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**WOMEN’S EMPLOYMENT, EMPOWERMENT AND GLOBALIZATION:  
AN ECONOMIC PERSPECTIVE**

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## **I. Introduction**

Expanding women's access to economic and financial resources, and understanding the consequent impact on women's empowerment, is an essential component of development policy, and the subject of the 2009 *World Survey on Women*. This paper will discuss the linkages between women's empowerment and employment, and then focus on how global flows of trade and investment might condition this relationship. My approach primarily reflects research and analysis conducted within the economics discipline, and draws from the situation of women in developing countries, although the analysis is easily extended to the dynamics of globalization and empowerment in the developed world as well.

The framework presented involves two interrelated questions, taken at different levels of social activity. First, the paper explores the microeconomic dynamics of how increases in female employment affect women's autonomy using an intra-household bargaining model (the relationship between autonomy and empowerment will be discussed below). Second, it will address the macro question of how globalization, modelled as liberalization of trade and investment, change the capacity of communities and states to supply the types of social supports that are central to linking women's paid work with empowerment – both in terms of direct services, and in terms of creating the social conditions necessary for greater female empowerment. Putting these micro and macro perspectives together gives a clearer picture of the complexities of the employment-empowerment link from the perspective of policy-making at the micro, meso and macro levels.

## **II. A Microeconomic Approach to Employment and Empowerment**

### **A. Choices and Constraints**

In thinking about how gender shapes the relationship between employment and empowerment, it is helpful to begin with the employment decision – the determinants of labour supply. When labour economists analyze gender and labour supply, a typical focus is gender-specific differences in human capital. However, gender-based differences in education, skills and experience are themselves rooted in workers' productive roles outside the factory door and the institutional, social and material contexts in which they live.

One way of doing this is by situating the choices of women and men within a social and material context. These contexts can be usefully categorized into what economist Nancy Folbre (1994) terms “the structures of constraint”: the preferences, norms, assets and rules that shape individual choice.

Beginning with preferences, women make decisions about whether or not to look for wage work, a process sometimes referred to as exercising agency or, in the language of utilitarian economics, “desire fulfillment”. But self-perception, what individuals value, and what choices they perceive as possible are constituted by the social world (Sen, 1990), and so the putative preferences that underlie an individual's objectives must be understood in this light. The objectives that drive women into the labour market can be different from those governing men, with implications for the price of labour, as well as household consumption. Women who expect to leave the labour force for full-time motherhood may prefer the structure of easy-access, high-turnover jobs that

give them a chance to live away from home and exercise freedoms they would not otherwise be able to enjoy.

Norms are the traditional structures of gender and kinship that constitute the meaning and social expectations of women and men in the household. They typically change throughout the course of a woman's or household's life cycle. Perhaps the most salient factor here - one that underlies many of the other household-level constraints we discuss - is the sexual division of labour. Women are primarily associated with the care and reproduction of the family, and much of their work time is spent outside of the market, whereas men's work is typically viewed as more directly productive and more fully incorporated into the market sphere. These divisions not only have implications for whether women look for market work at all, but what types of jobs are considered suitable and to what extent market work affects women's positions in the household and larger society.

Norms about divorce and remarriage also underpin household-level structures that shape women's labour. They partly determine the possibility and terms of exit from a conjugal union and affect daughters' attitudes about market work. In East Asia, where divorce rates are extremely low, wage work for married women is less important as insurance against the economic stress of divorce. Conversely, in parts of Southeast Asia, divorce and remarriage rates are high (Lim, 1990: 106). Women's high labour force participation rates and active household management in this region provide a way of insuring against the costs of divorce (Papanek and Schwede, 1988: 79).

Household assets, or wealth, structure women's labour supply in two distinctive ways: (1) the combined assets of all household members determine how much wage employment the household requires to meet its consumption needs; and (2) a woman's own assets help determine the extent to which she controls her own labour supply. In a bargaining framework, a woman's own wealth (in the form of land, housing, financial savings, etc.) can have different effects on her labour supply than wealth controlled by others in the household. Owning assets provides economic security, and at times, streams of non-wage income, enhancing a woman's bargaining power vis-à-vis other household members.

In terms of rules, property rights and family law are crucial determinants of the relationship between women's labour market decisions and their empowerment, because male authority in the household can be buttressed by law. Patriarchal property rights, where eldest men have the right to claim and apportion the fruits of all household members' labour time, can create incentives for high fertility and lower female labour force participation (Braunstein and Folbre, 2001). Not having a legal claim on a spouse's income in the event of separation means that a paying job can be an insurance policy against loss of that support (Folbre, 1997).

In the next section, a bargaining framework is developed to illustrate the various ways these structures of constraint condition the relationship between women's employment and empowerment.

## B. An Intra-Household Bargaining Model

This section develops an intuitive household model to illustrate how working for income affects women's power in the household.<sup>1</sup> The organizing principle behind the model is that individuals live in households where one's input into resource allocation and distribution decisions depends both on one's alternatives to remaining in the household (exit) and one's right or ability to try and influence household decisions (voice or autonomy), including decisions about one's own strategic life choices.<sup>2</sup>

Figure 1 illustrates the flows of the model. Starting at the top with the bargaining dyad, denoted by the symbols for male and female (or alternatively, by a parent and child), it is apparent that both individuals begin with a set of constraints; these include time, market wages, prices, non-wage income, the probability of getting market employment, and the relationship between non-market labour inputs and outputs. Time captures the notion of labour inputs, and as such overall health and capabilities are an essential part of the bargaining problem. Priorities and needs correspond to what economists typically refer to as a person's objective or utility function, and include all a person's desires and responsibilities relative to household production. Priorities and needs are fulfilled by market and non-market goods, with the latter including commodities, as well as goods produced exclusively by time, such as childcare. Priorities and needs also tend to be gender specific, in that there is likely to be a gender-based division of financial or household responsibilities. Hence, they are strongly determined by factors such as social norms or stage in the life cycle. The set of individual constraints and priorities/needs combine to form an individual's "provisioning capacity," which captures each person's individual capability to fulfill their own wants and needs and the responsibilities they have to others.

Households are presumed to produce in a context of cooperation and conflict. That is, they combine their capacities to provision as a collective household, but in ways that reflect their common and differing priorities. This bargaining process is represented by the black rectangle in the middle of the figure. The result or outcome depends first on gains to cooperation and then ultimately on voice. Gains to cooperation are the difference between individual provisioning capacity (PC) and terms of exit (E). Exit is captured by the determinants of what happens, should cooperation break down – one's fallback position. This includes an individual's own income, which in turn is determined by wages, the probability of finding a job, unearned income, prices for the market goods included in individual provisioning capacity, as well as gender-specific environmental parameters (GEPs). GEPs (a term borrowed from Folbre (1997)) describe how gender determines options outside of cooperation, independent of stocks of human and nonhuman capital, the rates of return on them, prices and non-wage income. Examples of GEPs include social norms and laws surrounding the distribution of responsibilities and costs of caring for children, the extent of public transfers (as they are determined by gender), and the probability of enjoying a share of another person's income through remarriage.

Both one's provisioning capacity and terms of exit are central to intra-household bargaining power. The greater one's priorities or needs, relative to one's constraints, or the less attractive one's options outside of household cooperation, the less bargaining power one will have. From a

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<sup>1</sup> For a mathematical version of the model discussed here, see Braunstein (2006).

<sup>2</sup> This system of voice and exit reflects points made in Katz (1997), based in turn, on the work of A.O. Hirshman.

gender perspective, these differences are clearly very significant, as women tend to have greater needs and constraints, as well as lower terms of exit, than men. Wage employment will be discussed in the following section, but it is already clear how it is just one of many factors that determine power in the household.

One of the main factors in this model is autonomy in decision making, as denoted by voice in figure 1. Voice is the socially-determined capability women have to transmit a given bargaining position into power in the family, and it ranges between zero (for social norms that completely prohibit women from expressing themselves and their wants and needs), and one, indicating a single female-headed household. When there is equality between men and women in the family, voice is equally weighted. “Bargaining” is the application of voice to the interplay of the two individuals’ gains to cooperation.

The result is dependent on all of the factors discussed above. These types of models typically focus on issues of household income, consumption and distribution. But they can also give significant insights into how women’s market and non-market labour supply are determined, the capacity of wages to increase female autonomy, and the conditions under which work may contribute to greater health and well-being. Because outcomes feed back into the individual, the entire model helps explain the dynamics of power and production in the household.

### **C. Household Bargaining, Work and Gender Equality**

The bargaining model specifies the parameters to consider in order to answer the question of when working for a wage contributes to gender equality and women’s autonomy at the household level. In the short term, the malleable elements of women’s power in the household are given by their gains to cooperation. These gains are captured by women’s individual abilities to fulfill their provisioning needs, relative to the parameters of exit. So parameters given by time, income, prices, unemployment, the productivity of non-market work and gender-specific environmental parameters, such as child support laws, are all determinants of women’s bargaining power. Changes in any of these parameters will yield immediate and tangible household bargaining effects. An increase in the female unemployment rate, an exchange rate devaluation that makes the price of consumer imports higher, the expansion or contraction of state supports for reproductive labour – all of these factors, by changing the gains to cooperation or terms of exit from household membership, will shift the balance of power. Likewise, an increase in male gains to cooperation will also tip the balance towards women.

The mapping of one’s gains to cooperation into bargaining power is mediated, though, by voice, which is fixed in the short-term. Achieving gender equity in property rights by legal fiat, for instance, may do little in the short-run to alter the terms of exchange between women and men when social norms prevent women from even negotiating. In the longer-term, norms do change (sometimes as the result of legal fiats), and voice becomes a variable determined by the same sorts of parameters as fallback positions.

To see how the model creates a better understanding of the relationship between work and women’s autonomy, consider what the model indicates about the importance of working for a wage. In extremely patriarchal societies where women have no voice, working for a wage contributes only to family income and purchases as controlled by the male household head. As

one moves through varying degrees of contested dominance, women's ability to translate working for a wage into having a say in household decisions is enhanced.

In the longer-term, working for a wage may enhance voice; it depends on the extent to which work challenges traditional sources of patriarchal power. In economies where social norms inhibit women from exercising their exit options, gender inequalities will persist in the household and society at large, despite high levels of female labour force participation. For instance, forms of employment that do little to challenge traditional gender relations in the household, such as industrial homework, may draw women into market labour while conferring few of the benefits in terms of autonomy (Kabeer, 2000).

There are ways that public policy can enhance the linkages between work and autonomy. Strong public provisions for the enforcement of parental child support takes a significant proportion of intra-household transfers out of the household bargain. By doing so, it not only shores up women's intra-household bargaining power, it protects children from the economic risk of single-parent families. Taxation policies and extensive systems of social insurance can also have these effects, as would enhancing women's rights to own assets, such as land rights. And, enforcing anti-discriminatory policies in education and employment would lower gender wage differentials and increase women's fallback positions.

The challenge posed by this analysis is the following: wages and employment can be transformative in and of themselves. But these resources are utilized in social and material contexts – the non-wage components of exit and voice – that ultimately determine women's abilities to translate wages and employment into real shifts in bargaining power. Taken in this context, macroeconomic factors such as trade and investment do not just have a wage or employment effect on female autonomy. They also impact the non-wage components of exit and voice by affecting the supply of the types of social interventions enumerated above that help guard against a gender inequality trap.

#### **D. Empowerment in the Household Model**

This section addresses the differences between the notion of autonomy as it is used in the bargaining model, and the idea of "empowerment". The difference between the two is important because empowerment is a central feature in the discourse on development, and the connection between autonomy and empowerment is not immediately clear.

My definition of empowerment is drawn from Kabeer (1999) and entails "the processes by which those who have been denied the ability to make choices acquire such ability" (Kabeer, 1999: 437). She proposes three dimensions to empowerment: resources, which are pre-conditions; agency, which is a process whereby individuals define their goals and act upon them; and achievements, which are the outcomes of empowerment. In the intra-household bargaining model above, the notion of constraints and exit parallel "pre-conditions", in that they encompass the resources that individuals draw on to effect decision-making power. And voice, or one's ability to exercise choice, in conjunction with the objective function that details preferences, or how one defines one's goals, is akin to the notion of "agency". "Achievements" are measured in the same way for autonomy and empowerment as they have been defined here.

The key difference between autonomy and empowerment is that empowerment implies a process, and autonomy is more like a snapshot that takes agency as an exogenous parameter, a static version of empowerment. Making agency endogenous, and introducing dynamics into the model, can illustrate the process of empowerment.

In addition, the model defines autonomy on an individual basis in relation to bargaining in the household, with particular reference to the conjugal relationship. Empowerment is a term that is used much more expansively, with direct linkages to meso and macro-level indicators. Even though autonomy is operationalized at the microeconomic level, meso and macro-level factors determine autonomy, as well. For instance, gender wage inequality, women's unemployment, anti-discrimination laws, female literacy, community norms around age at marriage, divorce, migration, and women's legal rights are all determinants of women's gains to cooperation – the difference between women's provisioning capacities and terms of exit. They underlie women's bargaining power in the short-term, and ultimately shape their ability to bargain in a dynamic context by influencing voice, preferences and norms.

Focusing on equality in the conjugal relationship is particularly significant for achievements that fall outside the approved boundaries of women's activities, a key part of increasing women's empowerment. This point is illustrated in a close reading of some empirical studies of women's empowerment and health by Kabeer (1999). In discussing a study by Kishor (1997) of Egyptian data that explored the effects of women's empowerment on infant survival rates and infant immunization, Kabeer noted that women's education and employment, as well as 'equality in marriage', all had a direct influence on the likelihood of child immunization. Conversely, only women's employment affected their children's survival chances. She suggests that this is the result of childhood immunization requiring more active agency on the part of mothers than the more routine forms of health-seeking behavior that are linked with improved child survival. Employment was thus more effective than education at shifting the traditional terms of marital negotiation.

### **III. Globalization, Autonomy and Empowerment**

This section will discuss how trade and investment liberalization affect women's empowerment. The intra-household bargaining model of women's autonomy presented in the preceding section enables us to separate two liberalization effects at the microeconomic level: the wage/employment effect, and the social protection effect. These are important pathways to consider from the perspective of development and growth because globalization – in the form of trade and investment liberalization – introduces the prospect of lessening gender inequality by increasing the demand for women's labour, particularly in developing countries.

When women's earnings or wage employment increases, there are clear and direct positive impacts on women's autonomy and empowerment, as detailed in the household bargaining model. Globalization underlies the nearly universal increase in women's share of the nonagricultural labour force among high growth developing countries in the past few decades (UN, 1999), a result of the tremendous growth in manufacturing trade and export processing from developing countries (Standing, 1989). The associated increase in demand for female labour is not just a matter of expanding the available labour force when male labour is in short supply. With labour costs such a crucial part of international competitiveness, labour intensive

exporters prefer to hire women both because women's wages are typically lower than men's, and because employers perceive women as more productive in these types of jobs (Elson and Pearson, 1981). By extension, women may lose their comparative advantage in these job markets as industries upgrade, leading to a de-feminization of manufacturing employment as has happened in Mexico, India, Ireland and Singapore (Elson, 1996; Joeques, 1999; Fussell, 2000; Ghosh, 2001). Subcontracting also may have a role to play, as women doing own account work for subcontractors linked with international trade may underlie defeminization in formal manufacturing sectors. Women working in the informal sector are seldom counted in official employment statistics (Carr, et al., 2000). For the purposes of this discussion, we take the positive association between trade and investment liberalization and women's employment as a given, and work from the presumption that it is associated with increases in the demand for women's labour.

Changes in social protection, the second liberalization effect, refers to social provisions that boost women's bargaining power or autonomy in the household, including legal measures such as anti-discrimination or equal inheritance laws, or provisions that support women in their reproductive responsibilities, such as childcare services, healthcare, sanitation, clean drinking water or fuel supplies. All of these supports boost women's provisioning capacities, their fallback positions, and ultimately, via changes in social norms, their empowerment. But while the social protection effect plays out in the household by constraining or enhancing bargaining power and ultimately voice, the provision of social protections happens at the level of the community and the state. This is the starting point for the model developed next.<sup>3</sup>

The model uses as its framework the basic idea that as trade and investment liberalization increase, two opposing tendencies will operate on the policy structures of liberalizing economies. On the one hand, there will be pressures toward a race to the bottom – pressures for cutting the role of the government and firms in supplying social protections. Trade liberalization means cutting trade tariffs, with direct and potentially significant consequences for developing country government budgets, for which trade taxes can be a significant source of revenue. Investment liberalization (both in terms of long and short-term flows) means that government budgets are beholden to global financial markets. Global financial markets can constrain government spending via the specter of financial outflows and crisis should that spending result in budget deficits that global financial markets or international financial institutions deem unsustainable. Some of these budget constraints result from prior financial crisis and current debt servicing; others are due to conditionalities imposed by international financial institutions like the International Monetary Fund. In an empirical study of these issues, Rao (1999) shows that trade and financial liberalization are indeed positively correlated with what is termed the degree of liberalization-related “fiscal squeeze” – declines in trade taxes and increases in interest expenses as a proportion of GDP.

Firms have a role to play in the supply of social protections, as well. Although firms may contribute relatively little to tax revenue in developing countries (Barnett and Grown, 2004), a number of social protections are delivered through employment, such as minimum wages, maternity leave, and occupational health and safety. Trade and investment liberalization enhance exit options available to firms because it is easier for them to move abroad in search of lower

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<sup>3</sup> This model is based on Braunstein and Epstein (1999), and informed by Rodrik (1997).

production costs, and increase the international competition facing domestic firms from transnational corporations. As such, liberalization may also contribute to a race-to-the-bottom by suppressing the ability or willingness of firms to be a conduit for social protections, even if they do not finance the protections themselves. Furthermore, part of the logic behind decreasing trade taxes is that they will increase incomes and change the structure of the economy, resulting in greater tax revenues from the domestic private sector. Liberalization makes it more difficult for governments to shift their tax structures in these ways, as firms can threaten to leave.

On the demand side, trade and investment liberalization may bring increases in the demand for social protections. Globalization creates losers as well as winners, and may generate more insecurity by accelerating the pace of change (Rodrik, 1997). From a gender and development perspective, trade liberalization and increasing integration within the global economy widen the scope of the cash economy, requiring women to earn money to meet their traditional household responsibilities. Expanding marketization, and the commodification of different aspects of local economies, may add to women's double burden, in that they must take on two jobs – paid and unpaid – to provision their families (Pearson, 2004). Traditional sources of subsistence, such as a household garden, are less tenable when families move to urban centres in search of trade-related work. Furthermore, to pursue new opportunities offered by liberalization, children must be educated and in good health. All of these factors combine to increase the support that women need from the community and state to carry out their provisioning responsibilities.

These conflicting pressures can operate simultaneously: the demand for more social protection, and the declining capability of governments or willingness of private capital to supply protection as liberalization increases. Figure 2 illustrates these in a simple diagram, the supply and demand for social protection. The demand for social protection is upward sloping, reflecting the fact that as liberalization and openness to the global economy increase, women and men need more social support from the state. The supply of social protection represents two related dynamics that depend on the level of development and economic structure: the decreasing ability of the state to provide social supports, and firms' willingness to support social protection, either through paying taxes to government, providing it directly to their own employees, or tolerating legislation that strengthens citizens' ability to demand greater social protections. The line **G** represents the exogenously given level of liberalization, reflecting the vulnerability of governments to budgetary pressures from liberalization, and firms' exit options as well as competition from transnational corporations.

A shift out in **G** represents an exogenous increase in the level of liberalization. Such a shift may be the result of a new trade or investment liberalization agreement, which lowers government revenue (and strains government budgets), or opens the domestic market to greater import competition (and increases the competitive pressures facing domestic firms). As **G** shifts out, a wedge develops between the social protection that citizens and workers need, and that which the state or firms can or want to provide. This sets up a power struggle for institutional change. The outcome depends on the relative power of citizens, workers, firms, and the state, the institutional structures in place, and significantly, the level of liberalization itself. Figure 3 illustrates this relationship in the case of investment liberalization, where increasing levels of liberalization result in increased bargaining power for transnational corporations. The outcome is illustrated by the "contract curve", which represents the locus of bargains settled on as liberalization increases. By enhancing the exit options of firms, investment liberalization enhances their power relative to

citizens, workers and the state. This allows firms to win a better deal in the struggle for social protection.

The supply of social protection may be upward sloping. Through agglomeration effects and economies of scale, more openness may be associated with greater demands for infrastructure, education, and high performance work structures on the part of firms (Milberg, 1998). By generating this sort of climb to the top, these effects may moderate or even eliminate the negative impacts of liberalization. But as long as the need for social protection increases at a faster rate than the supply (the slope of the demand curve is higher than that of the supply curve), the same dilemma, though quantitatively smaller, will still exist.

To the extent that trade and investment liberalization exert downward pressure on the supply of social protections, it lessens the capacity of the community and state, and the willingness of firms, to provide the social welfare supports necessary for women to translate employment opportunities into greater autonomy. For instance, lower social spending on healthcare, either as a result of lower government tax revenue or cuts in job benefits offered by firms, will lower women's fallback positions. This is because where women work for a wage, and bear continued responsibility for the health and welfare of their families, their ability to assert themselves in the household is dampened by their continued need for access to male income. Furthermore, because women's employment gains are happening in sectors that are the most exposed to international competition (i.e. increases in demand for female derive from tradable sectors), the bargaining power of employers vis-à-vis workers will be higher in female-dominated industries relative to other economic sectors. As a result, women are less likely to access job benefits than their male counterparts, and their intra-household bargaining power is concomitantly lower.

The key, then, from an empowerment perspective, is to ensure that modes of global integration crowd in social protections *as well as* create employment opportunities for women. Otherwise, the potential empowerment effects of wages may well be offset a growing gap between the need for and supply of social protections.

#### **IV. Concluding remarks**

This paper explored the circumstances under which trade and investment liberalization result in an improvement in women's empowerment, as reflected in their autonomy or bargaining power in the household. The intra-household bargaining model shows that working for a wage can have direct autonomy-enhancing effects via increasing women's bargaining power, but these wage effects are mediated by the social and material contexts in which wages are earned. These contexts, which can also be thought of as "enabling conditions," include the extent of social protections provided by states, organizations and communities. This is where trade and investment liberalization may make it harder to translate wages into empowerment. If liberalization increases pressure on public budgets, or raises the bargaining power of firms relative to workers and the state, it can also lower the supply of social protections, and consequently weaken the link between employment and women's empowerment. In terms of policy, it is then essential that liberalization-driven efforts to raise the demand for female labour be complemented by institutions that simultaneously enhance the supply of social protections, ensuring that globalization becomes a process of "climbing-to-the-top," and not just a low-wage/low-benefit growth path.

## V. Public policy targets

Both the intra-household bargaining model and the macro model of social protection lead to specific levels and types of policy prescriptions. Many of these were discussed throughout the paper, but a more systematic organization of these interventions for ease of consideration is presented below. There is much but not complete overlap among the various categories, as sometimes different problems can similar solutions. This list is also not meant to be exhaustive, but rather demonstrative.

1. Measures that boost women's provisioning capacities
  - a. Decrease individual constraints, including through:
    - Raising wages or employment;
    - Expanding job training and education;
    - Guaranteeing a minimum income, or providing child allowances;
    - Providing services or infrastructure that decrease time intensity of market and nonmarket work;
    - Subsidizing goods that are significant in women's consumption baskets, and considering anti-inflationary price controls; and
    - Assessing exchange rate policy in terms of its impact on import prices significant to women, and the competitiveness of export sectors that primarily employ women.
  - b. Direct assistance in fulfilling priorities and needs:
    - Cash allowances;
    - Direct supply of goods and services, such as food and healthcare;
    - Childcare services;
    - Organizing mutual assistance groups; and
    - Supporting non-governmental organizations that provide community services.
2. Measures that improve women's fallback positions
  - a. Increase women's own income
    - Policies should directly lower women's economic dependence on men, in addition to raising women's wages or employment.
  - b. Assess price and exchange rate policies (*see above*)
  - c. Improve gender-specific environmental parameters
    - Establish legal claim on spouse, community or state for help with financial and time costs of social reproduction;
    - Reverse gender inequities in law, e.g. property rights, inheritance rules, divorce law, sexual harassment and violence against women.
3. Voice, autonomy and, over time, empowerment

All of the interventions noted above can, over time, lead to women being better able to assert themselves, to make choices about their own lives and to have the capabilities to effect those choices. But different sorts of decisions can have varying relationships with bargaining power and autonomy. Because different aspects of women's empowerment challenge traditional sources of male power in different ways, employment is more likely to have strong empowerment effects where there is less gender inequality to begin with, and where women are most able to translate income gains into enhanced provisioning for themselves and their families.

#### 4. Meso- and macro-level factors

Policy analysis, including the manner of trade and investment liberalization, should be conducted from the perspective of improving the “enabling conditions” (those that enhance the link between increases in women's income and their empowerment) proffered by meso- and macro-level institutions. Examples include:

- De-prioritizing interest payments over social welfare spending in public budgets;
- Maintaining competitive exchange rates;
- Lowering economic exposure to global financial volatility, for example consideration of capital controls, security transaction taxes, and foreign exchange controls;<sup>4</sup>
- Conducting trade negotiations with an eye to its effect on the fiscal capacity of the state; and
- Ensuring that trade and investment liberalization strategies and negotiations are linked efforts to crowd in the supply of social protections, i.e. that globalization results in a climb-to-the-top rather than a race-to-the-bottom.

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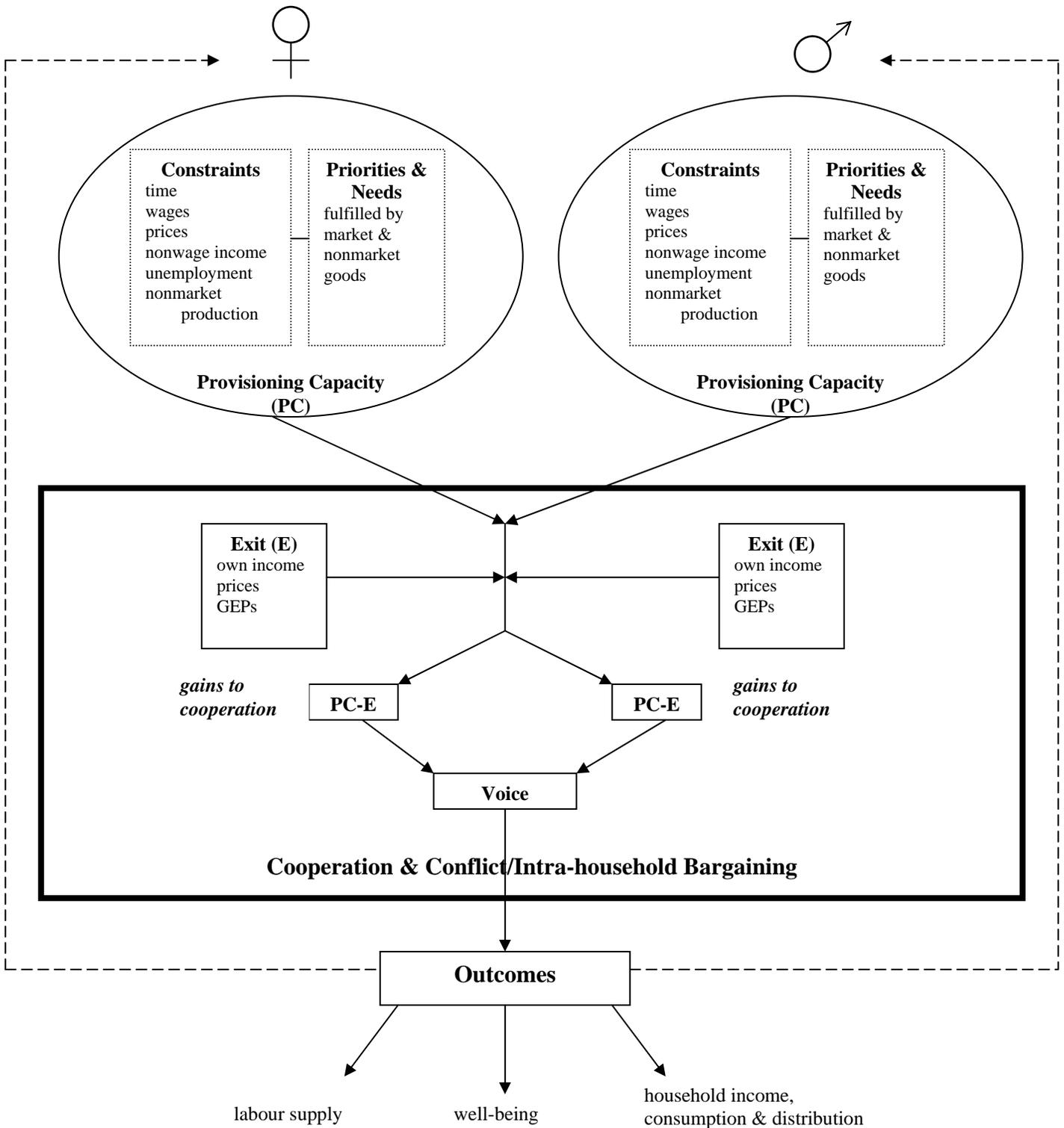
<sup>4</sup> For an extensive discussion of development-aware financial management and trade policies, see Chang and Grabel (2004).

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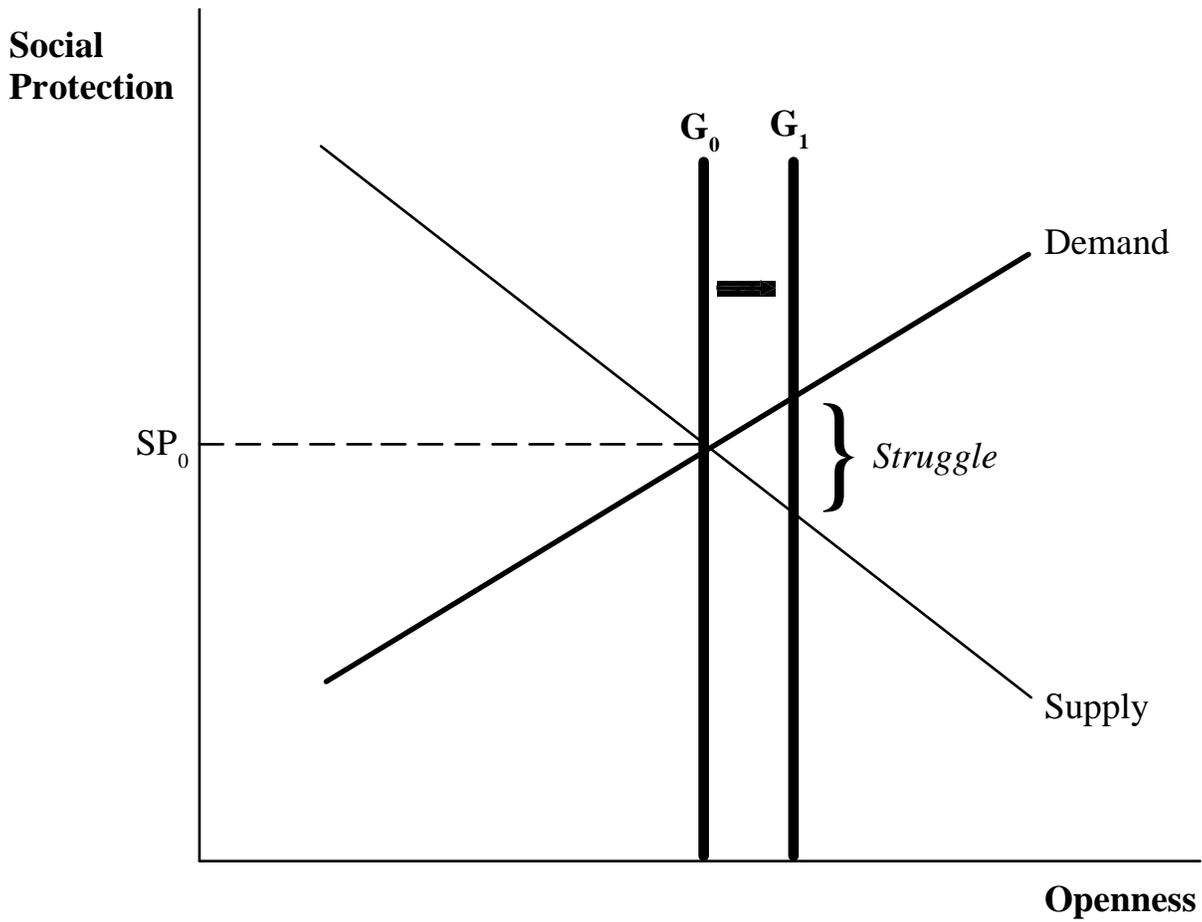
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**Figure 1: A Portrait of Intra-Household Bargaining**



**Figure 2 Demand for and Supply of Social Protection**



Demand: Workers and citizens from firms and the state  
 Supply: State and firms to citizens  
 G: Level of liberalization

Figure 3: Effects of investment liberalization

