



Towards methodological standardization of the European alternative measures of economic welfare

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Outline

- 1. AMEWs in Europe**
- 2. Methodological differences**
- 3. Impact**
- 4. Towards standardisation**

AMEWs

- alternative measures of economic welfare (AMEWs), e.g. ISEW and GPI
- measures the contribution of a nation's economy to the well-being of its citizens (economic welfare)
- looks at costs and benefits of economic activities to determine the optimal physical scale of the economic system

Methodology

ISEW=

Benefits

- ▶ private consumption expenditures (+)
- ▶ welfare losses from income inequality (-)
- ▶ value of household work (+)
- ▶ non-defensive public expenditures (+)
- ▶ defensive private expenditures (-)
- ▶ capital adjustments (+/-)

Costs

- ▶ costs of environmental degradation (-)
- ▶ depreciation of natural capital (-)

Europe

- most compilations are one-off academic efforts ~ little to no policy impact
- two exceptions:
 - ▶ ISEW for Flanders
(Flemish Environment Agency)
 - ▶ NWI for Germany and different Ländern
(German Ministry for the Environment and the Federal Environment Agency)

Flanders



Flanders

- ISEW compiled for the first time 2011
- annual updates
- occasionally used in research projects as an alternative to GDP (e.g. green tax reform)
- part of a set of indicators on green economy
- federal level: law on alternative indicators

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Low comparability

- methodological differences between the ISEW and NWI result in low comparability of the estimated economic welfare levels
- data availability & country-specific problems
- often reported as one of the most important barriers to AMEWs (e.g. Bley's and Whitby, 2015)
- impact?

Methodologies

- differences in items
 - ▶ Flanders: defensive private expenditures / costs of ozone layer depletion
 - ▶ Germany: value of volunteering, costs of crime, costs of alcohol, tobacco and drug use, loss (or gains) of biodiversity, costs of nuclear energy

Methodologies

- differences valuation methods
 - ▶ private consumption expenditures
 - ▶ welfare losses from income inequalities
 - ▶ costs of climate change
 - ▶ replacement costs of non-renewable energy
 - ▶ ...

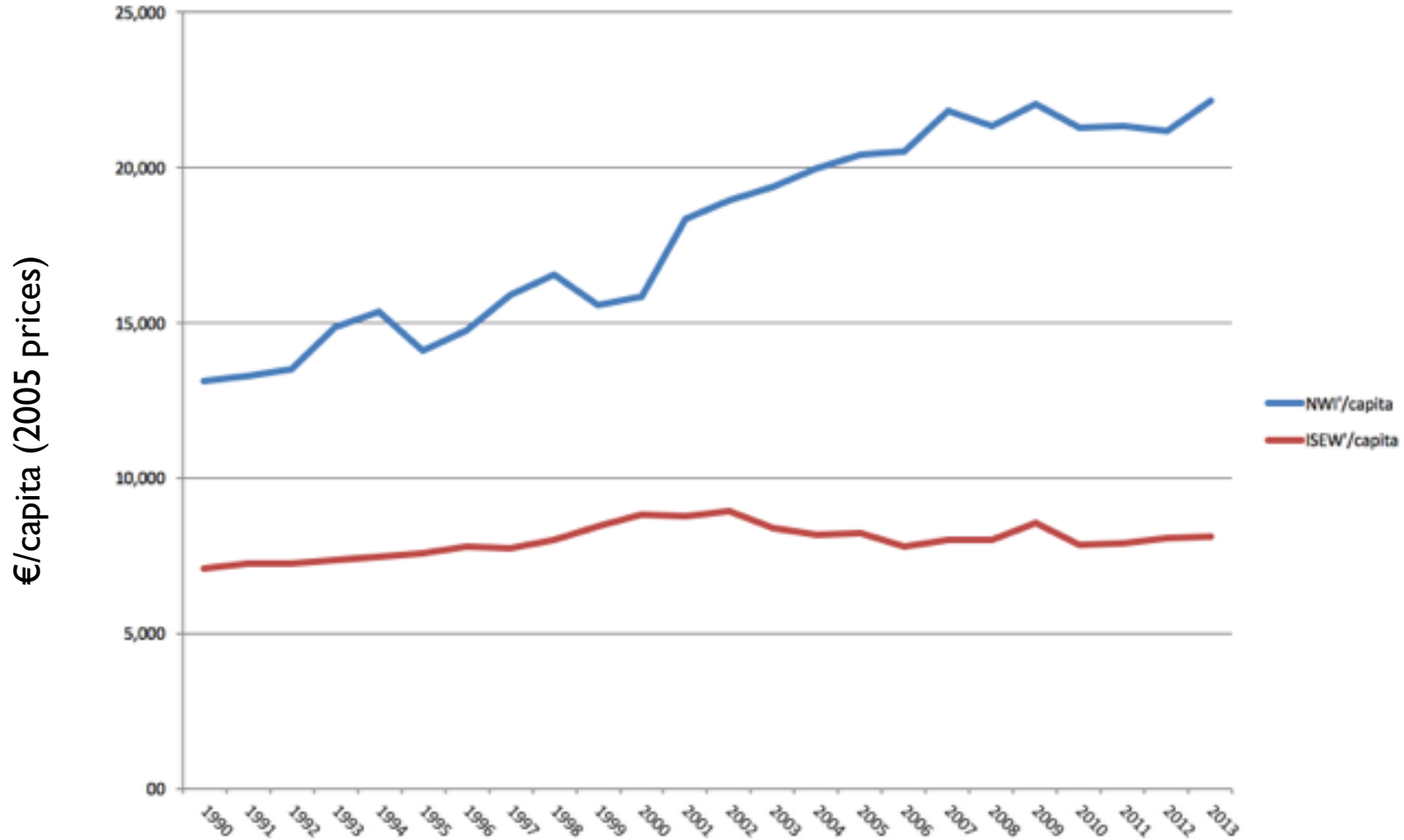
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ISEW' and NWI'

- compile NWI for Flanders
- work-in-progress: focus on the most important items (>2.5% of NWI)
- 11 items remain
- near future: full comparison ~ data problems more persistent for “smaller” items...

ISEW' vs NWI'



ISEW' vs NWI' (1990-2013)

	Item	NWI'	ISEW'
K-2	Weighted consumption expenditures	+62,3%	+18,9%
K-3	Value of household production	+9,3%	+7,2%
K-4	Value of voluntary work	+9,9%	n.a.
K-5	Public expenditures health & education	+41,1%	+41,1%
K-7	Costs of commuting	+21,1%	+22,3%
K-8	Costs of traffic accidents	-48,0%	-48,0%
K-10	Costs of alcohol, tobacco and drug abuse	+0,0%	n.a.
K-11	Pollution abatement (private)	+37,6%	+37,6%
K-14	Damage from air pollution	-52,1%	-44,3%
K-18	Replacement costs of non-renewables	+9,6%***	+9,6%
K-19	Damage from GHG emissions	-18,9%	+188,1%

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Standardization

- problems with incompatible data & differences in cost estimates
- interesting exercise - e.g. double counting, final energy use vs. primary energy consumption, ...
- extend effort to other groups / continents (e.g. GPI 2.0) to join forces

Standardization

- solid theoretical framework is necessary
- psychic income (psychic services today) vs. cost-benefit analysis of current activities
- current methodologies are not in line with either interpretation
- required if AMEWs are to challenge GDP

Thank you!

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