Political Perception and Ensemble of Macro Objectives and Measures: The Paradox of the Index for Sustainable Economic Welfare

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ABSTRACT

Macroeconomic measures and objectives inform and structure political perception in large systems of governance. Herman Daly and John Cobb attack the objective and measure of economic growth in *For the Common Good*. However, their attack is paradoxical: 1) they are in favour of strong sustainability, but construct with the ISEW an index of weak sustainability, and 2) they describe humans as persons-in-community, but propose an index based on *personal* consumption. While the ISEW has attracted much attention, the same cannot be said about the person-in-community ontology developed at length and prominently in their work. This essay therefore aims to reconstruct Daly and Cobb's criticism of growth from the person-in-community approach. It defends the ISEW as a *debunking* index that is motivated by the person-in-community approach and the economy-ecology scale problem, and that also engages in the politics of scale. But this does *not* mean that the ISEW is also a measure of sustainable economic welfare. Critics expecting this kind of sustainability index are likely to see contradictions, but not the critical role the ISEW can play for democratic accountability. Understanding the latter makes it possible to see the ISEW as a step in the evolution of political perception and action. Accordingly the essay is also intended as a contribution to the understanding of this role in a situation where sustainability indices continue to be calculated, and renewed efforts at the measurement of welfare and happiness are made.

KEYWORDS

ISEW, sustainablity, economic welfare, accountability, scale

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1. INTRODUCTION

Macroeconomic objectives and measures inform and structure political perception in large systems of governance. The way they render issues visible and invisible shapes political questions, the imagination and what decision makers will be held accountable for. This is particularly worthwhile noting in the context of political theories and approaches that take the dignity and equal value of persons as basic, as this leads to a presumption of measurement focused on individuals, and therefore often does not get macro-indicators into view.

This essay explores one exception to this rule, the critique of the goal and measure of economic growth presented by John Cobb and Herman Daly in *For the Common Good*. There is a well-known worry that the objective and measure of GDP (Gross Domestic Product) distorts political perception in the sense that there is a promise of growth and enhanced well-being that unduly ignores current costs and long-term consequences for humans, animals and ecosystems. But if so, how do you critique an existing measure and the perception of society and goals it creates?

Daly and Cobb's critique of economic growth with the help of the Index of Sustainable Economic Welfare (ISEW) has found a wide audience; indeed, following its initial calculation for the US, the index has since been calculated for many other countries.[1] However, as this essay will show, Daly and Cobb's work on sustainable economic welfare and its reception are paradoxical. First of all, the authors are proponents of strong sustainability, but as will be seen below, with the ISEW they have constructed an index of weak sustainability. Second, in their extended discussion in *For the Common Good*, Daly and Cobb notably describe humans as persons-in-community in reaction to what they view as the misguided atomism of mainstream economics. But the famous index presented in the appendix of the book is constructed on personal consumption. Third, the reception of the book is a striking testimony to the importance and politics of numbers. Daly and Cobb's critique has had a wide audience, but of the numerous articles that appeared in reaction and as further development of their work, to my knowledge, all focus on the appendix of the work (i.e. the ISEW[2]), whereas the roughly 500 pages of the book have received little to no attention.

Due to this puzzling situation, this essay aims to 1) reconstruct Daly and Cobb's criticism of growth as a goal and measure drawing on the book as a whole. I will present what I will call the ontological option proposed by the authors, i.e. their person-in-community approach; 2) to situate the ISEW not only as a scientific tool regarding the question of sustainable economic welfare given the problematic question of the scale of the economy with respect to the biosphere, but as also simultaneously entangled in a different problem of scale: the scale of politics in large-scale systems of governance. Based on this, I will defend the ISEW as a debunking indicator that is motivated by the economy–ecology scale problem, and that engages in the politics of scale so as to debunk an existing objective and measure. Importantly this does not mean that the tool used for debunking (the ISEW) is independently also a sustainability index, or so I will suggest. Critics, who do not see this and expect a sustainability index, are therefore likely to see contradictions, but not the critical role the ISEW can play for democratic accountability. Taking into account the two problems of scale therefore makes it possible to endorse the ISEW and related indices in full awareness of their shortcomings as a step in the evolution of political perception and action. Understanding this evolution is urgently needed as numerous sustainability indices continue to be calculated alongside other statistical indicators, and as there is a recent increase in interest in welfare and happiness and their measurement.

2. LEGITIMACY, ACCOUNTABILITY AND OBJECTIVES/MEASURES

In its Lisbon strategy, the European Council states the EU s political goal 'to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (European Council).[3] Progress towards these goals is measured by so called structural indicators that allow monitoring the objectives stated above. For the objective of *sustainable economic growth,* we find GDP among the structural indicators.

What kind of objective is *sustainable economic growth*? In its *White Paper on Governance*, the European Commission identifies the need for 'clear policies and objectives' (European Commission 2001: 28). For *economic* objectives the *White Paper* points to the Lisbon strategy (European Commission 2001: 28). But in the latter, the adjective 'sustainable' in sustainable economic growth remains unexplained (and there is no additional indicator for scale), whereas 'economic growth' is mainly 'clarified' by repeatedly stating the objective rather than giving reasons for it. Growth is stated as an objective throughout the presidency conclusions of the Lisbon strategy (European Commission 2000: §§ 3, 5, 6, 8, 12, 18, 20, 22, 23, 32, 35). To be sure, with respect to the goals of the Lisbon strategy and the exercise of power necessary to work towards them, the document states that 'the Union must shape these changes in a manner consistent with its values and concepts of society' (European Commission 2000: §1). Yet, the presidency conclusions just mention values in general, but does not make a link of the economic performance objective to these values. In fact, the document indirectly reveals growth to be a means, rather than an objective. §32 states that the 'new knowledge-based society offers tremendous potential for reducing social exclusion, …by creating the economic conditions for greater prosperity through higher levels of growth and employment …' Perhaps then, the 'real' goal is *prosperity*? But what would be meant by that? In short, the strategy illustrates the entanglement of objectives and indicators, goals and measures in a modern system of governance.

What might be the implication of these conclusions for the legitimate exercise of power? In Fritz W. Scharpf's terminology, *input legitimacy* refers to political legitimacy via processes of participation and consensus. But input legitimacy is notoriously difficult to achieve in societies of a large size and where views differ widely, as is in particular the case in large and/or newly established political units that may not be able to draw on a sense of cultural, linguistic or political identity and habit. In this case, Scharpf argues, *output legitimacy* comes to play an important role. It is based on shared interests that require collective solutions, but no strong sense of identity (Scharpf 1999: 18ff[4]). Accordingly, he argues that output legitimacy plays an important role for the EU (Scharpf 1999: 21). In this light, the growth objective just discussed is an example for effective output legitimation in modern systems of governance to the extent that there is a widespread belief that growth simply means a 'bigger cake', and thus helps to avoid or at least postpone difficult redistributive problems.

But objectives and measures also play a role for democratic accountability in nation states. Electoral research shows that 'voters routinely reject incumbents who governed during a period marked by deterioration in *social and economic conditions*' (Prewitt 1987: 263). Kenneth Prewitt points out that 'somewhat counter intuitively, current research supports the … explanation [that] voters in the United States give more weight to negative or positive trends in national economic conditions than to changes in their own economic circumstances … when *economic and social indicators* are moving in politically popular directions, political credit is claimed; when they are moving in unpopular directions, political blame is assigned' (Prewitt 1987: 263–4[5]). In short, governments are held *accountable* in terms of the development of economic and social statistics, of growth, but also of unemployment, taxation and budget deficit, which are familiar, omnipresent features of the politics of large-scale nation states.

However, if objectives and measures such as economic growth play a role for the legitimacy and accountability of large-scale systems of governance, and especially as they help establish, stabilise and make objective agendas that are there to stay for more than the short run, their long-run viability is of evident importance if potentially disastrous outcomes are to be avoided. It is not least the concern that the objective and measure of economic growth does not meet this condition that prompts Daly and Cobb's intervention, which I will now turn to.

3. THE ONTOLOGICAL OPTION

The brief discussion of the Lisbon strategy in the last section showed how difficult it is to find justifications for macro-objectives and measures rather than merely their repeated statement. In *For the Common Good*, Daly and Cobb develop what I will call an ontological option for thinking about the legitimacy and accountability of the power exercised in systems of governance. The ontological option brings to attention issues that are of basic importance, that concern our basic understanding of being, but which are precisely for that reason usually simply assumed and taken for granted. For this reason, the ontological option can help 'structure the field of possibilities in a more perspicuous way' (Taylor 1995: 183).

Daly and Cobb, long before they present their index, labour to develop a description of our self-understanding, or what they call our being persons-in-community. Their goal is meant to show how some approaches, at least if taken in a universalising manner, are simply parochial, and hence potentially problematic, if they dominate thinking about political goals and their measures. Put in the above terms, they aim to 'structure the field of possibilities in a more perspicuous way' for the development of visions, objectives and measures.

It is a characteristic feature of ontological approaches to argue against, or more precisely, to resituate a prevailing understanding. Thus, as Heidegger labours to reveal the derivate standing of the 'present-to-hand-understanding' of human beings, Daly and Cobb target what they view as the dominant understanding of economic actors as defined by neo-classical economics. They argue against a narrow conception of the self in the latter, and show how neoclassical goals and their measures are flawed once the structure of the ontological field is made explicit.

As we will see, they aim to establish a *narrow-self thesis* and a *misperception thesis* respectively. To this end, they develop an account of the self as a person-in-community and, eventually, the Index of Sustainable Economic Welfare. Let me turn first to the authors' ontological approach and then to the discussion of this index, its contribution to political perception and action, and the paradoxical questions it raises.

4. PERSON-IN-COMMUNITY

As the authors target their critique against neoclassical economics, we encounter a well-known villain: *Homo Economicus*, which Daly and Cobb argue, misleadingly describes important features of human beings (Daly and Cobb 1990, 86f). Human well-being, they argue, is not just a matter of consumption-derived individual preference satisfaction as the proponents of Homo Economics would have it, but importantly related to the preference satisfaction of others. To be sure, it might be argued that 'keeping up with the Jones' is a petty preference to have, and ought not to influence the well-being of a mature person – but that argument requires a value judgment, and *Homo Economicus* is supposed to be beyond the good and evil of preference evaluation. For the authors, the result of this supposed value-neutrality is an 'extreme individualism' (Daly and Cobb 1990: 87) that effectively amounts to a preference of independence and personal freedom over other values (Daly and Cobb 1990: 92). Rather than thinking of society as an aggregate of individuals with given preferences, they propose to replace this description 'with an image of *Homo Economicus* as person-in-community' (Daly and Cobb 1990, 159). Let me first turn to the *community* aspect of *person-in-community*.

In order to qualify as a community, relationships between community members must be such that they contribute to self-identification. Daly and Cobb understand this first of all to require consciousness 'of the relationship … of its limits, and … of its differences from other similar relationships' (Daly and Cobb 1990: 172). Second, decision making in the community must involve the extensive participation of all its members. Moreover, the community as a whole takes responsibility for its members, which fourth must be understood to include due respect for the 'diverse individuality of its members' (Daly and Cobb 1990: 172).

Somewhat surprisingly, the authors call community one 'form of society' (Daly and Cobb 1990:171). Does this mean that other forms of society are possible? Is for example a 'fragmented' or 'atomistic' society of rational preference-maximisers a possibility? What then about the ontological status of the proposed concept of a 'person-in-community'? Does this concept refer to a *possibility* of being a person, alongside *other* possibilities such as atom-in-preference-land? Is a normative neo-classical notion of the self to be replaced by a normative communitarian one? Or is the concept rather intended as an articulation of the self that is stable across various types of society?

It is clear that the authors intend to develop a model that is of *general* applicability (and thus also in circumstances in which the 'community' is under strain). Their basic point is that 'persons *are* internally related to one another (i.e. their relationships define their identities as persons)' (Daly and Cobb 1990: 169). Therefore a qualification of their presentation is needed. The formulation 'community as one form of society' is misleading, and probably a concession to the *Homo Economicus* idea. Community, in the technical sense in which it is used here, is not one possible type of society; rather, all societies meet the community criteria to various *degrees*. Person-in-community requires a *scalar* community concept.[6] On the one hand, we can imagine a (presumably small) polis or village that meets all four criteria to a very high *degree*; whereas on the other hand a large-scale market democracy might *score* particularly *low* in the areas of participation and community responsibility.

Is this an adequate reading? Let me turn to the *person* in 'person-in-community'. Daly and Cobb's main criticism of *Homo Economicus* is that as a description of persons it views individuals as merely 'capable of relating themselves to others in diverse ways, basically either in benevolence or in self-love, but they are not constituted by these relationships or by any others. They exist in fundamental separation from one another, and from this position and separateness they relate' (Daly and Cobb 1990: 160). But, Daly and Cobb argue, persons are constituted by the relationships that they are involved in, in the sense that only the background of these relationships gives their doings and choices meaning. 'We come into being in and through relationships and have no identity apart from them… How we think and feel, what we want and dislike, our aspirations and fears – in short, who we are – all come into being socially' (Daly and Cobb 1990: 161). Thus the claim is not that people cannot make choices or change some of their views and habits, but rather that choice and change only becomes meaningful in a social context.

Consequently, they arrive at the *narrow-self thesis*. In their view, the concept of *Homo Economicus* fails as a concept that is true to who we are as social beings. Consequently, there is a danger that the use of *Homo Economicus* for the development of political goals will lead to policies that remain blind to, and that will distort important features of persons and their communities. *Homo Economicus* is 'an abstraction that … cannot provide adequate guidance for policy' (Daly and Cobb 1990, 86).

5. ECONOMIC ACTIVITY AND ECONOMIC WELFARE

How does structuring the field of possibilities in terms of the person-in-community concept prepare a critique of existing objectives and measures of legitimacy accountability? Daly and Cobb argue that the narrow-self thinking paves the way, and thereby legitimises a particular road to freedom for an outlook that takes a partial measure of economic activity as an indicator for economic well-being (and sometimes even for total human-well-being). 'This … view of reality governs the influential measures of welfare employed by economists. Per capita gross national product is the total production of the nation divided by the number of people in the country. It ignores the human relationships that make up so much of what is prized in life. Similarly per capita gross world product is the total world product divided by the population of the world. It ignores the diversity of cultural and national societies' (Daly and Cobb 1990: 162).

On the one hand, Gross Domestic Product (GDP), i.e. the objective and measure on which the authors focus their criticism, serves as a *measure* of economic activity that attempts to account for all the goods and services produced. On the other hand, GDP plays an important role in politics, as it is taken to be *indicator* for an economic process that contributes to well-being in a society. Politicians pay much attention to this indicator. It is perhaps the single most important example for the way in which a statistical measure can be both a cognitive and normative commitment in modern systems of governance: it defines the phenomenon, and it de facto tends to prescribe directions and policies, which decision makers ought to follow as a matter of output legitimacy that they are held accountable for.

However, stepping back from the effective role of GDP as a measure and objective, there is the question whether here a measure of economic activity and a measure regarding the contribution of the economy to the well-being of its members are not implausibly identified. It can only be answered, if at least initially the latter task is kept conceptually distinct from the task of measuring economic activity. While scrutiny of the accounting method of GDP with the help of the person-in-community concept might be expected to already provide sufficient reasons for rejecting the role of GDP as an indicator for economic welfare, Daly and Cobb attempt to go further and to so to speak show in kind, i.e. in the statistical language of an index, the limitations and consequent errors of the belief that the measure of economic activity can serve as an indicator of economic welfare. It is this aspect of their work which has received so many reactions. Before turning to the ISEW in more detail in the next section, let me briefly turn to the interpretation of their and subsequent ISEW calculations.

The calculations of the index in various countries suggest that the positive development of GDP cannot be taken as an indicator for improved economic welfare in general, but can at best serve as such an indicator in a particular stage of the development of economies. The calculations indicate that once a certain level of economic activity has been attained, there is a de-linking of economic welfare (as measured by the ISEW) and economic activity (as measured by GDP). While GDP might grow further, economic welfare as measured by the ISEW stagnates or even declines. This hypothesis has become known as the 'threshold hypothesis',[7] and has been examined for various countries.

As a result, the ISEW leads to the *misperception thesis*. Economic growth as a criterion of output legitimacy is not a plausible indicator of economic welfare tout court; and as justifications of economic growth based on the idea of growth as an indicator of welfare lose in plausibility, so does growth as an objective. But note that even though Daly and Cobb prepare the *misperception thesis* by laying out the structure of the ontological field, e.g. the description of the self as a person-in-community, the main way in which Daly and Cobb's misperception thesis has been noted in the literature is in terms of the ISEW (and its subsequent further calculations) rather than directly in terms of the person-in-community account. Let me therefore turn to the ISEW in more detail.

6. THE INDEX OF SUSTAINABLE ECONOMIC WELFARE

Daly and Cobb distinguish between the question 'whether growth in the economy as measured by GNP actually contributes to *the total well-being of people*' (Daly and Cobb 1990: 63, italics added), and the question 'about the relation of GNP[8] to *economic welfare itself*' (Daly and Cobb 1990: 64, italics added). The purpose of the index is explicitly defined in relation to the second question.[9] But if economic welfare is the indicandum, what then is meant by economic welfare?

Economic welfare, Daly and Cobb state, is a matter of consumption (Daly and Cobb 1990: 77). Yet, as not all consumption is desirable, the authors deduct regrettable necessities that are the result of other acts of production (Daly and Cobb 1990: 79).[10] And the authors *add* an estimate for the services obtained through household labour; an adjustment for income distribution; and a tax on the consumption of non-renewables (so as to take into account the damage done to the natural environment, and the costs of this to future generations). For Daly and Cobb economic welfare can therefore be indicated in monetary terms and based on personal consumption. The monetary deductions and additions to personal consumption are meant to provide a more accurate picture of economic welfare. So what about this measure of economic welfare?

Recall that the move from *Homo Economicus* to person-in-community was meant to alert us not to bracket the whole of relationships that are important for self-understanding, preference formation and well-being. Consequently, the ISEW conceptualisation of economic welfare in terms of personal consumption comes as a surprise. After all, the subject-object structure of consumption renders secondary the relationships said to be constitutive of persons-in-community. Consumption brackets relationships at work, recognition and stigmatisation, and more generally the social fabric of the production and consumption process. These features of economic welfare are not even 'added' to the consumption base, contrary to the fact that consumption can go up, but work relations deteriorate (or conversely recognition via workplace democracy may increase, but income decrease[11]).

This puzzling situation also does not change, if we turn from the construction of the index to the justifications given for the choice of additions, and the way they are added. Due to the authors' criticism of neoclassical economics, it is surprising to find out that the proposed new index is 'built on the accomplishments' (Daly and Cobb 1990: 401) of such economists as Nordhaus and Tobin, who endorse the view of economics criticised throughout their work. Moreover, community and the concept of person-in-community play no explicit role even when it comes to justifications for addenda to the Nordhaus/Tobin work. Consider the argument for the inclusion of income distribution: 'We have factored in income distribution on the assumption that an additional thousand dollars in income adds more to the welfare of a poor family than it does to a rich family' (Daly and Cobb 1990: 402). The argument rests on the principle of marginal utility, and thus the idea that there is a decreasing utility to each additional unit of a commodity. It does *not* rely on an argument based on community and the person-in-community. There is no justification in terms of equality considerations as a demand of democratic communities.

Finally, Daly and Cobb are advocates of strong sustainability (Daly and Cobb 1990: Chapter 3; also Daly 1995). They argue that natural capital is in important respects a complement rather than a supplement to economic capital.[12] But as Eric Neumayer points out, the ISEW falls in the weak sustainability paradigm (Neumayer 2003: Chapter 5). The aggregation technique used in the index indirectly implies that natural, man-made and social factors are substitutable (i.e. an increase in resource depletion can be offset by an increase in personal consumption).[13]

In short, the ISEW is not systematically built from the theory developed in *For the Common Good*. Surprisingly, given the systematic and extensive prior development of person-in-community and their place in the world in the book is the apparent disappearance of that discussion for the index construction. As a first conclusion therefore, even though Daly and Cobb prepare the grounds for a critique of the objective and measure of economic growth, their final demonstration seems to draw surprisingly little on their prior discussion. And this in turn might explain why critics dismiss the ISEW as an artefact of the assumptions going into the index (Neumayer 1999) and the result of the 'personal beliefs' of the authors (Giampietro and Mayumi 2001: 16).

Against the background of the person-in-community account, this criticism still seems to hold for a recent theoretical defence of the ISEW in reply to such criticism. In his outline of the theoretical foundations of the ISEW (and related indices), Philip Lawn draws on Irving Fisher's concept of income and capital (Lawn 2003: 111f). On this view, the ISEW brings together all types of capital that contribute services to the 'psychic income' or 'utility satisfaction' of consumers. Welfare has become a 'psychic flux', and it is therefore hard to see why a 'pleasure machine' – symbol of faith in technological progress – could not just as well enhance economic welfare. In short, this defence in terms of the psychic flux of individuals likewise stands in tension with the description of person-in-community.

And yet, a second conclusion also suggests itself. The preparatory work on person-in-community really does achieve one thing: it shows just how questionable the idea of one monetary value as an indicator for sustainable welfare really is. Is the ISEW, perhaps, a tongue-in-cheek-indicator, bringing out the problem with *one* macro-index as an indicator for the elusive concept of welfare? Is it a serious attempt to debunk, but a not so serious attempt to 'really' measure welfare? Let me in the next section first turn to the first conclusion and in the subsequent section to the second one.

7. CONVENTION-FOLLOWING FALLACY?

Daly and Cobb single out the objective and measure of economic growth as a basic legitimacy and accountability criterion in large-scale systems of governance. This criterion has become a cognitive and normative commitment more resilient than particular governments and endorsed across parties and countries. The example of the strategy endorsed by the leaders of the EU shows that it is not even necessary to provide reasons for this objective and measure. Its critical scrutiny is therefore all the more important for democratic accountability.

Even though Daly and Cobb initially approach the task systematically in a way that develops conditions of agency and that suggests a rich perspective from which to think about questions of objectives and measures, they in the end do not appear to follow through this approach. Faced with the measure and objective of economic growth, they develop an alternative index. The need to produce an alternative measure seems so strong that it leads to the almost complete bracketing of their prior work on person-in-community, the emphasis put there on communal structure and the consequent question mark behind any attempt to capture economic welfare with one, monetary numeraire based on personal consumption. Their alternative index seems to commit them to the assumption that it makes sense to indicate sustainable economic welfare with one, monetary measure.

As the authors therefore end up doing in no small part what they criticise elsewhere, they seem to commit a convention-following fallacy. In this spirit, Clifford W. Cobb observes that 'alternative measures have thus paid economics the highest form of flattery: they have imitated the framework being criticised. This is most evident in the case of indices that expanded the GDP by adjusting for non-market transactions, but retaining the monetary valuation system. The Measure of Economic Welfare … was the first of these extended accounts. The Index of Sustainable Economic Welfare or ISEW used the same framework and incorporated environmental factors and income distribution' (Cobb 2000: 8). And Mario Giampietro and Kozo Mayumi in their discussion of ecological economics and the ISEW speak of 'the risk of carrying neo-classical economics' epistemological problems into the field of ecological economics, even when attempting to do the right thing' (Giampietro and Mayumi 2001: 11).

This fallacy-charge considers the index in its scientific (economic), but not yet in its political, historical context, or so I will suggest below. The charge makes it tempting to conclude that such one-size-fits-all measure as GDP or the ISEW should simply be ignored; at least as long as they are taken to 'indicate' or 'measure' what they neither are capable of capturing, nor what they strictly speaking have been developed for. GDP is a measure of *economic activity*, not of *welfare*, or so the critic insists (Neumayer 1999: 79). Indeed, official sources confirm this view: 'Neither gross nor domestic product is a measure of welfare. Domestic product is an indicator of overall production activity' (Commission of the European Communities et al. 1993: 41).

However, politically speaking, this is not true. The measure *is* taken as an indicator for welfare, and the 'just-a-measure-of-activity' stance therefore implausible in practice. Daly and Cobb started their work precisely because

GDP *is* an accepted cognitive and normative commitment, and see the task as developing another index to debunk GDP.[14] Not to commit the convention-following fallacy does not do away with the convention. Indeed, even such a lucid critic of the ISEW as Neumayer indirectly acknowledges this when he writes elsewhere that he 'doubts whether one could succeed in preventing policy makers, the media and the general public from misusing GNP as a welfare indicator. Unfortunately, the welfare interpretation of GNP has become absolute folklore and a commonplace' (Neumayer 2003: 196).

So what does it take to effectively criticise the interpretation of a measure that is already widely available, endowed with the objectivity of statistical method, and stabilised by its regular calculation in statistical agencies around the world?[15]

8. THE SCALE OF THE ECONOMY AND THE POLITICS OF SCALE

Daly and Cobb see the problem with the existing measure and objective of economic growth as a problem of truthful depiction.[16] The measure and objective does not address the question of the economy–ecology scale, i.e. to what extent economic activity develops on a path that does not overuse the ecosystems in which economic production is embedded. In a famous passage, Daly writes that 'to avoid overloading and sinking even a well-balanced boat we have a Plimsoll line defining the absolute scale limit. But the boat can be well or badly balanced even when the water line is far below the Plimsoll mark, and if the water line is above the Plimsoll mark, rearranging the load will be only a small help. Economists who are obsessed with allocation to the exclusion of scale really deserve the environmentalists criticism that they are busy rearranging the deck chairs on the Titanic' (Daly 1992: 92). What is needed, Daly suggests, is a measure, a Plimsoll line that does not fail to address the question of scale.

As the Greek *kybernan* means to steer or pilot a ship, the metaphor of the Plimsoll also recalls an old *governance* metaphor.[17] Today we could say, sustainability indicators provide a compass for politically guided development. Indeed, Daly and Cobb write that the ISEW 'give[s] guidance to those interested in promoting economic welfare' (Daly and Cobb 1990: 401). Indicators offer the 'captain' some orientation, while the image of the Plimsoll line specifically draws attention to the task of 'drawing the (correct) line' with respect to the scale of the economy to the biosphere.

However, pointing out the governance context does not yet clarify why anyone would address questions of economic welfare or of scale *in this way*. Why propose an index? Is this way of approaching the question of scale really that obvious, in particular given the person-in-community approach? In search for an answer, we must, I think, turn from questions concerning the scale of the economy with respect to the biosphere to a quite different problem of scale: the politics of scale in large systems of governance.

Recall that the second feature of the community-concept proposed by Daly and Cobb is extensive participation of all members. Yet, it is notoriously difficult to ensure extensive participation in large societies: they are not democracies where 'each citizen can easily know all the others' (Rousseau 1762/1987: Book 3, Chapter 4), but to the contrary face a serious information problem concerning others, their problems and proposals, their needs and wants.

In this situation, statistics acquire an important role as what as been called a technology of distance in modern systems of governance (Porter 1995). Statistics, and the indicators they give rise to, are usually the product of the labour of trained people following standardised rules of statistical methods. This production makes available a kind of politically available fact endowed with the objectivity of statistical methods and thereby a source of trust that helps set aside a number of questions. With and through statistics issues concerning society become available, the subject of discussion, and of governmental and administrative action.[18] Conversely, citizens rely on statistics to hold government accountable and to push for issues in between elections in a way that shows these issues of more than anecdotal, private relevance (e.g. use of statistics on traffic accidents, life-expectancy and the like).

Now, if issues are expressed or draws on statistics in large-scale societies, then this framing also affects those critical of current ways of governance. Politicians, activists or scientists aiming to validate their point of view will have to consider their stance with respect to, and their use of, this technology of distance. It is all very well to criticise GDP on conceptual grounds, but these efforts also remain arguments that do not attain the objectivity of that which is criticised – not the empirical reach of existing measures, which continue to be calculated and refined. I would therefore argue that political scale provides a clue why critics such as Daly and Cobb choose to complete their criticism of the objective and measure of growth with an alternative index – and why reactions to their work tend to focus almost exclusively on the appendix with its index.[19]

However, due to the considerations in the preceding sections, I would argue that the primary role of the index is to *debunk* – or in Daly's metaphor: throw the sleepers in the titanic out of their bunks, in a way that speaks the empirical and objective language of the statistical technology of distance in large societies, the language that captains and passengers in large societies expect and use to communicate. However, this is also to say that the index is primarily also no more than a tool of debunking, and that it might be just 'so much bunk' if considered as an objective tool for the measurement of sustainable economic welfare. This at any rate suggests itself if the person-in-community approach is taken seriously. To be sure, the statistical language fosters the expectation that the 'debunker' is itself an objective measure. Yet, this need not be the case, or else it would be impossible to argue with numbers that something simply cannot be measured, or cannot be reasonably indicated by one number.

Finally, the debunking interpretation raises one last point concerning the critical discussion of the ISEW. Many critics do not draw a distinction between different uses. They then arrive at the conclusion that the ISEW considered as an objective indicator seems to be just so much 'bunk', but fail to see its role for 'debunk'. While the person-in-community approach provides the reasons for debunking the interpretation of GDP as an indicator of welfare, it does not imply the need for one alternative, monetary indicator.[20] It is, I think, in fact much more plausible to infer from the person-in-community account the need for many, including physical, sustainability indicators so as to deal with the complex question regarding the scale of communities with respect to the biosphere in a way that meets the requirements of politics of scale. And, the approach does not exclusively point to 'further numbers'. Thinking so would be a kind of 'general convention following-fallacy' that so to speak runs the risks of putting all efforts in the objective measurement of (physical or monetary) footprints at the cost of analyzing the action that left them behind (and of ignoring the interesting analysis of these actions already offered in the body of *For the Common Good*).

9. CONCLUSION

The influence of statistical measures, in particular macroeconomic ones, is a fact of modern systems of governance. They influence and shape political perception, and consequently play a role for the legitimacy and accountability of the exercise of power in large societies and their system of governance. This essay has considered the critique of one large-scale objective and measure, economic growth, which is at the heart of many controversies over the meaning and possibility of sustainable development.

Rather than focusing the discussion exclusively on the macro level and its objectives and measures, I have tried to reconstruct the ontological option that Daly and Cobb develop in *For the Common Good*. The person-in-community approach aims to clarify the space of possibilities, and accordingly the space of possibilities and issues that need to be considered when dealing with, and even more so when measuring, questions of agency and being. Person-in-community, strongly resonant as it is with communitarian approaches as well as many liberal egalitarian approaches (e.g. those approaches that acknowledge the importance of community, but without thereby claiming that the person is entirely determined in its choices by the community), provides a space for thinking about the objectives and measures in large societies, and especially about the often opaque relation between objective and measure in politics of scale.

Against the background of person-in-community, I have argued that the issue of scale, which the sustainable economic welfare index addresses, is not just a scientific question about the relation and size of the economy with respect to the biosphere. Taking the ISEW as an objective measure of sustainable economic welfare is indeed counter-intuitive on the person-in-community account. Rather, there is a second issue of scale, that of politics, which has its own means of communication and representation. Statistics play a role as a technology of distance for establishing legitimacy and accountability in large systems of governance. This makes it necessary to communicate in this language (at least where the issues are strongly statistically pre-structured as in the case of GDP), and arguably also helps explain why the appendix, rather than the proper body of Daly and Cobb's book, has received so much attention.

Analytically separate from this claim about the scale of politics is the further claim that the ISEW is best considered as a debunking indicator. In terms of Daly and Cobb's work the reason suggested for thinking so are the evident tensions produced by the ISEW given the general approach of the authors. They are in favour of strong sustainability, and yet the ISEW is an index of weak sustainability; they describe the person-in-community, and yet the ISEW is based on personal consumption. Stepping back from the work of the authors, the idea seems peculiar that sustainability requires 'one number' – a plurality of sustainability indicators (as well as other measures) just seems likely to be more accurate given the complexity of the economy/ecology relation and the scale of politics. Therefore I have argued that the ISEW has an interesting, if paradoxical, role as a *debunking* index. It undermines certain belief in an existing objective/measure of large systems of governance, but it is also 'just that' – as 'that' it is really quite important.

NOTES

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[1] For information on country studies see Neumayer (2000), and Lawn (2003).

[2] Or on the successor to the ISEW, the Genuine Progress Indicator.

[3] The commission had proposed 'accelerated and sustained economic growth' (European Commission 2000: 11) as one of the 'key political objectives'.

[4] Accordingly, Scharpf thinks that output legitimation plays a crucial role for the EU (Scharpf 1999: 21).

[5] D. Roderick Kiewitt points out that the personal and the national perspective need not be exclusive. 'That voters value national prosperity, which they clearly do, implies that they would rather live in a world in which economic opportunities are expanding – for themselves and for everybody else. Concern over one's personal interest and the national interest thus run in the same direction, resulting in what de Tocqueville referred to as an 'enlightened' sense of self-interest' (Kiewitt 1983: 132).

[6] The term is used in democratic theory; see for instance Frank Cunningham (Cunningam 2002).

[7] As far as I know, the term was coined by M. Max-Neef (1995).

[8] GNP is another member of the family of national accounting measures. It also includes profits from capital held abroad.

[9] Concerning the first question see section 3.5: 'Towards a Measure of Total Human Welfare' (Costanza, Cumberland, Daly, Goodland and Norgaard 1997: 135ff) and Daly and Farley (2004: Chapter 13).

[10] The assumption is that there are 'normal baseline environmental conditions of cold, rain, and so on' (Daly and Cobb 1990: 78), which must be counted as normal consumption; regrettable consumption is consumption made necessary by the unwanted side effects of production. An example in the index would be the cost of commuting.

[11] Such index problems have also been discussed following Rawls' difference principle and the index Rawls' associates with it (See Krouse and McPherson 1998; Van Parijs 2003). They put into doubt the saliency of the ISEW as the index of sustainable economic welfare; and they do so against the background of accounts of persons and communities, which Daly and Cobb (just as Rawlsians) view as necessary prerequisites for all questions of index construction. Mutatis mutandis, the argument also applies to the successor of the ISEW, the Genuine Progress Index. This index adds further considerations such as the costs of crime and the dependence on foreign assets, but it is heir to the ISEW in that is based on personal consumption: 'The GPI starts with the same personal consumption data the GDP is based on, but then makes some crucial distinctions' (http://www.redefiningprogress.org/newprograms/sustIndi/gpi/gpi_contents.shtml. Last retrieved 18.03.2006). Arguably, the switch from an index of sustainable economic welfare to the, I think, much larger issue of genuine progress makes the critical points raised in the paragraph even more obvious. The GPI may be a more extended index (and the ISEW a stepping stone to it), but the conceptual problem of an Index based on personal consumption has remained the same. This being said, there are two caveats: 1) The argument above assumes the person-in-community account, but proponents of the GPI may reject this account. If so, further discussion would be required. (However, to my knowledge no work expounding a rival view to that of Daly and Cobb has been published). 2) The very name 'GPI' suggests a quite different, political debunking intention. I turn to this intention and its democratic role in section 8. I thank an anonymous referee of *Environmental Values* for pointing out the need to discuss the GPI in this context.

[12] For a critical exploration of the notion of capital in this context see Holland 1999.

[13] In his defence of the ISEW and related indices, Philip Lawn recognises the problem, and suggests a satellite account of natural capital as a supplement (Lawn 115)

[14] Daly calls the ISEW a strategy to debunk GDP (personal communication).

[15] Its wide calculation in most countries, the relatively similar manner of calculation in each country, and its regular calculation are sometimes cited as arguments in favour of GDP as an indicator.

[16] Personal communication with Herman Daly.

[17] See Cohen 1971: 5

[18] See Kelman (1987) for the US, and Desrosières (1998) on the establishment of statistical offices in England, France, Germany and the US in the nineteenth century, for evidence that this has been attempted since the beginning of large-scale democracies with representative government.

[19] I discuss these issues in more detail in my doctoral dissertation (Ziegler 2006).

[20] Except, of course, for debunking.

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