Diane Elson, 'The Economic, the Political and the Domestic: Businesses, States and Households in the Organisation of Production',

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Political economy is being reconstituted from a variety of viewpoints-ranging from those represented by contributors to *New Political Economy* to the team which wrote the World Bank's *World Development Report* for 1997. The neoliberal view that the process of production can best be coordinated by markets, despite their admitted failures, is being tempered by a recognition by states can often lead to better outcomes. However, some things remain the same-in particular, the continuing invisibility in the analysis of world economic and political structures of the domestic (which as a first approximation we will think of as the activities taking place within homes and neighbourhoods which are primarily structured by relations of kinship and community.)

Domestic structures appear as taken-for-granted by the new political economy as they were by 19th century political economy. Both John Stuart Mill and Karl Marx recognised that the production of the labour force on a daily and intergenerational basis was dependent upon households-but both treated the functioning of households as something that could be taken for granted. To understand the ordering (and disordering) of societies, it was political and economic processes that were subject to detailed analysis. The same assumption seems to underpin the founding Editorial Statement of *New Political Economy,* where the emphasis is on rethinking the relation between the economic and the political-with no sign of an interest in the domestic, in the ways that households are organised (or disorganised) both internally and in relation to economic and political structures.

The invisibility of domestic structures in any body of knowledge is always disabling to struggles for women's rights and for equality between men and women. This is because the organisation of domestic life, in most instances, still constrains women more than it constrains men in their participation in economic and political life. A political economy which is to be useful to feminists needs to include domestic, as well as economic and political systems. This was recognised in the women's liberation movement in the 1960s and 1970s and efforts were made to show the significance of the domestic within Marxist political economy through the debate on domestic labour. This had little lasting impact on political economy, but did lay the groundwork for much subsequent analysis by feminists on patriarchy and work.(1) A renewed feminist emphasis on the wider importance of domestic structures in economic processes can be found in the pages of the new journal *Feminist Economics,* which has now become indispensable to the development of a political economy that is useful to feminists. (2)

However, it must be acknowledged that the majority of people reading and writing political economy, and making practical decisions based on their understanding of political economy, do not have women's rights and gender equality as their prime objectives. They are concerned about a range of issues, including productivity, poverty, peace, environmental sustainability, the coordination of production and consumption, democracy, accountability, standards of living and social justice, concerns which many feminists also share. This article aims to address them, and to show that analysis of the domestic has relevance to issues which are not defined in terms of the domestic. It seeks to explore feedbacks between the domestic, the political and the economic which are obscured in conventional political economy.

The arguments presented here are a contribution to a gendered political economy in the sense that they foreground activities which are constitutive of gender (as a system of social relations and a structuration of personal identity) but which are left in the background by analysis which is not gender-aware. My aim is not to present a political economy of gender inequality, i.e. an analysis of gender inequality in terms of economic and political structures. Rather, it is to sketch some ways in which understandings of political economy which are gender-blind can be transformed by taking as a point of departure an area of life and work which has traditionally been thought of as more of a female, than a male, domain. We will focus in particular on the illumination of problems in the way that domestic, economic and political structures interact, producing sustainable societies or crisis and disintegration.

A macro-level focus

This article adopts a macro-level focus, looking at political economy primarily from a structural perspective. This is not because I discount individual agency, but because I want to show how a gender-aware analysis can be relevant even when the focus is not individual men and women. The analysis here is thus complementary to the micro-level focus of the contributions by Jane Humphries and Jean Gardiner in this issue. The article focuses on the organisation of the production and consumption of goods and services and construes 'the economic', 'the political' and 'the domestic' largely in terms of implications for production. This is not because I think that 'the economic', 'the political' and 'the domestic' can be reduced to production. My motive is to keep the analysis manageable by making some simplifying assumptions in order to address what is, and has always been, a central concern of political economy.

The macro-level focus means that the analysis is able to engage directly with the concerns of macroeconomics, that branch of economics which analyses the behaviour of an economy in terms of aggregate stocks and flows of money and goods and services. By doing this we shall sidestep the issue of whether or not the people whose actions give rise to national output are 'rational economic men' forever engaged in constrained maximisation (something which always sounds to me decidedly uncomfortable). A micro-level focus has to engage directly with this issue, as Humphries explains in her contribution. A macro-economic focus can treat aggregate stocks and flows of money and goods and services as relatively autonomous from any particular characterisation of agency. So I shall merely note that, while it is possible to conceptualise any and every activity as an exercise in constrained maximisation (dignified as 'rational choice') and to analyse empirical data so as to reveal that outcomes 'fit' this theory, it is far from clear that it is helpful to do this.(3) There are always other possible conceptualisations and ways of analysing empirical data that 'fit' these theories. There are losses as well as gains in eliding the difference between 'doing' and 'choosing'; in treating everyone as if they had well ordered, well defined preference functions; and in treating every situation as if the bounds on choice are self-evidently exogenous. Macro-level analysis, nevertheless, still holds the promise of being able to illuminate some of the constraints on individuals and to identify situations where individual decision making does not add up to a coherent and sustainable whole. The issue of co-ordination failure has always been a central concern of political economy.

Macro-level political economy in the twentieth century has been constructed in terms of concepts of national economies divided into sectors producing goods and services linked by circuits along which flow goods and services, labour and money.[(4)] The image of the circuit suggests a return to the starting point, and a process of holistic social reproduction, which counterbalances the dissection into sectors. In this article we shall explore some implications of including the domestic as one of the sectors, along with the public and private sectors; and of including circuits structured by interpersonal relations of kinship, friendship and mutuality, as well as those of commerce and citizenship. We shall be attempting to take further the recommendation made by Jean Gardiner in her excellent recent book, that 'households, markets and states should be analysed as inter- related sectors of the economy. Domestic labour, like the market and state sectors of industrial economies, undergoes continual change and restructuring. An understanding of the internal processes within the three sectors, and the linkages between them, is necessary to inform the development of economic policy'.[(5)]

Sectors

Any macro-level political economy has to decide how to differentiate activities and aggregate them into sectors; and how to characterise the circuits which link them. The principle of differentiation and aggregation frequently used in the 18th and 19th centuries was in terms of characteristics of the resources used and the output produced in a national economy: agriculture, industry, services; consumption goods and investment goods. This continues to be a principle upon which national output and expenditure statistics are organised. But its usefulness today is limited by the fact that many production units produce all these categories of products; and the fact that many production units now span national boundaries and move goods freely between national jurisdictions. These limitations might suggest a principle of differentiation and aggregation which begins from the global economy, rather than the national economy, and defines sectors in terms of commodity chains, rather than the International Standard Industrial Classification.

Bringing in the domestic reinforces the view that characterising sectors in terms of the conventional product classifications has limitations. Domestic production units (i.e. households and neighbourhood associations) produce agricultural goods (e.g. fruit and vegetables from gardens, allotments); industrial goods (e.g. clothes, cakes); and services (e.g. childcare, laundry). But bringing in the domestic weakens the view that the analysis should begin from the global economy. Certainly, international migration has resulted in families that span national jurisdictions, but family members (unlike goods) cannot move relatively freely between national boundaries. National jurisdictions in relation to the movement of persons have been strengthened rather than weakened. International trade has been liberalised, but not international migration. From the point of view of the domestic, national economies are the right place to begin (though not, of course, to end).

A different principle of differentiation and aggregation would be in terms of spatial location of production, beginning from the level of a region (which could be international, national or sub-national) and distinguishing a home-based sector from sectors based in farms, factories, offices, shops, hospitals, schools, and so on. The problem with this is that the home is a base for paid work structured by market forces as well as unpaid work structured by the forces of kinship and community.[(6)] There was a time when it appeared to many that home-based market-orientated work would inevitably decline in the process of industrialisation. But it is now clear that home-based paid work is being recreated as part of the process of 'delayering' and 'contracting-out' from farms, factories and offices. A spatial differentiation of sectors cannot capture the distinction between paid and unpaid work, nor between the operation of market forces and the forces of kinship and community.

Neither a focus on the types of goods and services produced, nor one on the location of their production, can highlight the structure of property rights and the role of the state in the process of production and consumption. Some of the central questions of political economy are therefore obscured. The most obvious way to bring the state into macroeconomics is through a distinction between production undertaken in the private sector (in which enterprises are privately owned) and production undertaken in the public sector (in which enterprises are publicly owned). (Households are conventionally excluded from both sectors, excluded because they are not regarded as producers-of which more later).

This distinction between the public and the private sectors in the discourse of macroeconomics cuts across the distinction between public and private spheres in the discourse of politics which focuses on forms of association rather than ownership of assets. Here the home is depicted as the private sphere, while the factory or office, the meeting of the tenants' association or trade union, and the polling booth are all part of the public sphere. However, the two discourses share a similar presumption that the home is a secluded place, an absence rather than a presence. Our aim in this contribution is to explore the implications of a domestic sector which is not 'domesticated', which does not just passively accommodate, and which can cause trouble for both the private enterprise sector and the public services sector if it is not properly resourced. For us, the domestic sector will comprise the unpaid labour undertaken in households and neighbourhoods, and we shall assume as a starting point the definition of unpaid labour proposed by Jean Gardiner:

> Unpaid household activities which could be done by someone other than the person who actually carries them out or could be purchased if a market for those activities existed. It can in this way be distinguished from personal care activities which people perform for themselves (eating, washing) and leisure activities which cannot be delegated to someone else (watching television or/reading for pleasure). (7)

This definition has the advantage of recognising that it is not useful to define *every* activity as labor and it has no built-in assumptions about satisfactions or dissatisfactions that unpaid domestic labour entails. However, it does not differentiate between unpaid labour which is undertaken for a family business producing for sale and unpaid labour which is undertaken directly to provision friends, neighbours and family with the care they need to sustain the enjoyment of life. We shall extend the definition to take into account the purpose of the unpaid labour and define the; domestic sector in terms, of unpaid non-market-orientated labour undertaken in families and neighbourhoods. We shall argue that this labour produces vital inputs for the public and private sectors: a labour force available for work and a variety of other intangible social assets, which will be specified further in the course of the article.

None of the distinctions we have discussed so far prioritise the question of what sustains a degree of unity or coherence in the way a sector functions. This is important, because all the sectors we have demarcated are internally heterogeneous. Within the public services sector, there are differences between units in terms of size, function, relation to citizens and relation to government. Some units provide services free at the point of use, while others provide services for which user charges are levied; some units are primarily concerned with the service of effecting income transfers (taxes and benefits); while others are primarily concerned with the service of regulating society (making and upholding laws). Within the private sector, there are wide differences between enterprises in terms of their ownership structure (joint-stock, cooperative, family, individual) and the extent to which they are regulated by the state ('formal' or 'informal'); their size and scope (small and local or huge and international); and their success in covering their costs and making a surplus. Finally, within the domestic sector, there are many differences between households in terms of size and age structure, reason for household formation, extent of kin and neighbourly links with other households, income and assets of household members, degree to which resources are pooled and shared and egalitarian or non-egalitarian gender division of labour.

The rationale for aggregating these diverse units into three sectors must rest on some similarity between the functioning of the units in each sector. One possible similarity is in terms of the motivations of individuals within each sector. As Humphries points out in her contribution, neoclassical micro-economics has tended to depict the motivation of individuals in the public sector and private sector as that of self-interest, while the motivation of decision makers in households has been depicted in terms of altruism. Feminists have found this too arbitrary, as the majority of individuals live in both the world of the household and the world of the enterprise for a good part of their lives. Why should they be only altruistic in the one and only self-interested in the other?

Another possible common feature of units within a sector is in terms of the mechanisms they use to co-ordinate their internal activities, It is perhaps tempting to see private enterprises as coordinated through financial mechanisms, public sector organisations as coordinated through rules, and households as coordinated through norms. But, again, reality is more complex, with finances, norms and rules playing some role in the coordination of all three sectors. Moreover, command and hierarchy, and mutuality and reciprocity characterize the internal organisation of units in all three sectors. The family is more unequivocally 'the heart of heartless world' than the firm is the servant of mammon or the bureau a sub-division of Leviathan. The internal operation of units in all three sectors is better characterised in terms of 'cooperative conflicts', in which their members stand to gain from cooperation in production but have conflicting interests in the terms of the distribution of the benefits.(8)

We might also examine the conditions of reproduction of each unit-what do they have to do to sustain their normal functioning? Private sector enterprises have at least to cover their costs, and if they are joint-stock companies they must also make a profit for their shareholders that matches that of comparable firms. Public sector organisations are not constructed in the same way since their costs may ultimately be financed by taxation rather than sales. But the power to tax depends upon the government retaining its power to make and uphold the law. Thus, in general, public sector organisations have to instantiate and uphold the laws on which they are based if the power of the state to tax is to be sustained. Households and neighbourhoods have to meet the needs of their members for food, shelter and clothing, and a reason to go on living as members of a society. We might sum this up by saying that the private sector is structured by a dynamic of cost recovery and profit seeking; the public sector by a dynamic of regulation; and the domestic sector by a dynamic of provisioning.(9) We might then pose the question of the sustainable reproduction of the society as a whole (which is raised by Pearson in her contribution to this issue) in terms of the consistency of these three dynamics.

Circuits

This question is inextricably linked to the issue of the circuits that connect the sectors and channel the flows between them. Traditionally in political economy the emphasis has been on markets as the most important circuit, with goods, services, money and labour flowing through markets. The role of the state has been posed in terms of intervention in markets which are run by the private sector, to widen, narrow or choke off flows through them. In the debate about the appropriate forms of intervention, and the relative weight of market failure and bureaucratic failure, it has often been forgotten that the state plays a constitutive role in well functioning markets-supplying an infrastructure of rights and regulations without which no orderly market is possible. Recognition of this enables us to see that markets are public circuits as well as private circuits, co-determined by the economic and the political structures.

The new institutional economics, both the neoclassical and radical variants, has highlighted the limits of this co-determination.(10) In an uncertain world, all contracts are incomplete-the gap has to be filled by social norms of ethical behaviour if markets are not to disintegrate in a welter of opportunism and mistrust. Moreover, there has to be some degree of respect for property rights and reluctance to steal, and defraud, if the costs of policing are not to swamp the benefits of interaction. Such social norms have to be continually constructed and sustained in the face of counter pressures of short-term individual commercial advantage. This requires the production of human beings to whom the, idea of ethical behaviour is meaningful; and who have been socialised in the ethical norms of their particular society, so that, even though they may often fall short of the norms, they have an awareness of their failure to act ethically and some degree of aspiration to comply with those norms, or create new norms. Brute economic and political power can get deals done; but without an underpinning of ethical norms and the participation of people with some sense of ethics and some willingness to trust, no well functioning market system is possible. The primary site of production of these key social assets is the process of bringing up children in the home and the neighbourhood, a process which rests upon unpaid domestic labour. Thus the domestic also plays a role in constituting the market circuit and determining how well it functions.

A second circuit that links the sectors is a circuit of citizenship obligations and entitlements,(11) the circuit of tax-and-benefit, including both income transfers and enjoyment of physical and social infrastructure (roads, police stations, law courts, schools, hospitals) free at the point of use. In contrast to markets, in the circuit of tax-and-benefit, flows of money payments and receipts of goods, services and money are not offset against each other in each and every transaction. For protagonists of the market, this is the great weakness of the circuit of tax-and-benefit and leads to scrounging, waste and inefficiency of all kinds. But the circuit of tax-and-benefit can deal much better than the market with the provision of public goods, that is, goods which by their nature cannot easily be parcelled up and charged for separately-street lighting, clean air and services where there are, in general, strong 'spillover' effects, such as health and education, where one person's ill-health can be contagious and one person's lack of adequate skills can reduce the performance of a whole team. The circuit of tax-and-benefit can also provide a common resource, a welfare benefit system which can offset the inability of market circuits to guarantee everyone a living. If you have nothing to sell, you are unable to buy. Entitlement to some common resource which is not privately owned, and can therefore be accessed without charge, fills the gap. Once upon a time, the most important common resource was common land, but, as land has become privatised, the commons have shrunk, to be replaced in developed industrialised countries by the welfare system. Common resources are not just important for those with a concern for human welfare, they are also important for those with a concern with the bottom line in their profit and loss account, since common resources provide a cushion against risk and exert a stabilising influence on the conditions of reproduction of the private sector.

A well functioning circuit of tax-and-benefit does not just depend on the legitimacy, probity and efficiency of the state and of political structures. Good governance, as the World Bank calls it, also ultimately depends upon the willingness of the private sector to finance good governance. The fact that the inflow of public revenue cannot be guaranteed to match exactly the outflow of public expenditure, either timing or in total magnitude, means that the circuit of tax and benefit is inextricably bound up with borrowing in some form or other. This circuit therefore can be widened, narrowed or choked off, not only by the changing sentiment of voters and political parties, but also by the changing sentiment of bankers.

Moreover, just as there is inevitably a gap in the market circuit because of the necessary incompleteness of contracts, so there is inevitably a gap in the tax-and-benefit circuit because of the necessary incompleteness of citizenship: the fact that children (and also some adults who are too ill or too old) are unable to assume for themselves the full rights and duties of citizenship. Parents and guardians mediate between children and the very old or very ill, and the circuit of tax-and-benefit. Their cooperation is essential if children, and the very old or very ill, are to have a chance to enjoy the benefits of the public sector, whether in health, education or income transfers. Their cooperation is also essential if children are to be raised to respect public resources, accept taxation as legitimate and value what they have not had to pay for; in short, to be good citizens. The domestic thus also plays a role in constituting the tax-and-benefit circuit and in determining how well it functions.

Both market and tax-and-benefit circuits involve money (in terms of which the flows through them can be quantified). But there is also another type of circuit connecting the domestic, private and public sectors of production- non-monetised communication networks in which what flows is information, rumours, ideas, images, values and meanings, often as much implicit as explicit. The new political economy has recognised the importance of such networks in the internal operation of the private sector, but has not paid so much attention to their role in linking the private, public and domestic sectors in face-to-face interaction (both formal and informal) and also via print and telecommunications. Without the unpaid sharing of ideas, values and meanings between the three sectors, transaction costs in market and tax-and-benefit circuits would be prohibitively high. The marketplace and the committee meeting have always been places of interpersonal communication, as well as places where goods are bought and sold and rules are made.

Communication circuits are regulated by the state (censorship, laws of libel, patents) and much of the media that support communication networks are provided by private enterprises in order to make a profit (TV, newspapers, advertising hoardings, cafes, the internet). But neither regulations nor media can ensure that communication actually takes place. Communication circuits are necessarily incomplete without the presence of communicative people; and it is the domestic sector which is the primary site of producing communicative people. The interaction between parent (or other primary care-giver) and child lays that foundation for communication, which is further developed by interaction of the child with other family members, and friends and neighbours. The domestic sector creates the conditions for all subsequent formal education in the public and private sectors. It is at home that people first learn what it is to communicate and familiarise themselves with the styles of communication that characterise their society.

Through the circuit of communication networks, each sector transmits a series of messages which are marked by the organising dynamic of each sector. The private sector transmits commercial values; the public sector, regulatory values; and the domestic sector, provisioning values. There are negative and positive aspects to the values each transmits - commercial values may be crass and opportunistic-but they may, also be thrifty and innovatory; regulatory values may be petty and bureaucratic-but they, may also be orderly and democratic; provisioning values may be caring and giving-but they may also be patriarchal and small-minded. So communication networks convey mixed messages, and should not be romanticised, They can foster mistrust, as well as trust; and bolster hierarchy, as well as promote co-operation. Moreover, the social norms that structure communication networks, and serve to stabilise and regularise them, are often based on principles often exclusion, as well as inclusion.

Sectors and circuits as gendered structures

We have identified three sectors: the domestic; the private and the public; and three circuits: the market, the tax-and-benefit circuit and the communications network. We have argued that the domestic sector produces a labour force; and, more than that, plays a foundational role in the production of people who possess not only the capacity to work but also to acquire other more intangible social assets-a sense of ethical behaviour, a sense of citizenship, a sense of what it is to communicate-all of which permit the forming and sustaining of social norms. We have argued that, without these intangible social assets, the three circuits could not function with any degree of regularity or continuity. We now introduce the concept of sectors and circuits as gendered structures: that is, as structures that do not just contain within them both men and women, boys and girls, but whose modes of operation are built upon the prevailing gender order.

This is obvious in the case of the domestic sector because kin relations are gender-ascriptive relations; that is, mother, father, son, daughter are categories which explicitly denote gender. However, categories like employer, employee, seller, buyer, citizen, taxpayer, benefit-recipient, speaker, listener, writer and reader do not explicitly denote gender; and are thus often assumed to denote gender-neutral positions and activities. Much feminist scholarship over the last two decades has been devoted to showing that a lot of what may appear to be gender-neutral is in fact a 'bearer' of gender, inscribed with prevailing pattern of gender inequality.(12) There is no space here to report on all the ways that this happens. We shall just highlight some prime examples. For instance, the hierarchy of employment in units in both public and private sectors is a gendered hierarchy in which male authority is still the norm, and female authority the exception. Moreover, the rules and norms of such units are predicated upon the assumption that the care and nurture of the labour force on a daily an intergenerational basis is primarily a female task, and should be treated as fundamentally external to the operations of the unit, even though none of those units can be sustained in the long run unless such unpaid domestic labour is undertaken. (13)

Moreover, the exchanges of the circuits are also gendered. This is most apparent in the tax-and-benefit circuit, where obligations and entitlements are frequently structured quite explicitly upon assumptions that women are, or should be, dependent upon men. In addition, communication networks frequently: exclude women; sometimes explicitly-the club that only admits male members; sometimes more indirectly-the business association that meets in places that women do not find welcoming. Or, if women are included, they are allotted an unequal role-listener but not speaker, reader but not writer. Markets may seem more egalitarian-since it appears that the only thing that matters is how much money you have. But the structuring of market transactions is gendered in a way that frequently disadvantages women; sometimes overtly, in that women are not allowed to enter into contracts of certain kinds, or are excluded from certain marketplaces; frequently more subtly, in terms of whether bargaining is done on a collective or individual basis; or of how risks are perceived and shared; or how goods are organised into 'lots' for sale; or how information about prices is disseminated.(14)

The interaction of sectors via circuits

Signals in the form of prices, rules, values travelling along the circuits co-ordinate-or fail to coordinate-the diverse activities of the three sectors. The activities of the three sectors may be mutually supportive and self-reinforcing; or may serve to undermine one another, leading to a degree of disintegration, incoherence and transformation. The circuits may function well and the signals (prices, rules, values) may be well defined. Alternatively the circuits may have barriers, bottlenecks, breaks, leakages, spillovers; and the signal may be faint, fuzzy or convey mixed messages. Markets, bureaucracies and networks are all subject to failure of one kind or another. Moreover, the internationalisation of markets and networks, and the extension of the private sector across national boundaries, complicates the interactions and increases the level of systemic risk of malfunction or disconnection, as the current financial crisis in large parts of Asia has once again reminded us, sending shock waves throughout the private and public sectors of a large area of the world. The domestic sector is most often seen as the absorber of such shocks, the safety net of last resort[15] But we shall argue that this is a one-sided view of the domestic sector. Its capacity to absorb and compensate for malfunctions elsewhere in the system is not unlimited. It can be undermined by lack of resources, insecurity and demoralisation; and in return it will be unable to supply, or will resist supplying, the demand, the labour, the intangible social assets that the public and private sectors need to reform and recover.

In the rest of this article we shall discuss the interactions of the domestic with the private and public sectors in terms of the circular flow of national income and output, taking account of the implications of globalisation and flexibilisation. We shall make use of two visual images of this interaction: one a diagram which occurs in some format or other in every first year university economics text book; the other a 'feminisation' of the diagram in order to take into account the contribution made by unpaid domestic labour.

The circular flow of national money income

Mainstream macroeconomic analyses the interrelation between the domestic, private and public sectors through the model of the circular flow of money income in a national economy. Figure 1 illustrates the main features of this model. Households are depicted as receiving incomes from firms operating in the national economy. Households also pay taxes and receive income transfers (benefits) from government. Households then spend part of the income on the output of the firms and imports from other economies, and save the rest of their income. Governments also purchase goods from firms and finance this from taxes and government borrowing. Neither households nor government are depicted as producers. Production is the monopoly of firms, and their output is either sold to government and to households, exported or used for investment. In this type of model investment (i.e. additions to productive capacity) is undertaken only by firms. The lines represent financial flows, some of which flow through the market circuit and some of which flow through the tax-and-benefit circuit.

The model focuses on the conditions for equality between aggregate demand and supply for the output of firms, which it depicts as depending upon the relationship between leakages from the circular flow between households and firms through the market circuit (savings and imports and tax revenues) and injections into the circular flow (investments and exports and government expenditure). Taxes less transfers are a leakage, and government expenditure an injection. Because the interactions take the form of flows of money, they can be quantified and aggregated in a way that heterogeneous collections of goods and services cannot. This paves the way for mathematical models and the construction of national income accounts.

Macroeconomics has focused on issues such as whether equilibrium is, or is not, accompanied by full employment (Keynesians say no, neoclassicals say that it will be if prices and wages are flexible and we wait long enough); and on

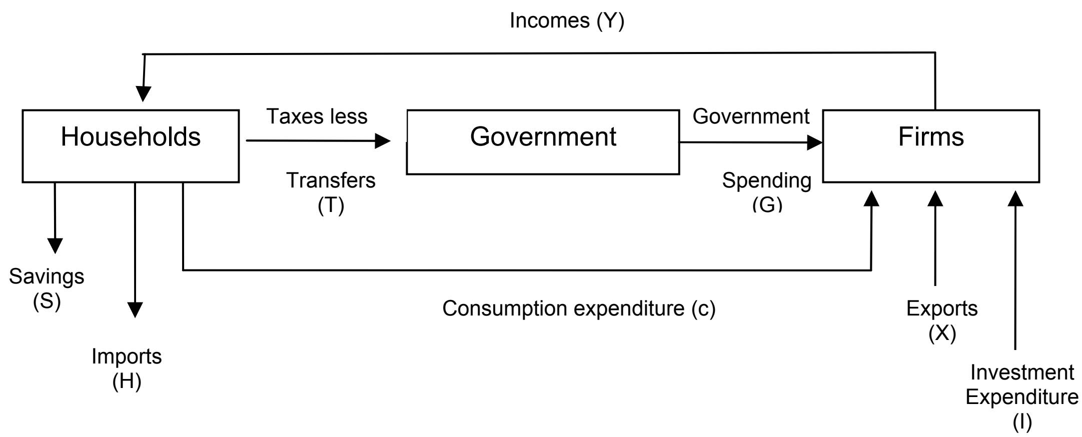

FIGURE 1. The circular flow of national money income.

whether the economy is driven by savings or investment. Neoclassicals say that the problem is whether there will be a large enough supply of savings to finance the demand for investment; Keynesians say that the problem is whether there will been for demand for investment to use up all the available savings. From both perspectives, the key thing about the interaction with the domestic sector is how much households decide to buy from the market. Neoclassicals worry that purchases ('consumption') will be too high, while Keynesians worry they will be too low. Neither sees gender relations as a potential factor in determining levels of household savings or consumption, or the incentive for firms to invest.Feminist economists are now beginning to challenge this and to suggest ways in which gender may be relevant. (16)

The role of the public sector follows from the role of the domestic sector. Since neoclassicals think national income determination is savings-driven, and worry that households may save too little, they are concerned that public expenditure will 'crowd out' private investment and therefore want to minimise the role of the public sector. Since Keynesians think that national income determination is investment-driven, and worry that household consumption demand will be too low to provide sufficient incentive to invest all available savings, they see a potential for public expenditure to 'crowd in' private investment by stimulating demand for firms' output

No matter whether the model is interpreted in a neoclassical or Keynesian spirit, the stock of labour and of intangible social assets (such as a sense of ethics, a sense of citizenship, a sense of what it is to communicate, a set of uncodified social norms, and so on) is taken for granted, and it is assumed that no work or investment is required to maintain these resources. Interestingly, an early twentieth century French adaptation of Quesnay's *Tableau Economique* creates a diagram of the circular flow of income which situates the sectors and flows between them within an ellipse which is labeled '*ordre moral individuel'* an image which postulates the moral order as externally given and not influenced by the functioning of the economy.(17)

The policy advice based on the circular flow of income model varies with the perspective. The Keynesian advice is to balance aggregate supply (leakages) and demand (injections) via changes in fiscal and monetary policy with the government ready to act as lender and employer of last resort. The neoclassical advice is to balance aggregate supply and demand via flexible prices, interest rates and wages. The assumption of both is that there is no need to pay attention to the production of the labour force and the stock of intangible social assets. In fact, reliance on price flexibility to ensure the stabilisation and reproduction of the national economy entails an assumption that households can go on supplying the required labour no matter what the configuration of prices, interest rates and wages, There are several ways this might be rationalized: one is to suppose that all consumption is discretionary which is equivalent to supposing that labour is not a produced input and that there is no minimum income requirement. Another is to suppose that all households hold a diversified portfolio of assets, so that even if they do not receive enough from paid work, they will receive sufficient property income to meet their needs. Another still is to suppose that households can fully or partially support themselves with non-monetised production outside the circular flow of national income. This is where unpaid domestic labour may have an unacknowledged presence as a buffer and shock absorber in producing substitute goods and service to those produced by the market (food, clothing, house maintenance; care).

It is certainly more plausible to assume that unpaid domestic labour (which is still mainly undertaken by women, even industrialised countries with welfare states) can act as a buffer and shock absorber than to assume all consumption is discretionary, or that households in general can. survive on the basis of property income if wage income falls too low. Some interesting analysis has recently been undertaken on the possible counter-cyclical movement of unpaid household production.(18) However, it is dangerous to assume an unlimited supply of unpaid domestic labour, a point which has been emphasised in the analysis of gender and structural adjustment.(19) There are clear limits in terms of women's time and energy, and still a strong resistance to men undertaking domestic tasks, which are categorised as 'women's work'. Indeed, as Pearson shows in her contribution to this issue, women themselves may not trust men to carry out such tasks effectively. There are also limits in terms of the availability of complementary productive assets in the household sector. Pushing the household sector beyond those limits leads to various kinds of personal, household and community disintegration-health breaks down, marriages break up, people become demoralised, and social assets are destroyed. The Keynesian approach emphasises fiscal and monetary policy in part because it assumes that money wages are not downwardly flexible. Again, there are several ways this might be rationalised. Trade union power is one, but another is the non-discretionary nature of consumption, and the recognition of labour as a produced input. The Keynesian approach implicitly assumes that the production of labour is organised through a household sector in which women and children are dependent on male breadwinners. Feminist economists have, of course, produced a critical analysis of the supply side of the labour market and the role of domestic labour in reproducing labour, which emphasises the relative autonomy of the reproduction of labour. One implication of this is that neither flexible markets nor variations in fiscal and monetary policy are adequate for coordination of the economy. The problem is not just one of potential mismatches between leakages and injections of money income. The problem is that the reproduction of the labour force cannot be fully coordinated with the activities of business and government via market and tax-and-benefit circuits. This is because parents do not (and indeed are not allowed to) treat children as if they were livestock, reared and sold purely to make a profit. As Humphries points out, children have 'public good' characteristics. Parents do not have children in order to produce a labour force for the public and private sectors, but they cannot exclude the state and business from the benefits of the availability of a future labour force. Such benefits ‘spill over' from the domestic sector and are not channelled by the circuit of the market or the tax-and-benefit system.

The circular flow of output and values

Figure 2 shows a circular flow of output and values between the three sectors in a national economy, which in some ways is analogous to Figure 1. Output flows through the market circuit, public services through the tax-and-benefit circuit. But to keep the diagram simple we have not tried to show each circuit separately. The diagram emphasises not financial income and expenditure, but production of goods and services and values. It emphasises the productive role of the public sector and the domestic sector in producing goods and services which are inputs for the private sector contributions to the well-being of a country's citizens. This is in contrast with Figure 1*,* which shows firms as the source of output, while government simply redistributes income through taxation, benefits and expenditure; and households simply consume. Instead, there is recognition that the public sector itself produces public services and that the domestic sector produces labour services, including physical, technical and social capacities. The labour force is thus treated as a produced means of production, like equipment, not as a natural resource like land.

The conventional national accounts do measure the output of the public sector as well as the private sector, but they exclude the output of the domestic sector. In principle, the output of the domestic sector can be quantified by imputing prices to the output, but this procedure is likely to undervalue the output in so far as this is a relatively female-labour-intensive sector in an economy in which there is market discrimination against women, lowering women's wages and the prices of goods which women produce. One must be careful not to infer policy prescriptions from quantification strategies. Measuring the output of the domestic sector in monetary terms does not imply support for wages for housework.

The circulation of values is also shown in Figure 2, with the private sector transmitting commercial values to the public and domestic sector; the public sector transmitting regulatory values to the other two sectors; and the domestic sector transmitting provisioning values to the other two sectors. Thus the moral order is explicitly incorporated as something produced at least in part by activities within the sectors and transmitted between them. It is not left as an assumed parameter, given from outside political economy.

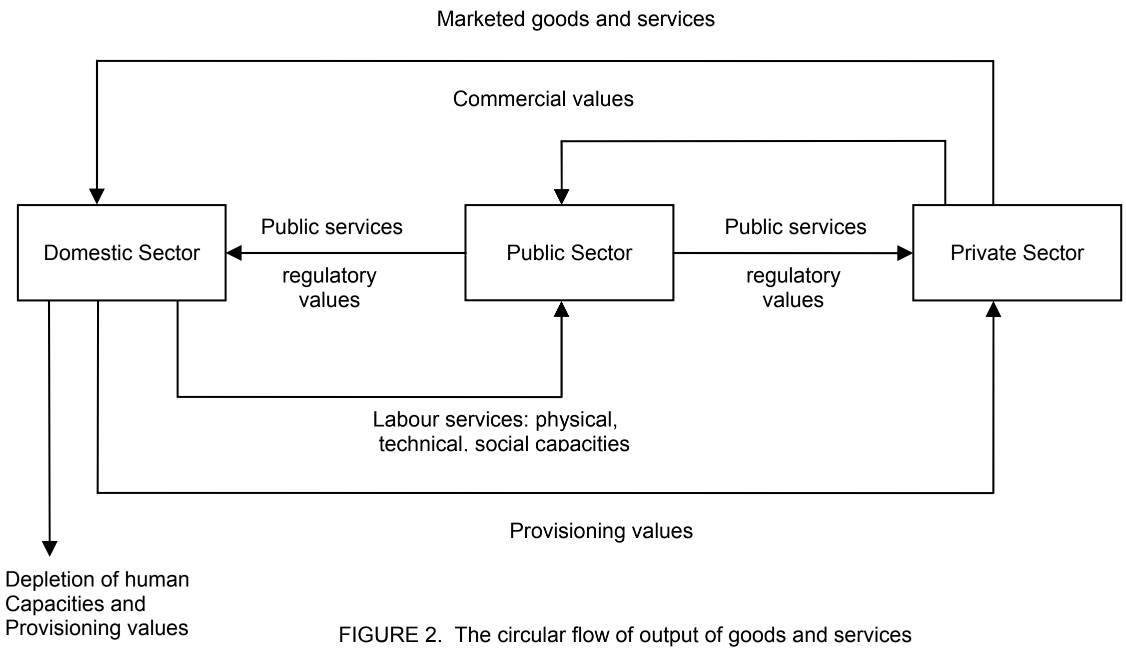

FIGURE 2. The circular flow of output of goods and services

In emphasising the productive role of the public and domestic sectors, this conceptualisation also has some points of contact with the new growth theory, which has now become the context for medium-term macroeconomic management in many countries. This body of theory emphasises the ways in which the capacities of labour (conceptualised as human capital) are critical for growth and highlights the inadequacies of the market mechanism in coordinating investment in human capital, because of spillover effects. (21) (If I invest in training myself not only does my productivity increase, but also the productivity of those who work with me. However, the returns to my investment only reflect the increase in my productivity, so from the point of view of the economy as a whole, I will tend to underinvest in training myself). The new growth theory therefore provides support for public investment in education and training. It does not, however, recognise the role of the domestic sector in providing unpaid work in support of investment in education and training (providing encouragement, supervising children's homework, volunteer work in parent-teacher committees and so on).

Figure 2 tries to incorporate the question of depletion and replenishment of human energies and provisioning values in the domestic sector. The production of labour capacities (physical, technical and social) depletes human energies, which need replenishing if the level of labour services is to be maintained. Replenishment requires inputs from the public and private sectors. The domestic sector cannot therefore be seen as a bottomless well upon which the other sectors can draw: unless the inputs from the public and private sector are sufficiently nourishing, human capacities and provisioning values will be destroyed and they will drain away from the circular flow, as shown in Figure 2.

This is a particularly important point in the context of the restructuring of the relationship between the public and private sectors through privatisation and cutbacks in public expenditure. These measures are supposed to increase the efficiency of resource use, but they may instead transfer costs from the public and private sectors, where costs are represented in money terms in the public and private accounts, to the domestic sector, where costs are paid in unpaid labour, which does not show up in any account books. Too great a transfer of costs will lead to overwork, especially for women, with potentially adverse repercussions for the quality of labour services and for provisioning values. Destruction of human energies and provisioning values can also be brought about by insufficient paid work, for unemployment and poverty have a corrosive effect on human beings and social relations. Deterioration in quality of labour services and in values of mutuality and meeting needs in turn creates costs for the public and private sectors ranging from poor teamwork to crime. The problem is that the circular flow of output of goods and services is coordinated by financial flows in the market and tax-and-benefit circuits. There is no representation in financial flows of unpaid domestic labour and of the costs of maintaining human and social assets. This absence in turn creates problems in macroeconomic management, as privatisation and restrictive fiscal and monetary policies can turn out to have hidden costs-or at least costs which are invisible to macroeconomic policy makers, though they are felt by every poor mother struggling to make ends meet. Moreover, the process of 'globalisation' has exacerbated the mismatch between the activities of the domestic, public and private sectors.

The implications of 'globalisation' and 'flexibilisation'

The simple model of the circular flow of national income (Figure 1) incorporates international trade, but it does not fully incorporate international capital markets. Savings are provided by households based in the national economy, and investment is undertaken by firms based in the national economy. The government finances the budget deficit by borrowing, i.e. by selling bills and bonds to households and firms in the national economy, via the intermediation of banks. This model has an adequate representation of the degree of internationalisation of the circular flow of income in the 1950s and 1960s, when capital markets were regulated and nationally fragmented. But a series of decisions by national governments and international financial institutions has deregulated and integrated capital markets; and new technology has facilitated almost instantaneous global exchange of information and dramatically reduced transaction costs. This combination generates what is decisively new about the international economy in the late twentieth century: namely, globally integrated capital markets.

As a result, governments can no longer use fiscal and monetary policy in the old way to balance savings and investment in the domestic economy. Because they finance budget deficits by selling bonds and bills in international capital markets they need to sustain the 'confidence' of a global set of financial institutions which no longer have any stake in the reproduction of any specific national economy or specific labour force. Such institutions tend to approve of governments that reduce public expenditure because they are more concerned about inflation and debt repayment than about social and political disintegration. The conventional wisdom today is that governments should seek to balance savings and investment at full employment by attracting multinational companies (MNC's) which can either bring new savings to supplement domestic savings (if there is a shortage of savings) or new investment demand to supplement investment demand (if there is a shortage of demand for domestic investment goods) or a mixture of the two. MNCs have some stake in the reproduction of specific societies and labour forces in the places where they invest, but it is limited by the potential for further relocation. Moreover, they also have an interest in the specific characteristics of labour forces at particular locations, but different firms want different characteristics at different times and places: hence emphasis on a wider concept of labour market flexibility-not just wage flexibility but flexibility in every other dimension of the labour contract. Attracting MNC investment is argued to require lower levels of public expenditure and taxation, and to require these levels to be kept constant despite changes in unemployment and needs for public services, in order to 'anchor' the expectations of MNCs and create financial stability in national economies; such investment also requires appropriate labour market policies to create fully flexible labour, with the terms, of flexibility determined by the needs of employers rather than those of employees. Low income countries may concentrate on producing 'cheap labour', while high income countries concentrate on producing 'skilled labour'; but in both cases the prescription is that employers should be free to use the labour in ways that seem to them the most 'efficient', as measured by private profitability. This may mean paying little heed to health and safety issues; issuing zero hours contracts; or contacts that require very long hours at 'unsocial' times such as nights and weekends; refusing to recognise workers' elected representatives; denying job security; dismantling career progression ladders, and so on. The name of the game is improving the credentials of a national economy in the 'competitiveness' stakes, but it is far from clear that improving these credentials does more than simply influence the international distribution of investment and provoke countervailing action in other countries. Nor is it clear that reducing public sector borrowing requirements will bring about financial stability in a world of volatile flows of short-term portfolio funds.

These policies reduce risks for individual firms in the private sector, but at the cost of shifting risks to the domestic sector. In situations of rapid growth and full employment, households can cope with greater risks, particularly if they have a strong asset base, physical, human and social. In situations of strong and extensive citizen entitlements to transfers from the state sector, households can cope with greater risk. But when both of these conditions are absent, it is over-optimistic to expect the domestic sector to be able to absorb all the risks. When people have to live from hand to mouth, human energies and morale are weakened; 'contingent labour' is conducive to 'contingent households' which fragment and disintegrate, with costs for the people from those households and for the wider society. As Joanne Cook shows in her article in this special section, it is hard to sustain social norms of ethical behaviour in the demoralisation that comes from realising that you are no more than a dispensable, interchangeable unit of labour from the point of view of the private sector; and from realising that the public sector will do little to mitigate or contest this. Globalisation and flexiblisation thus go hand in hand with a narrowing of commercial values to those of the 'spot' market in which all that matters is the best price for the next deal; and with a narrowing of regulatory values to those of the minimal safety net.

Dissonances between the domestic, the political and the economic

These dissonances between the domestic, the political and the economic have repercussions far beyond the domestic sector, undermining the conditions of supply of a productive and willing labour force. An example of this is the lack of sufficient skilled, well educated workers in the midst of widespread unemployment in the British economy, which is related to the wide- spread underachievement in school of children (especially boys) from poor families. The UK Secretary of State for Education and Employment, David Blunkett, has blamed parents for this:

> Where there is a problem it is all too often because parents claim not to have the time, because they have disengaged from their children's education or because, quite simply, they lack even the basics of parenting skill.(22)

This diagnosis has at least led Blunkett to recognise 'the contribution which families have to make to social and economic policy'. The solution which he offers is centered on 'offering integrated child care and educational provision, mother and toddler groups, and training programmes to help develop parenting skills'. But what is to prevent under-achievement in parenting classes? There is no suggestion as to why there has been such a deterioration in parenting at this juncture; no recognition of the likely impact on parenting of the extremely long hours of paid work undertaken by many of those men and women in Britain who do have paid jobs; nor of the impact of insecurity, unemployment and loss of hope and self-respect as whole communities are crushed by the force of the global market. The provision of care and discipline for children is an exacting task, and the cultivation in children of a sense of ethics and of citizenship, and an ability and desire to communicate with others, is not easily undertaken by adults who themselves feel they have been denied social justice and excluded from normal society, their aspirations to a decent job and a decent house dashed.

It is good that politicians are beginning to see that the domestic sector cannot be taken for granted; and that its inability to supply the kind of skilled and self-disciplined labour needed by a modern industrialised economy disrupts the functioning of the public and the private sectors. But it is disappointing that there is a failure to recognise the role of economic restructuring in disabling the domestic sector and undermining its ability to make provision for both its needs and the needs of the other sectors. Instead, there is a tendency to postulate this disability as stemming from the break-up of patriarchal family structures, and even from the greater freedom of women to make choices about their lives.

It is essential, from the point of view of women's equality, that we resist this interpretation and show how the way forward lies via greater, not less, gender equality in all the sectors and circuits. It is beyond the scope of this article to discuss this in any detail. We shall simply conclude by highlighting the transformative potential of an agenda for greater gender equality which recognises and insists upon the inability of markets and tax-and-benefit systems to co-ordinate and sustain production fully, and which further asserts that the provisioning activities and values of the domestic sector are not something from which women should wish to emancipate themselves, but are something which instead they should wish to diffuse throughout the structures of economic and political life. In short, the new political economy needs to incorporate a research agenda that will enable an analysis of the domestic, alongside the economic and the political, if it is to address the key questions of the next century.

Notes

1. For an illuminating assessment of the strengths and weaknesses of the domestic labour debate, see Jean Gardiner, *Gender, Care and Economics* (Macmillan, 1997), chapter 5.
2. Published quarterly by Routledge since Spring 1995.
3. For a feminist critique of rational choice theory, see Marianne Ferber & Julie Nelson (Eds), *Beyond Economic Man: Feminist Theory and Economics* (University of Chicago Press; 1993).
4. Graham Thompson points out that, as early as 1904, French economists were drawing diagrams of the circular flow of income, based on Quesnay's *Tableau Economique.* See Graham Thompson, 'Economic modelling', in: Maureen Mackintosh, Vivienne Brown, Neil Costello, Graham Dawson, Graham Thompson & Andrew Triggs (Eds), *Economics and Changing Economies* (International Thompson Business Press, 1996), pp. 44-78.
5. Gardiner, *Gender, Care and Economics,* p.233. I shall define Sectors somewhat differently, and treat markets as circuits, not sectors.
6. See Eileen Boris & Elisabeth Prügl (Eds), *Homeworkers in Global Perspective* (Routledge, 1996).
7. Gardiner, *Gender, Care and Economics,* p. 13.
8. Amartya Sen, 'Gender and co-operative conflicts', in: Irene Tinker (Ed.), *Persistent Inequalities* (Oxford University Press, 1990).
9. 'Provisioning' is the activity of supplying people with what they need to thrive, including care and concern as well as material goods. At the heart of 'provisioning' is looking ahead and making preparations. Julie Nelson has suggested that economics should focus on the study of provisioning, rather than the study of choice. See Julie Nelson, 'The study of choice or the study of provisioning', in: Ferber & Nelson, *Beyond Economic Man,* pp. 23-36.
10. See, for instance, C. Pitelis (Ed.), *Transactions Costs, Markets and Hierarchies* (Blackwell, 1993).
11. For an illuminating discussion, see Ruth Lister, *Citizenship: Feminist Perspectives* (Macmillan, 1997).
12. A pioneer was anthropologist Anne Whitehead ('Some Preliminary Notes on the Subordination of Women', *Bulletin of Institute of Development Studies,* Vol. 10, No.3 (1979). Subsequent contributions have been made by organisation theorists (Joan Acker, 'Hierarchies, Jobs and Bodies: A Theory of Gendered Organisations', *Gender and Society,* Vol. 4, No.2 (1990), pp. 139-58); political scientists (Anne Marie Goetz, *The Politics of Integrating Gender to State Development Processes,* UNRISD Occasional Paper No.2, Geneva, 1995); and political economists (Diane Elson, Barbara Evers & Jasmine Gideon, *Gender Aware Country Economic Reports,* Working Papers No's 1-4, GENECON Unit, Graduate School of Social Sciences, University of Manchester).
13. For a lively and comprehensive discussion of this issue, see Nancy Folbre, *Who Pays for the Kids? Gender and the Structures of Constraint* (Routledge, 1994).

14. See, for example, Sally Baden, 'Gender issues in agricultura1 market liberalisation', topic paper prepared for Directorate General for Development of the European Commission, Brussels, 1996; Sally Baden, 'Gender issues in financial liberalisation and financial sector reform', topic paper prepared for Directorate General for Deve1opment of the European Commission, Brusse1s, 1996; and Jill Rubery & Colette Fagan, 'Equal Pay Policy and Wage Regulation Systems in Europe', *Industrial Relations Journal,* Vol. 25, No.4 (1994).
15. This has been discussed at length in the literature on gender and structural adjustment. See, for instance, Haleh Afshar & Carolyne Dennis (Eds), *Women and Adjustment Policies in the Third World* (Macmillan, 1992).
16. See Special Issue of *World Development* on 'Gender Adjustment and Macro Economics', Vol. 23, No. I (1995), in particular: Diane Elson, 'Gender Awareness in Modelling Structural Adjustment'; Bernard Walters, 'Engendering Macroeconomics: A Reconsideration of Growth Theory'; and K. Ertürk & N. Cagatay, 'Macroeconomic Consequences *of* Cyclical and Secular Changes in Feminisation: An Experiment in Gendered Macromodelling'.
17. See Thompson, 'Economic modelling', p.64.
18. See Duncan Ironmonger, 'Modelling the household economy', in: Jan Dutton (Ed.), *Economics, Econometrics and the LINK: Essays in Honor of Lawrence R. Klein* (North Holland, 1995), pp.397-418.
19. See Diane Elson, 'Male bias in macroeconomics: the case of structural adjustment', in: Diane Elson (Ed), *Male Bias in the Development Process* (Manchester University Press, 1995).
20. See Jane Humphries & Jill Rubery, 'The Reconstitution of the Supply Side of the Labour Market: The Relative Autonomy of Social Reproduction', *Cambridge Journal of Economics,* Vol. 8 (1984), pp. 331-46, and Antonella Picchio, *Social Reproduction: The Political Economy of the Labour* Market (Cambridge University Press, 1992),.
21. For a discussion of the new growth theory in relation to gender, see Bernard Walters, 'Engendering Macroeconomics' .
22. As reported in *The Guardian,* 16 January 1998.