

Chapter 1: The Unofficial History of the Official Story

In the introduction I outlined the official definition and measure of the economy contained in the national accounts, arguing that “production” was the central concept. Thus, for instance, when referring to economic growth, the thing which is growing is production, or more particularly, GDP, which is the market measure of the value of production. However, having stated that production is key in defining the economy, it should be noted that the definition of production is highly contestable. This chapter seeks to trace the history of the meaning of production in national accounting. From that I hope to underline the theoretical basis of the current definition, before considering wider epistemological questions of definitions and theories in general.

The History of “Production”

Paul Studenski, in his still authoritative work, *The Income of Nations*,¹ identifies three competing historical conceptions of production. The definition adopted in the SNA/ANA is what he calls a *comprehensive production concept*, as opposed to the *restricted material production concept* (associated with the classical and Marxian economists) which includes only material goods as production. Studenski also describes the *restricted market production concept* as a compromise between the two positions. It includes marketable services in the national income but does not include the services of government and other collectives not controlled by market forces.

Studenski’s history of the development of national accounts over the past three centuries identifies six major stages in the development of these ideas of the nature of production and national income. This historical development, and in particular the recognition of two important “moments” in this history, is crucial to understanding debates around the official definition and measure of the economy.

The first stage of Studenski’s story, which is really the pre-history of national accounting, is located in the sixteenth century when mercantilist doctrines held sway. Wealth was viewed

¹ Paul Studenski (1958) *The Income of Nations: Theory, Measurement and Analysis Past and Present*, New York: New York University Press.

simply as stocks of gold (thus overseas trade was the most productive industry as it could increase this stock) and there was no real conception of a national income. In the seventeenth century this changed as William Petty in England and Sieur de Boisguillebert in France pioneered the first real estimates of national income. They took wealth to be the stock of both consumable goods and the means of production. Petty defined the “income of the people” as “annual value of labour” and “annual proceed of the stock or wealth of the nation” (thus foreshadowing modern returns to capital and labour in the comprehensive concept).²

However the third phase identified by Studenski represented a step back from the comprehensive concept. The Physiocrats of eighteenth century France argued that agriculture was the only truly productive activity as it alone produced a “revenu net”, that is, a return to producers which was more than their investment of capital and labour. National income was then simply the net product of agriculture. Adam Smith ushered in the next phase, extending the physiocrats’ system by insisting that other “material goods production” (manufacturing, trade and transport) was also productive, that is, capable of adding to the total value of output. But Smith retained the distinction between productive and unproductive labour, restricting the concept of production to material goods, or “vendible commodities”.

There is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labour. Thus the labour of a manufacturer [ie. manufacturing worker] adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master’s profit. The labour of a menial servant, on the contrary, adds to the value of nothing ... the labour of the manufacturer fixes and realises itself in some particular subject or vendible commodity, which lasts for sometime at least after that labour is past ... The labour of a menial servant, on the contrary, does not fix or realise itself in any particular subject or vendible commodity.³

While the ultimate outcome of Smith’s production was a “vendible commodity”, value could be added to that product either directly or indirectly; that is, all the labour (including service occupations) which went into making that commodity vendible was viewed as productive. By contrast, professionals offering direct services for personal consumption were deemed “unproductive”, again because their work “perishes in the very instant of production”.⁴

² *ibid.*, p 13.

³ Smith from *The Wealth of Nations*, book 2. Cited by Studenski, *ibid.*, p 18.

⁴ Cited in Fyodor Kushnirsky and William Stull (1989) “Productive and Unproductive Labour: Smith, Marx, and the Soviets” in Donald Walker (ed), *Perspectives on the History of Economic Thought: Volume 1, Classical and Neoclassical Economic Thought*, Aldershot, Hants: Edward Elgar. p 87.

Similarly, government employees (as Smith knew them - principally officers of justice and members of the army and navy) were unproductive because,

They are servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service ... produces nothing for which an equal quantity of service can afterwards be produced. The protection, security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come.⁵

Smith acknowledged that such unproductive labour was important and deserved rewards, but it represented consumption of the product of the nation, not production. However, Fyodor Kushnirsky and William Stull, following Marx's critique of Smith, argue that there was also another definition of production in Smith's work. Although never explicitly elaborated, the "hired for profit" formula suggested that any workers who were hired to earn a profit for their employers were productive. This was a broader definition in that employees of "for profit" firms that sell services directly to consumers would be regarded as productive.⁶

While the mainstream of classical economics concentrated on the vendible commodity definition, Karl Marx critiqued Smith's concept of material production and built on the hire-for-profit definition. Marx rejected the notion that the form of the product - material or immaterial - had anything to do with whether the labour was productive or not. Instead, Marx argued that what determined whether labour was productive was the social relations of production. According to Marx,

The concrete character of the labor, and therefore its product, do not, as such, play any part in this division of labour into productive and unproductive. Chefs and waiters, for instance, are productive laborers in the sense that their labor is converted into capital for their employer. ... That labor is productive which produces capital.⁷

However, this was different to Smith's "hired for profit" definition. Smith saw salespeople, rent collectors and book-keepers as productive because they made an indirect contribution to production. By contrast, Marx saw these workers as unproductive because they only changed the form of value (use-value into exchange value) rather than adding new value (usefulness).⁸

Thus, in a capitalist system, productive labour was that which produced *value* rather than

⁵ *ibid.*

⁶ Kushnirsky and Stull, *op. cit.*, pp 88 - 90.

⁷ Citing from *Theories of Surplus Value*, in Studenski, *ibid.*, p 22.

⁸ Kushnirsky and Stull, *op. cit.*, pp 93 - 95.

simply profit - the former ultimately determining the later according to the labour theory of value. In an important sense, Marx was not defining production *per se*, but was defining production and the economy in terms of his labour theory of value. This had a number of consequences.

Firstly, Marx (and many later Marxists) precluded from the definition of production many material goods which were produced by petty-commodity producers (self-employed artisans) because they did not contribute to surplus value. Thus, the same product could be produced by either productive or unproductive labour, because, as James O'Connor notes of Marx's analysis, "productive labour in one mode of production is unproductive in another mode of production".⁹ Similarly, given the focus on the capitalist mode of production, non-marketed production by definition could not be considered as "productive", even though Marx clearly recognised that use-values (things which were socially necessary or produced socially useful effects) were produced in the home and elsewhere. As we will see in later chapters, this has been criticised by some feminists, precisely because it fails to recognise that the capitalist mode of production is dependent on or articulated with non-market production of use-values.

The focus on the analysis of surplus value and capitalism was also important in defining production in relation to services. While Marx recognised that, in principle, services could be productive, in practice they were largely excluded, except in as much as they were direct inputs to material goods production (eg. goods transport). For the rest, Marx argued that it was crucial to service production that

the production can not be separated from the act of producing, as is the case with all performing artists, orators, actors, teachers, physicians and priests, etc. Here too the capitalist mode of production is met with only to a small extent.¹⁰

There are echoes here of Smith's concern with the longevity of usefulness, but the point for Marx was that the nature of "services" tended to preclude capitalist production. Even where such services were capitalistically employed to produce surplus value, Marx argued that such non-material production was so "insignificant compared with the totality of production that it can be left entirely out of account".¹¹ Thus, while Marx rejected Smith's material product

⁹ James O'Connor (1975) "Productive and Unproductive Labor" *Politics and Society*, Vol 5, No. 3, pp 297 - 336. p 297.

¹⁰ Marx from *Theories of Surplus Value*, cited by O'Connor, *ibid.*, p 312.

¹¹ *ibid.*, p 313.

definition based on the durability of the usefulness of the product, in practice, his analysis was also built around material products. In fact, when that analysis/definition came to be operationalised in the Soviet alternative to the national accounts, it was by name and nature, the Material Product System. Studenski claims that the Soviet version was a somewhat crude rendering of Marx's analysis,¹² while Kushnirsky and Stull argue that it actually owed more to Smith's vendible commodity formula than to Marx:

[the Soviets] chose to operationalise the ideas of productive and unproductive labour on the basis of the type of product rather than the type of labour *per se*. They defined the composition of their national product first and then denoted all the labour used in the production of the included items as productive. ... the Soviets chose to include only material output in their national production aggregate. Thus, for them the productive and material spheres are the same.¹³

Kushnirsky and Stull sum up the results of the different schemas in their table 6.1, reproduced below, which categorises the different sectors into P = productive, U = unproductive and M = a mixture of productive and unproductive labour.¹⁴ (These sectors would all be classified as productive in the SNA).

Table 1: Kushnirsky and Stull's Categorisation of Un/productive activity

Sector of Industry	Soviet	Smith	Marx
Industry	P	P	P
Agriculture	P	P	M
Forestry	P	P	P
Construction	P	P	M
Freight transportation	P	P	P
Business communication	P	P	P
Trade	P	P	U
Catering	P	P	M
Material supply	P	P	U
Passenger transport	U	U	P
Residential communication	U	U	P
Education	U	U	P
Science	U	U	P
Medicine	U	U	P
Recreation	U	U	P
Housing	U	U	M
Personal services	U	U	P
Municipal services	U	U	P
Government	U	U	U

¹² Studenski, *op. cit.*, p 22.

¹³ The authors suggest that this categorisation results from problems of data collection if services are divided into productive and non-productive labour, as well as an historical antipathy towards white collar occupations, and/or perhaps a misreading of Marx. Kushnirsky and Stull, *op. cit.* The quote is from p 97.

Of course, Kushnirsky and Stull's categorisation of what might appear as productive labour in Marx's definition is contestable. Indeed within Marxism more generally there has been a voluminous debate on the definition of production.¹⁵ Beyond the Material Product System there have been relatively few attempts to apply a Marxian definition of production to defining and measuring the economy. Anwar Shaikh and E. Ahmet Tonak have surveyed the main attempts to measure "the economy" using a Marxian definition of production.¹⁶ But even among the twenty-odd attempts they note, there is no consensus as to what constitutes production. Some estimates use official statistics as proxies for Marxian categories, others distinguish between necessary and unnecessary (surplus) labour as a proxy for productive and unproductive labour, and others like that of Shaikh and Tonak themselves, attempt a more orthodox Marxist value categorisation.

Perhaps more importantly though, in terms of the history of national accounting, the Marxian theory underlying this accounting has proved problematic. The lengthy debates date back to the 1890s when Otto von Bohm-Bawerk launched his famous (and still definitive) attack on Marx's labour theory of value. Essentially Bohm-Bawerk argued that Marx had not shown, and could not show, that labour value underlay or governed prices and production in capitalism. There was no mechanism to explain how this governance happened except for the laws of supply and demand. Yet these laws were sufficient of themselves and did not need a notion of labour value to explain price formation and production dynamics. Moreover, Bohm-Bawerk argued, even if supply and demand laws were not enough to explain market dynamics, there was no reason to posit abstract labour as the external measure of the 'true' value of products. Bohm-Bawerk concluded that neoclassical utility provided a better yardstick.¹⁷

This then was the so-called "transformation problem", the problem of how value was reflected in (transformed into) prices. Economists like Bohm-Bawerk regarded it as fatal to Marxian economics. While some Marxists rejected this "bourgeois economics", critiques of

¹⁴ *ibid.*, p 99.

¹⁵ Aspects of this debate will be considered in Chapter 6. For a summary of the arguments within Marxism, see Ben Fine (1991) "Productive and Unproductive Labour" in Tom Bottomore (ed), *Dictionary of Marxist Thought*, Oxford: Blackwell. p 449.

¹⁶ Anwar Shaikh and E. Ahmet Tonak (1994) *Measuring the Wealth of Nations: The Political Economy of National Accounts*, New York: Cambridge University Press. ch 6.

¹⁷ This summary of Bohm-Bawerk's critique from A Cutler, B Hindness, P Hirst, and A Hussain (1977) *Marx's Capital and Capitalism Today*, London: Routledge & Kegan Paul. ch 2.

the labour theory of value from within Marxism echoed the problems highlighted by Bohm-Bawerk.¹⁸ Such critiques were strengthened after Piore Sraffa's critique of neoclassical economics opened the way for a mathematical demonstration that technical conditions and real wage levels could determine prices and profit rate - again suggesting that the category of value was unnecessary.¹⁹ These critiques, plus perhaps the sheer complexity of the issue, has meant that many socialists, including those claiming to be Marxists, have abandoned Marxian value analysis.

The debate over the transformation problem and the labour theory of value is long and beyond the scope of this thesis,²⁰ except to note that abandonment of the labour theory of value by no means exhausts the Marxian contribution to defining the economy. As I will show in Chapter 6, there remains much that is still of use in the Marxian tradition, although of course there are also other problems, and later chapters will consider these. However in terms of the historical development of the official accounts, the Smith-Marxian concepts (Studenski's fourth and fifth stages) belong to a now by-gone era. While the Soviet Material Product System coexisted with later (SNA) national accounts for a time, it is now being completely replaced as former Soviet countries introduce the SNA system.

The Neoclassical Moment

In the broader history of national accounting, restricted material product definitions were replaced by the final of Studenski's six stages: the return to a comprehensive production concept. Criticism of the material production concept grew in intensity through the nineteenth century among liberal economists as Smith's distinction between durable and non-durable utilities was seen to be irrelevant to what constituted "production". The development of the "marginalist revolution"²¹ initially associated with Leon Walras, William Stanley Jevons and

¹⁸ See for instance, Cutler, *ibid.*, and G A Hodgson (1980) "A Theory of Exploitation Without the Labour Theory of Value" *Science and Society*, Vol 44, No. 3.

¹⁹ The leading theorist here is Ian Steedman. Ian Steedman (1977) *Marx After Sraffa*, London: New Left Books.

²⁰ A good overview of the debate as it flared again in the 1970s is, Erik Olin Wright (1979) "The Value Controversy and Social Research" *New Left Review*, Vol No. 116. Foley provides a summary of the key issues, Duncan Foley (1991) "Prices of Production and the Transformation Problem" in Tom Bottomore (ed), *op.cit.*, pp 442 - 444.

²¹ The common description of a "marginalist revolution" has been disputed by economic historians like Mark Blaug and Jurg Niehman who argue that Jevons, Menger and Walras simply added to and/or refined (rather than overthrew) prevailing economic orthodoxy. But, however long the 'revolution' (ie. the development of the marginal analysis of neoclassical economics) actually took, the argument here

Carl Menger in the 1870s, and later Alfred Marshall, finally buried the distinction. Marshall authoritatively claimed that,

Everything that is produced in the course of a year, every service rendered, every fresh utility brought about is a part of the national wealth.²²

This “comprehensive” definition of production was inextricably tied to the marginalist revolution and to neoclassical economics. Classical economics had, according to Meek,

broadly speaking believed that if the phenomena of the market were to be fully understood, the analyst must begin by “penetrating below the surface” of these phenomena to the underlying relations between men in their capacity as producers, which in the last resort could be said to determine their market relations.²³

By contrast neoclassical economics looked not at relations of producers but at the relations between people and finished goods. For Carl Menger, what distinguished *economic* goods from non-economic ones was a relationship where the requirement for the good was larger than the available quantity. This was a paradigm that looked not just at the production (supply) of goods and services (as classical economics had), but also at the (psychological) determinants of demand. According to Walras,

The theory of exchange based on the proportionality of prices to intensities of the last wants satisfied ... constitutes the very foundation of the whole edifice of economics.²⁴

With economic ‘rationality’ now being applied to both profit maximising producers and utility maximising consumers, there was no need to “penetrate below the surface” of market exchanges. Economically rational behaviour and the logic of supply and demand, observable in the market, were all that was needed to determine market exchanges. There were no deeper relations of determinancy (like the classical labour theories of value), and nothing more to the economy than that which existed in the market. Neoclassical economics thus posited a definition of production based on the preferences of (autonomous, rational, utility-maximising) individuals expressed through the market. If a good or service was exchanged in the market, then a demand had been met and therefore, by definition, the commodity had satisfied a need (ie. had utility). The activity necessary to produce the good or service was then considered part of production. Hence, within neoclassical economics all (potentially)

about the specifically neoclassical nature of the definition of production remains. Jurg Niehans (1993) “Revolution and Evolution in Economic Theory” *Australian Quarterly*, Vol 65, No. 1, p 501.

²² Marshall from *Economics of Industry* (1879), cited by Studenski, *ibid.*, p 20.

²³ Ronald Meek (1973) “Marginalism and Marxism” in R D Collison-Black, A W Coats, and Craufurd Goodwin (ed), *The Marginal Revolution in Economics*, Durham: Duke University Press. p 234.

²⁴ From *Elements of Pure Economics*, cited by Meek, *ibid.*, p 235.

marketable activities were deemed production activities.

This conclusion was not without political import, not least because the concept of production carries a normative value. Commenting on a French history of national accounts, Peter Miller notes that,

Productive is that which is active, dynamic, strong, growing, oriented towards the future. Unproductive is sterile, stagnant, weak, parasitic and backward.²⁵

Anwar Shaikh and E. Ahmet Tonak further argue that:

The ideological convenience of definition of production which treats all market activities as productive is obvious.²⁶

Production is not just defined by the market, but the market is also positively valued by the definition of the economy based on the comprehensive (neoclassical) concept of production. But not surprisingly, there have been a long line of Marxist critiques of the marginalist revolution as bourgeois “apologetics” and “ideological illusion”.²⁷ However, with theory drawn along lines of class interest, neoclassical and Marxian theory essentially stopped talking to each other. The fundamental differences in the definitions of production remain today.

Rather than buying into the argument here, I wish simply to note (along with Shaikh and Tonak) that in terms of defining production, all economic theories make a distinction between production and consumption. At a common sense, individual transaction, level, this distinction is obvious. One party produces a good or service, the other buys/consumes it. But in counting the product of a country, what constitutes the *final production* which is measured in national accounts estimates, is much more contentious. Production by its nature consumes intermediate products - raw materials and/or components, human labour and capital - which have been produced elsewhere. The question then is where to draw the line as to what counts as final. This is by no means obvious and different theories draw the line in different places.

²⁵ Peter Miller (1986) “Accounting for Progress - National Accounting and Planning in France: A Review Essay” *Accounting, Organisations and Society*, Vol 11, No. 1, p 93.

²⁶ Shaikh and Tonak, *op.cit.*, p 3.

²⁷ Marginalist theory certainly was used (including by Leon Walras) to defend free competition and to critique Marxian economics, but Meek argues that few Marxists have seriously entertained a conspiracy theory about the marginalist revolution. Meek, *op.cit.*, p 237.

The national accounts generally draw the line at the sale of goods and services to the household. The market produces, households consume - again a value loaded binary. But consider the implications of the claim by feminist scholars, that households produce human labour.²⁸ If households produce labour, then all the production which is consumed by the household can be regarded as intermediate production in the process of producing labour - or reproducing humanity - which is the final product of the economy. The market economy would then be cast in the role of final consumer, not producer - an assumption which would turn modern national accounting on its head.

Of course the labour produced in the household is itself consumed by the market economy or by further household production. The point is that what we have is a circular process, where each stage's production is consumed in the next stage. There is no ultimate final product other than that defined by a particular theory. The line drawn between production and consumption by neoclassical economists stems from its market based assumptions. A Marxian theory based on capital-labour relations draws the line differently - as does a theory whose starting point is household activity, or, as we will see later, the environment. The neoclassical definition of production, and therefore its definition of "the economy", is a theoretical proposition, not something self-evident in the nature of the economy. This is why the history is important.

The triumph of neoclassical economics at the end of last century meant that, from all the competing conceptions of production, a consensus emerged - at least among those who would be key players in the history of national accounting. From such a consensus national income estimates began to appear. Studenski lists a number of such estimates, including those of M.G Mulhall who published national income estimates for 22 countries using the comprehensive production concept.²⁹ Perhaps more importantly, Timothy Coghlan, the New South Wales government statistician, produced estimates of the income of New South Wales in 1886/87 and of the seven Australasian colonies in 1890. These were the first official national income estimates in the world based on a comprehensive Marshallian approach (rather than the Smithian one).³⁰

²⁸ This idea formed the basis of the domestic labour debate of the 1970s and survives in some socialist and radical feminist work. See for instance the summary of the dual systems theory by Chris Kynaston (1996) "The Everyday Exploitation of Women: Housework and the Patriarchal Mode of Production" *Women's Studies International Forum*, Vol 19, No. 3, pp 221 - 237.

²⁹ Studenski, *ibid.*, p 21.

³⁰ *ibid.*, p 136.

This then marked the completion of the “neoclassical moment” in which national accounts took on the particular concept of production which remains today. However, at the turn of the last century the accounts were still quite undeveloped. They were given much greater impetus (and government support) as a result of World War One and the need for greater economic planning. Yet it is important to note that all these statistics were largely focused on national income factor shares or industrial origin (rather than the later macroeconomic aggregates). For instance, the National Bureau of Economic Research’s first study of *Income in the United States* (1920) was motivated by

a desire to learn whether the national income is adequate to provide a decent living for all persons, whether this income is increasing as rapidly as the population and whether its distribution among individuals is growing more or less unequal...³¹

Similarly, Bowley stated of his inquiries into pre-World War One national income in Britain, that the purpose of the study was

to show the amount and origins of the aggregate incomes of the people of the United Kingdom and the proportions of the aggregate that go to the various economic classes.³²

Although there were important continuities in terms of the definition of production, these accounts were very different from those which would emerge during and after World War Two with the advent of the Keynesian economics.³³ From the perspective of this thesis, the “Keynesian revolution” was the second significant moment in the history of national accounting.

The Keynesian Moment

Several commentators have noted that wars have generally been important in the history of

³¹ Cited in Don Patinkin (1976) “Keynes and Econometrics: On the Interaction Between the Macroeconomic Revolutions of the Interwar Period” *Econometrica*, Vol 44, No. 6, p 1106.

³² *ibid.*

³³ Some commentators actually date the origins of national accounting from the “Keynesian revolution” and the Second World War, but this seems to ignore the importance of the history discussed above in forming crucial concepts. See Steve Dowrick and John Quiggan (1998) “Measures of Economic Activity and Welfare: The Uses and Abuses of GDP” in Richard Eckersley (ed), *Measuring Progress: Is Life Getting Better?*, Melbourne: CSIRO. p 94. Waring also sees the Keynesian moment and “paying for the war” as the pivotal event in the history, although she does note the previous history. Marilyn Waring (1988) *Counting for Nothing: What Men Value and What Women Are Worth*, Wellington: Allen & Unwin. p 45.

national accounting³⁴ However, what was particularly important in relation to World War Two, was the theoretical approach to the problems raised by war (and reconstruction). For Keynes the purpose of the accounting exercise was not just to pay for the war, but to do so without adverse inflationary impact. He recognised that a long war would require massive war production, raising the question of how to divert resources to the war effort when war demand would lead to sharply rising real and money wages, and therefore to increased consumer demand. This excess of demand over available goods and services would create an “inflationary gap”, which could only be filled by taxation and voluntary savings at the current price levels, or by inflation or comprehensive rationing.³⁵

This was set out in Keynes’ (and Richard Stone’s) famous 1940 pamphlet, “The National Income and Expenditure of the United Kingdom and How to Pay for the War”. It argued that voluntary savings would be inadequate, rationing would be unpopular and would take up administrative resources, and inflation would be inequitable and ultimately would be offset by increased wage demands. Keynes thus favoured widening the tax base as the best means to dampen demand and secure resources for the war effort. Specifically he proposed a progressive income tax, part of which would be a direct tax and part a form of compulsory savings - interest earning deposits which would be released after the war in instalments to meet the expected post-war slump.³⁶ Given that this was an income tax, the estimation of the necessary scale of taxation required some estimate of national income. The British Treasury at the time did not produce such statistics and so in collaboration with Erwin Rothbarth (and working from estimates previously published by Colin Clark), Keynes produced his own estimates. The government also began producing new statistical data resulting in the April 1941 White Paper, *Analysis of the Sources of War Finance and Estimate of the National Income and Expenditure in 1938 and 1940*.

A modified version of Keynes’ tax proposal was enacted in the 1941 budget. Donald Moggeridge agrees with Keynes’ assessment that the budget represented a “revolution in public finance”:

It shifted the criteria for budgetary policy from the balance or lack of balance in the

³⁴ Studenski, *op.cit.*, p 158 notes the importance of war without comment; Waring, *ibid.*, posits a link between militarism, men and national accounting; while Miller argues that from the beginning national accounts were about the projection of national power. *op.cit.*, pp 101 - 2.

³⁵ D.E. Moggeridge (1995) *Maynard Keynes: An Economist's Biography*, London: Routledge. ch 24.

³⁶ Summary based on Moggeridge, *ibid.*

public accounts to the balance in the economy as a whole, while the logic of the inflationary gap gave authorities the means of coming to their Budget judgement. It was all rather crude, relying heavily on the judgement skills of someone with Keynes' intuitive feel for orders of statistical magnitudes, but it was a beginning.³⁷

This shifting of budgetary policy to a balance in the economy also occurred in the United States. In response to a request from the US Senate, Simon Kuznets produced national income figures for the year 1934. A student of Kuznets, Milton Gilbert, became chief of the National Income Division of the Department of Commerce in 1941 and was familiar with Keynes and Stone's *How to Pay for the War*. His own 1941 paper, "Measuring National Income as Affected by the War" measured GNP using the Keynesian model of consumption expenditure plus gross investment and government expenditure on goods and services. According to Waring, the argument for GNP-style accounting was won when existing national income figures did not support President Roosevelt's budget expenditure of \$56 billion for the 1942/43 financial year. By contrast Gilbert's figures showed that the program was possible because extra output would come from new defence plants, the decline in unemployment and from shifts in production to higher paying areas of production.³⁸ Again what was key was not simply government expenditure, but the economy wide relationship between government expenditure, output, prices and employment.

Gilbert went on to be a key player in the development of US post-war national accounts and the establishment of an international system of accounts. Before the war some 33 countries had prepared some form of national income estimates and the League of Nations had been considering problems of international comparability. When the United Nations was established, it promoted the standardisation of data, based on the American and British accounts which had proved useful in war and reconstruction planning, although the Soviet block countries maintained a separate Material Product System.

The standardisation of accounts culminated in a UN System of National Accounts (SNA) in 1953. This SNA has since been revised, most notably in 1968 and in 1993, but the fundamental principles of the system, at least in relation to the issues which will be discussed in this thesis, have remained unchanged. While the "production boundary" has shifted to incorporate more subsistence production, the basic principle has always been that the

³⁷ *ibid.*, p 647.

economy is defined by market production. Similarly the basic structure of the accounts around Keynesian aggregates which was established in the first SNA has remained.

The point here is not to give a detailed history of the development of the national accounting system, but rather to note the importance of Keynesianism in shaping the national accounts and therefore the definition of the economy. The adoption of Keynesian categories of consumption, investment and government expenditure as the constituent parts of national income meant that the national accounts became vital for managing that economy. Keynes' economic theory identified initially four, and later six, strategic factors which could be manipulated to affect the size and structure of the national income. These factors were: volume of consumption, volume of investment, quantity of money, interest rates, government spending and tax collections.³⁹ Rather than being merely descriptive statistics, national income indicators then became dependent variables and the subject of policy.⁴⁰

In this sense the purpose of the accounts becomes Keynesian, although there is some debate in the literature as to whether the national accounting system is in fact "Keynesian". The history above would suggest that Keynes had a major role in the development of national income statistics. Yet Keynes' biographers are divided. Roy Harrod's well known biography attributes a major role to Keynes, while Moggeridge's more recent and minutely detailed biography makes no claim to any authorship by Keynes.⁴¹ Different definitions and measurements of economic aggregates clearly pre-dated Keynes and Patinkin laments that, even though Keynes' *Treatise on Money* (1930) complained about the lack of statistics, Keynes himself did little to promote government sponsorship of such statistics until the war.⁴² On the other hand, Keynes was clearly in touch with those developing the new statistics and he certainly made use of them. The *General Theory* drew on Colin Clark's work on British estimates of national income from 1924-1931, and Keynes also made use of Kuznets' American data. Indeed during late 1936 there was substantial correspondence between Kuznets and Keynes on the reliability of Kuznets' data and the use Keynes had made of it. Yet Keynes had reservations about the reliability of the aggregate estimates of the early 1930s

38 Waring, *op.cit.*, p 45.

39 Studenski, *op.cit.*, p 25.

40 This point is made by R Adelstein (1991) "The Nation as an Economic Unit" *Journal of American History*, Vol 78, June, pp 160-187.

41 Moggeridge, *op.cit.*, Harrod cited by Patinkin, *op.cit.*, p 1111.

42 Patinkin, *ibid.*, p 1102.

and Clark's figures in particular.⁴³

More important than the role of Keynes himself though, is the debate concerning the nature of the accounts. Tomlinson argues that the Keynesian revolution was not as widespread as often portrayed and that there is nothing inherently Keynesian about the national accounts.⁴⁴ Miller notes that the French accounts have a quite different heritage. The overwhelming concern in post-war France was new production, while in Britain the concern was full employment. The French concern about production led them to structure their accounts around institutional aggregations (individuals, private enterprises - ie. those who would be doing the production) rather than the British/Keynesian functional aggregates of consumption, investment, etc. The French also adopted what Studenski would classify as a restricted market production concept rather than the Keynesian comprehensive production. In the French accounts, only that which was directly productive of new goods and services was viewed as production: administration, for instance, was not. This definition remained until 1976 when the importance of planning as a major force for "revitalisation" declined.⁴⁵

While the accounting systems were different, thus questioning the claim about the inherently Keynesian nature of national accounting, the point should not be exaggerated. The French system was the exception rather than the rule in national accounting systems around the world. And again, in the Australian context, the ANA explicitly recognises its use of Keynesian categories. There is however, a more important qualification of the "Keynesian" nature of the accounts to be made in relation to later developments.

As is well known, after the war Paul Samuelson and others "synthesised" Keynesian macro-economics with mainstream micro-economics to develop the basis of modern economic theory. Of course, the end of the postwar boom in the 1970s led to a crisis of Keynesianism and its replacement by a variety of new "neoclassical" or neo-liberal policies. Substantial as these shifts in policy have been, in terms of the national accounts and the definition of the economy, it is the continuity which is important. What is at issue between Keynesianism and the later theories is the nature of the links and the directions of causality between the various

⁴³ *ibid.*

⁴⁴ J. Tomlinson (1991) "Why wasn't there a 'Keynesian Revolution' in economic policy everywhere" *Economy and Society*, Vol 20, No. 1, p 106.

⁴⁵ Miller, *op.cit.*, pp 91-96.

economic aggregates - not the more fundamental fact that there are causal relationships between the various macroeconomic aggregates. Certainly monetarist theory and later neoclassical approaches place less importance on fiscal policy and therefore income and production based figures, focussing instead on aggregates like money supply and the balance of payments statistics. Nevertheless the national accounts figures remain important in their econometric models.⁴⁶

Few commentators argue for the abandonment of macroeconomics. Therefore, the argument I have put about the “Keynesian” nature of the national accounts can be extended to the mainstream macroeconomics approaches which came after Keynes. Ultimately macroeconomics is about managing the economy by the manipulation of certain economic aggregates which are recorded in the national accounts. This economic management is the purpose of the accounts. The fact that they also define what “the economy” actually is (or is seen to be), is incidental to the greater goal of economic management.

Again the point is not to provide a detailed history of the national accounts or of the development of macroeconomic theory, but to highlight that the national accounts are not simply a neutral reflection of an economy which exists “out there”. I have identified two historic moments in which the accounts took on a particular form (which they retain), thereby defining the economy in terms of a neoclassical definition of production and the Keynesian formula of Consumption + Investment + Government Expenditure. The economy was not defined, for instance, in terms of gender or class, labour time or energy use, welfare, or any other categories which have been suggested in private studies and are the focus of much of this thesis. In this sense then, the national accounts figures represent a reification of Keynesian and neoclassical economic theories into the object of “the Economy” - capital E.

Epistemology

Again however, it should be emphasised that we are not talking here about a conspiracy of economists and/or government statisticians to give a false notion of what the economy ‘really’ is. Rather we are talking about the nature of knowledge production. Concepts and objects can not be known independently of human thought and social mediation, with the result that,

⁴⁶ Paul Ormerod (1994) *The Death of Economics*, London: Faber and Faber. p 99. Also Niehans, *op.cit.*, p

theories less explain and more define and thereby help generate reality, such that the putative objects of studies are themselves partly constituted by human belief.⁴⁷

This postmodernist notion of the “Economy” as an artefact of discourse (ie. of the theories used to explain it), is quite contrary to the understanding of “the economy” utilised by most economists working in a discipline informed by the Enlightenment tradition of absolute, universal, objective knowledge. In broad philosophical terms, the modernist tradition is described by Davies as involving a search for the fundamental “essences” of things and concepts (the essential characteristic by which one thing is separated from another) and a desire for closure, a completeness in a philosophical system which establishes clear and impermeable boundaries around concepts and theories/explanations.⁴⁸ The national accounts then reflect a “modernist” conception of the economy as object/thing - a discrete entity with clear borders defining what is and is not part of the economy. Such delineation is probably inherent in a project which seeks to provide a single measure of the economy like GDP, but it is theoretically problematic.

Modernist/essentialist conceptions have been criticised on a number of related levels. As I have already noted, objects do not simply exist “out there” independent of the theories (and words) used to describe them. Feminists in particular have argued that this binary logic (either inside the boundary or outside) reflects men’s experience and/or psychology and is implicated in the patriarchal domination of women (and nature).⁴⁹ Such binary logic is also unsustainable on its own terms. Drawing on the Saussurean linguistics and the ‘deconstructive’ insight of Derrida, Davies argues that since language is relational, a concept can only be understood in relation to what it is not; and that the borders which distinguish concepts and construct binary opposites always break down at some crucial point. Davies’ concern is jurisprudence (what is/is not “law”), but a similar argument can be made in political economy. Attempts to draw lines around “the economy” must, and, as we shall see in the next chapter, indeed do, fail. Thus Davies concludes that,

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⁴⁷ Warren J. Samuels (1990) “Introduction” in Warren J. Samuels (ed), *Economics as Discourse*, Boston: Kluwer Academic Publishers. p 10.

⁴⁸ Margaret Davies (1994) *Asking the Law Question*, Sydney: The Law Book Company. pp 221 - 223.

⁴⁹ Chris Beasley (1999) *What is Feminism, Anyway? Understanding Contemporary Feminist Thought*, Sydney: Allen & Unwin. p 9. In a specifically economic context, see for instance, Julie A Nelson (1997) “Feminism, Ecology, and the Philosophy of Economics” *Ecological Economics*, Vol 20, No. 2, pp 155 - 162.

Instead of always attempting to get at the core or essence of a concept, a process which neglects the contextuality of meaning, we should instead be asking how a concept is constituted in the system of which it forms a part, and how that system is itself constituted in the network of areas of knowledge.⁵⁰

We have seen that the concept of ‘the economy’ is constituted within a discourse of neoclassical and Keynesian economics, but these theories themselves are constituted within knowledge systems which make particular epistemological claims to objectivity and scientific validity. Drawing on the valorised logic and perceived precision of mathematics, quantification (including but not limited to national accounting) becomes essential to the economic project,⁵¹ and “the best and brightest in the profession proceed as if economics were the physics of society”.⁵²

The notion of economics as science goes back at least to the turn of the century. Alfred Marshall deleted the word politics from the previously named “political economy”, while of course, Marxian political economy had laid its claim to ‘scientific socialism’ long before.⁵³ However, the clearest statement of mainstream economics’ ‘scientific’ approach is Milton Friedman’s classic 1953 essay “The Methodology of Positive Economics”.⁵⁴ Friedman argued that what was to be focused on and what could be excluded from reference or taken as given was judged by the predictive success of a theory. If the predictions of a theory proved correct, then all the things assumed away or left out of that theory would have been proven to be irrelevant to explaining the phenomenon in question. Such a methodology well fitted the criteria of the scientific method, as understood by the dominant thinking of his time, and particularly with the falsification strategy most closely associated with Karl Popper’s theory of science.⁵⁵

⁵⁰ Davies, *op.cit.*, p 235.

⁵¹ Nelson notes that if economics is not quantitative, it is scarcely viewed as economics at all. Julie A Nelson (1993) “The Study of Choice or the Study of Provisioning? Gender and the Definition of Economics” in Marianne A Ferber and Julie A Nelson (ed), *Beyond Economic Man: Feminist Theory and Economics*, Chicago: University of Chicago Press. p 26.

⁵² Robert Solow cited in Clive Beed (1991) “Philosophy of Science and Contemporary Economics: An overview” *Journal of Post-Keynesian Economics*, Vol 13, No. 4, p 487.

⁵³ Frederick Engels (1941) *Socialism: Utopian and Scientific*, London: George Allen and Unwin.

⁵⁴ Milton Friedman (1984) “The Methodology of Positive Economics” in Daniel Hausman (ed), *The Philosophy of Economics: An Anthology*, Cambridge: Cambridge University Press.

⁵⁵ On Poppers theory of science, see Karl Popper (1974) *The Open Society and Its Enemies*, London: Routledge and Kegan Paul. Karl Popper (1983) “Historicism” in D. Miller (ed), *A Pocket Popper*, Oxford: Polity Press. Friedman and Popper also shared a common ultra-conservative politics. See Richard Cockett (1994) *Thinking the Unthinkable: Think-tanks and the Economic Counter-revolution 1931-1983*, London: Harper Collins.

The recourse to science can be seen as an attempt to legitimate particular economic knowledge through an appeal to a metanarrative - the Enlightenment metanarrative of the triumphal progress of scientific discovery. Sharp and Broomhill argue that this positivist scientific approach has also been the means by which economics has promoted itself as being value-free.⁵⁶ Yet there is an irony here. The writings of Thomas Kuhn, Lakatos, Feyerabend and others since the 1960s have overthrown the positivist approach to science as the dominant philosophical approach.⁵⁷ Carol Merchant, Sandra Harding and other feminists have argued that far from being value free, this science has been practised largely by men and has promoted a male world-view.⁵⁸ The irony, then, is that according to Rosenberg,

economists are still trying to establish their discipline's scientific credentials while philosophers some time ago gave up hope of formulating such credentials.⁵⁹

While post-positivist and postmodern critiques have become mainstream in the social sciences, they have generally had little impact on the discipline of economics. However there are some signs of change. For instance, Beed cites the post-positivist tendencies of the *Journal of Post Keynesian Economics*, and of *Economics and Philosophy*, and even some debates within econometrics.⁶⁰ The journals *Feminist Economics* and *Rethinking Marxism* testify to similar post-positivist clusters in other economic schools. However, as Milberg notes,

It took a Chicago trained, libertarian economist to blow apart accepted views of economic methodology and introduce poststructuralism to economics.⁶¹

Milberg is referring to the work of Donald McCloskey who argued that economics is argument or rhetoric. Economists use rhetoric (metaphors, analogies, appeals to authority) to persuade other economists, the media, and politicians, of the rightness of their argument. The claim to truth is based, not on the existence of positivism's "method" or "facts", but on the persuasiveness of their argument.⁶² In McCloskey's description we can see echoes of what Lyotard has argued (in reference to science in general) is a recourse to a "consensus of

⁵⁶ Rhonda Sharp and Ray Broomhill (1988) *Short Changed: Women and Economic Policies*, Sydney: Allen & Unwin. p 172.

⁵⁷ Beed, *op.cit.*, pp 464 - 473.

⁵⁸ Nelson, *op.cit.*, p 24.

⁵⁹ Rosenberg quoted by Beed, *op.cit.*, p 486.

⁶⁰ Beed, *op.cit.*, p 475.

⁶¹ William Milberg (1991) "Marxism, Poststructuralism, and the Discourse of Economics" *Rethinking Marxism*, Vol 4, No. 2, p 93.

experts”. In the absence of ‘objective truth’, this consensus legitimates, or indeed legislates, what counts as knowledge.⁶³ In the context of this thesis, the national accounts are the legislation of what counts as “the economy”.

However, according to Dianna Strassman, McCloskey’s view remains one from within the system - a fundamentally conservative view which sought not to destabilise economic thought, but to validate actual economic practice.⁶⁴ Strassman argues that in the main,

Economists are reluctant to consider the proposition that development in the field may not be rational but may emerge instead from the social construction of knowledge⁶⁵

More than a reluctance, Warren Samuels argues that economists “are antagonistic to analyses that are inconclusive and demand some form of closure, however premature or presumptuous that may be”.⁶⁶ In national accounting, I have argued that this closure happens around the definition and measure of the economy which posits exchange as the ‘essence’ of labour, production and welfare, and the market as the delimiter of what is economic and what is not. But this is not the end of the story.

Given the history and epistemology presented above, this thesis is clearly founded on the principle that “the economy” is a social or discursive construct, and one whose definition and measure are politically important and contestable. But it does not follow from this discarding of an object(ive) Economy, that it is impossible to talk about “the economy” at all, or that the economy must mean or include everything. As Gregor McLennan has argued, if we are to make any analysis or come to any explanation of the world, then some version of the “four sins” of modernist methodological theory (reductionism, functionalism, essentialism, and universalism) are not only defensible, but perhaps even inescapable.⁶⁷ Any theory involves abstracting from the chaos and multitude of factors determining any one instance. Without some level of generalisation, some reductionism to particular cause or explanation of which certain phenomena are seen to be a function, what would be required would be a “theory of

⁶² D McCloskey (1985) *The Rhetoric of Economics*, Madison: University of Wisconsin Press.

⁶³ J-F Lyotard (1984) *The Postmodern Condition: A Report on Knowledge*, Mineapolis: University of Minnesota. pp 82 - 86.

⁶⁴ Dianna Strassman (1993) “The Stories of Economics and the Power of the Storyteller” *History of Political Economy*, Vol 25, No. 1, p 150.

⁶⁵ *ibid.*, p 149.

⁶⁶ Samuels, *op.cit.*, p 12.

⁶⁷ Gregor McLennan (1996) “Post-Marxism and the 'four sins' of modernist theorising” *New Left Review*, Vol 218, pp 53 - 74.

everything”. Such an enterprise (even if possible) is bound to be either so all-encompassing and complicated, or else so vague that it would describe nothing in particular. According to Resnick and Wolff,

No one can think about everything imaginable, so all people necessarily narrow their mental energy to focus on some among the infinity of possible objects. ... The selection of objects for attention - for theorisation - is explained historically in terms of the events and problems that have provoked human beings to think about particular objects in particular ways.⁶⁸

I think that the same is true of definitions which, as noted above, are a product of particular theories. Thus, the national accounts’ “economy” is defined not as a simple description of what is observed/observable, but rather in terms of its explanatory value - in terms of the features which are useful to economic management as understood by Keynesian and neoclassical theories. If some version of the methodological sins of modernism are unavoidable in any explanatory endeavour, they are also a necessary part of any definition. Some form of modernist closure (even if temporary and qualified) *is* necessary in order to discuss and act on “the economy”. In this epistemology, the issue is not that any abstraction ignores particular things, or that reality is constructed by theoretical apparatuses. These are taken as inherent in a knowledge which is inevitably partial and subjective. The real issue is whether or not the abstractions made in the theory are useful, and for whom? And what are the political implications of the particular abstraction? Who constructs the abstraction, who benefits and who misses out?

Epistemological Standpoints

These are issues of standpoint and power: a standpoint which illuminates particular parts of the picture; and power to say that this is the most important part, if not the whole picture. Yet there is a problem here for any dissident politics. If there is no objective knowledge beyond theory and standpoint, how can knowledge which is hegemonic be disputed and challenged. On what basis can alternative knowledge be judged superior or even equal to the dominant knowledge if there is no objective criteria by which to compare and judge?

In an effort to avoid a disempowering relativist bog, some theorists have argued for a “standpoint epistemology”. Marx’s analysis of the class base of knowledge led him to critique

⁶⁸ Stephen Resnick and Richard Wolff (1987) *Economics: Marxian Versus Neoclassical*, Baltimore: John Hopkins University Press. p 11.

“bourgeois ideology” and to posit a proletarian standpoint as the position from which true knowledge can be attained (because the proletariat were, or would be, the universal class). Following this logic, Nancy Hartsock has argued that women’s oppressed position in the sexual division of labour gives rise to a privileged (if not necessarily ‘true’) world view.⁶⁹ Ariel Salleh argues for an epistemology which takes as its focus (and its legitimation) the experience of all the “Other” - women, nature and the colonised who have been marginalised by the capitalist centre of western thought.⁷⁰ Such claims of a privileged access to knowledge have been treated with suspicion by some feminists,⁷¹ and particularly by postmodernists who argue that there are no universal procedures for judging knowledge. As Ruccio notes,

Running through the work of ... postmodern thinkers is a refusal to choose between the models of singular truth embodied in modernist thought.⁷²

The epistemological debates here are long, complex and heated. As this thesis is not on epistemology as such, I shall sidestep the issues somewhat by simply opting for the ‘overdeterminist’ approach outlined by Resnick and Wolff.⁷³ They argue that any particular phenomenon arises from the interplay of a whole range of factors and social processes (gender, class, race, personality), all of which are integral to (and constitutive of) each other, but which nonetheless also have their own distinct logic. Given this, the purpose of theory is not to explain some underlying fundamental causation. Rather the purpose is to shed light on different aspects of a phenomenon by enabling us to understand one or more of the particular processes which are part of that phenomenon. Thus, as we will see in Chapter 3, Resnick and Wolff (with Harriet Fraad) analyse class processes in the household, not because these are somehow fundamental, but because they are one of the processes taking place alongside gender, power, psychology etc. Any phenomenon in any particular household then is the result of a (not pre-determined) coming together of these factors in a specific way in that

⁶⁹ Nancy Hartsock (1983) “The Feminist Standpoint: Developing the Ground for a Specifically Feminist Historical Materialism” in Sandra Harding and Merrill Hintikka (ed), *Discovering Reality: Feminist Perspectives on Epistemology, Metaphysics, Methodology, and Philosophy of Science*, Dordrecht: D Reidel Publishing Company.

⁷⁰ Ariel Salleh (1997) *Ecofeminism as Politics: Nature, Marx and the Postmodern*, London: Zed Books.

⁷¹ Nancy Folbre (1993) “How Does She Know? Feminist Theories of Gender Bias in Economics” *History of Political Economy*, Vol 25, No. 1, pp 167 - 184. See also the summary of the debates in Sandra Harding (1990) “Feminism, Science, and the Anti-Enlightenment Critiques” in Linda J. Nicholson (ed), *Feminism/Postmodernism*, New York: Routledge.

⁷² David Ruccio (1991) “Postmodernism and Economics” *Journal of Post-Keynesian Economics*, Vol 13, No. 4, p 500.

⁷³ This is a “sidestep” in as much as I argue for overdeterminism because the ‘burden of proof’ is lower. While both overdeterminist and standpoint theories see knowledge as standpoint dependent, the former

particular instance.⁷⁴

What is crucial in Resnick and Wolff's epistemology is that the claim is *not* that any particular abstraction gives a privileged or better knowledge, but that different theories tell us different things depending on their founding assumptions and the questions they ask. In terms of defining the economy, rather than the modernist notion of "the economy" as a single definable thing with certain objective features, we have something more like a hologram: that is, a picture where what we see changes depending on our standpoint.

It is not that the processes referred to in "the economy" are simply a trick of the light, or entirely a creation of discourse. Clearly the processes are real: people do work, produce, exchange and consume goods and services, money and goods are owned, circulated and accumulated. But the picture we see (the Economy - capital E) and how we understand the multitude of processes at work is dependent on the angle of the light, that is, on our standpoint. The national accounts produce a particular picture of the economy. From other standpoints we can see a different picture.

Importantly though, different founding assumptions and standpoints not only allow us to see particular things, they also hide other things which can not be incorporated because of their focus and starting point. Thus, for instance, Resnick and Wolff argue that

Self-interest-maximising individuals are as scarce in Marxian theory as surplus labour is in neoclassical theory. Qualifications that are central to Marxian theory - productive, unproductive [labour], relative and absolute [surplus value] - do not figure significantly, if at all, in neoclassical theory.⁷⁵

This partialness of knowledge is particularly important where I have argued that the definition of the economy is a product of neoclassical and Keynesian economic theories. These theories (and the definitions derived from them) both hide things at the same time as they define and illuminate "the Economy". This is not without political importance. I have argued elsewhere that the definition and measure of the economy is important in constructing political

only requires a particular standpoint's knowledge to be useful, rather than privileged or 'superior'. Resnick and Wolff, *op.cit.*, ch 1.

⁷⁴ Harriet Fraad, Stephen Resnick, and Richard Wolff (1994) *Bringing It All Back Home: Class, Gender and Power in the Modern Household*, London: Pluto Press.

⁷⁵ Resnick, *op.cit.*, p 17.

economic debate, legitimising certain policies and invalidating others.⁷⁶ As Waring points out in reference to one of the things hidden (non-market production),

if women's work as producers and reproducers is invisible as a contribution to the national accounts, women are invisible in the distribution of benefits.⁷⁷

More will be said about the specifics of this feminist critique in the next chapter. The main point here is epistemological: all knowledge is standpoint dependent and partial (it hides at the same time as it illuminates). Resnick and Wolff use this insight to argue for a pluralist acceptance of multiple theories (and specifically for the study of Marxist theory).⁷⁸ However, in economics there is not a pluralism: there is an *official* definition of the economy. As postmodernists (and Marxists and feminists before them) recognise, power and knowledge are inseparable, and it is the official definition (the neoclassical/Keynesian definition) which structures political economy and public policy debates.

This has important ramifications for feminists, greens and socialists whose beliefs and interests are not in neoclassical and Keynesian theory - and indeed may be directly opposed to those theories. If the definition of the economy is a reification of Keynesian and neoclassical economic theories, how much should those of us who do not agree with these theories incorporate that definition of the economic into our own analysis? While abandoning the official definitions and measures may be a recipe for (further) marginalisation, my concern is that in using the official definitions, radical critiques are arguing in contexts biased against them. Just as Lyotard argued that "the rules of the game of science are immanent in that game",⁷⁹ so too the rules of economic games are immanent in the officially defined "Economy" - and they are neoclassical and Keynesian rules!

Conclusion

One part of any radical political economy then must be the development of alternative definitions (and perhaps measures) of the economy. That is the project of this thesis.

⁷⁶ See Greg Ogle (1997) "The Ghosts of Dead Economists: Marshall, Keynes and the Political Economy of National Accounting" *Policy, Organisation and Society*, Vol 14. This article traverses some of the main arguments in the first third of this thesis, but with a more explicit policy focus - although I also maintain that the production of national accounts and the way we define the economy is itself a policy issue.

⁷⁷ Waring, *op.cit.*, p 77.

⁷⁸ Resnick and Wolff, *op.cit.*, pp 257 - 8.

⁷⁹ Lyotard, *op.cit.*, p 86.

However, haunted by the spectre of marginalisation and constrained by a lack of empirical data beyond the official neoclassical/Keynesian frameworks, this is no easy task. Nonetheless, having established in this chapter that the official definitions and measures are a reification of neoclassical and Keynesian theory, we can now begin to ask what “the economy” might look like if, instead of adopting a neoclassical/Keynesian framework, we adopted a view informed by feminist, green and socialist political economic concerns.

Having said that, I do not wish to imply that there is one feminist, green or socialist political position, or that the argument I will make represents a grand synthesis of all those concerns. Rather, in recognition of the plurality within these traditions and the partiality of any standpoint, I seek simply to provide the beginnings of a definition and measure of the economy which draws from these three political traditions (as well as mainstream market economics). Judged from the standpoint of any one of these traditions, my argument will no doubt seem to be less than complete, but what is lost in depth of coverage and analysis is hopefully made up for by the insights gained from an interdisciplinary and politically eclectic approach.

It should also be noted that in attempting to draw insight from these three traditions, I do not claim that there is anything inherent in feminism, green or socialist perspectives which *necessarily* suggests a unity of interests and/or perspectives. In this sense, I disagree with Salleh’s standpoint of the “Other”. Rather, in keeping with the epistemology outlined above, I simply aim to put forward a particular political economic argument which may be of interest and political use to those who also share (pro)feminist, green and socialist concerns. More particularly, my approach will be of most relevance to those whose politics seek a fundamental transformation of the structures of society. To the extent that there is a standpoint in the thesis then, it is an eclectic politics of transforming (rather than reforming) the system(s) - exactly what the neoclassical/Keynesian frameworks of economic management are not about.

This chapter has laid the foundations for this project, firstly by demonstrating how the official definitions and measures of the economy came to be and the neoclassical/Keynesian uses to which they were put. Secondly the chapter has outlined an epistemological framework within which an alternative definition and measure might be considered.