

From Micro to Macro Revisioning the Circular Flow of Resources to Include Unpaid Work

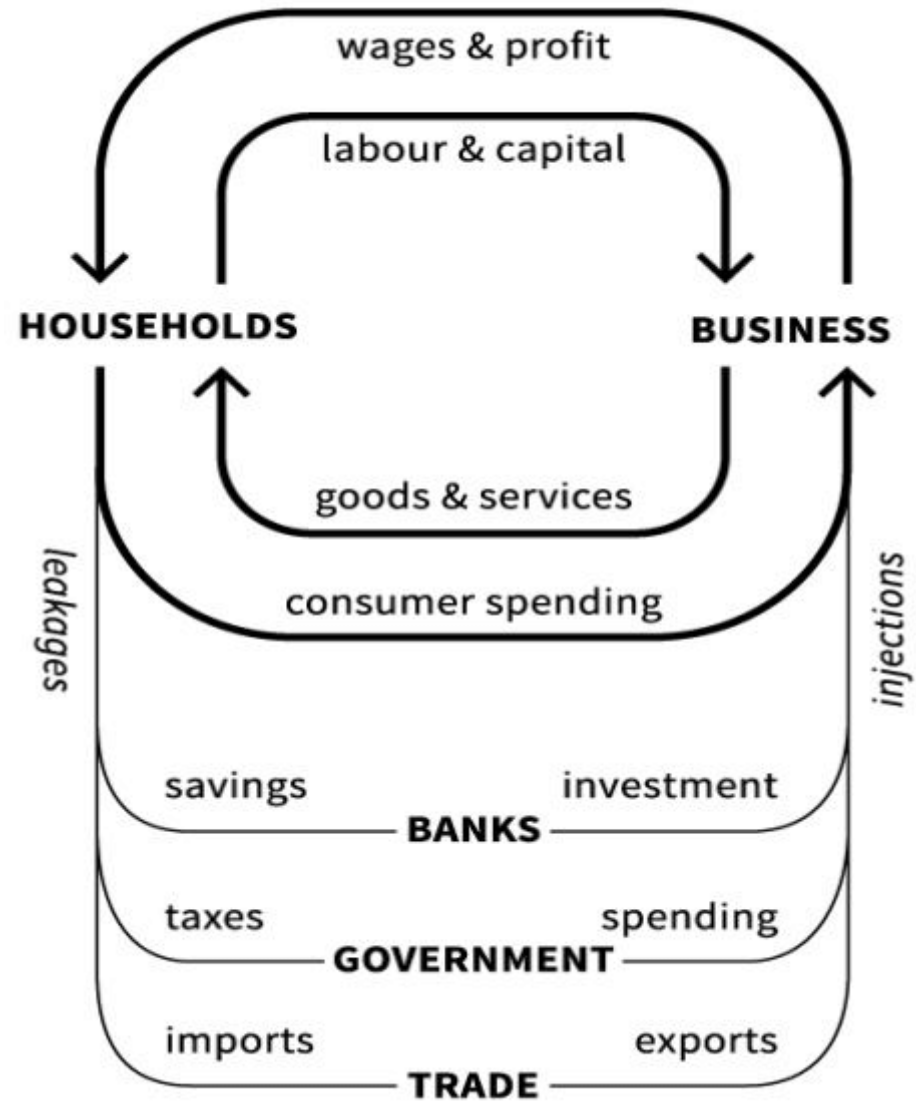
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Macroeconomics: the Circular Flow

- Macroeconomics looks at the economy as a whole, incorporating households, businesses, government, and flows of goods, services, factors of production, and money between them.
- The practice of introducing the macroeconomic system to students with a diagram of the circular flow in the economy as a whole was introduced by Samuelson in the first edition of his text book *Economics* in 1948.
- The circular flow provided a framework for measuring national income and for constructing mathematical models.
- There are various ways of depicting this circular flow, as google search quickly shows, but I particularly like the one on the next slid (source: Raworth 2017, based on Samuelson 1948)



What does this Diagram Highlight and what does it Leave Invisible?

- ‘The most important assumptions of a model are not in the equations, but what’s not in them ..’ Serman (2002). The diagram highlights :
- business as producers and households as consumers;
- leakages and injections of demand from the circular flow;
- the question of whether aggregate demand is equal to aggregate supply.
- i.e. $Y=C+I-S+G-T+X-M$, measured in terms of money (real prices)
- Neoclassical economics claims that if there are no market distortions and a fiscal rule constraining governments to equate G and T , there is no aggregate demand problem.
- Heterodox economics claims that markets and this fiscal rule cannot be relied upon to ensure equilibrium. Sufficient aggregate demand may require $G>T$.
- Neither highlights the process by which the supply of labour is produced and reproduced. Labour is not treated as a produced means of production.
- Neither highlights the ecological constraints to production and consumption.

Feminist Economics Highlights Production of Labour Supply

- Feminist economics claims that the process by which the labour supply is produced and reproduced is critical to understanding the macroeconomy.
- Central to this process is unpaid care and domestic work in the household, disproportionately done by women.
- This is not only quantitatively important but also qualitatively important.
- Picchio 1992 refers to ' the enormous mass of energy which women pour into others, to make them feel like human beings in a system that treats them as commodities (whether in current use, to be used, or out of use) '.
- This empathetic energy helps to mitigate the alienation produced by commodified labour and deep inequalities.
- Illustrated by Folbre 1994 with following cartoon on interaction of paid and unpaid work.

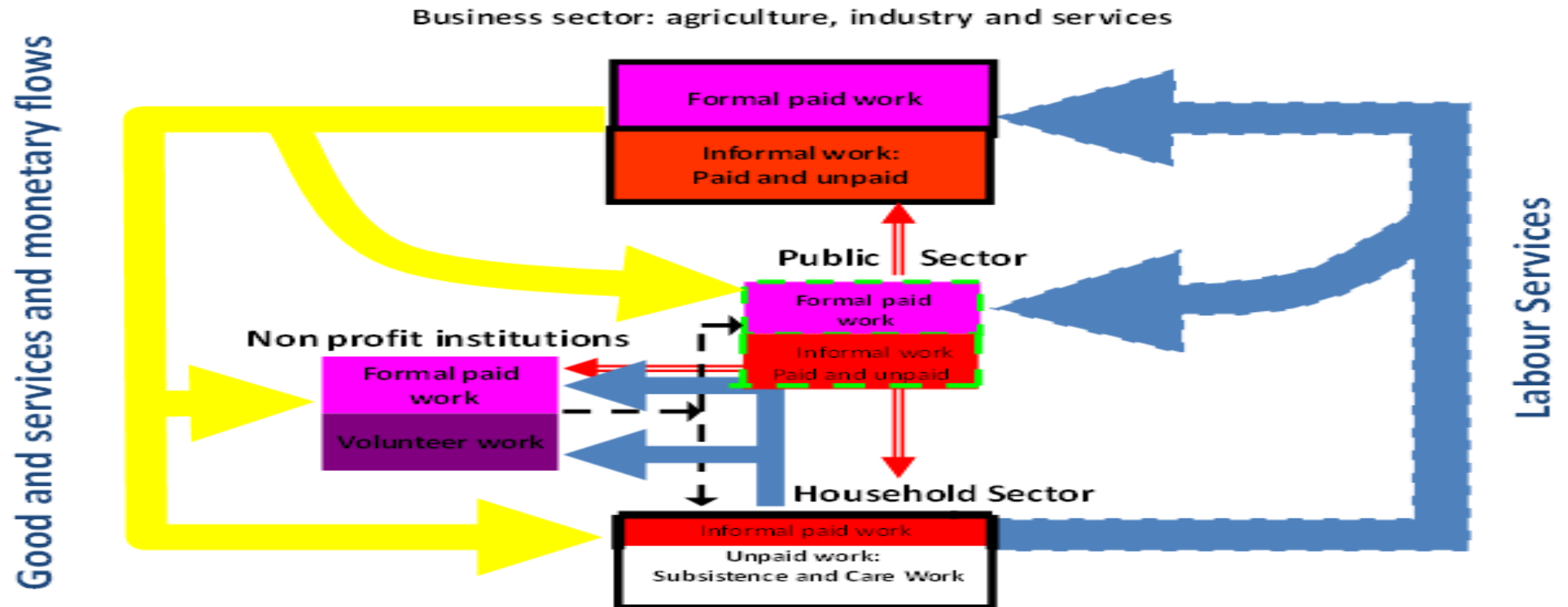


Multiple Forms of Paid and Unpaid Work

- More forms of paid and unpaid work than shown in the cartoon.
- Paid work may be formal or informal, and take place in businesses, public sector, household sector and non- profit institutions.
- Unpaid work may be domestic, subsistence and care work in households, volunteers in non-profits and public sector, internships in businesses.
- Reproduction of an educated and healthy labour force requires public services as well as unpaid work in the household.
- Circular flow diagram highlighting these multiple forms of work on next slide. Note that the household is not just a consumer. It produces as well as supplies labour.

The Circular Flow from a Feminist Perspective (Elson 2013)

Understanding Economies from a Gender Perspective

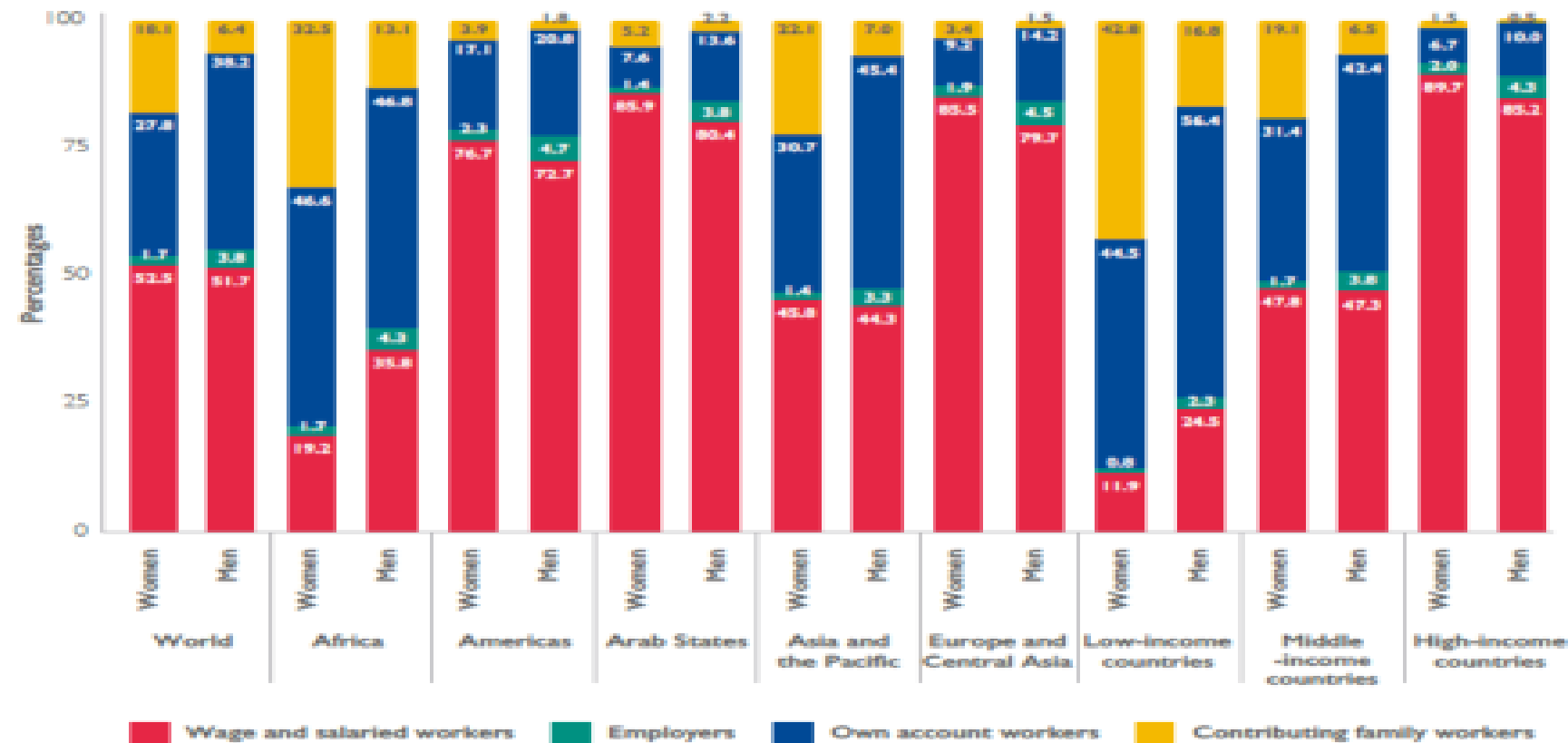


Economies are Gendered and Racialised

- Gender and race are not just a characteristic of individuals.
- The whole economy is gendered and racialised in terms of:
 - division of labour (paid, unpaid, occupation, labour market status);
 - ownership of assets;
 - access to finance, technology, training and markets;
 - levels of decision making;
 - social norms and social stereotypes;
 - experience of harassment and violence.
- Are these differences evidence of structural disadvantage or the result of different choices and aptitudes?

Gender differences in labour markets: employment status

Figure 1.23. Employment status, by sex (percentage of female and male total employment), 2018



Source: ILO modelled estimates, November 2018.

Depletion of Human Capacities

- Feminist economics highlights that the maintenance of the stock of human capacities cannot be taken for granted.
- There are leakages of human capacities as work uses up human energies which have to be counterbalanced with injections of resources (food, housing and care in particular) if human capacities are to be replenished rather than degraded.
- Parallels here with 'green economics'.
- Low income women particularly vulnerable to depletion of their capacities, through long hours of energy sapping paid *and* unpaid work. Cf Chopra with Zambelli 2017, case studies for India, Nepal, Rwanda, and Tanzania. ' My work never ends'. Many experiences of injuries, lack of sleep and exhaustion.
- Lack of work also depletes human capacities: skills atrophy, mental health suffers.

Some Discussion Questions

- What kind of data is needed to produce an account of South Africa as a gendered and racialised economy?
- In what ways does depletion of human capacities take place in South Africa? Are there differences by gender and race?
- In an economy with high unemployment, why should policy makers be concerned about how labour is produced and reproduced within households?
- How would economic policy be different if policy makers took account of unpaid work?

References

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