COMPARING SUSTAINABLE ECONOMIC WELFARE ACROSS THE EU-15 COUNTRIES

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In this paper, the Simplified Index of Sustainable Development (S-ISEW) is compiled for the 15 European countries (the EU-15). The S-ISEW is a simplified version of the ISEW in that it contains fewer items than the original index. Items with low quantitative significances are dropped from the methodology to allow for an easier compilation of the index. Bleys (2009) showed that omitting the less important items from the index does not affect the outcome of the index in a number of countries (Belgium, Australia and the United States). Building on the Belgian ISEW, 11 items in the original methodology were retained in the Simplified ISEW.

This paper compares the results of the S-ISEW compilations in the EU-15 countries (1990-2009). First, databases from international agencies (Eurostat, United Nations, OECD) were used in order to increase comparability between different countries. This resulted in data for a rather limited time frame for 12 out of the 15 countries. Data gaps included: time use data, income inequality (in deciles), disaggregated data from the SNA and country-specific valuation methods. The data gaps were filled using data from national statistical offices, so that time series of the S-ISEW are available for all EU-15 countries. As such, this is the first ISEW study that allows for meaningful cross-country comparisons. Large differences were found between the countries: Finland and Greece score poorly on the S-ISEW, whereas Sweden, Austria and the UK have high S-ISEW/capita levels. The differences between the EU-15 countries can mostly be explained by differences in the welfare losses from income inequality, in environmental costs and in the capital adjustments included in the S-ISEW (net capital growth and changes in the net international investment position).

Reducing the number of items in the methodological framework of the ISEW does not only allow for an easier compilation of the index, it also indicates which items require most attention in the debate that will lead to an internationally agreed upon set of valuation methods. It is important to note here that several efforts have already been undertaken to overcome specific problems with criticized valuation methods that are currently being used. In this paper, the impact of using different valuation methods for key items will be looked into (work in progress).