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## **"Beyond GDP – Opening speech"**

*Check Against Delivery*  
*Seul le texte prononcé fait foi*  
*Es gilt das gesprochene Wort*

Beyond GDP Conference

**Brussels, 19 November 2007**

Ladies and gentlemen,

It gives me great pleasure to welcome you today to this high level conference. I would like to thank the co-organisers, the European Parliament, the OECD, the Club of Rome and the WWF for all the efforts and contributions made for this conference to take place.

For many years now, there has been a growing consensus that Gross Domestic Product is not, on its own, sufficient to guide high quality, policy and business decisions.

The European Union is facing today a whole series of global and new challenges, in order to safeguard our prosperity and wellbeing. And Europe is making today a valuable contribution to meet these challenges; we are leaders on many of these: climate change, energy security, health development, to mention but a few. These are the great challenges of our time – often new, always shared challenges that transcend national borders and demand a common response.

This is also reflected in the political issues that I discuss with my peers around the world: energy, climate change, fair trade, migration, development, terrorism; in the context of EU bilateral discussions, in the context of the G-8, in the context of the United Nations.

The conference today should help us to consider how to pick up these issues; to consider if GDP per capita is the appropriate indicator.

Because when we are assessing policy options to tackle these challenges, what GDP sometimes tells us is sometimes not adequate – or, at least, not sufficient.

Let me give you an example. A decision is made to ban all trade in certain types of precious hardwood to preserve an ecologically important forest. The policy is a great success. The forest is preserved for future generations. The ecosystem, and all the life it supports, is protected. Tourism too is safeguarded. In other words, well-being goes up.

But what will be the evaluation of this decision if only measured by GDP?

It is difficult, and I'm sure that everyone will agree, to make tough decisions that promote long-term well-being if the short-term consequence is a drop in GDP.

So in this rapidly changing, globalising world of the 21<sup>st</sup> century, we find ourselves with a sea of data, but, in some cases, lacking the tools we need to take swift, well-informed and effective decisions that promote the well-being of individuals, of societies, of the planet itself.

That is not to say GDP is a poor indicator. Quite the opposite. Since its birth in the 1930s, it was rapidly adopted as the best-recognised measure of economic performance in the world. It can be used in economic forecasting. It allows comparisons of countries and of developments over time. It is also – very important this! – objective and not subject to interpretations.

Without it, in the words of Nobel Laureate Paul Samuelson, policymakers would be adrift in a sea of unorganised data.

But GDP is an indicator of economic market activity. It was not intended to be an accurate measure of well-being. Even Simon Kuznets, another Nobel Laureate and one of the main originators of GDP, said: 'the welfare of a nation can scarcely be inferred from a measure of national income'.

Nevertheless, as long as there was at least a correlation between GDP and well-being, this didn't really matter. After all, there has always been an implicit link between economic growth and aspects of well-being - like having a job, and levels of consumption.

That is why I consider that this conference should not be a dry, academic discussion of the merits of various indicators. It should lead us 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.

You are building on strong foundations. Many international organisations have already started looking at ways of going beyond GDP. More recent generations of economists like Nobel Laureate Amartya Sen have been grappling with the challenge of measuring the somewhat abstract, and multi-dimensional, concept of well-being. The EU's own statistical office, Eurostat, has already published sustainable development indicators for the last six years, and statistics on some sub-categories for even longer.

But while all this is positive, there has been no progress yet in reaching a consensus on well-being indicators. Today is when we start to fix that.

It is not enough for us to talk about the different global challenges, as energy, climate change, health, security and the environment. We need widely accepted communication tools that show progress in these fields. And that progress can only be measured with suitable indicators.

So it's time to go beyond the tools developed for the very different world of the 1930s. It's time to go beyond today's situation with important amount of not well structured data.

It's time to go beyond GDP.

Thank you.