



Session 4

The way forward





Walter Radermacher

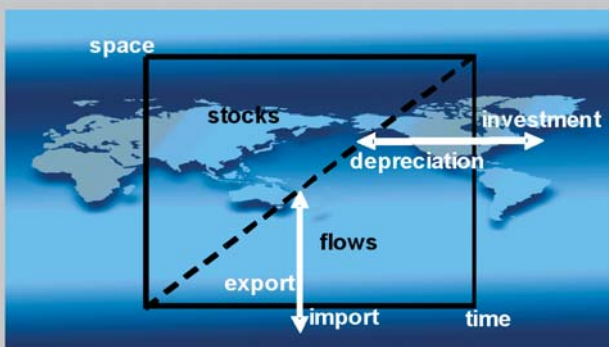
President of Federal Statistical Office, Germany

I start with a little story of the past. We talked about Lenin, we talked about Brezhnev, and I would like to tell you one of my own stories. It is fairly straightforward. In 1989, my predecessor in the Office for Statistics in Germany, spoke to the German Parliament and promised them that within two years he would be able to bring about a correction of the overall accounting system of the national economy, by including the use of natural capital, the consumption of natural capital and also work done in private households. "Egon Hölder, President of the statistical office, is now announcing feminist eco-social product", that was what the newspaper headlines said the next day. I was only a simple statistician at that time when I was given the job of undertaking this whole process, seventeen years ago. And you can imagine that we have a lot of experience in going "beyond GDP" in the meantime and some of those experiences have been included in the following statements.

Statistisches Bundesamt



The Economic System in Statistics: A "flat" projection



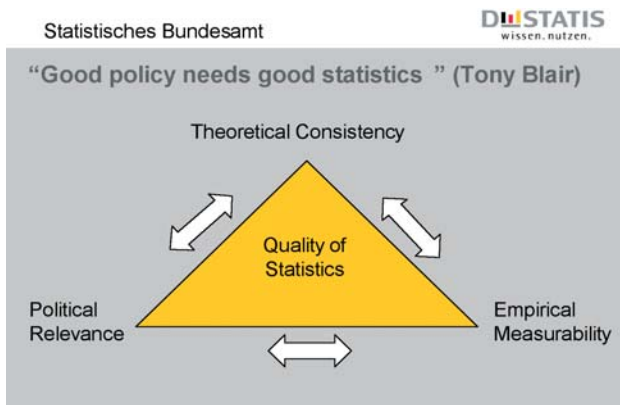
As Enrico Giovannini just said: the world is rather complex and we cannot understand everything just by looking at it from one angle. Even our system of accounts for the national economy is a flat, two-dimensional view of a complex reality, which has to integrate stocks and flows, time and space.

We of course have to make corrections to figures, but into this rather flat structure we are trying to introduce new information. That in fact is what is giving rise to some of the problems to be tackled.

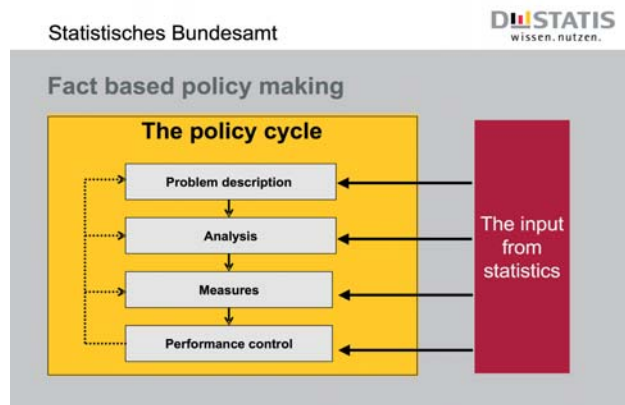
Traditionally, the strength of the statistical system has been based on flows and flow calculations. When I came to stock accounts, the fact is we do not have comparable quality of data around the world. What is also very important, in terms of what Enrico Giovannini said, is the need to update our view and look at what sort of processes underpin the production of statistics. The most important process is design. There are patterns which can be influenced especially if new problems come to the fore.

First of all we have to take a decision as to what sort of measurement has to be carried out, what sort of indicators have to be woven into the bigger picture. So the question is who decides on what information should be gathered, what sort of indicator is relevant and which ones are not relevant. That is the whole basis of a design process. Then it comes to the statistical production process and finally communication is vital. I will come back to these aspects later.

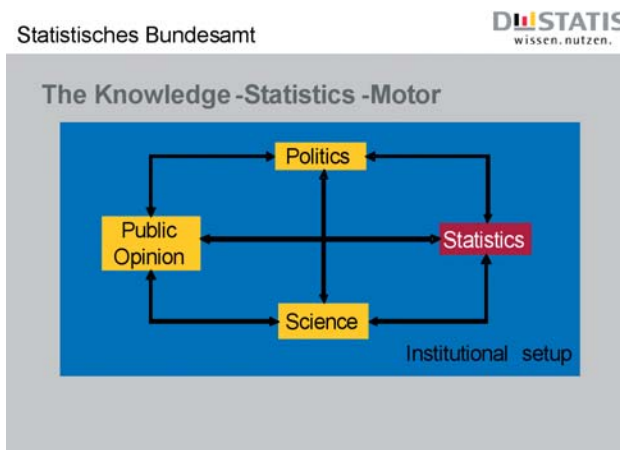
I have been an official statistician for 30 years by now, and I have seen a whole explosion of different proposals coming forward. It began in the eighties with the 'social indicators', and then there were a number of different waves of further information, 'sustainable development indicators', 'progress indicators' came to the fore, 'millennium development goal indicators'. Today there is certainly no lack of proposals or suggestions. In fact, we have a plethora of proposals and our problem in official statistics is to make sense of all of this, to make something consistent out of it all.



This is essentially a question of data quality. Good information must be politically relevant, has to be theoretically consistent, and it has to be empirically measurable. Clearly there is something of a conflict here. The types of approaches that Enrico Giovannini mentioned can be fitted into this triangle in different ways. Indicators normally come out of the relevance corner, while the accounting methods tend to come from the consistency corner of the triangle. Basic statistics have the obvious advantage that they are measurable. So again there are certain problems in trying to accommodate all these diverse things under one single roof.



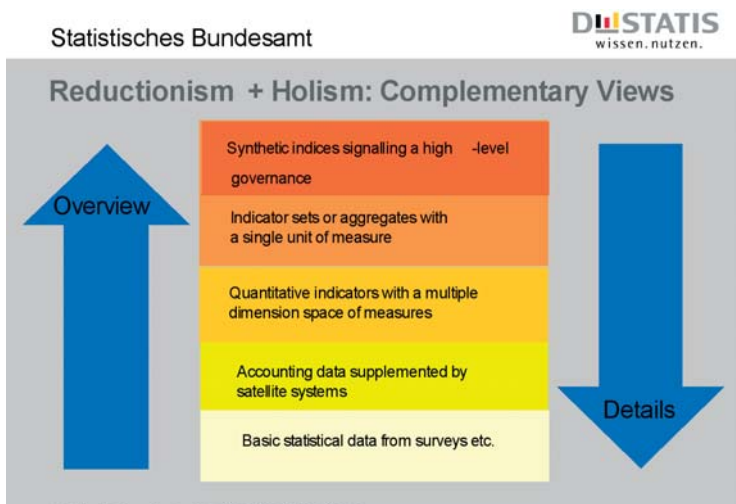
Next point which is decisive as far as I am concerned is: where do we stand in the political cycle? The first thing we have to do is to describe the problem – agenda setting as is known – in order to put an issue on the political agenda in the first place. But then we have to take more and more specific decisions, the goals are set and finally we have performance control and depending where you are on this scale, the indicators used are very different. We should not lose sight of this fact.



There is some interaction then between the official statistics here on the red, and these three customer groups which I have outlined: politics, public opinion and science. They all interact with the national statistical offices, and they influence statistics in their turn. Statistics then of course has an impact on public opinion; that has an impact on the way voters behave and so on. So there is a lot of feedback and interrelationship between these different aspects. That must be borne in mind at all time.

The last point is that if you want to draw up a portfolio of statistical information, on the Y axis there is a distinction between high and low aggregated data, and on the X axis the question of accuracy and cohesion. On one hand you have lowly aggregated short-term data. On the other hand there is the world of accounting to be taken into consideration, the economic, social and environmental accounting. Then we have multidimensional indicator systems. Here I would like to draw your attention to the little 'green book'. This is a bit of a ploy to get you to look at it. It shows the German approach of sustainable development indicators and its application. It is available in the world wide web (www.destatis.de/publications).

Finally we have composite indicators, i.e. highly aggregated indices and indicators as proposed for example with HDI (Human Development Index) or EDP (Eco Domestic Product) and others. They always include a number of assumptions and underlying background that often are not or can not be made explicit. They have a kind of "invisible load" of methodology that usually can not be communicated in an adequate way when using these indices. That is why for official statistics with their claim to offer data of high quality (see for example the European Code of Practice) it is a difficult process to provide this



kind of data. Perhaps rather provocatively, you have this figure of 42. Many of you have probably followed *'The Hitchhikers Guide to the Galaxy.'* In that, the number 42 is the response to everything. We are only not quite sure what the questions were in the first place. But this is what Enrico Giovanni meant, when talking about this one figure, which we do not want to see applied to everything.

So there is a kind of hierarchy in the background of official statistics: highly aggregated, more and more synthetic, and as it goes down, you see an increase in detail.

In Germany – and I think this is true for Europe too – our opinion is that the indicators we use to unify the different elements are collated from basic data via the accounting system. This is the adequate way to gain consistent data in order to supplement for example the headline indicators for sustainable development.

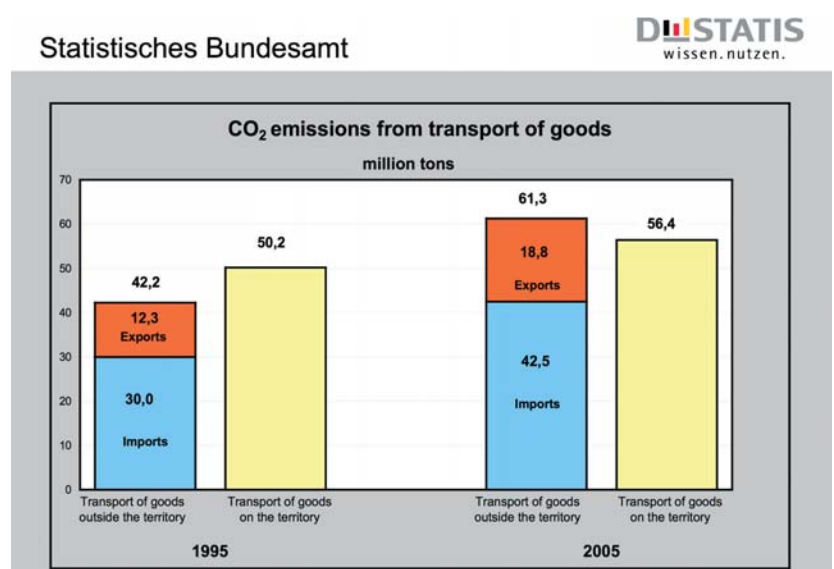
What can we do in terms of analysis using accounting? Here is an example from the German press conference in November 2007. The press conference was entitled to show “environmental-economic aspects of globalisation”. By way of methods of environmental economic accounting using basic data from various surveys (foreign trade statistics, transport statistics etc.) we calculated the CO₂ emissions incorporated in the products imported and exported to or from Germany. In addition we assessed CO₂ emissions abroad stemming from the transport of imported and exported goods on their way to or from Germany (see slide 13). Here, we see that the CO₂ emissions

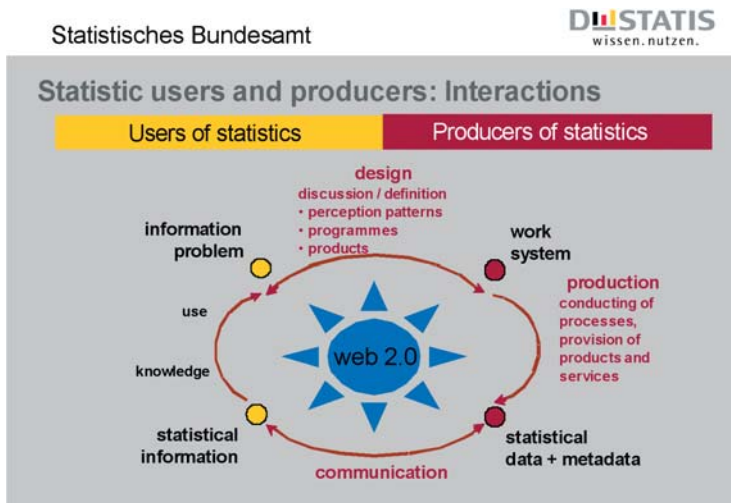
abroad caused by the transport of German import and export goods, have increased considerably faster than CO₂ emissions from goods transport within Germany itself. And of course these aspects play a major role when it comes to pursuing a CO₂ reduction policy. But that is just one example out of many possible ones.

Now, what do we need to take account of when it comes to official statistics and if we want to fill in the wish list we have been looking at for the past couple of days? In official statistics, it is expected that we permanently reduce our functioning resources while continuously new data requirements are brought forward. Many of our colleagues suffer from

this fact occurring to them; we see budget cuts, we have had these cuts for more than 10 years by now in our office. At the same time there are extreme requirements placed on quality. And having spoken to a lot of people working in this field in Europe, they want to take steps to reduce the response burden. So these are the conditions under which official statistics work. And with these conditions I would add that in Europe, the historical political system is very complicated and heterogeneous.

Just a few recommendations now: I think it is very important that from today's discussion we can draw some conclusions. We heard the President of the European Parliament this morning. New data requirements are only acceptable if official statistics are equipped with adequate resources. We also need to make sure that the necessary basic data are available, otherwise we won't be able to score any degree of quality or relevance for the information. We need to broaden the accounting





to let them participate in our work. So once again: We need to improve communication and make much more effort in the course of designing statistics, especially when it comes to the selection of indicators. What I am saying is that we need to involve civil society to a much greater extent.

And a last recommendation here: cooperation. Let us intensify the working relationship between national statistical institutes, international organisations and the scientific community. Only by cooperating we will be able to find better solutions to our problems. Let's go ahead in a common effort.

systems. I would refer to the UN approach which until 2011 will have a standard for an integrated environmental and economic accounting system (SEEA). We need to agree on indicator sets based on available information. That is working in Germany but also throughout Europe, I think.

And finally, just a last point: What is very important for the process of improving our measures, is that we follow Hans Rosling's pattern and improve communication. It seems decisive to me, when he pointed out to Web 2.0. The blue sun in the middle, Web 2.0, affects everything, not just communication at the end of the production process (see Slide 17), but also the design process of official statistics.

So much more than in the past, these days we have to take account of civil society and we have



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Ashok Khosla

Co-President Club of Rome



Thank you, Mr Chairman.

I want to convey greetings from one of the sponsoring organisations that I represent, Club of Rome. I will be talking this afternoon a little bit about the perspectives that the Club of Rome has established over the last nearly 50 years. But I would also like to tell you that a good part of my perspective is from working at the grass roots in a third world country. The two are, to some extent, combined in my presentation.

Let me start with a few what we might call factoids, the bane of statisticians. We have today virtually no way of escaping the idea that the climate is changing. In fact, one of the senior economists of the UK, Sir Nicolas Stern, has said that it is the greatest market failure in history. Then I have to ask him: What about the fact that half the world's population lives below the poverty line? Is that not a market failure? Then I have to ask him: What about the fact that hundreds of species become extinct every year? Is that not a market failure? And then what about the fact that 150,000 square kilometres of land becomes desert every year? Has that nothing to do with market failure? I also, as I said, know one country better than others, so much of my discussion draws on my experience in my own country, which is India.

In 1991, 16 years ago, in the wisdom of the government of that time, we introduced neo-classical liberal policies. Today, 16 years later, all we talk about in our newspapers, our headlines, our front pages, is: "Is GDP this year going to be 9% or 10%?". In those 16 years, we have generated more billionaires than any other country in Asia, possibly in the world. The Club of Rome was invited last week by the President of Germany, Horst Köhler, who told us a very interesting story. He said that one of the prize giving ceremonies that he had to give a prize at, his dinner companion was an Indian industrialist. The Indian industrialist leaned over to the President of Germany and he said in a very condescending kind of way: "I only buy German companies." Well, the world is changing. This is a story from Horst Köhler, it is

not my story. The fact of the matter is that we are living in a world that has completely lost its bearings. Here is a country in which one man a month ago, when the stock market index went from 15,000 to 18,000, made 5 billion dollars in one day of trading. In 6.5 hours of trading, this gentleman made more than 4.8 billion dollars, maybe much more because we do not know all his shareholdings. On that same day, on page 5 of the same newspaper, it said that several dozen farmers had committed suicide because they could not pay their debts. It is a topsy-turvy economy. Frankly, we have a real problem when you have stock markets hitting record highs in a country of 1.1 billion where 800 million according to the government, which is not prone to exaggerate these statistics, are below the poverty line of 2 dollars, where 300 million people earn less than 20 rupees a day. You know what 20 rupees is: 40 eurocents? Even in India it is hard to live on 40 eurocents.

So while the world's economy has made huge progress and some people live with unprecedented opportunities for fulfilment, we have an economic system that does not work for many people. Unfortunately, the concept of GDP symbolises many of the issues that underlie these problems that face the world today.

The value of GDP as an indicator has been proven. It is not a problem, we have heard many of the good things about it over the last two days, and I subscribe to them. It is a necessary indicator. If it is made more sophisticated, all the better. Much has been said by people all through the last few sessions. The classical commitments we have heard include the fact that it is not comprehensive, it does not cover things like women's contributions and domestic work, and subsistence activities, informal sector, free unpaid work, many things: non-monetised transactions, nature's contribution. It ignores non-quantifiable monetised and non-monetised variables like health and well-being, happiness and fulfilment. It tends to aggregate things and to hide the variations like income and wealth disparities, sectoral differences, risks and

vulnerabilities. I won't summarise all the things we have heard, but I will say that there are a few additional things that we have not heard much about.

It encourages very short-term thinking for example. The time horizon never exceeds a year. It is not capable of handling the depreciation of natural assets. It manages well manmade or mechanical or physical resources, but not too well natural capital, or indeed social capital. It has a tendency to double count on the income, even the bads and the goods are all added up. And sometimes underestimates on the cost side.

The methodologies are vague and many of the things like inflation and purchasing power parity and so on are now beginning to be made better and better, but we've got a long way to go. Many of these things have already been said, but there is a lot more to be said. The new criticisms, or the future criticisms of GDP, really, I think, will have to relate to the psychology of human beings, of civilisations, of societies.

Subscribing to GDP as a predominant way of characterising the wealth and welfare of a society, I think, reflects a mindset, an attitude, which is very inimical to the future of our planet, and certainly of civilisation. It reflects what is important in society and economy. We chose indicators that reflect what is important to us. It reflects the relationships and our attitudes towards the relationships between people and nature, between people and people, and indeed between people and machines. It distracts us from the real issues of resource depletion and of the possibilities for overshoot and collapse that these have a tendency to have. I worry, for example, about the counterincentives that GDP numbers give our societies in terms of changing the lifestyles and consumption patterns and production systems that we have to change if the world is going to survive.

We have talked so much here about decoupling: energy and water use and resources from GDP. Unfortunately, what is decoupled is livelihood, unemployment and jobs. Because of the way we have chosen to push our GDP. I have not opened a newspaper in India over the last 3 or 4 years without some reference to the GDP getting up to 9%, 9.5%, 10%, it is like a kind of horse race. Our whole attitude is determined by how well we are doing in this race to get the GDP up.



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Conference

It encourages non-sustainable patterns of resource use. It encourages obsolescence; it encourages waste, because all of these add up to more GDP. It encourages hit-and-run-economics, accelerated resource use, and depletion, and it encourages the undervaluing of potentially shared and under-utilised assets. We basically have to reflect how mindsets are going to be looked at. The psychological impact is on low emphasis on the distributional issues rather than on the aggregates. And it tends to encourage homogenisation, standardisation and uniformity of solutions.

I am being asked to wrap up so let me just come to a few of the things that I think we need to do in terms of the future. I think personally that GDP has to look at the possibilities of how technology and how institutions are going to be designed in the future. Technology choice under the current system has to do with making GDP bigger by making things bigger and centralised and capital-intensive, by using very highly material-based progress and discouraging dematerialisation, and has too much focus on zero sum outcomes: whatever it is that one society gets, somebody else has to lose or pay for. We need to go into positive sum thinking.

The Club of Rome over the last 30-odd years has been basically concerned with systems, and linkages between systems. It has looked at stocks, flows and the links, and the delays between them. It has found that systems have very strange behaviour patterns. They are often counterintuitive. They do things very differently from what you might expect from so-called common sense. And one of those things is, because of the delays in systems and delays in the knowledge that we have about systems, the possibility of overshoot and collapse. We have world systems in which very suddenly the climate changes or the oil finishes, or something happens, and we say: well, we did not think about it beforehand. It is also concerned very much by the limits: limits set by nature, by social processes, and by human potential.

These problematics we espouse to look into solutions for: '*resolutics*'. How to bring economic, social and environmental issues together, to perform, to lead to sustainable development? So our proposition is that GDP has become a surrogate for a way of thinking, and what we have to now look at is defining what is a good life not just by what we have, but by what we are. And that needs very different kinds of indicators. The low-hanging fruits among these indicators are that we need, as my previous speaker just said, much better collaboration between civil society, universities, business and

governments, both as users and founders of work on indicators, and that we promote the idea that variation among the indicators is as important as understanding the aggregates.

My proposition as a person who is a follower of the Gandhian tradition is that indicators ought to be defined from the viewpoint, the perspective, of the lowest, of the poorest, of the people who got left behind, and not by those who dominate the decision structures of our society.



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Miloslav Ransdorf

Vice-Chair of the Committee on Industry,
Research and Energy of the European Parliament



I have some interesting experience from when I worked for the Institute for Forecasting in the Czechoslovak Academy of Sciences. We prepared some projects and recommendations for the government in this interesting period in the eighties. One of our colleagues, Mr Klaus, now the President of our country, said that economics is completely different from other social sciences because it is a hard science. Other social sciences are only soft sciences, including sociology, psychology, history, etc. But my thesis is completely different. After this experience, when our state was governed by economists, I have to say that economics functions more as an ideology, as a political ideology in our own days, and this ambition to be universal or to be a hard science cannot be fulfilled. The recent situation of economic science is described by Paul Ormerod in his famous book published in 1994 *'The Death of Economics'*. From this analysis, it is evident that all social sciences try – at least – to analyse their own basic assumptions. Economics takes these basic assumptions as given. This lack of capacity to reflect on the real basis of the analyses is maybe the problem of economic science today. Ormerod pointed out that no forecast of economists has been fulfilled in the last 20 years, including financial breakdowns as in Mexico, Brazil and Russia. We can find examples of this thesis in a recent book published by Mr Greenspan, the head of the Fed. In Mexico, just one week before the crash, the International Monetary Fund published a very positive evaluation of the development of the Mexican economy. And one week later, everybody was panicking, because it was necessary to put some 50 billion dollars into the Mexican economy to avoid spreading this crash to other countries.

The second problem which is evident in the recent situation of economic science is that most economic analyses concentrate on phenomena. They omit to analyse the essential processes in human society. The majority of economists who have been awarded a Nobel prize worked in the field of the analysis of financial derivatives and

financial fluxes. No economic crisis of the last two decades has been the subject of a warning from economists beforehand. When in recent years, some Nobelists were put on the board of one financial fund in North America, the result was an enormous loss and a further 70 billion dollars had to be put into economic structures to avoid even more bitter consequences.

So the mainstream of economic science functions more as political ideology than as a scientific analysis. The problem is that modern advanced society is the society of universal mediation, as was said for the first time in Hegel's *'The Phenomenology of the Spirit'*. This universal mediation is something very difficult for us, because more and more, these essential processes in human society are mediated by phenomenal structures and phenomenal processes.

It is also the problem of GDP. GDP does not reflect the development of human society in all its complexity, as has been pointed out by my predecessors. For example, if you expand the clearing of rainforests in Brazil, that would obviously contribute to economic boom and expansion of GDP in Brazil. But the social cost for the future would be imminent. The same can now be seen with the growth of China. China is praised as the "recipe" for many countries in the third world. The growth rate of China is astonishing, it's true. But Foreign Affairs published an interesting article dealing with the problem of the environmental cost of this growth. This growth is extremely expensive as regards energy input. The Chinese use more energy per unit of GDP than the advanced European countries or Japan: five times more than the US, and even three times more than India. We can see the degradation of the environment. We can see the terrible impact on nature, water and air pollution, and even the expansion of desert. Desertification proceeds at 1960 square miles per year, despite the fact that the Chinese have started very ambitious projects of reforestation.



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So with these examples we can demonstrate that this push towards a higher rate of GDP and economic progress is not the remedy for social problems. In China, even the Communist Party of China refused to introduce the very principle of minimum wage, arguing that all labour should be governed by market conditions. Respecting the recommendations of mainstream economists cannot resolve environmental and social problems.

I have to say, as was mentioned by Mr Radermacher, that there are also other indicators which can be of assistance in evaluating the situation of recent societies, like the index of social progress devised by Richard J. Estes in the nineties. It would show that a very important factor for citizens in our societies is disposable time. Disposable time can be measured. So it is something which is very important for the quality of life.

To conclude, I have to say that the recent crisis in economic science is a challenge for everybody working in this field. Social sciences need to give us new and fresh ideas, to eliminate the dominance of mainstream economics. We need economic heretics, as one Russian writer, Zamyatin, said in one of his essays: "*Heretics are the only remedy against the entropy of the human spirit.*"



Jérôme Vignon

Director, European Commission, DG Employment, Social Affairs and Equal Opportunities



I am going to outline to you the way in which the indicators, and by these I mean essentially social and economic indicators, are used for the development of a European strategy to combat poverty and exclusion. So if you look at the triangle – economics, social affairs and the environment – I shall take just two points of the triangle. But I shall be going to the heart of this conference as I consider how better to use quantitative indicators, to inform and motivate politics and policies.

You have a list of 13 plus 1 indicators, 14 then, which have been chosen from among the 42 structural indicators and these are for the use of 27 members of the European Union (see slide above). These are benchmarks to enable them to measure their commitment to and progress in combating poverty and exclusion. Here we have the illustration of what Mr Giovannini touched on in his opening remarks. We are in a complex environment with complex objectives and if we are to reduce poverty and social exclusion, we must have not just one single indicator at our disposal but a whole plethora, a whole family

of them. Those that you see here have come from the contributions of statisticians, but there is also political input in accordance with the three criteria indicated by Mr Radermacher: consistency, likelihood and veracity. These come together to help the 27 Member States. You need a passage between statistics and politics if you are to have indicators that enable us to guide ourselves.

These 14 indicators are intended to illustrate two main objectives in the European strategy to combat poverty and exclusion:

- Our first objective is to increase social cohesion, to reduce poverty;
- And the second is to measure interaction between growth, employment and social cohesion; to create a bridge between the classic macroeconomic objectives of growth and employment and the objective of social cohesion.

So we are looking at the complex issues that we are studying in this conference. Now in my brief

introduction, I shall use just four of these indicators, as I answer the question: is it true that growth in employment does contribute to diminishing poverty and exclusion? Or, under what conditions can growth diminish poverty and exclusion? I shall use indicator 1, the red one, measuring the risk and intensity of poverty; and I shall use the 11th one, i.e. poverty of those who are working, the in-work poverty risk. I shall use indicator 5: looking at households where nobody works, jobless households; and then indicator 12, which is macroeconomic par excellence, participation in employment, in other words activity rates.

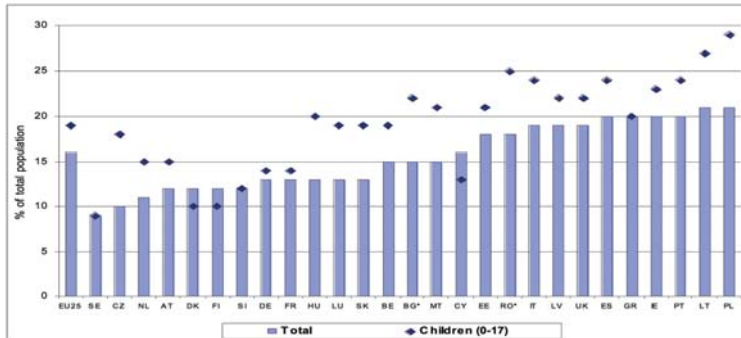
Overarching list of indicators for the EU strategy for social protection and inclusion

- 14 indicators to monitor 2 overarching objectives
 - Social cohesion and policies that contribute to it
 - Interaction between growth and jobs and social cohesion

<ol style="list-style-type: none"> 1. Risk and intensity of poverty 2. Income inequalities (S80/S20) 3. Healthy life expectancy 4. Early school leavers 5. Jobless households 6. Projected public social expenditure 7. Pension adequacy 	<ol style="list-style-type: none"> 8. Unmet need for health care 9. Anchored poverty rate 10. Employment rate of older workers 11. In-work poverty risk 12. Activity rates 13. Dispersion in regional employment rates 14. More health
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At-risk-of poverty rate in the EU (%), total and children, income year 2004

16% of Europeans and 19 % of children are at risk of poverty. Rates range from 9% to 29% for children.



Source: SILC(2005) - income year 2004 (income year 2005 for IE and the UK); except for BG and RO - estimates based on the national Household Budget Survey

The development of the poverty risk over 5 years is something that I will not show you on a slide, because we do not have figures for all the members of the European Union. But this shows the importance and delays in statistical investment. I am not able to show developments in poverty over 5 years for all EU members, but only for a few. But with regard to those for which I do have the statistics, I have to note that for those from 5 to 10 years of age, the poverty rate is not dropping; it is starting to increase and this despite an increase in growth and employment.

This brings us to the next question. Why is it that despite important progress in growth and employment – this is the so-called Lisbon

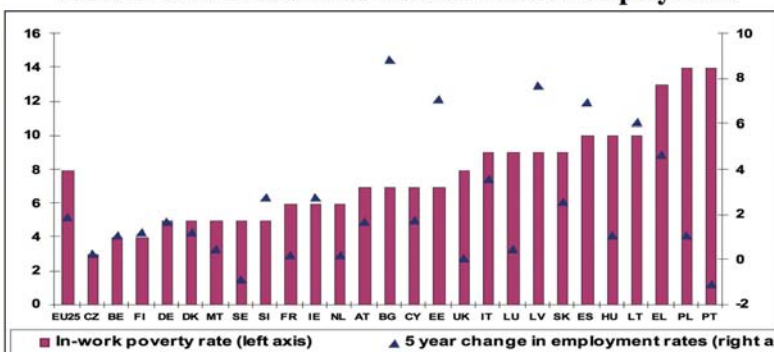
This graph above shows you the scope of the political problem just in the European Union today, with its wealth. I am not talking about developing countries. On the left hand column, you see that about 16% (1 European in 6) risks poverty, the 60% threshold; and one child in 19 (in other words, 1 in 5). Looking at the graph, you see how an increase in adult poverty leads to more poor children. And we come to a political conundrum here: the risk of poverty for children and the poverty rate among children is higher than that for adults. This is one of the reasons why the European Union is looking at this as part of its sustainable strategy. It wants to cut poverty among children.

strategy, and we are talking about the last five years, in particular since 2003 – why is there no apparent change in the risk of poverty? First, let`s use our indicators to try to find an explanation. We may have work, we may be amongst those who benefited from the recently created jobs, and yet we can still be poor. This explains why growth in employment does not affect radically the poverty rate. Looking at the columns (see graph above) you see the poverty rate of those in work (it is in the order of 8% for the EU); the arrow shows the variation in employment over the last five years. At first sight, if you look at the left side of the graph, you might think that those countries where there

has been only a slight variation in the numbers in work would also show a very low proportion of those in work who are poor. However, if you look at the right hand side, an increase in the activity rate – you see the arrows, where these are very high – this is to the detriment of the quality of the jobs that we are considering and therefore the pay levels. But this is a judgement with two very weak, simplistic criteria. If you look more closely at the right hand side of the graph, you can see that some countries have, despite growth in activity, managed to keep a relatively low proportion of poor workers, whereas if you look at those on the extreme right of the graph, although there is greater activity, the proportion

In work poverty: at-risk-of-poverty rate of people in employment, 18+, income year 2004

8% of working adults at risk of poverty, in-work poverty a concern even in countries that have raised employment



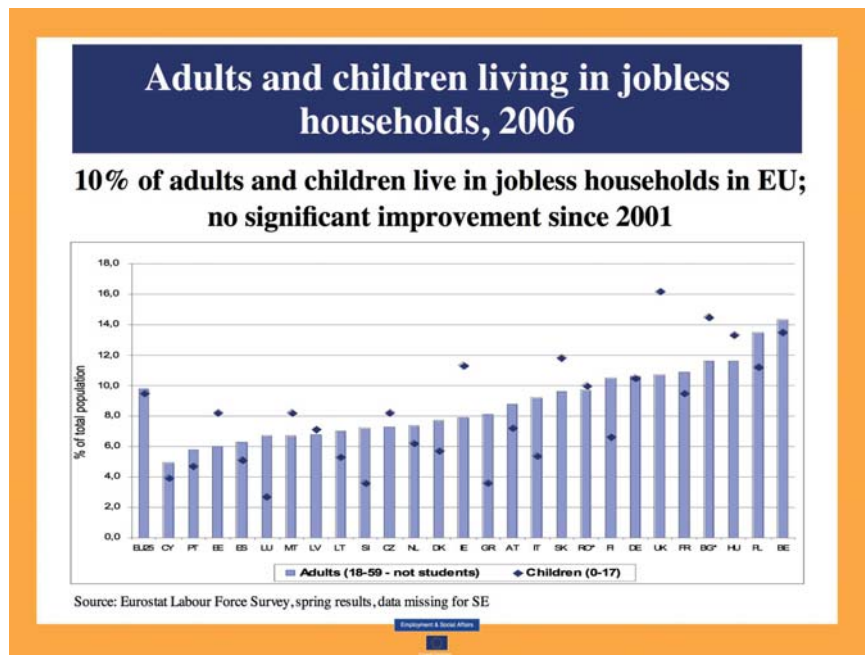
Source: SILC(2005) - income year 2004 (income year 2005 for IE and the UK); LFS

of poor people in work is very high. So this means that with just two indicators, it is not possible to make any meaningful social analysis. We need more. This is one of the points I need to stress.

I wish to stress that it is all well and good to have indicators, but there are certain contradictions between the relevance of an analysis and its ability to provide an explanation for us, and then the simplicity of communication. If I add two or three further indicators to this graph, it becomes illegible and impossible to transmit or communicate. We have to live our daily life and our problem is to produce a message that is readable, that is comprehensible.

We need more indicators and at the same time, we need to be able to provide an accurate method that will put us on the right course. This is extremely important if we are to understand these difficulties, and if we are to reduce poverty even when there is a growth situation of employment. When we look at families (see graph below) or households where no adult is at work, and we have very important information from the vertical column in this mauve colour, we can say that since 2001 the proportion of adults living in families where nobody is in work has not changed. Consequently the poverty rate of the children in these families remains very high. There we have the strongest message in social analysis to help decision-makers.

If we do not look at the way in which progress on the labour market affects those families, where there is nobody at work, no adult at work, if we do not worry about the way in which the development of employment affects only those where there is already one adult at work, then we are not going to be able to deal with the issue of poverty at its very root.



I just want to say one more thing. Using a group of indicators which are not very numerous but are significant, it is possible to provide pointers for decision-makers if these are social and can be linked to the major indicators of employment and growth.

And there is a second point I wish to refer to here, namely the importance of health indicators. I do not have enough time to present this to you, but by adding them to what I have just described, we have very good additional explanations to enable us to understand the difficulties there are in ensuring that employment policies reach those families and people who are furthest away from work today. Looking at the future, if in those areas with which I am concerned we are to make additional progress, we need to look at citizens' health and the link there with the environment. One of the best windows for social and economic policy to open up to sustainable development involves knowing more about health, because if we work on that we quickly get to the environment.



- **Enrico Giovannini**
Chief Statistician OECD,
Chairman of Session 4

This session is on “The way forward”. I think that over the last two days we have heard a lot of important, interesting speeches and statements. I think that the challenge ahead of us and especially ahead of the panellists in this last session is to try to homogenise them, to figure out how we can progress, and where to go from here. Let me say just a few words from my perspective. As you have noticed, the panellists represent the different institutions that have co-organised this conference.

The president of WWF had to leave, but all the co-organisers of the conference are represented, plus the world of official statisticians. So let me, first of all, introduce the members of this panel:

- We have Mr Walter Radermacher, President of the Federal Statistical Office from Germany;
- We have Mr Ashok Khosla, co-president of the Club of Rome;
- We have Mr Miloslav Ransdorf, Vice-Chair of the E.P. Committee on Industry, External Trade, Research and Energy;
- We have Mr Jérôme Vignon, Director, European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities.

I will take just a few minutes for the introduction. I also ask the speakers to be brief in order to allow you to take the floor and provide your comments and proposals on the way forward.

I draw three main conclusions from this conference.

The first one is about the actors. We have seen a lot of people representing different constituen-

cies with a very similar view, not just to go beyond GDP, but to develop measures that can be used not only by policy-makers, but also by other decision-makers including citizens, including ourselves as individuals. We heard about civil society’s initiatives, like local communities and associations who have developed measures of progress, of well-being and so on. We have heard about the commitment of some governments to take this forward. We have heard representatives of parliaments, not just the European Parliament, associate themselves with this effort. We have heard international organisations, statisticians, and also representatives of the business world, media and citizens.

How to bring all these different constituencies together? This is a big challenge and is one of the points I would like to suggest for our discussion this afternoon. But it is clear that we have a lot of actors involved and committed to take this agenda forward. The risk is that we will increase confusion instead of improving collaboration. We have to find a way to work together and give a sense to the final stakeholders that we are working together and not fighting each other – as somebody said today, our world is too accustomed to competing and in some cases, to fighting.

The second point is about measures. We have heard about different approaches, and my personal conclusion and summary, again for discussion this afternoon, is the following. A single number? No, that is not a solution. We cannot reduce the complexity of our world to a single number. GDP is not the right single number, but there is no other single number that can really represent the complexity of our world. We have heard some positive words about composite indicators, and I think we should share this view. Composite indicators can be helpful, but they do not answer all the questions. In the short run, key indicators were quoted as a possible solution with the possibility of giving good answers with some weaknesses, but I have heard from many speakers that key indicators are used in practice and are seen as the possible way forward. The long-term solution, and we have to accelerate this transition as much as possible, is to extend the economic national accounts framework to other domains and extract meaningful and coherent indicators from this extended framework. We have done a lot on the environmental side, at least in theory, but now we need to implement what has been developed on paper. On the social side, human capital and social capital, we are still lagging behind. But it is clear that in the medium-long term, the extension of national accounts seems very promising, although costly.

My third point is about communication and empowerment. It is not enough to engage people. It is not enough to develop good measures. We need to invest in communication and empowerment. These two key words have been mentioned several times. We need to engage people; we need to help people to understand the world they are living in and their society. We need to increase the accountability of governments. We need to invest in tools like those that Hans Rosling showed us, to allow people to transform information into knowledge. Again, this is a big effort. It is not just about statistics, it is an investment in public good, which is common knowledge.

I will stop here.

I will come back a little bit later with some proposals for the way forward, but I want to give the floor now to the first speaker of this afternoon. Walter Radermacher is a very well-known chief statistician but he has also been working for many years on green accounts, so his heart is very close to what we have been debating.

For speech of Walter Radermacher, see page 102.

For speech of Ashok Khosla, see page 106.

- **Enrico Giovannini**

Chairman

Thank you very much. I would just like to underscore two points that I found extremely important in your speech.

One is the importance of variation. Statisticians are a little bit worried about variance because they do not feel safe in dealing with distributions. They prefer to talk about averages. But we have a lot of data that can be used to show differences. I think that your call to pay more attention to differences, and to variance of phenomena, is very important.

The second point that I like very much is your point on systems. This is not something that we can solve as individuals or that just one group or one country can solve. We need, as we said yesterday, to develop new institutions that can help to draw attention to such phenomena using reliable figures.

Now I turn to the next speaker who represents one of the most important institutions in Europe, the European Parliament; one of the most important not just because they hosted this conference, but because the Parliament needs to be fully engaged in this effort. Mr Ransdorf is Vice-Chairman of the Committee on Industry, Research and Energy.

For speech of Miloslav Ransdorf, see page 109.

- **Enrico Giovannini**

Chairman

Indeed, the challenges that you mentioned are very well perceived by those, who, like me, are economists by training and statisticians by practice.

As somebody said in the Istanbul forum: "*You statisticians and economists have a big responsibility.*" So I feel on my shoulders a special responsibility to try to answer these questions. Fortunately I am not alone. We are working with several institutions, and one of them is the European Commission. The European Commission was one of the subscribers to the Istanbul Declaration. Of course, we have long-standing collaboration and, I would say, strategic cooperation with Eurostat.

I am very glad that Mr Vignon will give the perspective of the European Commission, particularly because we have heard some very strong words from the President of the Commission and from the Commissioner for Economic Affairs, and then the Commissioner for the Environment will close our meeting. So indeed, the Commission is a very important player in this endeavour.

For speech of Jérôme Vignon, see page 111.

- **Enrico Giovannini**

Chairman

Perhaps you cannot see it from where you are, but I am glad to say that a lot of people are visiting the European Parliament these days and so we have people in the gallery who are following our work. I would guess that they will never forget the figures they have just seen. This is one way to underline the need for us to reach the people who at the end of the day make decisions. It is very nice that this conference has had some external audience over these two days.

Before opening the floor for discussion, let me be a little provocative, taking one of the ideas that came out of the workshop yesterday morning.

We were reminded that a similar conference took place some years ago and that not very much happened afterwards. Somebody said: "We need an action plan!" This time, we do need an action plan! We need to try to identify after this conference what we will be able to present at the next conference, perhaps in 5 or 10 years. Here I would like to call your attention to some deadlines that have been mentioned throughout these days.

First of all, the OECD, together with other organisations, is planning to hold the Third World Forum on "Statistics, Knowledge and Policy" in October 2009 in Korea. This is a possibility to show progress. But then, as we heard yesterday, the EU needs to be discussing the post-2013 strategy. So 2013 is another deadline that is important.

Then we heard about another deadline which is 2015, when the Millennium Development Goals will be rediscussed. So we have ahead of us, almost every two years, an opportunity to do a check of what we are doing. I think that this timetable did not exist 12 years ago, and it is important that we keep it in mind.

We also have something else. We have seen how many taxonomies are being developed around the world. We heard, for example, that in Latin America, Bogotá, Sao Paulo, Rio de Janeiro and many other cities are trying to do exactly what has been said here. So we have an incredible wealth of experience around the world and we need to try to find a way to bring them together. We have to start talking about this institutional setup. Mr Figueiredo yesterday during the workshop said for example: "We need to build institutions", and he added "at global level, that have the authority and the legitimacy to provide key high-quality statistics to the general

public to underpin public debate on global issues." We are suggesting creating national roundtables. But again, we cannot solve these problems without also thinking about the institutional setup.

Finally, I very much like what one of the speakers this morning said when he talked about this "carrefour du savoir (knowledge crossroads)". In other words, the possibility of putting people together to learn more, to increase their knowledge about what the world is doing. We need to have stronger alliances with the media, because as Mr Ransdorf mentioned today, we live in a world where the media are very powerful. And we need to engage them in this effort.

I will stop here. We have 45 minutes for our discussions.

- **Georges Menahem**

CNRS, France

I want to draw your attention to the link between what Mr Vignon said in his very enlightening presentation about employment and labour, and what Dr Khosla said about poverty.

Now, Jérôme Vignon's statistics were concerned with the safety that is supposed to be provided by the social protection system, the social security system – safety for workers, especially poor workers or unemployed workers. These were supposed to be covered by social security but this does not apply in all countries. In a sense, there is a challenge now to social security systems. They work in some countries, but in other countries they don't.

So this leaves me with my question: why in this conference are we not talking about indicators which would enable us to compare social security systems?

One of the speakers this morning, Patrick Viveret, clearly challenged the responsibility of financial and monetary movements which can direct the economy. This is directly linked. There is just one indicator, the modified security index, which makes it possible to compare the different social security systems and the outcome shows us something very clear. On the one hand, we have the democratic social systems. There is the Swedish social democratic system for example in which we have 28% level of protection. Then in the US there is a negative level of protection. Poverty is not covered in the US. In the middle we have France with about 15%, and the UK at about 8%. That is a liberal

system where the weight of the financial systems is greater. The question is why don't we ask ourselves about the value of social security systems?

- **André Vanoli**

the French Institute of the Environment

I really must say a few words, not as a defence or illustration of GDP, but to qualify part of the discussion in this conference, in particular this afternoon. On occasions, I have had the impression that GDP could be translated as "Group of Devious Partners," "Devil's Partners," or "Group of those who plot against the welfare of mankind." The problem with this sort of criticism is twofold in nature.

On the one hand, it seems to me that it does not do justice to the wonderful development in statistical information systems, particularly over the last 50 years. But even more so, particularly when we consider social statistics since the 1970s and the Club of Rome challenging certain characteristics of growth. Social statistics have been much developed in many countries. There have been reports on social situations and much criticism over the last couple of days has been levelled at the so-called GDP finding answers where they should be found. On social statistics, we could en passant pay tribute to Richard Stone who did a lot to develop things nationally, providing a social and a demographic statistics system that has not entirely seen the light of the day, but he at least sowed the seeds.

Then secondly, there are no doubts about measuring production. But if you ever do challenge this, then it is just fruitless to concentrate on a thermometer. GDP is nothing other than an overall measure of production. And for the last 40 or 50 years, we could have had a general production index, as we have for industrial production, but as there are many factors missing – we did not know much about statistics on services for example – what we have is the national accounts, GDP, looking at the market and various other factors.

It seems to me that a major mistake is being made by mixing up those goods and services which are covered by GDP as a means, and then the outcomes of using the goods and services in question. We need to understand that if we are to make progress, because otherwise we

are stuck with the commonplace interpretation of economic theory. Consumer preference measures everything all at once, preferences and results. We suppose that the consumer is omnipotent and covers all of that. It is not true, so it is not worthwhile imputing those to the poor people who are sweating to calculate GDP.

If we want to measure the results more effectively, and if we look at the indicators which are proposed here and there, we need to develop a new branch of statistics looking at states of health, education, and security. Many features of this sort need to be developed, and apart from some spheres such as education, it does not get very far. Health takes us a bit further, but not that much further; we have not done an awful lot there. But since the beginning of the 1970s when the movement for social indicators developed, the distinction between the means and the end is caught in this.

One last point. It seems to me that during this conference we have underestimated the state of the necessary information. It was very clear in yesterday morning's workshop when on several occasions the impression was given that basically the statistics available, the data are not all that bad. I think that this assessment came from those who look at many very detailed lists of indicators and have to pull them together. But apart from that, and particularly for all of those looking at the deterioration of national assets, consumption, by society, we know far too little to answer the questions that are being asked. I do not want to discourage statisticians in their efforts. Fortunately Walter has experience here. He has shared it with us on several occasions. He has laid stress on the contradictory requirements made of statistics, but in these new areas where we need far more information and analysis, we won't shine with nothing or virtually nothing to hand.

- **Andreas Siegel**

Council of Europe

Having been able to follow the Istanbul Conference as well as this conference, I think there are three dimensions where we have to move forward:

- Firstly, we need to explore further the significance and the scope of what was called earlier "intangible capital." I think we have explored much of the financial and natural

aspect, but this intangible capital needs to be valorised, valued even more;

- Secondly, we have to explore what kind of mechanisms we have to achieve a consensus on indicators. As was said, the data is there, we have a lot of choice, but we have to make that choice, so how can we do it;
- Thirdly, and most importantly, we have to look into managing process, how to regulate the institutional aspects and the follow-up of knowledge. How do we translate knowledge into policy-making? I think there is a general agreement that there is still a big gap in this area.

As far as I can say, we should definitely adopt a complementary approach with different options, different ways. We do not have to reinvent the wheel, because we already have some models. And of course, I'd like to mention that the Council of Europe is actually a regional and sectoral option which we should take into account. It does indeed have a proposal to manage specific aspects of well-being, and a whole cycle of progress, in what we would call the aggregated notions of human rights, democracy, rule of law, social cohesion, and cultural diversity. This can of course develop into indicators such as dignity, respect, tolerance, participation, security, good governance, predictability, solidarity, etc. All of these are actually put together in 200 different conventions elaborated by civil society, and experts, and agreed upon by governments. They are verified by monitoring mechanisms. There are even support mechanisms to help governments come up to the level of expectation, and then there is of course evaluation to start the process again.

I am proposing that we do not disregard existing models where we have a process to manage the whole problem already available.

- **Mike Salvaris**

RMIT University, Australia

I want to suggest that in moving forward we need to consider more seriously the issues that have been raised in many ways by different people throughout the last two days, concerning democracy, civil society, and communication and building in indicators.

I think to some extent we are still on the quest for a kind of Holy Grail here. We are still looking for a set of indicators that are going to solve the problem,

whereas the problem is really more of a policy and political problem about how citizens themselves are involved in determining the measurements of progress. And I think Patrick Viveret put it very well when he said that the core problem democratically is that the concept of progress that operates in the world is one that is not democratically decided, and that essentially it's visited upon us increasingly in a global world and by financial institutions. So that is a core democratic problem.

Other problems are that indicators then become exceedingly important in influencing government policy and therefore outcomes.

Thirdly, the quality of democracy and human rights itself is an issue in progress, which, as Andreas was saying, needs to be part of the measures that we use. So I'd like to suggest that we give more attention to this and I'd like also to make the point that there are good models. It is not simply a matter of researching indicators. There are many good models. I would say, there is a global movement now of developing well-being measurements as a community engagement strategy, in thousands of small communities and local governments, throughout the world. In my own country, in Australia, we have a law that now requires that local governments of about 60,000 have to develop long-term plans of 5 years involving their citizens and setting clear economic, social and environmental goals, with indicators determined by the citizens. There are many other practices that could be adopted. Canada 5 years ago tried to introduce a National Progress and Well-being Measurement Act to make it compulsory for a report to the parliament each year on the progress and well-being of Canada, across a series of dimensions. That is something that all EU countries should be working toward. Canada did not proceed with that, sadly, but the Canadian index of well-being is important.

The measurement of democracy itself needs to be part of the way forward as one of the measures. I want to commend the OECD project on measuring the progress of societies, because I think it is an exercise in global leadership which has recognised that it is not simply about measuring progress. It is about defining what progress means and making that a democratic debate that is participated in by communities. It is about good governance and democracy and not just technocratic issues or better measures.

- **Raoul Weiler**

Club of Rome, Brussels

I want to make some suggestions about the appeal for action plans for the way forward. I refer to the presentation of the President of WWF yesterday, in which he mentioned some numbers about the footprints we are dealing with today and which look likely to increase in the near future. This also relates to what the President of the Club of Rome said about overshoot and collapse.

The overshoot or the footprint is created in the first place by the industrial world. As the President of WWF said yesterday, some of our countries have a footprint of 2.6, and these countries correspond to about a billion people on our planet. So I would recommend that the indicators to enlarge, or develop, the overshoot situation be taken into account for let us say a period of 20 years, till 2025. That is the first point.

When we look at the evolution of the emerging countries, which is today roughly between two and three billion people, they are facing an overshoot in the very near future, if that trend continues. Then, last but not least, there are 2.5 billion people who have an '*undershoot*'. So I think that our industrial societies, and the European Union especially, should focus especially on how to reduce and even achieve a negative development in terms of footprint and overshoot. So it seems to me essential for the way forward, that this recommendation should be explicitly taken into account.

- **Laszlo Pinter**

International Institute for Sustainable Development, Canada

I will try to be quick and practical. I have two suggestions.

1. It is quite clear from the discussions we have had today and yesterday that although there are different perspectives, there is a lot of convergence, not necessarily on indicators, but on certain principles for how we should proceed. I think the practitioner community on all levels that is interested in measurement, might benefit from having some of these principles synthesised at a very high level. This can then be something that the global community interested in these strategic issues can

rally around. From a historical point of view, I would just mention that about ten years ago, a small group of thinkers at that time sat down, spent some time, and developed what became known as the Bellagio Principles for measuring progress and sustainable development. It was not a common set of indicators, but a set of common principles that took us ahead a little bit. Maybe it is time to take another look at this question. This could be something practical.

2. It might also be useful to run some scenarios from a sectoral point of view. If we indeed go ahead, and complement or change – I mean that broadly – the way we measure progress, at both the micro and macro level, what are the implications in practical terms for a particular sector? I am thinking about running the sort of scenarios we do when we make decisions from the perspectives of consumers, producers, regulators, and so on.

- **John Hontelez**

European Environmental Bureau

Mr Chairman, you mentioned a few deadlines for further discussion. I would like to suggest one more, which is 2010. I think the new Commission should present a new Lisbon agenda. The first agenda was set in 2000 for a decade. It was characterised by dominance of GDP indicators, including attention on employment. But, as Mr Vignon has shown, it is rather poor on social inclusion, and, as far as we are concerned, also rather poor on the environment. In 2010, Europe will know what its supposed Kyoto obligations will be. We will also know whether we have achieved the target of halting the decline of biodiversity. We can also see whether the current approach can indeed promote social inclusion. The new Commission should launch a real sustainable development strategy for the EU, with GDP as just one of the main indicators for progress. It should bring the EU back into line with its carrying capacity, and pay more attention to social inclusion and a responsible world at global level. So I would suggest for discussion about the follow up to clearly target a new Lisbon agenda.

- **Stephen Hall**

Department for the Environment, UK

I am not sure whether I will go home today feeling very positive about all this discussion about going beyond GDP, or very depressed. I come from developing the UK sustainable development indicators, and I feel that myself and many colleagues in other countries have been working hard for a number of years to develop indicators that cover something more than GDP. The main problem is that we have been doing this, but we have not quite got the message across yet.

The key question is: How do we get the message across? It may be that we just have to have the policy perspectives changed. Perhaps we are putting too much weight on our own shoulders, as statisticians who feel responsible for this. Because people from the Club of Rome have been talking about this kind of issues for 30 years, and *'Limits to Growth'* was written 30 years ago. The message still has not been taken up by policy-makers.

I am not sure that as statisticians we alone can provide the solution. There has got to be some kind of political change as well. We can go with that political change and provide the answers to some of the questions, but the political change has got to happen. Maybe this might just happen as a result of pressure from the public, and one of the ways through which we can do that is be more innovative about our communication products. Particularly we should be focusing efforts to provide educational resources so that the children who will be the adults of the future will have a better awareness of environmental and social issues than the current generation. I think that is one way forward. The difficulty is to try and deal with the current generation. There is a lot of research that suggests that you can raise awareness, you can raise knowledge, but you still won't get people to change their behaviour – and that is where the political side comes in. There has to be some bravery on the political side to just leap and make some changes.

- **Liz Craeynest**

WWF, UK

I just wanted to make a comment as well on the communication side of things for the action plan on how to take this forward. One of the things that we definitely need to do that needs to be at the heart of this agenda, if we want to take it out of this room and out of Europe as well, is to

be very sensitive as to how we frame this whole debate. There was some discussion on the role of China and the emerging economies in this, and it is very crucial that we recognise some of the research that WWF has thrown up, namely that a lot of the emissions and environmental impacts that are happening in countries like China, India and Brazil, are actually largely connected with consumption in the Western world. So it is probably not useful to point fingers at this stage but actually to recognise where our responsibilities lie in the industrialised world and focus on how we work towards a fair one-planet vision, rather than setting various economies against each other. As regards contribution to environmental degradation in particular countries, a lot of responsibility lies with the industrialised world. It is a very important part of our communication message that needs to be taken into account if we want to have more economies on board for this agenda.

- **Pavle Sicerl**

University of Ljubljana, Slovenia

Marcel Proust said that the road of discovery is not in seeking new land but in seeing with new eyes. What we are trying to do now, is look with new eyes at different new aspects, different dimensions. But I would like to go one step further, and say that we also need to use better existing indicators and the new ones we are going to develop.

I very much like what the panel was saying today, about communication and empowerment, and investing in tools to allow people to acquire knowledge. But perhaps more important than talking about statistical methods is to see how, if you look at the same data from different perspectives, you can reach new conclusions.

Let us look at, for instance, at male and female life expectancy in the European Union. If you look at it in the usual way, which is the vertical way, at a given point in time, in 2000 it was 8% higher for females. If you look at it the other way around, which is the time distance that you go for a given level of the indicator, you might ask: When was the life expectancy for males in 2000 achieved by females? In 1971, a time distance of 29 years. What does this mean? Simply that from the same data you can say: We have a small difference if you look at it percentage-wise. But if you look at it from the point of view of time it is a large one.

So what I am trying to say is: We should use indicators more widely, because otherwise interest

groups pick the one they like for their arguments, and do not look at the whole situation. So we should be saying: yes, as Ms McGlade was suggesting in the workshop, we should have indicators which are understandable to people in the street. I would simply add, indicators and statistical measures should be understood by people in the street. Now we do not have users, only governments and decision-makers. You remember what Hans Rosling was showing us. Now the information goes straight into civil society, and we also need tools which will help them to get perceptions about situations in a democratic way.

- **Stephen Pursey**
ILO

I am a little worried that we are running away with the idea that we have enough basic data to come up with a plethora of indicators. That may be true for the EU and most industrialised countries but I am not at all sure that it is true for the majority of the world, and the world's population, certainly the least developed countries.

I think the statistical services of many least developed and quite a few middle income developing countries are sometimes very badly underresourced. So, as a very specific recommendation for a way forward, could we agree that perhaps all countries should have done a least one reasonably comprehensive national household survey, with a labour force module by say 2012, with the results tabulated online by 2014, in time for the 2015 review of international development strategies? Of course, to make that happen, that means that those parts of the public authorities, national and international that deal with statistics, will have to talk to development ministries. Because many countries will need support for their national statistical services and that typically has not been part of aid budgets. In fact it has usually been one of the bits that drops off the end of the national budget.

- **Enrico Giovannini**
Chairman

Perhaps you or others are not aware that several organisations created "PARIS 21", which is a partnership to try to engage governments and aid agencies to invest more in statistics in

developing countries. It is progressing but a lot of work needs to be done.

- **Frank Corcoran**
European Environmental Bureau

GDP is a one-dimensional indicator but it never pretended to be otherwise. It has just been abused by people, that is all.

The Lisbon process is a two-dimensional process dealing with competitiveness and employment. The European sustainable development strategy on the other hand is a three-dimensional process. The problem has been that people are trying to use a two-dimensional process to solve a three-dimensional problem, and that does not make any sense at all. So as for the solution, we do not have to invent a strategy. The strategy is there. It is called the European Sustainable Development Strategy. All you have got to do now is implement that, and demand of the Council of Ministers that they use this plethora of indicators, the sustainable development indicators, to input into the Council deliberations, so that they can implement the sustainable development strategy and tell them to stop trying to solve a three-dimensional problem with a two-dimensional strategy.

- **Anders Wijkman**
Member of the European Parliament

I did refer to some of the conclusions from the expert group yesterday, and I think we had some forward-looking proposals, in particular pertaining to areas where we need more information and knowledge. One was related to ecosystems and ecosystem services. Another to sectoral policies leading to unintended consequences. A third really focused more on the trade-off between full-time work and time with your family and your children, etc. So we had a number of very concrete suggestions. But, and I think you are right, even if we have more information, more data, how do we oblige the leading policy-makers to use them, and to incorporate them, and to pay as much attention to them as to this almost magical GDP figure? Ashok told us about attitudes, and I think he goes really to the core of the problems. I do recall that when I worked at the United Nations, I think it was in 1994 or 1995, the theme of one of the first human development reports was "Jobless Growth." And how ridiculed we were, because

we dared to question whether conventional growth would result in the generation of as many jobs as in the future because of automation, etc! So whenever you try to question some of those postulates, you find that those postulates are very strongly held, not only by most economists, but, I would say, by most of my colleagues. There is this theory of the inverted Kuznets curve, which tells us that the richer a country becomes in material terms, the less pollution there is. It is a very strongly held notion, although we can show that for carbon emissions, for waste, for ecosystems etc, that wisdom is very questionable, to put it mildly.

So we have to look very carefully and maybe that could be a theme for the follow up: What are the barriers right now that stop us moving to real action? And one is attitudes, perceptions. Another one is of course resistance within the financial institutions. They have been criticised today, but they have certain rules. If someone tells them to do it differently, they will of course resist, until they understand what the transition would look like and how the future would look like. The same goes with business models. Although our friend from BASF told me today that I was wrong, that there were indeed a lot of examples of companies selling performance and quality, etc. I insist that most companies earn revenue by selling more volume. So if business models have to be rethought, how is it being done, and what does the transition period look like?

Last but not least, we have touched upon education. If we strongly feel that economists are wrongly trained, and they are one of the categories that do not understand much of this, well, then we have to do something about education. And I fully agree with you. The Commission could do two things in terms of follow up tomorrow:

- Merge the Lisbon strategy and the Sustainable Development Strategy. That would be very easy to do, and a welcome step forward;
- And you could also reconsider your thematic strategy on natural resources and increase your goal for resource efficiency from 3% to 6%, because 3% will lead us nowhere.

- **Giulietto Chiesa**

Member of the European Parliament

I speak in the name of the World Political Forum. I have some suggestions, political suggestions.

This conference has been very important, starting with the title. I was astonished when I saw the title of this conference, because I work here, and this conference is taking place in a place where the mindset – to use an expression of Mr Khosla – of GDP is celebrated every day. The Lisbon Strategy was intended here exclusively in the domain of competitiveness. The rest has been simply done away with. We need a new European strategy.

Second point. The main actors of the economic and social system we live in are absent. The big corporations, the big dealers in the gigantic financial world, the big oil companies are not here. And they do not agree with our discussions today. They are absent ideologically, and de facto, which is a very serious indicator of the situation because they are enemies of this discourse.

Third point. We need a radical change in the behaviour of the mass media system, which works to serve the GDP mindset. Every day in every country. How to achieve this is a central question, to provoke a change in the behaviour of millions of people.

Fourth and last point. We need a new institutional world architecture to face a very critical situation where we do not have much time. The question of time is decisive. We have ten years to take decisions. According to the Club of Rome's prediction, the political elite in the world is reacting very slowly. 15 years, they need. I believe we do not have time. That means it is time to put the question of a new institutional world architecture at the centre of discussions because we have no place where decisions can be taken. We have no idea where these decisions can be taken. We do not need any more conferences and gathering data. We need places where questions can be put and decisions taken. These, I believe, are the tasks we have to face very soon.

- **Joachim Spangenberg**

Helmholtz Centre for Environmental Research, Germany

I want to point to something which has not played a big role in the discussion so far, which is the fact that progress has something to do with the future.

We are usually working with indicators of a state, and not about our preparedness for the future. For the environment, for instance, if you want to have a correction for GDP, you must be sure to check that the system is ultimately future-proof. That has to do with things like the resilience of

the system, so the resilience of the ecological system to elements like biodiversity and things like that is a good indicator for the contribution to future progress. But that also applies to the economy. We cannot measure the economy at the moment based only on one quantitative figure without having any kind of idea whether the economy as such is future-proof. That also relates to what Anders Wijkman just said about the integration of the Lisbon strategy and the sustainability strategy. You must have a perspective for the development of the economy. And that means for example asking: What is the economic sustainability of the economy? How resilient is the economy in case of disturbances? Is the economy sensitive to change, and can its early warning system pick up challenges? Are there redundancies to deal with collapses? Is the diversity of the economy sufficient? Things like that are obviously important questions to address the issue of whether the economy is future-proof. We must address these questions as well, in addition to just quantitative measurement, simply because otherwise we cannot talk about progress, we are just talking about state. So for the future perspective, I think these things must be addressed, and they only underline that these new questions need a new kind of economist. You cannot recycle the old ones, you need to talk about education and breed new ones.

- **Jan Bakkes**

MNP

I was one of the people who were involved in drafting the issue note for this conference. On this very issue of future perspective, I see practical possibilities. A number of people, among them Ashok Khosla, have emphasised the short-sightedness that comes with the focus on conventional indicators, that keeps your vision limited to the next quarterly figures, while not noticing that your fish stocks are going to collapse. What has changed over the past 10 years, is the way we are accustomed to forecast. A lot of things have happened, not only in climate, but also in biodiversity; quite broad based assessments have been produced, looking into the future and it is now almost a routine phenomenon that worldwide environment-focused assessments are being produced. The public and decision-makers are becoming more accustomed to that. And one of the things they reveal is the enormous delays that add to the drama.

So there are good possibilities, many more than 10 years ago, for taking the present set of indicators and projections alongside GDP. That does not give you corrected GDP, but it does give you a set of information that has a high attention value and is highly relevant. That will not come from statistical officers. It will come from one of the pieces of Walter Radermacher's jigsaw puzzle. But the community that has now developed has its models and review systems available, and will be very happy to work with it. And in that connection, another deadline comes to mind, in addition to the ones mentioned by the chair. Very early in 2010 there will be another round of reporting to the spring Council on the state of a number of indicators. I think we have just enough time to add a future perspective to that set.

- **Ivo Havinga**

United Nations Statistics Division,
Department of Economic and
Social Affairs

I have really enjoyed the whole conference and I want to bring forward my ideas, in a personal capacity, with regard to the way forward. I have formulated them for eight different topics, some of them reinforcing what has been mentioned earlier.

One. I fully embrace the concept that it should be a multipurpose system of perspectives. That means that we should not have a single composite indicator, but more. The human development indicator of the UN has been mentioned. We have talked about sustainable development indicators and we should move forward on them. That is the "Beyond GDP" and here we are talking beyond GDP in terms of systems of national accounts. Of course, the system of national accounts is already broader than GDP, but here we are also talking in terms of the system of environmental economic accounting, and social accounting matrixes; and of course in terms of indicators we are talking about millennium development goals, which we are all very proud of monitoring internationally.

Having said that, I come to my second point, of course all these different sorts of indicators and composite structures, and integrated accounting systems, have to be updated from time to time. It has not been properly reflected in the discussions about what is actually already

happening on the ground at this moment, in terms of inclusion of medium-term and long-term views in economic statistics. By 2008 we will submit a new system of national accounts and one of the major contributions that has been made is the inclusion of research and development and other intangible assets, as well as natural resources, with the perspective of getting a better understanding of growth analysis, in terms of understanding what explains growth. Apparently the assets that we had in the system of national accounts of 1993 were insufficient, so we extended them to the areas that I have indicated. So we hope to come to a better understanding of growth, but not only of GDP but also of other areas, like consumption, exports and imports and the like.

In terms of the SEEA (System of Integrated Environmental and Economic Accounting) we have already made headway in terms of discussion and revision, which will be brought to the Statistical Commission in 2012. We are incorporating depletion and degradation, as well as measurement of the ecosystem. There has been a whole team mobilised internationally that brings that together and brings countries to debate these very issues.

In terms of the action plan, I think you definitely have to set deadlines. Some deadlines will have a bearing; the system of national accounts with its already extended asset base is going to be moved forward in 2008. We have extended inclusion of natural resources by 2012 through the SEEA and we have the NDG discussion in 2015.

In terms of the engagement of the accounting community, we have to make headway. Already in the United Nations, being very close to Wall Street and the investors, we do engage them on the intangibles in terms of understanding shareholders values, and we should go beyond that in non-financial reporting systems, as has already been mentioned, like the global reporting initiatives, and we embrace that. We have to engage more fully in that sort of process, and they have to move forward, not only in Europe, but also beyond.

Another point which I would like to stress: there is an enormous contribution by NGOs, private sector, financial sectors, in terms of developing indicators and productivity indicators and the like, bringing into account the limitations of growth. But I think there is a critical role to be played by official statistics in terms of providing data in an authoritative and integrated manner. It is important to bring these data out with independence and integrity, which of course should be relevant.

And due to the fact that we very much stimulate the system of national accounts by broadening its assets base, by including also the natural environment in terms of environmental economic accounting, we will have a basis for providing the official statistics. So in that sense, I would like to echo the position taken by Laurs Norlund, who said "I am rather optimistic, we have already gone so far, and we are going forward." So it is not that we are developing a whole new paradigm shift today. We have to get increasingly more vocal about what we are doing and bring that closer to those who have to make policy.

If we have ambition, we need budget. So in terms of official statistics, if you want to have greater ambition, you definitely need to provide the budget for it, and we are looking to the politicians to make that available. I think it is not so much bringing GDP to the street. I do not ask for my little town to understand GDP. What I want politicians to do, is when I provide them data, that they understand it and translate it into policy on the street, so that we really embrace issues, like poverty, distribution and the environment. And that is where politicians, statisticians, accountants the government have to work together.

Finally, I think the European Union has to lead by example, and it does, and this conference is testimony to that, that it leads by example., You should be congratulated for doing that, both the Parliament and the Commission, as well as Eurostat in that particular context, and the public at large.

And I really salute you all on that. What I do ask is that if you lead by example, I would like that this followed through by Eurostat by developing a programme for environmental accounting. It is much more detailed, that this kind of data will be made available to the public. And finally, if you lead by example, you should also lead the implementation in developing countries. And I am looking forward to the support of the European Union in implementing a broader database in developing countries too.

- **Enrico Giovannini**

Chairman

We have had a very rich debate, not just in this session, but over these last two days. Let me take this opportunity on behalf of the OECD to thank the host and the co-organisers and all the speakers and the participants in this very important event.

This event is not just an event that is going to disappear. In the world of new technologies, we are very glad to say that, as you know, this

conference has been broadcast, and the images and all the speeches will remain, in future, as archived video. So people will be able to look at what we have said and I would encourage you to inform your constituencies about this opportunity and encourage others to look at what we have done. Presentations will also be made available online and we hope to publish the proceedings of this very important conference. So I think we can now close this session. I am very glad that Commissioner Dimas has joined us, and I would like to give him the floor for the closing remarks.



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Session 5

Next steps & conclusions





Stavros Dimas

Member of the European Commission,
Commissioner for Environment



The European contribution to a global effort: next steps in measuring progress

Distinguished Guests,
Ladies and Gentlemen,

It is a very great pleasure to be delivering the concluding address to what has been a very successful conference.

One of the measures of success is the quality of the audience and the speakers. Each of the partners – the Commission, the European Parliament, the OECD, WWF and the Club of Rome – have been represented by their highest representatives. We have had 620 participants from 53 different countries attending the event. Industry, trade unions, NGOs, academics and policy makers have all made their voice heard ... and from all sides there is a consensus that there is a need to move “Beyond GDP”.

Politics is about changing the world we live in. We want to end poverty. We want better jobs. We want to reduce pollution. In order to develop intelligent policies we need to understand the world and understand the impact that our policies make – or are likely to make. Politics without good indicators is like trying to make a jigsaw in the dark. And just as the overarching priority of the European Union is sustainable development – which balances social, environmental and economic progress – our indicators need to be able to measure progress in each of these areas.

I would like to conclude this conference by looking back at some of the themes that were raised by other speakers. But before I do this I would like to extend my particular thanks to the European Parliament for agreeing to host the event. The home of European democracy is an ideal setting for discussions that are ultimately about changing the way that we make politics. There is also a sense of continuity because this conference follows on from the conference “Taking Nature into

Account” that was held 12 years ago – also in the European Parliament. And when you compare the two events, there are good reasons to believe that this conference can mark a turning point in how we measure and understand the world we live in.

A first change is that this debate has moved outside of the environmental community and into the mainstream. We are now looking at progress, wealth and well-being and not just “nature”. With initiatives, such as triple bottom line accounting, businesses are embracing the search for new ways of measuring progress. And with the support of the Presidents of Parliament and the Commission this is an initiative that has political support at the highest level.

A second change is the active support from economic and statistical experts as we look for ways to move beyond GDP. I am very encouraged that organisations such as the OECD, the World Bank and Eurostat have all been involved in the organisation of the conference because it will be their expertise that takes forward the conclusions we have reached.

The final change is that a lot of excellent work has been carried out over the last 12 years. We are not starting from a clean slate and concepts like the “ecological footprint” have caught the public imagination. The World Bank has been taking thinking forward on concepts such as “natural capital” representing the real wealth of nations. And tools such as integrated accounting and sustainable development indicators have been steadily developed.

For these three reasons – being in the political mainstream, having the active support of economists and statisticians, and being able to build upon

a solid body of existing work – I believe that this can be, to return to the words of President Barroso in his introduction, “... a truly groundbreaking conference that will lead to the sort of breakthrough that we saw in the 1930s, a breakthrough that adapts GDP, or complements it with indicators that are better suited to our needs today, and the challenges we face today.”

Looking back to the discussions that have taken place, an important first conclusion is that GDP is the most successful and best known indicator that we have. It is simple, it is clear, and it has stood the test of time. I think there has been general agreement that GDP is a rigorous indicator for economic purposes and that it should continue to play a role in economic decision making.

But I think all speakers have agreed GDP is not sufficient to guide modern policy making that covers social, environmental and economic objectives. It is not a good indicator of well-being and this becomes a problem when GDP is understood by public, press and politicians as the unique yardstick for progress.

We have heard many examples of the limitations of GDP. The case of Hurricane Katrina

is one of the most vivid. The hurricane killed almost 2000 people. It flooded 80% of New Orleans and caused widespread destruction to property. It caused damage worth more than 80 billion US dollars. And yet American GDP actually increased after the start of reconstruction work. It is quite possible for something that is good for GDP to be bad for society. And it follows that, if boosting GDP is the only measure of success, we could easily end up doing more harm than good.

There were many new ideas raised in previous presentations and I would like to come back to some of these in order to draw some conclusions that could help guide us as we look to develop better indicators.

A first conclusion is that there is no single alternative to GDP – and that to look for one would be a mistake because it would miss the point that GDP has multiple uses. GDP is used for communication purposes as a simple to grasp proxy of progress. It is used for policy assessment and design. It is used to decide the allocation of budget resources. One of the messages from the conference is that we need a set of indicators – but a very limited one – that can complement GDP in all of these areas. There are a number of potential routes: from integrated



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accounting to new composite indicators. I hope that I correctly summarise the consensus of the conference as being that we should advance on all fronts at the same time, and not try to pick a winner in advance.

A very important point was made by Chief Anyaoku from WWF who underlined the urgency of action. Current consumption patterns are unsustainable and Europeans are living as if they had 2.6 planet Earths at their disposal. This global overshoot is liquidating the assets on which life on earth depends and is limiting the development rights of future generations. Perfection can be the enemy of the good and striving for the perfect indicator at the first go is unrealistic. We need to be prepared to experiment with tools that are perhaps less than perfect and then work improve them over time.

State Secretary Baleiras from the Portuguese Presidency put forward very interesting ideas on how better indicators could be used in practice to guide EU policies – and in particular the review of the EU budget and the revision of our cohesion policies.

President Barroso noted that we should strive for consensus to develop indicators that are globally recognised and comparable – which are two of the strengths of GDP. But at the same time, we should not use this as an excuse for inaction. The EU and its member states should be prepared to take the lead in looking for better ways of measuring progress.

A number of speakers noted the need to have a better understanding of the value of stocks of natural resources and of the vital services provided by eco-system services. This is an area where work – supported by the Commission – is ongoing and which I am sure will be a theme of next year's ministerial meeting of the Convention of Biodiversity.

Anders Wijkman drew attention to the importance of timely data. We have stock market information every minute of the day. We have quarterly reports of GDP. But information on environmental trends is often years old by the time it reaches policy makers. On a similar theme the European Environment Agency drew attention to the possibilities that new technologies are creating for collecting and processing data in almost real time. This is something that we should be aiming for. The more up to date indicators are the more useful they are.

Perhaps the main achievement of this conference has been to clearly demonstrate the political consensus on the need to go beyond GDP. President Poettering noted that “for too long we have focussed on economic growth as an alternative to welfare”. President Barroso concluded “that we cannot meet the challenges of the future with the tools of the past. Commissioner Almunia felt that “the time is ripe to take the measure of well-being one step further”.

The challenge now will be to pick up from the conclusions of this conference and actually start to improve our indicators and the way we use them. It is essential that the momentum is not lost and I look to Europe taking a lead role – working together with other organisations including the UN, the OECD and the World Bank.

It is also essential to work closely with business, NGOs and other stakeholders who in many ways are the real leaders in this field. On the part of the European Commission I can announce that we will present a policy Communication next year that will develop these ideas into a roadmap for action.

We will certainly need to work on headline, composite indicators that can measure social and environmental progress. We will also have to speed up and improve the development of integrated accounting in the social and environmental spheres. And to improve our governance of the European sustainable development strategy, we should also develop and publicise a “sustainability scoreboard” based on existing Sustainable Development indicators. This tool is already well developed in other policy areas such as innovation and would help Member States to judge if real progress is being made and to better identify good practices.

Ladies and Gentlemen,
Distinguished Guests,

To meet the challenges of the 21st century we need more integrated and transparent policies. To design these policies we need to better assess where we are now, where we want to go and how we can get there. GDP will be one of the indicators that do this job. But not the only indicator. To change the world we need to change the way that we understand the world. And to do this we need to go beyond GDP.

My final words are words of thanks. Thanks again to all the partners who helped organise this conference, to the organising team, to the staff of the parliament for hosting us, to the interpreters – and most of all to the speakers and participants. I hope that you have found the last two days stimulating and also an inspiration for the work that is to come.

Thank you.



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