

The National Welfare Index for Germany - an integrated alternative assessment for SDGs?

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Background



... and how to monitor and to measure SDGs?

Background

SDG Indicators - Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development:

... by the Statistical Commission pertaining to the 2030 Agenda for Sustainable Development,

adopted by the General Assembly (A/RES/71/313)

- 17 SDGs
- 169 sub goals
- min. 246 indicators

Central question: simplicity or details ?

Background

Focus:

SDG 8: Promote sustained, inclusive and sustainable economic growth, here:

Indicator 8.1.1 ***Annual growth rate of real GDP per capita?***

Central question:

... amended by 16 more indicators assigned to SDG 8.1 – 8.10 plus 8.a and 8.b

... or replaced by another welfare indicator – e.g., the NWI ?

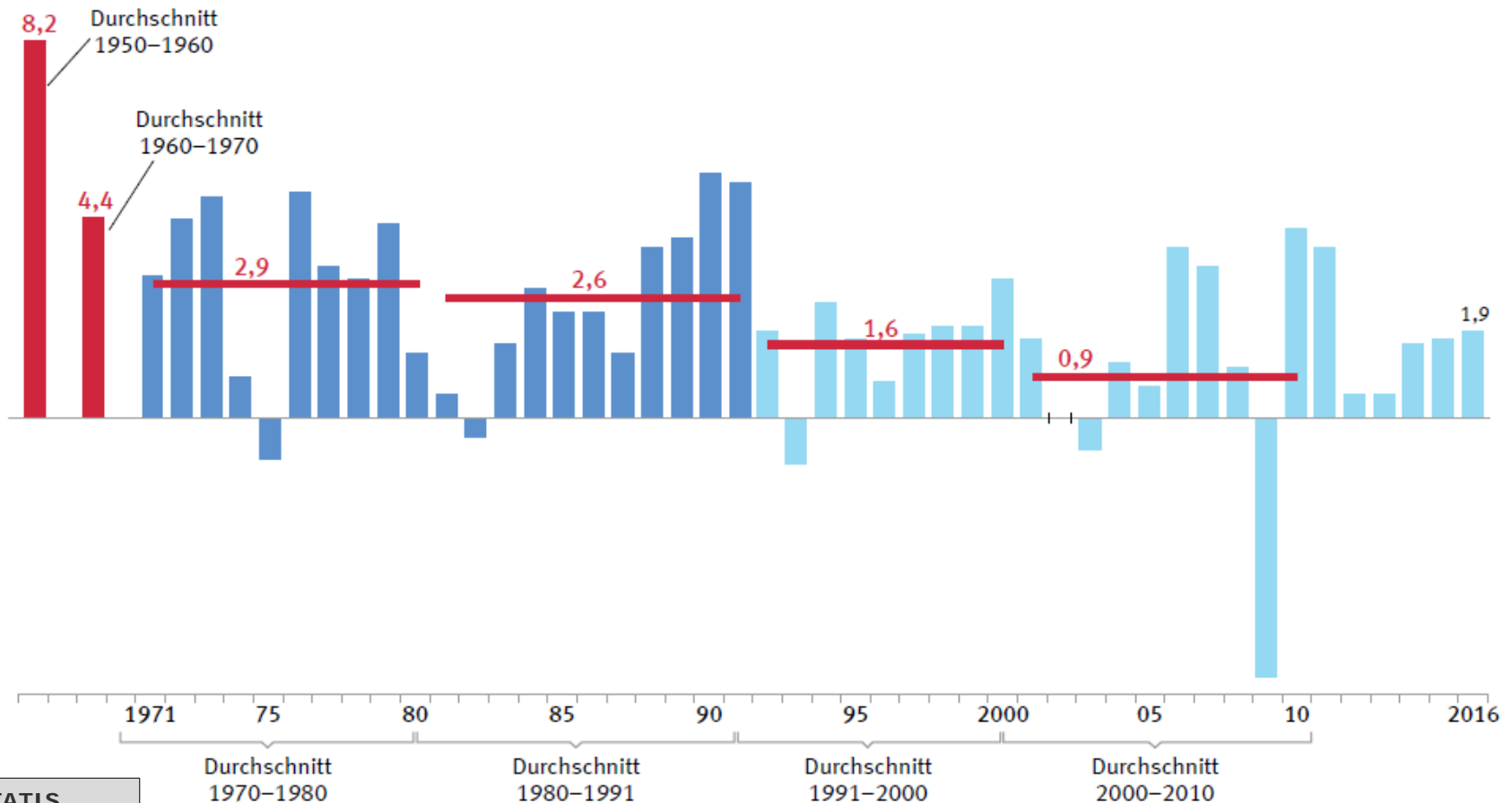
Overview

1. **GDP growth rates dominate the political strategy**
2. **A complement to the GDP is necessary**
3. **The National Welfare Index (NWI) is a new, complementary information instrument**
4. **The discussion does not only take place in Germany**
5. **Outlook**



1. Importance of GDP

Economic Growth in Germany: change of GDP, adjusted for price, compared to the year before in %



DESTATIS 2017

1. Growth rates - GDP

Worldwide expenditures for fostering economic growth between 2009 and 2016:

23 trillion US-Dollar (Thomson-Reuters, 2017)

- ► 14 trillion US-Dollar in Western Countries
- ► 9 trillion US-Dollar in China (9 000 000 000 000 US\$)

Decisions of G20 States: Normally for stimulation of growth

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2. Complement to the GDP?

Prevailing structure of believes:

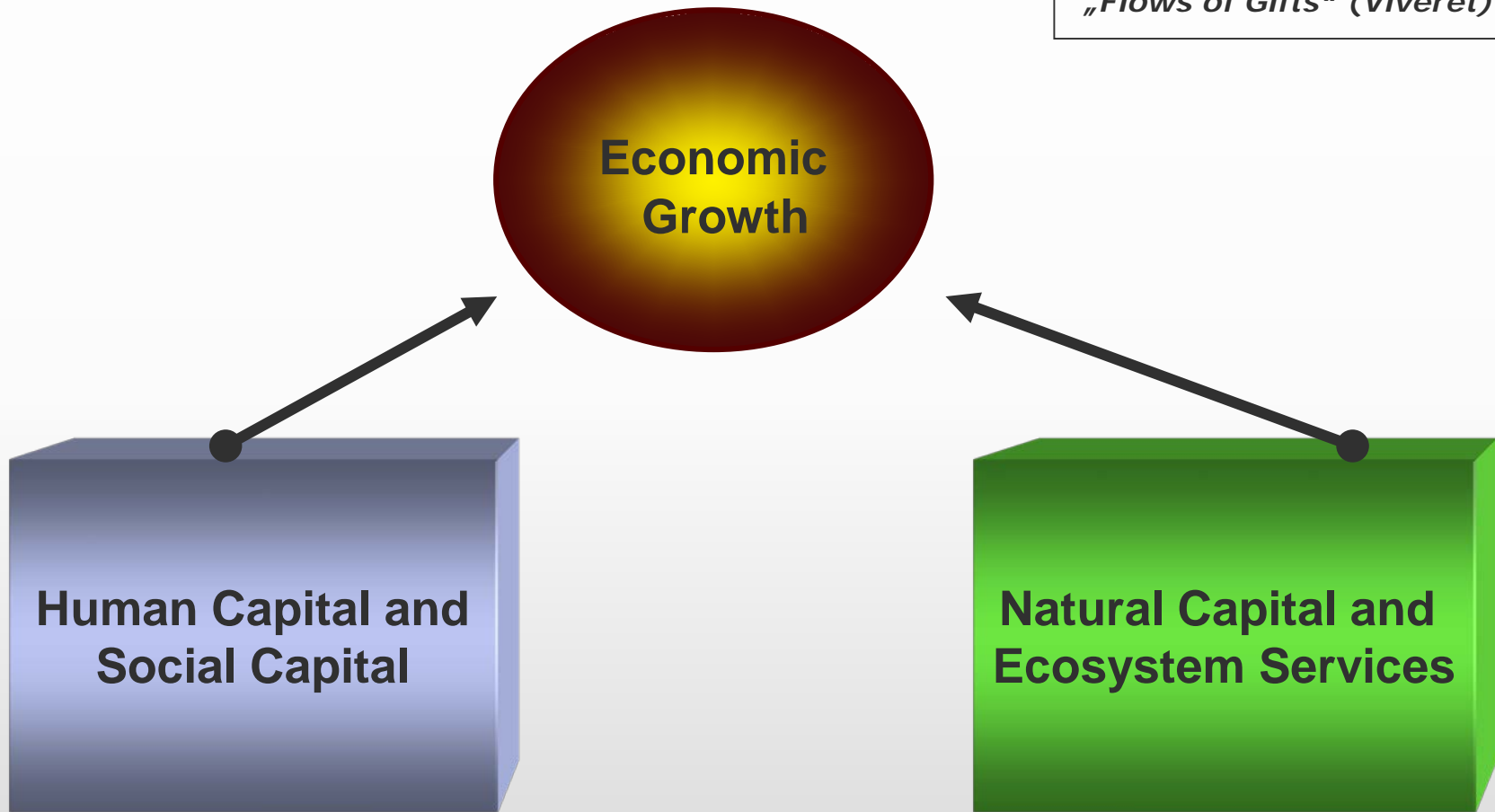
Economic growth as the primary foundation for wealth and satisfaction

New position: Welfare comprises more:

- ▶ + Social affluence: „Social Capital“
- ▶ + Ecological richness: „Natural Capital“
- ▶ But: Danger and Degradation

2. Complement to the GDP?

„Flows of Gifts“ (Viveret)



American High-Way of Life



2. Complement to the GDP?

In an economic system, produced are
„goods“ and **„bads“**

Therefore, **„anti-bads‘** are required

- **„anti-bads‘**: compensatory measures that require defensive costs to assure the level of societal welfare
- The exciting question is how socialreporting systems deal with it

2. Complement to the GDP?

Further aspects beyond GDP:

- Resource depletion and amortization on natural capital consumption
- Environmental damage in spite of measures of environmental protection
- Damages from natural disasters (of anthropogenic origin by some degree)
- Unequal income distribution
- Housework and voluntary works

2. Complement to the GDP?

First Conclusion:

„GDP is an important indicator of economic growth, but as an instrument for guiding policy it is inadequate to meet the challenges of the 21st century“

European Economic and Social Committee 2008

More about e.g.:

Van den Bergh 2011: The virtues of ignoring GDP

Costanza et al. 2014: Time to leave GDP behind

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3. NWI

NWI construction principle:

Starting point: Private consumption weighted with income distribution

- + welfare-creating components not included in the GDP, e.g. housework, voluntary work**
- welfare reducing components: e.g. environmental impacts, traffic accidents, consumption of non renewables**
- +/- adjustments due to the temporal divergence of expenses and benefits (durable consumer goods)**



3. Variables of the NWI

Index of income distribution	
Weighted privat consumption (x GINI-Index)	+
Value of house work	+
Value of voluntary work	+
Public expenditure on health care and education	+
Costs and benefits of durable consumer goods	+ / --
Costs of travel between home and workplace	--
Costs of traffic accidents	--
Costs of Crime	--
Costs of alcohol-, tobacco- and drug-related abuse	--
Compensatory social expenditures for environmental damages	--
Damage costs of water pollution	--
Damage costs of soil degradation	--
Damage costs of air pollution	--
Damage costs of noise	--
Net value of loss / increase of ecosystems (biotop area)	+ / --
Net value of loss / increase of agricultural areas	+ / --
Replacement costs due to the consumption of non renewable energy resources	--
Damages costs of GHG-Emissions	--
Costs of the use of nuclear energy	--



3. Variables of the NWI and connections to SDGs

Index of income distribution	SDG 10 Reduce inequalities
Weighted privat consumption (x GINI-Index)	SDG 12 Responsible consumption
Value of house work	
Value of voluntary work	
Public expenditure on health care and education	SDG 03 Good Health
Costs and benefits of durable consumer goods	
Costs of travel between home and workplace	SDG 11 Sustainable Cities
Costs of traffic accidents	
Costs of Crime	SDG 16 Peace, Justice, Institutions
Costs of alcohol-, tobacco- and drug-related abuse	
Compensatory social expenditures for environmental damages	
Damage costs of water pollution	SDG 14 / SDG 6 Water
Damage costs of soil degradation	SDG 15 Life on Land
Damage costs of air pollution	SDG 15 Life on Land
Damage costs of noise	SDG 11 Sustainable Cities
Net value of loss / increase of ecosystems	SDG 15 Life on Land
Net value of loss / increase of agricultural areas	SDG 15 Life on Land
Replacement costs due to the consumption of non renewable energy resources	
	SDG 7: Affordable and clean energy
	SDG 13: Climate action
Damages costs of GHG-Emissions	
Costs of the use of nuclear energy	

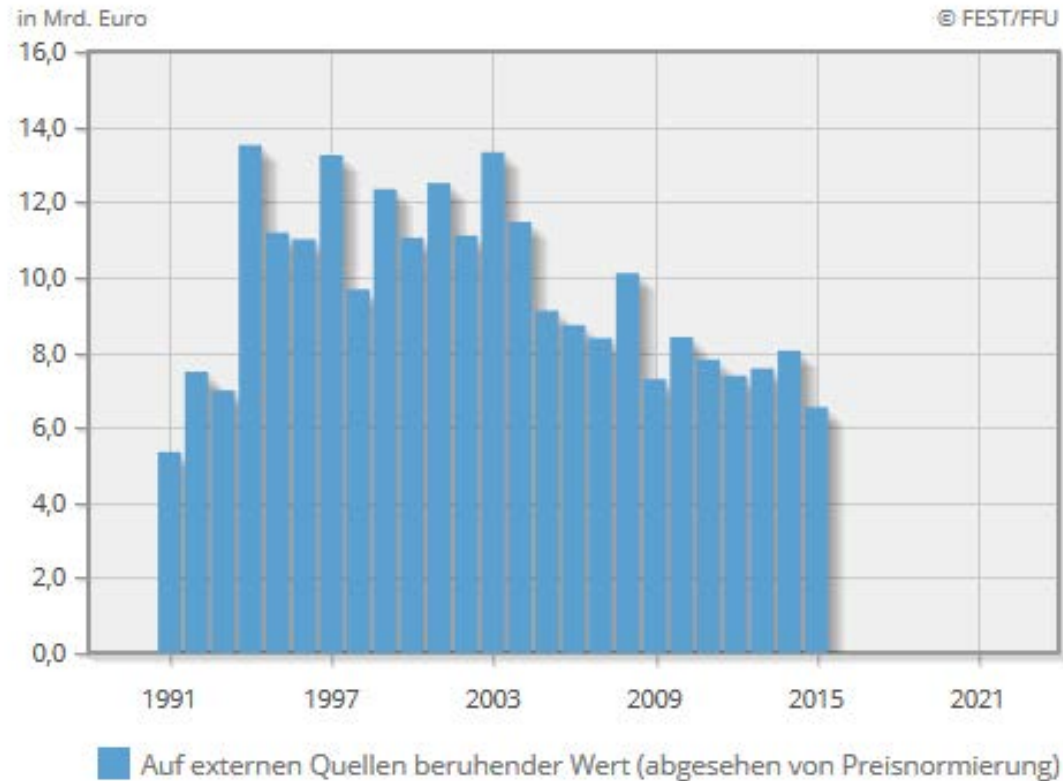


3. NWI - Results

Costs of crime

Schäden durch Kriminalität

(in Preisen von 2010)



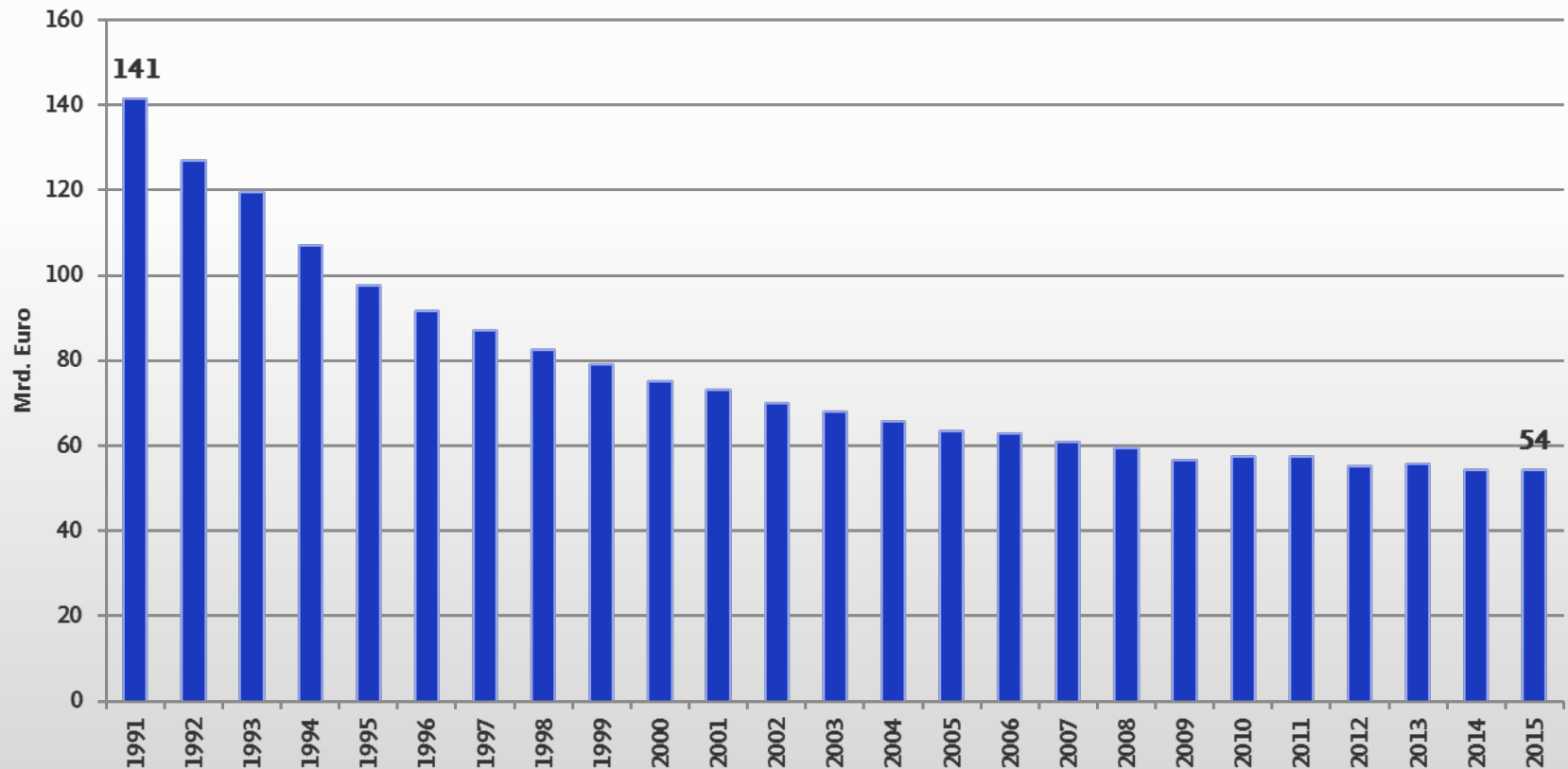


3. NWI - Results

Damage costs of air pollution

Kosten durch Luftverschmutzung

(in Preisen von 2010)

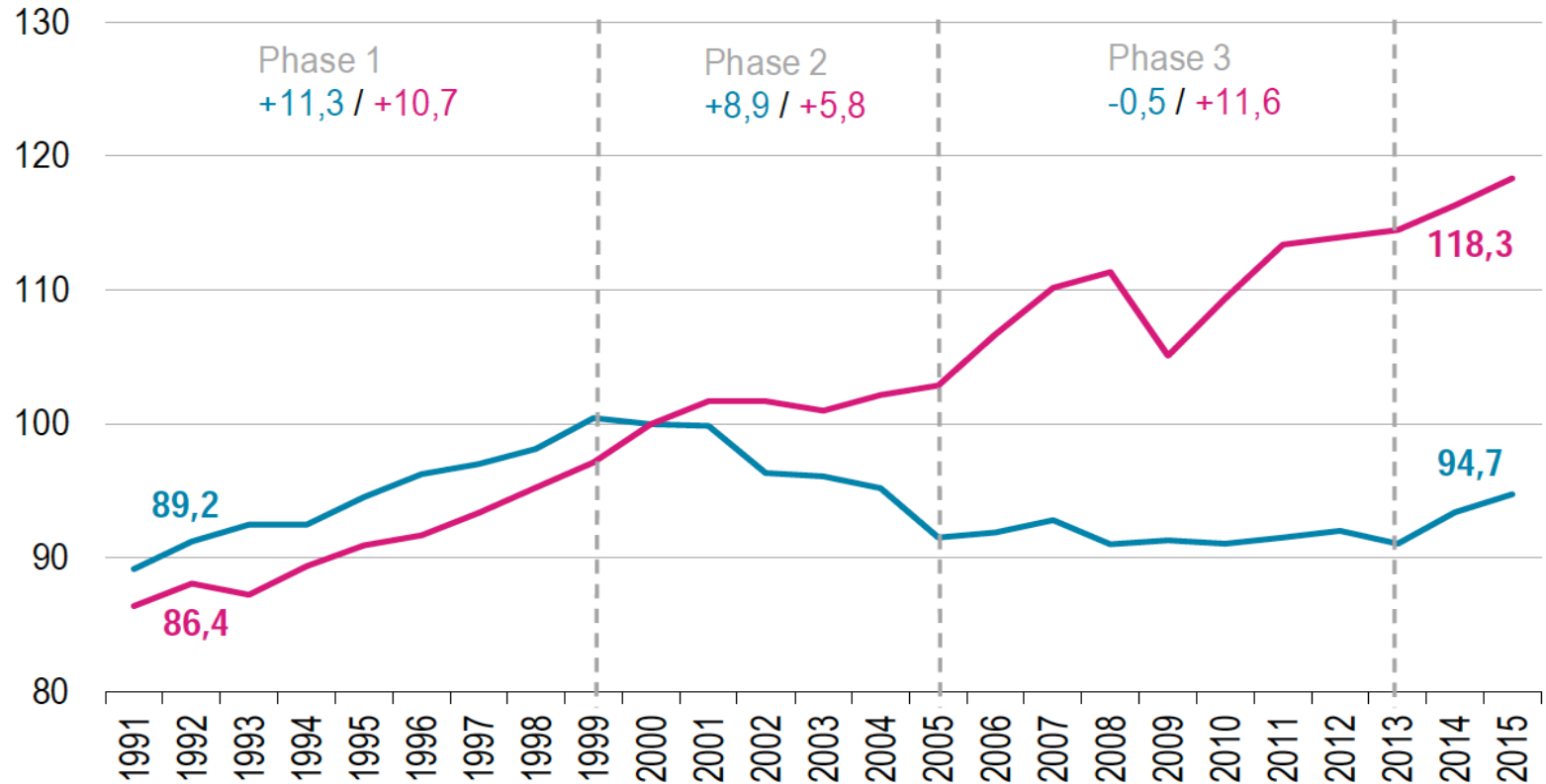




3. NWI – New Results

NWI and Gross National Income: 2000=100

2000=100



3. NWI - Conclusions

- ▶ Welfare of nations instead of economic growth is the better target
 - in the context of *Sustainable Development*

4. International lines of argument

UK

Commission for Sustainable Development

Study of Prof. Jackson 2009: Prosperity without Growth?

- The philosophy of growth now has failed: „Prosperity for the few founded on ecological destruction and persistent social injustice is no foundation for a civilised society.“
- Wealth can no longer be founded on the vision of permanent growth.
- Prosperity means the possibility of flourishing in an individual and social form – it is much more than the material dimension.
- New macro-economics for Sustainability were needed.
- One of the most important goals should be: A Society **beyond the „culture of consumption“**

Some Literature

Fioramonti, Lorenzo (2017): *The World after GDP*. Cambridge: Polity Press

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Many thanks for your attention!

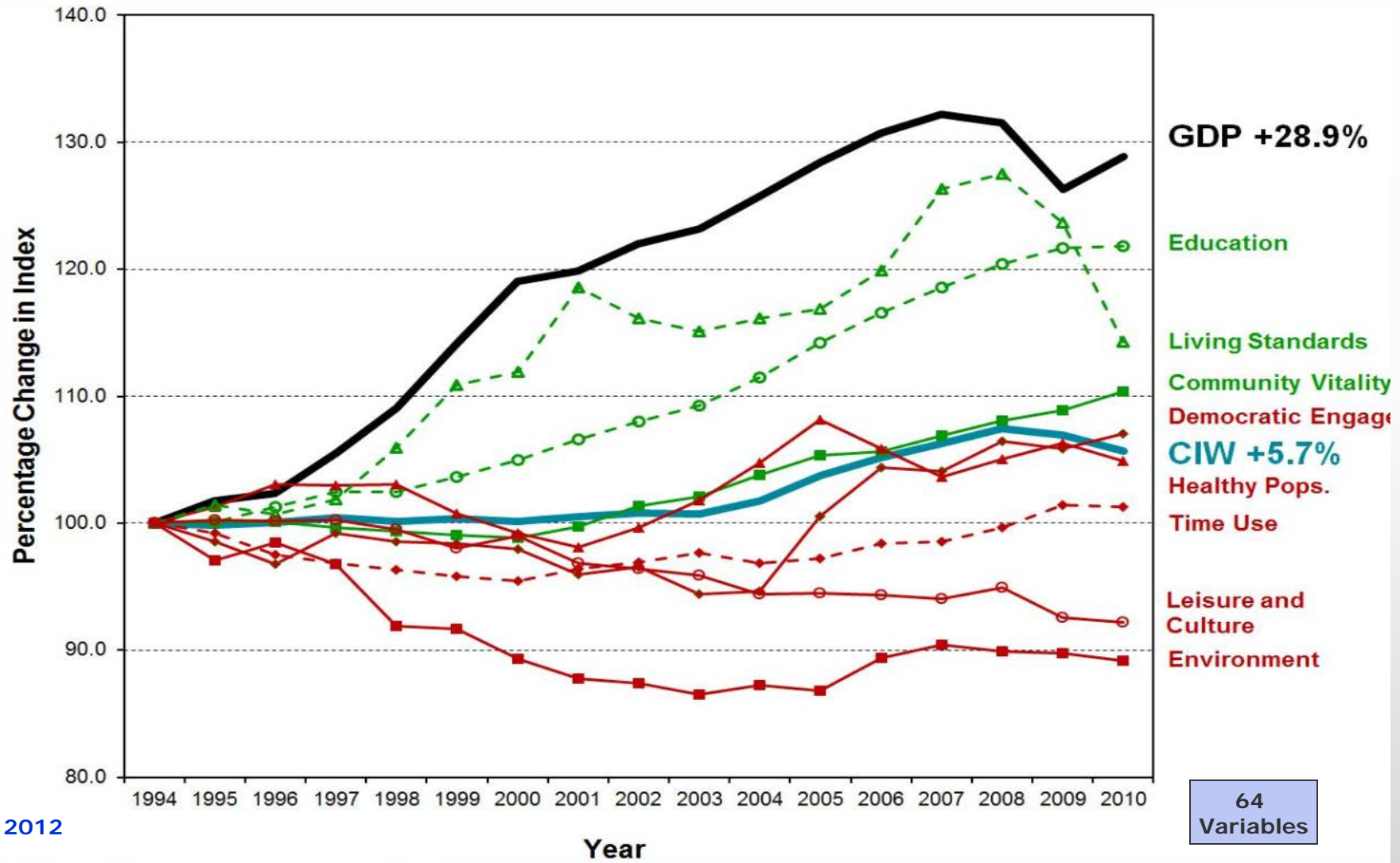
Vielen Dank für die Aufmerksamkeit !

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4. International lines of argument



CIW 2012

3. NWI - Conclusions

- ▶ Contributions to a higher societal welfare - without economic growth
 1. Better distribution of income and assets
 2. Reduction of subsidies harmful to the environment
 3. Continuous improvement of resource efficiency

- ▶ Economic Transformation: Re-orientation from the intensive use of materials to a more qualitative development
 1. „Green“ Economy and Society – e.g. „Low Carbon Economy“
 2. Importance of a new „Care-Economy“?
 3. Visions about „Knowledge Societies“?

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4. International lines of argument

OECD

Global Project: Measuring the Progress of Societies

Idea:

...for a good portion of the 20th century there was an implicit assumption that economic growth was synonymous with progress: an assumption that a growing Gross Domestic Product (GDP) meant life must be getting better. But now the world recognizes that it isn't quite as simple as that. Despite **high levels of economic growth** in many countries many experts believe we are **no more satisfied with our life** (or happier) than we were 50 years ago (...) and that increased income has come at the expense of increased **insecurity, longer working hours** and greater complexity in our lives. Much of the world is healthier and people live longer than they did just a few years ago, but **environmental problems** like climate change cast a shadow over an uncertain future.

(- Mission Statement: URL

http://www.oecd.org/document/5/0,3343,en_40033426_40037349_40038469_1_1_1_1,00.html)

4. International lines of argument

France: „Commission Stiglitz“

Idea:

The commission was supposed to analyze the limits of the informational value of GDP and to make suggestions to broaden the information basis, in order to allow a better evaluation of the economic and social development of a country.

„It’s about nothing less than changing the basic global paradigm of progress for people and nations, from production to equitable and sustainable wellbeing.“ (J. Stiglitz)

4. International lines of argument

France: „Commission Stiglitz“

Proposals:

Stronger emphasis on income and consumption instead of production (NWII starts with Private Consumption)

Stronger consideration of private households and not only activities delivered by markets (NWII accounts for house work and voluntary work)

Consideration of the distribution of consumption, capital and income (NWII factors in income distribution)

Health, education and environment as core issues of welfare calculation, but using improved measures separately (NWII includes corresponding variables)

4. International lines of argument

- **In many respects the NWI - since the first report 2008 - matches already the french recommendations.**
- **Furthermore, the NWI has just been calculated and produces empirical results.**

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Advantages of a reporting system on societal welfare

- Improved basis for political decision-making
- Goal discussion on direction of societal welfare
- Contribution to the dematerialization of economic development
- Closer to the ‚real life‘ of humans

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