Studying Macroeconomic Indicators as Powerful Ideas

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Studying macroeconomic indicators as powerful ideas

Daniel Mügge

ABSTRACT Macroeconomic indicators – especially inflation, gross domestic product growth, public deficits and unemployment – stand central in economic governance. Policy-makers use them to assess their economies' health. Citizens evaluate politicians' performance using them as yardsticks. But these indicators defy simple definition, and the formulae underlying them have varied across countries and over time. Particular choices have fundamental distributive consequences. This research agenda outlines how we might study macroeconomic indicators as powerful ideas and ask: why do we measure the economy the way we do? It illustrates the myriad ways in which macroeconomic indicators are embedded in contemporary social and political life, and it outlines how we can uncover both what power rests in these indicators and who has power over them. After path-breaking scholarship has demonstrated how consequential these indicators are, it is imperative to understand better which forces determine our choice for one indicator formula over its alternatives.

KEY WORDS GDP; ideas; macroeconomic indicators; political economy; power.

INTRODUCTION

We live in an age of numbers. Performance indicators and rankings pervade domestic politics. Not only economic policy, but also education, health care, public safety and environmental protection are governed through indicators and quantitative assessments. Policy-makers and politicians use indicators to design and assess policies, not least in comparison to other countries (Davis *et al.* 2012a; Fougner 2008; Krause Hansen and Mühlen-Schulte 2012; Krause Hansen and Porter 2012). Media outlets report growth or unemployment figures widely, stock markets jump or fall on their publication, and citizens use 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 (Cooley and Snyder 2015; Kelley and Simmons 2015).

Of the indicators that surround us, macroeconomic ones are the most prominent. They are anything but objective arbiters of economic performance, however. There are no self-evident formulae for economic growth, inflation, unemployment or public deficits.[1] How they should be calculated is deeply contested (Coyle 2014; Fioramonti 2013; Karabell 2014; Stiglitz *et al.* 2010), and

the choice for any particular formula benefits some citizens and hurts others. How we measure our economy also shapes policy choices (Gil and Levy 2013; Hirschman and Popp Berman 2014), and it buttresses or damages politicians' legitimacy in the eyes of citizens (*cf.* Soroka *et al.* 2015). Macroeconomic indicators are political both in their origins – the choices for or against particular formulas to calculate them – and in their consequences – their use in public policy and the debates surrounding it.

Considering these indicators' centrality in contemporary politics, political science in particular has paid too little attention to them. Neighbouring disciplines such as sociology (Hirschman and Popp Berman 2014), economic history (Desrosières 2000; Jerven 2012) and anthropology (Merry 2011) offer impressive insights about the origins of such indicators and their societal consequences. At the same time, important questions – including those frequently asked by students of politics – remain largely unanswered. Who wins and who loses from specific definitions of macroeconomic indicators? How do such definitions become institutionalized in government apparatuses? What explains variation in indicator composition and use between countries and over time? And what roles do actors such as central banks, finance ministries, international organizations, political parties, unions or employers' associations play in their design?

This article lays out an agenda for research in fruitful but hitherto underexplored terrain: the political economy of macroeconomic indicators. Drawing on other contributions to this collection, it conceptualizes macroeconomic indicators as powerful ideas. The open typology developed by Carstensen and Schmidt (2016) is particularly helpful, because it abandons obsolete distinctions between ideas and interests and encourages us to study ideas much more pragmatically (*cf.* Parsons 2016). It distinguishes between power *through*, *over* and *in* ideas, pointing to the different angles from which macroeconomic indicators should be analysed.

Macroeconomic indicators share important characteristics that set them apart from other indicators, such as those covering human rights or government transparency (e.g., Cooley and Snyder 2015). They are often directly linked to one another, for example when inflation statistics are used to derive real growth from nominal changes in the gross domestic product (GDP). Macroeconomic indicators are also jointly tied to economic theories and ideologies, for example in debates linking inflation to unemployment. And they often have direct distributive implications, as when public debt/GDP ratios are used to justify austerity. Notwithstanding intriguing questions about other indicators, these properties make it useful to study macroeconomic indicators as a cluster.

This contribution proceeds in four steps. The following section places macroeconomic indicators in contemporary scholarship about the power of ideas. It then illustrates what, from a political economy perspective, there is to be studied, drawing on four examples – GDP, the consumer price index (CPI), unemployment rates and public deficits. The subsequent section reviews extant literature, mostly from outside political science, that bears on these

questions. The penultimate section outlines more specifically what political science has to offer to the study of macroeconomic indicators, and the conclusion lays out how political economy scholarship more generally can benefit from this enterprise.

MACROECONOMIC INDICATORS AS POWERFUL IDEAS

Ideas are neither epiphenomenal to material conditions nor wholly detached from them (Beland 2009; Beland and Cox 2010; Blyth 2002; Broome and Seabrooke 2012; Carstensen 2011; Parsons 2007; Schmidt 2008). In line with the ambition of this collection, analysis therefore has to move beyond the simple claim that ideas behind macroeconomic indicators 'matter'. Tying ideas more directly to political science concerns, Carstensen and Schmidt (2016) link them to power. Their framework suggests that we should understand both how macroeconomic indicators 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 and power *through* ideas).

As power *in* ideas, indicators specify what counts as, for example, growth. When policy-makers and citizens accept these particular constructions of macroeconomic concepts, the ideas that inform them solidify power relations by legitimizing some courses of action and delegitimizing others. For example, many people might disagree that somebody who has given up looking for work after years of joblessness should no longer be considered unemployed. At least, they would recognize the political baggage of this categorization. In contrast, when newspapers publish unemployment figures based on that same definition, criticism remains muted. Unemployment becomes an objective property of people, not a politically loaded ascription (Baxandall 2002).

Power *in* macroeconomic indicators goes further, however, because distributional consequences of policy choices are then recast as purely technical. For example, GDP measures that hide environmental degradation benefit extractive industries and obstruct sustainability advocates. Institutionalizing a particular definition of a macroeconomic concept in an indicator gives that definition power, both because it becomes more consequential and because it elevates this definition to the universal one, obscuring that definitional choices had ever been made. Even if we remain agnostic about what citizens' 'real' interests are, the information they receive, 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). The naturalization of ideas through their institutionalization in policy devices is mirrored in modelling in public policy: Henriksen (2013) shows how neoliberal ideas had to be translated into actual policy models to alter the ideological orientation of Danish policies. Before then, the general 'attractiveness' of neoliberal thought may have found major resonance in newspaper columns, but exerted little influence on actual policy output.

Meaningful debate about macroeconomic indicators requires not only critical reflection on the *status quo*. We also have to unearth the genealogy of the powerful ideas that inform present-day calculations and ask who has power *over* ideas. If pressed, most practitioners and academics concede that macroeconomic indicators are contested constructs, not objective snapshots of economic reality. But in both academic and political practice, the figures thus produced are widely used nevertheless, normally without any disclaimers (Woods 2014). Understanding the politics underlying these indicators may thus help detect potential biases in research that uses them.

It is not clear *ex ante* how directly power *over* ideas and power *in* ideas are linked and whether those who define macroeconomic indicators are aware of the downstream consequences their choices have. The study of macroeconomic indicators as powerful ideas therefore requires a pragmatic approach (Johnson *et al.* 2013). In political practice, ideas are never monolithic and homogenous entities that are either embraced or institutionalized or not, just as power is not a homogeneous force that can be reduced to buttressing a simple ensemble of social relations, for example class relations (*cf.* Barnett and Duvall 2005). Ideas have different levels of abstraction, and they are repurposed and reinterpreted in different contexts (*cf.* Carstensen 2011). Inflation can serve as an example: as an abstract concept, it refers to a general increase in price levels in an economy. 'The economy' obviously is an arbitrary abstraction itself (Karabell 2014: 73ff; Mitchell 2002). So is the notion that there is a 'general', all-encompassing change in prices that has meaning beyond being an arbitrarily calculated average of observed price changes. Inflation is a central concept in economic theory and policy, even though its status – how 'real' the property is that it measures – remains contested.

The appreciation of inflation as a contestable concept does not exhaust the scope for analysis, however. We have to ask who determines how it is measured, and why. How are these particular measures used in society? To what degree are they contested? The answers to each of these questions will point to different power dynamics: in some instances, actors may be cognizant of the distributive implications of how inflation is calculated; in others, they may be ignorant of them. In short, inflation is not a singular force in society that could be described through by single theory. Its roles in politics and power relations only become tangible in concrete contexts, for example in wage bargaining, tax bracket determination or stock market analysis.

Comparing inflation to a tool such as a hammer illustrates this point. A hammer can be described through some rough properties (made of a handle and a heavy head), and these properties delimit its uses. But those uses still range from house-building to heinous murder. The actual use of a hammer thus depends on which kinds of hammers are available, what alternative tools there are, the aims and skills of the person wielding it, etc. There may also be restrictions on the production or design of hammers, or indeed on their use – think of carpenter guilds. 'A theory of hammers' in isolation could not tell us what actual work or damage is done with them. In contrast, a theory

of human dwelling construction would be fruitful, and it would surely feature hammers as an invention.

The same is true for the study of inflation and other macroeconomic indicators as powerful ideas. They matter because of their roles in real-world political processes, for example in monetary policy or investment behaviour. These roles vary, and their political effects may well be contradictory, for example by favouring different actors at different times. A pragmatic approach to the study of macroeconomic indicators thus opens up a wide field of study.

THE REAL-WORLD VARIATION AND CONSEQUENCES OF MACROECONOMIC INDICATORS

Students of politics are well-placed to reveal the political processes behind the codification of specific measurement formulae and their institutionalization in policy. Before I lay out alternative hunches about the forces at work, however, it is worthwhile to illustrate real-world variation for four prominent indicators, measuring economic growth, inflation, unemployment and public debts. Differences in calculation concern not only arcane mathematical procedures – for example, how to average out price changes – but also seemingly straightforward questions about what should be included or excluded in a particular measure.

Gross domestic product 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 to gauge the American capacity to churn out material goods – a pressing issue after the 1929 depression and during the Second World War. In the post-war years, it was redefined to include services, too, to capture the whole economy.

Even with that expansive definition, many activities have stayed in a grey area. Domestic work – for example, child rearing or cooking – remains excluded, even if these activities add to GDP when traded for money. This approach has systematically demeaned labour by women, who perform most domestic tasks (Waring 1999). Recent estimates see 'non-market household services' worth roughly 18 per cent of United States (US) GDP in 2009, down from about 30 per cent in 1965 (Bridgman *et al.* 2012: 28).[2] Include these services in GDP figures, and economic growth rates look less impressive because marketed services have partially *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 measures. Their contribution is often inferred from profits – 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 12.6 per cent of GDP among in the EU-27 in 2012 – has traditionally been included by equating their costs with their economic value. But education has

many indirect effects, muddying its contribution to GDP. Standing practice is arbitrary, and so are the resulting overall GDP figures, which make it hard to compare them across countries (Hartwig 2006). Other items that confound GDP measurement include natural resources (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. More recent criticisms have questioned GDP as a measure of societal welfare (Fioramonti 2013; Fleurbaey and Blanchet 2013; Méda 2009; Stiglitz *et al.* 2010).

Similar problems surface with other indicators. Official inflation figures commonly refer to countries' CPI. How that is calculated has changed over the years, however, and been hotly contested as well (Moati and Rochefort 2008; Stapleford 2009). The goods and services in the index have been adapted as consumption habits have changed. But whose consumption counts? Until the late 1970s, 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. In 1978, coverage was extended to all 'urban' households, but more than 10 per cent of the US population are still too 'rural' to have their consumption patterns sampled. Inflation measures differ not only in who they cover, but also in which expenses they include. Following European Union (EU) guidelines, the United Kingdom (UK) CPI, for example, excludes housing costs, even though these expenses constitute roughly 10 per cent of living costs, and much more for new entrants into the volatile real estate market.

Inflation calculation matters because many countries use it to determine annual increases in transfer payments. In 1995, a US Senate Advisory Committee estimated that the US CPI systematically overestimated inflation by 1 per cent, meaning that inflation-indexed transfers had risen by 1 per cent 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 suggested tying 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 to do not, such an indicator might assume that consumers switch to pears, so that their cost of living actually stays stable in spite of the price rise for apples. A 'chained' inflation indicators 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 about this 'technical fix', which was ultimately defeated.

The unemployment rate is a different kind of indicator but no less salient. It puts individuals in clearly demarcated categories: inside vs outside the labour force, and if inside, employed or not (Baxandall 2002). The definition of who counts as unemployed matters for multiple reasons: citizens pay close attention to trends in the unemployment rate, seeing it as a proxy for the job-loss risk they themselves face. The *perception* of unemployment trends is more important politically than actual joblessness. It therefore matters enormously which figures

are reported in the media (*cf.* Soroka *et al.* 2015). Also, unemployment is frequently tied to unemployment benefits, so that some people without jobs are eligible while others are not. And there is a normative dimension: the definition of unemployment codifies who can be *expected* to work, and hence who counts as unemployed if she does not (Baxandall 2002).

In 1982 the International Conference of Labour Statisticians penned a definition of unemployment that is still in use today. But the devil is in the detail. To count as unemployed, a person has to be actively looking for work. But what counts as 'actively looking for work'? In Canada, scanning job advertisements in newspapers traditionally fulfilled that criterion; US authorities considered that too passive. In consequence, Canadian statistics included many people who would have been excluded in the US. Had Canada had used the American methodology, its unemployment figures would have been a whole percentage point lower (Sorrentino 2000). Considering the political salience of labour market performance, such differences carry substantial significance.

As a final example, measures of public deficits are also less straightforward than published figures suggest. There is no global agreement about measurement formulae. Does national debt include state or municipal debts, or only those of the national or federal governments? How do measures value government liabilities, which may trade at a discount? How are pension liabilities treated? Depending on the method used, net-present value estimates of, for example, state pension liabilities in the US vary between $3.2 trillion and $4.43 trillion (Novy-Marx and Rauh 2011) – implying uncertainty over liabilities of more than $1.000 billion, largely invisible to citizens. How do these feature in debt statistics? And what about implicit guarantees, for example to public banks or state-owned enterprises? As governments answer these questions very differently, the resulting figures are often impossible to compare.

In the EU, the measurement of public deficits and debt has taken on particular urgency. The Copenhagen criteria for entering Economic and Monetary Union, and later the single currency, specified admissible debt-to-GDP ratios. Given the diversity of potential measures of public debt, it remains unclear why the EU has settled on a particular formula to calculate public debt instead of plausible alternatives. The Stability and Growth Pact has thus been political not only in the contestable levels of admissible debt that it specified, but also in which debt counted in the first place (*cf.* Matthijs 2016).

For all these examples, we have a poor understanding of the political origins of the formulae underlying the indicators, even if we appreciate how consequential they are. As this section has shown, the contexts in which macroeconomic indicators matter vary greatly, just as ideas more generally are not consistently powerful in the same way and the same degree. At the same time, this diversity of how and when ideas can be powerful makes past historiographic and social scientific research of great use when we embark on tackling such questions.

THE POLITICAL ECONOMY OF MACROECONOMIC MEASUREMENT: WHAT WE KNOW ALREADY

Statistics as government instruments have their roots in the 17th century (Desrosières 1993). Two centuries later, they blossomed first in France and the United Kingdom, and a little later in Germany and the United States. A probabilistic understanding of social phenomena won out over a deterministic one around 1900 (Hacking 1981), and the ground was prepared for statistics as tools to tackle the social problems arising from industrialization and urbanization. Statistics initially concentrated on tangible issues like infant mortality, but they soon buttressed a broader trend towards 'governance by numbers' and the proliferation of indicators more generally (*cf.* Scott 1998). The boost for indicators in macroeconomic policy in the 1930s and 1940s reflected practical exigencies. Disillusion with *laissez-faire* policy, Keynesian ideas about macroeconomic steering, and wartime planning spawned new policy instruments for economic management (Perlman and Marietta 2005; Suzuki 2003). Statistics were indispensable to make 'the economy' intelligible and legible. By the 1950s, macroeconomic indicators had become a central pillar of economic policy.

Criticism of indicators and statistics arose alongside their inception (Porter 1995). Sceptics argued that the categorization and homogenization of infinitely diverse units failed to do them justice and produced misleading insights (Desrosières [1993]; *cf.* Alonso and Starr [1987] about the US Census, Mitchell [2002]). Rather than enhancing transparency in governance, indicators could be used strategically to mislead publics and construct 'objective facts' where none existed (Irvine *et al.* 1979).

Much contemporary scholarship goes beyond broad claims about quantification of governance as a facet of (usually suspect) modernity. Who benefits from quantification, and how societies as a whole are affected, varies from case to case (Davis *et al.* 2012b). Ranking countries along their performance, for example, can produce contradictory effects: it can increase accountability of governments to a wider public and empower for example human rights non-governmental organizations (NGOs) (Kelley and Simmons 2015; Merry 2011), or it can increase the autonomy of international organizations (Clegg 2014). Even if an indicator is developed for a particular end, it may end up serving rival political projects (Block and Burns 1986).

Such variable effects, combined with varying measurement practices, lead us to search for the sources of cross-country variation. Large organizations dealing with statistics, for example the Organization for Economic Development and Co-operation (OECD) or the UK Office of National Statistics, often document such differences. They can be substantial: the US has historically included military spending in GDP calculation as an investment; most other countries have treated it as a government expenditure. In consequence, US GDP had been 'overstated' by 0.6 per cent (Lequiller and Blades 2006: 75). The Atkinson Report, commissioned by the UK government, revealed the problems around

measuring public services such as education and health care, which contribute significantly to GDP figures in the OECD (Atkinson 2004). When the UK switched to an alternative measurement, its annual growth rate sunk by roughly 0.25 per cent – about half the difference between the British and US growth performances at the time.

To capture evolution over time, historians and social scientists have zoomed in on particular indicators in particular countries, mostly in the OECD (Herrera's [2010] monograph on Russia is a rare exception). Studies include work on unemployment (Moon and Richardson 1985; Salais *et al.* 1986; Topalov 1994; Zimmermann 2006), inflation (Hayes 2011; Stapleford 2009), economic growth and GDP (Christophers 2012; Coyle 2014; Mitra-Kahn 2011), and public debt and deficits (Eisner and Pieper 1986). While rich in detail and inductive explanations, this work rarely takes a systematic comparative perspective.

As argued above, the on-the-ground politics of macroeconomic indicators as powerful ideas depend on the specific context. It would be preposterous to aim for a single, integrated 'theory of macroeconomic indicators'. That said, systematic comparison of indicators and their politics can show which drivers matter more and which ones less – 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. Systematic study of macroeconomic indicators can indicate to which degree dynamics that matter elsewhere in politics also matter here. Past research in other fields offers a wide range of leads.

POTENTIAL DRIVERS BEHIND THE EVOLUTION OF MACROECONOMIC INDICATORS

As is true for institutionalized ideas more generally (*cf.* Parsons 2016), the baseline assumption is that measurement models are path dependent and historically sticky. First mover countries such as the UK and France could be expected to stick to home-grown indicators (Desrosières 1993) under the influence of nationally idiosyncratic economic governance (e.g., Zysman 1983). GDP's ability to withstand long-standing criticism highlights such sticking power. Formula change may then simply reflect structural economic transformation, for example the rise of economic planning since the 1930s (Perlman and Marietta 2005) or the growing prominence of financial services (Christophers 2012).

At the same time, the technical nature of macroeconomic measurement suggests the importance of intellectual dynamics and embrace of new theories among isolated experts, for example in the Federal Statistical System (Bradburn and Fuqua 2010) or in the OECD, the International Labour Organization (ILO) or the United Nations Statistical Division (UNSD; Ward 2004). Inflation, for example, is both an abstract concept and a shorthand for the reading on a particular indicator, normally the consumer price index. It is

not a free-floating concept but tied to our theories about it; for example, how it influences employment, or which kind of inflation matters most for monetary policy. As economic theories evolve, we should expect formulae to measure inflation – whether, for example, real estate prices matter or not – to change with them.[3] Macroeconomic indicators, and the ideas that inform them, should then be understood in conjunction with other powerful ideas. Political economy accounts of the evolution of economic theory (e.g., Blyth 2002) and policy practice (Hall 2008; Henriksen 2013) could and should be extended to macroeconomic indicators as policy tools.

The evolution of measures may also mirror the interests of powerful societal actors. Politicians may opportunistically rejig growth or public deficit calculations to boost their re-election chances. Unions or employers may also matter. 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 (Baxandall 2002). 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 that contribution is contestable from a theoretical perspective.

Shifting from the country-level to international comparison, we find at least a partial alignment of formulae between countries. They may simply have converged owing to globalization, spawning correlation in measurement reforms without a direct causal link. Alternatively, countries may have copied formulae employed elsewhere, leading to the diffusion of measurement models (*cf.* Simmons and Elkins 2004). There is a role here for national statistical agencies, but also for central banks or finance ministries where inflation or public deficits are concerned. 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]).

Considering the political salience of macroeconomic measurements, surprisingly little scholarship has analysed these harmonization efforts. OECD-focused work has emphasized the harmonization of policies, not measurements (Clifton and Dias-Fuentes 2011). Harmonization scholarship more generally suggests two routes of explanation. A functionalist perspective expects governments to support harmonization when it promotes or is necessary for growing cross-border economic exchange (Abbott and Snidal 2001; Mattli and Büthe 2003). A constructivist perspective highlights the intellectual dynamics in technocratic international organizations, in which the common socialization of staff translates into national-level convergence (Broome and Seabrooke 2012; Stone 2001). Here, harmonization initiatives are not consciously set-up negotiations about common standards but measurement practices that trickle down from international organizations such as the International Conference of Labour

Statisticians. The competing hypotheses regarding the source of specific formulae as focal points follow directly: they may stem from conscious bargaining among stakeholders, in particular national governments, or emerge from technocratic expert deliberation – 'soft' harmonization (Stone 2001) – without overt government steering to secure specific outcomes.

The EU is a special case. Since 1953 Eurostat, its statistical agency, has collected statistical information about member states and promoted harmonization of statistical measures. At the same time, macroeconomic performance is integral to agreements between member states and especially eurozone members. The Stability and Growth Pact mandated year-on-year budget deficits below 3 per cent of GDP and government debt levels below 60 per cent of GDP; in 2011 it has been augmented by wide-ranging macroeconomic imbalances procedures. Such agreements 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 as focal points. The political history of macroeconomic measurement harmonization in European integration remains to be written.

BEYOND THE OECD

If systematic knowledge about the politics of macroeconomic measurement is thin concerning OECD member countries, it is even thinner for the rest of the world. Herrera's (2010) work on Russia and a recent issue of the *Canadian Journal of Development Studies* (volume 35, issue 1) are notable exceptions that buttress the case for more research in this area (*cf.* Jerven 2014). Many former 'developing countries' now eclipse more 'advanced' ones. Studying the global politics of macroeconomic indicators would fall short without venturing beyond the OECD, the traditional focus of much comparative political economy scholarship.

Colonial powers and governments of newly independent states have frequently institutionalized macroeconomic measurement systems that were ill-suited to local circumstances (Jerven 2012; Mitchell 2002). In consequence, they generated unreliable and misleading data (Jerven 2013), which development economists and international organizations have nevertheless used in research and policy design (Woods 2014). Such research often has immediate implications: the need for financial aid to highly indebted poor countries has traditionally been calculated through formulae that off-set public debt against GDP and other macroeconomic variables. How the latter have been calculated has therefore directly influenced the debt relief that creditors have granted (Hjertholm 2003).

Given the growing global prominence of non-OECD countries, their measurement politics can be expected to play larger roles in future harmonization efforts – for example, concerning the treatment of the informal sector or natural resource extraction in GDP. But their measurement politics may also differ from those in the traditional core of the global political economy.

Brazil, for example, has been part of structural adjustment programmes (SAPs) by the International Monetary Fund (IMF); the World Bank (WB) has been heavily involved in India. How about colonial legacies, for example across Africa (*cf.* Bonnecase 2014; Mitchell 2002)? The Chinese government intervenes heavily in the economy, but we do not know how and to what degree this is reflected in Chinese measurement formulae.

The literature concerning non-OECD countries is sparse – certainly in English. In the Chinese case, debate has concentrated on the plausibility of Chinese growth statistics, pinning sceptics (Holz 2004; Rawski 2001) against scholars who find reported figures convincing (Klein and Özmucur 2002). Similar questions have been asked about unemployment data (Solinger 2001). India has a long tradition of eminent statisticians, including Prasanta Chandra Mahalanobis, one of the two 'developing country' representatives at the Nuclear Statistical Commission (the forerunner of the UNSD [Ward 2004: 37ff]). Indian statistics long precede colonial times and, as a branch of applied mathematics, are well documented (e.g., Gosh *et al.* 1999), but Indian economic measurement practices are not. Scholarship on countries such as South Africa and Brazil is even thinner, although unemployment and inequality have triggered enormous discontent, with the question of how each of these is measured lurking just beneath the surface.

On the global level, the UNSD, the ILO, the IMF and the WB have attempted top–down harmonization of macroeconomic statistics (Ward 2004; *cf.* Fioramonti 2014). Their efforts matter greatly, not least because these indicators are central to how these organizations 'see' the world (Broome and Seabrooke 2012; Clegg 2014). Countries without indigenous measurement formulae may find templates imposed on them that are at odds with socioeconomic realities on the ground, whether they concern the nature of work, the informal sector or the functioning of the financial system. Still, the figures thus produced shape how international institutions and donors, as well as foreign and domestic investors, assess these countries.

Comparable to the OECD, we would expect the UNSD to have been a source of 'soft' harmonization driven by expert consensus (*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 leverage to demand policy change. As Broome (2012: 180) shows for Uzbekistan, the IMF does not always get its way, also concerning 'reliable' statistics. Even then, it remains unclear with how much urgency and with what agenda the Bretton Woods institutions promoted particular formulae. Macroeconomic data have been integral to designing SAPs and assessing progress and to WB 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; Broome 2012; Chwieroth 2009) suggests that ideas figure prominently in motivating its policies, it remains unclear whether this also holds for its practices of macroeconomic measurement. 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.

CONCLUSION

A wave of innovative recent scholarship has highlighted how feeble the foundations are on which apparently hard economic numbers rest. Once we accept that macroeconomic indicators deserve social-scientific attention because of their consequences, we have to understand the political origins of the formulae in use today. This article has outlined how we might take the questions raised by this work further, and how students of politics have an important role in that endeavour.

It will be useful to study these indicators as powerful, institutionalized ideas. This collection suggests a holistic view on ideas and power: it is interested both in how ideas become powerful (their origins and the political struggle over them) and how they exert their power once they are institutionalized. It overcomes a cleavage 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 between these two extremes, defying scholarly desires for neat categorizations.

This argues for a pragmatic approach, one that draws on empirics as much as conceptual discussions. We do not know, for example, to what degree policymakers are aware of the biases in the numbers they use. Do central bankers really ignore asset bubbles just because they do not figure in CPIs? And it is not clear whether those with power over indicators design them with an eye to their distributional consequences, or whether they are oblivious of them.

The research agenda outlined here can contribute to our bigger understanding of ideas in political economy. Macroeconomic indicators have two advantages as objects of study: they are pervasive; and the ample variation between indicators and countries can be exploited to further our understanding of how ideas in general evolve and become consequential. In addition, indicators are codified. In contrast to ideas such as austerity, which are hard to pin down in spite of their omnipresence, indicators are actually defined, and they have a history that we can trace in the archives of national statistical offices. They give us a useful anchor as we uncover the politics underlying them.

Much is at stake in that endeavour. When indicators stand so central in economic governance, societal deliberation can only be effective if we know what the numbers we use actually mean. Research along the lines outlined in this article 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, policymakers and citizens (Camargo 2009). Because macroeconomic indicators stand central in contemporary governance, a better understanding of them is

more than just an additional set of interesting case studies in political economy. After all, they feature everywhere in public and academic debate, too. Countless studies across the social sciences (including economics) use macroeconomic statistics as evidence. Understanding the political origins of macroeconomic indicators will help detect political bias in the published figures and the insights based on them.

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NOTES

1 The word 'formula' is a shorthand for the procedure to calculate a specific macroeconomic indicator, for example the consumer price index.
2 Stiglitz *et al.* (2010: 52) report much higher figures for the recent period, ranging from 30 per cent of GDP for the US to 40 per cent 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.
3 I owe this particular idea to Wes Widmaier.

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