Foreword

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This special issue of the *Int. J. Environment, Workplace and Employment* contains a collection of papers on the Index of Sustainable Economic Welfare (ISEW) and the Genuine Progress Indicator (GPI). These indexes are alternative measures of economic welfare that attempt to incorporate the costs and benefits associated with the economic growth. They take into account a wide range of economic, social and environmental issues and aggregate these using monetary valuation techniques.

The basis for both indexes is private consumption expenditure. Next, positive and negative adjustments are made to factor in a series of social and environmental issues. On the positive side, the estimated value of household and volunteer work is added, as well as the public consumption expenditure on health and education. Negative adjustments include environmental costs related to different types of pollution and to the depletion of natural capital stocks and social costs associated with for instance commuting, crime and an unequal distribution of income. Finally, some additional adjustments are made to account for net capital growth and changes in the net international investment position.

The ISEW and GPI were introduced in the early 1990s to offer an alternative to the Gross Domestic Product (GDP) when monitoring the welfare of a nation. GDP is a measure derived from the system of national accounts that equals the total value of the final goods and services produced within a nation during a given year. Although originally not designed to measure welfare, GDP has become a normative benchmark for the economic and even social performance of a country. Yet, as a measure of welfare, GDP has many flaws. For instance, as GDP only looks at monetary transactions, it includes neither the value of household labour nor that of environmental services.

Both the ISEW and the GPI are attractive to policy makers as they aggregate all items into a single monetary index that is comparable with GDP. ISEW and GPI provide quick insights in the overall trend over time of the level of economic welfare in a country. The different individual items can be analysed to get a broader picture of how well a country scores on different subcategories. The ISEW and GPI are also appreciated for their potential as a communication tool as they offer an ideal way to make people understand the different impacts economic growth can have on the level of overall well-being.

The relevance of alternative measures of welfare and well-being was recently underlined at the 'Beyond GDP' conference organised by the European Commission. Both José Manuel Barroso, President of the European Commission, and Stavros Dimas, Commissioner for the Environment, called for the development and further improvement of indicators that adjust, complement or replace GDP.

At this conference, José Manual Barroso stated:

> "It is not enough for us to talk about freedom, climate change, health, security and the environment. We need widely accepted communication tools that show progress in these fields. And that progress can only be measured with suitable indicators. So it's time to go beyond the tools developed for the very different world of the 1930s. It's time to go beyond today's confusing surfeit of unorganised data. It's time to go beyond GDP."

Other national and international conferences, workshops and expert meetings on properly measuring progress have led to similar conclusions. In June 2007, the OECD held its second World Forum on Statistics, Knowledge and Policy in Istanbul, focusing on measuring and fostering the progress of societies. Expert meetings have been held in the Netherlands and Germany in which economists question the current national policies based on economic growth. Here, the ISEW and GPI have been put forward as potential alternatives with a high value for policy making.

A 2007 survey by Globescan revealed a worldwide support for the use alternative measures of welfare. Three-quarters of people in 10 countries expressed their belief that governments should look beyond economics and include health, social and environmental statistics in measuring national progress. Only 19% of the respondents believed that economic growth alone is the most important measure. Support for the 'beyond GDP' statement was found to be especially strong in developed countries. In Belgium and the Netherlands, petitions that called for the use of alternative measures of economic welfare were recently handed to representatives of the national governments.

In the light of this growing political and public support, alternative measures of welfare such as the ISEW and the GPI can play a significant role in properly measuring national or regional progress. At the moment, these indexes have been calculated for more than 15 countries, yet the exact methodologies used differed slightly due to data availability. As these differences hamper international and interregional comparisons, it is often argued that the indexes need a consistent and more robust set of valuation techniques in order to gain broad acceptability. The formulation of a coherent methodological framework would also add to this.

The papers in this special IJEWE issue each highlight specific areas where improvements can be made to the indexes. Vicky Forgie advocates the need for 'convention' in GPI reporting and looks specifically at the approaches taken to value natural capital and environmental services provided to the economy. Matthew Clarke argues that the GPI should also consider the well-being impacts of exports and imports and implicitly asks the question whether a country should be held responsible for its production or for its consumption. Brent Bleys looks at the possibility of simplifying the ISEW by focusing on the quantitatively most important items. This not only reduces the amount of data needed in the actual compilation of the index, but also indicates which items require most attention in the debate that will lead to an internationally agreed upon set of valuation methods. Michael Harris critically assesses the use of the Fisherian income concept to underpin the GPI and related measures and argues that the 'benefit vs. costs of growth' interpretation of the GPI confuses correlation and causation. Finally, Kenneth Bagstad and Marta Ceroni look into the opportunities and challenges in applying the GPI and ISEW at local scales. They also present a case study from seven counties in Northern Vermont, the USA from 1950 to 2000.

I would like to conclude by thanking the contributing authors for their valuable efforts and interesting insights. It is my personal belief that their papers will all contribute to the ongoing debate on the methodological framework of the ISEW and GPI. Finally, I

would also like to thank Philip Lawn for giving me the opportunity to guest edit the special IJEWE issue on the Index of Sustainable Economic Welfare and the Genuine Progress Indicator and for his part in the reviewing process.

Brent Bleys, Guest Editor