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Social Policy and Macroeconomic Performance

Integrating "the Economic" and "the Social"

Diane Elson

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UNRISD, Palais des Nations
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020
Fax: (41 22) 9170650
E-mail: info@unrisd.org
Web: http://www.unrisd.org

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Introduction

The quotation marks are placed around 'the economic' and 'the social' alert us to the fact that this is an abstract duality. People do not live their lives in two separate domains. The aspects of life that we label 'economic' and 'social' are intertwined. The policies we label 'economic' and 'social' each have ramifications for both the dimensions we label 'economic' and those we label 'social'. As Barbara Harriss-White points out in her contribution, 'social policy is economic policy'. But at the same time, as pointed out in Elson and Cagatay (2000), economic policy is social policy.

Nevertheless, the distinctions do relate to some real divisions and are grounded in the different rhythms and modalities of market-based capital accumulation (the commodity economy) on the one hand, and non-market-based social reproduction (the unpaid care economy), on the other. There are different institutional responsibilities for 'economic' policy and 'social' policy; different policy analysis communities; different interest groups lobbying. The standard neo-liberal approach overemphasized these differences, and assumed that each strand of policy could be pursued independently of the other. Moreover, social policy was seen as a residual, only required to deal with the widows and orphans, the lame and the sick.

The movement away from the standard neo-liberal approach, to incorporate more discussion of institutions, has been characterised by a rediscovery of the interactions between 'the economic' and 'the social' and a revalidation of 'the social' as having more than residual status. But this is mainly at the micro level, and only on terms that are compatible with microeconomic thinking, whether of the old-style or new 'improved' varieties. As Ben Fine argues in his contribution, concepts 'social capital' are part of the problem rather than part of the solution. They blur and obscure the tensions between capital accumulation and social reproduction, tensions in which the distinction between 'the economic' and 'the social' need to be grounded.

At the macro-level, however, 'the social' is still very much seen as an afterthought. Although there is now widespread recognition of the need to integrate macroeconomic management and 'social policy' –there is still a strong tendency to think this means continuing to design what are termed 'sound' macroeconomic policies with a focus on market-based criteria, an overriding emphasis on stabilizing the price level and reducing the role of the state, and then adding-on social policies in order to achieve socially desirable outcomes such as poverty reduction. This is how the World Bank's Comprehensive Development Framework operates. As shown in Elson and Cagatay (2000), the CDF does not explicitly consider macroeconomic policy at all. 'Prudent' fiscal and monetary polices are described as the 'essential backdrop' to the CDF and the specification of exactly what these are is treated as beyond discussion; similarly with the new IMF concern with social policy in the context of debt-relief initiatives. The emphasis is on adding on new sectoral policies to help those adversely affected, not to reconsider the design of macroeconomic policies and the organisation of the policy process. The new focus of the Bank and the Fund on participation in policy dialogue only extends to micro and sectoral policies.

An alternative approach to considering social policies as an afterthought to macroeconomic policies would start with the idea of mainstreaming social issues into macroeconomic policy. The idea of 'mainstreaming' is more fluid than 'adding-on'. It

has been developed in the context of trying to change analysis, institutions and policies to promote gender equality and an improvement in the position of women. It has connotations of aiming to change and transform the dominant paradigms and the balance of socio-economic forces. In this context, it has the implication of the rethinking of macroeconomics and of the organization of macroeconomic policy processes in order to recognise the salience of social issues and social policy. Heterodox macroeconomics is a useful ingredient because it seeks to integrate distributional variables and it challenges the view that macroeconomic problems come from a deficiency of savings rather than from a deficiency of investment. But social policy has broader concerns, with non-monetary dimensions, so there is a need to go further.

Economic Production and Social Reproduction

The starting point proposed here is to recognise we are dealing with a joint process of production of the means of life and use of these means to reproduce life itself, on a daily and intergenerational basis. Most analysis of economies privileges economic production- tries to measure it, increase it, optimise it. Social reproduction is taken for granted, treated as a bottomless well, rather like the traditional sector in the Lewis model. Feminist economics, and to a lesser extent, the human development approach, has challenged this exclusion, arguing that as well as the 'commodity economy', we should take account of the 'unpaid care economy' in which people produce services for their families, friends and neighbours on the basis of social obligation, altruism and reciprocity (e.g. Folbre 1994; 2001; UNDP 1995; 1999; UNIFEM 2000).

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

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

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

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

Further examples of analysis that takes account of unpaid care work can be found in the 1995 special issue of *World Development* on macroeconomics and gender. William Darity (1995) constructed a two sector model of a gender segregated low income agrarian economy, in which one sector produced crops for export and the other sector produced subsistence food and care for the family. The model was used to show how a devaluation of the currency, which raises the relative price of export cash crops, means extra demand for women's labour in the export sector and extra income for their husbands who control the sale of the crop, given the prevailing pattern of gender relations in both sectors. If women respond to this demand, through some combination of compensation, cooperation or coercion, output of food and of care is liable to fall under reasonable assumptions, with potentially adverse impact on heath and nutrition of women and children. On the other hand if women are able to resist the demand, the supply response of the export crop is muted, and the devaluation does not have to expected impact, a scenario explored by Warner and Campbell (2000) in the second special issue of *World Development* on gender and economics.

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

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

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

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

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

Social Biases in Macroeconomic Policy

In the context of the holistic view of economic and social processes described above, Elson and Cagatay, (2000), argue that there are three important social biases in much current macroeconomic policy: deflationary bias, male breadwinner bias and commodification (or privatisation) bias. If social policy is to be integrated with economic policy, these biases must be overcome.

Deflationary bias

Liberalized financial markets have induced governments to adopt policies primarily aimed at maintaining their 'credibility' in financial markets – such as high interest rates, tight monetary policies, and fiscal restraint. Eatwell (1996) notes that interest rates in the 1990s have been at a historic high around the world. Felix (1995) shows that investment rates and growth rates have fallen over the period of financial liberalization, primarily due to the types of macro economic policies governments are required to adopt in order to attract and retain short term capital. The result is a 'deflationary bias in macroeconomic policy', which prevents governments dealing effectively with recession and leads to high rates of unemployment and underemployment.

To make this claim is to run the risk of being cast in the role of an irresponsible 'macro populist' advocating unsustainable and inefficient fiscal and monetary policies. But we have to insist that there are more than two alternatives – we do not have only the choice between IMF –approved sound finance and hyperinflation and falling per capita income. The viable alternatives depend on the ensemble of social as well as economic forces-what Lance Taylor (1991) has called the social matrix.

Moreover, while there are indeed aggregate real resource constraints on the achievement of social goals, these real constraints are not directly the object of macroeconomic policies. Macroeconomic policies address financial constraints-and financial constraints depend on the pattern of ownership and control of financial resources and the willingness of different groups of people to pay taxes and to buy government bonds. They are socially variable and socially malleable constraints. Macroeconomic policies, which are 'sound' in the sense of balancing the budget, accepting the current balance of

financial power, can be quite 'unsound' in the sense of exacerbating real resource constraints by destroying human capabilities as people are priced out of the market. Much of the feminist critique of neo-liberal macroeconomic policies has made this point (see for instance contributions to Cagatay, Elson and Grown, eds, (1995), and has shown the ways in which poor women in particular bear these burdens. This destruction of real resources may not have immediate financial repercussions for the government budget, or the repercussions are roundabout and the connections not obvious, and so go unnoticed by economic policy makers.

Macropopulist policies make the mistake of trying to circumvent the financial constraints by printing more money while leaving the structure of financial power intact. In common with neo-liberals, macropopulists do nothing to educate people about the social content of macroeconomic policies- about which groups are currently strong enough to set parameters and which groups are forced to vary their activities, and to adjust to the parameters set by others; about whose contracts will be honoured and whose contracts will be broken by particular configurations of macroeconomic policy; about whose entitlements will be upheld and whose will be destroyed. The social biases in macroeconomic policy remain obscure.

Deflationary bias is a bias that gives too high a priority to low inflation, low public debt, low public expenditure, low taxation and low budget deficits; and too low a priority to full employment, high public investment and realising the full potential for improvements in the availability of goods and services. It is now deeply entrenched in the institutional framework that governs macroeconomic policy in many countries. It is constituted in a variety of ways: central banks that have asymmetrical targets, so that they aim to keep inflation below a target level, but not above a target level; balanced budget legislation that constrains a government to cut public expenditure when the economic cycle takes a downturn; so-called 'stability' frameworks that incorporate rigid rules about ratios of budget deficits to GNP and ratios of public debt to GNP, regardless of the stage of the economic cycle, constraining governments to cut public expenditure when the economic cycle takes a downturn; rules about governments borrowing only to invest that allow only for investment in physical capital and disallow investment in human capacities.

These rules deepen global recession rather than aiding recovery. They undermine the livelihoods of men and women and throw people back into the non-market economy. In the formal sector of the market economy, there is often a perception that men's jobs are more important, and women should be first to be dismissed. Women's unemployment is thus often higher than that of men, while at the same time they have less access to social benefits. They are crowded into informal activities, where the already low remuneration tends to fall further still.

Moreover, women face particular demands to provide the safety net of last resort for their families, managing a dwindling family budget to feed and clothe their children; coping with the depression, ill-health and often destructive behaviour of men whose whole sense of self-worth was bound up in the paid job they have lost. At the same time, there are cutbacks in the public services and income transfers that would have provided some assistance to women in these tasks. The most visible cost of deflationary bias is the rise in unemployment. Less visible, but important for the longer run, is the depletion of human capacities.

Male breadwinner bias

However, removal of deflationary bias would not by itself deal with all macro-level, systemic, economy-wide sources of social bias. Feminist economics draws attention to another type of macro-level systemic, social bias: 'male breadwinner' bias. This is the bias that comes from assuming that the unpaid care economy is articulated with the market economy of commodity production through an income which is paid a male breadwinner and which is assumed to be large enough to provide for the cash needs of a set of dependents (women, children, elderly people, sick people). This ignores the emerging evidence that in many cases, women, and even children and elderly people, must also work in the commodity economy (albeit in less visible, more informal, poorly remunerated ways) if household needs are to be met. Public investment is needed not just to provide (directly or indirectly) employment for male breadwinners, but also support for women who must try to balance responsibilities in both production and social reproduction.

'Male breadwinner' bias constructs the ownership of rights to make claims on the state for social support (cash transfers for poor people, social insurance, pensions, employment on public works) around a norm of full-time, life-long working-age participation in the market-based labor force. Those people whose participation does not fit this norm typically have lesser rights, which they can frequently only exercise as dependents on those who do fit the norm. The result has been the exclusion of many women from entitlements, and the reduction of the entitlements of many others, making women dependent upon men, especially during periods of women's lives when they were intensively involved in taking care of children and elders, and when they themselves were elders. The welfare state in post war Europe was built around the male wage earner and his wife and children and the same idea can be found in the language of many ILO Conventions, and the Covenant on Economic Social and Cultural Rights.

The idea that men, rather than women, are the key economic agents and therefore have superior entitlements to state support, also tends to structure access to economic services such as subsidised credit and training. Extension services are directed to male farmers, even in countries where women do much of the farming. Business support services are designed for male entrepreneurs rather than female entrepreneurs, even when many women want to run small businesses.

Macroeconomic policy approaches that rely *solely or principally* on public investment and full employment to achieve social goals such as equitable income distribution and elimination of poverty tend to suffer from male breadwinner bias. Such policies rarely take into account the relationship between paid and unpaid forms of labor that is just as much at the heart of provisioning of needs as paid forms of labor. In order to be gender-equitable, full-employment policies must be complemented by entitlements for those in informal or part-time paid work and entitlements for the providers of unpaid caring labor as citizens in their own right.

Privatisation bias

Privatisation bias is the bias that stems from the assumption that the private sector is inherently more efficient than the other sectors. It can operate through three forms of privatisation: complete privatisation, such as the selling of public agencies to private investors; partial privatisation, such as the contracting out of services from public agencies; simulated privatisation, when public services are compelled to operate as if they were privately operated.

The bias arises when faulty measures of 'efficiency' and 'value for money' are used; measures, which do not take into account non-market costs and benefits; and which focus primarily on physical and financial capital. So, for example, measures are introduced to improve the 'efficiency' of public hospitals (measured in terms of monetary costs per patient), which have the effect of transferring real costs to households, increasing the amount of unpaid care work they have to provide. One example is changing procedures to shorten the time that patient spend in hospital, and lengthening the period of convalescence at home. This cuts back on the financial costs of employing hospital staff, but increases the costs of households (and primarily women within households) in time and energy spent on caring for convalescing patients.

Privatisation bias tends to intensify both deflationary bias and male breadwinner bias. An example of this is the privatisation of social insurance and pension provision. This vastly increases the power of financial institutions, which tend to have short time horizons and to prioritise low inflation and low public deficits. They lobby for the perpetuation of deflationary bias. Moreover, such privatisation reduces the scope for pooling risks and resources and vastly reduces the possibility of social cross-subsidy. It tends to make women more dependent on a male partner to access benefits and penalises women who do not have a male partner with whom to share household costs. Private pension provision penalises those with breaks in their employment record and longer life expectancy. It is quite legal in most countries for private insurers to discriminate against women in the annuities market. The factors, which lead to the disproportionate poverty of women in old age, are exacerbated.

Privatisation bias has profound and disturbing implications for the organization of social reproduction, and for the majority of women who currently disproportionately provide the unpaid care upon which social reproduction rest. Privatisation bias may appear to be sound economics if we ignore non-market costs and benefits. But the excessive reduction in public provision that it implies is a false economy. Of course, it is important to avoid excessive public debt and waste of public money. But in judging what is excessive and what is waste, we have to look at the non-market processes that create and sustain human beings and communities. A strong and effective public sector is vital to mediate between the market pressure to treat people as mere inputs into a production process and the aspiration to live life in a fully human way.

Beneficiaries of Bias

There are beneficiaries of these forms of bias: the wealthy minority of households whose principal wealth is financial assets, and the financial services corporations in which many of them are employed. This is particularly stark in times of economic crisis when decisions have to be made about whose interests should take priority; which contracts should be respected and which broken. Typically the interests of foreign creditors, and their rentier allies, are protected; while the interests of employees are sacrificed. The case of Chile is illuminating in this respect. Mellor (1991), shows how the adjustment measures taken in Chile in the 1980s resulted in only minor losses for the financial sector but major losses for Chilean workers. Most of the foreign debt of Chile at this time was privately held, mainly by commercial banks. It was not publicly guaranteed. However, the international commercial banks abruptly suspended all financial credit to Chileans, including short-term trade credit, to force the Chilean government to provide guarantees for the external debt of the Chilean private financial sector. This prevented the possibility of debts having to be written –off. To bail-out the Chilean financial sector the Central Bank provided implicit subsidies through a

preferential dollar exchange rate. In 1985, these subsidies amounted to 6.5% of GDP, compared to a fiscal deficit of 1.5% of GDP. These subsidies averted widespread bankruptcies and preserved the existing structure of ownership and management, mainly to the benefit of high income Chileans. At the same time, policies to reduce government expenditure pushed the unemployment rate to over 26%, reduced real wages by 20% and reduced health, housing and education budgets by 20% per capita. Private external debt was also socialised in the financial crisis in Korea in the late 1990s (Bullard 1998). $25 billion of short-term debt to foreign commercial banks was restructured into medium term debt, after the South Korean government agreed to extend a guarantee in case of default by private debtors. Normal IMF rules were bypassed to provide a $21 billion loan to the South Korean government to avert default at a cost of deep cutbacks in public expenditure and almost doubling of interest rates. Unemployment rose rapidly
9 from 2% in October 1997 to 6.7% in April 1998, hitting women especially hard (Lee and Rhee 1999). The average real wage fell by almost 9%. The losses were born by the Korean people, not the foreign creditors.

Creating a Space for Social Dialogue on Macroeconomic Policy

Macroeconomic policy will always be a balancing act. On the surface it appears to be a technocratic exercise of balancing financial flows with a relatively short run time horizon. As the above examples indicate, beneath the technocratic surface, there is a social content; a social content which in much of the world is biased against those who rely on labour rather than financial assets to make a living; and against those who provide most of the unpaid care that families and communities require.

Heterodox macroeconomic modelling can be useful for generating ideas about alternative policies. For instance, a socially aware macro-economic policy could avoid deflationary bias by giving greater weight to public investment, including investment in the development of human capacities. This is the strategy advocated by several contributors to a recent UNDP study of macroeconomic policy and poverty reduction (McKinley 2001). It rests on evidence that real investment is more sensitive to aggregate demand than to the rate of interest; that public investment can be complementary to private investment rather than crowd it out; and that more domestic resources can be mobilised to finance such investment. Such a policy would probably have to be buttressed by controls on short term capital movements as it might well upset 'sentiment' in financial markets, where the risk of inflation is always given greater weight that the risk of destruction of human capacities through underinvestment.

But if social concerns are to be taken fully into account, there is a need for a wider social dialogue to promote changes in the policy process as well as the models used. This would need to go well beyond what is currently being attempted in the preparation of Poverty Reduction Strategy Plans in relation to the Highly Indebted Poor Countries Initiative. A recent report to the Human Rights Commission (Cheru 2001) on the implementation of the Highly Indebted Poor Countries Initiative concludes that the IMF and World Bank staff involved in the preparation of the Poverty Reduction Strategy Plans (PRSPs), which must be developed in order to qualify for debt relief, see the process as 'essentially technocratic'. It notes that: 'While civil society groups have been invited to participate extensively in discussions on the social policy-planning component of the I-PRSP, they have effectively been excluded when it comes to discussions on the content of macroeconomic policy choices.' (Cheru 2001: 14). It further notes that 'there is still a tendency to design macroeconomic policy with a focus on market- based criteria and financial concerns. This tendency always leads to a situation where social and human development and equity concerns take a back seat to

financial considerations.' (Cheru 2001: 15). All the PSRPs reviewed in the report emphasise down-sizing the public sector and introducing cost-recovery measures such as user charges, and fail to show how such measures will reduce poverty.

A helpful framework for considering how better to organise social dialogue on economic and social policy can be derived from a recent statement on poverty by the Committee on Economic, Social and Cultural Rights (UN 2001b). The statement sets out (paras 9-14) the international normative human rights framework for poverty eradication policies. It first emphasises that the entire range of human rights, civil, cultural, economic, political and social, and the right to development, are relevant. Secondly it states that non-discrimination and equality are integral elements. Thirdly, it stresses that human rights norms include the right of those affected by key decisions to participate in the relevant decision making processes. States have obligations to put in place a policy process that conforms to these norms. Non-state actors have an obligation to comply with these norms. These obligations must be supported by a system of accountability that is accessible, transparent and effective.

The possibilities of shaping macroeconomic policy through an open social dialogue, which complies with the human rights framework; in which different interests can exercise 'voice', and in which social objectives can be explicitly brought into view; is foreclosed not by the technical requirements of macroeconomic policy but by fear of pre-emptive exercise of the 'exit' option by internationally mobile holders of financial assets. Their ability to exit rather than join in a social dialogue is a result of the 'openness' of capital markets. Ironically the 'openness' of capital markets is conducive to an absence of 'openness' in policy discussion, for fear that the wrong signals will be sent and the volatile 'sentiment' of capital markets will be disturbed. It is difficult to conduct a policy dialogue, when some of the key players have no stake in the outcome beyond the next few hours. The establishment of democratic deliberation about how to create sensible and socially –aware fiscal and monetary policy is likely to require restrictions on the mobility of financial capital.

The organization of social dialogue about appropriate macroeconomic policy should emphasize building broad based agreement and not simply winning credibility in the eyes of the bond dealers in international markets. The point is not that policy makers should not make economic calculations, but that these should be used as inputs into a democratic deliberative process. Instead of exercising judgment behind closed doors to tweak the results of running models or to decide the implications for policy in the face of an uncertain future, judgement should be exercised in a much more transparent way, with much more public debate.

Some innovative approaches are being developed in a number of civil society initiatives on participatory development of alternative national budgets and budget processes (Cagatay et al. 2000). For instance, in Bangladesh, the Institute for Development Policy Analysis at Proshika has conducted a participatory study of peoples understanding of budget issues and the impact of the budget on their livelihoods. Subsequently, it has made recommendations on participation in the production of the Bangladesh budget, including the democratisation of priority setting; pre-budget consultations with civil society; gathering public feedback on expenditure choices from citizen juries; and strengthening the capacities of parliamentary budget committees.

The International Budget Project connects a growing number of civil society organisations in developing countries that began in the 1990s to engage with the social

implications of government expenditure and taxation and to promote a social dialogue on government budgets (Krafchik 2001). Much of their work is concerned with improving the transparency of government budgets; and analysing their implications for different social groups. But some, such as the Institute for Democracy in South Africa do assess the macroeconomics of the budget too. They provide an independent voice that can look at macroeconomic policy from the point of view of poor and excluded groups. These civil society budget groups are well aware that it is not sensible simply to advocate more and more spending. They are concerned with the composition and quality of the spending; and with the raising of revenue too.

Male breadwinner bias, in the broadest sense, is being addressed through a growing number of gender budget initiatives (around 40 at the time of writing) in both developed and developing countries, some initiated by women outside government and some by women inside government (Budlender 2000; 2002). An important aspect of the most successful of these is creative engagement between civil society and government initiatives to try to ensure that fiscal policy does not discriminate against women, especially poor women; and that resources are allocated and used effectively in support of government's policy commitments to women. The best-known example is in South Africa. But there are several others with a comparable, inside-outside government dynamic. For instance, in Tanzania, a civil society organisation, the Tanzania Gender Networking Programme began a Gender Budget Initiative in 1997 (Budlender et al. 2002: 140-142; International Budget Project 2000: 53-58). The first phase was research on the budget process and on the policies, expenditure and services of four key ministries, Education, Health, Agriculture and Industries and Commerce. The research was carried out by teams, which included an NGO representative, an academic, and a government official. The research findings were shared through distribution of working papers to key actors in civil society, the media, parliament and ministries and through public meetings. A website was set up (www.tgnp.co.tz). A popular booklet was produced in an easy to read format, in English (and subsequently Kiswahili); and workshops were held at local level with community-based organisations. The government was lobbied to include gender equality considerations in the budget guidelines and to follow a more people-oriented development strategy. By 2000, the government of Tanzania decided that they would like to institutionalise gender analysis in the budgetary process, and hired TGNP to act as consultants to build capacity of officials in six ministries. At the same time, TGNP continues to campaign with the objective of creating a public demand for a voice in the national budgetary processes, with an emphasis on participation, transparency, accountability and transformation.

The successes of gender budget initiatives have mainly come from work on particular sectors of expenditure and particular revenue measures. It has been difficult to get a hearing with governments on the macroeconomic dimensions of budgets; and there has been less work to develop practical tools for gender-sensitive macro level analysis. However, a new international task force is being set up with the support of the Commonwealth Secretariat, the Canadian International Development Research Centre, and the United Nations Development Fund for Women, which will have the development of such tools as part of its remit (see: www.genderbudgets.org).

The most ambitious model for social dialogue on macroeconomic policy has emerged in Canada, where an Alternative Federal Budget has been prepared each year since 1995 through consultation between a wide range of labour, social and community organisations (Loxley 1999). It includes alternative taxation and monetary policy to achieve a range of social goals including gender equality and the protection of human

rights. It aims to improve the entitlements of a wide range of disadvantaged people, focussing not only on market-based entitlements through growth and full employment, but also on universal gender-equitable state-based entitlements through public services and public income transfers.

The initial purpose of the exercise was to challenge the budgets of the federal government, which were based on public sector downsizing in order to reduce the Canadian budget deficit from five percent of GDP to a target of three percent. Federal government debt and the cost of servicing this debt was what underlay the five percent federal budget deficit, which the government argued to be unsustainable. The government proposed reducing the deficit by cutting down program spending, which would be expected to bring about a fall in interest rates and revitalize the economy. The government argued that the deficit was caused by high government spending, which, in its view, also gave rise to high interest rates.

The macroeconomic framework of the AFB reversed the government's macroeconomic framework by arguing that the high interest rates were due to the *monetary* policy pursued by the government through the Bank of Canada. It was argued that reducing the interest rates would be vital both for closing the deficit and a reduction in the rate of unemployment. The AFB recommended measures that would allow for an easier monetary policy in order to reduce interest rates. These measures included a reintroduction of reserve requirements for banks and a requirement for the Bank of Canada to hold more federal government debt. The AFB also recommended some forms of capital control in order to reduce Canada's vulnerability to volatility in capital flows. These forms of capital control included a surtax on Canadian interest earnings on overseas bonds, promotion of the 'Tobin tax' on international financial transactions, and a requirement by financial institutions to invest a minimum amount of their assets in community and small business development. On the expenditure side, the AFB stresses strengthening and restructuring of social programs via social investment funds in the areas of health , unemployment insurance, income security, child care, retirement income, post-secondary education and housing. Among other initiatives, it also proposed a job creation initiative while cutting back spending in unproductive and wasteful areas.

Most of the funding (about 70 percent) for the AFB was projected to result from increased growth of the economy, while the remaining balance would come from a revamping of the Canadian tax system by raising taxes on corporations and wealthy individuals while at the same time reducing them on low income earners. An example of such increased taxation on wealthy individuals was the introduction of a wealth transfer tax on transfers in excess of one million Canadian dollars. The AFB also promoted green taxation for protection of the environment. The AFB combats each of the three biases elaborated on above, though with less emphasis on male breadwinner bias than the other two biases.

The AFB was undertaken through consultations among various civil society groups, through conferences and roundtables and budget schools in communities across Canada. Underlying the exercise were the following basic principles and commitments: full employment, a more equitable distribution of income, eradication of poverty, gender equality in economic life, the protection of civil, political, economic, social and cultural rights, improvement in the environment, strengthening of social programs and public services and the creation of a more just, sustainable and peaceful world order (Loxley 1999). Any group accepting these principles could get a seat on the national steering

committee, which is made up of representatives from a wide range of citizens' groups. Thus, the AFB employed a participatory approach that entailed a reconciliation of conflicting demands made by different citizens' groups. The AFB has helped to shape government policy even though the government is far from adopting the full agenda of the AFB. The Minister of Finance has joined in public debate with the AFB and in some areas the government's policy has moved closer to that proposed by the AFB (Loxley 1999) (see also: www.policyalternatives.ca). The implementation in full of the AFB would require a change in the way in which the Canadian economy articulates with the international economy, and that is not a change currently acceptable to the government of Canada.

Conclusion

The strategy of mainstreaming social issues in macroeconomic policy suggested here requires both changes in the theoretical framework and in the organisation of the policy process. The changes in the theoretical framework, it has been argued, need to go beyond those proposed in 'heterodox' keynesian –influenced economics, to include the insights of feminist economics. The articulation of the 'social' and the 'economic' needs to be situated in terms of the articulation between economic production and social reproduction. In this context, three forms of social bias were identified in current macroeconomic policy: deflationary bias, male-breadwinner bias, and privatisation bias. The avoidance of these biases, it was argued, needs greater social dialogue about fiscal and monetary policy. There is an international human rights framework that provides norms against which such policy dialogue may be judged; and prescribes obligations for state and non-state actors. There is an emerging civil society practice in all parts of the world which seeks a more accessible, transparent, and effective national budgetary process, which is non-discriminatory and better meets the needs of poor and socially excluded people. The challenge is to build on this to transform macroeconomic policy, recognizing that this is likely to also require some changes in the ways in which national economies are articulated in the international economy, in particular, the social regulation of capital markets.

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