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**Economic perspectives from the global south and why they matter for economics worldwide<sup>1</sup>**

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## 1 Introduction<sup>1</sup>

The appointment in 2019 of Gita Gopinath as Chief Economist of the IMF is a milestone. She was born in India, in the state of West-Bengal – the same state where Amartya Sen was born. And she is the first woman in this position. Her appointment means that the chief economists of the world's three most influential international economic institutions – IMF, World Bank, and OECD<sup>2</sup> – are currently all women.

Equally striking, but generally less noticed, is that more economists from the global south are appointed at top positions of important international economic policy institutions. One of Gopinath's predecessors was Raghuram Rajan, the first in this position who was born in India<sup>3</sup>. He became well known for his speech at the annual gathering of central bankers in Jackson Hole in the US in 2005. There he warned of the increasing instability of the global financial system. Equally well known is the dismissive response he received from the central bankers.

These appointments signal two things about the field of economics today. First, that finally some demographic diversity is beginning to emerge, both in terms of gender and of geographic origin. I use the terms global north and global south recognizing that they overlap in the sense that we find poverty and social exclusion in the global north and elites in the global south. Second, that even though the top in the economics discipline largely remains male and white, it is in the policy world that diversity is now seriously making headway. Of all the Nobel Prizes in economics, only two have been awarded to a woman – Elinor Ostrom and Esther Duflo – and three to economists from the global south – Arthur Lewis, Amartya Sen and Abhijit Bannerjee. But in the policy world, the increasing complexity of the global economy has recently been paralleled by diversity among those responsible for policy research and policy making. Is this diversity limited to gender and geography, or does it also imply epistemic diversity, that is, pluralist economic perspectives? Is the diversity a trend or a coincidence? Or perhaps sheer necessity?

Ashby's Law of Requisite Variety in cybernetics suggests that it is a necessity: great variety can only be managed with the same or greater variety<sup>4</sup>. This implies that economic policy in today's globalized economy requires epistemic diversity, that is, pluralism in types of knowledge.

This, obviously, does not mean that all policy-economists from the global south use or should use different economic perspectives

than the orthodoxy. The responsibility for making our discipline less mainstream should not be placed entirely on the global south. But, the need for diversity in economics as a discipline and in economic policy making implies that a plurality of knowledge reflects different economic experiences than those dominant in the global north. It is precisely in real-world oriented research – empirical, policy relevant, and concerned with the wellbeing of the disadvantaged – where economists from the global south have gained significant influence over the past few decades. In this talk, I will briefly review the epistemic importance of the contributions of some outstanding real-world economists from the global south. I do not always agree with them, but that is not the point<sup>5</sup>. In the contributions of their research the experiences of developing economies in the context of imposed colonial borders, an exploitation-oriented economic structure, coupled with policy conditionalities based on the neoliberal Washington Consensus, are clearly reflected. The contrast with white male economists of the past – and sometimes still of today – can hardly be bigger. Edward Said (1978), a Palestinian professor of literature, remarked about John Stuart Mill, in his famous book *Orientalism*, that Mill's liberal view was limited to the global north, or even more limited, to the Anglo-Saxon world of his days. He was, after all, most of his life employed by the East India Company, concerned with the most efficient way of resource-extraction for the benefit of Great Britain.

Over the past few decades economics has been enriched, and thereby has progressed, through standpoints from the global south that recognize the historical and today's structural inequalities in the world economy. Standpoints that do not take the colonial legacy and slavery for granted and neither the current dominance of the global north - which includes elites in developing countries, whose interests are often aligned with those in the global north - in trade agreements, global value chains, and macroeconomic policy conditionality.

## **2 Standpoint theory and the global south**

In the philosophy of science, standpoint theory is an epistemology that starts from the position that scientists cannot take a view from nowhere. Researchers, teachers, and students alike are positioned in the world, and hence our theorizing, modelling, data collection and data analysis are positioned. We inevitably have a view from somewhere, as Amartya Sen (1993) has argued. Therefore, our

objectivity is always a positional objectivity. And with it may come views of people and nations in the global south as “others”<sup>6</sup>. Such representation often implies positional superiority, as Said (1978, p. 7) has remarked sharply. Standpoint theory criticises the denial of one’s positionality. Not only because it is unscientific but also because such denial often includes a position of economic superiority – of the global north over the global south, of men’s views over women’s views, or of elites over the poor. Moreover, standpoint theory develops a critique of positions of economic superiority, as feminist philosopher Sandra Harding has argued (1986, 1995). A case in point is the shared critique by feminists and scholars from the global south of the policy conditionalities by the World Bank and the IMF in structural adjustment programmes imposed on indebted developing countries since in the 1980s.

Harding (1986) also argues that the acknowledgement of one’s standpoint is an epistemological strength rather than a weakness. Because it enables the recognition of a plurality, and sometimes a contradiction of, standpoints in a scientific discourse. And this, in turn, provides the space for marginalized points of view in an otherwise mainstream scientific discourse. So, in the words of Wade Hands (2001, p. 263), a philosopher of economics, standpoint theory “... claims that particular standpoints may – in certain contexts, and relative to a specific class of questions – have a significant perspectival advantage over other standpoints.” Harding argues that marginalized points of view, whether from women, ethnic minorities or postcolonial communities, are often better fit to criticize the underlying beliefs and assumptions of a discourse than privileged points of view, because they speak from ignored or repressed positions. Moreover, they may contribute new insights informed by their experiences and contexts and reflections about these.

Of course, also in the global north we have many critics of mainstream economics from a standpoint of marginalized groups in the economy – myself included. This epistemological perspective follows the advice given by Adam Smith (1759), that we also should take the others’ perspective into account, indeed, to stand in the other’s shoes, as he phrased it in his *Theory of Moral Sentiments*, the book that laid the foundation for his *Inquiry into the Nature and Causes of the Wealth of Nations*<sup>7</sup>. I highly value the critical voices from within economics in the global north and I have learned much from them, in particular when I was a PhD student. But I gradually realized that much of the critique of mainstream economics was theoretical and methodological and just that. It did not provide much of

alternative theories, nor was it seriously built on the legacies of other schools of thought<sup>8</sup>.

This is where a postcolonial perspective on science becomes relevant as a standpoint. It shares the fundamental critique of mainstream economics, with institutional economics, Marxist economics, Post Keynesian economics, and feminist economics (Charusheela, 1993; Danby, 1993). Postcolonialism implies reliance on knowledge from the global south that is problem-oriented, highly contextual and taking the lived experiences and views of those living in poverty, seriously. However, the dominant approach in mainstream development economics does the opposite<sup>9</sup>. It still follows the Enlightenment ideals of modern science as purely rational, detached, and formalized (Escobar, 2011).

An example is the popularity of randomized controlled trials – RCTs for short – as a research method to assess the effectiveness of poverty reduction policies in developing countries. The champions of this shift to RCTs are 2019 Nobel Prize winners Esther Duflo and Abhijit Banerjee (2011)<sup>10</sup>. Development economist and Nobel Prize winner Angus Deaton (2010; and with Nancy Cartwright, 2018) has published two devastating critiques of their approach, pointing out the methodological flaws and policy irrelevance of many RCTs. The ostensible promise of RCTs, mimicking drug trials in health research, is that they are objective and the most effective way to establish causality, by comparing a treated group with a non-treated group. Even the terminology is copy-pasted from medical research. But the problems with such context-free research are serious and were discovered already in 1926 when a researcher, calling himself “student” and working for Guinness, tested various types of barley in search for the one with the highest yield per hectare for the dark Irish beer (Student, 1926 [1942]). Comparing RCTs with the method of stratified blocking of fields, ‘student’ soon discovered that the second method, taking differences in soil fertility of plots of land into account, gave more reliable results about crop productivity than the RCT method. The Irish beer brewer was very pleased with student’s discovery and henceforth relied on stratified sampling in its search for the best varieties of barley.

Nevertheless, RCTs became the standard in drug trials and are now labelled by Duflo and Banerjee as “the golden standard” for development policy research. The critiques voiced by Deaton and others challenge the scientific claims behind this label, because RCTs assume a position from nowhere and confuse this with objectivity. What are the critiques of RCTs in more detail?<sup>11</sup>

- They treat the complexity of poverty and inequality on a case-by-case basis as if they are isolated and random occurrences of bad luck.
- They are ostensibly not only context-free but also theory-free. As a consequence, they are not concerned with the underlying mechanisms of poverty or local knowledge in indigenous knowledge systems (Odora Hoppers, 2011).
- They are costly and the results tend to be either very small scale and not replicable to other contexts, or so obvious that the method rather seems a waste of money. Take for example a study among 19,000 Chinese school children asking whether wearing a pair of glasses improves school effectiveness for far-sighted children (Glewwe, Park and Zhao, 2016)<sup>12</sup>. Not surprisingly, the researchers found that indeed a pair of glasses improved the performance of the 10,000 children who were provided with glasses as compared to their classmates who were also tested positively as being farsighted but who were not allowed to wear glasses for a whole schoolyear. Apart from the ethical issues of such an experiment, the learning outcomes could have improved for all 19,000 farsighted children if the money spent on the experiment was instead disbursed on low-budget eyeglasses for all 19,000 schoolchildren.
- The RCT analysis is limited to a comparison of the *average* results for the two groups and ignores the distribution of the results.
- A final problem, relates to the finding by 'student' almost a century ago: the assumption of a standard error of zero. This assumes that the two groups are completely random. Even in medicine, in a lab environment, this is not always the case. Let alone in the messiness of people's actual daily behaviour in the real world where trials are not blind – let alone double-blind as is the standard protocol for drug tests. The Chinese glasses study illustrates this. It was found out later that parents were more likely to opt for eyeglasses when a son was tested as farsighted than when a daughter was tested as such. Moreover, richer parents pushed their schools to participate in the treated group so that there is a selection bias in favour of schools with relatively rich parents (Glewwe, Park and Zhao, 2016).

What we learn from the problems with RCTs in development economics is that from a standpoint theory perspective, empirical research should be contextual, sensitive to power relations, aware of the privileged position of the researcher, and take into account hidden mechanisms of legitimization and social exclusion that perpetuate poverty and inequality. But the necessary context-specificity for meaningful poverty research should not be limited to the local or even national context. Also, the global context can be relevant. In particular recognizing that low incomes and economic instability and vulnerability are not unrelated to a developing country's dependence on outsourced industrial employment, the net flow of capital from south to north, agricultural market protection of Europe and North America, and the power disbalance in favour of northern countries in international institutions. Hence, real-world development economic research requires an awareness that the issues studied in developing countries are partly created and sustained by unequal macroeconomic relationships as well as by an unequal political economy of knowledge generation dominated by the global north.

### **3 Standpoint theory in development economics**

The final contribution in an edited volume by Sandra Harding on standpoint theory and race, is a set of proposals for a serious change of modern science by the Third World Network<sup>13</sup>. This contribution starts from a recognition that modern science is in crisis and that its harm done is clearly visible in developing countries, where it has damaged traditional cultures and vulnerable natural environments. Moreover, “[i]t has also replaced a way of knowing, which is multi-dimensional and based on synthesis, in Third World societies, with a linear, clinical, inhuman and rationalist mode of thought” (Third World Network 1993: 485). An example of a south-based epistemology is Ubuntu, a worldview shared across sub-Saharan Africa.<sup>14</sup> The fact that today, RCTs are believed by many development economists and policy makers to be the golden standard, confirms the view of the Third World Network. It demonstrates that what they observed more than twenty years ago is still continuing in modern science. This critique of development economics leads the authors of the Third World Network<sup>15</sup> to conclude that developing countries

should be delinking from the dominant type of development economic thinking.

This sounds perhaps radical or utopian in today's reality of more rather than less dispersion of mainstream economics into economic education and development discourse in the global south. However, some economists have taken up the challenge and have embarked upon a project of rethinking economics from a postcolonial perspective. A key reading is the book *Postcolonialism meets Economics* edited by Eiman Zein-Elabdin and Charusheela (2004) in which economics is criticised for upholding a narrative of development as a reflection of modern European values and aspirations. Similarly, mainstream economics is understood as a modernist project, reflecting ideals of formalization and relying on Cartesian dichotomies such as exogenous versus endogenous, rational versus emotional, male versus female, and objective versus subjective<sup>16</sup>. Of course, not all critical development economists explicitly use a postcolonial framework of analysis. But, interestingly, various key ideas reflect alternatives to the modernist worldview of mainstream development economics. Before delving into two south-based theories, I would like to mention briefly three well-known economists from the global south who challenge mainstream economics from the recognition of the unequal positioning of the global south in the world economy: Ha-Joon Chang, Dani Rodrik, and Amartya Sen.

Chang's (2002) economic history approach to trade policy revealed that the northern-driven free trade agenda since the 1990s is the mirror-image of the protectionism that helped these same countries to become rich in the first place. He has demonstrated that the very institutions that helped European countries to grow – industrial policy, state-owned companies, high import tariffs, capital controls, income redistribution, and free education – have been denied to developing countries as soon as they wanted to climb the same ladder. This results in the perverse situation today that many low-income countries are more globalized than countries in the global north<sup>17</sup>. If we measure the extent of globalization of a country as the sum of their imports and exports divided by their GDP, their greater vulnerability to the volatilities of globalization becomes clear. For example, in 2017, Vietnam had a trade ratio of 200%, Congo 159%, and Dominica 114%. To compare: the trade ratio of the Netherlands is 161%, Germany 87%, and the UK 62%. Ha-Joon Chang (2007) therefore puts the finger on the right spot: it is the global north determining the global policy space and direction to its own



advantage after having benefitted from trade protection when it was developing its own global competitiveness.

The well-known Turkish political economist, Dani Rodrik (2011), is renowned for his trilemma about globalization which he has called “pick two any two”. It is a picture of a triangle: in the three corners hyper-globalization, national sovereignty, and democratic policies. His policy message is that as soon as a developing country goes for more globalization it has to sacrifice either democratic policies or the sovereignty of its nation state. All three are not possible because a high level of trade openness, openness to foreign portfolio capital seeking high returns on investment, and openness to direct foreign investments by outsourcing multinational companies, implies an economic policy package that compromises a country’s sovereignty or its democracy. This policy package, which Rodrik labels the golden straightjacket, requires dancing to the tunes of northern-based shareholders – and today, also to China-based investors. The golden straightjacket implies weak labour protection, vulnerability to financial instability, privatization, and diversion of public investment towards a favourable international business infrastructure, often at the cost of social expenditures for health care and education. The trilemma may also help to explain the rise of populism from the US to the Philippines and from Venezuela to Hungary. It points out that either democracy or the nation state must give way, which voters understand very well (Rodrik, 2017). They vote on the basis of their experiences of job vulnerability, loss of state protection of their livelihoods, and private equity funds taking over their schools, hospitals and housing.

The third well-known development economist is Nobel prize winner Amartya Sen. He is best known for his capability approach<sup>18</sup> and its link to policy through the annual Human Development Reports<sup>19</sup>. He is one of the very few economists who *did* provide an alternative theory along with his criticism of neoclassical economics. Sen’s (1985;1999) approach – followers prefer ‘approach,’ rather than ‘theory’ – replaces the idea of individual utility maximization and Pareto Optimality with the idea of people’s capabilities to function on the basis of their own values, coupled with the maximin wellbeing criterion, maximizing the wellbeing of the worst-off. This criterion states that policy should focus on improvement of the position of the most disadvantaged.

Interestingly, this criterion comes very close to the Pareto criterion when one allows for interpersonal utility comparisons. In that case, wellbeing is maximised with most investments made in the

capabilities of those lagging most behind, because for them the marginal benefit of wellbeing investment is largest. Sen's capability approach was first applied to the analysis of poverty in the global south, but is increasingly recognized as a useful framework to analyse poverty and wellbeing in the global north as well. An example is the OECD's Better Life Index, which is a pluralist alternative to GDP without a uniform priority of wellbeing dimensions, leaving the ranking to be made by individual countries themselves based on their own context, values and needs<sup>20</sup>.

But there are other economists who have developed new economic insights from a global south standpoint, and who are much less known. Therefore, I like to focus now on a few key ideas of economists not only *from* the global south but also based *in* the global south and who have developed their theoretical contributions from an epistemological standpoint of the global south. Of course, I cannot do justice to the width and depth of these contributions. So, allow me to give just a brief sketch of ideas that have shifted real-world economic knowledge and policy making over the past five decades in important ways.

#### **4 Structuralism: standpoint theory at the macrolevel**

Structuralism, as an economic theory but also as a development strategy, was advanced in Latin America beginning in 1940s. Its founder was the Argentinian economist Raúl Prebisch (1901-1986). He studied economics in Buenos Aires and was considered a bright young scholar. At the age of 34 he became the first president of the Argentinian central bank and twelve years later he published an introduction to the ideas of Keynes in Spanish (Prebisch, 1947). After leading the central bank he accepted the leadership of the UN Economic Commission for Latin America and the Caribbean (ECLAC), and later of the UN Conference on Trade and Development (UNCTAD).

His key contribution to economic theory was an analysis of the economic dependence of Latin America on the industrialized countries (Prebisch, 1949; 1950). He argued that the terms of trade for developing countries ("the periphery") with developed countries ("the core") declined over time, because the prices for the primary exports increased slower than the prices for the manufactured imports. This thesis, for which Hans Singer provided detailed statistical support, became known as the Prebisch-Singer hypothesis.

Today, more recent statistical evidence is available, for example published by José Antonio Ocampo (2003), a major Colombian development economist and proponent of structuralism of today.

Structuralist economics emerged as an alternative economic theory to both neoclassical economics and populist short-term policies relying on capital inflows, which later appeared to be partially responsible for the debt crisis in Latin America. Already in the 1940s, Prebisch (1950, p. 7) recognized the problem: “Anti-cyclical policies must be included in any programme of economic development (...). The spread of the cyclical fluctuations of the large centres to the Latin American periphery means a considerable loss of income to these countries.”

Structuralism is a macroeconomic theory, focusing on trade, investment, and growth. The basis is Keynesianism, with demand-led growth, the idea of nonequilibrium, the need for a guiding role of the state, and the idea that interest rates do not simply equalize savings and investment. Key were the ideas of dynamics and endogeneity and that the set of domestic and international relationships – the structure – is more important than its constitutive parts, and the recognition that the flow of production is faster than the flow of incomes arising from it (Missio, Jayme and Oreiro, 2015). Hence, structuralism is a dynamic theory of development within an unequal relationship between the north and the south that affects the economic cycle of the global south in an endogenous way (Pérez Caldentey and Vernengo, 2016).

Structuralist theory is also distinctive in its methodology: although it has made use of mathematical and graphical models from the beginning, it does not rely on hypothetical deduction but on deduction from economic history (Bresser-Pereira, 2012). Hence, economic history makes an important part of the theory and shows that the subordinate status of primary exporters and labour-intensive manufacturing countries reflects their colonial past<sup>21</sup>. The name structuralism recognizes that capitalist economies not only suffer from random crises but are characterized by structural imbalances. These imbalances concern the terms of trade, exchange rates, and interest rates. The key imbalance is found to be a structural overvaluation of the exchange rate resulting from the Dutch Disease<sup>22</sup>. But where the original Dutch Disease was a currency overvaluation due to a consistent trade surplus from natural resource exports, the disbalance in Latin America’s trade balance is a consequence of decreasing terms of trade with Europe and North America. In the case of Latin America, it is especially the inflow of

foreign capital, which appreciates the exchange rate. Hence, economic growth in the periphery is driven by foreign savings, and when the imbalance grows wide enough for foreign creditors to lose confidence, they withdraw their capital and a currency crisis results.

The solution to the problem of dependency is twofold, according to Prebisch. First, regional trade agreements for south-south trade (which eventually resulted in Mercosur in 1991, but only after his death<sup>23</sup>). Second, import substitution industrialization. Prebisch (1950, p. 16) argued, “since prices do not keep pace with productivity, industrialization is the only means by which the Latin-American countries may fully obtain the advantages of technical progress.” Indeed, import substitution led to sustained economic growth in the decades after WWII until the debt crisis of the 1980s. This crisis marked the moment of a revision of structuralism. The economist who became the proponent of the new structuralism is the Brazilian economist Luiz Carlos Bresser-Pereira. In the late 1980s he was, together with the US treasurer Nicholas Brady, the architect of the Brady Plan, which resulted in a way out of the debt crisis. The plan involved debt relief in exchange for greater collectability of the loans for the creditors through a second hand debt market.

Interestingly, the new structuralism argues that the debt problem was not only caused by a strong reliance on foreign savings for economic growth, but also by central banks in Latin America itself. They kept the exchange rate fixed in an attempt to curb inflation, often in response to conditionalities. One way this has been done in Argentina was through a dollar-peg: a fixed dollar-peso exchange rate. But Bresser-Pereira (2012) calls this policy “exchange-rate populism” because it is short term beneficial up to the re-election of the politicians concerned, but in the long term the policy is harmful for the country’s exports. Then, the debt/export ratio becomes too high or the public deficit too big and the next crisis is born – not randomly but as a structural part of the subordinate position of Latin American economies in the world economy with very limited policy space, as Ha-Joon Chang and Dani Rodrik have argued. The policy solution to the cyclical crises, according to the new structuralists, is to rely less on capital inflows and more on wage growth. In other words, to shift from export-demand-led to wage-demand-led growth, in order to attenuate the overvalued exchange rate. This policy implies capital controls - regulating financial inflows and outflows. Interestingly, various Latin American countries have implemented capital controls for several decades now, in line with this view: Chile and Colombia, and recently Peru and Brazil.

An influential network of economists is IDEAS. It is based in the global south and is largely taking a structuralist perspective. It is coordinated by Jayati Ghosh, based in Delhi, who also pleads for capital controls in India and other Asian economies (2005)<sup>24</sup>. In a recent article, Ghosh (2019) has offered a comprehensive analysis of how today's global economy still largely follows a centre-periphery structure, with China as the exception. Contrary to the situation in many Latin American countries, developing countries in Asia perform the role of provider of cheap industrial labour to large multinational companies that govern global value chains. Ghosh (2019, p. 391) therefore concludes:

“These processes have resulted in an increase in the supply of the ‘global’ labour force – that is, workers and other small producers who are engaged in production activities of both goods and services. At the same time, the power of corporations to keep the benefits of rents arising from control over knowledge or from oligopolistic/monopolistic market structures or from the sheer power of finance capital to bend state policies in favourable directions, has greatly increased.”

Another regional variation of structuralism can be found in Africa. What the Argentinian economist Raúl Prebisch did for UNCTAD, the Malawian economist Thandika Mkandawire did for the United Nations Research Institute for Social Development (UNRISD)<sup>25</sup>. Under his lead, the research programme worked out the standpoint that economic policy cannot be separated from social policy and that economic development requires social development in order to contribute to human development (Mkandawire, 2011). This approach is informed theoretically by both the capability approach and structuralism, and it relies empirically on the experiences of developing countries with the recovery from structural adjustment programmes. Mkandawire's recognition that genuine development of Africa requires a critical look at mainstream development economics was elaborated in a keynote speech in 2014 for the African Studies Association (Mkandawire, 2014). He explained that African economists were sceptical about the policies enforced upon their countries and claimed – rightly so, as various economists in World Bank and IMF later admitted (see, for example, World Bank, 1996) – that these programmes undermined investment and long-term growth, were procyclical, and ignored structural

problems of African economies in their trade relationships with the global north. Mkandawire (2014, p. 181) stated that:

“Much of what the international financial institutions were claiming simply produced cognitive dissonance and scepticism among African scholars and doubts about the integrity of the research itself, which often consists of brief visits to fill in data in a standardized macroeconomic model.”<sup>26</sup>

But the responses by the African economists in the late 1980s fell on deaf ears. “In the case of Africa,” Mkandawire (2014, p. 182) explains, “the World Bank became a major player in all the ‘capacity building’ initiatives aimed at producing the desired type of economists.”

When I was a consultant for the Dutch development cooperation, alongside doing my PhD research, I was asked by the Ministry of Foreign Affairs’ gender department to counterbalance this dominance of northern-based neoclassical economic thinking by adding a critical feminist economic perspective to the pan-African PhD programme<sup>27</sup> that was co-funded with Dutch development aid<sup>28</sup>. I gave feedback during two PhD training gatherings, in Kenya and Tanzania, where various white male economists from the World Bank and IMF gave classes. But by that time – late 1990s – the neoclassical paradigm was already so entrenched that I was treated with scepticism by the young African economists in the training programme, when I argued how institutional economics, social economics, and post-Keynesian economics developed alternative perspectives and also integrated a gender perspective into economic analysis that challenged various neoclassical dogmas and the modernist view of women in the global south.

Today, the tides have turned for African economics and economic policy, thanks to the increasing investments and policy influence of China, and the blow that the 2008 financial crisis gave to the neoliberal paradigm in the global north itself. As a consequence: the turn of governments in the global north “to policies they had declared taboo for African countries (bail-outs, nationalization of enterprises, stimulus packages, and other countercyclical measures) has helped African critics of the neoliberal development agendas” Mkandawire (2014, p. 191). This new context allows for renewed pluralism in economic thinking, including epistemic pluralism, which is exactly the intellectual space that is necessary for a development economics that reconnects with social development and social policy (Kwon, Mkandawire and Palme 2009).

Around the same time of Mkandawire's speech, key institutions in Africa organized a continent-wide conference about the same topic, with a key role performed by the UN Economic Commission for Africa (UNECA). In an elaborate discussion of the research proceedings from that conference, Dzodzi Tsikata (2015), a Ghanaian social scientist, points at the paradox that the relatively high economic growth in Africa in the first decade of the new millennium paralleled increasing inequality. Even though absolute poverty declined, the necessary structural transformation of African economies towards formal employment, manufacturing, and higher value-added agriculture and services did not happen.

The studies presented at that conference indicate that this paradox is partly attributable to a colonial history and subsequent unequal trade policies plus the failure of the Washington Consensus structural adjustment programmes. But they add another dimension that has up to now remained mostly implicit in structuralist economics: A critique of the normative standpoint of modern economic thought rooted in methodological individualism, which assumes that when policies support equal opportunities, they are fair, and if people do not flourish despite such policies it is their own fault. This normative standpoint tends to marginalize the views of those labelled as others, whether they are female, black, or indigenous (Scott, 2011). Tsikata notes that there is no neat dividing line between equality of opportunities on the one hand and constraints to choices on the other hand, due to many intangible, historical, and political constraints that are often taken for granted, or are legitimized by those in power.

So, here we see another standpoint emerging in structuralism: the recognition that the global north not only benefits disproportionately from trade and from its disruptive dominance in global capital flows, but also that the economic thinking behind this is normative and not shared by many economists and policy makers in the global south.

In conclusion, structuralism remains important today and has spread well beyond Latin America. It has become a major paradigm in critical development economics influencing not only the UN but also, more recently, the IMF. The Fund has remarkably turned away from its pre-2008 position about financial liberalization. During the recent crisis, it supported capital controls imposed by Iceland and Cyprus and has since become moderately positive about capital controls in developing countries as a cushion against contagious financial volatility from the global north (Grabel, 2014).

## **5 Gender inequality in the household: standpoint theory at the microlevel**

Like most economic theories, structuralism was developed with a blind eye to the role of gender in the economy. In the 1980s and 1990s, several feminist economists from the global south claimed that gender inequality was interwoven with the economic inequality between the north and the south and with the colonial legacy of Victorian-age paternalistic laws and norms. These left their mark on formal and informal institutions implemented by colonial rulers - from unequal inheritance laws to the breadwinner-housewife ideal for the middle class. The most influential network was set-up in 1984 and named DAWN (Development Alternatives with Women for a New era)<sup>29</sup>. This network, together with south-based members of IAFFE, the International Association For Feminist Economics, laid the foundations of another standpoint from a global southern epistemology, namely the analysis of gender inequality. They analyse gender inequality not as a cultural feature of the south to be eradicated by European modernization policies, but as a phenomenon that was partially created and reinforced by the economic disbalances between the global north and the global south and the spread of a gender-biased modernization ideal.

DAWN was the much-needed platform for southern-based scholars to develop a joint standpoint on development from a feminist perspective but always in cooperation with like-minded feminists based in the global north, supporting the south-based epistemology<sup>30</sup>. One achievement was the expansion in 1993 of the global System of National Account's measure of economic activity, which forms the basis of calculating GDP<sup>31</sup>. The expansion is limited but important because GDP now includes goods produced in households - in particular food grown on household plots - that are consumed by the same households and not transacted through markets<sup>32</sup>.

From their southern standpoint, DAWN members started with an influential critique of the first gender analysis of developing country economies, by the Danish economist Esther Boserup (1986) [1970]. Boserup's study was both ground-breaking for development economics and at the same time suffering from northern-based gender biases itself. Spanish economist Lourdes Beneria and Indian



economist Gita Sen (1981) published a sharp critique of the book, pointing out a lack of theory, technological determinism, and the blindness for gender inequalities within the household. Another influential book, which was equally formative for my own path as a development economist and feminist scholar, was a gender critique of the economic growth paradigm, written by Gita Sen with a feminist economist from Singapore, Noeleen Heyzer (1994). Their critique combined structuralism and the capability approach and argued that “human development is a necessary condition for women not to be economically marginalized by structural changes” (Heyzer and Sen, 1994, p. 45). Another example of the impact of this scholar-activism was the recognition of domestic labour as deserving similar labour rights as labour outside the private sphere of the household. Thanks to empirical studies, lobbying, and the mobilisation of domestic workers, this resulted in 2011 in the adoption of The Domestic Workers Convention by the ILO, the UN’s International Labour Organization<sup>33</sup>.

Other researchers went back to the original structuralist theory and integrated a gender dimension in order to contribute to a gender-aware structuralism. For example, in a paper published in Spanish and English, the Uruguayan economist Alma Espino and myself developed a gender-aware version of the Prebisch-Singer hypothesis and did an empirical analysis showing how the trade relationship between Mercosur and the EU tended to benefit men’s employment and wages more than women’s employment and wages (Espino and van Staveren, 2002a, 2002b; see also van Staveren 2007 for an updated version). Yet others went further and not only added a gender dimension to existing theories but in fact changed these theories for the better by integrating a gender perspective grounded in the realities of women’s lives in the global south. The best-known theory that has improved from this approach is the theory of household bargaining<sup>34</sup>. The key proponent of this important contribution to microeconomic theory is Bina Agarwal, from India, affiliated both with Delhi University and the University of Manchester.

Bina Agarwal started her thinking about household bargaining theory with a critique of Sen’s notion of adaptive preferences. She disagreed with his implicit portrayal of Indian women as victims. Instead, Agarwal (1994) argued in her prize winning<sup>35</sup> book *A Field of One’s Own*, that the adaptation of women to their subordinate role in the household is not entirely unconscious or lacking agency, because it is often in their own long-term interest. Lacking property and wage

work, a woman's future wellbeing is largely dependent on her children and it is often for the sake of her children – not for her husband – that women in India make sacrifices of a high unpaid workload and eating less than their husbands, saving food for their children. Agarwal explicitly takes the standpoint of poor Asian women. This has led Agarwal to develop the contextualized household bargaining approach.

In this approach, she argues that the bargaining position of a woman depends on much more than her income (Agarwal, 1994, 1997). It also depends on property and land rights, on the differences in income, assets and education between her and her husband, and on fall-back opportunities offered by the state and by NGOs, as well as on social norms. On social norms, Agarwal contributes an important qualitative dimension to bargaining theory, linking institutional and social economics. She argues that social norms affect women's bargaining position often in an intangible way and at several levels. Social norms:

- define which issues can be bargained over and which issues not – for example going out for paid work or men's contribution to cooking, cleaning and child care.
- affect the extent to which resources can be used as bargaining power, for example communal land or customary land rights that are often excluded as sources of bargaining power for women.
- mediate the contestation of meanings of women's position, in terms of patriarchal traditions of dowry (the payment of bride-wealth) and purdah (the practice of female seclusion), that may be seen as simply part of being a woman. In other words, social norms affect women's bargaining power, what can be bargained about, and perceptions of their bargaining power and fall-back position.

One of her influential empirical studies using the bargaining approach shows that the risk of domestic violence for women significantly reduces when women have assets and social support and when their husbands are employed (Panda and Agarwal, 2005). This last factor is counter-intuitive from a standard northern-based household bargaining perspective. Because one would assume that when women have more income than their husbands that this would increase their bargaining power and reduce the domestic violence from their partner. But this ignores the gender norm of male

breadwinnership and its importance for masculine identity. When this social norm is challenged by male unemployment, men tend to feel that their masculinity is threatened, which is a driving force for domestic violence. Later, also in developed countries such studies appeared, demonstrating the influence of gender norms on women's bargaining position in the household (Bittman, et. al, 2003; David and Wills, 2014). The household bargaining approach demonstrates the importance of epistemic pluralism for microeconomics, just as the continuous influence of structuralism on global trade and capital flows does for macroeconomics.

## 7 Conclusions

The conclusion of my contribution is twofold. First, I have tried to show that standpoint theory has been used by feminist economists and critical development economists alike to question the philosophy of science of mainstream economics, and hence the very methodology of neoclassical economic theory. Second, I have argued that structuralist theory and the household bargaining approach have emerged as genuine and viable alternatives, contextualized by the experiences of marginalization in Latin America, Asia, and Africa in an unequal world economy. Together, these achievements of economists in the global south go well beyond development economics. They show the importance of epistemic pluralism, demonstrating how standpoint epistemology from the global south, makes economics better and informs better policy making in today's complex, volatile, and unequal world economy.

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## Notes

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<sup>1</sup> I am grateful for generous feedback provided by Rosalba Icaza.

<sup>2</sup> The chief economist of the World Bank is Penny Goldberg and the chief economist of the OECD is Laurence Boone.

<sup>3</sup> The World Bank has had three Chief Economists from the global south up to now – one from India, one (ad interim) from Sri Lanka, and one from China: Justin Yifu Lin, Kaushik Basu, and Shanta Devarajan (interim).

<sup>4</sup> <https://www.edge.org/response-detail/27150>

<sup>5</sup> My most cited article, published with Des Gasper, is a critique of Sen's framing of capabilities in terms of freedom of choice: Des Gasper and Irene van Staveren (2003), 'Development as Freedom – and as What Else?', *Feminist Economics* 9(1): 137-162.

<sup>6</sup> Edward Said was awarded an Honorary Degree by the Institute of Social Studies, just like Elinor Ostrom, Amartya Sen, and Bina Agarwal, to mention just a few thinkers on postcolonialism and development.

<sup>7</sup> The point that *The Theory of Moral Sentiments* laid the foundations upon which the economics of Smith in his *Wealth of Nations* was built, has been argued by various historians of economics, for example by Vivienne Brown (1994) (see also van Staveren, 2001 on how the link between these two books helps to understand the relationship between the market and the community in an economy).

<sup>8</sup> This is precisely the reason why I decided to write an economics textbook from both a pluralist perspective and a global one – with country contextualizations from all over the world (see van Staveren, 2015).

<sup>9</sup> Of course, there has always been quite some pluralism in development economics, probably more than in other areas of economics. Take for example the growth theory for developing countries developed by the St. Lucia-born economist Arthur Lewis.



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<sup>10</sup> This lab is the Abdul Latif Jameel Poverty Action Lab, in short J-Pal:

<https://www.povertyactionlab.org/>

<sup>11</sup> For these points of critique I rely on Deaton (2010); Deaton and Cartwright (2018); and Ziliak and Teather-Posadas (2016).

<sup>12</sup> This study is critically discussed in a paper about RCTs in medicine and economics by Ziliak and Teather-Posadas (2016).

<sup>13</sup> The Third World Network started in 1984 in Malaysia as a network of scholars from the global south concerned with development. It has offices in Asia, Africa, Latin America, and Europe. For more information see the website: <https://www.twn.my/>. A recent article by Sandra Harding (2016) takes the discussion further and focuses on decolonial studies.

<sup>14</sup> See, for example, the book Mogobe Ramose, *African Philosophy through Ubuntu*, Harare: Mond Books (1999).

<sup>15</sup> Ironically, the name Third World Network is a northern-framed label.

<sup>16</sup> A very interesting contribution in the volume by Zeid-Elabdin and Charsusheela is by Nitasha Kaul (2004) who critically analyses a guideline published in the *Journal of Economic Literature* about writing economic theory exclusively in terms of theorems and proofs.

<sup>17</sup> World Bank data for 2017 (no data for the US):

<https://data.worldbank.org/indicator/ne.trd.gnfs.zs?end=2017&start=2017&view=map>

<sup>18</sup> For a summary, see: <https://www.iep.utm.edu/sen-cap/>

<sup>19</sup> The Human Development Report is published annually since 1990, by the UNDP, the United Nations Development Programme. For all reports see: <http://hdr.undp.org/>

<sup>20</sup> <http://www.oecdbetterlifeindex.org/>

<sup>21</sup> Postcolonial critics of structuralism criticize this one-dimensional attention to economic history, ignoring other, related histories of power inequalities, such as race, gender, and knowledge (see, for example, Zein-Elabdin, 2004).

<sup>22</sup> The Dutch Disease is a phenomenon that in the Netherlands de facto ended with the introduction of the euro in 1999 and de jure ended in 2018 when net gas exports turned to net gas imports (Financiële Dagblad, 15 February 2019).

<sup>23</sup> The members of MERCOSUR are Argentina, Brazil, Chile, Paraguay, and Uruguay, with a suspension of the membership of Venezuela and a candidate membership of Bolivia. See for more information: <https://www.mercosur.int/en/>.

<sup>24</sup> IDEAS stands for International Development Economic Associates; for the website see:

<https://www.networkideas.org/>

<sup>25</sup> <http://www.unrisd.org/>

<sup>26</sup> On the cognitive dissonance of southern scholars vis-à-vis northern-based dominant paradigms, see Nelson Maldonado-Torres (2017) who builds on the work of the Martinique-born psychiatrist Frantz Fanon who pleads for the primacy of attitude over method in knowledge production.

<sup>27</sup> That programme was called AERC, a name which seems to refer to a consultancy firm rather than to a PhD programme, and stands for African Economic Research Consortium, and was established with money from the Rockefeller Foundation. It relies heavily on economists from the World Bank and IMF as trainers who fly in for one or two weeks to teach the type of economics informing the Washington Consensus policies, and often with very little to none hands-on fieldwork experience in an African country.

<sup>28</sup> As part of this effort I put together a reader (van Staveren, 1995).

<sup>29</sup> <http://dawnnet.org/>

<sup>30</sup> One such network was WIDE (Women In Development Europe) in which I was active as a scholar-activist in the 1990s and the early 2000s. By joining forces we were able to influence major UN conferences about gender, such as the Cairo population conference in 1994 and the Beijing women's conference in 1995.

<sup>31</sup> Of course, others lobbied for this, for example Marilyn Waring from New Zealand who wrote an important book about the exclusion of women's work from GDP (Waring, 1988).

<sup>32</sup> For a brief overview of the expansion of the SNA to include part of women's unpaid work, see a blog post by Daniel Derock: <https://www.e-ir.info/2019/01/11/unpaid-work-and-the-governance-of-gdp-measurement/> Last year, another milestone was reached when the ILO, the UN's International Labour Organization, agreed on a resolution for the widening of the notion of work as activity including many unpaid caring activities generally carried out by women (ILO, 2018a and b).

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<sup>33</sup> For information about this Convention, see:

[http://ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:2551460:NO](http://ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:2551460:NO) The Convention has been ratified to date by 28 countries. This implies that they need to include it into their national labour laws. The Netherlands has not ratified yet, whereas other European countries have done so, including Germany, Switzerland, and Italy.

<sup>34</sup> This theory was first developed by Gary Becker (1981) who assumed that men had a natural advantage in paid work and women in unpaid work, which would then explain the gender wage gap and subsequently the rationality of a traditional gender division of labour in the household. Of course, feminist economists in the global north have criticised this theory by pointing at the circular reasoning involved in the explanation of the traditional roles of men as breadwinners and women as housewives (Bergmann, 1995). But the recognition that bargaining power depends on more than individual income and included differences in income and education as well as assets, social support, welfare policy, and legal entitlements such as inheritance laws and divorce laws, was introduced in the theory much earlier in the context of developing countries than in the context of the global north (where such additions often came from sociologists).

<sup>35</sup> The book was awarded three important prizes: The A. K. Coomaraswamy Book Prize 1996 (Association for Asian Studies, USA); The Edgar Graham Book Prize 1996 (SOAS, University of London); and The K. H. Batheja Award 1995–96 (Batheja Trust, Bombay University).

AUTHOR'S VERSION