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Measuring progress in a changing world

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

Measuring progress in a changing world stakeholder conference

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Politics is about changing the world we live in. We want to end poverty. We want better jobs. We want to reduce pollution and to stop climate change.

In order to develop intelligent policies we need to understand the impact that our policies make – or are likely to make. The public, the press and politicians all need clear and simple indicators to understand if progress is being made. Politics without good indicators is like trying to make a jigsaw in the dark.

Since the 1930's the economic indicator of choice has been GDP. It 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. It can be used in economic forecasting. It allows comparisons of countries and of developments over time. GDP is a rigorous indicator for economic purposes and it will continue to play a role in economic decision making.

But GDP is no more than an indicator of economic activity. It was not intended to be a measure of well-being. It doesn't pick up on issues that are vitally important to the quality of our lives such as a clean environment, social cohesion or even how happy people are. It is not a sufficient guide for modern policy making that covers social and environmental objectives. This is not the fault of GDP as such ... but it becomes a problem when GDP is understood as the unique yardstick for progress.

To give one example, Hurricane Katrina swept in off the Atlantic on 29 August 2005. Its effects were dramatic: 1,800 people lost their lives, 80% of New Orleans was flooded, and the damage has been calculated at 80 billion dollars. But the reconstruction activities that followed means that measured in terms of its effect on GDP, Katrina was "a success".

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.

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.

The last ten years has seen a growing consensus that Gross Domestic Product is not, on its own, sufficient to guide high-quality policy and business decisions. The debate has moved outside of the environmental community and into the mainstream. With initiatives, such as triple bottom line accounting, businesses are embracing the search for new ways of measuring progress. The expertise of organisations such as the OECD and the World Bank– and individuals such as Joseph Stiglitz and his fellow Nobel laureates – have been instrumental in taking the process forward. The Communication we are discussing today was prepared jointly with Commissioner Almunia and the experts from Eurostat.

To quote from President Barroso's opening address to the Beyond GDP Conference, the time is right to aim for "... 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."

It is also clear that, as we make the qualitative shift to a low-carbon and resource efficient economy, we need to have a more sophisticated policy compass than a quantitative measure of economic activity.

A lot of work is already being done in this area by researchers, by NGOs and by statisticians. The Commission's Communication does not set out to duplicate their findings or to repeat the conclusions of the 2007 conference. What we aim to do is build on this work and to propose a number of actions that will take this process forward. With this objective, the Communication outlines five measures that represent the first practical steps beyond GDP.

- First, a pilot of an environmental index will be proposed in 2010 that will assess progress in the main fields of environmental policy and protection. The index will cover areas such as greenhouse gas emissions, loss of natural landscapes, air pollution, water use and waste generation.
- Second, the Commission will step up its efforts to produce environmental and social data more rapidly. At present such data is often published after two to three years while key economic figures are released with only a few weeks' delay. The Commission's aim is to provide near real-time information that allows decision-making that responds to the current situation.
- Third, we will work to improve the accuracy of reporting on social inequalities which will allow a better definition of policies on social and economic cohesion.
- Fourth, the Commission will develop a European Sustainable Development Scoreboard in order to allow an identification of environmental trends and a benchmarking of best practices.
- And finally, the Commission is working to broaden and complement GDP in National Accounts – integrating statistics on production, income and expenditures with environmental and social accounts.

These first steps beyond GDP will improve the quality and the impact of both environmental and social data. By doing this they will improve the quality of our policies and will help us address some of the most pressing challenges that society is facing.

But they are only first steps. In the longer term I would hope to see a headline indicator of environmental sustainability that is published alongside GDP figures. This would be a National Index of Environmental Sustainability that is as simple, as reliable and as widely accepted as GDP is today. It would be an index where populations take pride in positive results. And politicians would know that their electoral prospects are closely linked to avoiding an "ecological recession". It would change the way we understand progress and would be a catalyst for changing the way we live.

Ladies and Gentlemen

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.

Thank you for your time and I wish you every success with your discussions.