

## Book Reviews

GDP: A Brief but Affectionate History. *By Diane Coyle*. Princeton: Princeton University Press, 2014. 159 pp. Figures, tables, notes, index. Cloth, \$19.95. ISBN: 978-0-691-15679-8.

doi:10.1017/S0007680514000816

Reviewed by Marcel Boumans

GDP, an abbreviation of Gross Domestic Product, measures the “size” of an “economy.” Notwithstanding how simple the phrase “size of an economy” may sound, trying to define what “size” and “economy” mean is enormously complicated and generates a multitude of new questions. Assuming that “size” indicates “performance,” it is still not obvious what kind of performance it means. Is it “wealth,” “welfare,” “well-being,” “happiness,” “production” or “product,” “output,” “income,” “economic success,” or “freedom and human capability”? And size of what? What kind of entity is indicated by the term “economy”—“nation,” “state,” “country,” “society,” or “inland”? Moreover, whatever is defined as “economy” changes continuously over time since it is a social entity. What we wish to measure is also not stable but context dependent; it depends on the social issues one is facing—war, depression, stagflation, poverty, or development.

Although GDP is a gigantic dizzying problem, Diane Coyle provides a wonderful, clear account of all the above complexities in more or less historical order. Hers is the first book that gives in a sufficient, concise way an understanding of one of the most important tools of economic policy. It is, however, not a history in the scholarly meaning of this term. GDP was “invented” in the 1940s as part of a “national account” system. Actually, such a general history of national accounts does not exist yet. It is revealing that Coyle uses a working paper on national accounts in the Netherlands (Frits Bos, MPRA paper no. 9387 [June 2008]) and an article on John Maynard Keynes’s involvement with the development of national accounts in Britain (Geoff Tily in *Review of Income and Wealth* [June 2009]) as two of her three main sources for her history. The third source is an unpublished but excellent doctoral thesis on the history of the conceptualization of an “economy” (Benjamin H. Mitra-Kahn, “Redefining the Economy: How the ‘Economy’ Was Invented, 1620,” [2011]). There is, however, a fourth relevant source, which Coyle does not use, namely an article on Richard Stone’s involvement with the development of national accounts in the U.S. (Flavio Comim

*Business History Review* 88 (Winter 2014): 799–851.

© 2014 The President and Fellows of Harvard College. ISSN 0007-6805; 2044-768X (Web).

in *History of Political Economy* [December 2001]). To my knowledge, these are all the existing histories related to GDP. A broad history of GDP or, more generally, of national accounts is still missing, though Coyle's book is certainly an important step in that direction and hopefully also an invitation to historians to write such a general history.

GDP is an "affectionate" account—not only of what GDP measures or doesn't, but also of what it should measure and how it should be adapted to make this possible. The first American GDP statistics, at that time called GNP, that is, Gross National Product, were published in 1942. GNP was a measure of production, permitting economists and politicians to see the economy's potential for war production. The difference with earlier national income statistics is that GDP represents a different view on government spending: It should not be subtracted from national income but instead be added to it. Keynes's *General Theory of Employment, Interest and Money* (1936) and his 1940 pamphlet *How to Pay for the War* influenced this shift of conception. Both works had already influenced the definition of GDP in the U.K., for which statistics were first published in 1941. This historical context is relevant for an understanding of what GDP actually is—namely, designed to measure an economy's potential for war production.

The original definition of GDP creates a measurement problem, called the "production boundary." What counts as economic product, and how does one measure it? Government expenditure should be included, as Keynes had suggested, but the services provided by government are not sold. How does one account for them when there are no market prices? There is a general consensus that household services should not be included, although including their value might add 50 percent to estimates of GDP, much more than the scale of the government contribution.

After World War II, GDP received a different role, as a measure of how much financial aid an economy needs for recovery and reconstruction. To receive aid, the Marshall Plan required that a country set up a national account system, so Western European countries and Japan decided to introduce this new measuring system. But, as a tool of the Marshall Plan, the system gradually became a performance measure with respect to "development" and "growth." And because a Cold War atmosphere dominated the immediate postwar period, GDP also became a tool to compare how well the countries on both sides of the Iron Curtain were doing. Somewhat later, GDP was also used as a tool to assess how much development aid an "underdeveloped" country needs, serving as a performance measure in non-Western countries. But international comparisons require universal standards, ignoring economic and cultural differences between, for example, the United States and

the Democratic Republic of Congo. In her history “Seeking Parts, Looking for Wholes” (*Histories of Scientific Observation* [2011]), Mary Morgan discusses various problems British economists were facing when implementing the British national account system in Central African countries.

A more recent problem with GDP is how well it accounts for technological innovation, in particular related to the computer, software, and Internet boom. As Robert Solow said pointedly, “You can see the computer age everywhere but in the productivity statistics” (p. 81). To paraphrase Galileo, GDP measures “productivity” by counting what is countable, measuring what is measurable, but what about intangible items such as innovation and invention? How does one make measurable what is not measurable?

*GDP* is a fascinating story about modern economics and economic policy. It is written so that it appeals to noneconomists but nevertheless addresses the more profound problems of economic performance and the central issues of economic policy. It is a must-read for any freshman in macroeconomics.

*Marcel Boumans is associate professor in history and methodology of economics at the University of Amsterdam and Erasmus University, Rotterdam. His current research interest concerns modeling and measurement practices in field science. He is the author of How Economists Model the World into Numbers (Routledge, 2005) and Science Outside the Laboratory (Oxford University Press, 2015).*

. . .

Sharing the Prize: The Economics of the Civil Rights Revolution in the American South. *By Gavin Wright.* Cambridge, Mass.: Belknap Press of Harvard University, 2013. xii + 353 pp. Tables, figures, maps, illustrations, bibliography, notes, index. Cloth, \$35.00. ISBN: 978-0-674-04933-8.

doi:10.1017/S0007680514000981

Reviewed by Jennifer Delton

In *Old South, New South* (1986), a now classic work of economic history, Gavin Wright argued that the South’s low-wage labor market kept the region economically backwards until the 1930s, when New Deal programs began to integrate the South into the national economy. In his recent book, *Sharing the Prize*, Wright argues that it wasn’t the New Deal that finally improved the economic lives of white and black southerners, but desegregation, which is to say, the Civil Rights movement and resulting legislation. Wright sees the Civil Rights movement as a social revolution from which both sides benefited; the prize was shared. It turned out that southern white economic interests were dependent on

Copyright of Business History Review is the property of President & Fellows of Harvard College and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.