the review of income and wealth

Review of Income and Wealth
Series 61, Number 2, June 2015
DOI: 10.1111/roiw.12087

MACROECONOMIC POLICIES, PARADIGMS, AND CONSTRAINTS ON EQUALITY AND GROWTH

Review of *Inequality, Development, and Growth*, edited by Günseli Berik, Yana van der Meulen Rodgers, and Stephanie Seguino (Routledge, New York, 2011, 361 pp., ISBN 9780415609944, paperback)

It is a privilege to review this anthology, edited by Günseli Berik, Yana van der Meulen Rodgers, and Stephanie Seguino, first published in 2009 as a special issue of *Feminist Economics*. These editors, representing the pinnacle of the fields of gender and development economics, are perfectly situated to provide us with a collection such as this—a compilation of recent empirical studies which explore the relationship between inequality, growth, and development.

This collection of works is compiled in such a way as to pull the reader effortlessly along, from the initial justification of the necessity of such a collection through the systematic examination of the empirical work completed thus far. By providing a conceptual review of the mechanisms through which inequality, growth, and development interact, the introductory chapter, written by Günseli Berik, Yana van der Meulen Rodgers, and Stephanie Seguino, along with the paper by Elson, highlight the importance of gender-sensitive considerations of macroeconomic policies from a feminist economics perspective. The empirical work that follows is then organized primarily in descending order, from cross-country, to single-country, and then regional analyses. The natural flow of the articles makes obvious the fact that careful consideration was made, not only in the choice of literature included, but also in the order individual works are introduced.

A crucial contribution of this anthology is that it identifies the chosen measure of inequality and the existing structural constraints as main determinants of the complex and ever-evolving relationship between the macroeconomy and inequality. To that end, this collection includes empirical analyses that incorporate many such determinants and utilize a multitude of techniques and levels of aggregation. By embracing articles with such a variety of considerations—which often lead to contradictory results and policy implications—the editors capitalize on the opportunity to illuminate how the choice of conceptual framework can drive results. They expertly reconcile conflicting results found in several papers by including in-depth discussions of the original authors' choices of paradigms and the resultant impacts on their policy implications. This process smoothes over tension that otherwise may emerge when reading the conflicting articles, providing instead an understanding of the critical importance of the context of the original analysis.

This anthology provides numerous policy options for those seeking ways in which they can improve women's relative welfare while achieving development goals. In addition to the policy options proposed in the articles they selected, Berik, van der Meulen Rodgers, and Seguino identify numerous equality enhancing policies within their own article. A few examples of their suggestions include public provisions of childcare services and social safety nets enabling citizens to combine paid and unpaid work, relaxation of inflation targeting policies, and well-designed strategies for trade and investment flows. This volume also insinuates the direction of future research, not only through the inclusion of articles of import, but also via policies *not* exhaustively covered, such as public sector spending—alluded to only in Ding, Dong, and Li's article. The lack of representation of these policies within the volume reflects the lack of recent empirical work on the subject within the field of economics, thus providing impetus for additional empirical work.[1]

Following the introduction, the tone for the rest of the collection is set with the critique of the *World Development Report 2006: Equity and Development* by Diane Elson. Elson argues that despite the title of this edition, the report perpetuates an insufficient understanding of gender and social class and how development is itself a gendered process. She argues that in the few cases where gender is mentioned, it is analyzed from a neoclassical viewpoint; here the reproductive sector is non-existent, emphasis is placed on markets and competition, and the fact that the institutions and markets themselves are inherently gendered is not considered. With a focus on equality of outcomes rather than equality of opportunities (equity), Elson brings to light an argument that I find very powerful—tackling the issues of inequality involves the reevaluation of the structural forces in which markets operate. Simply fixing market "inefficiencies" will not solve the problem of inequality; rather, alterations must be made to the structure in which women and the economy interact in order to begin moving toward equality.

The feedback loop of inequality and the macroeconomy is discussed throughout the book; the first few articles estimate the macroeconomic impacts of inequality (Busse and Nunnenkamp; Klasen and Lamanna), while the rest evaluate the impact of macroeconomic policies on inequality. In their cross-country studies, Busse and Nunnenkamp and Klasen and Lamanna find positive relationships between gender equality in education and their choice of macro variables (foreign direct investment and economic growth, respectively). Klasen and Lamanna also find a positive relationship between gender equality in labor force participation and economic growth. However, Busse and Nunnenkamp recognize the potential problem that I, too, find particularly troublesome—namely, that raising educational achievement, in and of itself, is not a sufficient condition for increasing welfare. Reiterated by the editors, if social norms and institutions prevent women from matching their increase in human capital with a rise in wages, then the decrease in women's relative welfare may be the real stimulant to the macroeconomy, a possible chain of causality I feel is echoed by Seguino (2000). These articles illustrate one of this collection's main arguments, that policies that lead to equality of opportunities may not result in equality of outcomes and may actually harm those whom they intend to help.

[1]In the time that has elapsed since this collection was first published, efforts have been made to address this particular gap in the literature. I suggest those interested in empirical work relating gender inequality and the public sector in the developing world read Wamboye and Seguino (2012), Agénor and Canuto (2012), and Seguino and Were (2012).

The work of Zacharias and Mahoney appears next, in testimony to the intuitive organization of this anthology. These authors directly test the chain of causality mentioned directly above in their gendered study of the U.S. labor market. They hypothesize that women's increased participation in the labor force, coupled with their lower relative pay, is responsible for the rise in the profit share in the 1980s and 1990s. However, instead of finding that gendered variables drove profitability and thus changes to macroeconomic variables, they find the opposite, namely that outside influences on the macroeconomy (structural change) drove changes in gendered variables (relative wages), which in turn influenced another macroeconomic variable (the U.S. profit share). This switch in the chain of causality ushers in the rest of the studies which focus on the gendered effects of macro policies, beginning with the utterly unique look at the gendered underpinnings of the Chinese economy by Ding, Dong, and Li. Decomposing the coefficient of variation, the authors find that the retrenchment of the state sector in the late 1990s has significantly reduced women's relative employment in urban China. They connect this gendered effect back to the macroeconomy as their results show that this decline in relative employment contributed to the rise in income inequality, thus indicating that increasing the size of the Chinese public sector may decrease inter-household income inequality. I believe this result provides crucial insight into possible policies for reducing both gender and income inequality in a country which has recently been criticized for their chart-topping levels of inter-household income inequality (Gustafsson *et al.*, 2008).

Similarly, Rani and Unni manage to analyze both sides of the feedback loop in India, as they first trace the impact of trade and industrial liberalization on gendered home-based work, and then walk us through the subsequent impact on income inequality. What I find to be the most original aspect of the paper by Rani and Unni is their incorporation of the complexity of the multifaceted levels involved in gender studies. By including both household surveys and macro data, they capture gender differences occurring at multiple levels of society. Using a multinomial logit model, the authors find a positive relationship between liberalization and men's participation in home-based work, while women's presence in such work remains unchanged. These results indicate that liberalization has a positive impact on gender equality, measured by relative wages and working conditions; however, the result is undesirable as it involves greater income inequality and the downward harmonization of welfare—a result we must avoid in our search for equality-promoting policies.

Wanjala and Were also utilize both micro and macro data in their analysis of the possible effects of domestic investment on gendered employment outcomes in Kenya using a Social Accounting Matrix. They find that domestic investment is most strongly related to middle- and high-income employment creation, and thus the current occupational segregation in Kenya—where women have lower relative education, suiting them for mostly low-income employment—results in an investment gender bias. Without the human capital required to obtain middle- or high-income positions, an increase in domestic investment would result in a fall in women's relative employment, exacerbating income inequality. Interestingly, Wanjala and Were identify a possible avenue in which investments can be turned into greater gender equality, namely that investments made in conjunction with public spending—specifically spending on education—could provide the catalyst needed to increase women's relative welfare.

Estimating the gendered effects of changes in trade policy, Koopman and Siddiqui appear next in this anthology. Koopman, in presenting the only study of an agrarian economy, finds that foreign investments have shifted the agricultural burden from the shoulders of men to those of women and children, and have had a significant detrimental effect on the general welfare of many families in the Senegal River Valley. The author concludes that foreign intervention, while disadvantaging many citizens, has particularly impacted women and that policy changes should be restructured to prevent further negative impacts on women's welfare. Siddiqui finds similar results in her analysis of the effects of trade reforms on gender inequality in a Pakistani village where trade liberalization resulted in an increase in women's relative workloads and a decrease in their relative welfare.

The article by Takhtamanova and Sierminska concludes this book and provides the only consideration of the gendered effects of monetary policy. While they find no evidence of a relationship between short-term interest rates and women's relative employment in the context of OECD countries, this result differs from previous findings that contractionary monetary policy is negatively related to gender equality in developing countries (Braunstein and Heintz, 2008). This work rounds out the book as it indirectly illustrates that policies which may have proven gender-neutral in the developed world may be gender-biased in developing economies, illuminating a common thread woven throughout the collection: it is crucial that economic structure be considered in any analysis of inequality; furthermore, that without considering the very specific framework in which inequality operates—where inequality determines macroeconomic outcomes and is itself determined by them—macroeconomic policy choices can lead to undesirable outcomes.

This collection, while comprehensive, continues to invite economists to answer the call for further empirical literature that links inequality and growth, specifically in the developing world. Such research may provide fodder for a future edition of this collection while simultaneously increasing the size of the toolbox from which economists can draw when providing policy suggestions. I view this collection as an important resource for anyone attempting to contribute to this literature as it functions as a guide for how we should proceed in our own work moving forward and provides us with a uniquely expanded view of the relationship between inequality and the macroeconomy.

Once again it is a pleasure to recommend this book which includes recent work by several premier economists and numerous up-and-comers; it should appeal to a wide audience including researchers, policy-makers, academics, and all individuals interested in expanding their knowledge of inequality, growth, and development. While the focus here is specific to gender inequality, I submit that economists interested in *any* type of inequality would benefit from the offerings of this work.

Tabitha Knight
Colorado State University
Ph.D. Candidate
Office: Clark C 322
(taknight@rams.colostate.edu)

References

Agénor, P.-R. and O. Canuto, "Access to Infrastructure and Women's Time Allocation: Evidence and a Framework for Policy Analysis," Fondation Pour Les Etudes et Recherches sur le Developpement, Working Paper/P45, 2012.

Braunstein, E. and J. Heintz, "Gender Bias and Central Bank Policy: Employment and Inflation Reduction," *International Review of Applied Economics*, 22, 173–86, 2008.

Gustafsson, B. A., L. Shi, and T. Sicular, *Inequality and Public Policy in China*, Cambridge University Press, Cambridge, 2008.

Seguino, S., "Gender Inequality and Economic Growth: A Cross-Country Analysis," *World Development*, 28, 1211–30, 2000.

Seguino, S. and M. Were, "Gender, Development, and Economic Growth in Sub-Saharan Africa," Plenary paper prepared for presentation at the African Economic Research Consortium (AERC) Biannual Research Workshop, 2012.

Wamboye, E. and S. Seguino, "Economic Structure, Trade Openness, and Gendered Employment in Sub-Saharan Africa," Technical Report Working Paper, Pennsylvania State University and University of Vermont, 2012.