

# THE NON-MONETARY ECONOMY

Edgar S. Cahn

Among the most critical parts of a healthy community economy are its non-monetary components, such as household labor and civic activity. If these components were reasonably valued in monetary terms, they would increase our gross domestic product by half – or even more.

## **Household Labor**

Household labor is a major segment of the non-monetary economy. Redefining Progress, a nonprofit organization based in San Francisco, has pegged the value of household work in 1998 at a total of \$1.911 trillion – about one quarter the size of the U.S. gross domestic product (GDP) that year. Studies of domestic work in France have calculated its value as between 48 and 65 percent the national GDP. Cooking and dishwashing in Australian homes in 1975-76, according to the United Nations University, “produced output that could be valued at only slightly less than the gross product of that country’s manufacturing industries. If the same calculations were used to assign value to unpaid work in developing countries, where even more of women’s work is unremunerated, the differences would be even greater.”

Caregiving is another huge, unvalued piece of the household economy. It has long been assumed that 80% of the labor that keeps seniors out of nursing homes – and the government’s Medicaid and Medicare expenditures within bounds – is unpaid labor provided by family and kinfolk. Pegging the value of each hour at a modest \$8, one economic study by Peter S. Arno et al. found that the national value of informal care giving in 1997 was \$196 billion, a “figure [that] dwarfs national spending for formal home health care (\$32 billion) and nursing home care (\$83 billion).”

## **Civic Activity**

The 2001 study issued by the Independent Sector found that 83.9 million Americans volunteer roughly \$239 billion of time. That doesn't include the unpaid contributions of children and adolescents who also volunteer.

In fact, a vast array of civic work and citizen engagement essential to a democratic society is undertaken on an unpaid basis. Typically, we think of public goods as being produced by the government and paid for with public funds. But that is not necessarily the case.

Some public goods cannot be produced effectively without "social capital" that only citizens can provide. Maintaining neighborhoods where children and families can live safely is work. Citizen action to fight crime, industrial pollution, or depletion of the ozone layer is work. Holding officials accountable is work. Yet we do not count any of that as work for purposes of national economic policy.

Published in the August 1997 issue of *Science*, a multi-million dollar, multi-year study undertaken in Chicago by the Harvard School of Public Health concluded that poverty and joblessness could not account for the differences in crime they found in largely black neighborhoods. "By far the largest predictor of the violent crime rate," the study concluded, "was *collective efficacy*." And the strongest characteristic of collective efficacy turned out to be a willingness by residents "to intervene in the lives of children," and more specifically, a willingness to stop acts like truancy, graffiti painting and street-corner "hanging" by teen-age gangs. The study examined 343 neighborhoods in Chicago and interviewed 8,872 residents.

One of the study's authors noted that "collective efficacy" stems from a "shared vision, if you will, a fusion of shared willingness of residents to intervene and social trust, a sense of engagement and ownership of public space." The critical factor in terms of violence was not "external actions," such as a police crackdown, by the "effectiveness of 'informal'

mechanisms by which residents themselves achieve public order. In particular, we believe that collective expectations for intervening on behalf of neighborhood children is a crucial dimension of the public life of neighborhoods.”

In short, the non-monetary economy includes not only labor but also the creation of a culture, a social asset. Whether we call it “collective efficacy” or “social capital,” there is a non-monetary infrastructure of trust, reciprocity, civic engagement that is just as real as the sewers, water lines and electric lines that can be measured in dollar terms.

### **A New Map of the Economy**

Grasping how large that non-monetarized economy is, the 1995 *Human Development Report* of the United Nations Development Program compared formal quantifications of economic activity around the world with careful estimates of unpaid productive activities of women and men for household use, for the benefit of the community, or for non-monetarized exchange. The report found that, globally, only slightly more than half of the total time spent on "economically productive activities" was going through formal markets and reported in standard income measures such as Gross Domestic Product (GDP). The productive contribution of home, family, community is not included in any of the economists' measurements of GDP. A wide range of estimates - from Gary Becker to Nancy Folbre - find that at least 40% of our country's productive work goes on outside of the market economy.

When economists measure the productive capacity in terms of our work force, they exclude children, teenagers, the disabled, persons on public assistance, volunteers, and seniors. Likewise, only paid work is “real” work. Trust, reciprocity, and civic engagement—the connective tissue that holds an entire society together—simply do not exist. We must draw a new map that includes what the noted environmental economist, Neva Goodwin, has dubbed the Core Economy, which encompasses family, neighborhood and community.

We have to understand the different principles that apply in this second, “Core Economy” and realize that the non-monetarized world functions brilliantly, albeit on its own principles of production and distribution. By definition, the non-monetary economy rejects market price as the measure of value. Normative values drive production and distribution in the Non-Monetary Economy.

Gary Becker’s analysis acknowledges that a power other than the motivation of self-interest generates much of the labor in the non-monetary economy: “Families in all societies, including modern market-oriented societies, have been responsible for a sizable part of economic activity --half or more--for they have produced much of the consumption, education, health, and other human capital of the members. If I am correct that altruism dominates family behavior to the same extent as selfishness dominates market transactions, then altruism is much more important in economic life than is commonly understood. The pervasiveness of selfish behavior has been greatly exaggerated by the identification of economic activity with market transactions.”

In the market economy, *specialization* (or division of labor) reinforced by self-interest is the dominant principle. In the core economy, *specialization* is replaced by a combination of “*do it yourself*” that builds self-esteem and *a voluntary interdependence* that replaces the *involuntary dependence* that comes with industrial and market specialization. The relevant unit for attaining self-sufficiency is not the atomized individual. It is the family, the neighborhood, the village. *Interdependence* is a quintessential element of *self-sufficiency*. There is task differentiation, but nothing approaching what the market does. Specialists are a last resort.

Distribution operates on different principles too. In the market economy, *pricing* provides a highly efficient, self-regulating, self-adjusting distributive system. Price adjusts supply to demand automatically and continually. What is scarce and what generates money cost more than goods or services that are commonplace and not in short supply. In the

non-monetary economy, price is not the mechanism for distribution. No one holds the drumstick up at the dinner table and says, “What am I bid for this?” Caring is not distributed based on ability to pay. Distribution stems from *normative considerations*: need, fairness, altruism, moral obligation, and contribution.

### **The Critical Importance of the Core Economy**

The core economy is not just an additional feature of a community economy – it is the foundation for it. An analogy can provide perspective. Consider that a computer hosts a large number of very powerful, specialized programs. Underlying those specialized programs on the desktop is a largely invisible Operating System that functions to direct, store, and log in data; to read, write, and manage files; to load and execute programs. If that Operating System goes down, none of those powerful programs work.

Like the computer, our monetary economy boasts an array of awesome specialized programs. Whether provided by the private sector, by government, by foundations, or by non-profits, all run on money utilizing specialized agencies and organizations to deliver outputs like education, crime control, job training, child development, health care. But like the computer, our society has a basic Operating System too. The operating system of our society is the non-monetary economy. In truth, it uses some money – but it runs on a mixed fuel of a little bit of money and a large amount of psychic energy.

As an operating system called upon to perform ever greater multi-tasking, the family, neighborhood community are on overload. And we know what happens when the operating system crashes. The specialized programs and institutions that we count on cease to function.

### **Policy Implications**

Economists preoccupied only with the state of the market economy are neglecting the state of the operating system—family, neighborhood, and community. That means that the policies they recommend fail to

examine the implications of whether that operating system is reliably performing basic functions such as transmitting values, rearing children, providing support, maintaining safety, generating consensus, preserving memories, sharing limited resources, building trust. That has implications. In the past, the non-monetary economy has been able to function as society's Operating System because it was subsidized by cheap and free labor extracted from the subordination of women, from discrimination based on race, ethnicity and national origin, and from exploitation of children and immigrants.

In a scholarly article, "Children as Public Goods," Nancy Folbre argues: "Economists need to analyze the contribution of non-market labor to the development of human capital: as children become increasingly public goods, parenting becomes an increasingly public service." Her premise is straightforward: every citizen of the United States enjoys "significant claims upon the earnings of future working-age adults through Social Security and public debt." It follows, she argues, that if the public at large has a stake in every child's future earnings, then rearing children amounts to the production of "public goods" and that "individuals who devote relatively little time or energy to child-rearing are free-riding on parental labor."

A new community-based economics is needed to take account of the scale and value of the core economy supplied by families, neighborhoods, and communities. That non-monetary community economy has to be built, rebuilt, and reconstructed without the hidden subsidy provided by subordination, discrimination and exploitation. Above all, that non-monetary economy has to be appreciated as the Core Economy upon which civil society and even the monetary economy depend.

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## Further Reading:

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