The National Welfare Index as a potential instrument for the transition towards a Degrowth society?

The debate on indicators ‚beyond GDP' has considerably regained momentum in the last years. With the EU Beyond GDP initiative, the OECD Measuring Progress of Societies program and government level commissions discussing alternative measurement systems in France, UK and Germany, a large consensus seems to emerge that other indicators than GDP are needed to take account of the welfare and sustainability of societies. However, this apparent consensus is in many cases far from being translated into meaningful political action. Furthermore, GDP criticism does not automatically lead to a substantial critique of the paradigm of economic growth: A majority of current indicator proposals, especially from (inter)governmental institutions, rather seeks to complement traditional economic indicators in order to support "smart, sustainable and inclusive"[1] or "green"[2] growth of GDP. Very few are explicitly directed to support a degrowth or post-growth strategy[3], while a significant share of proposals remains ambiguous.[4]

The National Welfare Index (NWI)[5] is such an ambiguous indicator. Based on the methodology of the Index for Sustainable Welfare (ISEW), it has been developed to improve German sustainability and welfare accounting by questioning GDP and suggesting a contrasting perspective on societal development in one number. Like ISEW, the NWI starts with private household consumption weighted with income inequality. It than adds monetarized values for welfare-increasing components such as domestic and voluntary work as well as a part of public spending for health and education, corrects for time inconsistencies in the costs and benefits of consumer durables and finally deducts welfare-reducing components. The latter comprise, among other components, the costs of environmental damage, substitution costs for the use of non-renewable energy sources and the external costs of nuclear energy. Its main message emanates from the comparison of NWI and GDP over time, clearly showing discrepancies in the development of GDP and of welfare as measured by NWI and thus pointing to the fact that economic activities produce "goods" as well as "bads".

As a major reversal of opinion concerning degrowth seems unlikely at least in the short run, we deem it useful to investigate whether indices like the NWI could be useful instruments for a transition towards a degrowth society despite – or even: because of – their closeness to the traditional economic reference frame. Can they be catalysts for debates that point out a need for change that goes beyond "green growth"? Or does their methodology confine them to an agenda that ultimately stabilizes current economic and political patterns?

In order to provide some answers, we will begin by addressing a crucial question that pertains to the basic legitimacy of the attempt to argue with monetarized indices: which types of alternative measurement systems will be enabled by monetarization, and where do such systems come to the end of their informational value? Our second step will focus on the NWI, first published in 2009. Since then, the NWI for Germany has been updated in

[1] EU COM 2010
[2] OECD 2011
[3] But see for example O'Neill 2012.
[4] In some cases this ambiguity could interpreted as an attitude of a-growth (van den Bergh 2011).
[5] Diefenbacher, Held, Rodenhäuser, Zieschank 2013

January 2013 and the calculation methods have been improved, resulting in a “NWI 2.0”. Data until the year 2011, perhaps 2012 will be available in July 2014; hence these results can be presented at the Degrowth Conference. In addition, regional welfare indices have been calculated for several German Länder, building on the same method as the NWI. In this second step, we will shortly present the results of the calculation and give an overview of the discussion the NWI and RWI evoked in politics, the media and the broader public[6], leading to some general conclusions about the relation of welfare measurement and the public debate on growth and social equity.

In a third step, we will address the question of methodological compatibility of NWI and degrowth ideas. We will analyse the different components of the index focusing on how they might react in a “degrowing” economy, starting from a short analysis of NWI/RWI progression during the financial crisis in 2008 / 2009 and moving to some considerations concerning the development of NWI/RWI in the course of a deliberately planned degrowth. Is a steady increase of the welfare index possible at all, and will it most likely be generated by a growth or a degrowth economy? We will show that on the one hand a long term positive development of the index will be possible only if the economy succeeds in eliminating negative social and ecological external effects and improves the justice of the income distribution. On the other hand, a questionable dependency on consumer expenditures remains.

Following a summary of pro and contra arguments relating to the potential of NWI to support a transition towards degrowth, we will conclude on ways to go ‘beyond NWI’. We will argue that a single number welfare index that suits a degrowth economy well might have to incorporate limiting values – upper values for the use of resources and negative external effects to keep the global economy within the planetary boundaries, and minimum values to reflect the fulfilment of basic needs and the maintenance of social systems. If this hypothesis holds true such a welfare index will be in urgent need of an ethical consensus on the nature of the development of societies. It might be depending on reliable data that is not available yet, and it might have to apply calculation routines that transcend simple accounting procedures that the NWI has borrowed from standard national and environmental accounting.

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