

ECONOMICA

WOMEN *and the* GLOBAL ECONOMY

PODCAST: Economic Expressions: A Conversation with the Economist Julie Nelson

HOST: Welcome to the International Museum of Women and this podcast for *Economica: Women and the Global Economy*.

The economy is measured in numbers, but what about words? The words we use to describe economics shape our understanding of it, and what we think is possible. Many call the economy a “machine.” Is that the only metaphor?

JULIE NELSON: *The economy is a beating heart. And key to the idea of a heart metaphor is circulation. That is, you have to keep the resources moving around to keep the economy healthy.*

HOST: Economist Julie Nelson studies the semantics behind the numbers, from a feminist perspective. She is the author of “Economics for Humans,” and teaches economics at the University of Massachusetts, Boston. She’s also a senior research fellow at the Global Development and Environment Institute at Tufts University.

Economica curator Masum Momaya sat down with Julie Nelson at the 2009 conference of the International Association for Feminist Economics.

MOMAYA: Julie, I wanted to invite you to start by bringing us to this current moment, where the U.S. and the world is experiencing at least what is being called by the mainstream media as an economic crisis. I think many feminists have said that for women the economic crisis has been going on much longer. But one of the things I’m struck by in terms of listening to the news and hearing the so-called experts talk about their solutions is that all of it seems to be within kind of this current model. There’s not a lot of questions being asked about sort of doing things differently or examining other models. I wonder what you have to say about that.

NELSON: The current crisis is of course a real hard crisis for the daily living standards for a lot of people in the U.S. and around the world. It’s also a crisis in how we think about economics. I think it is in a positive sense a crack in the sort of hegemony of neo-liberal economics that has become so dominant over the years. While things were going well a lot of people in positions of power speaking from a neo-liberal perspective could, say, take credit for everything going so well.

MOMAYA: Can I just ask you very briefly to unpack what neo-liberal means for those who may not know?

NELSON: The dominant ideology that economies work best when markets are left alone. That markets have a self-sustaining, self-regulating nature and government should be minimal, set down the laws and then let everything run. Private decisions on consumption, private decisions on investment. Things owned by private individuals. That's not to say I'm an anti-market person. But there are a lot of us who are economists that realize the strong role for markets in a lot of areas.

But then markets don't work in a vacuum. A lot of neo-liberal policy has assumed that markets can work in a vacuum. That you don't have to worry about governments and the big thing being that financial markets could go along on their own and self-regulate. Well, they didn't self-regulate very well. And for a long time regulation was a very dirty word among a lot of economists in academics and policy. The current crisis is forcing a lot of people to do a hard rethinking of that kind of position.

MOMAYA: Has there been a history of why regulation is seen as such a dirty word? Or is government intervention just really shunned in terms of economic policy and models?

NELSON: Speaking from a U.S. perspective, the U.K. and the U.S. has historically been much more individualist as cultures compared to Europe and a lot of the rest of the world. The ethos and ideology here is that individuals should be able to make it on their own. Well, of course that has not been true in very many ways for a very long time. In feminist economics we talk about the individual man who does a lot of achievement but the mother and the sister did all this background work as well.

There's a story that goes that countries who are now rich became rich through free trade. If you go back and look at the economic history, there were all sorts of what are called protectionist policies – tariffs against imports, quotas against imports, all sorts of trade barriers. Of course, there was a history of colonialism, which was more or less sacking other countries for their resources. A lot of those things went into currently being rich.

MOMAYA: Going back to sort of the current crisis and for example President Obama's appointment of policy advisors that are kind of the same old, same old, do you feel like the answer is as simple as more regulation? Or do you feel like there are fundamental issues that are deeper than that?

NELSON: That's a good question. It can be answered at different sorts of levels. Clearly, just more regulation is not the issue. There are issues of wise regulation and how things are put together. There are some people who would say that you really just need public ownership – a lot of the financial areas. People forget that John Maynard Keynes did not

say the way to get out of a recession is to have more government spending. That is how he is interpreted now. He actually thought that business cycles in capitalistic economies were caused by investment decisions being in private hands. And that government should take a much stronger influence on the direction and volume in investment spending in order to even out the economy. That part of his work has been pretty much forgotten.

Not just looking at the current crisis, which was based on a lot of the fault of deregulated financial institutions, but overall cycles of boom and bust if it's not in housing, it's in e-com industries, if it's not in that it's in something else, for example. There's been lots of these cycles. More activist public management of long term investments as well as temporary stimulus kind of consumption things like we are seeing now is probably in the long run the only way to even those things out.

MOMAYA: What would that like look like? More of an active sort of public role in investment?

NELSON: I think part of it is that people tend to focus on government wanting to get us out of the valleys, get us out of recessions. I think if you really took this responsibly, you'd have to try to keep us out of the bubbles. A number of economists were looking at the housing prices. Probably, interest rates should have been raised back there somewhere. Or regulations put on some of the housing things that were going on. It is a little harder to think of government as sort of damping down. But if you want to get out of a roller coaster, you've got to take out the hills as well as take out the valleys.

MOMAYA: So just more stability overall.

NELSON: Yes, if you want to get stability. A lot of the getting out of recession and stimulus programs are talked about in a very traditional way, which is more economic growth is what we want and is always better. I'm among economists who think that is a much too narrow and reductionistic way of looking at the problem. I think when we look at things like GDP growth, what we're really interested in is quality of life and employment. And those are not necessarily linked directly with GDP growth. There could be ways through reduced hours through restructuring of jobs, through investing in green economy issues, ways of working towards a more healthy economy that brings people greater well-being that may or may not show up in measurable gross domestic product.

MOMAYA: Are you aware of countries, governments or communities that are taking more of a middle line in terms of not just placing all the value on growth and not necessarily just spending, but trying to find the middle ground?

NELSON: I wouldn't say that Europe as a whole is an ideal on this, but Europe is ahead of us in things like recognizing the need for carbon taxes for ecological reasons, providing

longer vacations, mandating shorter work weeks, that sort of thing. A shorter workweek is a way of spreading the employment around. You don't have to try to produce so much if people are working shorter periods of time. And of course that has implications for the real feminist side of this in terms of hours available for family care by men and women and the family.

MOMAYA: It seems like we value productivity more than many other things in this model. Would you say that is accurate?

NELSON: Yeah, individualism, productivity, efficiency—not that those are bad, but they aren't all the goods. This actually gets back to some of my more theoretical work, which is that in some parts of western culture you can find associations between men, masculinity, productivity, efficiency, vigor and women with kind of consumption, a luxury, sort of being, sort of wimpish, passive. In some ways I want to say we should pay more attention to that consumption side. And, is what we're consuming really giving us well-being and happiness? Concepts like well-being and happiness tend to be too soft for a lot of economists to want to get into so they try to stick with a number, stick with the GDP. So to challenge that kind of GDP orientation requires challenging some of those thoughts about what we want from the economy in ways that economists typically don't like.

MOMAYA: You've talked about the concept of economy as machine.

NELSON: The basic assumption I mean here is that the economy is a system of intermeshed markets that are fundamentally impersonal, that run according to economic laws—laws of supply and demand, laws of competition, laws that companies have to grow, etc., etc. And really that whole image, that whole idea that the economy is a machine, is a metaphor. It becomes so ingrained that we forget that it was a story that somebody thought up as a way of explaining what we actually see going around us, which may have a lot of other characteristics.

The person who thought this up originally was Adam Smith. He wrote it at the time of the Industrial Revolution when people were fascinated with machinery. He said the economy is an enormous and operose machine. He was one of the first people to talk about too much intervention being like grit in the wheels of the machine, sort of thing. But then he took that metaphor and then later economists kind of took it and ran with it.

Particularly in the mid to late 19th centuries, some economists realized that if the economy was a machine, you could use the concepts from Newtonian physics to try to analyze it. And that's where we got a lot of the vocabulary of things like profit maximization and utility maximization that are borrowed directly from Newtonian physics, in an urge to try to make economics look like a science, and make economists look like scientists, because this has prestige to it.

In the meantime, then, that has gotten very ingrained not only in academic discourse about economics, but in popular discourse. So you hear a lot of things about the engine of the economy fueled by the energy of self-interest, etcetera. And people have come to believe this. A lot of the economists have come to believe this. Even some business leaders have come to believe this—that firms *are* about maximizing profits. The interesting thing though is that a lot don't, even in the business community.

But now to move to the critique on the other side, some of the people in the anti-globalization movements also talk about capitalism as the juggernaut fed by self-interest that is rolling over everyone in the world. I think you can question some of that, too. There is often a too easy idea that if a company is making profit it must be greedy and exploitative.

Profit is really just a term for creating more value out of something. If you just look at what the term sort of means in a neutral sense, you take some resources, you reorganize them, you create something that is of more value than what you started with. In that sort of neutral sense, profit is a good thing. But then you have the profit orientation as this engine of a wonderful society being the metaphor used on the neo liberal kind of side and then you get the profit as exploitation being used to crush society on the other side.

The real question is, can there be profits; can there be productivity that also respects other parts of being human? And I think if we get outside of that machine metaphor, we can notice that there are companies, there are countries, there are communities that combine human values and financial values. There's a group of people out there that are working hard at pressing this in market institutions and business institutions. And they don't tend to be heard by either side who tend to believe that the economy works in a sort of mechanical way and it cannot be used to achieve human values.

MOMAYA: What are some of the implications of the dominance of this economy as machine metaphor? Does that mean that certain things get valued and certain things don't? Is that sort of the set up?

NELSON: I've had a number of debates with people who say firms have no choice but to maximize profits. They have to always find the least-cost labor force. They have to always find the least-cost resources. And usually the belief is that it is legally required that they do that, which actually turns out to be false. Charters of corporations say that are chartered to run a corporation. And there are certain responsibilities there. But squeezing the last drop of profit isn't it. And that comes out of that machine metaphor. This is a profit-maximizing machine. There are no human values in it.

People actually study businesses. People in management, people in organizational behavior, people who are working in some firms that have some experience there

notice that this is one route, or you might think of it as the low-road route to profit maximization. And in fact it sometimes doesn't even work to go that way. Because nobody gets up in the morning as says, "I want to do the best job for my company because it will make the shareholders some more money." That's not how you get creative, engaged, loyal people working for you. And I'm not just talking about creative people in the arts department; people on the factory line even. They want to know that they are a part of something bigger than themselves as doing something useful.

And so you also have high road strategies. The manufacturer of polar fleece here in New England was in the newspaper for taking kind of a higher road strategy of trying to keep employment up, keep benefits up, and keep people working. The high-road strategy is a much more organic strategy. The firm is not a machine that generates profits. The firm is an organism made up of all of these different parts, all of these different relationships with producers, suppliers, customers—all of these things that are working together for a purpose. And it is only going to be an interesting and inspiring purpose if it has some meaning for the people involved.

I don't want to sound Pollyanna-ish about this. Certainly not every business does it this way. I am an equal opportunity skeptic. I am skeptical of business as well but I'm also skeptical about thinking that community or local as being the solution to everything or government as being the solution to everything. I think all of the parts of society need to work together if we're going to get out of the kind of holes we're in.

MOMAYA: On the left as you mentioned a lot of people point at sort of capitalism and the current manifestations of capitalism whereby the market is king. Many of them are sort of wanting to throw that out the window and replace it with something else. How do you feel about that?

NELSON: There are a couple of different responses to that. One is sort of a pragmatic one. What I see a lot in academic writing along that is a real wish that we can somehow jump from where we are to some radically different world. I don't see that happening. But a second order is that I don't know if that is necessary. I think that there is some room for dialogue if people could get together. Among people who put a lot of emphasis on human values—on creativity, on survival obviously, fighting poverty, women's empowerment, ecological sustainability—all of these kinds of things, and who are also willing to not just write off corporations and businesses from the get-go, but also willing to talk. And people in those corporations and businesses who are not just interested just in green-washing their product, which has been one issue, but there are some people there who are interested in human values.

The key thing on both of those sides is to not think of the economy or the market as automatically running without those values. Which brings us back to the machine metaphor. The neo-liberal people think we are automatically going to get to good human values. The people on the left think we are automatically going to ruin society. I

have to say, “Stop.” It’s just not automatic. It really is going to be shaped by the kinds of decisions we make about how we want the economy to run.

MOMAYA: I think the idea of values, we’ve actually heard that in every interview that we’ve done—people have been saying that the idea is to sort of re-center the economy and put those values at the core of it in terms of how the economy is shaped and what regulation takes place and not. But a lot of people have also pointed that they feel powerless in sort of playing a part in bringing those values to the center. That decisions sort of get made and they trickle down or policies are crafted without a very participatory or inclusive process and so people are very drawn to kind of an economy that really is centered on those values but they also feel like how do we bring that about? How do we get there given sort of where we are? And where we are being a place many people are disillusioned with. I think the widespread disillusionment is probably historically unique in a sense that so many people are like, “What’s going on? Why is it the way it is? We really do need a shift.” But getting from that sense of disillusionment to the place where you are talking about seems to be difficult. I don’t know if you have thoughts on that.

NELSON: Sort of my own personal part on it is just to try to remove this roadblock of desperation that comes from the idea that the market economy is this big machine and that we have to throw it out and start with something completely different or we’re just going to be crushed by it. A lot of people just go around feeling crushed.

A lot of policy gets driven by stories. Stories and metaphors. I see one of my personal points as destabilizing that metaphor of the economy as a machine. But if you can get away from that sense of thinking and think about what you as an individual can do, it means you don’t have to, you know, give up your job and move to the country and become an organic farmer to be an ethical person.

I call it the organic farmer fantasy which people may have different versions of this. But somehow to be an ethically pure person and live in an ethically pure economic way, I have to not participate in the market. I have to go back to the land. I’ve got to do all the rest of this. We can go on for decades with that organic farmer fantasy kind of giving us some solace. But while we’re doing other kinds of work. That’s not a very satisfying way to live.

If we recognize the economy really as what we’re creating and what we’re doing here and now and we take responsibility for what we are doing here and now, then wherever we’re working, wherever we’re living, whatever kind of community we’re in, we can look for those places where we make a difference. And not satisfy ourselves with some out there in the distant future when we retire in 30 years kind of fantasy.

MOMAYA: One of the other concepts that I wanted to ask you about which I think is embedded in sort of this critique of profit maximization and large profits in general is

that many people talk about the redistribution of wealth and the fact that profit and wealth have really been concentrated in the hands of a few. Could you speak to that—especially in relationship to kind of destabilizing the metaphor? With that narrative of economy as machine it seems to be embedded that this idea that the better you can get the machine to run, the more you can reap the benefits of that, but that those don't necessarily have to be shared or distributed by those who don't run the machine or have any input.

NELSON: A little bit of the history is really interesting here. Because a lot of the same questions came up early in the 20th century during the time of the robber barons, the big oil and the big railroad folks. There really was a crisis in capitalism there. There were socialist and communist groups that had some political representation and it looked like it was going to polarize. Either you're with the robber barons or you're with the communists.

One of the things that came out through the New Deal policies through institutionalist economists, a particular variety of economists that had a lot of influence in policy at that point was that we have an interest in making a society and an economy that works. If it's going to work, it is going to have to work for everybody. Your workers are going to riot and they are going to become communists. They could appeal in some ways to the interests of the people owning the industries.

But also people in a democracy should have a public vote and say, "No. That goes too far. We should not allow anyone to have that kind of economic power, which translates to political power." A lot of the policies that came out of the New Deal were about protecting the vulnerable and also putting reasonable responsibilities including things like income tax rates and capital gains taxes and inheritance taxes on those people at the top.

That part of the New Deal sustained for quite a while until really the Reagan years. Then the Reagan years started to dismantle a lot of that in the name of more freedom, more individualism, etc. That's a particular spot in capitalism. Capitalism is not always this free market liberal pillage and burn and get as rich as you want.

Swedish capitalism is quite different from U.S. capitalism. Capitalism in a lot of other places doesn't have the extreme individualism that the U.S., you know sack all you want and you can keep it. It's obviously a big issue in getting policy changes made when people have that much economic power and through that have political power.

There is some interesting talk back and forth on that in the discussions about inheritance tax legislation a few years ago. Bill Gates Sr., Bill Gates' father, and Warren Buffet came out on the side of keeping the inheritance tax. And they use really interesting stories like you don't choose a sports team ten years from now based on the kids of the current sports stars. You have to have new auditions. You have to have new talent. We don't want to become a legacy sort of economy or society. And those are the

