growth, because inequality excludes women from production, it demotivates efforts for improvement and hence keeps female productivity low, it may cause social conflict chasing away investment, and it allows for male rent-seeking. Hence, there is no straightforward relationship between efficiency and equality in general and gender equality in particular. This insight goes against the standard way of viewing the relationship between efficiency and equity as a trade-off in the welfare theoretical concept of Pareto Optimality.

One of the first economists who proposed an alternative efficiency notion that does take equality into account was also the first woman who received a PhD degree in economics, Margaret Reid. She redefined efficiency in a common-sense way as the minimization of waste (Reid, 1934; 1943). This basic idea of efficiency as the minimization of waste was recognized already by Adam Smith, Karl Marx and Thorstein Veblen. Walsh (2000) reminds us that Smith "is savage when he sees the surplus being squandered by the profusion of the great" (p. 21) and he also reminds us that Marx' concept of exploitation included the recognition of waste of the surplus on luxury when it is shifted from labour to capital. While the founder of institutional economics, Veblen (1931), has criticized the waste of conspicuous leisure and consumption, arguing that "the utility of both alike for the purposes of reputability lies in the element of waste that is common to both. In the one case it is a waste of time and effort, in the other it is a waste of goods" (p. 126). Veblen (op. cit) particularly pointed at the higher class ideal of the housewife as a luxury and a waste of human resources. His contemporary, Charlotte Perkins Gilman, wrote about women's economic position in a similar way, pointing out that women's household production at an individual basis is inefficient as compared to communal kitchens and other forms of joint production for family consumption (van Staveren, 2003). Hence, the gender norm of the

traditional division of labour between a breadwinner and a housewife implies two forms of waste: of female human capital for the labour market and of productivity in ignoring economies of scale in household production.

Reid (1943) referred to her efficiency notion as the minimization of waste to waste in *consumption* when the rich consume far more than the poor; waste in the *production* of goods that have negative externalities (giving the example of tobacco); waste through inefficient *methods of production* (partially related to economies of scale); and waste through *market equilibria* allowing for the under-use and under-investment of production factors (leading to sub-optimal land-use and unemployment). In her work in agricultural economics, Reid (1943) argued that the partial production for own use among US family farmers was rational in a dynamic perspective in a context of uncertainty about yields and world market prices, and therefore efficient for the US food sector. The production for own use protected family farmers from food insecurity and distress sales in bad times and provided a buffer against too high market volatility. Hence, Reid's understanding of efficiency was a pragmatic one, rejecting the welfare theoretic assumptions of perfect markets, constant returns to scale, and absence of power, while recognizing that real world economies are influenced by uncertainty, power relations and asymmetric institutions. These imperfect conditions of markets require a shift away from efficiency as a static criterion of evaluation – the evaluation of an equilibrium – towards a dynamic criterion, evaluating waste in the economic *process*, rather than in an idealized market *outcome,* as Blaug (2001) has argued. Moreover, it shows that under certain conditions, more equality raises efficiency rather than lowers it, in particular over the long run.

In addition, there is a problem with the libertarian belief that free exchange provides the best incentive structure for efficiency to occur. Because it ignores the real world situation in which quite often some agents lack the endowments for any beneficial exchange – even in the absence of market imperfections. In other words, libertarianism assumes that exchange is by definition voluntary when not forced or constrained from outside. But voluntary exchange may also involve involuntary losses when there is too much imbalance in endowments and opportunities, and hence, inequality in bargaining power between market parties. That is why genuine voluntary exchange can only exist when there is a feasible non-exchange option (Sen, 1981; Walsh, 2003). Without such a fall-back, exchange of one's last resource or even of non-economic goods such as one's children or bodily integrity, will not be voluntary, but simply the only option available for short-term survival. This is precisely why we see illegal transactions of women's bodies in sex trade, as well as involuntary prostitution in many societies where women have limited property rights, where inheritance laws are gender biased, and where investment by parents in their

children's human capital is biased against daughters. So, paradoxically, voluntary exchange will only be voluntary with what Sen (1981) has labeled a feasible option for autarky. Distress sales or underinvestment may be regarded by libertarians as voluntary in a static sense, but they undermine an agent's resource base, and hence, crowd out productive capacity in the long run. This is clearly not voluntarily chosen by agents while it is neither efficient in a dynamic sense, making people dependent on others or the state. Distress sales or underinvestment can only be prevented by trade-independent security, deriving from resources such as savings, wealth, community care, access to commons, public goods or welfare support. Most people who experience a disadvantaged exchange position have very few resources to provide for themselves, except their labour power. And even this may not be in demand, as it may be only potential rather than actual labour power, due to lack of nutrition and health (Dasgupta, 1993), or it may not earn sufficient market value to survive (Kurien, 1996), or a combination of factors including lack of aggregate demand keeping the demand for labour low at any wage rate (Walsh, 1996). Therefore, only an institutional setting of markets that acknowledges equal basic entitlements for men and women alike and other mechanisms that prevent inequality-inducing accumulation will be able to reflect genuine free trade, which may enhance efficiency (van Staveren, 2007c). Below, I will refer to two types of inefficiencies from gender inequality in markets. Through the micro-meso-macro link these inefficiencies tend to have a negative impact on growth, stability, and aggregate productivity because of the sheer size of gender-based inefficiencies.

First, gender inequality is inefficient in the allocation of resources, for example in financial markets. In the experience of the Grameen Bank in Bangladesh, loans to women yield substantially higher household consumption than loans to men. In the case of women, it takes an average of 0.91 dollars lent to generate 1 dollar of household consumption, as compared with 1.48 dollars for men (Morduch 1999: 1593). The Grameen experience shows that lending to women is not less profitable than lending to men – on the contrary, female repayment rates are higher. In 1991, 15.3 per cent of male borrowers from the Grameen Bank missed repayments, compared with only 1.3 per cent of female borrowers (Morduch 1999: 1583). Other research on micro-credit in Bangladesh concludes that loans to women generally yield higher marginal returns than loans to men (Pitt/Khandker 1998). So, discrimination against women in financial markets is not only unfair but also inefficient.

Second, at the aggregate level, gender inequality appears to lead to losses in GDP growth. A regression analysis over the period 1960-1992 with GDP growth as the dependent variable and education and employment among the independent variables indicates that Sub-Saharan Africa has suffered considerable growth losses from gender biases in educational investment. If Sub-

Saharan Africa had matched East Asia's growth of educational attainment for women, annual per capita GDP growth would have been about 0.5 percentage points higher (World Bank 1999: 15). In addition, if Sub-Saharan Africa had matched East Asia's growth rates in female sector employment, annual per capita GDP growth would have increased by more than 0.3 percentage points (World Bank 1999: 16). So, together, gender biases in investment in education and in employment have reduced annual per capita GDP growth in Sub-Saharan Africa by 0.8 percentage points (World Bank 1999: 17). In a similar study on the economic losses of missing the Millennium Development Goals on gender equality, Klasen and Abu-Ghaida (2004) have calculated that off-track countries are likely to suffer between 0.1 and 0.3 percentage points per capita growth.

The examples point out that discrimination of women is not only unfair but also inefficient. This inefficiency is generated through various mechanisms, in which asymmetric institutions play an important role: institutions that represent power, and protect the interests of the powerful – in this case men and masculine ideals such as being a male breadwinner, - over the marginalized, in this case women and the denigration of femininity such as caring roles in the household. Another mechanism is the law of diminishing marginal returns, which is ignored by common gender beliefs held by individual agents as well as by policy makers that male farmers, or male children, are more deserving of scarce investments on their lands or in their human capital than women and girls.

There is, however, also a reverse mechanism which turns gender inequality into a competitive advantage, and hence, a mechanism for growth. This mechanism occurs when gender inequality reflects exploitation supported by asymmetric institutions of exclusion and discrimination. This is particularly the case for the labour market, in which women's wages tend to be not only lower than men's wages for similar work, but also low relative to women's average productivity. This is generally referred to as the gender wage gap. Stephanie Seguino (2000a and 200b) has demonstrated in two empirical studies on the relationship between growth and the gender wage gap for manufacturing exporting countries in Asia, that growth is positively correlated with the gender wage gap. In other words, her studies have shown that the fast growing Asian economies have in effect been able to grow so fast, partially by paying very low wages to women, relative to men: countries with the highest gender wage gap appeared to reap the highest export earnings relative to their GDP, by using low women's wages as a major competitive advantage.

This practice can persist due to imperfections in the labour market, in combination with structural unemployment. On average, for developed and developing countries, women's wages are 75% of men's wages. Some countries do better, with gender wage gaps around 10% (such as

Vietnam), whereas other countries have gaps in the range of 30-40% (such as Japan and Korea). Of this gender wage gap, about half cannot be explained by gender differences in human capital or functional characteristics of women's and men's jobs, while the other half is due to gender inequalities in education, and the gender division of labour in the household (expressed in temporary labour market drop-out due to child raising, or part-time or flexible work in order to combine paid work with gender-unequally distributed child care responsibilities).

In the globalised economy, it is hard to undercut this negative mechanism linking gender inequality to growth, when it is used as a competitive advantage. There are, however, two clear policy responses indicated in feminist economic analysis that would help to move away from this short-run growth strategy and help move developing countries to a long run growth path of increasing value added and increasing levels of productivity in their exports, with a lower gender wage gap. The first policy strategy is a political economy one, recommending a globally agreed minimum labour standards package, such as advocated in the ILO's Decent Work programme (Barrientos, 2007). This package should explicitly include gender equality in wages, the removal of gender-based hiring and firing practices that now keep labour markets gender-segregated, and a revision of education and training systems away from stereotype feminine and masculine areas of specialization. The second policy strategy is a macroeconomic one, advocated, among others, by Blecker and Seguino (2002). This policy is geared towards the removal of dynamic inefficiencies arising from wage discrimination. These inefficiencies occur in the long run, and result from reductions in female labour supply and low work motivation which leads to relatively low labour productivity. If the gender wage gap would be eliminated, female labour productivity would increase, while, through the increase in female labour supply responding to higher wages, the average nominal wage level would not increase proportionally. So, although in the short run women's low wages might be instrumental in keeping production cost competitive, in the long run the disincentives to female labour input are likely to create lock-in effects of cheap female labour, low productivity, low earnings, and hence, a disadvantaged macro economic strategy for a country in the long run, also referred to as 'low road development'. Removing gender inequalities in export sectors would help to prevent such a lock-in into low road development.

3. Gender and trade dynamics

In our book, *The Feminist Economics of Trade*, we have shown how gender inequality can have an impact on trade-related outcomes, such as the terms of trade and the composition of exports and domestic versus export output (van Staveren et al., 2007). Shaianne Osterreich (2007) takes

as a starting point the Prebisch-Singer hypothesis that the net barter terms of trade between South and North tend to deteriorate (a hypothesis for which there is ample empirical support). Prebisch and Singer argued that the underlying mechanism for this uneven distribution of gains from trade lies in differences in labor markets in the South and North, with workers in the South having less ability to bargain for rises in productivity to be matched by rises in wages. Osterreich hypothesizes that gender inequality is an important aspect of these labor market differences. Using data from a selection of Southern and Northern countries for the period 1975-1995, she finds that a decline in the degree of labor market discrimination against women in the South relative to the degree of labor market discrimination against women in the North is associated with an improvement in the net barter terms of trade of Southern countries. So, if governments in the South take action to reduce labor market discrimination against women, this will help to counteract the tendency of their terms of trade to fall, bringing a larger share of the gains from trade to the South.

William Darity (2007) examines the ways in which unequal gender relations in agriculture interact with attempts to stimulate agricultural exports via devaluation of the currency. He develops a model of gender segregation of labor in smallholder export and subsistence (food) production, based on the empirical literature on sub-Saharan Africa. Both men and women participate in producing export crops, but only women produce subsistence goods. The model describes three different regimes of gendered power: coercion, in which men exercise power over the time women allocate to export crops, the sales of which are controlled by men; cooperation, in which women (guided by social norms of interfamilial behavior) willingly agree to allocate unpaid time to export crops; and compensation, in which women will not work on export crops without being compensated by their husbands. Darity models the effect of a currency devaluation, which raises the price that men get for export crops. Through coercion, co-operation, or compensation, women allocate more time to export crop production. The model illuminates how different regimes of gendered power affect the impact of export expansion. One inference is that if women resist coercion and are unwilling to work without pay, they will not switch into export crop production following devaluation, slowing down export expansion (see also Warner and Campbell 2000), which helps to explain the low supply response to currency devaluations in Africa in the 1980s and 1990s.

Gender-segregation in production is also a theme of the model presented by Blecker and Seguino (2002). Their model is based on the stylized facts of semi-industrialized economies, in which women produce a good that is largely for export though some is consumed domestically, and men produce a good that is only for the domestic market. Women earn less than men. The

model examines the effects on output of an exogenous rise in women's wages, holding male wages and the exchange rate constant. If export markets are price elastic, and workers' consumption of the export good is low, the output of exports is likely to fall, while the effect on production of domestic goods is ambiguous. On the other hand, if export demand is price-inelastic and worker's consumption of the export good is high, export production will expand; again, the effect on production of domestic goods is ambiguous. But these conditions are less likely to be met. Given the realistic assumptions of the model, reducing the gender wage gap by raising women's wages is likely to depress exports and may also depress production of domestic goods. If nominal wages of both women and men are flexible, and there is a crawling peg exchange rate, the effects are more complex and an increase in women's wages may be combined with export expansion.

Ozler (2007) uses plant level data for the period 1986-96 to examine employment by sex and skill level in three types of production, non-tradable, import-competing and export. As expected, net job creation rates were higher in the export sector than the other sectors for all groups of workers. Net job creation rates were higher for females than for males in all sectors, but the biggest gender gap was in the import-competing sector, which had the highest ratio of female to male job creation rates for production workers. Although women benefited from the gender gap in net job creation, women's employment was more volatile than men's, as measured by the female and male gross job reallocation rate (the sum of gross job creation and gross job destruction rates). While the growth of export production increased women's share of the labor force, economy wide factors contributed to making women's work more precarious than that of men. Hence quantitative gender gaps decreased whereas qualitative gender gaps increased.

Finally, Ebru Kongar (2007), challenges the neoclassical view that increased import competition reduces discrimination against women and the gender-wage gap. In a study on effects of import competition on the gender wage gap in Taiwan and Korea, Berik and van der Meulen (2004) have also challenged the hypothesis that more competition reduces gender discrimination in wages. They found that increased competition was positively correlated with wage discrimination against women, probably due to a reduction in women's bargaining power. Kongar investigates the wage and employment effects (disaggregated by sex and occupation) of increased import competition in the USA in the period 1976-1993, distinguishing between concentrated and competitive manufacturing industries. Wages are measured as 'residual wages' net of the impact of the effects of personal characteristics of workers other than sex, such as education, experience, marital status race and location. The study shows that the decline in the residual manufacturing gender wage gap, in a context of declining overall employment, was driven by changes in the

composition of the female labor force rather than by a reduction of discrimination against women. In the concentrated industries, female low-wage production workers suffered disproportionately from import-related job losses, raising the average wages of the remaining smaller, more highly skilled, female work force, thus reducing the gender wage gap. By contrast, in the competitive industries, the female share of low-wage production occupations increased and average female wages declined. These differences reflect different firm strategies building on gender-based labour market segmentation in the two sectors, with those in the concentrated sector meeting import competition by adopting more skill-intensive production and those in the competitive sector increasing their use of cheap labor.

The studies on gender and trade show that the gender division of labour in the household, asymmetric gendered institutions affecting economic behavior of women and men, and labour market discrimination have significant economic effects. They limit gains from trade, reduce the supply response to exchange rate policy, support an exploitative competitive advantage, generate a trade-off between job gain and job security for women, and allow both competitive and concentrated industry to exploit the gender wage gap and women's weaker labour market position in strategic responses to globalization. Again, these research results from feminist economics show how varied the two-way relationships between gender and the economy are, and that they often hold each other hostage in a lose-lose situation, with possible short term gains but long run allocative and dynamic inefficiencies.

3.1 An example: EU-Mercosur trade agreement

I will illustrate with an example how trade elasticities of gender inequality may be calculated and applied to a particular trade relation in order to detect possible gender-trade relationships (van Staveren, 2007a). I will briefly assess the trade agreement between the European Union and Mercosur, which was initiated in 1995. Trade between the partner regions has increased since 1995 but follows a traditional North-South pattern of specialization with Mercosur specializing in agricultural exports and EU in manufacturing exports. The data refer to the period 1995-2005.

The denominator can be calculated in three different ways (in which $_i$ refers to a country or a region and $_j$ refers to a bilateral trading partner, or a trading block, or to all trading partners):

- trade volumes as a share of GDP of a country or a region: $[EX_{ij} + IM_{ij}]/GDP_i$
- bilateral or regional trade volumes as a share of total trade of a country or region: $[EX_{ij} + IM_{ij}]/[EX_i + IM_i]$
- openness measured in tariff reductions of x per cent[i].

In the indicators to be presented in the next section, I will use the first type of trade variable, that is, trade (import and export volumes) as a share of GDP.

For the numerator, there is a potential wide variety of variables available for measuring gender inequality, but data limitations as well as limited availability of research on gender effects of trade leaves only a small number of variables to be included in the indicators. These are variables measuring poverty, employment, wages, time use, childcare, and household food security. These variables are for many countries unfortunately only available at the aggregate level, while trade impacts can be expected to differ between sectors of the economy, in particular between export sectors, import competing sectors and the domestic sector. Nevertheless, they may provide a rough picture of the state of the art of gender inequality among trading partners, and may point out areas for in-depth research at the sector level.

Below follow some examples for numerator variables:

(1) trade elasticity of the gender gap in earned income
$d[Y^f/Y]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(2) trade elasticity of the gender gap in labour force participation
$d[L^f/L]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(3) trade elasticity of gender inequality in export employment
$d[L^f_{ex}/L_{ex}]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(4) trade elasticity of gender inequality in employment in import competing sectors
$d[L^f_{imc}/L_{imc}]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(5) trade elasticity of the gender gap in unemployment rates
$d[U^f/U^m]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(6a) trade elasticity of gendered job segregation
$dID/d[EX_{ij} + IM_{ij}]/GDP_i]$

(6b) trade elasticity of gendered job segregation in the export sector
$d[ID_{ex}]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(6c) trade elasticity of gendered job segregation in the import competing sector

$[ID_{imc}]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(7) trade elasticity of relative women's wages in the export sector compared to other sectors

$d[W^f_{ex}/W^f]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(8) trade elasticity of the gender gap in unpaid labour time

$d[UNPT^f/UNPT^m]/d[EX_{ij} + IM_{ij}]/GDP_i]$

(9) trade elasticity of women's purchasing power for food

$d[[Y^f/\text{female population}]/P_{food}]/ d[EX_{ij} + IM_{ij}]/GDP_i]$

Filling in data for Mercosur-EU trade and gender inequality in the Mercosur countries, I found that the trade elasticity for food affordability is unity and negative (-42/41.9 = -1). Mercosur exports mainly food items, the same that are consumed domestically. This may have led to a crowding out of domestic food supply by foreign demand, following the currency devaluations. The indicator suggests that it has become more difficult for women to perform their assigned roles in household as food providers, because women in Mercosur are net food buyers, not growers (over 80 percent of the population lives in urban areas). This is even more so the case, because absolute female (and male) income levels have declined over the period.

The indicator for the female employment share in the major export sector, agriculture, is negative and inelastic (-5.7/77.3 = -0.1). So, the enormous increase in agricultural exports has not helped to increase the female employment share in this stable and expanding export sector in Mercosur. At the same time, we find that the trade indicator for the male employment share the major import sector, manufacturing, is negative and elastic (-28.5/12.6 = -2.3). Thus there has been an increase in women's share of jobs in the sector that faces import competition. But, whereas in many other developing countries, a move of women from agriculture to manufacturing is generally an improvement of their employment condition since manufacturing is an expanding factor, in Mercosur it implies a shift away from an expanding stable export sector towards a vulnerable import-competing sector.

It is interesting to note that the gender wage gap has worsened for agriculture and improved for manufacturing. This may reflect shifts in relative labor scarcity along gender lines,

because, as we have seen, the female employment share in agriculture has declined, while it has increased in the manufacturing sector. Finally, the case study also suggests that there may be impacts from persistent gender inequalities in Mercosur, such as in the labor market, on its trade relationship with the EU. In particular, the data seem to suggest that the 'lock-in' situation of Mercosur in a traditional trade pattern with EU (exports of primary products and imports of manufactures) may actually be reinforced by the gender inequalities in the labor markets of the four countries in South America. Whereas women's average level of education is higher than that of men, they are paid less and find themselves increasingly employed in a sector which is threatened by imported manufactured goods from the EU. This does not seem to be the most efficient allocation of human resources and is not very likely to help Mercosur to move into higher value-added exports, because that would require a better use of human resources, partly through higher returns to female human capital, which in turn would help to stimulate labor productivity. Trade with other external partners, as well as intra-Mercosur trade, appears to be less traditional. Catão and Falcetti (2002), for example, have shown the importance of the Brazilian market for the expansion of Argentinean manufacturing exports, at least during the first seven years of Mercosur (1991-1997). A recent Mercosur report shows that currently, exports to the rest of the world have an increasing share of higher technology (IDB 2004). Hence, it is not unlikely that these other trading partners provide more opportunities for higher value-added exports than the trade relationship with the EU.

In conclusion, the Mercosur-EU trade agreement has not benefited women's economic position whereas the gender division of labour and gender-based labour market segmentation seems to reinforce the traditional trade pattern, in which South America finds itself locked-in to a low value added and low employment generating trade pattern with the EU. Machismo apparently has a macroeconomic price for the gains from trade – an inefficiency arising from gender inequality.

4. Gendered institutions and access to resources

Recent literature on women's empowerment acknowledges that empowerment involves more than access to resources but also implies agency and an enabling institutional context, which together help women to achieve better wellbeing outcomes (Kabeer, 2001; Narayan, 2005a; Alsop, Bertelsen, Holland, 2006; Ibrahim and Alkire, 2007). In the light of the recent literature on women's empowerment, I have analyzed the role of resources relative to women's agency, captured by gendered institutions that limit this agency (van Staveren, 2007b). One of the

definitions of empowerment emerging from the literature has been formulated by Deepa Nayaran (2005b: 5): 'Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.' Although there are some differences, the literature tends to agree that women's empowerment is a process involving *agency* (referred to in the definition above with wordings like 'negotiate', 'influence', and 'control'), access to *resources* (or assets), and *institutions*, which enable women to improve their wellbeing, absolutely, and more importantly, relative to men.

The role of resources for women's empowerment is well understood. For example, access to land (Agarwal, 1994; Doss, 2006; Allendorf, 2007), access to credit (Kabeer, 2001) and access to education (Jejeebhoy, 1995) have all been shown to be important for women's empowerment, and in turn, for economic development (Klasen, 2002; Lagerlöf, 2003). But next to a lack of access to tangible resources, women also face a variety of intangible constraints to plan their lives, to choose their goals, and to make their own choices, inside and outside households, often more so than men. Such constraints, understood as *gendered institutions* (Goetz, 1997), limit their opportunities both in terms of access to resources as well as their agency (Narayan, 2005b). Institutional economics distinguishes between formal institutions, such as laws and regulations, and informal institutions, which are intangible norms, followed without much questioning (Williamson, 2000, Hodgson, 2006). Both types of institutions reflect power relations since institutions tend to be supported and defended by those who derive advantages from these. For gendered institutions, these power relations are embedded in formal and informal expressions of patriarchy (Folbre, 1994; Goetz, 1997). Formal gendered institutions than can be interpreted as codified gendered social norms such as inheritance laws, property rights, or the fiscal system, with different effects for women and men. On the other hand, informal gendered institutions can be understood as the set of non-codified social norms and cultural practices that impact differently on men and women. This influence of informal gendered institutions leads to stereotype masculine and feminine agency, Bina Agarwal (1997: 1) has explained, by 'ascribing to women and men different abilities, attitudes, desires, personality traits, behaviour patterns, and so on'. This not only results in adaptive preferences (Sen, 1990), which are an internalization of gender inequalities in one's choices, but experimental research has indicated that gender stereotypes also lead to different self-evaluations, lowering women's self-esteem, motivation and confidence (Biernat et al., 1998; Shih et al., 2006). Hence, women's agency seems negatively affected by gendered rules, laws and rights – formal gendered institutions – on the one hand, and gendered social norms, cultural practices and beliefs – informal gendered institutions – on the other hand.

Given the limitations of working with a cross-country dataset, I employ a simplified model. In this model, variables express gender gaps rather than absolute values. Women's achievements are measured as gender gaps in achievements in health and decision making power. Resources are defined in terms of women's relative access to education (gender gaps in combined primary and secondary school enrolment rates) and to jobs (female share of the non-agricultural labour force). The two categories of institutions, formal and informal, each consist of three variables, which are taken from the online OECD-GID (Gender, Institutions and Development) database. The two models to be tested reflect the role of gendered institutions in the empowerment literature that gendered institutions not only affect women's and men's access to resources but also impact directly on women's achievements, through affecting their agency, irrespective of their access to resources. This feminist economic analysis of institutions challenges the mainstream view that when women are given access to resources, such as schooling or income, they will automatically achieve similar economic outcomes as men. The macro-level empirical analysis summarized here, indicates, that such a view of gender as an exogenous variable is too simplistic. Gender is not only a constraint on women's access to resources, but it also affects their economic behaviour – their agency, options, decision making power and strategies, which in turn perpetuate unequal gender relationships in households, markets and the economy as a whole.

The two resource variables that have been selected, are key variables in the women's empowerment literature: access to education and paid employment. They are measured as the gender gap in the combined primary and secondary school enrolment rate (FMedu) and the female share of the non-agricultural labour force (Fnalf). For outcomes, or achievements, the two variables selected are: female/male ratio in life expectancy (FMlife) and female decision making power (Fdec) in politics and the economy. The variables on gendered institutions lie between zero and one: the more asymmetric the institutions are, disadvantaging women, the closer the values are to one. Six variables were chosen from the thirteen gendered institutions in the GID data base. the variables were grouped into formal and informal institutions, each with three variables. Formal gendered institutions: (1) laws on parental authority (PA), defined as the extent to which parental authority is granted to the mother, both parents equally, or to the father; (2) laws on violence against women (VIO), with laws in three areas: on domestic violence, rape, and sexual harassment; (3) women's land rights (LR), defined as women's access to land ownership. Informal gendered institutions: (1) share of women marrying under 20 years old (EM), defined as the share of girls in the age group of 15-19 years old who are or have been married; (2) prevalence of FGM (FGM): share of women affected by female genital mutilation; (3) missing

women (MW), defined as the difference between the number of women that should be alive in a country, with gender equality, and the actual number of women.

The first step in the empirical analysis is the testing of the resource models for education and employment. The two models have independent variables RES_i, with i referring to women's relative access to education (FMedu) and their share in the non-agricultural labour force (Fnalf). The dependent variables are a constant, C, the three formal and three informal gendered institutions, referred to as FGI_j and $IFGI_k$, with ε as the error term:

$$RES_i = C + \beta_1 FGI_j + \beta_2 IFGI_k + \varepsilon \qquad (1)$$

The results in table 1 show that both variables have the expected negative sign and are statistically significant. The two resource models have two implications. First, the more asymmetric gender norms and practices are, the less is women's access to resources. This confirms the bi-variate results obtained by the initiators of the GID database, Christian Morrisson and Johannes Jütting (2005). Second, the model suggests that informal institutions are a slightly stronger constraint for women's access to education while formal institutions seem to be a bit more constraining for women's access to jobs. This, in turn, suggests that both formal and informal gendered institutions are serious constraints for women's economic position, each in their own way for particular resources, which in turn limits a country's economic development through limitations on women's human capital development.

Table 1. Resource Model with Aggregate Institutions

Independent variables	FMedu	Fnalf
FGI	-0.30***	-0.41***
	(-3.63)	(-5.44)
IFGI	-0.38***	-0.32***
	(-4.50)	(-4.17)
Constant	***	***
	(64.09)	(32.10)
Adjusted R^2	0.36***	0.42***
	(40.88)	(55.04)

N	142	153

Notes: Standardized coefficients (beta) with t-statistics
in brackets. Level of significance for t-statistics for
independent variables and for F-statistic for adjusted R^2:
= $p < 0.1$; ** = $p < 0.05$; *** = $p < 0.01$. Sources: GID.
Source: van Staveren, 2007b.

The models for women's achievements can be specified as follows:

$$ACH_l = C + \beta_3 FGI_j + \beta_4 IFGI_k + \beta_5 GDPln + \beta_6 GDPlnSQ + \beta_7 RES_i + \varepsilon \qquad (2)$$

Achievements (ACH_l) are measured as the female/male ratio in life expectancy and the average share of women as parliamentarians, administrative persons and managers, and professionals and technicians. GDPln and GDPlnSQ are control variables for level of development, also included as a squared variable in order to account for possible nonlinearity, since the sample includes both developing and developed countries. FMedu and Fnalf are the two resource variables RES_i, as before.

Table 2. Empowerment Model with Resources and Institutions

Independent variables	FMlife	Fdec
GDPln	3.12**	-0.60
	(2.56)	(-0.53)
GDPlnSQ	-3.02**	0.74
	(-2.50)	(0.66)
FGI	-0.10	-0.31***
	(-0.95)	(-3.09)
IFGI	-0.18*	-0.02)
	(-1.68)	(-0.20)
Fnalf	0.35***	0.26***
	(3.63)	(2.90)
FMedu	-0.16	0.06
	(-1.63)	(0.60)

Constant	***	
	(4.07)	(0.74)
Adjusted R^2	0.30***	0.42***
	(10.05)	(14.75)
N	128	127

Notes: Standardized coefficients (beta) with t-statistics in brackets.

Level of significance for t-statistics for independent variables and

for F-statistic for adjusted R^2; *= $p < 0.1$; ** = $p < 0.05$; *** = $p < 0.01$.

Sources: GID and World Development Indicators 2006. Empowerment

data for period 2003-2005.

Source: van Staveren, 2007b.

The results for the achievement models as presented in table 2 suggests quite varied relationships for women's empowerment. The achievement model for the gender gap in health, measured as the male/female ratio in life expectancy (FMlife), shows that the level of GDP per capita has the strongest impact. It is a positive impact for most countries (3.12), but negative for rich countries (-3.02), reflecting that men are catching up with women's life expectancy rate when countries get richer, with women following less healthy lifestyles, including through smoking and overweight, in richer countries (see for example on the US: Ezzati et al., 2008). Of the two resource variables, only one is statistically significant, women's access to employment, with a parameter value of 0.35. This suggests that women's own income improves their access to health care. Formal gendered institutions do not but informal institutions do have a small statistically significant negative impact on women's relative health (-0.18). This suggests that gender biased laws and regulations do not seem to affect women's health outcomes but that informal institutions, namely social norms and cultural practices do appear to affect health. One possible mechanism through which this may take place may be illustrated with a qualitative study on the effect of social norms on women's use of health care in Burkina Faso (Nikièma, Haddad and Potvin, 2008). The study found that a woman's use of health care does not depend on her having the money to pay for medicine or a hospital visit, but is conditional on the husbands' evaluation of her behaviour, in particular hard working and showing respect to him and his family. The men in the study also said to suspect their wives feigning illness as an excuse to get out of daily chores, a suspicion which constrained the permission men gave for their wives to seek health care. This is, of course, just an illustration of how the mechanism from informal gendered institutions may affect

women's empowerment. In general, though, the model seems to indicate that women's agency to achieve better health in developing countries seems constrained by the lack of an independent income as well as by social norms preventing women to seek healthcare.

The other achievement model, the model for women's decision making power, shows a different picture. Here, the level of economic development has no statistically significant impact, nor has women's education relative to men's. Women's relative access to jobs has a moderate positive and statistically significant impact on women's decision making power (0.26). This may be explained probably not so much by the income effect but by the social participation effect of non-agricultural jobs for women, an effect which is also important for taking up leadership positions in politics, administration, and management. Finally, when looking at the results for gendered institutions, we see that this time the parameter for the informal gendered institutions is small and not statistically significant, whereas the one for formal gendered institutions is negative, relatively large and statistically significant (-0.31). Hence, it is not so much social norms and cultural practices that constrain women's leadership roles but formal constraints to gender equality in politics and the labour market which form hurdles for women to break through the glass ceiling. In many developing countries, positions of power are inextricably connected to wealth and/or families, so that when property rights exclude or marginalize women, women will be disadvantaged when competing for leadership positions. An illustration of this connection is the observation that relatively many female presidents and prime ministers in Asia have achieved their position through their fathers or husbands, despite serious gender biases in these countries' institutions (Thompson and Derichs, 2005).

The overall picture from the two achievement models that emerges is threefold. First, the level of development has an important impact on women's achievements in health but not on political and economic decision making power, and the impact of the level of GDP per capita is reversed for developed countries. This suggests that the level of development as such is insufficient to explain women's empowerment, so that development policies should pay attention to the extent to which development implies opportunities for women. This is an indication that gender is more than just an exogenous variable in the development process. Second, depending on the type of achievement, sometimes formal institutions and other times informal institutions appear to be stronger constraints on women's empowerment. Third, the results point out that women's access to resources is important but not sufficient for women's empowerment. Gendered institutions seem to put a serious constraint on women's agency, which prevents them from turning their resources into wellbeing achievements. As a consequence, women's empowerment requires not only access to resources, but also the dismantling of formal and

informal gendered institutions. Such policies would not only help to increase the effectiveness of resources for women's empowerment, but would also have a direct positive effect on women's agency, for example through higher self-esteem or more mobility.

A general implication for policy makers that seems to emerge from the analysis is that shifting the attention from a rather exclusive concern with gender as an exogenous constraint on access to resources towards simultaneously removing gendered institutions as an endogenous influence on women's economic position would make gender policy and economic development more effective.

5. Poverty Reduction Strategy Papers

PRSPs are a major macroeconomic policy instrument for developing countries and required by World Bank and IMF as a condition for loans. The macroeconomic framework of PRSPs however, is not a neutral set of macroeconomic policies but embedded precisely in a wider, neoliberal policy environment supported by the Washington Consensus – referred to as the 'Unholy Trinity' of the IMF, World Bank and WTO, by Peet (2003). It is this PRSP framework of growth, stability, external and internal balance, that constitutes one of the most explicit formulations of this consensus (see also Cammack, 2004), while being complemented by social safety nets as supplementary social policies, as Craig and Porter (2003) have recognized. "PRSPs, we argue, are best seen as part of a 'Third Way' re-morphing of neoliberal approaches, a new convergence in which governments and agencies of various stripes in both liberal OECD and developing countries are focusing on optimizing economic, juridical and social governance in order to create ideal conditions for international finance and investment" (Craig and Porter, 2003: 54). So, while the macroeconomic framework of PRSPs can be regarded as the most concrete manifestation of neoliberal policies, I will argue that the resistance of gender mainstreaming of such policies is part and parcel of this framework, for each of its core elements, leaving gender to the social policies – the equity side – of PRSPs (van Staveren, 2008).

5.1 Domestic Price Stability and Exchange Rate Policy
A major core element of the PRSP macroeconomic framework is domestic price stability. This is a policy area with inherent contradictions, which clearly have gender dimensions. The stabilization of the internal price level, aimed at limiting inflation, often makes use of contractionary monetary policy and a high interest rate. However, this will raise problems for holders of debt, and may lead to bankruptcies of, in particular, small and medium scaled

enterprises, as happened as a consequence of IMF advised high interest rate policies after the Asian financial crisis (Stiglitz, 2002). In many countries in Africa and Asia, women are the majority of micro and small scale entrepreneurs, and are therefore very vulnerable to such contractionary monetary policy. Moreover, deflationary policies tend to go hand in hand with increasing female unemployment rates, at higher levels and higher rates of increase than for men, in developing countries as well as in transition economies (UNRISD, 2005). Also, deflationary policies prevent governments from dealing effectively with recessions due to the high cost of borrowing (Elson and Çaĝatay, 2000), which induces a substitution effect from paid to unpaid work, largely carried out by women. These gender effects of stabilization policies reflect the biased emphasis of deflationary policies on security for global investors vis-à-vis workers, small scale entrepreneurs, and those responsible for meeting household needs.

The macroeconomic framework also often involves exchange rate devaluation. A currency devaluation will benefit export earnings and employment, including women's employment. But, at the same time, imports will become more expensive, so that devaluation can put pressure on basic household expenditures, such as food or agricultural inputs, which, depending on the gender division of labour in households, may hit women harder than men (Warner and Campbell, 2000). In short, whereas exchange rate devaluation may help to expand women's low-wage export employment, but make imports more expensive, the emphasis on internal price stability tends to have negative feedback effects on women's wage employment, survival of small businesses, and support from public services.

5.2 External Balance

Another core element is concerned with external balance, often implying the promotion of exports, import tariff reductions, and inviting foreign capital. Export promotion policies tend to increase female employment in labour-intensive manufacturing. While this is a positive effect for women's labour market opportunities, the quality of jobs tends to be low, while labour standards in export production come under increasing pressure of the unequal bargaining power between globally mobile capital and relatively immobile labour (Palley, 2004). This, in turn, together with the increased competition from imports, leads to an increasing flexibilization of jobs, particularly for women who work at the lower end of global production systems (Standing, 1999). In agriculture, the incentive is to shift away from food crops to cash crop production. But this shift may not be very effective, precisely due to the gender division of labour combined with male control of cash. When women's role as food provider for households is ignored in export promotion policies, the supply response to such policies will be limited and the distribution of

benefits within the household will be gender-biased. In conclusion, the external balance policies of PRSPs ignore negative impacts on women through informalization and flexibilization on the one hand and increased unpaid workloads on the other hand. Moreover, such policies tend to ignore negative feedback effects for the external position in the long run through lock-in effects in low road development.

5.3 Internal Balance

A third core element of the PRSP macroeconomic framework concerns internal balance – the reduction or even elimination of a budget deficit. The contractionary policies aimed at reducing the budget deficit are likely to hurt those groups in society that are most dependent upon redistributive policies through public expenditures, including women, given their gender role as carers (Elson and Çaĝatay, 2000). Moreover, women already tend to be disadvantaged by gender biases in public expenditures, as gender audits of government budgets have shown (Norton and Elson, 2002). Hence, budget cuts tend to re-inforce the male bias in public expenditures. Indeed, a recent UNRISD (2005) study has shown that fiscal restraint tends to be paralleled by a reduction in social expenditures, which, in turn, tends to shift the responsibility for meeting social needs to women's unpaid workload. Ertürk and Çaĝatay (1995) have shown in a business cycle model for Turkey how women's unpaid work may indeed substitute for lost household income during downturns in the business cycle, suggesting that anti-cyclical fiscal policy may help to keep social expenditures up and prevent a shift of social services provisioning to women's unpaid work time.

Contrary to an over-concern with internal balance, an increase in social expenditures, including investment in women's health, education, and employment, in order to reduce gender gaps as targeted in the Millennium Development Goals, is likely to crowd-in women's human resources investment, labour force participation, and productivity (Krug and van Staveren, 2002).

The above analysis of how gender is ignored in the macroeconomic framework of PRSPs shows that gender is not regarded as a relevant variable – not as enabling nor as constraining – for the core set of macroeconomic policies. The only place where we do find serious attention to gender in PRSPs is outside the macroeconomic framework, in the social policy sections. The macroeconomic framework ignores that gender equality often is a precondition for poverty reduction: more low-wage jobs increase women's employment but when these are increasingly flexible and informal sub-contracting jobs attracted by low female wages, such jobs will hardly contribute to poverty reduction; liberalization policies may eliminate market distortions, but those

distortions that have their roots in discriminatory attitudes at the supply or demand side of markets can only be eliminated by more, not less, state regulation and enforcement; reductions in public expenditures may attract more foreign capital but conflicts with the need to invest in order to meet the Millennium Development Goals by the year 2015, including the elimination of gender gaps as stated in the third MDG goal.

In conclusion, the resistance of the macroeconomic framework to gender mainstreaming is not only constraining the likeliness of reducing women's poverty but also limiting the effectiveness of PRSPs to increase growth and to move a country up the high road of development. In other words, ignoring the endogeneity of gender in the economy negatively affects the effectiveness of PRSPs, so that gender blindness, in fact, becomes an additional reason why "the macroeconomic frameworks as currently designed do not really support economic growth and poverty reduction in a direct, clear way" (Gottschalk, 2005: 440).

6. Gender inequality and global finance

The gender dimensions in finance occur at all levels: the micro level (including the intra-household level), the meso level (industry, banking, government institutions, taxation), and the macro level, nationally as well as globally (global markets and the role of global level institutions such as the World Trade Organisation (WTO), the World Bank and IMF). This section will discuss three gender biases of global finance (van Staveren, 2002): (1) the under-representation of women in financial decision making; (2) increased gender gaps in the economic positions of women and men; (3) gender-based instability of financial markets.

6.1 Undemocratic: Under-Representation of Women

Women are hardly represented among the main decision makers in financial markets and institutions, which makes women's issues even more invisible in the decision making processes on government lending, investment rules, and private sector financial activities. Decisions on World Bank loans and IMF credit are taken by the boards of these institutions, governing bodies that are strongly male dominated (in World Bank less than 10 % of Executive Directors and Senior Officers are female). The G-7 countries have performed over the course of the 1990s the role of the world's lender of last resort, together with World Bank and IMF. G-7 decision making can hardly be regarded as democratic, and certainly not as gender balanced. WTO is almost exclusively a male forum. Decisions on FDI taken in the board rooms of transnational companies, which are largely though not exclusively, headed by men. And last but not least, financial traders

are largely men – whereas an increasing share of women can be found in financial services in lower end jobs, the typical financial whizz-kid positions of trading in anonymous financial markets are largely taken up by men. The consequences of these abstract financial decisions are born by women and men as producers, consumers, borrowers, employees, tax payers, users of public services, and home and community care providers.

A more equal representation of men and women in the boards of international financial institutions, national financial institutions, and national and trans-national private corporations, would make financial decision making more democratic from a gender perspective. It is likely that a more equal gender balance in decision making on financial governance will represent both men's as well as women's experiences with financial markets and policies and hence prevent the large opportunity costs that women now experience in the realm of global finance. However, consciousness about gender inequalities and interests do not necessarily coincide for elite women and poor women. So, representation of women in boards of financial institutions is a necessary but insufficient condition for gender-aware decision making. Financial decision making should also take poor women's views into account, as stakeholders in the world of finance, for example by consulting women's NGO's. Only then a more balanced gender distribution in financial decision making – in numbers of men and women as well as in terms of a less dominant masculine management culture – would begin to impact positively on the distribution of the positive and negative effects of financial policies over men and women.

6.2 Inequitable: Increased Gender Gaps

Globalization of finance has had advantages for women: it has increased competition, and hence the supply of credit, to diversified target groups; through this process women have gained more access to credit, although not equally in the formal and informal sectors. Secondly, in some countries it has become easier for women to access foreign exchange markets, for example to receive remittances from partners or relatives abroad, or to send home remittances to family. However, the few studies that have looked into gender effects of finance are not very optimistic about the globalisation gains for women.

Financial markets are clearly no homogeneous markets and in that respect they are not different from goods markets or labour markets. Like other markets, financial markets are characterised by segmentation, involving distortions and transaction costs (Yotopoulos and Floro, 1992). Most texts on distortions in financial markets completely ignore the gender dimension, but there are a few exceptions. In particular Baden (1996) has distinguished a variety of gender-based distortions in credit markets. These distortions are perceived as transaction costs by the supply

side (credit institutions) as well as by the demand side (individual female borrowers as compared with male borrowers), limiting the net gains from financial

Table 3: Gender-Based Distortions in Financial Markets

Type of gender-based distortion:	Transaction costs for credit institution:	Transaction costs for female borrowers:
Information constraint	Women are perceived as risky, not creditworthy enough; information gathering might go through an intermediary (husband)	Women have lower literacy rates, and are less mobile, which results in low access to financial market information
Negotiation constraint	Women have less experience in taking formal credit, which requires more time from bank personnel	Women may need husband's permission; have higher opportunity costs to travel to a bank; women may face discriminatory attitude by bank personnel
Monitoring constraint	Women's economic activities may be more difficult to monitor since they are often in different and smaller scale sectors than men's activities that are financed through credit	Women may find it difficult to control their loans in the household when other family members (particularly men) find it in their right to exercise control over this money
Enforcement constraint	Women often lack formal property rights, which makes it difficult for creditors to claim a collateral when a loan is not repaid	Women may be more susceptible to pressure, intimidation, or violence from creditors or their agents; women may lose control over their loans in the household while still being responsible for repayment.

transactions with women and making financial services for women less accessible and more expensive. The source of the distortions is often not real but irrational, based on a gender ideology that assumes women to be less capable of economic success than men. Just like gender biases in labour markets (masculine and feminine sectors and jobs) and land markets (absent or limited land property rights for women) lead to segmentation to the disadvantage of women, segmentation of financial markets according to gender creates disadvantages for women. At the same time, segmentation creates inefficiencies in resource allocation, an issue that will be discussed later on. From Table 3 it becomes clear how gender biases in society at large (like the prejudice that "women are less able to make investments profitable" for example) operate in financial markets and make them gender biased. Apart from transaction costs, some gender distortions lead to costs that are part of the service itself, like administration costs rather than transaction costs that occur outside the exchange. Because of less property and lower earnings of women, and because of their responsibility for household livelihood, women tend to save smaller amounts as well as to save and borrow more regularly compared with men. Women therefore need flexibility in saving and credit. However, credit institutions are not always prepared to provide this flexibility because of the corresponding administration costs.

Moreover, the almost universal norm of the male breadwinner and head of household has benefited men's property rights within households (Francine Blau, Marianne Ferber, and Anne Winkler, 1992; Naila Kabeer, 1994; Bina Agarwal, 1994). Women's property rights are often assumed to be included in household rights that are, in turn, often secured in the name of the (male) household head. In some countries, inheritance laws allocate less property to female heirs compared to male heirs, whereas widows are sometimes bereft of all the common property they shared with their husband, by the family-in-law. Women's limited possession of property and their constrained property rights limit their access to financial markets. This may lead to a lack of effective demand for credit by women, and may also discourage the accumulation of savings by women.

Furthermore, there exists gendered segmentation in financial markets. Vertical gender segmentation in financial markets runs along the line of scale: small loans tend to be demanded more often by women, larger loans more by men. Horizontal gender segmentation in financial markets is expressed by the fact that most female lenders lend to women, while most women

borrowers borrow from credit institutions that have special programmes for women, or that exclusively target female borrowers, or informally within women's groups. Because of the gendered transaction costs referred to in Table 3 above, credit institutions show adverse selection in their behaviour: they select borrowers on the basis of their gender. This leads to the crowding in of female borrowers into a limited range of credit supply, which drives interest rates up in this sub-credit market. Or, in other words, excess demand for credit leads credit institutions to use quantity rather than price rationing to allocate funds (Yotopoulos and Sagrario Floro, 1992: 304), which in a context of gender segmentation of credit markets, leads them to exclude women and women's activities (like home-base production) from their portfolios (Baden, 1996). Gender segmentation in the division of labour thus reinforces gender segmentation in financial markets, indicating the relatedness of gendered institutions throughout the economy, with various feedback effects.

Discriminatory views held by credit institutions' personnel that women would be risky borrowers, that they would be less skilled entrepreneurs then men, and hence, less profitable, or that they would spend borrowed money on consumption without being able to repay, is a significant constraint on women's interactions in financial markets. Reality is different however. First, women tend to have high repayment rates, which defeats the prejudice against female borrowers: repayment rates of credit programmes that exclusively or in majority lend to women are around 97% (Women's World Banking, 1996, see footnote 12). Second, when women borrow for consumption purposes it is often to overcome short term liquidity problems that they can solve by long run cash flows, not endangering repayment (Baden, 1996).

At the macro level, gendered institutions impact on financial markets as a whole: through the savings rate, interest rate, and investments. As Baden (1996) concludes from the literature that she reviewed, the globalisation of financial markets through liberalisation has not succeeded in substantially raising savings rates. Investments have increased in some developing countries, depending on the inflow of FDI and World Bank loans and IMF credits, but not enough. Liberalised interest rates have moved in the direction of international market rates, but nevertheless they have not been able to generate effective and efficient financial markets in many developing countries. Aghion, Caroli, and Garcia-Penalosa (1999: 1621) conclude from a review of inequality and global markets that: "(a) inequality reduces investment opportunities (b) inequality worsens borrower's incentives (…)". As an elaboration of this argument, the point can be made that gender inequality in financial markets reduces investment opportunities even further since it constrains women to invest and it worsens borrower's incentives since it discriminates against female borrowers. So, gender inequality is likely to contribute to aggregate low savings

rates, low investment rates, and distorted interest rates. Hence, also at the macro level, gender appears to be an endogenous variable, affecting monetary variables.

6.3 Unstable: Gender-Based Instability in Financial Markets

The lack of democracy in financial governance and the inequities that financial markets create are not only problematic in themselves but have also an impact on the stability of financial markets (Aghion, Caroli, and Garcia-Penalosa, 1999: 1628). The annual volume of foreign exchange transactions is about fifty times the volume of international trade in goods and services. The Asian financial crisis created reductions in the monetized real economy of over 10% of GDP, whereas the 2008 financial crisis led to lower but still significant reductions in GDP in the developed world. The instability that occurs along with these changes are increasingly perceived by some economists as having endogenous roots, rather than as occurring from outside shocks as is the common wisdom in mainstream economics. Endogenous causes of market instability are inherent in the structure of financial markets and financial institutions.

The burden of excessive financial risk is, however, not only shifted to tax payers and the public sector, but also to another part of the economy that is invisibly and silently called in at a crisis to balance the losses of financial markets: the care economy. Here, there is a need to include a gender perspective in the analysis. The shift of the burden of excessive risk by financial market actors incurring debts to finance increasingly risky investments and speculative transactions, is almost exclusively a male strategy. As I have argued above, the decision making positions in the world of finance are held by men, transactions with larger amounts of money are mainly done by men, and speculation is mainly a male activity. This is important to note because the persons to whom the burden of risk is shifted are predominantly female, and hence, the mechanism underlying the extent and impact of recent financial crises is highly gender biased. The burden of excessive risk that is shifted to the state not only concerns taxpayers but more importantly the burden is shifted to the users of public services, since, in most developing countries, government budget deficits are approached through budget cuts rather than through (politically often infeasible) increases in tax revenue. Because of a gender division of labour in most economies in North and South, women are made responsible for household food security, family health care and securing household supplies such as energy for cooking and safe drinking water. Cuts in the health budget, or in budgets concerning the provision of clean drinking water in poor urban districts and far away villages, and the abolishment of food subsidy to the urban poor or of input subsidies to food farmers (who in sub-Saharan Africa are in majority female), affect women more than men; in addition, cuts in educational budgets do not help to reduce the school

enrolment gap between boys and girls, as studies on the effects of Structural Adjustment Programmes in Africa, Latin-America and Asia have shown (see, for example, Diane Elson, 1998).

Yet, this is not the main gender bias of the shift of the burden of excessive risk in global finance. Apart from a shift of the burden to states, there is a parallel shift of the burden of excessive risk to the non-monetized sector of the economy, or the care economy, which mainly functions on the basis of female unpaid labour. States, in North and South, and through states the taxpayer and receiver of public services is one sector of the economy to which excessive risk burdens are shifted, burdens that have been quantified above as lying between 4 and 9 percent of GDP. The care economy is another sector that incurs the costs of balancing financial instability, although in non-monetised terms. UNDP (1995) has quantified the market value of labour in the care economy around 50% of GDP, the majority of which is female labour. Lack of research on the relations between the monetised (real and financial) and non-monetised economy makes it impossible to make a reasonable estimation of the costs from financial market cycles shifted to female unpaid labour. An increasing number of case studies however, point out that increases in women's unpaid labour time are significant in periods of crisis in the developing world (Caroline Moser, 1989; Isabella Bakker, 1994; Pamela Sparr, 1994; Diane Elson, 1995; UNDP, 1995). In fact, the burden of shifting excessive risks from financial markets to the care economy might be captured in two ways.

First, production in the care economy can act as substitute production for public services that have either been cut or have been made too expensive by governments seeking ways to reduce their budget deficit through cost recovery measures (Diane Elson, 1998). This substitution effect prevents that the effect of a financial crisis on the real economy leads to an unacceptable fall in wellbeing at the household level. The types of public services that are substituted by female unpaid labour in times of crisis are health care (home care of the sick rather than hospitalisation); home made medicine rather than market bought medicine; a reduction in doctor visits), education (children are used for household labour rather than send to school), and public utilities (electricity is substituted for firewood, kerosine, or cow dung, whereas clean drinking water is substituted for unhygienic sources of water). This substitution of public services for services in the care economy helps the government to reduce its fiscal deficit and enables households to continue consumption, although at lower quality levels, without increasing monetary expenditure.

Second, production in the care economy can act as a substitute for production for the market. This can be analysed as savings but can also be regarded as production, albeit non-

monetized. The motivation is then not to save on household expenditures, but to reduce risks attached to production for the global market. Particularly in developing countries, exports are vulnerable for world market price instability, since most developing countries have a relatively homogenous export package. Moreover, in the agricultural sector, export crop varieties tend to be more vulnerable to climatic circumstances and crop diseases than indigenous crops. Hence, in a situation of economic crisis, and given the risk averseness of the poor who have no social security ensured by the state, it is rational for female producers to shift part of market production back to subsistence production, or at least to production for local markets rather than for the high-risk world market. Moreover, even when women, like female farmers in sub-Saharan Africa, are prepared to take the risk on world market production, they are unlikely to do so because of gender distortions. This is because women face another risk that prevents them to benefit from production for the global market, which is a lack of control over the receipts of such production in the household (World Bank 1999).

7. Summary and Conclusions

The emphasis of this chapter has been on demonstrating, with results from empirical research in feminist macroeconomics, that gender is endogenous to the economic process, and that inequality in gender relations often has a negative effect on economic (and economic policy) outcomes. What is important to emphasize here, is that gender is not only a micro-level variable, but also an important macro-level variable and perspective. Just like, for example, inequality as measured by the Gini-coefficient is a macro variable featuring in some growth equation, the gender wage gap is a macro variable explaining growth differences between labour-intensive export economies on the one hand, and capital intensive or less export oriented economies on the other hand.

As a recapitulation, let me briefly sketch the main theoretical paths through which these gendered economic processes occur. A first mechanism is through a gendered response to uncertainty. Whereas a liquidity preference is generally seen as the major household response to uncertainty, such as unemployment, a substitution of market demand for consumer goods by self-production through unpaid work is often overlooked as another response. When this response is combined with the additional worker effect, often through additional hours of female labour supplied, these responses may actually aggravate a crisis, by reducing aggregate demand and increasing unemployment. A second mechanism is through the interconnectedness of aggregate supply and demand in the household, through the multiple roles that household members play, differentiated through the gender division of labour: consumer, paid worker, unpaid worker,

entrepreneur, saver, investor, tax payer, and receiver of public services. This may result, for example, in different propensities to consume and save for men and women, even at the same level of income. In turn, such gendered economic roles in the household may also lead to gendered patterns of expectations, which may result in different levels if risk-taking by men and women, and possible shifting of risks from males to females in the shape of additional paid and unpaid female labour time during downturns. A third mechanism is through asymmetric institutions, which work out differently for men and women, or even benefit the one group to the disadvantage of the other group. This mechanism runs largely parallel to that of class, with the important addition that gendered institutions not only differentiate between households but also within households. If for wage earners, the propensity to consume is higher than for capital earners (and the proportion of imported goods lower), a well known implication may be that economic stimulus packages would be more effective by stimulating wage income rather than capital income. In analogy, aggregate demand may be stimulated more effectively by expanding employment for women and/or increasing women's wages relative to men's wages.

In conclusion, gender has clear economic dimensions, affecting economic variables, decisions, constraints, opportunities, and outcomes. Therefore, treating gender as only an impact variable relevant from a social perspective – are women affected differently, and perhaps more negatively, than men by a particular economic policy? – is an important question but a far too limited way to treat gender in economics. Good economic analysis also includes questions on how social inequalities, such as gender, affect micro and macro economic behaviour, variables, relationships and policy effectiveness. New economic thinking can only emerge when it builds on inclusive economic thinking, which implies a far deeper understanding of how gender affects economic processes. This requires a move well beyond neoclassical economics into pluralist and contextualized economic analysis. This chapter ahs argued that such analysis is not only possible at the micro level but even at the macro level, so that positive and negative relationships between gender inequalities on the one hand and inefficiency on the other hand are taken into account in the study of trade, fiscal and monetary policy, financial crises, and growth strategies.

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