Genealogy of Macroeconomics: A sociological perspective

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The following paper is an attempt to reflect on the historical construction of a key object in modern economic analysis, the business cycle. In other social sciences, the leading concepts of the discipline have been exposed to a 'post-structural', deconstructive turn, marked by the strengthening of historical knowledge about the emergence of key problems and concepts. In economics, this task has been limited. On the one hand, economists themselves no longer read their history (Weintraub, 2002). On the other, social scientists from other disciplines have not yet fully explored the possibilities of a post-structuralist turn towards economic concepts. Certainly, there is a growing literature on the origins of 'the economy', and there is a literature tracing the emergence of an economic category, as well as critical studies that interrogate some of the normative and ethno-centric assumptions embedded in 19th century political economy. In the 20th century, economic historians and historians of science have been interested in the mathematization of economics. However, social scientists have not yet embarked on a study of the origins of the concepts and objects of economics in the same way that they have in other disciplines. This means that the tools that economists use to describe and think through some of their most important problems are under-scrutinized by critical sociologists. One disadvantage of this, I would argue, is a limitation of apparent technical solutions to the very grave social and environmental problems we face at the present moment. Because our description of the economy is dominated by concepts that present problems in a particular language, possible solutions are contained within this language, preventing us from addressing what the core problems truly are.

This paper presents a critical sociology of economics, a sociological approach to economic knowledge which attempts to broaden the possibilities open to the present by returning to the past to retrieve the contingencies against which certain problems were identified and codified at the origins of macroeconomics. As has been widely acknowledged, macroeconomics is a unique tool

in the social sciences, in that it is a form of technical knowledge that has become highly important to the state, and to state management of the economy. Thus, sociology must engage this body of knowledge as a practice, and not as a representation of economic life—as it too frequently does (cf. Bourdieu, 2005). It must also attempt to understand how economics constructed the technical apparatus that made possible state interventions in the economy, and understand how this apparatus has changed over time. I argue that the social background of class conflict and concern for the social condition of the unemployed was fundamental to the conceptualization of many of the objects of modern macroeconomics. However, in the course of the last half century, these objects have slowly been reconfigured, severing the implicit link between the social and the economic. In this paper, I will trace this history, and draw out the mode in which economics addressed the social, interrogating it as the source of many of our current ills.

The Cycle as a Normal Part of Business

While business cycles are taken for granted by most people today, at the beginning of the 20th century, they were much less so. Certainly, something akin to a business cycle was not entirely new in the early 20th century. The cyclical recurrence of economic crises had been well known at that point for several centuries. However, the early 20th century saw the emergence of a new discourse attempting to explain their causes, map their progression, and ultimately stabilize and control their recurrences. This literature often proclaimed its own novelty, marking itself off from previous scholarly work on economic crises.

As W.C. Mitchell pointed out in his then seminal work on business cycles (Mitchell, 1913), a serious attempt to frame a theory of business cycles began in 1825, on the occasion of the economic crisis of that year. The disagreements that arose over the cause of that crisis were never fully resolved, and multiplied significantly in future crises. Those debates usually centred on the 'abnormal' interference of some outside influence, which disturbed economic prosperity and

equilibrium: a war, a drought or a revolutionary invention (Mitchell 1913: 3). However, as the 19th century wore on, economic thinkers became increasingly preoccupied with the recurrence of crises. G.H. Hull noted that the industrial depression of 1872-78 was of such severity and duration that it stimulated the study of depressions to an extent never before achieved in a search for their causes (Hull, 1911, p. 16). For Hull, however, this early work still failed to recognise that depressions were a 'natural effect' of the new society. The need for a new view of economic depressions is what distinguishes the literature in the early 20th century. As Mitchell makes clear: "Crises are no longer treated as sudden catastrophes which interrupt the 'normal' course of business, as episodes which can be understood without investigation of the intervening years. On the contrary, the crisis is regarded as but the most dramatic and the briefest of the three phases of a business cycle prosperity, crisis and depression" (Mitchell, 1913: 5). This, Mitchell notes, is the 'modern' approach to crises—discussions of it came to take the form of theories of a business *cycle*.

The business cycle itself, it appears, came to be seen as an increasingly mundane and normal part of industrial economic life. As Morgan (1990) points out, it was only late in the 19th century that political economists came to focus upon economic fluctuations not as periodic crises—the result of some error or mistake on the part of economic actors—but as a regularly occurring event, associated with a recurrent cycle with specific stages: boom, crisis, depression. Distinctions between "crises" and "depression" were already being made by 1886 (Wright, 1886), and the literature on economic crises is replete with such distinctions in the first decade of the 20th century (Beveridge, 1910 [1909]; Veblen, 1904; Jones, 1900; Bouniatian, 1908; Fisher, 1911), indicating the conceptual shift towards a cyclical view of the economy, which did not easily fit into the classical divisions of the discipline of economics (Jones, 1900, pp. 11-12). Economics was developing a new, modern way of viewing its object, to which Mitchell again gave expression in 1923: "instead of a 'normal state' of business interrupted by the occasional crisis, men look for a continually changing state of business—continually changing in a fairly regular way" (Mitchell,

1923, p. 5). These regularities contrasted with the classical way of viewing the economy as the product of an auto-poetic, stable equilibrium.

What this shift in the discourse of crises meant was that rather than being conceived as an aberration that called for political intervention, the crisis was naturalized and represented as a normal part of a natural process. In this way, the scope for political intervention was at once amplified and diminished. It was amplified insofar as the object of problematization was shifted from the localized crisis to a continuous cycle. At the same time, however, it was diminished to the extent that this cyclical process was presented as a natural force that defied human intervention.

There was nothing particularly inevitable about seeing these cycles as a 'normal' feature of capitalism in the first decades of the 20th century, nor of conceiving the movement of these 'flows' in naturalised terms that de-socialized and de-politicized their effects. Karl Marx's *Capital* (1976 [1867]) paid close attention to the social relations implied by the logic of surplus extraction through the circulation of capital (C-M-C'), a process which tended towards over-production in a continuously cyclical fashion. While his attention was also on 'crises', he nonetheless demonstrated a clear understanding of the social relations underpinning the circulation of capital, and its tendency towards structural crises and destruction. This differed from cycle theory in important ways (particularly in its recognition of the tendency towards a falling rate of profit and the ultimate breakdown of capitalist production), and offers an alternative perspective with which to confront the problems of the cycle. Early on, Marxists and socialists had analytical tools with which to make sense of periodic capitalist crises, tools which drew attention to the social relations that underpinned these crises and to the internal logic of the capitalist process of accumulation.

Neoclassical political economy, by contrast, did not initially concentrate on internal laws of motion of the economy, preferring instead to explain 'crises' as the result of exogenous shocks, which were reflected in the price level as it reacted to re-establish equilibrium. One clear example of such work is that of William Stanley Jevons. In a theory to be much maligned by later

economists (cf. Jones, 1900: 14), Jevons, in the 1870s, attributed the business cycle to weather patterns, which in turn he attributed to sunspots (Morgan 1990: 18-26). Weather patterns, it appears, were frequently cited by theorists in the late 19th century as a possible cause of business cycles (cf. Wright, 1886; Mitchell, 1913). Again, this analytical representation of the economy as a product of natural forces separated it from any consideration of the malleability of its social relations. An additional problem with such theories, however, was that observations of economic rhythms did not always fit the observations of the weather (Hobson, 1969 [1910]). As Hobson pointed out with regards to Jevons, maxima and minima sunspots always occurred with precise regularity, whereas business cycles varied in duration and in recurrence. Nonetheless, such naturalistic explanations of the causes of cycles survived into the 20th century. Henry L. Moore also attempted to explain the business cycle through recurring weather cycles (Moore, 1914). Morgan, in her study of the statistical representation of business cycles, noted that Moore attempted to trace the causality of weather cycles back to movements of the planet Venus, as he searched for a 'single explanation' for the 'entire rhythm' (Morgan, 1990: 32; Moore, 1923). These attempts, however, lost popularity amongst professional economists, who, according to Morgan, were less receptive to its extra-economic explanation of business cycles (Morgan, 1990: 39).

The shift in the study of business cycles, from seeing them as endogenous rather than exogenous to modern industrial society, owed much to statistical studies of economic fluctuations, which initially were intended to discover the causes of crisis, and which eventually attempted to uncover repeating patterns in recurring cycles (Klein, 2001; Morgan, 2001). As Beveridge had pointed out, the fluctuations of the economy could be 'seen' in the bank rate, in foreign trade, in the marriage rate, in the consumption of beer, in numbers of crime and pauperism, in railway receipts, bankers' clearances, wages and prices (Beveridge, 1910: 38). One could see the movement of the economy over time by observing the shifting values of time series data. For Morgan (1990), this marked a move beyond merely observing the characteristics and causes of individual crises. Focus

on recurring crises attempted, according to Morgan, to find similarities in the causes of depressions, to aggregate and systematise them.

What is most remarkable about this move from a conceptual concentration on crises towards one of recurring cycles is its ontology of the economy. A cyclical view of recurring cycles implies that something within the nature of the industrial economy itself is responsible for its recurrent breakdowns and expansions. This was, in fact, Marx's position, and it clashes with the classical equilibrium view of the economy, which read disruptions as the result of exogenous factors, to which the price mechanism reacted. Once the factors leading to depression were seen as endogenous—due to the internal workings of the industrial system, or the structure of the market economy—bourgeois economics could elaborate a system for alleviating the severity of its swings.

The Social Question and the Business Cycle

Business cycle theory, however, did not come from nowhere. Its development at the beginning of the 20th century was tied to class conflict, social disorder and the social costs of depressions, which greater knowledge of the business cycle would be able to rectify or 'palliate.' The possibility of greater state intervention in the economy to rectify problems of involuntary cyclical unemployment and the poverty associated with depressions was hotly contested by paternalist forces attached to the system of private enterprise. These latter saw many of the same issues and problems as social reformers, however presented alternative solutions. Private charity was more effective than public provision at benefitting the poor and unemployed, and would be better suited to maintaining an able and effective workforce.

The human and social costs of fluctuations of economic activity were an important factor in attempts to understand and theorize the cycle (Wright, 1886; Jones, 1900; Hobson, 1969 [1910]; Beveridge, 1910). Indeed, the increasing interest in the business cycle by some economists clearly signals the rise of a new articulation of the social question, that is, the co-existence of masses of poor alongside the expansive productive capacity of modern industry. The business cycle addressed

itself in large part to the cyclically recurring impoverishment of workers who, during downturns, were unable to find work. Veblen (1904) uses the expression 'hard times' as a synonym for depression, in apparent reference to the subjective experiences of unemployment and poverty. May (1902) also noted the unemployment brought on by business crises in his work on the cycle. Hull was also keen to recognise the social costs of depressions, even though most of his analysis was on the liquidation of wealth. As he notes, "these years of depression have been attended by suffering and privation, through the enforced idleness of great numbers of breadwinners of the land..." (Hull, 1911: 12).

The emergence of a discourse of business cycles marked a specific orientation of economics towards the social problems of the economy, one which used medical metaphors to describe the possible contributions of economics to industrial society.[1] The business cycle approach engaged the causes of economic fluctuations with the intent of finding ways to alleviate their severity, and to mediate class conflict over capitalist production. While business cycles were clearly a normal and regular feature of industrial life, as noted above, they were just as clearly undesirable. Despite the fact that the negative effects of the cycle were often attributed to what Herbert Hoover called the 'evils' of speculation, over-expansion and inefficiency during boom times (Mitchell, 1923: vi)—in other words, to regular aspects of the boom side of business activity—it was often the downward side of the cycle which was problematised as a social 'malady'. At times, this malady was of a psychological character, which contributed to making depressions worse. As the first US Commissioner for Labor, Carroll D. Wright, argued, "an industrial depression is a mental and moral malady which seizes the public mind after the first influences of depression are materially or physically felt" (Wright, 1886: 290). Sometimes, the depression itself was considered a social ailment. G.H. Hull likened industrial depressions to a disease which humanity would have to learn to understand and contend against, just as it had with animal and agricultural diseases associated with past forms of economic organisation (Hull, 1911: 12).

In the face of the 'malady,' there appeared to be no sure sign of a 'cure', indeed, no consensus even as to the causes of the illness. No doubt, this is in part due to the lack of a clear theory of the business cycle, a theme that recurs in work well into the early decades of the 20th century (it is still commented upon as late as 1939 in Haberler's work *Prosperity and Depression*, commissioned by the League of Nations). Nonetheless, as early as 1886 Commissioner Wright was adamant that while there was no universal panacea, measures could and should be taken to mitigate the severity of depressions. These 'remedial methods', he noted, were possible by the reasonable acts of human beings, and often included reference to specific measures of government regulation (Wright, 1886: 292).[2] It is also clear that the government did take some measures, especially in the regulation of business, which was intended to smooth out the cycle. But it was recognized that other forms of alleviating the cycle were also needed.

In Beveridge's main work on unemployment (1910), the emphasis on the 'remarkable phenomenon' of economic 'fluctuations' was clearly articulated within a concern for the effects these had on labour. As he noted, "Cyclical fluctuation means discontinuity in the growth of the demand for labour" (Beveridge, 1910: 65). However, Beveridge's discussion of what to do about these fluctuations is not aimed at 'curing' them. Rather, as he stated, there can be "no cure for industrial fluctuations within the range of practical politics" (Beveridge, 1910: 67). Sticking to medical metaphors, Beveridge nonetheless asserted the need for 'palliation'—ostensibly measures to alleviate unemployment—without changing the system of production. 'Palliatives' was also the metaphor used by Hobson (1910) to describe measures which must be taken, and similar and sometimes rather specific measures for alleviating or stabilising the business cycle recur throughout the literature of the pre-war period. It is in this sense that business cycles are problematized in economics as objects of economic government. They cannot be cured by government, but they can be acted upon, and 'palliated'.

The cycle's consequences were framed primarily in terms of its effect on employment, and people's subjective experiences of hardship during depressions. At the same time, the social disruptions associated with economic fluctuations, for instance, unemployment, were increasingly seen primarily as economic problems (Tomlinson, 1981). Tomlinson draws particular attention to Beveridge's book on unemployment (Beveridge, 1910) which he argues was an important discursive expression of the transformation of what had been a social problem into an economic problem (Tomlinson, 1981: 74).

Government intervention in the market, thus, was intended to act on social problems which were emerging at that point in the political sphere. But there was an interesting pivot point within business cycle theory, which led towards the macroeconomic approach that dominates present day economic 'management.' While the business cycle was problematized in terms of its social costs, the cycle was often deemed to have distinctly economic causes. Thus, while the object of problematization may have been mainly social, the object of remediation was increasingly rendered in economic terms, so that the social problems of industrial capitalism are subsumed under economic categories. As Beveridge pointed out, the 'outward and visible signs' of depression may have been increases in unemployment, but the essence of the cycle was more clearly of an economic character: the inability of manufacturers to find markets at remunerative prices (Beveridge, 1910: 52). Likewise, Keynes's general theory began with a discussion of unemployment, however, the 'essence' of the business cycle was deemed to be the marginal efficiency of capital, the ability of investments to reap a return (Keynes, 1964 [1936]: 313-332). The implication was that it was possible to resolve the social problem of the economy by acting on what was perceived by economists to be its chief causes. Insofar as these causes were deemed to be natural and autopoetic economic fluctuations, the social relations of capitalist production remained hypostatised. Furthermore, because the method of social remediation was presented in the form of action on the economy, the mediation of social relations under mature capitalism came to be

encased in the construction of technical tools which served primarily to stabilize economic fluctuations. The ultimate ends of this stability, while oriented towards the social in much business cycle theory, were easily confused with stabilizing the background of rational economic calculation on the part of economic actors, particularly as the cycle was made visible to both the state and individual economic actors.

Stabilizing the Cycle

Business cycle theory developed a series of tools to stabilize the cycle and prevent it from ruining business and disrupting industrial society. In this way, economics attempted to improve the economy, not merely to represent it. Economists hoped that as they developed their ability to measure and quantify elements of the business cycle and statistically represent economic flows in the opening decades of the 20th century, they might provide tools to business and to the state that would contribute to a more stable economy.

Against the backdrop of labour militancy, business leaders attempted to develop tools that would alleviate the cycle without enhancing the state's role in the economy, and which deliberately sought to marginalize the role of the state in mediating class tensions. The most popular early version of statistical representation of business cycles in Western Europe and North America was the 'business barometer' pioneered principally by business economists inimical to state involvement in the economy. While it was often assumed that government could configure the proper regulatory framework (cf. Wright, 1886; Mitchell, 1913: 585-6) or provide structural reforms that would smooth out the cycle (cf. Johannsen, 1908), much of the role assigned to government by non-socialist economists in the early 20th century, seems to have focused on gathering a centralised and reliable source of business statistics which would make the cycle of the economy more transparent.

From this perspective, the state's role, particularly in the United States, was limited to

providing useful information that would enable private economic actors to optimize their decision-making. As Carver pointed out, the periodicity of depressions “can only be removed by such a complete knowledge and understanding of the situation as would enable the business world to foresee the tendencies and take measures to overcome them” (Carver, 1903: 499). The business barometer approach was, in many respects, an alternative to socialist planning, one that attempted to alleviate the fluctuations of the cycle without disrupting the capitalist mode of production. Hull (1911) argued for the creation of ‘business barometers’ published by the government, which would make the future demand for construction materials visible to suppliers. This would have the effect of reducing excessive production, of better coordinating adequate supply of materials and would thereby alleviate the extremes of the cycle.

Mitchell had a similar view of collecting better business statistics: “progress lies in the direction of bettering our forecasts of business conditions. For when coming troubles are foreseen they may be mitigated often, and sometimes averted” (Mitchell, 1913: 588). Indeed, as an early report of the National Bureau of Economic Research pointed out, making the cycle more visible to capitalists themselves was often sufficient to adduce more cautious behaviour. As the report states, “recognition of the importance of economic research and the interpretation of economic facts would be the beginning of better control of business conditions by business men” (Mitchell, 1923: xxiii). This was Secretary Herbert Hoover’s iteration as well in his forward to the same report: “the enlargement of judgment in individual business men as to the trend of business and consequent widened vision as to approaching dangers will greatly contribute to stability, and [...] the necessary information upon which such judgments can be based must be systematically recruited and distributed” (Mitchell, 1923: vi).

In the 1930s, when macroeconomics was beginning to emerge, Friedrich Hayek continued to triumph a very similar approach. The purpose of making the cycle visible through statistical measurement was only to provide a tool for the private calculations of individual business agents

(Hayek, 1966 [1933]). A large measure of more conservative approaches, thus, aimed to alleviate the fluctuations of the cycle principally by acting on the excesses of booms. This would be achieved, it was hoped, by moderating the economic decisions of investors and capitalists, which would have the effect of stabilizing the swings of the cycle and alleviating depressions. This was the main orientation of the business barometer approach to the cycle. It was a new mode of governing economic life, an extension of the social philosophy of *laissez-faire*.

Business barometers operated principally by 'extracting regularities' from the mass of fluctuating business numbers. This often took the form of time-series, which show a simple correlation between two variables (cf. Hull, 1911). Sometimes they consisted of comparisons composed of an aggregation of several different time-series numbers. Business performance, thus, could be visualised by comparing present prices or values of interest rates with the fluctuations in past values arrayed over a period of time. In this way, the business barometer could serve as a guide to the business cycle. As Morgan notes, "[t]hough not shaped by strong principles, such time-series indicators have become one of the more well-used measuring instruments in twentieth-century economic life. Just as those who own a barometer read it on their way out the door, business people, investors, government ministers, and their economic advisors check the leading and lagging indicators of the economy to see where it is heading" (Morgan, 2001: 246). Visualising the flow was a key component of rational business calculations, much as it is today.

Until the 1930s, the role ascribed to the state in the US was mainly to help make the economy more transparent to the actors within it. As N.I. Stone noted in his chapter on the stabilisation of textile production, "all that the individual business firm, no matter how large it may be, can hope to accomplish is to adapt itself to the course of the business cycle, so as to take advantage of the variations in prices and in volume of business, instead of being a helpless victim of what have seemed until now blind, unfathomable and uncontrollable economic forces" (Mitchell, 1923, p. 133). So while government was not expected to act to 'control' economic forces,

capitalists—through greater knowledge of their workings—could prepare for the swings of the economic cycle, and thereby perhaps avoid some of their worst effects.

State Control of the Cycle

Business barometers, however, were not the only devices that quantified the flows of the cycle, and given their failure to predict the Great Depression, there was evident need for a more precise theory of the cycle, which spawned a great deal of work through the League of Nations within the ambit of econometrics (Tinbergen, 1939) and business cycle theory (Haberler, 1939). This work formed part of coordinated attempts to find tools with which the state might alleviate the social problems associated with the Great Depression. These attempts to statistically account for the movement of the business cycle rendered the economy amenable to greater administrative control by the state. However, it did so in a new mode, one that privileged intervention to optimize the fluctuations of economic cycles. Political contestation over the government of the economy could, thus, be contained within an expert discourse that conceived of its object as a force of nature.

A number of new devices were advanced in the 1930s that enhanced the state's ability to act in the economy, notably econometrics (cf. Frisch, 1933; Schumpeter, 1933; Tinbergen, 1935, 1938) and national income accounting. Economic sociologists should pay greater attention to the constitution and emergence of these devices, asking what problems they were designed to solve, and to what ends they were directed. This has the effect of demonstrating the social contingency of economic knowledge, and politicizes it in ways that may be useful to current political programmes for reforming economic government. National income accounting and econometrics rendered the economy intelligible in such a way as to make certain types of intervention in the economy possible, and which has formed the basis of rational, expert attempts to manage the economy since the end of World War II.

The concept of national income traces its origins as far back as the 16th century (Studenski, 1958; Kendrick, 1970), however, it only came together in its modern form in the 1930s, presenting the economy as an object of intervention in such a way as to permit state mediation of capitalism. The expansion of statistical representations of the economy owed a great deal to the experience of economic management during World War I (Carson, 1975; Patinkin, 1976), however, it was also presented as a new tool for better analyzing and regulating the business cycle (cf. Clark, 1937; Kuznets, 1941, p. xxvi). The accounts made the cycle visible in a new way. As Simon Kuznets—the pioneer of national income accounting in the US—pointed out, the movements of the national product reflected 'fairly clearly' the cyclical fluctuations of the country's economic activity (Kuznets, 1937, p. 59). Integrated into the budget process of the UK only in 1941, the accounts were marked as a new tool, enabling a more rational and expansive use of budget policy. As Nicholas Kaldor noted, "the regular publication of [national income estimates] would stimulate both Government and Parliament to look upon the stability of the National Income, rather than the conventional and narrowly financial standards, as the true criterion of government policy; to regard the movements of national expenditure, and not merely the expenditure of public departments, as within their province" (Kaldor, 1941, p. 181). National Income didn't merely represent the accounts of the nation, but more importantly, it provided tools so that the economy could be governed differently, in accordance with a new form of rationality that focused on stabilizing quantitatively measured flows, rather than deductive notions of equilibrium.

While previous measurements of national income were intended as comparative measurements of national wealth, or for administrative purposes of taxation, the new national accounting intended to visualize the economy in such a way as to make possible administrative intervention to optimize or maximize specific economic variables in order to alleviate fluctuations of the business cycle. The estimates provided a breakdown of income over particular parts of the economy, making it possible to analyze the magnitudes of significant areas in the economic system,

and to view the relation of these magnitudes to one another as they changed over time (Kuznets, 1937, p. 1). The demand for more effective counter-cyclical policies and the pressures of war (World War II and then the Cold War) accelerated the accumulation of quantitative data of the economy by the state (Kendrick, 1970, p. 285, p. 306). Following World War II, the device was promoted for use by the United Nations for purposes of reconstruction and economic development (Studenski, 1958).

The increased visibility of the economy through mechanisms such as national income accounting solidified a new ontology of the economy, thereby changing the way in which the economy could be acted upon. Prior to Keynes's *General Theory* and the application of counter-cyclical economic policies, economists first had to conceive of an economy upon which these types of actions were permissible. Rather than merely watching the movement of variables, as business barometers had done, national income accounting measured the relation between national income and the movements of other economic variables, such as consumer spending, investment and asset formation, savings and government revenue and expenditure. As Stone pointed out, "most of the effort that has been put into this whole subject since the war began has been directed to a satisfactory workable integration of all these magnitudes into a single picture of economic change and in tracing their relationships to one another and to the different parts of the economy from which they arise" (Stone, 1951, p. 83). Combined with econometric forecasting, the state gained a measure of control over the economy that allowed it to optimize fluctuations of key economic variables (growth, inflation, employment, investment, and so on).

An economy composed of quantitative data expressing the various components (sectoral, distributional, regional) of the economic system, presented a picture of the economy quite different from any that existed prior to the quantitative period. The 'economy' was no longer an amorphous entity, but an actual relation of different statistical figures, that could be pointed to, and whose movements and fluctuations could be visualized, analyzed and forecasted using quantitative

research methods. Deductive equilibrium analysis was giving way to a more empirical project aimed at making movements to and from equilibrium visible, and therefore actionable. Furthermore, the 'economy of quantities' of the late 1930s and 1940s (the economy that became the object of Keynes's new demand management techniques) was quite different from the one accessible to early 20th century business cycle theory. Whereas earlier cycle theory attempted, in the main, to provide tools that would render the cycle's flows more transparent to private economic actors, an economy of quantities collected and tabulated by the state could suggest scientifically tested ways of influencing the level of output in the economy (the maximization of which was the principal form of 20th century mediation of the social problems of mature industrial capitalism). These representations of the economy, thus, did not merely reflect the reality of the economy, but more importantly, they made a new type of economy possible, one in which the state operates to optimize economic performance. Despite a supposed neoclassical 'counter-revolution' in the 1970s, it is important to note that this aspect of economic government has not changed. State institutions continue to intervene to optimize economic flows, not merely through regulation, but also by use of policy instruments, such as the manipulation of interest rates.

Conclusion: Economics and the Subsumption of the Social

Economists rarely consider the sociological and political import of the transformation that this new form of knowledge. Most importantly, cycle theory transformed social problems into economic problems, representing the causes of these latter as relating to a new object, the business cycle, which could be fixed, or stabilized by acting principally on the economic realm. This was the project of Keynesianism, which operated on the economy in order to provide a cohesive social order, in which all members were, to some degree, assured a measure of employment at reasonable wages.

In the process, however, economics defined its task as a technical one, tied to optimizing

and stabilizing the flows of the business cycle. So long as the ends of stabilizing the cycle were tied to maximizing employment, the link that connected the economic logic of economics to the social problems it promised to address was left intact. However, because the objective of macroeconomics was to stabilize the cycle, the background against which private entrepreneurs calculated about the future, this link was vulnerable to new objects and new concerns, which would displace the social, and focus the task of macroeconomic management more firmly on the simple, technical task of optimizing the economy. This eventually took place after the decade of stagflation in the 1970s. The result is that today, marcoeconomic management is cut off from the social problems that once animated its search to make the business cycle more visible, more controllable. In the absence of a more profound epistemological critique of the foundations of economic knowledge, macroeconomics will remain more fixated on this technical task than the social issues that are of greater urgency today than at any time in the last two or three generations. Indeed, it may well be that the object of macroeconomics, the business cycle, no longer corresponds to the major social problems of the present moment—the growing gap between rich and poor, which by all accounts, has become a greater problem in the last generation in many OECD countries, as it has between these countries and those ‘underdeveloped’ or poor countries of the Global South. While the social was subsumed in economic knowledge, it is having its revenge in the real world.

Notes

[1] Medical metaphors appear to capture something of the dream of economists still today. For an example in development economics, see Jeffrey Sachs, *The End of Poverty* (2005).

[2] An account of an important cultural influence behind this type of expression in the US in the late 19th century is provided by Nelson (1987). During this period, referred to as the Progressive Era, and lasting through to the First World War, there was a generalised belief that scientific expertise could provide useful knowledge to policy makers

concerning social regulation and reform that would lead to general social progress.

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