

# Fickle Formulas. Towards a Political Economy of Macroeconomic Indicators<sup>1</sup>

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*Draft research agenda article presented at Brown University, 5 February 2015*

## **Introduction**

We live in an age of numbers. Performance indicators and rankings pervade domestic politics. Not only economic policy, but also areas such as education, health care, public safety and environmental protection are increasingly governed by and through indicators or quantitative policy assessments. Policymakers and politicians use indicators to design and assess policies, not least in comparison to other countries (Fougner 2008, Davis et al. 2012, Krause Hansen and Mühlen-Schulte 2012). Media outlets report for example growth or unemployment figures widely, stock markets jump or fall on their publication, and citizens use these indicators to gauge whether policies – and the politicians they hold responsible for them – are serving them well. Even in the putative dog-eat-dog world of inter-state politics, country rankings without formal bite can induce government reforms (Kelley and Simmons 2012).

Of the statistics that surround us, economic figures are the most prominent ones. Ubiquitous macroeconomic indicators, however, are anything but objective arbiters of economic performance. There are no self-evident formulas for GDP, inflation, unemployment or public deficits; how they should be measured is deeply contested (Coyle 2014, Karabell 2014, Stiglitz et al. 2010). The choice for any particular formula has significant distributive implications as it benefits some citizens and hurts others.

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<sup>1</sup> I am thankful for suggestions and advice to the guest-editors of this special issue, Juliet Johnson, the participants at the GR:EEEN workshop in Snekkersten, Denmark, my colleagues at the Amsterdam Institute for Social Science Research and the Center for European Studies at Harvard University. I am also grateful to David Takeo Hymans, for skillful text-editing.

For example, government deficit figures that ignore long-term pension promises allow present-day profligacy but hurt either future tax payers who have to fill the gap or future pensioners when governments renege on earlier promises (Chalk and Hemming 2000: 16f). And GDP measures that disregard environmental damage when calculating increases in production disadvantage those citizens who bear the costs of environmental degradation and climate change (Cobb and Cobb 1994).

Macroeconomic indicators codify economic concepts, for example ideas about what should or should not count as inflation. Thus folded into indicators, these ideas buttress political and social relations. Official inflation figures are often used to justify annual increases in for example unemployment benefits or pensions. Inflation measures embody a political deal between those who finance these payments and those who receive them. Sometimes the implicit distributional politics enter the limelight, and stakeholders spell out how particular measures work for or against their interests. Such power-struggles over indicators as codified ideas are rare, however; for the most part, the power that resides in them remains invisible – also to scholars of political economy. In political science in particular, the politics of macroeconomic indicators has received almost no attention.

Intellectual contestation of official calculations is nothing new (e.g. Nordhaus and Tobin 1972, Anderson 1991, Cobb and Cobb 1994, Shaikh and Tonak 1994), and neither is the acknowledgment of such contestability in the social sciences (cf. Hirschman and Popp Berman 2014). Right from the beginning, Simon Kuznets, the “father of GDP”, disapproved of how the US government repurposed the measures that he had first proposed in 1934 (Coyle, 2014). And scepticism has only grown since the global financial crisis (Stiglitz et al. 2010, Fioramonti 2013, Fleurbaey and Blanchet 2013, Coyle 2014). But despite the fundamental questions these critiques raise and the enormous distributive consequences they highlight, they have had little impact on policy practice over time. Introspective debate among experts – the force of the better argument – does not explain the evolution of macroeconomic measures. So what does?

### **Macroeconomic indicators as powerful ideas**

This research agenda lays out why we should, and how we might, study macroeconomic indicators as powerful ideas. It presumes that ideas matter and that they are neither epiphenomenal to material conditions nor wholly detached from them – an understanding of ideas in politics that a range of scholars have established

especially since the 2000s (Blyth 2002, Beland 2009, Beland and Cox 2010, Broome and Seabrooke 2012, Carstensen 2011, Parsons 2007, Schmidt 2008). Future research will therefore have to show how the inevitably complicated and messy relationship between the ideational and the material plays out in *particular* cases and what the on-the-ground politics surrounding powerful ideas are. Drawing on conceptual tools offered by this scholarship, we can study ideas in such specific instances as we would study, say, electoral campaigning or corporate lobbying – where we no longer ask whether they matter at all, but how so, under which circumstances, with which effects, mediated by which institutions, etc. This research agenda thus does not suggest using a particular case study to demonstrate the power of ideas – other scholars, many of whom contribute to this special issue, have done that in path-breaking work already – but to presuppose the power of ideas and to turn our attention to a specific field of inquiry: macroeconomic indicators.

In the first instance, macroeconomic indicators deserve our attention because of the largely invisible but momentous consequences that choices for particular formulas have. How we measure our economy shapes the choices of policy-makers in office, and it buttresses or damages politicians' legitimacy in the eyes of citizens. But meaningful debate about the use and calculation of macroeconomic indicators requires not only critical reflection on the status quo. We also have to understand how we arrived there in the first place and unearth the genealogy of the powerful ideas that inform present-day calculations. If pressed, most practitioners and academics readily admit that macroeconomic indicators are contested constructs, not objective snapshots of an external reality. But in both academic and political practice, the figures thus produced are widely used nevertheless, normally without any disclaimers about their contested and often arbitrary nature.

In line with the ambition of this special issue, this research agenda suggests that we should move beyond the important but by now established insight that the “ideas behind macroeconomic indicators matter”. Carstensen and Schmidt (this volume) set out different ways in which ideas are linked to power. Applied to macroeconomic indicators, their framework suggests that we should understand both how they are political in their consequences (focusing on power in ideas) and how the indicators themselves have been the object of ideational struggles (power over ideas).

### *Macroeconomic indicators as power in ideas*

As ‘power in ideas’, indicators hardwire specific notions of what counts as for example growth into policies. In the words of Carstensen and Schmidt,

*power in ideas* is about the background ideational processes – constituted by systems of knowledge, discursive practices and institutional setups – that in important ways affect which ideas enjoy authority at the expense of others.

When policymakers and citizens take for granted these particular constructions of macroeconomic concepts, the ideas that inform them solidify power relations, in particular by legitimizing certain courses of action and delegitimizing others.

Consider a concrete example: many people might disagree that a person who has given up looking for work after years of joblessness should no longer be considered unemployed. At the very least, they would recognize that such a definition of unemployment is a politically loaded and consequential one. In contrast, when newspapers publish the latest unemployment figures, which are based on that same definition, criticism of the resulting numbers is much more muted.

Institutionalizing a particular definition of a macroeconomic concept in an indicator gives that idea power, both because it becomes more consequential (through policy, for example the distribution of unemployment benefits) and because it elevates a particular definition of that concept to the universal one, hiding the fact that definitional choices ever had to be made. Through its codification, unemployment becomes an objective property of people, not a politically loaded ascription. Even if we remain agnostic about what somebody’s ‘real’ interests are, the information that citizens are offered, combined with the lack of alternative yardsticks, shapes their perception of their personal situation, how it compares to that of others, and who deserves credit or blame for it (cf. Hay 2010).

In its emphasis on the naturalization of ideas through their institutionalization in policy devices (see Hirschman and Popp Berman 2014), this research agenda is related to scholarship on the power of modelling in public policy: Henriksen (2013) shows how it has been decisive for the ideological orientation of Danish policies that neoliberal ideas were translated into actual policy models. He draws on scholarship that acknowledges how embedding ideas in devices – a particular form of institutionalization – enhances their influence and highlights under which specific circumstances a model can become relevant, for example how the academic

background of the model builders matters to its substance and role in policy change. Until it became embedded in models, Henriksen argues, the general “attractiveness” of neoliberal thought may have found major resonance in newspaper columns but exerted much less influence on actual policy output.

Beyond their general consequentiality, many scholars have investigated the performativity of ideas (Callon 1998, MacKenzie 2006). One important intuition is that the broad embrace of a particular description of the world will trigger action – economic policies for example – that will in fact move society in that direction. A description of the world unwittingly becomes prescriptive. Governments may for example stimulate activity in economic domains that are included in GDP figures to engineer “growth”. After all, voluntary community work does not contribute to GDP, but the same activities performed for money do. Over time, an economy may thus be rejigged to look more like the market-dominated and profit-driven ideal that is implicit in GDP metrics.

Counterperformativity describes the opposite phenomenon: the more a description of the world is embraced, the less accurate it may be. Inflation measures might be an example. If inflation is defined to exclude real estate, public authorities may worry less about price increases of houses than, say, food stuff. The relatively permissive attitude towards a housing bubble may then mean that real estate price inflation becomes particularly pronounced because it was excluded from the official definition. These examples are hypothetical, not proven connections. But both are plausible enough to highlight the potential of researching macroeconomic indicators through a performativity lens.

Compared to the political effects of macroeconomic indicators, discussed up to here, their origins are much less understood, and the little scholarship we have (e.g. Christophers 2012) remains scattered across diverse disciplines. It is this angle that stands central in this research agenda. Using prominent examples, this contribution first maps the present-day politics of macroeconomic indicators and suggests how they are relevant to politics more broadly. The subsequent section relates the research agenda outlined to existing scholarship across disciplines and outlines what we do know, and what not. This contribution then offers an overview of the different factors that deserve further scrutiny as potential drivers of macroeconomic formulas. The final section sketches what payoff we may expect from successfully tackling the questions raised here.

## **The real-world variation and consequences of macroeconomic indicators**

How we measure our economies has evolved significantly over time (Karabell 2014). Measurement practices continue to vary between countries, even if they have become more homogeneous. These differences in calculations not only concern rather arcane mathematical procedures – for example how to average out price changes when calculating inflation – but also seemingly straightforward questions about what should be included or excluded in a particular measure.

Gross Domestic Product (GDP) evolved out of the National Income measure devised by Simon Kuznets in the early 1930s (US Department of Commerce 2001: M-1f, cf. Coyle 2014). Initially, this measure was only to include material production, not least to gauge the capacity of the US economy to churn out material goods – a pressing issue both in the wake of the post-1929 depression and in the context of the Second World War. Eventually, however, it was redefined to encompass all production, including services. Even with that expansive definition, many activities have remained in a grey area. Work performed in the household, for example child rearing or cooking, continues to be excluded, even if exactly the same activities are included in GDP when traded for money as services. This distinction has systematically demeaned female labor, as women perform a disproportionate share of domestic tasks (Chadeau and Fouquet 1981, Ironmonger 1996, Waring 1999). Recent estimates see “non-market household services” worth roughly 18 per cent of US GDP in 2009, down from about 30 per cent in 1965 (Bridgman et al. 2012: 28).<sup>2</sup> Once we include these services in our GDP figures, economic growth rates have actually been lower than officially reported because marketed services have replaced production that had previously taken place inside the household.

Problems of GDP measurement do not end there. Christophers (2012) has detailed the treatment of financial services in GDP statistics. The contribution of the financial sector to GDP is often inferred from the profits accruing there – a contestable approach considering the economic damage the financial sector has wrought through the credit crisis. Government spending on public services such as health care or education – amounting to no less than 12.6 percent of GDP among in the EU-27 in 2012 – has traditionally been included in these statistics by equating their costs with

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<sup>2</sup> Stiglitz et al. (2010: 52) report much higher figures for the recent period, ranging from 30 percent of GDP for the US to 40 percent for Finland. These variations highlight how differences in the marketization of economic activities, widely conceived, distort cross-country comparisons of GDP levels and economic performance.

their economic value. But an educational system has many indirect social and economic effects, making it difficult to put a number on its contribution to GDP without entering almost philosophical debates. Standing practice is arbitrary, and so are the resulting overall GDP figures.

Other key items in GDP measurement that have attracted much debate and have been measured in diverse ways are natural resources (including clean air, biodiversity, etc., see Cobb and Cobb 1994), illegal activities such as drugs and prostitution, the shadow economy more generally (Schneider and Enste 2002), and military production. In consequence, scholars have pointed to the limited usefulness of these figures for international comparisons (Vernon 1987, Hartwig 2006). The more explicitly political form of this criticism echoes earlier work that sought to highlight how extant measures systematically obscure the inequities and dysfunctionalities of contemporary capitalism (Shaikh and Tonak 1994). More recent attacks have honed in on GDP as an inappropriate measure of societal welfare (Méda 2009, Fleurbaey and Blanchet 2012, Stiglitz et al. 2010, Fioramonti 2013, Coyle 2014). As politicians, policymakers, citizens and academics use GDP figures day in, day out, it matters greatly to economic governance which choices have been made in current formulas regarding these and other crucial issues.

Similar, if less widely debated, problems surface with respect to other indicators. Official inflation figures normally refer to countries' Consumer Price Index (CPI). How that is calculated has changed over the years, however, and been hotly contested as well (Goodhart 2001, Moati and Rochefort 2008). The goods and services included in the index have been adapted over time as consumption habits have changed. But whose consumption actually matters for calculating inflation? Until the late 1970s for example, the US CPI only considered the consumption patterns of roughly half of American households – those in which the breadwinner was a wage labourer or a clerical worker (US Bureau of Labor Statistics 2007: 1f). In 1978 coverage was extended to all 'urban' households, but more than 10 percent of the US population are sufficiently 'rural' still to fall outside the population whose consumption patterns are sampled. Inflation measures differ not only in who they cover but also which expenses they include. Following EU guidelines, the UK CPI excludes housing costs, even though these expenses constitute roughly 10 per cent of living costs, and much more for new entrants into the real estate market.

As mentioned above, how inflation is measured matters because many countries use it to determine annual increases in transfer payments. A US Senate Advisory Committee estimated in 1995 that US inflation measures had systematically overestimated inflation by 1 percent, meaning that inflation-indexed transfers had risen by 1 percent annually in real terms for decades – an enormous but invisible cost to the US budget and taxpayers (Boskin et al. 1998). More recently, the US government decided to tie benefits to a “chained” inflation indicator, which presupposes that consumers adapt their consumption patterns to avoid goods whose prices rise disproportionately. If apples become more expensive but pears do not, such an indicator might assume that consumers all switch to pears, so that their cost of living actually stays stable in spite of the price rise for apples. A “chained” inflation indicator thus shows a lower rise in actual living costs (and hence benefit payments) than in average price levels for a fixed basket of goods. Unsurprisingly, the American Association of Retired persons was outraged.

The definition of unemployment has also evolved over time. Even with a high degree of international agreement, the devil is in the detail. To count as unemployed and appear in the statistics as such, people have to be looking for work actively. But what counts as “actively looking for work”? In Canada, people who scan job advertisements in newspapers have traditionally fulfilled that criterion; US authorities considered that activity too passive. In consequence, Canada included many people in its statistics who would have been excluded in the US. The American Bureau of Labor Statistics (2000) found that if Canada had used the same methodology as the US, its unemployment figures would have been a whole percentage point lower. Considering the weight that politicians often attach to the international comparative “performance” of labor markets, such differences carry substantial political significance.

To turn to a final example, measures of public deficits are also much less straightforward than published figures suggest (see IMF 2012). At least on the global level, there is no agreement about measurement formulas. Do these figures include state or local governments, or only the national one? How do they value government liabilities (which may be trading in debt markets at a heavy discount)? How are pension liabilities treated and calculated? Depending on the method used, net-present value estimates of for example state pension liabilities in the USA vary between \$3.2trn and \$4.43trn (Novy-Marx and Rauh 2011) – implying uncertainty over liabilities of more than \$1.000bn, largely invisible to citizens. How do these show

up in comparative government debt statistics? And what about implicit guarantees, for example to public banks or state-owned enterprises? Empirically, governments continue to answer these questions in very different ways, leading to figures that are often hard, if not impossible, to compare. And even when they are comparable, it is not clear how meaningful they are as for some countries, invisible pension liabilities may be an enormous future cost while they may be negligible for others.

In the EU, the measurement of public deficits and debt has taken on a particular urgency. The Copenhagen criteria for entering Economic and Monetary Union, and later the single currency, specified debt to GDP ratios. Greece was widely lambasted for manipulating its debt figures. But even beyond such dishonesty, given the diversity of potential measurements of public debt, it remains an open question why the EU has settled a particular public debt formula instead of plausible alternatives. The politics of such decisions and their political and economic consequences remain uncharted territory.

The real-world variation in measurements, both over time and between countries, and the actual impact that they have meant that these statistics constitute a key domain of contemporary politics, but one that is insufficiently understood and deserves much more attention than it has hitherto received, particularly in political science.

### **The political economy of macroeconomic measurement: what do we know – and what not?**

Statistics as a tool of governments have a history going back to the 17<sup>th</sup> century (Desrosières 1993). In the 19<sup>th</sup> century, they blossomed in France and the United Kingdom in particular and took root a little later in Germany and the United States. Criticism of statistics is as old as statistics themselves (Porter 1995). Sceptics argued that the classification, categorization and hence homogenization of infinitely diverse units would necessarily fail to do them justice and hence produce poor or misleading insights (cf. Alonso and Starr 1986 about the US Census, Mitchell 2002). Many of these arguments are reminiscent of contemporary debates between scholars who consider either quantitative or qualitative methods appropriate for social-scientific inquiry (Goertz and Mahoney 2012).

The decisive boost for statistics in macroeconomic policy in the 1930s and 1940s owed less to the outcome of such abstract debates, however, and more to practical

exigencies. Disillusion with previous laissez-faire policy, popular Keynesian ideas about macroeconomic steering, and the needs of wartime economic planning all led governments to develop new policy instruments for economic management (Suzuki 2003, Perlman and Marietta 2005). Among these, statistics were indispensable to make “the economy” intelligible and legible. By the 1950s, macroeconomic indicators had become part and parcel of economic policy and politics.

The ever-growing prominence of statistics in government policy triggered renewed criticism (for an overview, see Espeland and Stevens 2008). In addition to established doubts about claims derived from statistical reasoning, new arguments surfaced that attacked the ubiquity of statistics in technocratic economic and social governance (Porter 1995, Davis et al. 2012, cf. Scott 1998). Statistics and their associated governance tools were frequently presented by their users as objective knowledge, above the mundane tussle of every-day politics (Fioramonti 2014). But in the eyes of critics, they were not a tool to make society transparent, but in fact obfuscated the true motivations underlying political decisions (Irvine et al. 1979, Seife 2010).

While there is no shortage of criticism of existing measurement formulas, we have little to go by when we want to understand why we use those which we do. This question sits at the interstices of diverse disciplines such as economic history, economics and econometrics, sociology, and political science. Beyond the valuable but scattered empirical data contained in assessments of the general rise of statistics and critiques of specific measures, relevant scholarship broadly falls into two categories: (1) studies by official bodies concerned with statistics that provide useful overviews of indicators’ measurement problems and reveal cross-country variation; and (2) detailed histories of particular measures and the ideas underlying them chronicle the evolution of such formulas, usually in one country.

Little research has systematically explored cross-country differences in measurement practices per se. That said, reports by large organizations dealing with statistics, for example the OECD or the UK Office of National Statistics, often discuss cross-country differences. Such differences can be substantial: for example, the USA has historically included military spending in its GDP figures (as an investment); most other countries have treated it as a government expenditure. In consequence, US GDP had been “overstated” by 0.6 percent compared to other countries (Lequiller and Blades 2006: 75). The Atkinson Report, commissioned by the UK government, revealed the problems and variation around measuring public services such as

education and healthcare, both of which constitute a significant share of GDP in OECD economies (Atkinson 2004). When the UK broke with international convention and switched to an alternative measurement, its annual growth figures were automatically lowered by roughly 0.25 percent – no less than half of the difference between the UK and the USA growth performance at the time. Similar reports for the other indicators include Eurostat (2012) for EU public deficits, the United Nations and the International Labor Office (2010) for unemployment, and the 2004 *Consumer Price Index Manual: Theory and Practice*, published jointly by eight different international organizations, for inflation.

The second relevant strand of literature has focused on particular indicators, normally in a single country. It includes historical work on unemployment (Moon and Richardson 1985, Salais, Baverez and Reynaud 1986, Topalov 1994, Baxandall 2004, Zimmermann 2006), inflation (Stapleford 2009, Hayes 2011), economic growth and GDP (Mitra-Kahn 2011, Christophers 2012, Coyle 2014), and public debt and deficits (Eisner and Pieper 1986). While rich in detail and inductive explanations for the observed dynamics, this work rarely takes a systematic comparative perspective.

For the most part, the research outlined above focuses on individual advanced industrialized countries, most typically Germany, France, the UK and the USA. Systematic scholarship on countries outside the ‘West’ is scarce, even concerning the BRICS – Brazil, Russia, India, China and South Africa – currently seen as the most prominent challengers of the late 20<sup>th</sup> century global economic order (Herrera 2010, on Russia, is an important exception). While some scholars have studied the imposition of quantitative governance tools by colonial powers (e.g. Mitchell 2002 in Egypt), there is little in-depth work covering the more recent period.

Taken together, the existing scholarship shows that historically and across countries, economies have been measured in very different ways. It reveals legitimate present-day disagreements over appropriate measurements, and shows how our (unconscious) measurement choices matter greatly to individual citizens and societies as a whole. But if we find significant differences across countries, indicators and time, and if the numerous critiques of extant measurements themselves do not account for them, we must ask: what does?

## **What drives macroeconomic formulas?**

At present, we have no straightforward theory of the factors driving macroeconomic measures. Indeed, it is not obvious that we should expect the same dynamics at work regarding different indicators and the way they have been calculated at different moments in time and in different places. As many of the impressively detailed accounts (e.g. Stopford 2009, Christophers 2012) make clear, the messy and complicated on-the-ground politics of measurement make a desire for such a theory naïve. At the same time, it is worthwhile asking under which circumstances, for example, the interests of opportunistic politicians trump expert deliberations in the redesign of indicators, and why top-down harmonization is successful in some cases but not in others.

Past research and related strands of scholarship offer a wide range of intuitions, if not specific hypotheses. The most basic one is that models of measuring the economy are path dependent and historically sticky. Countries that were first movers in this respect, such as the United Kingdom and France, could thus be expected to have stuck to indicators as they had historically evolved (Desrosières 1993) under the influence of nationally idiosyncratic forms of economic governance (e.g. Zysman 1983). The ability of GDP as a measure to withstand long-standing criticism highlights such sticking power. Change in formulas may then simply reflect structural economic changes, for example the rise of economic planning in the 1930s and 1940s (Perlman and Marietta 2005) or the growing share of financial services in the economy (Christophers 2012).

At the same time, the highly technical nature of macroeconomic measurement suggests the importance of intellectual dynamics among relatively isolated experts, for example in the Federal Statistical System (Bradburn and Fuqua 2010) or internationally in the OECD or the United Nations Statistical Division (Ward 2004). The dynamics that might guide change include the growing availability of data, but also the evolution of economic theories. Inflation is both an abstract concept and a term that is used to denote the reading on a particular indicator, commonly the Consumer Price Index (CPI). Inflation is not a free-floating concept but is tied in policy practice to the specific macroeconomic theories that we have about it - for example whether it does or does not stimulate employment, or which kind of inflation matters most to monetary policy. Hence, as the dominant theories about economic policy have continued to evolve over the decades, we might expect that the formulas used

to measure inflation – and whether for example real estate prices “matter” or not – had evolved in line with those theories.<sup>3</sup>

The evolution of measures may also mirror the interests of powerful societal actors. Politicians may opportunistically rejig for example growth or public deficit calculations to boost their chances of re-election (for unemployment measures, see Gregg 1994). Unions or employers may also matter. For example, in countries with a corporatist tradition, the unemployment regime – and hence unemployment measures – may be skewed to benefit employees in formalized, highly unionized sectors and exclude informal and precarious employment. And countries with strong military, financial or resource extraction sectors may employ GDP measures that show these sectors’ economic contribution in a favourable light, even if from a theoretical perspective such a contribution is contested.

Shifting from the country-level to international comparison, we find at least a partial convergence of formulas across countries. Of course national economies may simply have converged as a consequence of globalization, spawning correlation in measurement reforms without a direct causal link. Alternatively, countries may have copied formulas employed elsewhere, leading to the diffusion of measurement models (cf. Simmons and Elkins 2004). At the same time, international organizations have tried – with varying success – to harmonize national measurement models top-down (Ward 2004). Inside the European Union, the single market, and even more so the single currency, have created strong pressures for uniform measurement models, in particular of budget deficits (Astin 1999 for inflation measures, Desrosières 2000, cf. Bruno 2000). As a final cluster of explanations, this sub-project will therefore establish to what degree harmonization pressures stemming from formalized economic cooperation in Europe have influenced measurement formulas in Germany, France and the United Kingdom.

Given the political salience of macroeconomic measurements, it is surprising how little work has analysed these harmonization efforts. OECD-focused work has emphasized the harmonization of policies, not measurements (Mahon and McBride 2009, Clifton and Dias-Fuentes 2011). Regarding the origins of harmonization, existing scholarship suggests two routes of explanation. A functionalist perspective expects governments to promote harmonization when it promotes or is necessary for growing cross-border economic exchange (Abbott and Snidal 2001, Mattli and Bütte

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<sup>3</sup> I owe this particular idea to Wes Widmaier.

2003). A constructivist perspective highlights the intellectual dynamics in technocratic international organizations, in which the common socialization of staff translates into national-level convergence (Stone 2001, Stone 2004, Broome and Seabrooke 2012). Here, harmonization initiatives are not consciously set-up negotiations about common standards but measurement practices that incrementally trickle down from international organizations. The competing hypotheses regarding the source of specific formulas as focal points follow directly: they may result from conscious bargaining among stakeholders, in particular national governments, or emerge from technocratic expert deliberation based on prevailing belief-systems without overt government interference to secure 'national interests'.

We would expect a relatively toothless organization such as the OECD to be a source of 'soft' harmonization (Stone 2001), driven by emerging expert consensus on intellectually sound ways of macroeconomic measurement. Countries have many incentives to harmonize standards as global economic integration grows (cf. Slaughter 1997, Nicolaïdis and Egan 2001, Bütke and Mattli 2011). In the case of accounting for economic growth, inflation, unemployment, and deficits, however, the functional dynamic is not obvious: why should governments harmonize inflation or growth indicators if these have little relevance for example for international trade?

The EU is a fundamentally different. Since 1953 Eurostat, its statistical agency, has collected an ever growing array of statistical information about EU member states and promoted harmonization of statistical measures and data collection. At the same time, macroeconomic performance is integral to agreements between EU member states and especially Eurozone members. The original Stability and Growth Pact (SGP) mandated year-on-year budget deficits below 3 percent of GDP and government debt levels below 60 percent of GDP; in 2011 the SGP has been overhauled through the 'Six Pack' of legislative measures, which inter alia introduces much more wide-ranging macroeconomic imbalances procedures. The original SGP-criteria and their Six Pack-extension have necessitated comparable national statistics to verify substantive compliance (Astin 1999). But we do not know how such harmonization has been achieved politically and why particular formulas have been chosen.

### **Beyond the OECD world**

If systematic knowledge about the politics of macroeconomic measurement is thin concerning OECD member countries, it is almost non-existent for countries outside

this grouping, with the notable exception of Herrera's (2010) monograph on post-Soviet reforms in Russian national accounts. But as has been widely acknowledged, many former 'developing countries' are rapidly becoming economic powerhouses that easily eclipse more 'advanced' countries. Data availability is commonly worse in non-OECD countries than among OECD members, while colonial and later post-colonial relations between countries from these two groupings have solidified the asymmetry in their relations. But studying the global politics of macroeconomic indicators would fall short without examining practices outside the OECD.

Given the growing weight of these countries on the global stage, their measurement politics can also be expected to play larger roles in future global harmonization efforts – for example concerning the treatment of the informal sector or natural resource extraction, economically significant in many emerging markets. But their measurement politics may also differ in unexpected ways from those in the traditional core of the global political economy. Brazil, for example, has been part of a structural adjustment programme by the IMF; the World Bank has been heavily involved in India. Have conditionalities imposed by either of these institutions affected the evolution of measurements there? India also has a long colonial history with the United Kingdom (cf. Mitchell 2002 for the influence of colonialism on measurement practices). South Africa has the legacy of apartheid as well as a strong natural resources sector, which may matter in how it calculates (by any measure rampant) unemployment and economic growth in particular. China, for its part, has a tradition of heavy government intervention in the economy, which remains despite gradual and highly selective liberalization. It is an open question to what extent government steering is also visible in the formulas underlying economic measurement.

The literature relevant to the politics of macroeconomic statistics in the BRICS countries is thin – certainly in English. In the Chinese case, debate has concentrated on the plausibility of Chinese GDP and growth statistics, pinning sceptics (Rawski 2001, Holz 2004) against scholars who find reported figures quite convincing (Klein and Özmucur 2002, Chow 2006). Similar questions have been raised about Chinese unemployment data (Solinger 2001). India has a long tradition of eminent statisticians, notably including Prasanta Chandra Mahalanobis, one of the two 'developing country' representatives at the Nuclear Statistical Commission (the forerunner of the UNSO that met in 1946), and the only one to play a leading role in subsequent years (Ward 2004: 37ff). The development of statistics in India long

precedes colonial times and, as a branch of applied mathematics, is well documented (e.g. Gosh et al. 1999). In contrast, there is a dearth of scholarship on how India has historically measured its economy, and why so. Scholarship on South Africa and Brazil is even thinner, even though unemployment (South Africa) and inequality (Brazil) have been sources of enormous discontent, with the question of how each of these is to be measured lurking barely beneath the surface.

Also on the global level, we have witness concerted efforts at top-down harmonization of macroeconomic statistics, in particular by the United Nations Statistical Division, the International Monetary Fund and the World Bank (Ward 2004, cf. Finnemore 2013, Fioramonti 2014). Their efforts and their specific content matter greatly – not least as these indicators are central to the way these organizations “see” the world (Broome and Seabrooke 2012). Countries that have not developed measurement formulas indigenously may find templates imposed on them that are ill-suited to socio-economic realities on the ground (cf. Mitchell 2002), whether they concern the nature of work, the size of the informal sector or functioning of the financial system. At the same time, the figures thus produced matter for their assessment by international institutions and donors as well as foreign and domestic investors. Beyond problems of data collection and measurement practices (cf. Jerven 2013 for sub-Saharan Africa), the (attempts at) top-down harmonization of macroeconomic measurement formulas are therefore central to understanding political economies also, and in some ways especially, beyond the OECD.

Just as was the case with the OECD, we would expect the UNSD to have been a source of ‘soft’ harmonization, driven by emerging expert consensus on intellectually sound ways of macroeconomic measurement (cf. Ward 2004: 36ff). The IMF and the WB, in contrast, have been directly involved in on-the-ground economic policy; the loans and grants they provide give them tangible leverage to demand effective policy change (Woods 2006). But as with the UNSD, it remains unclear with how much urgency and with what agenda the Bretton Woods Institutions promoted particular formulas. Macroeconomic data have been integral to designing and assessing progress in the structural adjustment programmes that the IMF has been promulgated since the 1980s in particular and to World Bank efforts to identify ‘development obstacles’, which several decades ago were primarily analysed through the prism of macroeconomic problems and imbalances. While existing work on the IMF (e.g. Barnett and Finnemore 2004: 45ff, Chwieroth 2009) suggests that ideas

figure prominently in motivating its policies, it is simply unclear to what extent this also holds for the BWIs' practices of macroeconomic measurement.

### **Studying macroeconomic indicators – to what end?**

Jerven's recent book (2013) has done social scientists who use or care about macroeconomic data from the developing world a great service by showing on how feeble the foundations are on which these apparently hard numbers rest. The same is true for a wide range of books that have revisited and critically analysed GDP in particular (Coyle 2014, Karabell 2014, Stiglitz et al. 2010, Christophers 2012). This research agenda embraces these criticisms and argued that in furthering the quest they suggest, political science has an important role to play. Once we accept that macroeconomic indicators deserve social-scientific attention because of their consequences, we have to ask how they came about in the first place and what the political origins of the formulas is that are in use today.

It will be particularly useful to study these indicators as institutionalized ideas. This special issue suggests a holistic view on ideas and power: it is interested both in how ideas become powerful (the origins and political struggle over ideas) and how they exert their power once they are institutionalized. It thus overcomes an obsolete dichotomy between those who study ideas as weapons, wielded by rational actors, and those who see them as so deeply embedded in human thought that they structure all our actions. In practice, most instances of powerful ideas will fall somewhere between these two ideals, defying scholarly desires for neat categorizations. Research along the lines provided in this contribution therefore has a social as much as a scholarly mission. It can and should promote reflection on the production and use of statistics among academics, policy-makers and citizens (Camargo 2009). The foundation for such a line of research is an acknowledgement that (1) there is no self-evident way to measure macroeconomic concepts – and therefore that ideas matter, (2) that indicators and the formulas underlying them are politically consequential (power *in* ideas) and (3) that we therefore need to ask who are what informs these formulas (ie, has power *over* ideas). Scholarship that zooms in on the political substance of these formulas will offer researchers a new perspective on macroeconomic measurement, revealing a dimension of largely invisible politics at the very foundation of contemporary economic governance and the numbers academics rely on in their research.

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