book provides a wonderfully informative
guide.

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Measuring the wealth of nations. By ANWAR M.
SHAikh AND E. AHMET TONAK. Cambridge:
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The distinction emphasized by the classical
economists between production and nonpro-
duction activities has received increasing at-
tention in recent years among heterodox
economists (e.g., Wolff 1987; Moseley 1992).
Shaikh and Tonak’s long-awaited book is a
very important addition to this literature.

Their main contribution is to develop an
extremely detailed, consistent, and compre-
hensive alternative to the conventional input-
output tables and income and product ac-
counts, based on the classical distinction
between production and nonproduction ac-
tivities. Others have made attempts to derive
alternative estimates of the main value and
product measures based on this distinction
(including Wolff and Moseley), but no one
has succeeded to the same degree. Shaikh
and Tonak’s book is certain to become the
standard reference for further empirical work
in this tradition.

After an introductory chapter, which em-
phazizes the need for an alternative approach
to the measurement of national income and
product, Chapter 2 carefully lays out the
theoretical distinction between production
and nonproduction activities. Production ac-
tivities are those which result in the creation
of new use-values (not necessarily physical
goods). Nonproduction activities are those
which, however necessary to the functioning
of the overall economic system, nonetheless
do not result in the creation of additional use-
values. The two main types of nonproduction
activities are distribution activities which
transfer ownership of preexisting use-values
or titles or money (e.g., sales, rentals, adver-
tising, accounting, finance, etc.) and social
maintenance and reproduction activities
which protect the private property of
resources and maintain the social relations
based on this private ownership (e.g., mili-
tary, police, the judicial system, general gov-
ernment bureaucracy, private guards, etc.).

The authors argue that the classical econ-
omists were interested in this distinction be-
cause of its influence on the growth of na-
tions (a relative increase of nonproduction
activities reduces the rate of growth). It is
also shown that if these general definitions
are applied to the capitalist economy, they
 correspond to Marx’s concepts of productive
and unproductive labor.

Chapter 3 then describes in considerable
detail the estimation procedures used to con-
vert the conventional estimates of the main
aggregate measures of income and product
into alternative estimates based on this dis-
tinction. The main innovation is to explain in
step-by-step fashion the conversion of the
conventional input-output tables into alterna-
tive classical Marxian input-output tables.
The results at each stage are summarized in
helpful, consistent charts and in algebraic for-
mulations.

Chapter 4 presents a similar description of
the derivation of estimates of the same aggre-
gate measures in terms of Marxian labor-val-
ues, which is possible because of the use of
the comprehensive, double entry input-out-
put tables. The main advance over Wolff’s
previous estimates of these labor-value mag-
nitudes is to take into account that the con-
ventional input-output tables are constructed
in terms of producer prices, not final sales
prices. The labor-value estimates also make it
possible to calculate the rate of exploitation
for both production and nonproduction work-
ners. Chapters 4 and 5 are supplemented with
130 pages of appendices, which document in
exhaustive detail the sources and methods
used to derive the estimates. The appendices
provide many interesting insights for the spe-
cialist and also provide an excellent introd-
uction for interested newcomers to this field of
research.

Chapter 5 then presents the estimates de-

erived on the basis of these definitions and es-
timation procedures for the United States
economy from 1948 to 1989. The key result is
that the ratio of nonproduction to production
workers increased dramatically from 0.77 to
1.75, reflecting an enormous relative increase
of nonproduction activities. It is argued that
this relative increase of nonproduction labor
is the main cause of both the decline in the profit share (also emphasized by Moseley) and the productivity slowdown (also emphasized by Wolff) in the postwar U.S. economy. If this analysis is correct, then recovery of either the profit share or productivity in the years ahead is not very likely. Other significant results include: Marx's theory of the falling rate of profit is fully supported by these estimates; the "social wage" of production of workers was negative for most of the postwar period (i.e., production workers paid more in taxes than they received in government services); and the deviation of the price measures of the key aggregate variables from their labor-value measures was less than ten percent throughout this period, so that the infamous "transformation problem" in Marxian theory had almost no effect on the trends in these variables. This result is useful for other researchers in the field, because it means that for most purposes analyses can be based on the price data provided in the NIPAs, which is available on an annual basis and is more accessible than the more comprehensive data in the input-output tables.

Chapter 6 presents a thorough comparison of Shaikh and Tonak's estimates with prior empirical studies in this classical and Marxian tradition, which again is useful for further research in this field.

This book is obviously a "must read" for all those interested in heterodox empirical work, especially related to the classical-Marxian distinction between production and nonproduction activities. It should also be of interest to those who are dissatisfied with the conventional descriptions and explanations of the dynamics of the postwar U.S. economy (especially the conventional explanations of the decline of the profit share and the productivity slowdown) and who are seeking alternative explanations. This book is an excellent place to begin, especially for the serious scholar.

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REFERENCES


D Microeconomics


Can envy, status, malice, or benevolence be considered economic forces in the same way as income and prices? Is envy related to entrepreneurship and property rights, to innovation and market functioning? Is competition for status wasteful?

The last three chapters of the book by Back Choi are devoted to answering questions of this kind and to overcoming the embarrassment often felt by economists in dealing with agents' emotions and habits, their vices and virtues. Though opening this black box may be tempting, the usual protective move is to say that we have no model or paradigm to handle such things. Choi's early chapters aim at removing that defense.

Choi starts by analyzing the inner structure and steps of individual decision making. Decision making, in his view, is linked inextricably to the presence of genuine uncertainty, of unique, complex, and unpredictable events. We decide to end a situation of doubt or indeterminacy between us and our environment. It follows that every decision, and every related action, must have two structural elements: first, an idea or an understanding of the situation (a paradigm), and second, given this understanding, a process of search and selection for a course of action which seems to, but might not be, the best. "Paradigm seeking" conveys a sense of the dynamic and never perfected process of reasoning and handling doubts. Choi then elaborates a set of propositions and corollaries which are meant to organize and expand the behavioral consequences of this approach. For example, from the fact that prior to choice and action an understanding appropriate to the situation has to be provided (prop. 1), he infers that indi-