

# *Feminist analysis first: Public finance and the gender-bias of economic theory*

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In nearly all academic disciplines women researchers have exposed structures which exclude female conditions and experience. While the economic field resisted such scrutiny for a considerable time, feminist economists have advanced in examining crucial aspects.

Economic theory always avowed to be gender-neutral which in reality meant that its basic assumptions don't refer to the different tasks of women and men. While the focus of current mainstream-economics is definitely productivity, competition, growth (production of tradable goods), there is a severe lack in appraising the role of personal services (paid and unpaid, in public or private relations) for any society's economic status and well-being. The neoclassical model is shaping what feminist economists call a 'false economy', and the imbalance concerns not only the sectors of economic activity, but in a fundamental way the relations between men and women.

In 2005, the European expert group which drew up the report on Gender Budgeting explained much inequality between the sexes by an uncritical adoption of gender-biased economic principles. They suggest to develop new thinking in order to critique economic theory and render it neutral in terms of its discriminatory potentiality.

The expert group doesn't deny that the scope of gender budgeting is limited. They recommend to insert a gender perspective into mainstream economic approaches and methods. At the same time they raise awareness for the challenge to adapt – in the long term - structures and procedures to gender equality as a fundamental human right.

Public finance is an integral part of the industrial way of doing economics, it reflects approaches and positions of the system. On the way of identifying the benchmarks of potential discrimination, it is worthwhile to look at the traditional division of public expenditure in productive and non-productive outlays. In this understanding, productive expenditure is generating economic growth by supporting the production of marketable/storable goods, while public spending is non-productive and potentially wasteful in supporting services targeted to social well-being.

Even though modern economic theorizing might no longer recur on these traditional positions, it is quite easy to find numerous examples (reform of the European welfare state, structural adjustment of development) that policy makers still rely on the classical principles of creating and stabilizing prosperity. Doing so, they never feel guilty of pursuing something false. They trust that private households are capable to fulfil their perennial task of consuming market goods in an ever-productive manner.

## **The ambiguous role of the private household**

Feminist economists remark that *the private household* and its linkages to the market economy should be newly looked upon. While protagonists of the *New Home Economics* claim that the neoclassical frame of reference is fully applicable to private households, feminists insist that *caring for persons* doesn't follow the principles of market rationality. Moreover, they doubt that economic man indulges in benevolence as soon as he is husband and/or father.

In a certain way, the extension of neoclassical thought to the private sphere turns the reality of men and women upside down. While **her** unpaid housework is implied into economic reasoning, **his**

striving to acquire personal advantage is directed towards the generous sharing of market returns in the private field. Apparently, this approach merits some acknowledgement in offering comparability of different subjects, but it yields serious shortenings. Confining the discussion to economic resources, the method not only fails to cover *caring for persons*, but is unable to deal with the multifarious variety of family life and the bulk of unforeseen events and requirements in everyday activities. Some authors admit that beyond the validity of the theory there exist facts which might not comply.

The most serious critique on behalf of women researchers must be that the approach is not capable to capture the experience and the needs of women and children. Neoclassical findings about households represent essentially the perspective of economic man in his function as breadwinner and head of his family. Originally, mainstream economic theory assumed that its basic agent is an individual separated from others. He was to be single, independent, his decisions were autonomous, considering solely his personal utility.

Whoever didn't admit that the fortune of the community is left over to the wisdom of a cluster of dissociated singles would have to find something more inclusive. This was done by various authors in the second half of the 20<sup>th</sup> century. They recognized that utilities might differ between individuals in different situations. Moreover, the social setting would influence the final outcome.

By spreading their interest from economic man to his family, these authors refined the original mode to look at the production and consumption of commodities. Their findings meant claiming validity of economic rules for groups and activities which formerly were seen more or less exempt from the economic scheme. Applying the methodology of using the total of available (human as well as physical) resources to produce tradable goods, they submitted non-market activities to economic rules.

What does this mean for women and the personal services provided in the family? First of all, women were definitely awarded the status of consumers. Not goods and services which they produced, but the commodities which they had bought were supposed to be the true source of satisfaction. Their housework was seen to intensify the utilities drawn from market goods and to bundle the individual preferences of the household members into a common whole. It was agreed upon that the non-market productivity of women was higher than men's. On the other hand, men earned not only higher wages, but were supposed to be more efficient in producing tradable goods for competitive markets. It was consented that the household head was to share his wages with his family not by exchange or (mutual) claims, but by mere benevolence.

Feminist economists contest the enlarged issue of neoclassical thought from different points of view:

- It appears somehow extraordinary to derive conditions of living exclusively from market goods
- Provisioning for a family is not covered by the supply of commodities and the productive adaptation of their utilities to the needs of each individual member
- Economic theorizing which falls short of perceiving the entirety of human needs tends to deny adequate resources for the satisfaction of 'external' requirements.
- Households/families which are mainly considered as units of consumption will lose their capability to provide the cohesion of generations.

## Public finance and long term economic change

Before being conquered by the extension of neoclassical thought, the discipline of Home Economics had been vague and inconsistent. The area was a forum for economists who tried to link objective reasoning to the contingencies of real life. Beyond, it was the field for those who were willing to upgrade what women did in households.

The common point of reference for both versions of looking at the basic economic unit (the core of economics) was the male head of the family. He was the breadwinner, even when the spouse earned her own money. It was he who was the producer of tradable goods and the owner of capital stock who was considered to be responsible for the well-being of everybody. His functions as a householder were the offspring of the discipline and the source of its name (oikonomia). He would never have thought of providing himself inferior personal services for the members of his family. In general, men presumed that personal services were produced by females at no or low expense because they were supported by a male companion (preferably married).

Public finance, especially when directed towards families, still benefits from the firm belief that women and children live on the support of husbands and fathers. Certainly, this still is true in the majority of cases, even when women are employed. At the same time social science shows that women bear a growing part of the support of their families, while quite a few men still refuse to share the burden of household duties. Very recently a German study confirmed that in the long run younger men tend to opt out from fathering. They seem to become what neoclassical theory never gave up as one of their prerequisites: individuals maximizing their personal utility.

Nevertheless, the male part of humanity cannot opt out from modern economic developments. Mainly caused by its ever increasing productivity, the sector of physical production has lost its predominance for the make-up and growth of paid work. Simultaneously, the field of services is constantly expanding. A part of this sector provides technical and management assistance for the manufacturing and distribution of market goods. A considerable part of services is directly related to individuals in the field of education, health, well-being, child-care etc.

The productivity of either the production or the use of personal services cannot be increased infinitely. Their results are largely based on social coincidence and mutual understanding. In modern societies, increasing standards and social disparities intensify the demand for a high-grade supply of services in all fields of the so called reproduction. In order to meet the needs of everybody, it is indispensable that services be provided by public institutions and subsidized by public money.

Historically, personal services have emerged from female responsibilities in the family, and they have remained the domain of women even when they left the private setting and became paid work in the public sphere. It is mainly this section of public finance which currently is disputed among experts and politicians. It seems as if much public spend could be avoided if the contribution of private households, i.e. the unpaid work of women would keep up with the rising standards of economic performance.

In neoclassical tradition, following Adam Smith and his successors, personal services are considered to be ambiguous, diminishing – by fostering unproductive consumption – the capital stock for the production of real wealth. Adam Smith would have refused to spend much money on anything stigmatized to be merely consumptive. Only recently, in the frame of the production of human capital, the public view on personal services and the appropriate spend of public money is changing. It is realized that investing in the capabilities of people is not counterproductive, but an obligatory supplement to investing in prosperity and wealth.

## **A different approach to non-market services and capabilities**

As far as I realize, neither mainstream nor feminist economists have seriously examined the consequences of the ongoing economic change for the private household and its functioning. Is the household defined as consumer of commodities, adherent to a male head and breadwinner? Or should it rather be seen as the basic provider of goods and services which are created by mutual support and interchange?

In this context, personal services in households and families lose their calibre of just extending the utilities of market goods. They acquire an authentic significance as the source of capabilities and skills, individual well-being and social cohesion. Whoever stays apart from being actively involved in everyday care-giving and non-market exchange falls behind the requirements of a post-industrial society.

The declining performance of men and boys in the so called reproduction involves an increasing challenge for public finance. A very meaningful example is public education. In order to enable boys and young men to attain the same results as girls and young women, public budgets invest an ever increasing proportion of money in the male half of the population. In economic terms it could be said that men are less efficient in keeping up with the opportunities and risks of modern times.

## **Public finance and social justice in post-industrial societies**

Economic and societal structures complying with neoclassical theorizing are a serious impediment to establish equality between women and men. More than any other part of the society, household and family under the scheme of New Home Economics reveal the true character of inequality. Economic man in his function as highly productive producer of market goods positions women as members of his household and their unpaid work as management of utilities. His attachment to the production of physical goods bars the outlook into an open society where both sexes are free to develop their individual capabilities.

The neoclassical view on the private household has perennially lost its significance for equality and the targeting of social justice. In reality, women and men are forced to deal with conditions which are deeply rooted not only in the separation of the private and the public spheres, but in the shape of the economy itself. Gender budgeting tries to gain new perspectives by regarding women and men as independent individuals and their (paid and unpaid) work for the production of goods and services as equivalent.

What is needed is a fundamental revision of economic theory in favour of marking the **human** boundaries of economic growth. Household and family could be the entry point of a new thinking about doing economics for a sustainable future.