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978-0-521-56479-3 - Measuring the Wealth of Nations: The Political Economy of National Accounts

Anwar M. Shaikh and E. Ahmet Tonak

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This book provides an alternate foundation for the measurement of the production of nations, and applies it to the U.S. economy for the postwar period. The patterns that result are significantly different from those derived within conventional systems of national accounts.

Conventional national accounts seriously distort basic economic aggregates because they classify military, bureaucratic, and financial activities as creation of new wealth. In fact, these authors argue, such aggregates should be classified as forms of social consumption which, like personal consumption, actually use up social wealth in the performance of their functions.

The difference between the two approaches has an impact not only on basic aggregate economic measures, but also on the very understanding of the observed patterns of growth and stagnation. In a world of burgeoning militaries, bureaucracies, and sales forces, such matters can assume great significance at the levels of both theory and policy.

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## MEASURING THE WEALTH OF NATIONS

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# **Measuring the wealth of nations**

## **The political economy of national accounts**

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## PREFACE

This book has been a long time in the making. The interest in providing an empirical framework that would correspond to Marxian categories dates back to 1972–73, when Anwar Shaikh first discovered Shane Mage's pathbreaking work and developed an alternate schema and an alternate set of estimates based on Mage's own data.

In 1974 Shaikh came across Edward Wolff's working paper on input–output-based estimates of the rate of surplus value in Puerto Rico. This added a new dimension to the problem. Mage's work emphasized the significance of the distinction between productive and unproductive labor, but it was restricted to only the value-added side of national income accounts. On the other hand, whereas Wolff's work was located within the more comprehensive double-entry framework of input–output accounts, it did not distinguish between productive and unproductive labor. This led Shaikh to attempt to develop a comprehensive framework for Marxian categories which made both distinctions simultaneously.

The procedure that emerged in 1975 was essentially the same one used in this book: a mapping between Marxian and input–output categories illustrated by means of a continuing numerical example in which both total price (the sum of purchasers' prices) and the magnitudes of the aggregate value flows (total value and its basic components) were held constant, while the associated money forms became ever more complex as more concrete factors were considered. This allowed one to verify, at each stage of the argument, that the overall mapping was correct.

For a short time in the mid-1970s Wolff and Shaikh joined forces, but their paths soon diverged. By 1978 Shaikh had produced a final draft of a paper that systematically built up a mapping between Marxian and national income account categories, provided measures of the rate of surplus value in the United States, and made some preliminary estimates (for

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three sample years) of the size and direction of the net transfer between workers and the state (i.e., of the balance between taxes paid by workers and the social expenditures directed toward them). This paper circulated widely, but was never published (although an extended and somewhat different version appeared in Shaikh 1980b). Instead, Shaikh turned his attention to broadening the framework to encompass input-output accounts and data.

In the late 1970s, Ahmet Tonak also became interested in the estimation of Marxian categories. Using the schema of Shaikh's unpublished paper, he produced one of the first systematic estimates of the rate of surplus value in Turkey, published (in Turkish) in 1979. During the early 1980s, Tonak focused on the United States, extending the sample estimates of the net tax on workers to the whole postwar period, providing his own estimates of variable capital and surplus value, and tracing out the general impact of the net tax on the rate of surplus value. This work became his Ph.D. dissertation in 1984, which was the basis for subsequent extensions by Tonak (1987) and Shaikh and Tonak (1987).

During the early 1980s, our attempts to utilize input-output data were greatly hampered by a lack of computer facilities. Many people were instrumental in helping to overcome these and other related barriers. Michel Juillard, who was at the time working on recasting U.S. input-output and national income account data into a Marxian departmental schema, was of invaluable theoretical and empirical help. So too was Katherine Kazanas, whose work focused on the impact of the distinction between production and nonproduction labor for the measurement of productivity. Julie Graham and Don Shakow provided similarly crucial support in the manipulation of the input-output tables. Ernest Mandel and Dimitri Papadimitriou helped secure funding at various points. With the help of Eduardo Ochoa, Paul Cooney, and Michel Juillard, Ara Khanjian created an input-output database and used the basic framework to measure and compare money and labor value flows in the United States (Khanjian 1989). All provided great moral and intellectual support throughout.

By the mid-1980s, the two of us had begun working together on turning this project into the present book. A first draft was produced in 1985, thanks to a grant provided through the generous support of the Hamburg Institute for Social Studies, and the basic results were made available in the same year at a conference supported by Bard College. A second, substantially revised draft was produced in 1989, which was once again extended and revised in 1992. During much of this period, Dimitri Papadimitriou of Bard College and Bernard Rodgers of Simon's Rock College of Bard provided moral and material assistance for our efforts. We owe them a special debt.

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From the mid- to late 1970s onward, the various stages of this project have regularly appeared in Shaikh's lectures on advanced political economy. Many graduate students who have been (willingly and unwillingly) exposed to this material over the years have provided both support and criticism which has helped shape the final result.

In addition to those mentioned previously, we note our debts to Peter Brooks, Etelberto Ortiz, Hector Figueroa, Rebecca Kalmans, and Nezih Güner. Korkut Boratav, Nail Satlıgan, and Sungur Savran provided critical feedback on a version of the manuscript, as did an anonymous referee for this press. Hakan Arslan, Matt Noyes, and Greg Bongen were vital to the production of the many charts which adorn this book. We also thank Russell Miller for his contribution to the construction of the index. Matt Darnell provided superb editorial assistance in rendering the final product.

Most of all, we wish to express our gratitude to our families for their support and forbearance during this long and difficult task. It is to Fadime and Ali, and to Diana, Kirsten and Lia, that we owe the greatest debt.

*A.M.S.*

*E.A.T.*