

Cornell-SEWA-WIEGO Exposure Dialogue Program

## Bridging Different Perspectives on Labour and Poverty: An Evaluation

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“The Econ tribe occupies a vast territory in the far North. Their land appears bleak and dismal to the outsider, and travelling through it makes for rough sledding ... They are not without some genuine and sometimes even fierce attachment to their ancestral grounds, and their young are brought up to feel contempt for the softer living in the warmer lands of their neighbours such as the Polscis and the Sociogs. Despite a common genetical heritage, relations with these tribes are strained—the distrust and contempt that the average Econ feels for these neighbours being heartily reciprocated by the latter—and social intercourse with them is inhibited by numerous taboos” (Axel Leijonhufvud, ‘Life Among the Econ’, *Western Economic Journal*, 1973).

## **1. Introduction**

The purpose of the Exposure Dialogue Program (EDP) is to act as a bridge between WIEGO, SEWA and mainstream economics (sometimes called neo-classical economics) as represented by a team from Cornell University and elsewhere.<sup>1</sup> The EDP originated in an earlier discussion on what was perceived to be an intellectual disconnect—with strong implications for practice and policy—between mainstream economists and non-economists. A widely read paper by a Cornell team member, Ravi Kanbur, on the alternative frameworks adopted by what he called the ‘Finance Ministry’ versus the ‘Civil Society’ tendencies was also highly influential in inspiring the EDP (Kanbur, 2001).

The exposures consist of three days with a host household. Considerable preparation goes into setting the EDP up. A specific theme is chosen prior to the exposure, and the hosts are chosen to illustrate that theme. The exposure is then

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<sup>1</sup> In this paper the ‘Cornell team’ refers to Kaushik Basu, Nancy Chau, Gary Fields, and Ravi Kanbur (who are all from Cornell) together with Suman Bery (NCAER) and Haroon Borhat (University of Cape Town). The Cornell academics constitute the original group; Bery and Borhat joined later.

followed by a dialogue, including a dialogue with the policymakers, lasting 1 to 2 days.

In order to produce this report, interviews with all 14 of the EDP participants were conducted from July to August 2009.<sup>2</sup> The interviews typically lasted one hour, and were based on discussion around a questionnaire sent in advance. The interviews sought evidence on how the EDP has affected the perspectives of the Cornell economists and the WIEGO/SEWA team. I also reviewed various written materials prepared by the EDP group during and after the exposures and dialogues.

The next section provides an overview of the evaluation's main findings. We then go into a deeper discussion of what lies behind these findings. The third section focuses on how EDP members see the methodological debate that informs their work, while the fourth section discusses competing policy perspectives. The fifth section makes some recommendations. Section six concludes that the EDP is innovative and addresses issues of real concern to poverty reduction and gender equality.

## **2. Main Findings**

The EDP is highly valued by participants. Each participant was asked to score the EDP from 1 to 10 (lowest to highest). All of the scores were in the 8 to 10 range with the average being 9. Without exception, participants have found it to be an intellectually stimulating experience, and a *moving* experience. That emotional dimension is important to the quality of the resulting dialogue, for any academic pretension falls away in the face of the reality of poor people's lives. The

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<sup>2</sup> Namrata Bali, Kaushik Basu, Suman Bery, Haroon Bhorat, Françoise Carre, Nancy Chau, Marty Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur, Santiago Levy, Francie Lund, Carol Richards, and Imraan Valodia. I wish to thank everyone for taking the time to be interviewed.

participation of the Cornell economists in the EDP has become an important way for them to advance the frontier by exposing them to circumstances that are very different from their own life-experiences.

The sustained nature of the dialogue is important. To take one example, Santiago Levy's new book on the Mexican social security system and its impact was the topic for the Oaxaca dialogue. The book was subject to a critique from all sides for up to two days. The sustained process also allows participants the chance to come back to issues that they do not initially understand, and for a convivial to-and-fro in the debate to try and reach understanding. It is also important that the EDP has been sustained over time. After 6 meetings (4 exposures and 2 meetings at Cornell) interviewees felt that they had sufficient trust in each other to exchange views in a frank and friendly manner.

The tool-kit of mainstream economists is in many ways impenetrable to those who have no economics training. The EDP provides a means for the non-economists in WIEGO and SEWA to grasp the principles. The SEWA participants are intensely interested in what people have to say. SEWA/WIEGO interviewees confirmed that the EDP has helped them to think deeper about the issues, and clarify what WIEGO and SEWA believes. The process has thereby strengthened SEWA ability to debate with policymakers. One WIEGO member commented that before the EDP, SEWA struggled to understand the World Bank. Now, as a result of the EDP, SEWA's ability to engage in 'high-level' policy debate is much greater.

Irrespective of their disciplinary background, all of the EDP participants agreed that the present development and poverty debate largely neglects the world of informal work, tending to reducing it to simplifications such as: 'maximizing growth maximizes employment growth' and 'formal employment will eventually absorb all those from the informal sector'.

### **3. Competing Methodologies**

The ‘Cornell team’ is not homogenous, but their training gives them a lot in common (and recall that they are not all now from Cornell). They are mainstream economists. They are sometimes labelled ‘neo-classical’. But at least two members of the Cornell team reject this label, and prefer to be called ‘mainstream’. Neo-classical is in any case a problematic description. The term is often used to describe economists who favour ‘free’ markets and a minimal role for the state, conflating it with ‘neo-liberal’, and it is sometimes used as a term of abuse. However, many academic economists use neo-classical tools to build a case for market regulation—Paul Krugman, Dani Rodrik, and Joseph Stiglitz are three well-known examples—as well as public, rather than market, provision of some goods and services (see for example the debate on US versus European models of health care provision). Therefore, since the term ‘neo-classical’ is so loaded with meanings that cause confusion, this report will stick with ‘mainstream’ when describing the Cornell team.

The tool-kit of mainstream economists—the models—puts the behaviour of individuals, and the preferences driving that behaviour, at the core of the analysis.<sup>3</sup> Those individuals make their choices (between leisure and work) subject to constraints (their budget), and into the market they bring their endowments—of education, land etc.—which may be large or small, depending upon their circumstances (rich or poor). Above all, behaviour whether in markets or non-market situations is incentive driven.

The analytical focus on individual preferences and choices often leads to accusations that mainstream economics promotes selfish behaviour. One of the interviewees argued that mainstream economics tends to undermine efforts to build cooperation and community, ignoring social norms and institutions.<sup>4</sup> SEWA/WIEGO are highly sensitive to this issue since they try to promote the common good of informal workers through organization of what SEWA calls ‘the people’s sector’. And they

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<sup>3</sup> See Kanbur (2002).

<sup>4</sup> A new book by the Harvard economist Stephen Marglin also argues that mainstream economics undermines community (Marglin, 2008).

work with poor people whose livelihoods can quickly collapse if they fall ill (women being especially vulnerable) or when larger market forces undermine the informal economy (urban redevelopment that clears away informal market-places, for example). For SEWA, the community is a set of social relations, not just economic relations, and economic life must be based on co-operation rather than competition to create a 'solidarity economy'. A methodology that appears to promote self-interest above all else is therefore regarded as suspect.

Several of the Cornell economists argue that mainstream economics does not offer a set of values. It is simply a *tool-kit* through which to understand the world including, if desired, finding ways to enhance cooperation and community. They argue that non-market behaviour can also be incentive driven, and is therefore amenable to the mainstream tools. The Cornell economists as a whole have long worked on institutions, norms, child labour, and intra-household issues (the latter being an example of the interaction of individuals in a non-market setting). Their microeconomics is far from being that of an (old-fashioned) textbook variety. And their EDP experience is adding fresh ideas to work on, a point emphasized by all of the economists that I interviewed.

Nevertheless, we must recognize that neo-classical economics with its focus on behaviour and incentives is a distinctively different approach to a Marxist class-based analysis, with its emphasis on the shared interests of the members of a class vis-à-vis other classes, which has been influential with some of the WIEGO/SEWA team. There have been attempts over the years to develop a micro-foundations for Marxist economics; emphasizing monopoly rather than competition as the characteristic of contemporary capitalism and attempting to formalize the concept of 'exploitation'. But the language of Marxism is not in Cornell's tradition although, as we shall see the Cornell economists do depart from assumptions of competition, and they do address issues of power.

The Cornell economists are at the frontiers of their discipline. One economist from outside Cornell said that it was a real benefit to spend time with the Cornell

economists, who are “at the top of their game”. SEWA certainly sees the Cornell team as being well known and high-level. The esteem in which the Cornell economists are held implies that if the EDP succeeds in its objective—to inform Cornell’s thinking and writing—then it could have an important demonstrative impact on the wider economics profession. This is an important objective for SEWA and WIEGO.

At the same time the Cornell economists see themselves as pushing forward that frontier, while remaining rooted in their foundational training. As with any discipline, their tools provide them with powerful insight—a source of strength—but those same tools do also narrow the perspective—a source of weakness. “The strength is the weakness”, is the way Ravi Kanbur sums it up.

Every discipline has its own terminology, which can be daunting for the outsider. This is especially so for mainstream economics which is now expressed through mathematics. Economics is by far the most quantitative of the social sciences, and the training involved is intensive. Mainstream economics is in some ways akin to classical music. A classical pianist cannot become a great interpreter of Beethoven without years of training in technique. Similarly, economists must become fluent in mathematics before they can be truly creative in theory and applied work (usually econometrics); it is the student economist’s equivalent of the musician practicing the scales on the piano day in and day out. Like the best classical musicians, the best economists use their technique in novel ways, stretching the boundaries of the technique—without ever departing from its fundamentals (the ‘core’).

The use of mathematics is interlinked with the issue of *complexity* versus *simplicity* in methodology. This came up repeatedly in the interviews. One WIEGO member noted that anthropologists are trained to capture complexity, while economists seek simplification. Simplicity for the non-economists is a source of frustration. One WIEGO member said that the issues raised by the non-economists are often seen as being on the margin of the model or outside it: “complexity gets wheeled away” was the comment. Several WIEGO members argued that mainstream economics tends to

ignore social norms in building models, an outcome of its focus on individual decision-making; looking at the individual outside of his/her family and community context. The non-economists also cited the limited number of sectors used in the theoretical models—at most three—as a profound weakness. They argue for at least 6 divisions of the informal sector. This has led to a lively debate on what is gained and lost from further disaggregation.<sup>5</sup>

However, ‘simplicity’ is a slippery word. Simplicity can be taken to mean *elegance*. Mathematicians value elegance in their derivations: mathematics, whether it is applied to physics or to society, is about paring down the line of argument to its bare minimum to identify what drives the result (for example the amount of information that participants have, or whether some markets are missing). It is in this sense that mathematicians often speak of ‘beauty’ when describing their very best theorems. Theoretical economists have the same regard for the very best models. But simplicity can also be taken to mean *crude* i.e. ‘not fit for the purpose’.

The analogy of making a chair might help. Chairs made by the Shakers are fit for their purpose: sitting down. But they are also appreciated for their simple design, which is often described as elegant. In contrast, a bad carpenter will put together a chair that is so crude in design that it is neither fit for the purpose—it is uncomfortable—nor elegant to look at. Mainstream economics tries to construct models in the Shaker style. When non-economists argue that mainstream economics is simplistic, they are really arguing that it is crude: it is not fit for the WIEGO purpose, which is to understand the world of informal work.

In summary, these are views of their respective disciplines that EDP participants bring to the process. Everyone emphasised that while the debate can become intense, the EDP is held in a collegiate style.

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<sup>5</sup> One of the Cornell economists, Gary Fields, undertook pioneering work earlier in his career in disaggregating the labour market in a Harris-Todaro framework, moving from two to three sectors.

How have the EDPs affected the views of the group as regards methodology? (we discuss policy in the next section). We first consider the SEWA/WIEGO participants.

The EDPs have provided what amounts to a training in economics for the SEWA/WIEGO team of an unusual and innovative kind. It is clear that the EDP has significantly strengthened the ability of the non-economists to engage mainstream economists in debate. For example, one WIEGO member has engaged in intensive discussion on a number of occasions with the Princeton University economist, Angus Deaton, who is a leading authority in the micro-econometrics of development. The SEWA team have an earlier education in economics, and they have interacted with economic policymakers on a regular basis: so it is not that they were unaware of how economists think prior to the EDP. However, they have still derived much value-added from the EDP. SEWA interviewees confirmed that they now have a much better understanding of mainstream economics than before the EDP (this was also the perception of Cornell about SEWA and WIEGO). Several Cornell economists believe that WIEGO/SEWA have taken on board the economists' core belief in choice under constraint, including the importance of budget constraints.<sup>6</sup> They believe that WIEGO's views have moved towards their own on this issue.

What of the Cornell economists? For an anthropologist, immersing oneself in communities for extended time is essential to understanding the richness of social life and the way social meanings are constructed. For the economists, the EDP provides at least some immersion, albeit of a much shorter duration than ethnographic methods favour ("quick anthropology" is how one economist described it). Still, WIEGO hoped that the EDPs would instill in the economists a greater recognition of complexity that would, in time, become apparent in their academic work.

Has this happened? Yes. Without exception, the Cornell economists all said that their time in the host households and their discussions with informal workers about their

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<sup>6</sup> An exchange between Gary Fields and Marty Chen in the Delhi exposure is cited on this.

lives had given them a deeper understanding and had led to many new questions for debate in the subsequent dialogues and for later analytical work. The multiplicity of different income sources and the constant balancing of time across the livelihood portfolio was a feature of informality that stood out for many economists. One economist said: “.. it has allowed me to take much more nuanced view. I feel I have a deeper understanding.... I have learnt an enormous amount”. This includes the differences in informality across countries—India versus Mexico versus South Africa—that have somewhat different drivers. One economist, from a developing country, who felt he knew his own country well, and was therefore sceptical about whether the EDP would provide him with anything new said: “I now truly believe that there is so much that researchers can get out of these interactions, and it breaks down the hierarchies that we all operate with”.

The fact that these processes of learning and analyzing take place outside of the normal academic environment is a key ingredient of the EDP’s success. This came across clearly from every Cornell interviewee. One of the Cornell economists commented: “... the reality is so humbling that all the grandstanding just falls away that you see in conventional seminars. ... and you are genuinely moved to understand their reality.”

Overall, both Cornell and WIEGO/SEWA have moved towards each other, and there is more agreement than before the EDP process began. Several interviewees, from both the Cornell and the WIEGO/SEWA sides, believed that Cornell has moved more than WIEGO/SEWA. Ravi Kanbur cited the disaggregation issue that we discussed earlier: he believes that Cornell has been pulled more towards the WIEGO view than WIEGO has moved towards the Cornell view. The Cornell economists perceived a move by some WIEGO members towards their view on the impact of hiring and firing regulations. They believe that the WIEGO team is now more in tune with the importance of examining second-round and especially the unintended consequences of policy changes. One interviewee concluded that the Cornell team as a whole had moved more than WIEGO because WIEGO was more grounded in the countries than most of the Cornell team prior to the EDP.

#### 4. Competing Policy Perspectives

'Market clearing' is in the 'DNA' of mainstream economists. Earnings reflect the forces of supply and demand, which grind out a price. Since poor people bring very little to the market (their endowments such as education are limited), and since there are many of them—allowing employers to take their pick of workers, and consumers to choose from many competing micro-enterprises—their earnings from wage- or self- employment are very low. For the mainstream economist these are the fundamental facts of poverty. And they are rooted in competition.

In the view of the SEWA/WIEGO team, mainstream economics does not tell us much about how endowments are generated, and therefore how much the market outcome (the market equilibrium) of low earnings is driven by the structure and history of societies (in Southern Africa, for example, the removal of Africans from their land in order to force them into the labour market, particularly that supplying mines and settler farms, and in India the role of the centuries-old caste system in circumscribing employment opportunities). The close engagement of the SEWA team with local communities makes them highly conscious of these structural factors. They are very aware of *power*, in particular the weakness of labour relative to capital, because they are trying to help highly vulnerable people every day.

Whereas SEWA/WIEGO take power as their starting point, the Cornell team, as economists, take competition as their initial point—and then look for deviations from the competitive norm.

The Cornell economists are aware that lack of market power, as manifested in low earnings and limited prospects, stems from limited endowments. Nancy Chau commented that mainstream economics has been good at capturing part of the endowment story—the limited access to credit and the resulting inability to accumulate capital—but not good at describing how little power some participants have because of the other characteristics that they bring to the market or their limited (or non-existent) room for manoeuvre; for example child labourers, people forced into debt bondage, or victims of human trafficking.

This is where the EDP becomes important. An economist can easily derive from first principles the kind of market outcomes that leave a person poor, or the consequences of a limited or missing market in credit on the ability of an informal enterprise to accumulate capital. But developing models of all the different types of power that affect poor peoples' lives and livelihoods clearly requires at least some exposure to those lives and circumstances. This is what the EDP provides to the economists. Later in this section we provide two specific examples of this: the impact of the minimum wage on informal workers and the role of non-profit middlemen.

Labour-market regulation has naturally been a big issue in the EDPs, and the Mexican EDP focused on social protection's interaction with labour markets. Does an unfettered market yield the best possible outcomes for society? Mainstream economists are certainly not of the same mind. The Chicago school is most associated with the idea that markets usually deliver outcomes that are hard to improve upon ('pareto optimal'). Driving this result is a belief that markets are almost always competitive, and agents in those markets are free to exchange—including labour for a wage—in mutually beneficial ways ("free exchange is no robbery"). Regulation, especially the minimum wage, generates unemployment, leaving disappointed job-seekers to search for the few formal-sector jobs, with most ending up in the unregulated informal sector. When WIEGO argues that mainstream economists have an instinctive suspicion of any form of labour-market regulation they really have the Chicago school in mind.

The Cornell team are certainly not of the Chicago persuasion. Markets are sometimes competitive, sometimes not (monopolies and monopsonies). They emphasise market imperfections; well-designed public interventions can then improve upon unfettered market outcomes (the 'theory of the second best'). The Cornell team are mostly development economists, and are therefore pre-disposed (by inclination and training) to examine situations where markets are non-existent or weak. They vary among themselves as to how much emphasis they give to market imperfections, but this is matter for *empirical* investigation.

So, while the Cornell team have the instincts of mainstream economists, they are willing to question those instincts in a way that Chicago-style economists would probably not. This creates space for fruitful interaction with non-economists in the EDP. This is a crucial strength of the way the EDP operates. This does, however, open the EDP up to the charge that the SEWA/WIEGO team are “preaching to the converted” in choosing to interact with the Cornell team rather than economists from the Chicago end of the spectrum.

This potential criticism was put to the interviewees. They felt that there had to be at least some common ground for a dialogue to even begin. The consensus view was that simply putting a group of people from different disciplines into the same room does not lead to an effective dialogue. The Cornell team remain sufficiently confident of the strength of their discipline to push back in argument with the SEWA/WIEGO team, but sufficiently intrigued by the issues and the EDP process to readily engage in a rematch. And we must emphasise again that the Cornell team is not homogenous; at least two members of the team, Gary Fields and Suman Bery, are the strongest advocates for the mainstream, while retaining open minds (and enthusiasm for the process).<sup>7</sup>

In summary, inviting a Chicago-style team into the EDP would probably be akin to inviting the Chicago Bears to play football, only to have the ice hockey team, the Chicago Blackhawks, arrive at the stadium: no game could even begin. We can therefore dismiss the charge that WIEGO is preaching to the converted in working with the Cornell economists. This does leave open the question, however, of whether the EDP can ever influence the ‘harder’ end of mainstream economics.

A key policy concern for WIEGO arises from the instinct of mainstream economics to separate out issues of efficiency from distribution. This is fundamental to the

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<sup>7</sup> The Chronic Poverty Research Centre (CPRC) also attempts to bring together different disciplinary perspectives in the debate around conceptualizing and understanding chronic poverty, in particular the relative strengths of qualitative and quantitative methods (see Addison, Hulme, and Kanbur, 2009).

discipline, and very influential on mid- and higher- level policy economists in governments, the IMF and the World Bank. Mainstream economics argues that economic policy should maximize the social pie by seeking efficiency in the use of society's resources and then social policy can look to the distribution of the resulting pie. For the SEWA/WIEGO team this makes social policy secondary to economic policy, and indeed risks the marginalization of distributional concerns; "no amount of social policy can make up for failings on the efficiency and growth side", commented one WIEGO member. The EDP was in part born out of WIEGO's difficulty in understanding why policy economists hold so strongly to this separation of distribution and efficiency, especially at India's highest policy levels.

The implication of separating out efficiency from distribution is a view that policy should not set prices to try and achieve some distributional outcome. Distributional outcomes are better achieved, through for example, changing endowments. On the need to change endowments there is a great deal of common ground between Cornell and the SEWA/WIEGO team, but the SEWA/WIEGO want also to see more change in economic policy, in particular they are willing to countenance more intervention regarding the price of labour.

To a degree, the Cornell team have moved towards the SEWA/WIEGO view. Two specific examples can be given of how the EDP has changed the perspective of the Cornell team.

The first concerns the impact of the minimum wage, and arose in discussion with SEWA's trade union negotiators for beedi workers during the Ahmadabad exposure. The wage that beedi workers actually receive is far below the official minimum wage. So they asked the negotiators two questions: why are you trying to raise the minimum wage when it doesn't 'bind'? And if it did bind, causing the actual wage to then rise, wouldn't employment fall (a standard mainstream prediction). The negotiators responded that when the minimum rises, they can negotiate a higher actual wage, even though the minimum remains non-binding. In part, the employers respond to social pressure ('naming and shaming'). But also, SEWA can put pressure

on the labour inspectors to act on the employers if the actual wage fails to rise with the minimum, leaving a large and very evident gap between the two. And when the actual wage does rise, SEWA does not see a fall off in employment—indicating the existence of some surplus that can be extracted for their members by negotiation without risking their jobs (SEWA does recognize limits: if the wage demand is very large then there is still a risk to jobs, but their skill as negotiators is to capture as much gain as possible without triggering a cut in labour demand).

In summary, there is a real gain to SEWA's members in campaigning for a higher minimum wage even in a labour market that appears at first to be very competitive. This would not have been evident to the Cornell team without the Ahmadabad exposure, and it has initiated a stream of work from Cornell to develop theories to explain the phenomenon.<sup>8</sup>

The second specific example of how the exposures have influenced the Cornell perspective is the issue of middlemen (and middlewomen). Here, the issue is how the market power of commercial middlemen is affected by the entry of a non-profit middleman such as the SEWA Trade Facilitation Service (STFC), which is a channel to international 'fair-trade' markets for women producing craft goods. Commercial middlemen have market power giving them a high margin, especially in remoter areas. When the non-profit comes in, it reduces margins across the board by increasing competition, providing the producer with a large share of the final price. So again, we must depart from the mainstream assumption of perfect competition if we are to understand the impact of existing marketing structures, and the entry of non-profits, on poverty. Although there has been some previous analytical work on market power in the context of agricultural marketing, the issue has not been rigorously analyzed for crafts markets that are increasingly important in informal pathways out of poverty. The importance of the issue first became apparent in the

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<sup>8</sup> See: Basu, Chau, and Kanbur (2009); Fields, Han, and Kanbur (2007); Fields and Kanbur (2007).

Ahmadabad exposure, and the theme has persisted through the Durban and Oxaca exposures. A number of papers on this issue are now appearing.<sup>9</sup>

## 5. Recommendations

There is a worry among WIEGO members that younger economists have no real understanding of the context in which informal livelihoods are made, and so their empirical work lacks firm foundations. They often have very limited appreciation of how the data are produced, including in many cases the weaknesses of the data in accurately capturing the lives of the working poor. Instead their focus is on the elaboration of the model, and then sophisticated econometric testing. One WIEGO member sums this up as the: “super-analysis of sub-optimal data”. This criticism finds some support among the economists. One commented that young economists are highly competent technicians, but their research is too much driven by technique, rather than by the issues. Their empirical strategy is to search for a data set that can cope with the techniques, rather than a focus on an interesting problem *per se*. SEWA/WIEGO were of the view that many young economists are not interested in collecting primary data. The Cornell economists confirmed that they are taking the EDP material into the classroom, but how can the impact be scaled up? An issue that we therefore leave on the table for further reflection is how to influence student economists who constitute the future academics and policymakers.

The interviews also sought information on potential future topics for the EDP. The following emerged:

(i) Global value chains. Globalization as such is too broad a concept for a successful EDP, since it encompasses everything from trade to finance to technology (this was the strong view of Santiago Levy, for example). But the global value chains that

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<sup>9</sup> Chau, Goto and Kanbur (2009).

affect informal workers offer a specific topic; one that has been discussed in passing at a number of exposures but which could now merit an exposure and dialogue of its own. Nancy Chau's work on trade and value chains moves the debate forward by dropping the assumptions of perfect competition and frictionless markets. SEWA is very interested in this topic. Another related topic is the impact of globalization on the consumer baskets of poor communities. Whereas in South Africa there have been some positive effects of globalization in increasing the range of consumer goods available to communities, in India the market for informal goods (often produced from recycled materials) is suffering from an inflow of imported manufactured goods. Poor people may gain from this as consumers, but lose as producers. This is a topic that SEWA is interested in.

(ii) Urbanization and the creation of 'world class cities'. Almost every city now wants to be cited as world class. The creation of such cities involves extensive redevelopment in the name of modernization, often displacing poor communities who have little in the way of property rights. This can badly affect informal livelihoods, especially when people are moved away from marketplaces.

(iii) Taxation is a potential topic for an EDP. There is a common view among economists that the desire to evade taxation is a major reason for why people opt for informality over formality. This is certainly evident when taxation is cumbersome and predatory. But micro-entrepreneurs do suffer a disadvantage. For example, in South Africa and nearly all other developing countries, microenterprises are outside the VAT system. A supermarket can reclaim the VAT. But a micro food retailer cannot recover the VAT: the price she pays is 14 per cent more than the larger retailer. The tax system has the effect of making the micro retailer more expensive than the supermarket. Micro retailers pay a price for not being in the tax net, and since micro-retailing is dominated by women, this issue has a strong gender dimension. An EDP on tax and informality would be a way to dialogue not just with labour ministries—presently the main target among policymakers—but also with the much more powerful finance ministries.

## 6. Conclusions: A Meeting of Minds?

The metaphor of a 'bridge' is constantly used to describe the EDP. So to conclude, let us pursue this metaphor further. Before the bridge there is a chasm, travellers might make their way from one side to the other, but with great difficulty. It is not too far-fetched to describe the relationship between mainstream economics and the other social sciences in such terms. In the years since Axel Leijonhufvud wrote 'Life Among the Econ', the chasm has if anything deepened: the language by which the disparate tribes occasionally attempt to communicate has become even more incomprehensible.

The EDP has built a bridge across this chasm. It has required great effort on both sides—the first rope was thrown across by WIEGO, and the Cornell economists hauled it in and the first crossing was made with the first exposure (no doubt with many Econ looking on with suspicion). The bridge has been reinforced over time, with frequent and increasingly easy crossings—which, without exception, the EDP participants are eager to undertake.

Yet, while a bridge makes it easier for disparate tribes to meet, it does not deliver instant comprehension when the travellers greet each other. So with the EDP. The travellers carry their world-views with them—formed through years of hard study and hard practice. EDP participants increasingly understand their respective languages, but that does not mean—and nor should it—that they necessarily agree with each other once understood. There are some real methodological differences, which reflect past training and past experiences. 'Complexity' versus 'simplicity' is one such issue. The anthropologist's desire to comprehend the world by capturing its complexity, and the economists desire to comprehend the world by isolating its core characteristics.

Still, the gap is not so large that the bridge cannot be strengthened over time. Indeed, all of the participants find it an exciting challenge. One commented: "there is still a wide gap but that's what makes us work, the gap is large enough for us to have

a fruitful conversation but it is not that large that the two sides are so far apart that there is nothing really to talk about.” This augers well for future bridge-building.

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