

Introduction: The Official Story and the Unofficial Thesis

The Australian economy grew by 4.2% last year.¹

The size of the economy is a fundamental economic figure from which a whole raft of economic linkages and theories are drawn, and from which public policy is negotiated and legitimated. Yet the commonplace statement, that the economy grew by 4.2%, hides a multitude of meaning about the more basic proposition of what the economy is. What is it which grew by 4.2%, and how is it measured? To ask this question is to examine the particular economic theories which underlie how the economy is defined, and to challenge the reification of those economic theories (neoclassical and Keynesian theories) into the seemingly neutral (and natural) concept of “the economy”.

The definitions and measurements which form the basis of our understanding of “the economy” are found in the figures produced by the Australian Bureau of Statistics (ABS), specifically the Australian System of National Accounts (ASNA) - formerly the Australian National Accounts (ANA).² These accounts are based on international standards outlined in the United Nations’ System of National Accounts (SNA).³

Production

At the heart of these official definitions of the economy is the concept of production.

According to the SNA, the activity of production is fundamental, and is understood as,

¹ Based on the GDP growth figures for the December quarter, 1999. Australian Bureau of Statistics *Australian National Accounts: National Income, Expenditure and Production*, Cat No. 5206.0. Canberra: ABS.

² The ANA has been changed to take account of the changes to the international SNA in 1993, but the first figures for the Australian SNA were not published until April 1999. The differences between the two systems do not really impact on the principles discussed in this thesis, and the conceptual definitions of production and GDP remain the same. I will tend to rely on the ANA as the ASNA Concepts, Sources and Methods document was not yet published at the time of writing. Australian Bureau of Statistics (1999b) *Australian System of National Accounts, 1997-98*, Canberra: ABS.

³ The Australian accounts contain some variations from the international systems due to data limitations or where, because of specifically Australian circumstances, other methods were deemed to be more appropriate. Australian Bureau of Statistics (1990) *Australian National Accounts: Concepts, Sources and Methods*, Cat No. 5216.0. Canberra: ABS. pp 4 - 5. It should also be noted that the latest version of the SNA (1993) was published under the combined auspices of the United Nations, The OECD, World Bank, and the International Monetary Fund. United Nations (1993) *System of National Accounts 1993*, New York: United Nations.

a physical process, carried out under the responsibility, control and management of an institutional unit, in which labour and assets are used to transform inputs of goods and services. All goods and services produced as outputs must be such that they can be sold on the market or at least be capable of being provided by one unit to another, with or without charge.⁴

The ANA carries a similar definition of production as, “the process whereby labour, natural resources, accumulated capital assets and knowledge are applied to the provision of goods and services”.⁵ Within this production framework, the major summary measure of the economy is Gross Domestic Product (GDP). It is GDP which grew by 4.2% last year. GDP is formally defined in the ANA/ASNA as

the total market value of goods and services produced in Australia after deducting the cost of goods and services used up in the process of production (intermediate consumption), but before deducting consumption of fixed capital.⁶

The middle part of this definition, dealing with intermediate consumption, simply avoids double counting the production of raw materials - firstly as raw materials, and then again as part of the value of a finished product. Thus GDP is basically an estimate of the market value of all goods and services produced in a given year. GDP is also geographically defined. It is that production which takes place “in the domestic territory of Australia regardless of whether the factors of production are resident or non-resident.”⁷

Up to this point then, there is a clear notion of a discrete entity which is the Australian economy. It has a summary measure, GDP, and it shares the same geographic space as the Australian nation state. But GDP is not simply a measure of all goods and services produced in a given year. It measures the *value* of production, and therefore measures primarily that production which is exchanged in the market. According to the ABS, it would not be feasible to account for all production captured under the broad definition above, and so a more restricted approach is necessary. Thus:

The aim of the ANA is to cover the production of all goods and services which legally enter the market, and also that part of production which does not enter the market but for which it is possible to impute a value using closely related or analogous market

⁴ United Nations, *op.cit.*, p 4.

⁵ ABS, 1990 *op.cit.*, s2.10, p 5. The ASNA definition is slightly reworded and is closer to the SNA '93 definition. ABS, 1999, *op.cit.*, p 103.

⁶ *ibid.*, p 6 and p 105 respectively.

⁷ There are further particular definitions about what constitutes the domestic territory of Australia, but these need not be considered here as I do not wish to engage in this level of definitional debate. ABS, 1990, *op.cit.*, p 6.

transactions.⁸

To be clear then, GDP is not a measure of total economic activity, nor even a measure of all market exchanges. Exchanges like second hand purchases and share transactions are not counted as they are changes of ownership not new production. Market transactions like the production of illegal goods and services (eg. illicit drugs, prostitution), are also not included - due to the unavailability of adequate data. By contrast certain 'production' which is not exchanged in the market is included in GDP. Dollar values are imputed into GDP estimates for: rent where owners occupy their own homes; where value is added by owner builders to their homes; where income from production is received in kind; where people consume the goods and services they produce in their normal occupation (most notably, the food that farmers produce and consume themselves); and for some services provided by financial institutions.

The importance of these imputations in challenging the official definitions and measures will be discussed in Chapter 2. For now, it is sufficient to say in summary, that the national accounts utilise a specific, and largely (but not exclusively) market based definition of production (and therefore of the economy).

Beyond this broad definition, the national accounts employ other concepts in measuring "the economy". According to the ABS,

At their summary level, the national income and expenditure accounts reflect the key economic flows of the Keynesian system: production, income, consumption, investment and saving. At their more detailed level they are designed to present a statistical picture of the structure of the economy and the detailed processes that make up domestic production.⁹

The Keynesian flows referred to here are captured by the construction of four different types of accounts at the summary level, namely: production accounts; income and outlay accounts; capital accounts; and an overseas transaction account. Within these summary accounts economic transactions are recorded by institutional sector, namely: corporate trading enterprises (including public trading enterprises); financial enterprises; households (including unincorporated enterprises and non-profit institutions); general government; and an overseas

⁸ *ibid.*, s2.11, p 5.

⁹ *ibid.*, s2.1, p 4.

sector.¹⁰ However, these sectoral categories are quite secondary in the SNA/ANA¹¹ and the main summary accounts are the Keynesian flows aggregated across the institutional sectors.

Different Official Definitions

It should be noted that there are a range of other official accounts which define the national economy somewhat differently. Gross National Product (GNP) is a different production measure, and was traditionally used as the main summary measure of the economy in a number of countries (most notably the USA). It measures production income flowing to residents of a country (regardless of where that production takes place), rather than the production which takes place in the country itself (as in GDP). Similarly the balance of payments and foreign investment statistics, which are based on the International Monetary Fund's Balance of Payment Manual (rather than the SNA), focus on financial flows between Australia and the rest of the world. Thus, they define the economy in terms of those financial flows and the economic entities 'resident' within a national economy.¹²

Of course there is a large debate over the appropriate 'nationality' of some of these 'residents', most notably transnational corporations,¹³ and this is part of a wider question of globalisation and the appropriateness of the nation as the economic unit of analysis. There are many versions of "globalisation" which focus variously on the rise of global financial markets, transnational corporations, and on an increasingly transnational production and mass media. These changes are held to suggest an increasing separation of economic and political space. If corporate business, finance and accumulation all take place on a global scale, then economic statistics which assume a national economy are bound to be misleading in terms of the dynamic of what is a global economy.¹⁴ Yet many authors have also disputed the

¹⁰ *ibid.*, s3.3, p 15.

¹¹ Dudley Seers notes that the original national accounts of Richard Stone and Colin Clark did not include this sectoral break-up and that it was only "welded on" later. Dudley Seers (1976) "The Political Economy of National Accounting" in Alec Caincross and Mohinder Puri (ed), *Employment, Income Distribution and Development Strategy: Problems of the Developing Countries*, New York: Homes & Meier Publishers. p 196.

¹² Australian Bureau of Statistics (1988) *Balance of Payments: Summary of Concepts, Sources and Methods*, Cat No. 5351.0. Canberra: ABS. Australian Bureau of Statistics (1991) *Foreign Investment, Australia: Summary of Concepts, Sources and Methods*, Vol Cat No. 5355.0. Canberra: ABS.

¹³ See for instance the exchange in American business journals: Robert Reich (1990) "Who Is Us?" *Harvard Business Review*, Vol 68, January-February; Y-S Hu (1992) "Global Firms are National Firms with International Operations" *California Management Review*, Vol 34, pp 107 - 26; Robert Reich (1991) "Who Is Them?" *Harvard Business Review*, Vol 69, March-April.

¹⁴ See for instance, Laurence Harris (1977) "Balance of Payments" in Frances Green and Peter Nore (ed),

“globalisation thesis”, either claiming that the economy is not in fact “global”, or that, despite the rise of transnationals, nation states remain important economic units.¹⁵

This debate over globalisation is vast and important, but it is too big to tackle in any meaningful way in this thesis. Thus, while acknowledging that the notion of a nationally defined economy is problematic in various ways, for the sake of convenience I will just accept that, to the extent that “the economy” can be defined and measured at all, then there is some use in doing so with reference to the nation.

However, even assuming a national economy, there are important differences between the official definitions - between an economy defined by production within a geographic space, and one defined by reference to the entities which comprise it. This is not just looking at the same thing (“the economy”) from different angles. There is a genuine tension between different official definitions. This is shown by the example of foreign debt, where, depending on the definition of the economy, Australia’s foreign debt may have nothing to do with the Australian economy as it is defined by GDP. Dick Bryan provides the following example from the 1980s:

when Bond Corp. borrows \$US400m in Zurich, it is recorded in the balance of payments as a debt... But Bond Corp. may in fact utilise the credit to expand production outside of Australia and it may also service the debt out of revenue generated in its North American breweries, imposing no cost at all on the ‘Australian economy’... It can be noted, moreover, that the real transaction involves no conversion into \$A. The conversion into \$A is purely a construction of balance of payments accounting.¹⁶

Thus the source of capital, the productive activity and the source of repayments are entirely outside the “Australian economy” as defined in the ASNA/ANA. Yet it is obviously ridiculous to describe Australia’s foreign debt as being unrelated to the Australian economy, although in this case “the economy” which produces goods and services is different from “the economy” which owes money. This difference may or may not be important in practice, depending on the focus and approach of particular economic analyses. It might also be

Economics: an Anti-Text, London: Macmillan; D. Bryan (1995) “International Competitiveness: National and Class Agencies” *Journal of Australian Political Economy*, Vol 35, June.

¹⁵ For an example of the first argument, see Paul Hirst and Grahame Thompson (1992) “The Problem of Globalization: International Economic Relations, National Economic Management and the Formation of Trading Blocs” *Economics and Society*, Vol 21, No. 4, pp 357 - 396; P. Hirst and G Thompson (1995) “Globalisation and the Future of the Nation State” *Economy and Society*, Vol 24, No. 3. For the latter, see J.H. Dunning (1993) *Multi-National Enterprises and the Global Economy*, Workingham: Addison-Wesley.

¹⁶ D Bryan (1989) “Whose Balance of Payments” *Australian Journal of Political Economy*, Vol 24, March, pp 55 - 76. p 70.

regarded simply as an anomaly in large, multi-purpose accounting.

Alternatively however, the tension in the official definitions and statistics might begin to suggest that “the economy” is not some sort of solid object existing “out there” - an object which can be examined from different angles, but which remains essentially the same thing. I will develop this argument further in the next chapter, suggesting that, at least to some extent, “the economy” is a product of the way in which it is defined and the questions asked about it. Indeed this epistemological assumption underwrites this thesis.

However, having noted the differences in the official definitions and measures, in further discussing this “economy” I intend only to discuss the production based accounts. This is not to suggest that the balance of payments or foreign debt and investment statistics, or the economic processes and issues on which they focus, are any less important than the production processes highlighted in the System of National Accounts. But production is clearly important in defining the economy: the debates over what constitutes “production” have been crucial in the history of national accounting and the changing definition and measurement of “the economy”. Thus, for the sake of manageability, in this thesis I will concentrate on the production based definitions and measures, although in terms of the issues to be considered here, there is little difference between GDP and GNP measures. I therefore tend to use the terms interchangeably.

Outline of Thesis

Having outlined this official definition and measure, in this thesis I want to consider various political critiques of this “economy”. My project is not to engage in any of the technical debates about methods of data collection, or the reliability of particular measures within these national accounts. Rather I want first to show that what we understand by “the economy” is a creation of neoclassical and Keynesian economic theory. I then ask feminist, green, and ultimately socialist questions about the basic definition of “the Australian economy”.

I have already noted that the ANA recognises that its summary measure reflects the categories of Keynesian accounting. The historical analysis in the next chapter will suggest that in fact there were *two* historical moments from which the national accounts acquired their theoretical foundations. The first, the “neoclassical moment” of the late nineteenth century, replaced the

classical notion of productive labour with the current definition of production. This new definition was drawn from the utility analysis of the neoclassical/marginalist revolution of the 1870s. The second moment, the “Keynesian moment” in and after World War II, did not challenge this central concept, but saw the national accounts aggregates take on new importance in the macroeconomic management of the economy.

This historical perspective is particularly important when combined with an epistemological view which suggests that theory in part creates the objects it seeks to understand. Combined, the history and epistemology set out in Chapter 1 suggest that the national accounts not only reflect the theoretical concerns of neoclassical and Keynesian economics, but that, to a certain extent, the economy (as defined by the national accounts) is a reification of neoclassical and Keynesian theory. This has important consequences, not least because the definition of the economy is important in constructing economic debate - legitimating certain policies and invalidating others.

However, for those whose purpose and/or political commitment is not the macroeconomic management of the economy according to neoclassical and Keynesian economic principles, the issue is doubly important. In using the official definitions and statistics, radical critiques are already arguing in contexts biased against them. Unless other definitions and measures of the economy can be operationalised, then any alternative political economy is condemned to be perennially arguing on the terrain of the enemy - and, arguably, losing. An important step then in the development of an alternative political economy is the interrogation of exactly what it is we mean by “the economy”. This thesis begins such an interrogation, by asking questions predominantly from feminist economics, and ultimately, by exploring/suggesting alternative definitions and measures which draw from feminist, green and socialist political economic analysis.

Chapter 2 begins this process by looking at the feminist critiques of the “production boundary” - the line drawn in the SNA/ANA between production (“the economy”), and that which is not production (ie. not part of “the economy”). This line excludes and renders invisible most non-market production - the majority of which is produced by women via either unpaid household labour in industrialised countries, or household and subsistence production in under-developed countries. The market focus of the SNA/ANA means that even in advanced capitalist economies like Australia, somewhere in the region of half of the goods

and services produced in the economy are not recorded in the national accounts.¹⁷ This has led to a number of attempts to produce “extended national accounts” which include values for production which is not exchanged in the market.

However, both orthodox and Marxian attempts to extend the definition and measure of the economy (the parallel Marxian attempts are introduced in Chapter 3), have also been subject to critiques from feminists. The economic models which form the base of those extended accounts do not reflect the work that women do. Chapter 3 surveys a range of these critiques: the concerns over the importation of the market’s devaluation of women’s work; the reduction of household management roles to non-managerial ‘tasks’; and the failure to capture the never-endingness of women’s household work - both in terms of that work not ending at any “clock-off” time, and also its merging into other activities. The neoclassical assumptions of household dynamics which underlie the actual dollar valuation of household work are also criticised, as is the implication that the (lack of) money form of reward is not of fundamental importance in itself. In short, these critiques argue that women’s household labour is not like market work and production. The attempt to incorporate that household labour into market definitions and measures hides more than it reveals.

Yet this creates something of an impasse. To include non-market production in the main definition and measure of the economy is to hide much of its difference from market work, while to focus on its difference is to render it again outside of the view of mainstream economics. To a certain extent this reflects a deeper tension within feminism over the (liberal) demand for *inclusion* in existing structures - in this case to make women’s work count in market measures¹⁸ - as opposed to a more radical or transformative feminism which seeks to change the structures (in this case, economic measures) to reflect women’s roles, experiences and demands.

The “Environmental Interlude” after Chapter 3 argues that there are similar tensions in green critiques of official definitions and measures of the economy. The SNA’s failure to account for environmental costs and for ecological sustainability have led to efforts to value these

¹⁷ The actual and relative size of non-market production is in fact controversial, and it is the subject of chapters 2 and 6 here.

environmental factors in ‘green’ national accounts, but also, more radically, to critiques of the whole (anthropocentric) project of putting market values on the environment. There are thus important parallels with the feminist debates, but it is the feminist questions, rather than environmental ones, which I use to progress the analysis. Thus, after the short interlude, the environmental concerns are put on hold until later in the thesis.

The feminist critiques of extended national accounting noted in Chapter 3 were critiques of the attempts to squeeze non-market phenomenon into market paradigms. Chapter 4 departs from this line of criticism by beginning to ask, not how women’s work can be fitted into market paradigms, but rather, what would “work” look like if we took as a starting point the work that women actually did. The analyses of domestic labour by Christine Delphy and Di Leonard, and that by Chris Beasley, and the analyses of paid work by Lisa Adkins and Arlie Hochschild, introduce a new perspective on the economy. Their analysis of emotional labour and the embodiment of labour suggests more than that there are a further range of tasks (‘emotional’/caring tasks) which are not included in market based definitions of work. Work becomes understood as fundamentally sexualised and embodied. Women’s (and men’s) bodies and identities are integral to the notion of work. Among other things, this suggests that the products of that work can not be entirely alienated for sale in the market.

This analysis of (emotional) labour not only breaks the neoclassical/SNA definition of production, but it suggests that any attempt to measure work and production is flawed, because it is premised on the separation of product from producer. Thus, if we are going to begin to define the economy from women’s experience - or even from the standpoint of labour more generally - rather than from market principles, we can not then measure that economy.

However, such a conclusion only cements the liberal-reform vs radical-transformation dichotomy, as feminists apparently must either ignore the embodiment of labour and women’s subjective and caring work, or else abandon economic measurement and thereby step out of mainstream (malestream) political economic debate. Rather than abandoning the notion of economic measurement, I begin in Chapter 5 to explore the possibility of defining and

¹⁸ Hence Marilyn Waring’s labelling of this demand as “conservatively reformist” Marilyn Waring (1988) *Counting for Nothing: What Men Value and What Women Are Worth*, Wellington: Allen & Unwin. p 231.

measuring the economy in such a way as to highlight, rather than hide, the difference of women's work. I begin this exploration by revisiting the issue of emotional labour. After considering and dismissing the possibility of seeing emotional labour as a series of abstract tasks, Chapter 5 suggests that while accounting for emotional labour is impossible, this is not the core of the problem. The problem is not the inability to account for emotional labour, but is rather the insistence that *all labour should be accounted for* (in the same way) in a measure of the economy.

This insistence on sameness goes back to neoclassical economics: the presumption that where production defines the economy, any activity with a market value is by definition productive (and therefore good, ie. welfare enhancing). If labour is not productive/marketed (or marketable), it is neither work nor part of the economy. Thus, I conclude in Chapter 5 that the first step in advancing an alternative definition and measure of the economy, is to break this neoclassical nexus (work = production = economy = market = welfare), and to recognise different types of labour and economic activity. Importantly, recognising different types of economic activity need not imply incorporating them all into a measure of "the economy", so long as the measures open up rather than foreclose upon a notion of those different types of activities. This is the logic of seeing the "economy as hologram" - where what is seen is standpoint dependent, but the existence and importance of other standpoints is also apparent.

In some senses, the thesis' theoretical argument concludes at this point. Having examined various feminist and green critiques of official definitions and measures, I highlighted the problem (the neoclassical nexus) and made an argument for a different epistemological approach. Yet politically, an argument based on critique is only the first step, and an insufficient one. There are already existing, powerful feminist and environmental critiques of mainstream measures and epistemologies (in addition to the broader existing critiques of neoclassical economics). I have no argument with these critiques, and indeed, the first half of my thesis rests on drawing them together in a particular way. But it is the next step which is crucial politically. Thus, the rest of the thesis begins to explore what could be done with such a critique, and with an epistemology of "economy as hologram".

Given that I suggested that the neoclassical nexus was crucial to creating the political impasse examined in the first half of the thesis, I begin the project of exploring alternative definitions and measures with the terms tied up in that nexus. In the analysis of emotional labour and the

embodiment of labour, the thesis has already considered work/labour outside of the neoclassical nexus. Chapter 6 then begins to explore the concept of production beyond the neoclassical nexus, beginning with the existing attempts to theorise production as being different from labour, economy and welfare.

The classical/Marxian restricted definitions of production, with their distinction of productive labour and unproductive labour, provide one example of such an approach to defining production. The modern Marxian accounts presented by Anwar Shaikh and E. Ahmet Tonak are based on a classification of four different types of economic activity: production, distribution/exchange, social maintenance, and personal consumption - the first three of which constitute different types of labour. These definitions and measures are considered in some detail.

Comparison is also made between the Marxian definitions, and the accounting estimates based on Coase's notion of transaction costs. Despite the very different theoretical perspectives, the transaction cost estimates and Marxian approaches operationalise a fairly similar restricted definition of production. I argue that both frameworks are ultimately flawed. They are blind to non-market production, environmental concerns and emotional labour. However, in their differentiation of production from exchange/transaction activity, the empirical work in these estimates is instructive.

In order to further consider the possibilities and potential of such a restricted definition of production, Chapter 6a begins to put dollar values to this restricted definition by adapting existing national accounts and household data. The figures produced are by no means final, robust estimates, but they do further the discussion and highlight the usefulness of a more restricted definition of production. They provide a more consistent comparison of market and non-market production, and they suggest that non-market production makes an even greater contribution to the economy than even the extended (neoclassical) accounts suggest.

Chapter 7 takes a very different approach to breaking the neoclassical nexus by focussing on the concept of welfare. The chapter considers a range of alternative accounts which come out of green political economy. These attempts to measure economic welfare recognise different types of economic activity, in as much as the accounting for defensive expenditures, environmental costs and resource depletion, recognise that not all economic activity is

‘productive’ of (social) welfare. The various measures of economic welfare provide a very different view of the economy and make a politically important critique of economic growth. However, despite the inclusion of non-market production, the green indexes remain largely gender-blind, and they do not go far enough in recognising different economic activities, most notably because they have no recognition of the difference between welfare enhancing production and exchange/transaction activity.

These shortcomings can be addressed within the frameworks of the measures of economic welfare. Thus, in the same way that Chapter 6a attempted to further the discussion of Chapter 6 by adjusting existing measures, so too Chapter 7a makes some “order of magnitude” adjustments to the Australian measure of economic welfare - the Genuine Progress Indicator (GPI). Again, the adjustments to the GPI for gender inequality and exchange expenditures are by no means final. However, the results do clarify the issues discussed in the main Chapter 7, and they give a view of the economy and economic development which is different to the original GPI - as well as being radically different from the official accounts’ story of economic growth. Further detail as to how the adjustments to the GPI were made is set out in the Appendix.

While there are some overlaps, the analyses and estimates discussed in relation to chapters 6 and 7 are very different approaches to defining and measuring the economy. They are also both quite different again to the approaches, discussed in the chapters on emotional labour, which focus on the embodied labour and eschew measurement altogether. Yet these approaches sit together within the epistemology of the thesis - the logic of the economy as hologram. And importantly, the three approaches discussed here are all informed by feminist, green and/or socialist political economy, and they all serve to break the neoclassical nexus.

The different starting points of each approach offer different insights into “the economy”, but in a way which allows other possibilities to be seen. Of course, the accounting for production and welfare suggested here remains, in important ways, an exercise in market accounting. As such it retains the flawed logic of that market accounting. Yet, precisely because it is an exercise in market accounting, but one which contains a more structural and systemic analysis of political economy, it may prove a useful tool for an alternative political economy.