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CHAPTER 2

ECONOMIC DISCOURSE

Does 'the economy' really exist?

Aims

- To show how 'the economy' is an historically and socially constructed idea
- To examine how a broader understanding of the economy blurs the distinction between economic and non-economic processes
- To understand how economic processes are represented in powerful ways.

2.1 Introduction

I got a job working construction, for the Johnstown company
But lately there ain't been much work, on account of the economy.
(Bruce Springsteen, The River, 1980)

Tonight, with a healthy, growing economy, with more Americans going back to work, with our nation an active force for good in the world – the state of our union is confident and strong.
(George W. Bush, State of the Union Address, 2005)

Bruce Springsteen and George W. Bush have about as little in common as any two wealthy, middle-aged, white men in America possibly could. There is, however, a subtext to the two quotes above which suggests that they share, along with most other people, a particular understanding of the power of 'the economy'. In Springsteen's ballad about growing up in a working-class town in America's rust belt, the economy is something outside of daily life, a force that has brought recession and despair to a locality and its people. Bush makes the same links between the economy and daily life, but also adds a set of adjectives about the economy – such as 'healthy', 'growing' and 'strong' – that are quite revealing. Each one implies that the economy is a body that can become stronger or weaker over time, can grow or shrink, and can be healthy or sick. In a sense, the economy is an 'entity' – perhaps organic, perhaps mechanical – but clearly something separate, distinct and identifiable. The sense that 'the economy' is 'out there' is common to both Bush and Springsteen, and to almost all other academic, political or popular discussion that we hear. What does it mean to understand the economy in this way? Why should we separate out particular aspects of our lives and label them 'economic'? And in doing so, what are we excluding? These are some of the questions that we will examine in this chapter. Therefore, just as Chapter 1 sought to unpack and explain what we mean by geography, this chapter examines what is implied by the economy.

The chapter starts by considering the conventional ways in which we understand the economy (Section 2.2). In particular, we note the assumptions that are commonly made about what the economy is, what it includes and excludes, and how it works. These assumptions lead to an understanding of the economy and economic processes that is quite partial and incomplete. In the next section (2.3) we show, however, that the way in which the economy is now understood is a surprisingly recent development. Even in the early twentieth century, just a few generations ago, the notion of an economic sphere was used quite differently. We will see that it was during a few crucial years in the mid-century that the economy as we know it today became embedded in the academic and popular imagination. Section 2.4 then examines what is excluded or ignored in conventional notions of the economy. This forms the basis for a broader interpretation of 'the economic' to include a variety of cultural, political and social processes, many of which cannot be given a monetary value and are conventionally ignored by mainstream economic analysis. The implication, in short, is that we need to have a less 'economic' understanding of the economy. This idea will underpin much of this book, as we explore the geographies of economic life as it is actually lived, rather than how it *should* be lived 'in theory'.

Underpinning this chapter is the idea that understanding the economy in the conventional way is a representation that is rooted in relationships of power. Power is needed to construct an imagination of the world in a particular way, and that imagination in turn perpetuates an existing set of power relations. In the final section of the chapter (Section 2.5) we illustrate this rather abstract idea through several examples of how economic processes of development and globalization are represented in the service of the powerful.

2.2 The Taken-for-granted Economy

It is a staple of our daily media diet to be informed about the state of the economy at various geographical scales – the local economy, the national

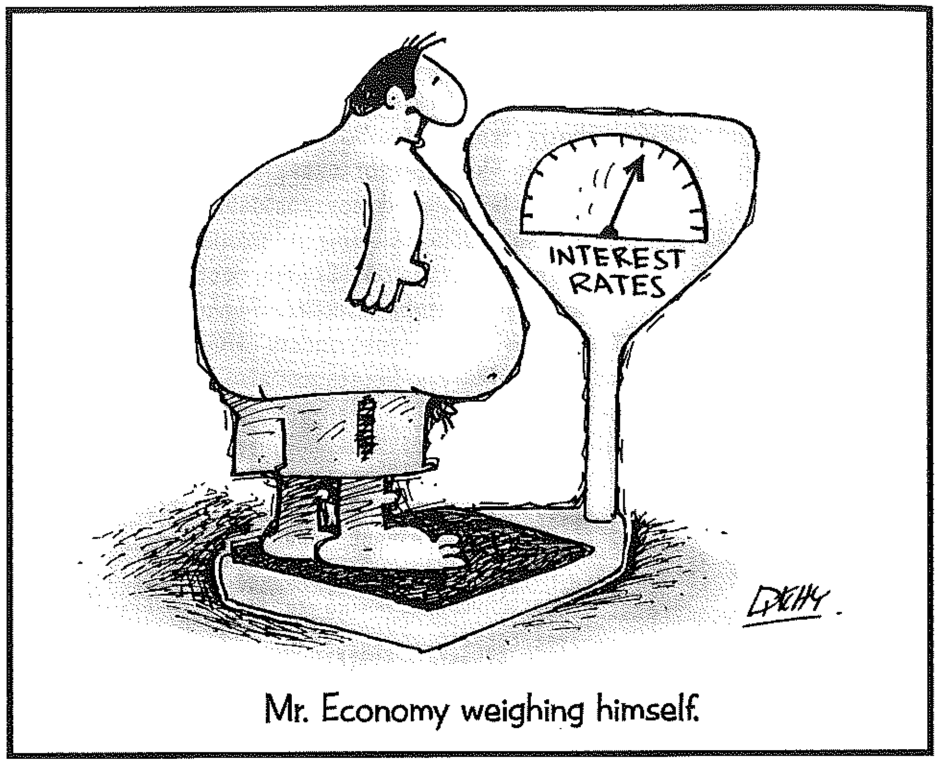

Figure 2.1 The economy as an organic entity
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economy, or the global economy. Political leaders describe their plans for the economy and take credit for making it grow. In 1992, Bill Clinton was elected President of the United States with the campaign slogan 'It's the Economy, Stupid!' – playing on a widespread perception that the (first) Bush administration had not competently managed the US economy and was failing to recognize the hardships faced by so many. But even beyond the rhetoric of electoral politics, 'the economy' is a notion that we constantly face as we digest the daily news. Major events – terrorist attacks, natural disasters, political tensions, and so on – are assessed in relation to their impact upon 'the economy'. A country's economy is assessed for signs of health or weakness, almost like a patient being diagnosed. Figure 2.1 illustrates this idea – an obese 'Mr Economy' is on the weighing scales and looks likely to push up interest rates due to his increasing size. Closely related, although a somewhat narrower concept, is the idea of 'the market' – most often used in relation to financial exchanges for bonds, shares, loans or foreign currency. The reaction of 'the market' to the news of the day, the prevailing sentiment or mood of 'the market', and the direction in which 'the market' is heading are all so commonly invoked in news reports that we barely stop to think about what the market, and its broader context, 'the economy', actually mean.

The collective lack of questioning that exists concerning 'the economy' perhaps reflects an assumption that it is such a solid and tangible 'thing' that its existence could hardly be in doubt. This sense of a tangible 'thing' out there is reinforced by the various ways in which the economy is defined and measured. Most commonly, this takes the form of gross domestic product (GDP), which adds together the total market value of production in a particular economy. The usual way of calculating this total is to combine recorded levels of expenditure of various kinds. Figure 2.2 summarizes the components of GDP. GDP is most often calculated for national economies, but figures are also sometimes quoted

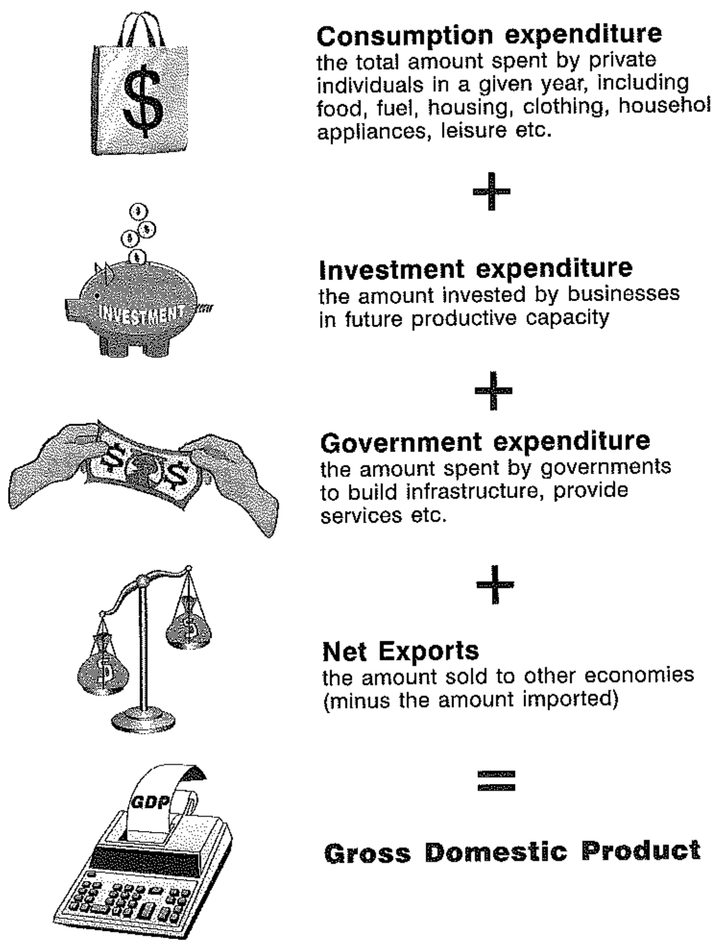

Figure 2.2 The components of gross domestic product

for sub-national units, such as states, provinces or regions, and also for supranational entities like the European Union.

Together, then, the components of GDP quantify all forms of production occurring within an economy in terms of the monetary value they are creating. This would appear to provide a degree of certainty about what constitutes the economy – it clearly consists of definable and real processes that can be seen, experienced, measured and perhaps even managed. But what does this semblance of certainty take for granted? What is left assumed and unexamined in this common-sense view of the economy?

In the first place we assume that we can unproblematically define what constitutes an economic 'act' or process, and what does not. This can lead to some odd conclusions. For example, if you drive or take a bus to your campus or to a place of work, then you have engaged in an economic act; but if you walk or ride a bicycle, then you have not. In one case, fuel bills and parking costs, or the price of a public transit ticket, have changed hands, but in the latter case the work of walking or cycling has been done outside of the formal monetary economy. Thus, in our accepted ways of understanding the economy, an economic act has not taken place. The conceptual boundaries we tend to place on the economy are therefore rather arbitrary. The 'economic', as it is usually understood, does not relate to the nature or purpose of the act being undertaken, but whether or not money changes hands. As we will see later in this book, the things that are excluded from the measurable economy often follow a pattern. In particular, unpaid work that is commonly done by women in the home is excluded, while work done for wages is counted in full. At the outset then, the economy as it is commonly understood could be viewed as a gendered concept (we will elaborate on this idea in Chapter 12).

The second assumption regarding the economy (one that will be explored further in Section 2.3) is that it lies outside of other dimensions of our lives. In this way, a lot is excluded: cultural processes in which we assign meanings to things and people; social relations in which we relate to family, friends, co-workers or neighbours; political processes in which we allocate and challenge power; or, environmental processes operating in the natural world. All of them are treated as having their own and quite separate operating logics. They are seen as connected with the economy, but only as external 'plug-ins' rather than as fundamental internal mechanisms. Geographers have increasingly questioned the separation of the economic from other dimensions of real life. In fact, a defining characteristic of recent approaches in economic geography, and much of what we discuss in this book, is a blurring of the boundaries between these various dimensions of lived experience and the economic processes that they intersect with.

A third taken-for-granted assumption is that the economy is some kind of collective mechanism outside of our individual control. This notion clearly underpins the words of Bruce Springsteen and George W. Bush in the quotes above. We know we are part of the economy, as workers or as consumers, but it is treated as an organism or a machine that is much bigger than any of us. Just as the cells in our bodies cannot *individually* affect, or even understand, the functioning of our bodies as whole, likewise individual economic actors cannot fully understand or affect the economy. Indeed, this metaphor, depicting the economy as some kind of organism, is quite widespread in popular understandings (hence the notion of a 'healthy', 'sick', or 'growing' economy). The implication, of course, is that while we are components of the economy, it is bigger than all of us. This is an important point, as it can easily lead to the assumption that the economy is outside of any kind of collective control – that is, it is something that controls *us* rather than the other way around. A classic *Time* Magazine cover, used several times from the 1950s to the 1980s illustrates this sense of uncontrollability, with 'the market' depicted as a rampaging bull – interestingly, however, in this case 'the market' appears to be divorced from 'the economy' (Figure 2.3). In reality, economic processes are the product of collective decisions that we make as economic actors (whether employees, employers or consumers), and which our political leaders make as economic managers – there is nothing mysterious or uncontrollable about them.

The fourth assumption is that the mechanisms keeping the economy functioning are ordered and rational. Individual producers and consumers are thought to behave in ways that maximize their satisfaction, wealth or enjoyment. Thus the individual is taken to be economically rational – behaving like the *homo economicus* described in Chapter 1. By aggregating all of these actions together it is assumed that we can identify the fundamental 'laws' that make the whole thing work. The most basic of these is the 'law' of supply and demand, suggesting that the market mechanism will naturally establish an equilibrium between buyers and sellers. It is assumed that, underlying economic processes, there is a set of structured logics that determine the direction that the economy will take. This is not necessarily to imply that every economic act is predictable, but it is to suggest that when aggregated together they will follow certain patterns. Importantly, it is also assumed that these processes will operate in the same way in all geographical contexts – that there will not be spatial variation in the fundamental 'laws' of economic life.

The fifth taken-for-granted assumption is that growth is good. A growing economy is considered 'healthy', 'robust', 'thriving'. Indeed, a growing economy is considered a necessity – new people, new resources, new efficiencies, new products, new wealth are all constantly needed. It would be unthinkable in most countries for a politician to mount an election campaign based on the idea that the economy is big enough or efficient enough already. Biological metaphors, of course, conveniently allow us to understand this kind of growth as an organic and natural process. But the separation of a 'healthy' economy from its environmental, cultural or social implications means that we often fail to take into account the full implications of a growing economy – not all of which are

Figure 2.3 The uncontrollable market as a raging bull
Source: *Time* Magazine © 1982 Time Inc. Reprinted by permission.

unambiguously healthy. If more people use their cars rather than walking, then the economy has grown, but the environmental, health and social consequences are far from positive. Even more bizarrely, if more people get involved in car accidents, resulting in repair bills, medical expenses and so on, then again the economy registers growth, even if the consequences are entirely negative.

Clearly, then, the taken-for-granted economy implies or assumes certain characteristics of economic life. As a result, a great deal is excluded from what we conventionally count as 'the economy'. In addition, the factors that are taken to be important in explaining economic behaviour are also framed very narrowly. The idea that economic processes are different from cultural or social processes, for example, immediately sets up a mental barrier to thinking about economic actions as simultaneously cultural or social. And yet, the act of selecting food, clothing, or any other product in a shop is clearly a *cultural* process, just as the working with other people in a place of employment is clearly a *social* performance. In short, the conventional understanding of the economy starts to unravel when we expose it to the realities of everyday 'economic' life.

In the rest of this chapter we will pursue two lines of argument that add substance to the idea that taken-for-granted notions of the economy need to be taken with a degree of scepticism. In the next section we will examine where and when, historically, our concept of the economy originates – thereby demonstrating that it is, in fact, a relatively recent idea. After that, we will explore some of the ways in which other dimensions of life are arbitrarily excluded when the economy is defined in narrow terms.

2.3 A Brief History of 'the Economy'

In the English-speaking world of the early eighteenth century, the word 'economy' would have referred to the management of a household. In the same way that today we use the word 'economize' to relate primarily to personal expenditures, two or three hundred years ago 'economy' was the practice of managing a family budget. In some contexts we still use the word in this sense. If we drive an 'economy'-sized car, or buy an 'economy' class air ticket, the implication in each case is that they are smaller and more frugal options.

The eighteenth century, however, was a period of rapid change, and its latter decades in particular marked the beginnings of the Industrial Revolution in England. Before then, when the production and use of goods and services were on a very small scale, there was little need to think about a set of economic processes that exceeded the scale of the family or household. In pre-industrial societies, most agricultural or craft production was for subsistence purposes, perhaps with some surplus paid to a feudal aristocrat or exchanged in local markets. The Industrial Revolution, however, saw Western Europe undergo significant changes in the nature of production and the social relations that surrounded it. In particular, larger-scale agricultural production emerged along with factory-based manufacturing. With production on a grander scale, and increasing levels of specialization, it was possible to think of a *division of labour* for the first time – in which different people carried out different tasks and were thereby dependent on each other for their needs (Buck-Morss, 1995). This had always been true in some senses – each village would have probably its own carpenter, blacksmith, etc., but the birth of the modern industrial era saw a greater degree of interdependence and specialization, and on a much larger scale.

It was this division of labour that Adam Smith famously identified in his book *The Wealth of Nations*, published in 1776. Using the example of a factory making pins, Smith showed that a group of people specializing in different stages of the manufacturing process could make pins far more quickly and efficiently than an individual craftsman carrying out every stage of the process himself. Smith's insights were, however, much broader than this. In his writing there was, for the first time, a sense that 'economy' concerned something larger

than the management of a household. It represented an integrated whole at the scale of a nation – a whole with many individual parts that worked together, albeit unknowingly, to create greater wealth for all. This interdependence was summarized in Smith's metaphor of the 'invisible hand'. By seeking only their own enrichment and advancement, individuals unconsciously benefited society as a whole in the process. In Smith's words, each individual is 'led by an invisible hand to promote an end which was no part of his intention' (1976: 477). Smith's ideas have since been used to justify an ideology in which the market mechanism is seen as universally beneficial and the most appropriate way of organizing society in all contexts. This is a rather partial reading of his perspective. At a broader level, Smith was perceptively identifying the interdependence that was being created by an emerging modern industrial society. By seeing 'economy' as fostering the wealth of nations rather than the management of households, he was pointing to the development of an integrated 'whole' in which people were participating as economic actors.

The analysis of national production and consumption, which Adam Smith developed, was known as *political economy*. It was essentially concerned with the management of resources at a national scale. In Britain, institutions such as the Bank of England and the London Stock Exchange were emerging at about the same time, and these provided an organizational basis for understanding economic processes on a larger scale. Economic processes were, then, by the early 1800s, understood as matters of national significance and not simply practices of household management. This was a significant step, but it is still some way from the notion of 'the economy' as we use the concept today, or as we saw it used in the opening quotes from George W. Bush and Bruce Springsteen.

To find the beginnings of 'the economy' being understood as a separate and distinct entity, we have to move forward to the end of the nineteenth century. Until that time, it was political economy in the tradition of Smith, and later the more radical version developed by Karl Marx (writing in the mid-nineteenth century), that generated understandings of collective production, consumption, trade and wealth in society. The late nineteenth century was, however, a period of profound change – scientifically, technologically and intellectually. European societies were expanding into colonial territories, large industrial cities were growing rapidly, and great strides were being made in fields such as electrical engineering, medicine, and the natural sciences. It was also during this period that modern economics, as a profession and an academic discipline, was being established (Mitchell, 1998).

From about the 1870s onwards, economists started to think less in terms of political economy – that is, the marshalling and management of national wealth – and more in terms of *individual* economic decisions. These could, in turn, be aggregated together in order to develop a model of how the economy as whole would work as a system. It was no coincidence that such thinking emerged at the same time as physics and chemistry were developing models of the natural world. Economists adopted very similar approaches and even used terminology that was borrowed from the physical sciences. Underlying the new field of physics was an understanding of energy as the unifying force that connected all matter and processes in the universe together. Economists found their equivalent in the concept of 'utility' – the notion that anything 'economic' could be measured in terms of its value or its usefulness. Like energy in physics, utility represented a common element in all economic transactions and rendered them comparable and quantifiable. With this basis for a unified understanding of economic processes, individual producers and consumers could be viewed as analogous to the predictable behaviour of atoms and molecules, and the economic processes they created could be likened to the forces and dynamics studied by physicists. Indeed, as noted earlier, the concepts that economists used to understand economic behaviour drew directly on physical processes – for example, equilibrium, stability, elasticity, inflation, and friction (Mitchell, 1998). These kinds of metaphors are still very much in use by economists (and just about everyone else) today, as noted in Box 2.1.

Box 2.1 Metaphors of economy

Metaphors are required any time we need to *reduce* something that is complicated and difficult to *grasp* into a more conceptually manageable *picture*. The fact that the previous sentence contains three (*italicized*) metaphors to make its point illustrates how often we have to resort to them. But these are relatively minor metaphors. Economics employs much bigger conceptual metaphors in trying to make the economy comprehensible. Conventionally, these have involved drawing upon the scientific language and models of physics and biology to represent economic processes.

Sometimes this draws upon the language of Newtonian physics to conceptualize economic processes as interactions of objects, flows, forces and waves. Some everyday examples illustrate this point: the market provides a *mechanism* for bringing together buyers and sellers and for allocating resources; the location of raw materials exerts a *gravitational* attraction upon producers; and, distance provides a *frictional* force preventing consumers from shopping in far-off places. Participants in the economy are therefore reduced to rational economic beings, obeying the 'laws' of economics, just as atoms obey the laws of physics. More complex understandings of the economy may also resort to physical metaphors, for example, when we talk about economic *cycles*, and *waves* of investment.

An even more *fertile* source of metaphors is found in biological processes. To talk of the *health* and *growth* of an economy is to represent it in terms of an organism or body. This metaphor is also found in ideas such as the *circulation*, *reproduction*, *herd instincts*, and the *contagion* of economic crises. Larger logics are also represented through biological metaphors, for example, when the market is seen as providing a process of *natural selection* in which only the *fittest* and *strongest* (by implication, the most efficient) will survive, and when crises are understood to *weed out* the least efficient producers. *Development* too is essentially a biological metaphor for understanding growth and change as a natural process, as in the maturing of a human body – we discuss this idea further in Section 2.4.

Clearly we cannot do away with metaphors. We will always need them to facilitate our thinking. But we do need to be aware of the implications of understanding economic processes by resorting to these images, as they will inevitably only partially 'fit' the context in which they are being applied. Thus, while in some circumstances it will be useful to think about economic actors as law-abiding 'atoms', it is easy to see that this will exclude much that is interesting in the economic world. More broadly, by transposing the 'laws of nature' onto the social world, we are closing off many possibilities of alternative thinking and alternative economic arrangements.

For these metaphors, drawn from the natural sciences, to be meaningful, it was necessary to make some quite significant assumptions about the behaviour of human economic actors. These assumptions are still largely applied in economics and were described in Chapter 1. Essentially, people had to be assumed to behave in a similarly rational and consistent manner in all circumstances. This rationality was based on maximizing their own economic rewards (or utility) – rewards that could be quantified and counted. Equipped with such assumptions, the early economists of the late nineteenth century could start to predict how different stimuli would affect economic behaviour. There began to emerge an understanding of the economy as not simply the management of national wealth, but as a system of inputs, outputs and decisions that occupied a realm of rationality and predictability – entirely separate from issues of government, culture and society.

Perhaps the most graphic illustration of this new perspective on the economy was provided by the American economist Irving Fisher. In his doctoral dissertation, completed in 1892, Fisher designed a mechanical model of an economy with an intricate system of water tanks, levers, pipes, pivots and stoppers. The following year, Fisher actually built the model and used it during his lectures at Yale University for several decades. By adjusting various flows and water levels, Fisher claimed that he had developed a predictive model of an economy which could be used to experiment with, and predict, the effects of various changes in market circumstances (Brainard and Scarf, 2005). Figure 2.4 provides a schematic diagram of the apparatus used by Fisher, and Figure 2.5 shows a more sophisticated apparatus that he built in 1925, to replace the first model.

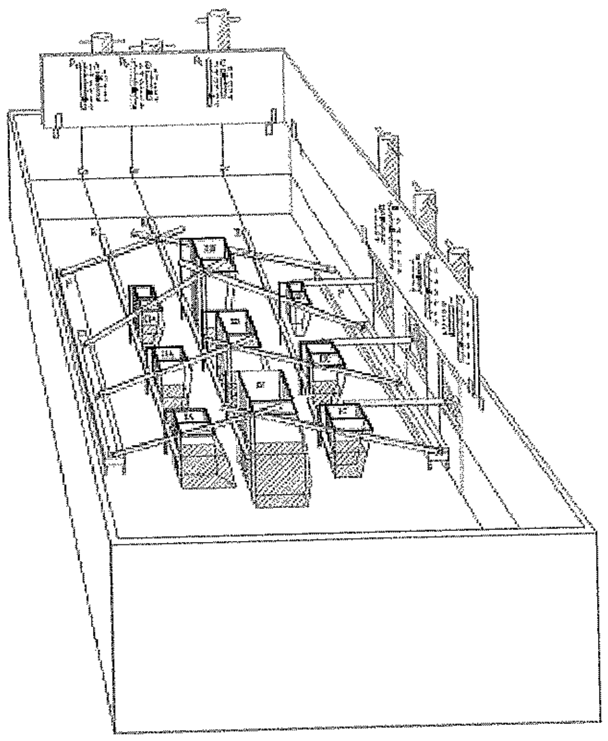

Figure 2.4 Irving Fisher's 'Economy' apparatus, as used in his lectures
Source: Brainard and Scarf (2005), Figure 5. With permission of Blackwell Publishing.

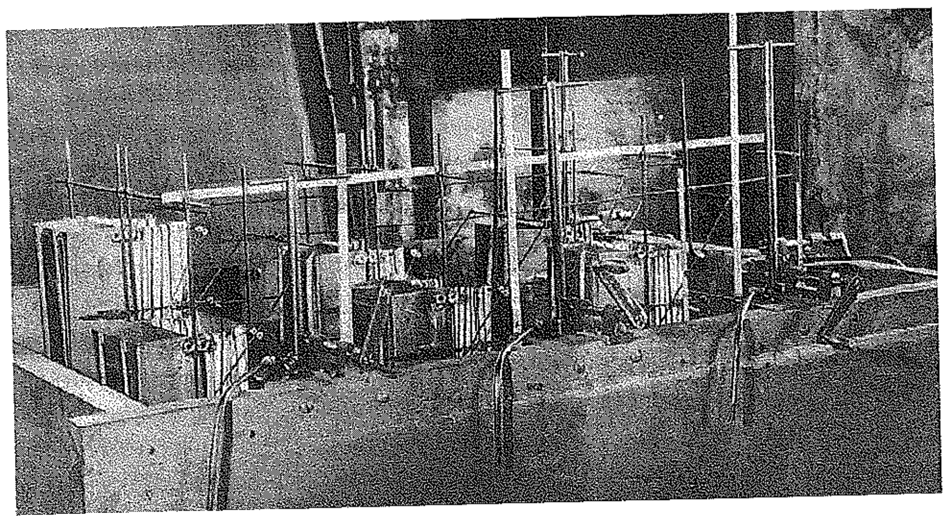

Figure 2.5 Irving Fisher's lecture hall apparatus, simulating the economy, c.1925
Source: Fisher (1925; ii).

While Fisher continued to experiment with mechanical analogies of the economy, others were developing mathematical models to study the economy as a coherent and logical entity. The 1930s, in particular, saw the emergence of *econometrics* as field of study in which complex mathematical techniques were used to capture economic processes. These models were important not just because of their sophistication and the appearance of mathematical scientific rigour that they gave to economics, but also because they enabled economists to go beyond the notion of the economy as a set of mechanical levers, tanks and pulleys. Models such as those constructed by Fisher could generate ever more complicated depictions of economic processes in the economy, but they were essentially static. They could not handle any kind of expansion in the economy as a whole, nor any kind of external change. What would happen if the water in Fisher's apparatus started to evaporate, or started to leak? Or if the tanks changed in size and number over time? Or if some kind of external shock disrupted the apparatus? Such a model could not accommodate these kinds of changes, but the mathematical versions being developed by the 1930s could analyse such dynamism. Growth and change in the economy *as a whole*, driven by both internal and external forces, could be the subject of analysis for the first time.

While econometrics delivered the analytical tools to study the economy as whole, the notion of national economic management was emerging at the same time. In his *General Theory of Employment, Interest and Money*, published in 1936, the British economist John Maynard Keynes established the idea that a national economy was a bounded and self-contained entity that could be managed using particular policy tools. These tools included controls over interest rates, price levels, and consumer demand. While Keynes developed his ideas before the Second World War, in a context of depression and unemployment, it wasn't until after the war that his ideas really took hold and governments started to engage in the kinds of economic management that he had advocated. For almost three decades from the 1940s until the early 1970s, Keynesianism was the orthodoxy of economic management in the industrialized, non-communist world.

It was, therefore, only by the 1940s, that 'the economy' as we know it today had emerged as a popular concept. The idea by that time implied several important features about economic processes, which correspond closely to the assumptions outlined in the previous section of this chapter:

1 The economy came to be seen as an *external sphere*, separate from the rest of our lives. Metaphors based on physical or biological processes greatly assisted in this conceptualization. When the economy is imagined as a machine or as an organism, it can more easily be seen as an external force bearing down upon us. In this way, it was possible to think about someone, or some place, being *affected by* the economy. Bruce Springsteen's lyrics,

which would have been unthinkable when 'economy' referred to household management or the stewardship of national wealth, could therefore only have been written in the second half of the twentieth century. Understanding *the* economy as a machine or organism also enables us to think of its health and robustness in the manner of George W. Bush's speech – again, an idea that would have seemed quite odd a century ago. The addition of the word 'the' to the word 'economy' is an important change that indicates this new meaning – while before 'economy' was an activity or an attitude, it is now a 'thing'.

2 Because of the notion that the economic sphere operates according to its own internal logics, it has become seen as *independent* of social, political and cultural processes. While political systems, ideologies and parties might vary across time and space, and while cultures and social practices might also display rich geographical variation, our understanding of the economic realm sees it as operating according to a separate and universal logic all of its own. While people may vary in their political, social and cultural arrangements and attitudes, the universality of economic rationality is seen as unchanging.
3 The economy, as it emerged in the 1940s, was primarily a concept that focused on the *national* scale. It was the national economy that was analysed and modelled using the new techniques and approaches developed in the 1930s. It was also in the 1940s that measurements of national economic well-being, such as Gross Domestic Product, were first developed. Imagining the economy as constituted at a national scale also allowed the global economy to be organized as an inter-*national* order. The institutions established in the 1940s, including the International Monetary Fund and the World Bank, were explicitly coalitions of national governments coming together in order to coordinate their economies.
4 Finally, the idea of a national economy as a machine that could be maintained and managed by government intervention introduced the notion that continual economic growth was not only possible, but it was the responsibility of *national governments* to deliver it. George W. Bush's heralding of a 'healthy, growing economy' echoes what politicians the world over are expected to deliver, but it is a relatively novel idea that is a product of the second half of the twentieth century.

We have seen, then, that much of what we take for granted in our notion of the economy is actually a set of ideas that are relatively recent. Out of the Industrial Revolution in Europe there emerged a sense of a national division of labour – a set of economic relations that constituted a sum of many parts. But it was not until the late nineteenth century that the idea of an economy as a regulated organism or mechanism started to emerge. It was as recently as the 1940s that this idea was widely adopted and started to become part of political rhetoric and popular understanding.

By examining the historical emergence of the idea of the economy in this way, we have also implicitly made an important point: *there is nothing natural or fundamental about the way in which we understand, measure and manage the economy*. Instead, current ways of thinking are a product of particular historical circumstances in particular places. Establishing this point liberates our thinking in a number of ways. First, it allows us to consider the aspects of life that are excluded from the economy and from economic analysis. Second, it allows us to think about how particular understandings of the economy, and of economic processes, might be more than just intellectual exercises. Rather, they might actually reflect and reinforce the interests of certain groups in society. In the next two sections of this chapter, we examine these possibilities.

2.4 Expanding the Economy beyond the Economic

We have seen that the economy was being re-imagined in the mid-twentieth century as a separate and identifiable entity. In the process, what counted as part of the economy, and what did not, was also being redefined. In the first instance, it was whether something *could* be counted that determined whether it *would* be counted. The rise of econometrics as the 'science' of economic processes meant that a phenomenon had to be quantifiable in order to be included in models of the economy. Thus, if an activity took place outside of the cash economy, or if a cash value could not readily be assigned to it, then it was not defined as an economic activity.

A careful examination of 'economic' processes reveals, however, that a great many take place outside of the formal, quantifiable economy. These activities have been likened to the submerged portion of an economic iceberg (Figure 2.6). Production for a market, using cash transactions, and waged labour in a capitalist firm, captures only a small part of how people actually produce and exchange resources of various kinds in their daily lives. In families, in cooperatives, in neighbourhoods, and in many other settings, people work, share and exchange in ways that are seldom recognized as formal economic processes. The effect of this neglect is not just to *mis*count the economy, but also to *dis*count the work of certain people. We noted earlier the way in which this can systematically exclude unpaid domestic work done primarily by women.

The mainstream view of the economic also has implications for groups with quite different economic cultures. For example, indigenous people in Canada, the United States, Australia and elsewhere often hold different views of property rights (Castree, 2004). While the modern Western view is that property can be

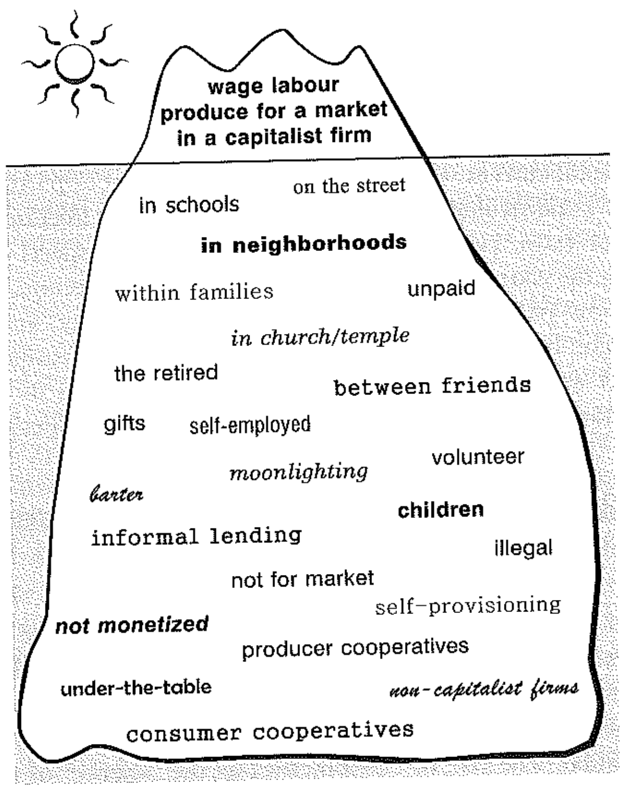

Figure 2.6 The economic iceberg and the submerged non-economy
Source: Gibson-Graham (2006: 70). Drawing by Ken Byrne. Reprinted by permission of the authors.

owned, bought and sold by individuals, in many indigenous cultures, individual ownership of this sort is an alien concept. Instead, the right to use the resources of the land or the sea are collective and no individual has the right to sell them – and yet indigenous groups have historically been pressured to do just that. Countless disputes over drilling rights, fishing licences and logging concessions around the world hinge, in part, on this difference, which Western companies have often done little to recognize.

We have also seen that beyond the need for quantification based on monetary exchange and property ownership, conventional approaches to the economy treat all other forms of human activity – such as social, cultural and political practices – as belonging to separate spheres, operating under different logics that are incommensurate with economic analysis. These other spheres might be considered as influences on the economy, or they might be seen as affected by the economy, but the idea that they are entirely separate still remains. As many of

the chapters in this book will show, however, economic processes are very much embedded in other forms of human (or environmental) interaction.

Nature, for example, is usually assumed to be outside of economic processes. Most everyday definitions of nature would present it as something unaffected by human interference. As we will suggest in Chapter 6, however, nature is very much bound up with economic processes. Not only does the natural environment experience the pollutants and side-effects of economic growth, but even 'untouched' nature is given a market value – for example through the tourism industry. Furthermore, natural resources (oil, gold, water, rubber, etc.) are themselves commodified and used as inputs in economic processes. Indeed, the economy is itself, in some ways, the process of transforming nature from one form to another – from rubber plantations to car tyres, or from buried diamonds into engagement rings. At every turn, then, the economy is also an environmental process – as input, as process, and as impact.

To take another example, labour markets are often assumed to match appropriate skills with appropriate jobs in a dispassionate and objective manner. As we will show in more detail in Chapters 12 and 13, however, gender and ethnicity often have profound effects on how individuals experience waged employment. Some jobs become associated with femininity and others with masculinity. In addition, some workplaces become highly masculine or feminine environments. Similarly, many urban labour markets show very clearly that processes of ethnic 'sorting' are happening, with various jobs being disproportionately held by certain groups of people. Gender and ethnicity are not, then, 'non-economic' factors. Instead, they are forms of identity through which economic resources are allocated. To put it the other way around, economic processes, such as labour markets, are one of the venues in which gender and ethnic identities are played out.

The sphere of the state is also very difficult to divorce from the economy. As we will show in Chapter 7, governments all over the world are intimately involved in the economic activities that occur within their borders. Indeed it is quite contradictory to depict the economy as a separate and distinct sphere, on the one hand, and yet to expect governments to manage and grow 'their' economies, on the other. In reality, the economic and the political are inseparable. What we refer to as 'the economy' could not exist without the institutions of the state to establish all the pre-conditions that are required for large-scale economic interdependency – education, healthcare, transportation, currency, and the law, to name just a few. And, of course, the state itself is an entity that is defined in large part by its powers over economic activities and the territorial extent of its economy.

Even businesses and consumers themselves, engaged in the 'pure' economic acts of buying, producing and selling are often guided by factors that fall outside the bounds of economic rationality, as we will show in Chapters 10 and 11. Consumers have a very subjective judgement of what a particular product or service is worth *to them*, and looking closely at these preferences soon leads us away from motivations based on maximizing utility or profit. Instead, many consumption decisions are based, in part, on the symbolic or cultural value that is embodied in a product, or perhaps (as we will suggest in Chapter 4) its ethical acceptability. The brand and model of motor vehicle that a person might buy, for example, could be a complex combination of quantitative calculations based on reliability, resale value, fuel efficiency and utility, alongside cultural concerns about what that vehicle 'says' about its owner, environmental concerns about emissions, or social concerns about the labour that produced it. Even the coins and notes that we use for everyday economic transactions, objects that we might expect to be 'economic' in the purest sense, have a strong cultural dimension. The contentious debates in European countries over joining a single currency (the Euro), and elsewhere over 'dollarization', illustrate the point that money itself is a cultural icon (Gilbert, 2005). The converse is also true, of course: places or objects that might be considered 'cultural' – such as Disneyland, a Parisian bistro, or a music download – are in fact economic enterprises.

In a variety of ways, then, the distinctions between the economic, the cultural, the political, etc. are quite arbitrary – processes or objects that are conventionally assigned to one sphere have significant implications in another. Indeed, it is the separation of these spheres that is problematic. To understand 'economic' processes it is necessary to place them in the broader context of which they are a part. As we have shown in this section, this will be a project that underpins the rest of this book.

2.5 Representing Economic Processes

So far, we have seen how the emergence of a notion of 'the economy' reflected circumstances in a particular place and time, and how that idea has shaped the way we see the world in very selective ways. What we have done, essentially, is to see the economy as a 'discourse' – that is, a set of explanations and understandings that powerfully shape the way we think about, and act in, the world (Box 2.2). In developing a discursive analysis of the economy, we have not only shown that our taken-for-granted understanding is a product of a particular historical and geographical context, but also that it is rooted in relationships of power. Whether it is the power of Western economic interests over colonized indigenous peoples, or the patriarchal power of men over women, defining the economy in a particular way has reinforced these unequal relationships. In this section, we pursue this point further, by exploring more explicitly the ways in which discourses of the economy both reflect and reinforce power. We do so by turning our attention to two economic processes that have been defining features of the world economy since the current understanding of 'the economy' emerged in the 1940s: 'development', which dominated discussions of global

Box 2.2 What is discourse?

A discourse is concerned with the entire package of techniques that we employ to conceptualize 'things', to order things and make them comprehensible to ourselves and others. 'The Order of Things' is, in fact, the title of a key text by the French philosopher Michel Foucault who contributed a great deal to our understanding of how language affects our conception of the world and thereby affects how we act in the world. Foucault was especially interested in how people can be represented in certain ways (for example, as criminals, as insane, as abnormal) using a range of language, technologies, and institutions.

To analyse a discourse, then, is to consider how our thinking on a particular subject is being shaped by the accepted vocabulary used, the ways in which expertise in the subject is constructed, and the ways in which the analysis of a particular phenomenon is institutionalized (that is, how ideas get embedded in the institutions that organize our lives – governments, laws, customs, religions, academic disciplines, etc.). The institutionalization of discourses is important because it highlights the fact that discourses are not the conscious creations of a single author, but are collective understanding that must be constantly recreated (or 'performed') in order to continue. Not just any discourse, however, succeeds in becoming dominant. Discourses reflect, and recreate, configurations of power. They reflect them, as only the powerful can construct inclusions and exclusions, the normal and the abnormal, according to their own requirements; but they also recreate power, as a discourse powerfully 'constitutes' and naturalizes the objects that it describes.

economic interdependence from the 1950s to the 1980s; and 'globalization', which has become the dominant discourse since then. In each case we will briefly suggest how these concepts can be seen as discourses that are rooted in power relationships, and which, in turn, reinforce unequal power in the global system.

Development

The idea that economies can develop, much as a body develops through various stages of maturity, is a widespread way of understanding the problems and solutions faced by 'less developed' or 'underdeveloped' parts of the world. But, like the economy itself, it is also a relatively recent way of thinking about these areas. While 'development' has its origins in eighteenth- and nineteenth-century ideas of progress, it was only after the Second World War that societies themselves came to be labelled in relation to this notion. In a famous speech in 1949, US President Harry Truman referred to 'undeveloped areas' of the world and the need to provide them with a 'fair deal'. This idea spread as most European and American colonies gained independence in the subsequent decades and their problems came to be seen as ones of underdevelopment rather than issues of colonial welfare. Organizations such as the International Bank for Reconstruction and Development (more commonly known as the World Bank) were established in the 1940s, thereby institutionalizing the issue of development. A field of expertise grew up around the issue that sought to identify policy solutions to poverty and underdevelopment. Development thus became a classic example of a discourse – a vocabulary, a set of institutions, and a field of technical expertise, were all established that imagined the world in a certain way, thus defining both problems and solutions (Escobar, 1994; Crush, 1995). Fostering development was turned into a technical exercise in economic planning.

Much, however, is taken for granted in this discourse. Most obviously, development discourse assumes that all economies can reach the state of being 'developed'. There is, therefore, little in orthodox development discourse to suggest that the developed world might actually *depend upon* the underdeveloped world for its comfortable standards of living (through processes of unfair trade, for example, as discussed in relation to Niger in Chapter 1). Development discourse thus obscures the interdependence of the global economy by reducing underdevelopment to a *national*-scale concern. A lack of development can then be presented as a product of poor management of the national economy. The implication is that if the correct policies were implemented, then a process of development would naturally follow. These policies have nearly always involved greater access for transnational corporations from the developed world to the resources, labour, or markets of 'underdeveloped countries'. Development discourse also assumes that Western capitalist modernity is the ultimate end-point to which all other societies should aspire. In other words, it is a Eurocentric model that celebrates one possible outcome of social change. Any deviations from that norm – for example, the alternative ideas about property rights noted earlier – are viewed as obstacles to development.

Development discourse is more than just a way of representing or conceptualizing things. It also has material impacts on people's lives. It has shaped the ways in which underdeveloped areas were 'treated' (and the medical metaphor here is quite appropriate). Solutions ranging from export processing zones to free trade agreements to infrastructure development for tourism, have all sought to pursue a particular concept of what progress and development should mean. But the discourse of development was also rooted in the geopolitics of the era in which it emerged. The Cold War of the 1950s and 1960s, which pitted the capitalist 'West' against the communist Soviet bloc, was an era in which the idea that economies could develop into wealthy capitalist societies was very useful. It isolated the problems of the Third World as internal policy deficiencies, and held out the West as a model of prosperity and stability to which such countries

could realistically aspire. When the American economist Walt Rostow published his celebrated book *The Stages of Economic Growth* in 1960, which outlined the requirements for Third World countries to achieve developed status, it was pointedly subtitled *A Non-Communist Manifesto*. Development is therefore a classic example of an economic discourse that both reflects and reinforces existing global power relations.

Globalization

Although development is still very much on the agenda, we are also now constantly bombarded with the concept of globalization. It is usually taken to mean the deepening and widening of trade and investment flows around the world so that more and more places are becoming increasingly integrated into economic processes that operate beyond the scale of the locality, the region, or the nation. It is, in short, about the reformulation of the scale at which economic processes operate. Whether one sits at the bargaining table negotiating free trade agreements, or at the barricades protesting against them, there is general agreement that an identifiable process of globalization is occurring and indeed that it is inevitable. The well-known economist Lester Thurow has articulated this point of view clearly:

> The key thing about globalization is that it is not caused by a government's decision to participate. Globalization is led by businesses that are scanning the world for the best place to produce and sell their products. This process is going to continue, no matter what governments decide. If we just let globalization happen, the pluses will probably exceed the minuses. We can make the minuses smaller if we start to think about shaping globalization, rather than just letting it happen.
>
> (Thurow, 2004)

In Thurow's view, then, globalization is an unregulated, almost natural, process in which businesses integrate their operations across the planet. This is a view that is commonly reproduced in political rhetoric, media analysis, and academic studies.

We can, however, examine this discourse critically and try to understand whether globalization really is 'out there', and whether it is actually as inevitable as Thurow and others suggest. Several contradictions in the 'globalization as inevitable' discourse start to appear. First, globalization is often presented as being both the cause and the outcome of a particular phenomenon – China opens up to global investment flows because of the requirement of a globalizing economy, but the outcome of this process is deepening globalization. In this way, globalization is presented as having both necessitated a policy, while at the same time having resulted from it (Cameron and Palan, 2004). Second, globalization is treated as an irresistible external force that operates outside of human control, and yet it is a phenomenon that is very much socially created.

When governments suggest that flows of trade must be made freer in order to respond to a global competitive environment, they are ignoring the extent to which that global competitive environment is a product of past decisions to liberalize trade regulations. Governments are thus the authors of, and not just responding to, globalization (see Chapter 7). In short, globalization discourse in some ways creates the phenomenon that it supposedly simply describes. The problem, therefore, with Thurow's statement is that businesses don't scan the world because it is somehow natural for them to do so, but because government regulations and technology permit them to do so. Finally, globalization is not just a set of uncontrollable processes 'out there' – it is also regulated and managed by a wide array of institutions. Thurow's suggestion that globalization should be 'shaped' is undoubtedly appropriate, but in fact every aspect of globalization is already being managed and regulated in a variety of ways. From international agreements covering global trade in particular commodities (see Chapter 4 on coffee, for example), to international standards covering business practices (for example, the International Accounting Standards Committee), to certifications for organic or 'fair trade' products, the globalization of trade is already the subject of intense regulation of various kinds. The key question is whose interests these existing regulatory frameworks serve – a question we will return to several times in this book.

2.6 Summary

In this chapter we have critically examined some of the most cherished assumptions that are employed when economic issues are discussed either in the popular media or in academic analysis. We have seen that 'the economy' is not quite such a natural and unproblematic concept as we might at first assume. It is, first of all, a notion that is of relatively recent origin and one that emerged in a particular historical and geographical context. This illustrates a wider point about knowledge in the social sciences – rather than tending towards an ever more complete understanding of how the world works, knowledge is a product of its time and place. What makes sense when we discuss the economy now is a reflection of the circumstances in which we find ourselves – a few generations ago, the concept had different connotations, and perhaps a few generations from now its meaning will have shifted again.

We have also seen one direction in which our understanding of the economy could usefully move. That is, to include within our definition the various forms of production, exchange and consumption that have been excluded by narrower interpretations. As we will see in subsequent chapters, there have already been attempts to do so, for example, by examining alternative forms of labour (Chapter 9) or by including unpaid domestic work in calculations of production (Chapter 12). But the economy can also be understood more broadly if assumptions concerning the independent logic of economic processes are relaxed. When cultural, environmental, social and political processes are recognized as both a basis and context for economic processes (and vice versa), then we can understand the economy as it is actually lived and experienced. As we will show in this book, much of contemporary economic geography is concerned with reuniting these separate spheres to create a more integrated understanding of how economic processes work.

Finally, we have seen the ways in which our narrow understandings of the economy are not simply products of a particular historical period. They are also products of power, in the sense that ideas about the economy that have held sway at any point in time have been a reflection of powerful interests. Furthermore, discourses of economic processes are themselves powerful – as we saw in the cases of 'development' and 'globalization', understanding the world in a certain way forms the basis for diagnosing and treating economic ailments.

Further reading

- Timothy Mitchell (1998, 2002) has written some excellent studies tracing the emergence of the economy as a concept, and examining the consequences of development discourse in Egypt.
- For early and perceptive discussions of the interface between economy and culture, see Thrift and Olds (1996), and Crang (1997). Castree (2004) provides an updated critique of this debate.
- Barnes (1996) and McCloskey (1998) examine the role of scientific metaphors in the concepts of economics. Kelly (2001) examines metaphors of economic crisis in Southeast Asia.
- For more on discourses of development, see Escobar (1994) and Crush (1995). For an excellent account of the discourse of globalization, see Cameron and Palan (2004).
- For an innovative analysis of the political implications of seeing the economy as a discursive construct, see Gibson-Graham (1996, 2006).

Sample essay questions

- Explain how, and why, the meaning of 'the economy' has changed over time.
- When we discuss 'the economy', what activities of production, exchange or consumption are usually included and excluded?
- Is it possible to understand economic processes without also understanding other dimensions of human society and the natural environment?
- Explain how metaphors shape our understanding of economic processes.

Resources for further learning

- http://www.cepa.newschool.edu/het/: the History of Economic Thought (HET) website at the New School University in New York provides some excellent materials on key economic thinkers and concepts.
- http://www.hdr.undp.org/hd/: the website of the United Nations Development Programme which calculates a Human Development Index that provides an alternative measure of progress beyond the narrow confines of GDP.
- http://www.communityeconomies.org/index.php: the website of the Community Economies project, which includes the geographers Julie Graham and Kathy Gibson, is involved in thinking about, and enacting, alternative models of 'the economy'.

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