

# Gender and the Future of Macroeconomics

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*For presentation at the Annual INET Conference, Edinburgh, October 2017.*

## Abstract

Decomposition by such an important category as gender helps us understand the economy at the macro level, and design macroeconomic policy, better. It also provides the foundation for advocating equal gender rights and outcomes. But, where gendered policy issues arise in mainstream macroeconomics (income maldistribution, labour market composition, etc.) the subject matter is narrowed by its microfoundations, by focusing on GDP growth and on suboptimal outcomes being explained by market imperfections. An approach which takes gender seriously requires the different epistemology which arises from feminism: it does not rely on dualistic categorisations, but builds on the idea of situated knowledge, which in turn requires a pluralist methodology and an acceptance of fundamental uncertainty. Such a methodology allows for emergent identity, for the cognitive roles of emotion and social convention, and for attention to power other than market power. Reflecting on how limited is the scope for mainstream macroeconomics to address gender, and what is required of a useful alternative approach, provides a clear focus for a more general discussion of the future of macroeconomics.

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October 2017

## Introduction

Gender decomposition of macroeconomic aggregates enhances macroeconomics. Any decomposition which differentiates between groups with different socio-economic characteristics serves to explain aggregate outcomes better and reveals routes for macroeconomic policy to improve macroeconomic outcomes. Further, focusing on gender differences reveals areas of social injustice, providing the basis for advocating a policy response. The importance of the subject is reflected in the research presented at a recent workshop at the Levy Institute.

Yet the concept of gender barely features in mainstream macroeconomic theory. Indeed non-mainstream macroeconomics does not really consider gender much either, although van Staveren (2017) spells out the potential for doing so. Conventional macroeconomics deals in aggregates – the labour supplied by all genders, the consumption by all genders and so on, suppressing gender differences. But mainstream macroeconomics has been coming under sustained criticism (particularly given its failure to allow for, far less predict, the crisis). One source of its failings is seen as arising from the insistence on consistency with microfoundations expressed in terms of rational choice on the part of the representative individual; the universal nature of this individual does not allow for a gendered dimension.

Yet the macro policy issues facing applied macroeconomists and governments in many cases have a clear gender dimension, particularly when we consider the labour market. Employment levels reflect a changing composition, with part-time female employment increasing relative to male full-time employment, for example. Vertical income distribution issues take on a gender dimension when associated with (predominantly female) one-parent families and child poverty. Horizontal income distribution issues take on a gender dimension when pay for female workers is lower than for male workers in the same occupations, and when girls are discouraged from acquiring skills in male-dominated occupations. These are all active areas for research supported by the availability of gender-specific data series.

In mainstream economics, the approach to gendered economic problems is consistent with analysis of the source of other apparently suboptimal outcomes, which is to identify factors which have impeded the full operation of market forces and thus impeded maximum efficiency. Gender-related issues are thus seen as market imperfections, such as unequal access to credit. Successfully eliminating these imperfections would remove the importance of gender as a subcategory of the population.

But here we aim to take a broader view, both of macroeconomics and of gender. First we consider the *nature* of macroeconomics from a gender perspective. This will involve considering what is regarded as the proper subject matter of economics. We also consider the methodological approach to mainstream macroeconomics, including its inherent dualism and the privileging of the formal deductivist method, from a gender perspective. While mainstream economics applies a supposedly gender-neutral logical positivist approach to building knowledge, a feminist approach applies a different set of cognitive principles which have general application beyond gender. This discussion makes it apparent that the shortcomings of mainstream macroeconomics from a gender perspective, and the alternatives proposed in the feminist literature, provide a valuable focus for

the wider non-mainstream critique of mainstream economics and efforts to pursue alternative approaches.

### **The nature of macroeconomics: aggregation and the choice of variables**

The nature of modern macroeconomics is evident from its choice of variables. The primary goal of macroeconomics is usually specified in terms of GDP growth, with a low rate of inflation and a low rate of unemployment as subsidiary goals (serving, and/or indicative of, economic growth respectively). Not only does this goal rely heavily on how exactly the domestic product is measured, but it also presumes that this measure is a reasonable proxy for social welfare regardless of distribution. It is a substantive question how far aggregate GDP growth meets the goals of different groups within society, including different genders.

It is usual for an introductory course to note the problems with GDP as a measure of societal welfare – for example monetary valuation produces the odd implications that production of crime-fighting equipment adds to welfare as much as production of consumer goods, while some important welfare-enhancing activities, notably private care, are not included. (GDP falls if a person marries their housekeeper.) Since women rather than men tend to be the main providers of care, this lack has considerable significance in terms of gender (see further Himmelweit 2013). Indeed Robbins's (1932) definition of economics in terms of scarcity (rather than capacity for monetary measurement) implies that unpaid activity which employs scarce resources is in fact economic. Yet the mainstream theory of family formation spearheaded by Becker (1981) treats it as an exemplar of rational choice, with intra-household bargaining leading to a stable Nash equilibrium which ensures an optimal outcome (subsumed in macroeconomic measures). But because of the absence of monetary measures in mainstream sources, unpaid private work continues to be absent from macroeconomic analysis.

The issue is not that gendered economics belongs in microeconomics rather than macroeconomics. Mainstream macro has been driven since the 1970s by the microfoundations agenda, which requires all macroeconomic models to build on microfoundations (based on the rationality axioms applied to a representative agent). The outcome has been the dominance of macro by DSGE models which have been subjected to widespread critique for the limitations imposed by the representative agent (see e.g. Hendry and Meullbauer 2017, Stiglitz 2017); by subsuming gender, this framework inevitably is problematic for a gendered macroeconomics. Gender differences could be introduced but would require specification in terms of behavioural differences, or different endowments and/or constraints.

The minefield that meeting such a requirement would represent reflects the analytical constraints imposed by the mainstream framework itself. A primary characteristic of mainstream analysis is dualism, i.e. the practice of thinking in terms of mutually-exclusive, all-encompassing pairs, or duals. From the very start dualism poses problems for gender analysis, since gender itself is not a dual – it can take multiple forms and indeed may be fluid. Yet society has promoted a set of attitudes, and has constructed institutional arrangements, which tend to force individuals into one of only two categories. Further gender is arguably an emergent property: 'One is not born, but

rather becomes, a woman', as de Beauvoir (1949, p. 1) famously pointed out (see also Butler 1990 on the social construction of gender). But where knowledge itself is socially-constructed, 'gender serves as a cognitive organizer, based on the idea of metaphor as a basic building block of understanding' Nelson (1996: 3).

Particularly when considering an important activity predominantly associated with women – care – it is hard to analyse it in terms of constrained optimisation, since it does not allow for such interdependent factors as affection, sympathy and a sense of moral obligation. Social provisioning is a social process which is learnt and evolves (McMaster 2018). That it is usually women who are the carers might be put down to women having particular characteristics, e.g. being more emotional than men, etc., an argument which seems to fly in the face of the 'universal' rational economic man model of human behaviour. However the model is part of a whole epistemological approach which is built on duals such that the male-female dual is only one of a whole range of dual characteristics with which it is associated (McCloskey 1983, Nelson 1996). The public/private dual, for example, leads to the household being 'exclusively regarded as the place of consumer spending and saving, but not as the location where the labour force is reproduced and where gender norms are reinforced and reproduced' (van Staveren 2017). Dualism extends to scientific practice itself, with the rigour of the mainstream scientific method presented as the dual of intuition, precision the dual of vagueness, objectivity the dual of subjectivity, and so on. The former are all traditionally thought of as 'male' characteristics, while the latter are all traditionally thought of as 'female' characteristics.

The dualistic characterisation of gender feeds into a social/institutional process by which power is maldistributed, including cognitive power. These gender classification of characteristics is socially generated to a considerable extent. Indeed, if gendered nature is not in fact dualistic, then the 'male' characteristics do not apply universally, any more than the 'female' characteristics apply to all women. Maleness itself, like any gendering, is an emergent property. Indeed there are many leading non-mainstream male economists who adopt a different epistemological stance from the conventional approach, associating themselves with an epistemology normally characterised as female (on Keynes, see Foster-Brotten 2017, and on Boulding, see McMaster 2018).

Perhaps the key concept here is 'otherness' (Kaul 2008). In a dualistic framework employing a 'masculine' epistemology, women are 'the other'; feminine characteristics are to be avoided, so that science can produce demonstrable truths to be held with certainty. But in a 'feminine' epistemology, to recognise otherness is not to reject 'science' but to recognise the situated nature of knowledge as a general phenomenon, i.e. an epistemology not peculiar to women. This naturally leads to thinking of knowledge as arising from human logic rather than deductivist classical logic, being provisional and subject to uncertainty, and something which requires persuasion, demonstration being impossible. This is the epistemology of the Scottish Enlightenment, which arose in the context of a country which had recently formed a union with a dominant neighbour – it was hard not to recognise otherness in such a situation.

The significance of this 'feminine' epistemology extends from philosophy to practice:

Feminist epistemology and philosophy of science ... identif[y] ways in which dominant conceptions and practices of knowledge attribution, acquisition, and justification systematically disadvantage women and other subordinated groups, and strives to reform these conceptions and practices so that they serve the interests of these groups (Anderson 2015).

The feminist cognitive approach governs the way in which it is regarded as appropriate to build (provisional, uncertain) knowledge in macroeconomics. But it also governs behaviour with respect to knowledge, and particularly with respect to risk and uncertainty. Thus for example behavioural differences between genders have been found within the financial sector, leading to the Lehman Sisters Hypothesis that the collapse would not have happened if women had been in charge (see van Staveren 2014, but see Nelson 2016a for a different view). Such studies must of course take account of the fact that the women being studied already operate within a system of power relations, in employment, in society and in the household. But, that gendered epistemic differences have been seen by some to persist is significant given the scope a hierarchical society provides for epistemic injustice (Anderson 2015).

### **Gender as a focus for alternative approaches to macroeconomics**

There have been developments outside mainstream economics which are specifically addressed to gender issues, for example the international movement to promote Gender Budgeting, to scrutinise government policy from a women's perspective. Since women account for roughly half of the population this is not exactly a minority interest. But the issues thrown up by considering economics from a feminist perspective resonate more widely within non-mainstream economics. The term 'gender' refers to the full range of genders, even if conventionally applied to advocacy on behalf of one gender. But, while feminism focuses on advocating the rights of women in particular, it has been argued above that feminist epistemology potentially has universal application. Indeed the gender perspective provides a good context in which to consider how differently economics might be done.

One set of issues is raised by considering the nature of the individual, individual identity and the individual in society: '[f]eminist theory questions objectivity in knowledge production, argues for the importance of lived experience, and requires us to grapple with interconnected identities' (Forster-Broten 2017: Abstract). As Davis (2003) argues, identity is inherently social, undermining a dualistic categorisation of the individual and the social. Thus gender identity is profoundly influenced by social norms. Further, interpersonal relationships, in the economy, in wider society, and in the household, are conditioned by the social nature of identity. This perspective was addressed in Smith's ([1759] 1976) *Theory of Moral Sentiments*, where he further developed Hume's concept of sympathy. This human faculty employed the imagination, not only to understand experience from another's perspective, but to arrive at moral judgment. The moral motivation for particular behaviours (such as caring for others) arises both from a sense of fellow feeling with the caree and also from a sense of social obligation.

It is the influence of the social, and the scope for broad generalisations (e.g. about the behaviour of women) which makes these characterisations of individual behaviour relevant to macroeconomics. That gendered analysis does not lend itself easily to deductivist mathematical formalism is not in itself a problem for an alternative epistemology. There may well be scope for mathematical formulations of particular arguments, to be put together with arguments arising from other methods. The key difference from a mainstream methodology is that, in a Keynesian/feminist epistemology a formal mathematical model cannot constitute a full argument with respect to a complex, open social system. The system is open not least because of the emergent nature of such key elements as gender, and gendered behaviour.

Both Smith and Hume built all their philosophy (and economics as applied philosophy) on a theory of human nature. Drawing on detailed study of a wide range of cultures through history, they identified a commonality in human nature (among other things, this provided the foundation for their considerations of social justice). But they explained how human nature took on different forms in different contexts; by implication gendered differences in behaviour are to a large extent the outcome of a particular socio-economic history.

For example, a contributing factor in the emergent nature of gender identity was education, addressed not just to acquiring skills, but also to personal transformation. Thus Smith ([1776] 1976: Vi.f.61) advocated education on the basis of its social, as much as personal, benefits. But education played an even more transformative role in the nineteenth century for communitarians (such as Thomas Chalmers; see Dow, Dow and Hutton 2003). For them, moral education and community involvement in welfare assistance was the preferable means to reducing poverty compared to the anonymous and meagre welfare payments of the Poor Law. The communitarian system was paternalistic. Nevertheless, the model is one of transformative education and active community involvement in income redistribution and other forms of assistance, something which resonates with modern discussions about the most effective methods for international development assistance, particularly with respect to women and girls.

The rationale instead for assistance in the form of anonymous transfer payments presumes a given level of rationality. One of the duals employed in mainstream economics is that of rationality vis-à-vis emotion. This dual has entered significantly into macroeconomics amid attempts to theorise about crises. Emotion as the dual of rationality, e.g. a marked increase in uncertainty, is depicted as a shock capable of driving the economic system away from equilibrium. The policy motivation then is to 'nudge' behaviour into being more rational (Thaler and Sunstein 2008). But a non-dualistic treatment of emotion sees it, not only as mediating observation of 'facts', but also as an integral element of behaviour (Dow 2011). Indeed, for Smith and Hume, emotion (the 'passions') was the foundation of all knowledge, providing the motivation to build it. For them the complexity of social systems (as well as physical systems) was such that any knowledge was provisional, subject to uncertainty. The key to having a theory accepted was successful persuasion that it explained novel phenomena which, until satisfactorily explained, had caused emotional distress. Similarly, for Keynes (1936: chs 11 and 12), emotion was the driver of action in the form of firms undertaking real investment. Under uncertainty, reason alone could never justify such an action. Rather than being a dual, reason and emotion are complements. Since women are traditionally

associated with the emotion side of the rational/emotional dual, this epistemology has particular resonance for gender studies and can draw profitably on feminist epistemology.

A further element common to the epistemology of Hume, Smith and Keynes was the role of social convention (habit and custom) as a basis for belief and action in the absence of sufficient contrary evidence to which reason might be applied. Social convention was also the basis for much behaviour, but it was the role of the philosopher (the expert) to challenge conventional belief in light of reason and evidence. It is clear that convention has played a key role in the experience of the different genders, while convention has periodically been subject to challenge. An important example is the setting of wages. According to mainstream economics, wages are determined in the labour market as the value of marginal product, reflecting separable economic conditions rather than convention. In principle then the market ensures a social optimum in the sense of efficiency – the mainstream approach being not to admit to any ingrained value judgements. Yet, while supply and demand play a part, it is evident that pay at all levels, and particularly relative pay for men and women, is substantially determined by conventional judgement that men should be paid more than women. This applies to CEOs whose pay is decided by peers on remuneration boards, to sports stars and to TV personalities as much as to part-time low-skilled workers.

## **Conclusion**

Gender is becoming a topic of interest to macroeconomists, not least because of the need for policy to address gender differences in such areas as income distribution and labour market behaviour. But taking gender seriously exposes the limitations of the mainstream approach. Beyond differences in endowments and preferences, any social justice issues arising from gender differences can only be treated as market imperfections which can, in principle, be eliminated. The tenacity of this approach to macroeconomics has been reinforced by the cognitive power of an approach to science which exemplifies ‘male’ characteristics.

Feminist epistemology rather is designed to address the key aspects of gendered economics: the emergent and non-dualistic nature of identity, the integral role of values and emotion in economic activity, the importance of social convention, and the role of power other than market power. These are also key aspects of non-mainstream economics more widely, addressed by non-mainstream epistemology (deriving from Smith and Keynes). But gender puts these issues into sharp focus and gender studies have developed them in such a way as to inform non-mainstream economics more generally.

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