ISEW. The 'Debunking' Interpretation and the Person-in-Community Paradox: Comment on Rafael Ziegler

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First we must thank Rafael Ziegler (2007) for his insightful and careful observations. Second we want to confirm his 'debunking' interpretation of the Index for Sustainable Economic Welfare (ISEW), and comment on the paradox – the disjunction between the ISEW of the appendix and the person-in-community ontology developed in the text of *For the Common Good* (Daly and Cobb Jr, 1989).

The reason we put the ISEW in an appendix was precisely to separate it from our fundamental argument based on the person-in-community reinterpretation of *homo economicus*. We did not want our basic argument to be unnecessarily tied up with the controversial and often arbitrary methods of measuring welfare, even narrowly defined economic welfare. Nor did we feel competent to develop a new multi-dimensional empirical measure of welfare congruent with the person-in-community vision. Also, we wanted to engage orthodox economists in discussion, and knew that unless we to some extent played by their rules they would ignore us. We hit upon a kind of *a fortiori* or 'how much more, therefore' argument. If we develop a more inclusive measure of economic welfare, but still obey the economist's basic rules, and can show that even conservative adjustment gives an index that is no longer correlated with GNP, then at a minimum that should debunk GNP as a policy guide and wake up some sleepy economists. We did not want to put it so aggressively, but the subliminal message was, 'We will not only show that the measurement game you are playing is senseless, but, just to get your attention, we will also beat you at your own game.'

A more positive way to put it would be, 'If the world is perversely addicted to a one-dimensional monetary index of welfare, then at least try the ISEW – if you insist on smoking, at least try our charcoal filter! You will still likely get

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cancer, but not as soon.' Also, in case some readers missed the connection, we should point out that the Clifford W. Cobb cited (Daly and Cobb Jr, 1989: 53) as a critic of the ISEW is the son of John Cobb, and was an enormous help both in developing and calculating the index. He was in truth a co-author of the ISEW, and consequently is a very well-informed critic!

As Ziegler (2007) noted, the attention paid to the ISEW has, contrary to our wishes, probably deflected attention from the more basic person-in-community argument. In the Middle Ages holy thought had to be expressed in Latin; today it must be expressed in numbers. And let's face it, it is easier to quibble over complicated numerical indexes than to refute a straightforward argument exposing the vapidity of traditional *homo economicus*. Nevertheless, it may be worthwhile to continue the debunking exercise, since economists are not behaving as if GNP has been debunked! One major adjustment so far not made in the ISEW or any of its offshoots is to deduct for the diminishing marginal utility of total income as growth increases it. We did deduct for the lower marginal utility of income to the rich as a correction for increasing inequality, but there was no deduction for diminishing marginal utility resulting from total income growth. Yet the law of diminishing marginal utility is the cornerstone of economic theory. Indeed, it would apply to person-in-community as well as atomistic *homo economicus* because it merely says that we tend to satisfy our most pressing wants first.

The other part of the 'paradox' was that we advocate strong sustainability in the text, and yet the construction of the ISEW in the appendix assumes weak sustainability. This is true and results from the fact that an index that converts both manmade and natural capital into 'dollar's worth' units makes them fungible in terms of that imposed common unit of measure. From a dollar's worth standpoint they are then substitutes, not complements. Without complementarity there can be no strong sustainability. We continue to advocate strong sustainability (complementarity between natural and manmade capital) and suggest that weak sustainability is mostly an artefact of monetary measurement rather than real physical substitutability in production functions.

Again, our thanks to Ziegler. This is exactly the kind of discussion that we hoped our book would call forth. There is a limit to what one can do with numbers – just as there is a limit to what one can do without them.

REFERENCES

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