



# Beyond GDP

**Measuring progress, true wealth,  
and the well-being of nations**

19-20 November 2007

**Conference Proceedings**

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# Conference Proceedings

## Beyond **GDP**

### **Measuring progress, true wealth, and the well-being of nations**

19-20 November 2007

European Parliament, Brussels

*organised by*

European Commission, European Parliament,  
Club of Rome, WWF and OECD

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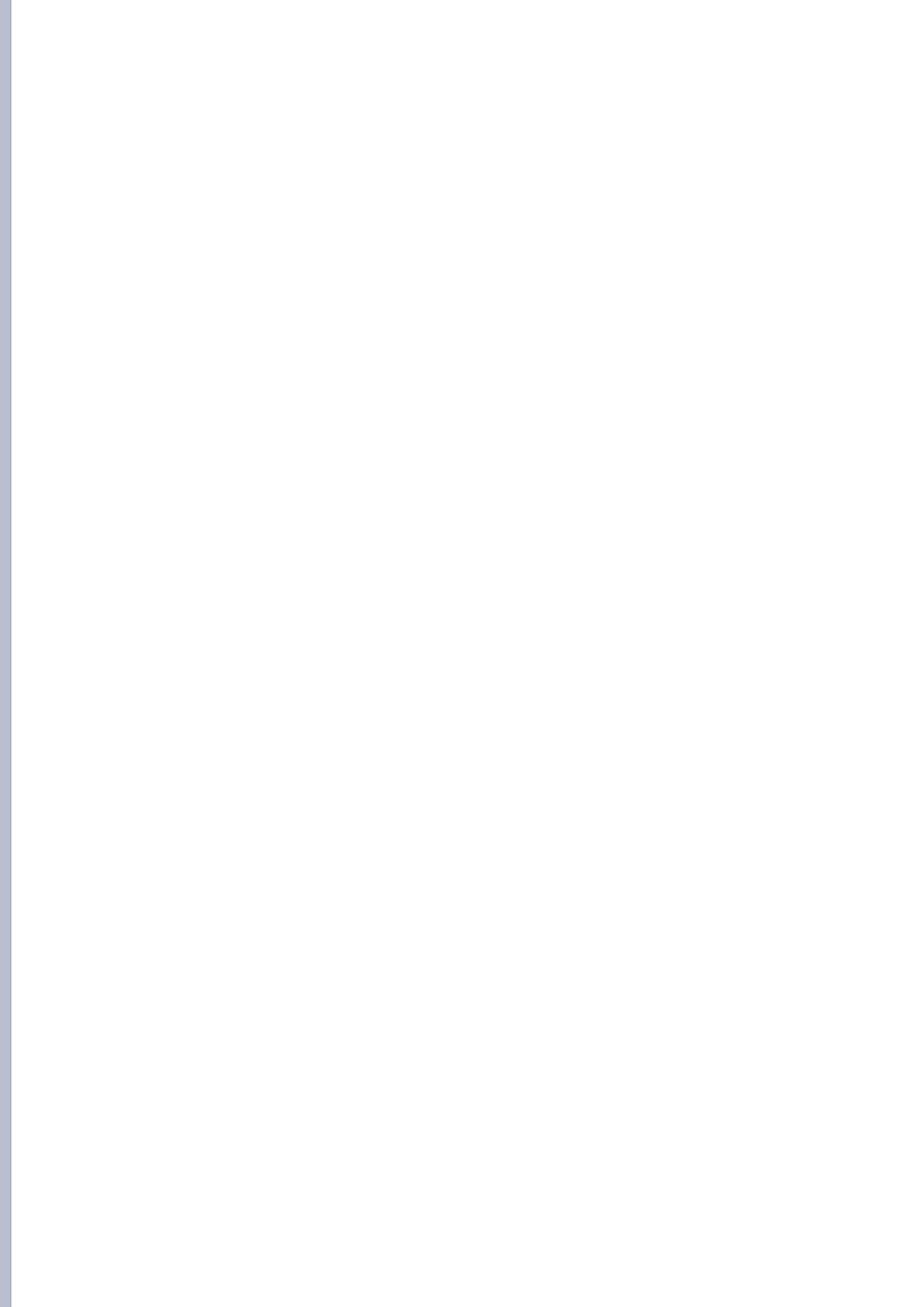
provides complete video archive, background papers, slides, speeches, press coverage,  
contact details and recent developments

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#### Note to the reader

Many of the presentations and discussions have been transcribed from recordings of speakers or interpreters. Occasionally technical limitations made recordings incomplete or difficult to understand. This means that the texts might not always be entirely complete or accurate. In particular, we apologise if names and affiliations have not been perfectly transcribed. In some cases, the texts have been edited slightly for the sake of clarity. For published presentations please check against delivery.





## Foreword

The Beyond GDP conference revealed a high degree of consensus on the need for change. The participants from industry, trade unions, NGOs, academia and government questioned not whether action is needed but on 'how' we complement or improve on GDP, and develop new indicators for the 21<sup>st</sup> Century. I am pleased that the conference led to concrete commitments for further action from all the partners involved.

In his opening speech President Barroso reminded us that GDP is an indicator of economic market activity and was not intended to be an accurate measure of well-being. It was developed for the world of the 1930s which is significantly different from today. Today, the link between economic growth and elements of well-being such as the sustainability of our society is much less clear and straightforward. This is why President Barroso stressed how important it was to go beyond GDP. I share that view.

The pressure to go beyond GDP is also mounting because we are increasingly faced with complex challenges such as climate change, competition for resources, social inclusion and security. These are issues where GDP performs poorly as an indicator. Let me just pick just two

examples that occurred since last year's conference. Firstly, hurricanes caused death and destruction in the Caribbean and the United States, but such natural disasters can actually lead to increases in GDP. Secondly, the price of oil and food skyrocketed, but again GDP failed to highlight the impact on the poorest and the resulting unrest in many parts of the world.

A move beyond GDP means several things for us at the European Commission. It means finding indicators that are more inclusive, timely and understandable to European citizens. It also means using these indicators to guide European and national policies towards sustainability, for example, by highlighting good practices. Doing this will require us to make better use of existing statistics but also to speed up the development and use of integrated economic, environmental and social accounting. I am glad to announce that the European Commission will present its roadmap for action in 2009.

But going beyond GDP requires action from all those involved. This is why we are publishing the proceedings of the Beyond GDP conference, to keep the debate alive and support the commitments made.

A handwritten signature in blue ink, appearing to read 'Stavros Dimas', with a stylized, cursive script.

Stavros Dimas  
Member of the European Commission  
Commissioner for the Environment





Summary notes  
from the Beyond GDP conference



## Highlights from the presentations and the discussion



*The Beyond GDP conference, organised by the European Commission, European Parliament, Club of Rome, OECD, and WWF, brought together over 650 delegates from more than 50 countries to explore how to improve the measurement of progress, true wealth and the well-being of nations. It fully supported the momentum to go beyond GDP.*

**European Commission President José Manuel Barroso**, in his speech opening the conference, highlighted how GDP, since its birth in the 1930s, was rapidly adopted as the best-recognised measure of economic performance in the world. He added that *“GDP is an indicator of economic market activity. It was not intended to be an accurate measure of well-being. Even Simon Kuznets, ... one of the main originators of GDP, said: ‘the welfare of a nation can scarcely be inferred from a measure of national income’”*.

President Barroso also noted that despite being an invaluable tool for economic policy, GDP is unfit to reflect many of today’s challenges, such as climate change, public health and the environment. *“We cannot face the challenges of the future with the tools of the past”*, he said.

*According to President Barroso, we should 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”*.

*President Barroso concluded, “It’s time to go beyond GDP”*.

*President Barroso opening the Beyond GDP conference*

## SESSION 1

### Measuring progress, true wealth, and well-being

*Chaired by*

David Grant Lawrence, Director,  
European Commission, DG Environment

**Joaquin Almunia, Commissioner for Economic and Monetary Affairs**, also stressed the inadequacy of GDP to take into account sustainable consumption and production patterns – *“it cannot distinguish between activities that have a negative or a positive impact on well-being. In fact, war and even natural disasters may register as an increase in GDP.”* He noted that *“we need to find measures that will complement GDP and build a more nuanced and accurate understanding of economic and societal progress”* and suggested that in the short term key sets of indicators will be important to take into account social and environmental challenges, and composite indicators such as the Human Development Index (HDI) and Ecological Footprint (EF) are useful, notably to raise awareness. In the long term, he saw integrated environmental and economic accounting as likely to be the “strongest tool” for supporting the promotion of well-being and progress. He concluded by stating that the *“time is ripe to take the measure of well-being one step further.”*

**Rui Baleiras, Secretary of State for Regional Development, Portugal, EU Presidency**, noted the relevance of the Beyond GDP discussions for post 2013 EU Cohesion policy and the EU budget review. He observed that other dimensions need to be monitored in guiding these policies. He called for a set of a few high-level indicators to be used to capture different development issues, pointing out that *“it is more important to have a picture of the forest than of all the individual trees”*.

**Bruno S. Frey, Professor of Economic Policy and Non-Market Economics, University of Zurich**, argued that ‘life satisfaction’ and ‘happiness’ are acceptable and indeed appropriate objectives for government policy. However, he put a caveat, indicating that rather than aiming to maximise happiness, governments should focus on policies that enable people to pursue happiness.

**Giulio Santagata, Minister for the Implementation of the Government Programme, Italy**, focused on the role and responsibility of governments. He underlined the importance of government analysis of the impacts of its decisions and noted that additional analysis, such as on the impacts of decisions on social capital, can clarify new areas of public action and innovation in governance. He noted that governments should increasingly monitor the ‘quality’ of development including environmental sustainability and citizens’ satisfaction. He also noted that indicators provide the ‘memory’ of a government’s actions. He underlined that understanding and communicating the state of the nation is vital, and that the quality of democracy can profit from better information.

**Hans Rosling, Professor of International Health, Karolinska Institute, Sweden**, demonstrated innovative graphical software that reveals the links among various trends in the fields of economy, social issues and environment. He addressed the issues of communication tools and the potential for engaging a wider public. Public access to data, in the right and attractive forms, can help build on the innovative capacities of citizens and engage civil society. Effectively communicating data can help create an important public good.

### Decision making beyond GDP: needs and a vision

*Chaired by*

Timo Mäkelä, Director,  
European Commission, DG Environment

**HE Chief Emeka Anyaoku, President of WWF**, added a note of urgency and a call for responsibility. He noted *“if all lived as Europeans we would need 2.6 planets. The global overshoot is a liquidation of the assets on which human well-being depends. It is creating social tensions and conflict, and it is making our existence ever more fragile. It is also taking away the development rights of future generations.”* He noted that since 1970, there has been a 30% decline in (vertebrate) species, and that *“quite simply, species suffer when ecosystems cannot keep up with human consumption.”* He called for societies to stop the continued ecological deficit spending, commit to living within the planets resources, and improve our understanding of

how ecosystems and their services support our economies and well-being.

**Pervenche Berès, Chair, European Parliament Economic Committee**, added to the call for a more nuanced understanding of what GDP does and where it is relevant, noting that GDP does not adequately deal with issues such as natural resources, the free-rider problem and distributional issues. She noted that fixing the market by integrating social and environmental externalities into prices, and hence into GDP, could contribute to the solution. She noted that we need a new measurement of public goods and the EU should lead the way on this.

**Pier Carlo Padoan, Deputy Secretary General of the OECD**, stated that *"we need to measure welfare not just production"* and that *"the needs to measure progress is part of the trend towards greater governmental accountability – It cannot be done without social participation as progress reflects different things for different people, depending on their cultural background, history and personal beliefs and also on the health of society, the environment and the economy."* He argued that different indicators of progress are valuable and appropriate and to be encouraged. He noted that indicators capturing social cohesion, good governance and subjective well-being should be included among sets of key indicators. He also underlined the OECD's commitment in this area, with the ongoing 'Global Project' that builds on the Istanbul Conference in June 2007. *"By measuring progress we can achieve progress for all"* he said.



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*Pervenche Berès at Session 1: Decision making beyond GDP – needs and a vision*

## SIDE EVENT

### Expert Workshop

*Chaired by*

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

**In the expert workshop preceding the conference, participants discussed ways of addressing key challenges in improving our measures of progress. It brought together more than 100 individuals from over 30 countries.**

In the various workshop sessions, speakers and panelists discussed both policy and technical aspects, including: the evolving needs of decision makers and the general public and how to best meet them; the specific methodologies that go beyond GDP; and how we can improve the different approaches that complement GDP.

In group discussion, participants addressed three main questions:

- What are the key opportunities for going beyond GDP?
- What is feasible in the short to medium term and how can implementation be improved?
- How can policymakers, key institutions, business, media and the broader public be engaged on these issues?

A common criticism was that even though we live in an era of unprecedented data quality and quantity, in some key areas the issue of data quality and timeliness is not yet adequately addressed. One speaker raised the point that we need to improve our understanding of how people actually spend their time (including their involvement in non-market activities) and how these activities contribute to overall welfare.

The subjective nature of progress and well-being was also posed as a challenge to developing effective indicators and statistics; the discussion made clear that aspirations and needs have unique national and local circumstances.

Some speakers pointed to the current work on ecosystem accounting as an important contribution to improving policymaking vis-à-vis the environment.

It also became apparent through the discussion that the different stakeholders involved have differing capacities and strengths; for example, subjective

indicators such as happiness are not typically collected and reported as official government statistics by statistical agencies.

In his dinner speech to all conference participants, Anders Wijkman summarised key outcomes of the expert workshop:

Access to quality, timely data is important. GDP is presented every quarter, stock markets daily. For environmental and some social issues, data is often 2 years old. There are some exceptions, such as live online data for ground-level ozone concentrations. There is need for timelier data to help people in decisions (like ozone concentration levels in cities, useful in decisions such as whether to take the car or go jogging). Spatial differentiation of data (a point made by Jacqueline McGlade, Director of the EEA) can help make dry statistics accessible, relevant and engaging.

Continued commitment and more support are needed to develop integrated economic-environmental accounts to measure natural assets and help clarify the ecosystem services they provide.

Complementary indicators are needed. There was widespread agreement at the expert workshop that GDP is not sufficient as an indicator of well-being. The majority of the experts attending the workshop supported the idea of complementary indicators (as opposed to 'correcting' GDP).

Action should be undertaken at multiple levels. He noted several areas where information is lacking, frequently at multiple levels (local, national and global). Both statistical rigour and public participation are important: "We need to have accounting at different levels; . . . we need a top-down approach and a bottom-up approach, we cannot do one without the other."

Overcoming barriers is required. The barriers to going beyond GDP include attitudes and perceptions, finance, business models, education. These barriers must be addressed.

## DAY 2

20 November 2007

**Hans-Gert Pöttering, the President of the European Parliament**, opened the second day asking *"what is it that we wish for our societies?"* and noted that *"well-being is not just growth; it is also health, environment, spirit, and culture."* He noted *"the debate today affects us all. It is more than just statistics. It is also a way of thinking and the goals we set."* He argued that quick action is important and that we have to have a vision that goes beyond a simple production vision. He noted that *"we need an understanding of the social developments of our times, of the changing environment. We need to be able to assess whether the European Union is in fact heading towards a long-term sustainable economy"*. He also noted that *"we crucially need new indicators to measure welfare - this is a basis for shaping our future."*



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President Pöttering from the European Parliament opening Day 2

## SESSION 2

### Insights from practice

#### Insights from recent practice in policy and business

**Hazel Henderson, of the Club of Rome** introduced and chaired the session. She noted that 'triple-bottom-line accounting', that deals with 'people, planet and profit', advanced the analysis of risks and helped businesses to integrate environmental and social issues into the balance sheet.

## Summary notes from the Beyond GDP conference



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Leading figures from social, economic and environmental spheres participated in the panel discussion

**Carole M. Laible, President Domini Social Investments**, underlined that the pressure to meet short-term targets leads in some cases to failure to see the long-term impacts. She noted that *"the wealth of a corporation is more than the stock price"* and that to assess the true value of companies one needs to measure the externalities. She also stated her belief that companies will prosper if they enrich the ecosystems on which they rely, invest in staff and contribute to local communities.

**Nicole Notat, President of the Vigeo Group**, underlined the *"need to look beyond output indicators,"* and also look at *"management, coherence and results."* The measurement and integration of social and environmental factors lead to innovation and reduce risks to reputation and costs. She also called for international standards and noted the current discussions as to whether to create an ISO norm on social sustainability.

**Lothar Meinzer, Director of BASF**, argued that business is already integrating environmental and social concerns into its management systems as part of its value-based management approach, which analyses future products and processes using not just financial costs and revenues, but also environmental and social indicators.

**Stephen Pursey, Head of the Integration Department, ILO** – on the work place dimension – noted that *"the work place is where the value of the market meets the value of society,"* and that an important objective needs to be the pursuit of 'decent work'. He suggested that a useful ways

forward to measure and encourage progress is to use the existing vehicles of 'country profiles'. He also noted that the ILO aspiration to decent work is now a global phenomenon and that statistical effort is needed to better capture reality, especially in developing countries.

### CONTRIBUTIONS FROM THE FLOOR

**Nic Marks of the New Economics Foundation (NEF)** asked whether *"products really reflect what we need and what matters to us"* and stated that we need a *"reflection on whether or not consumption enriches people's life"*. He noted that this would amount to *"externalising the internality"* – expressing the real value of things.

**Vittorio Prodi, Member of the European Parliament**, underlined the importance of the 'intangible goods and assets' and the importance of dematerialising society. As regards indicators of progress, he noted that looking at energy intensity is not enough, as the shifting of industry to other countries is not reflected.

**Caroline Lucas, MEP**, said that the way forward is not only about more and better indicators and data; it is about action. She said that only gathering data means we risk *"going down in history as the first species [to monitor] its own extinction rather than taking active steps to avoid it"*.

**The call for action comes not just from policy makers and experts, but also from the public.** A survey (by GlobeScan) conducted in the context of the conference clearly showed that people want measures of progress that go beyond GDP: three-quarters of the people surveyed (in 10 countries including Australia, Brazil, Canada, France, Germany and Russia) wanted governments to *"look beyond economics and include health, social and environmental statistics in measuring national progress."*

## SESSION 3

### New measures of progress - Obstacles and opportunities

**Tony Long, Director of WWF's European Policy Office**, introduced and chaired the session, which focussed primarily on measures already in use and government initiatives currently underway.

**Pier Paolo Cento, State Secretary for Economic Affairs and Finance, Italy**, noted that Italy is passing legislation that would require the use of environmental accounting at national, regional and local levels. This is part of a broader reflection on the necessary rationalisation of public expenditure and would make the environment also a responsibility of the Ministry of the Economy and Finance.

**Kristalina Georgieva, Director at the World Bank**, highlighted how focus on short term income generation can lead to collapse of whole economies, as testified by the Mauritanian fisheries collapse in 1987. She underlined the importance of natural capital and 'intangible capital' (human and social capital) in the wealth of nations, noting that investments in human capital and stronger institutions have the highest return. She also stressed the importance of strengthening resource management, especially in developing countries. According to World Bank estimates, environmental degradation represents a cost up to 6% of China's GDP – underlining an example of one of several factors that need to be taken into account when trying to understand the true wealth of nations.

**Patrick Viveret of the Cour des Comptes, France**, noted the French government is looking into new indicators and approaches for 'wealth'. The current system of valuing wealth (e.g. company accounts) can provide the wrong incentives. The reflection on the veracity of accounts may be easy for firms but less so for the state (e.g. the share of GDP for the education and health systems hardly equate to their value to society). He underlined that the ecological challenge – the question of ecological limits – cannot be addressed by proposing limits without a positive perspective. The opportunity for well-being constitutes that positive perspective. Making a historical observation, he stated that GDP's success after the Second World War reflected the political and societal decision to modernise the industrial fabric. Indicators such as GDP



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*Over 650 participants from more than 50 countries attended*

were chosen to valorise this choice of direction. Changing the GDP implies a more fundamental reflection on the unit value (money). Increasing attention needs to be given to the 'gift economy', the part of the economy made of informal non-priced exchanges.

#### CONTRIBUTIONS FROM THE FLOOR

**Rita Trattnigg, Sustainable Development Coordinator, Austria** pointed to the notion of social capital as being an important emerging concept in understanding factors contributing to human well-being.

**Isabelle Cassiers, Professor at the Université Catholique de Louvain** pointed to the ecological dangers that export-led growth puts on developing nations, citing the example of the severe overfishing in Mauritania.

A number of participants underlined the close relationship that exists between the choice of indicators and prevailing social values and aspirations.

Others noted that a common value for all people is time and that an indicator on time spent could add to the useful information available.

## SESSION 4

### The way forward

**Enrico Giovannini, Chief Statistician, OECD**, chaired this session and underlined the challenge and context for the use of indicators. Governments, statisticians, business, citizens all use statistics and we have to find away of addressing each. He noted that *"we cannot reduce the complexity of the world to a single number"*. To him, extending economic national accounts is a very promising though costly way forward that offers good promise for the long term and needs to be accelerated. It is important to invest in the public good, which is 'common knowledge'. He also noted that we should measure the resilience of the ecology (e.g. biodiversity and life-support functions) as well as the resilience of the economy (to what degree it is 'future proof').

**Walter Radermacher, President, Federal Statistical Office, Germany**, raised a tone of realism from the national statistics perspective, saying that in 1989 his predecessor promised to come up with an enhanced GDP in two years, integrating calculations of natural and social capital. This challenge is still not met 17 years later, underlining the complexity of the task. He underlined that now we have too many indicators and the challenge is to make something simple that is theoretically consistent, politically relevant and empirically measurable. He noted that the UN 2011 milestone of standard environmental accounts is a key one to focus on.

**Ashok Khosla, Co-President of the Club of Rome**, noted that *"we are living in a world that has completely lost its bearings,"* and *"that we have an economic system that does not work for many people"* that is *"not able to handle the depreciation of natural capital"*. He observed that *"we talk of 'decoupling' but unfortunately what is decoupled is livelihood, well-being and jobs"*. As regards the way forward, he suggested that indicators should be defined by the last and the poorest and not those that dominate the decision-making system.

**Miloslav Ransdorf, Vice-Chair European Parliament Industry Committee**, noted that more effort is needed to test the assumptions underlying economics; models have proven unable to forecast major events correctly, missing critical breakdowns in economies over the past (Mexico, Russia). Environmental and social issues need greater consideration and aiming at higher GDP is not necessarily the solution.

**Jérôme Vignon, Director, European Commission, DG for Employment, Social Affairs and Equal Opportunities**, talked of the risk and intensity of poverty, and underlined the importance of social cohesion. He presented benchmarks of national performance, including employment, unemployment and poverty, noting the available data and the value of the country benchmarking approach to encourage progress. He also highlighted the importance of health indicators.

### CONTRIBUTIONS FROM THE FLOOR

**Giulietto Chiesa, representing the World Political Forum (WPF)**, noted that *"the mindset of GDP is celebrated every day"*. He noted that mass media needs to make changes, as it is still working within this GDP mindset. He also argued that we need a new institutional world architecture.

**A participant** noted that we need more information on the state of health and education in countries. Others argued that intangible assets such as human rights, dignity, respect, and tolerance are important aspects of well-being, and that social capital needs greater integration in policies.

**Mike Salvaris of RMIT University, Australia** noted that the concept of progress has not been defined democratically in society and that this needs to be addressed. He mentioned that civil society and governments in Australia are increasingly building indicators to address this, and that a recent law has led to local governments including social and environmental indicators into their 5-year plans, with public consultation part of the indicator selection process.

**John Hontelez of the EEB**, argued that a new Commission will come in 2010 and that this is an opportunity for a new Lisbon agenda – one that can usefully be a new Sustainable Development Strategy. Within this, GDP can be *"just one indicator"*.

**WWF, UK** raised the question of how to frame the whole debate and argued that a *"fair, one-planet vision"* would be helpful.

## SESSION 5

### Next steps & conclusions

**Stavros Dimas, Commissioner for Environment**, who initiated the Beyond GDP conference, closed the conference noting that *"the main achievement of this conference has been to clearly demonstrate the political consensus on the need to go beyond GDP"*. He summarised the main points from the Beyond GDP conference:

**There is a need for action to go beyond GDP** to measure progress, true wealth and well-being of nations.

**There is an urgency for action.** We are living beyond the resources of our one planet and destroying the resources upon which we depend. Critical social challenges include social cohesion, employment, education, happiness, migration and poverty issues.

We need to have a better understanding of the **value of stocks of natural resources** and of the **vital services provided by ecosystem services**.

**Access to quality, timely data is important.** Commissioner Dimas noted, *"We have stock market information every minute of the day. We have quarterly reports of GDP. But information on environmental and social trends is often years old by the time it reaches policy makers."*

**The way forward requires progress on various measurement tools at the same time.** There is a role for composite indicators such as the Ecological Footprint and Human Development Index that are easily understandable, easy to communicate and raise awareness in the public. There is a role for headline indicators. And there is an important role for accounting frameworks for both environmental and social topics.



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*Commissioner Dimas delivering the closing address*

**There is political consensus on the need to go beyond GDP. Europe is committed to taking a leading role and working in partnership.** Commissioner Dimas emphasised that *"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"*.

**Road map for action.** Commissioner Dimas said there must be an acceleration in the development of integrated accounting in the social and environmental spheres and called for the further development of headline and composite indicators. He pointed to the promise of improving the communication of Europe's progress on sustainable development through the creation of a sustainability scorecard. He also announced that in 2008, the Commission will present a road map for action on these issues.





# Conference Programme



# Conference Programme

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## Day 1: November 19

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14:00 Registration and welcome coffee at the Indicator Exhibition

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**OPENING Chair:** David Grant Lawrence (Director, European Commission, DG Environment).

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15:00 **Opening Speech: The challenges of modern societies**

Environmental sustainability, new social risks, migration and security are key concerns for the 21<sup>st</sup> century and raise new challenges for societies and policy makers. The challenges increase the need for consensus on indicators that measure progress towards well-being and can complement economic indicators such as GDP.

**Speaker:** José Manuel Barroso (President of the European Commission).

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### **SESSION 1: Measuring progress, true wealth and well-being**

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15:15 **Measuring progress, true wealth and well-being**

While GDP is well recognised as the headline measure of economic performance, it is less obvious how to measure the other dimensions of societal progress. Indicators to capture those dimensions would greatly contribute to better policy making, to guide regional development and help address the new challenges.

**Speakers:** Joaquín Almunia (Commissioner for Economic and Monetary Affairs);  
Rui Baleiras (Secretary of State for Regional Development, Portugal, EU Presidency);  
Bruno S. Frey (University of Zurich).

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16:10 **Communicating content: New communication tools for new measures**

Solid indicators and statistics can play a key role in policy making, press coverage and public debate, but often fail to get the attention they deserve. The public see only some of the facts and often fail to be engaged by the facts they see. There is a need for better communication – new tools can play an important role in informing and engaging the public.

**Speaker:** Hans Rosling (Karolinska Institute, Sweden).

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16:30 Coffee break

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17:00 **Decision making beyond GDP: needs and a vision**

Although GDP growth is a key policy target, its relationship to well-being and quality of life is neither straightforward nor sufficient for decision making. Policy decisions need to better integrate economic, social and environmental dimensions. There is a need for a vision and practice that includes a more comprehensive measuring of progress that moves beyond GDP.

**Chair:** Timo Mäkelä (Director, European Commission, DG Environment).

**Speakers:** HE Chief Emeka Anyaoku (President, WWF);  
Pervenche Berès (Chair of the EP Economic and Monetary Affairs Committee);  
Pier Carlo Padoan (Deputy Secretary-General, OECD);  
Giulio Santagata (Minister for the Implementation of the Government Programme, Italy).

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18:30 Cocktail reception

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### **Conference dinner for all conference participants**

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19:30 The conference dinner is hosted by the European Parliament.

**Speaker:** Anders Wijkman (MEP, Environment, Public Health and Food Safety Committee).  
Welcome and highlights from the experts workshop.

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## Day 2: November 20

08:30 Welcome coffee at the Indicator Exhibition

### ADDRESS

09:00 **Speaker:** Hans-Gert Pöttering (President of the European Parliament)  
Major negative effects of globalisation such as climate change pose new risks not only to our eco-system but to our entire economies and eventually our societies as a whole. This is why new indicators of wealth are needed and the European Parliament can play a key role in helping to shape the required broad democratic consensus.

### SESSION 2: Insights from practice

09:15 **Insights from recent practice in policy and business**  
Concrete examples suggest that there are opportunities and tools to improve our capacity of making decisions based on more refined measurement of progress, wealth and well-being. For example, policies for sustainable development are increasingly common and popular, while many leading companies and investors are incorporating social responsibility and environmental considerations into their business models and information tools.  
**Chair:** Hazel Henderson (Club of Rome)  
**Panelists:** Carole M. Laible (President, Domini Social Investments); Nicole Notat (President, Vigeo Group); Lothar Meinzer (Director, Sustainability Centre, BASF); Stephen Pursey (Head of the ILO Integration Department, International Labour Organization).

10:45 Coffee break

### SESSION 3: New measures of progress – Obstacles and opportunities

11:15 **What do the measures say and where can they be useful?**  
A range of measures (sets of sustainable development indicators, integrated accounting, human development index, ecological footprint, genuine savings, genuine progress indicator) is already produced and in use at local, national and international levels. The full potential of these decision-support tools needs to be further explored in a dialog among the indicators' producers and users, including policy makers, civil society representatives and the media.  
**Chair:** Tony Long (Director European Policy Office, WWF)  
**Panelists:** Kristalina Georgieva (World Bank); Patrick Viveret (Cour des Comptes, France); Pier Paolo Cento (State Secretary for Economic Affairs and Finance, Italy).

12:30 Lunch

### SESSION 4: The way forward

14:30 To move to a more balanced set of metrics, we need clearer policy commitments, improved measurement methods, changed decision making, and improved communication. This change requires the use of integrated economic, social and environmental statistical and analytical tools, a clearer communication to the public about key figures, the use of quantifiable policy commitments and the development of a culture of ex-ante and ex-post policy evaluation.  
**Chair:** Enrico Giovannini (Chief Statistician, OECD).  
**Panelists:** Walter Radermacher (President, Federal Statistical Office, Germany); Ashok Khosla (Co-President, Club of Rome); Miloslav Ransdorf (Vice-Chair of the EP Industry, Research and Energy Committee), Jérôme Vignon (Director, European Commission, DG for Employment, Social Affairs and Equal Opportunities).

16:00 Coffee break

### SESSION 5: Next steps & conclusions

16:30 **The European contribution to a global effort: next steps in measuring progress**  
What are the concrete steps that Europe can undertake to improve the measurement of progress, co-ordinate with similar initiatives worldwide, and integrate these improved measures into decision-making?  
**Speaker:** Stavros Dimas (Commissioner for Environment).

17:00 Closure of the day





# Opening Speech

## The challenges of modern societies





## José Manuel Barroso

President of the European Commission



### Opening speech: The challenges of modern societies

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 well-being. 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.



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Session 1  
Measuring progress,  
true wealth and well-being





## Joaquín Almunia

Member of the European Commission,  
Commissioner for Economic and Monetary Affairs



Ladies and Gentlemen,

Let me start by expressing my gratitude for the opportunity to speak this morning. The range of partners involved in today's conference and the participants that have joined us from all over the world are proof of the importance we now place on finding accurate measurements of societal progress and well-being.

Having the right indicators is essential at every stage of policy making. Statistics describe a phenomenon at hand, analyse the related issues and help select policy proposals. They facilitate the implementation and then the monitoring of those policies and they communicate the outcome to the general public. Adequate statistics are therefore indispensable.

In my comments this morning I will consider the importance and the limitations of the Gross Domestic Product as a statistical measure and I will explore what other indices would be appropriate to measure progress.

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Let me start by clarifying what GDP does and does not do.

As President Barroso has indicated, GDP was introduced following the Great Depression, in order to help politicians steer the economy towards key economic objectives and provide a solid basis for sound economic policy decisions. Based on a whole set of data – the National Accounts – GDP is the sum of the value added of all goods and services sold on the market in a given period. Today it has become the foremost measure of economic activity.

As a universally recognised and accepted system, it allows us to compare the economic performance of different countries worldwide and to track economic developments over an extended period of time.

In Europe, GDP underpins the instruments and criteria we use to make vital economic policy decisions. For example, whether or not a country meets the Maastricht Criteria to adopt the euro or whether it has met the agreed targets for inflation and interest rates and budgetary debt and deficit are all judged using a reference value based on GDP.

GDP was never intended to be anything but an indicator of economic performance. It cannot distinguish between activities that have a negative or a positive impact on well-being. In fact, war and even natural disasters may register as an increase in GDP.

Also, GDP does not take into account the non-economic factors that add to well-being. And many policies that contribute to well-being may not be adequately reflected in GDP growth. For example, GDP does not take into account the sustainability of production and consumption patterns. For instance, while investing in low carbon energy solutions may be essential for the environment and long term sustainability, it may not be the policy option preferred for short term economic growth, as measured by GDP.

These limitations do not undermine the intrinsic value of GDP per se. But it should not be considered as a benchmark of the overall progress of a society as is sometimes the case. Of course, economic growth can bring about an improvement in quality of life, but only up to a point. Indeed, many studies of affluent countries do not register an increase in happiness in line with wealth. Even Adam Smith in the 18<sup>th</sup> Century recognised that well-being comprised many aspects of human life.

Thus there is a clear need to find measures that go beyond GDP. Today more than ever before, faced as we are with major environmental and demographic challenges and rapid changes in our societies.

To address these challenges, we need to gain a better understanding of what is happening in

society at large and the impact these transformations are having on citizens and on the broader environment.

We need to find measures that will complement GDP and build a more nuanced and accurate understanding of economic and societal progress.

This is not an easy task as there is no universally accepted measure of well-being, not least because there are many definitions of what this model actually entails.

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However, consensus has been building on the need for a more comprehensive measure of well-being for some time and a certain amount of progress has already been made on this front.

On its side, the EU has been working on extending its use of statistics beyond GDP.

A striking example of this has been the development of a set of indicators to monitor, assess and review the EU's Sustainable Development Strategy, our approach to reconciling economic development, social cohesion and protection of the environment.

In this context, we have developed approximately 150 indicators organised along 10 themes that look at economic development in parallel with issues such as climate change, management of natural resources, public health, social inclusion, demographic change and global poverty.

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Despite the progress up to now, time is ripe to take the measurement of well-being one step further. [Indicator sets such as those used in the Sustainable Development Strategy are very focused in their approach and provide information on specific issues.]

With this in mind, some argue that a better approach would be via so called aggregate or composite indicators. This involves combining indicators to produce a bottom line – a summary statistic that can encapsulate complex or multi-dimensional issues, giving a sense of the bigger picture. The advantage of this type of measure is that it is very effective at attracting public interest and focusing debate. An example is the ecological footprint, which was

developed in the early 90s and is now widely used around the globe as an indicator of environmental sustainability.

But composite indicators are also controversial. This is largely because the compilation of these indices implies making a judgement on the weight of each individual variable. Thus, composite indicators are criticised for lacking neutrality and transparency. In the worst case scenario, they could send misleading messages and thus invite politicians to draw overly simplistic conclusions.

Despite this there are useful examples of effective composite indicators such as the Human Development Index or the Ecological Footprint and improved techniques in the construction of composite indicators could go a long way to overcome their limitations.

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That is why I believe that composite indicators have a valuable role to play, especially raising awareness of specific developments and challenges.

But I also consider it necessary to build a more overarching framework where environmental and social issues are integrated altogether with economic ones. Today the abundance of official statistics comprises a wealth of information. However, the lack of integration of these statistics means that developments that are inter-related can only be studied in isolation.

This is why we promote setting-up satellite accounts like the System of Integrated Environmental and Economic Accounting aiming to overcome this very problem in the field of environmental issues. It builds on the European System of National Accounts – which has evolved to become a robust and highly credible statistical system – and links the economic data in the national accounts to non-economic environmental data.

Integrated Economic and Environmental Accounts are a very effective tool to analyse the connections between the environment and the economy. As a complement to environment statistics, environmental accounts allow for a more in depth examination of environmental concerns as the different modules are broken down by other, non environmental variables, such as industry. Because of its integrated nature, this

# Conference

system allows a wide range of relevant indicators to be extracted.

These environmental accounts will allow us to answer urgent political questions. For example, they will help ascertain whether economic growth is having less impact on the environment. They will also help establish whether we are respecting the Kyoto targets in terms of greenhouse gas emissions or are simply exporting the emissions following delocalisation of production.

Eurostat is leading efforts both at EU and international level to develop environmental accounts and progress thus far has been encouraging. Already, 24 EU Member States have developed Air emission accounts, while two more are planning to do so in the near future. A total of 23 countries are involved in compiling economy wide material flow accounts or are planning to do so while 21 countries are collecting data on environmental expenditures.

However, we need to further intensify our efforts. Gaps remain in terms of data availability among Member States and in different areas of environmental accounts. For the forthcoming years, a key priority will be to identify where data is missing and assist member states in their efforts to fill these gaps.

Eurostat will also work alongside Member States to develop comparable accounts for air emissions, economy wide material flows and environmental

expenditure. A second set of priorities will be to achieve good coverage for the accounts on waste, water and environmental taxes.

## Conclusion

Ladies and gentlemen, let me conclude.

Gross Domestic Product is an indispensable measure of economic activity that has successfully steered our economies through the post-war period, underpinning the prosperity we enjoy today.

However, new challenges of the 21<sup>st</sup> century require new statistical instruments. Only this way can we both build our understanding of the shifts in our societies and develop our capacity to respond effectively.

In the short term, key sets of indicators and composite indicators can play a valuable role both informing and raising public debate on social and environmental challenges. However, in the long term, Integrated Accounting proves to be the strongest tool for developing policy relevant statistics and for supporting a comprehensive approach to the promotion of well-being and progress. In the environmental sphere, our best option for accomplishing this goal is through the System of Integrated Economic and Environmental Accounts.



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## Rui Baleiras

Secretary of State for Regional Development, Portugal, and EU Presidency

This conference, Ladies and Gentlemen, deals with one of the major challenges of our age – how to measure progress, true wealth and well-being more broadly and more reliably than GDP allows for. We have reached a point where we need to think of our goals as a society and to reflect on the traditional concepts of economic growth and welfare.

The European Union pioneered the consideration of sustainable development and is strongly committed to the environment and social welfare. Therefore, rather than reassessing the priorities, we need to reach a consensus on what the concepts of sustainable development and well-being mean for the EU and for the international community. This is a crucial step in order to define the new tools that are needed to support and guide the decision-making that best fits the priorities.

I would much like to highlight the work done in this field by the United Nations, the EU, the OECD, the World Wildlife Fund and the Club of Rome, not only for placing the measurement problem on the international agenda, but also for working on the development of concrete tools that go beyond GDP. In fact, new tools have a double role. On the one hand, they help the decision-making process but, on the other hand – at an earlier stage – they help policy-makers and society at large to become aware of the new economic, environmental and social challenges.

Let me remind you as well of the importance of the Istanbul Declaration to this debate. Last June in Istanbul several hundred people from all over the world – representatives of the European Commission, the OECD, the Organisation of the Islamic Conference, the United Nations, UNICEF and the World Bank – debated ways of measuring progress and came up with some interesting points to feed into this international debate.

*What is the European political framework for this debate?*

I think this is a good starting point. The adoption of the renewed Lisbon Strategy is the development

paradigm of the European Union – it states clearly that for the Union, progress means economic performance in a global world, together with social cohesion and environmental sustainability.

For Europe the crucial question of the moment is not what progress means, but rather whether we have the best ways of measuring progress throughout the entire policy cycle – from diagnosis and policy formulation to monitoring and assessment.

If we focus on what is probably the broadest European policy – cohesion policy – the previous question becomes clearer. This European policy, anchored on the principle of solidarity, was fully aligned on the European Union's development paradigm – the renewed Lisbon Strategy. But is our system of indicators totally coherent with the goals of cohesion policy? Or are we too focused on measuring GDP?

So we need the strongest and broadest commitment from policy-makers, researchers and statisticians, to improve our system of indicators so as to measure progress on several territorial levels in a totally comparable way.

The 'beyond GDP' debate is even more relevant, given the current European political timetable. We have just started the debate on post-2013 Cohesion Policy and I recall the Cohesion Forum we had in Brussels, in late September, and the Informal Ministerial Meeting that will take place in the Azores, at the end of this week. And we are also approaching the budgetary review debate which is scheduled for next year.

*What does GDP include and what does it exclude?*

GDP, as we all know, gives us the Total Market Value of all final goods and services produced within a defined territory over a given time period. This outcome indicator is very appealing because it gives us a simple and clear message about the current economic activity of a country or a region and about the relative performance of several economic spaces. But, if nowadays we do get this

clear message, it is only because the methodology of measurement is well-defined, allowing for inter-territorial comparisons. This great advantage of GDP makes it one of the main decision-making support indicators in many areas. As such, international comparability and multi-territorial scales are desirable characteristics for alternative or complementary indicators of progress.

However, GDP tells us very little about how market transactions help to increase or decrease well-being, and virtually nothing about non-market activities. GDP does not encompass a wide set of crucial items that are relevant for society's well-being. Just to give you a few examples, I could mention environmental issues, such as resource depletion, emissions of carbon and other pollutants, water quality and biodiversity; on the social front I could mention poverty, inequality of income distribution, educational attainment and health-care access; for non-market goods and services I could mention ecosystem services, volunteer work and the value of leisure. These are all activities that certainly influence the level of well-being, but are not covered by mainstream economic indicators.

This does not mean that GDP is a wrong indicator. Not at all. The key point is that we should not be tempted to use it to assess achievement in areas about which GDP cannot tell us much. GDP is a measure of current economic activity. It does not measure well-being or happiness. Although there may have been a positive correlation over time, they are not the same and they do not necessarily tell us the same story.

We have to recognise that, for decades, there have been misleading interpretations of GDP, an indicator that cannot in fact be used to infer directly anything about sustainability or well-being. As Mr Barroso said, Simon Kuznets, one of the fathers of the National Accounting System, was in fact the first to recognise that GDP is not a measure of well-being and that GDP does not take into account the costs or benefits – short-term or long-term – of current economic activity.

*So how can we move forward?*

There are huge differences between concepts such as current economic activity, economic sustainability, sustainable development, well-being and quality of life or happiness.

Clearly it is not possible to measure all these relevant dimensions using just one indicator. And it is

probably not desirable to do so since these are such diverse issues. For example, economic activity and well-being are problems of a very different nature. The former can be measured in a quite objective and monetised way and allows for aggregation, while the latter is essentially subjective and poses difficult problems of aggregation and territorial comparability. Therefore we need a limited set of indicators that can complement information reported by GDP. We need them to enable us to have a quick and yet reliable picture of the various development issues that I mentioned.

Even if it were theoretically possible to devise a single indicator that could give a message as clear as the one given by GDP, the construction of such an indicator would be almost impossible in practice, since to aggregate so many diverse items would be completely meaningless.

Yet, there is a very important point to make. For the purposes of making policy, especially international policy like the EU does, we must restrict the quantity of high level indicators. It is more important to see the wood than all the individual trees. Otherwise we cannot have a clear picture of how countries and regions are performing in either absolute or relative terms. This is because too much information becomes difficult to interpret; decision-making becomes more difficult the more indicators we have, especially if they are moving in opposite directions. If we do not focus on a very restricted number of high-level indicators, we risk having to keep going back to GDP because highly dispersed information is very difficult to deal with and very difficult to interpret.

Before and after actual policy decisions are made, during diagnosis and evaluation, the high level indicators must be complemented by comprehensive and detailed measurements, in order to zoom in on certain questions.

Ladies and Gentlemen, to sum up, measurement of progress is, and must be, the outcome of a virtuous cycle. First of all, policy-makers must define what progress means based on diagnosis and research – a job mainly for the scientists. Secondly, the researchers and statisticians need to develop ways of measuring this progress. Thirdly, statisticians will need to produce and present indicators of this progress. Finally – and this brings us back to the starting point – policy-makers must then evaluate the progress made and then refine the concept of progress based on the indicators, thus triggering a new round in the progress measurement cycle.

And as a society we need to keep feeding the progress measurement cycle with our thoughts and reflections. In Europe and in the world, we need to continuously refine our ideas about what progress means and how to measure it. Unless there is wide participation in order to build a sound consensus, the new indicators, and even some of the current ones, will not allow for international and inter-regional comparisons, which could jeopardize their usefulness.

Ladies and Gentlemen, there is an urgent need for the world to adopt effective sustainable development policies. I hope this conference will send an important and clear message to underline urgency on the international agenda. It is our responsibility to secure the well-being of future generations. And it is our responsibility to ask institutions all over the world to work together and to combine their efforts to get the right answers to meet today's requirements.



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### Bruno S. Frey

Professor for Economic Policy and Non-market Economics  
University of Zurich

## Happiness - Possibilities and Pitfalls

We are in the midst of a revolution. We are turning away from material things towards well-being. And I will be arguing that the way to measure well-being is happiness. Happiness is the factor we need to consider.

I would like to make two propositions.

- Firstly, although National Income and Social Indicators (including the Human Development Index) are good indicators, happiness, or life satisfaction, are much better;
- Secondly, we must be very careful not to do the wrong thing. Although government should make it possible for people to be happy they should not try to maximise happiness. For example, the European Commission should not proclaim “We are now maximising happiness.” This would be disastrous.

So my first proposition is that we should move towards happiness indicators – and here I have some good news. Most people are happy. It’s simply not true – as some philosophers tell us – that we live in a terrible world and should lament all the time. It is exactly the opposite. Statistically, based on very sound data, we know that most people are very happy.

Consider the following question: “*All things considered, how satisfied are you with the life you lead?*” Let me repeat the question. “*All things considered, how satisfied are you with the life you lead?*” Just think a moment of what you would answer, on a scale from 1 – totally unhappy – to 10 – totally happy.

I am quite convinced that almost nobody would say ‘1: very, very unhappy.’ or even 2, 3, or 4. There may be some 5s, but most of you would say, ‘I am something like 6, 7 or 8, and even 9 out of 10.’ And I think that’s a wonderful thing, so let’s be content with the nice world we live in.

I asked President Barroso where he would put himself – and he agreed to let me pass on his answer. He said “8.5”. Isn’t that encouraging?

I can assure you that the life satisfaction indicators we have today are quite valid. When we ask people, “How satisfied are you with your life?” they don’t just tell you some nonsense; they tell you what they really think. It’s surprising, but it’s true. They tend to tell you how satisfied with their life they really are, and this is confirmed by the fact that people who are satisfied with their life laugh more than other people. They smile, and are more sociable. Very importantly they sleep well and they are healthier than others. Happiness leads to better health, and of course the happier people are, the fewer suicides there are. So these indicators of happiness or life satisfaction are really quite good.

And I can confirm that happiness can be measured. If you had asked me seven or eight years ago “Is it possible to measure happiness?” I would have said, “Of course not! You cannot measure such a personal thing as happiness.” Today I think totally differently. I think that we can measure happiness. I would claim that it is easier to measure happiness than Gross National Product. We have a lot of ways of measuring happiness – although of course we must apply them appropriately.

The most important are certainly surveys, the question I just asked you. Here the Eurobarometer, and perhaps more importantly, the World Value Survey are very prominent. Then there is Experience Sampling. This is when you are asked randomly how happy you feel just at this moment, and then this is aggregated up. Then even more scientifically one can do brain scanning. All these methods of measurement are quite reliable.

I won’t go into a critique of National Income because Commissioner Almunia and State Secretary Baleiras have already talked about that. I just want to mention one thing which was not pointed out by these

two gentlemen, namely that today, roughly 50 percent of National Income – and even 60 percent in many countries – is attributed to government activity. How is government activity measured? By input, in the form of materials and work. You can immediately see that has nothing to do with welfare. So GNP is great as a business cycle indicator; it measures productive capacity but not for well-being.

But I would argue that Human Development Indices and other social indicators are not very good either. Take for instance life-expectancy. Of course it is great to live a long time, but what if your last ten or fifteen years are unhappy? Then it doesn't help to get older and older. School enrolment is often used as a Social Indicator, but of course it is not an output. We know from PISA<sup>1</sup> and other studies that there are many countries where a lot of input is made into schools, a lot of children go to school, but they don't learn much and they are not very satisfied.

Per capita income is also sometimes used as a Social Indicator. This is even worse, as I would like to show in the case of Germany. By the way, this can be done for every country I know of. I have the statistics for the United States, for Japan, for France and for many other countries.

On this graph, you see two lines:

- the green line is going up – that is the Development of Real GNP; 'real' means that you can buy more and more material goods, such as cars, houses, good food or whatever. So the material component is increasing;

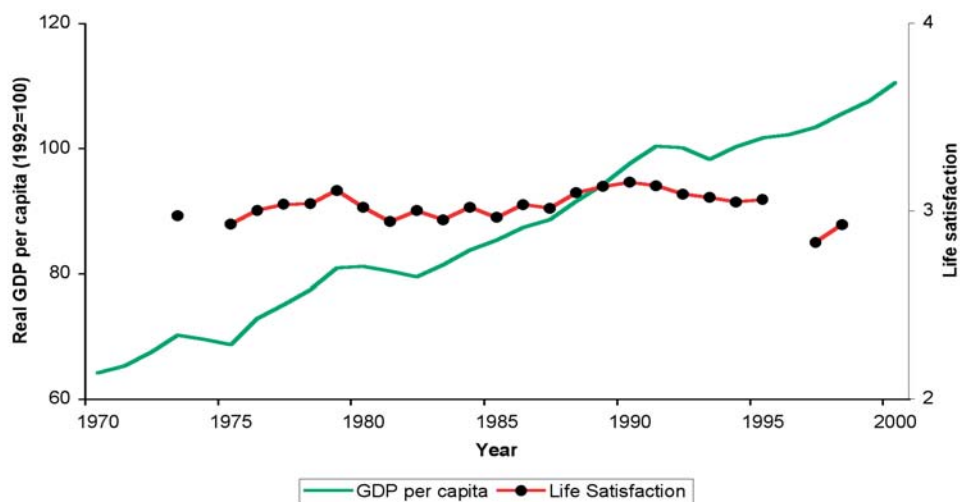
- the second one is the red line – which indicates satisfaction with life – and you see that it isn't going up, it remains constant.

So to take National Income per capita as an indicator of well-being is wrong, because you can see that they don't go together.

I would now like to consider a second point. *"Assuming that we can measure happiness in a satisfactory way, what do we do with this information at the political level?"*

Let me first say what I think should absolutely NOT be done. Governments should not now jump to the conclusion that "We have to maximise happiness". The EU Commission should not say, "Now we need to maximise the happiness of all European member countries." This is wrong because once the happiness indicator is seen as important it will be manipulated by governments. We have to accept this – we should not be naive. We saw that when the euro was introduced. We know that some countries manipulated their deficits considerably, and everybody knew it! This would be the case if happiness were a government goal; governments would manipulate it and respondents would no longer tell the truth.

Another reason why governments should not try to maximise happiness is that happiness is not the only thing which should matter for politics. There are other things. Things like justice, responsibility and solidarity are important too. Happiness should not be the only goal – we must remember that.



Income and Life Satisfaction in Germany, 1973 – 1999, Stutzer and Frey (2004) based on a survey on Eurobarometer

1 Programme for International Student Assessment (PISA)

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What governments need to do, and this includes the EU Commission, is to make it possible for people, for individuals, to develop a life which makes them happy. I have not yet mentioned the 'environment', not because I forgot, but because I think it is perfectly obvious that the environment is so important and that a good environment enables people to be happy. I have mentioned 'education'. We know from economic happiness research that better educated people are happier, because they have more opportunities and can relate to more things. That is the great thing about education. It not only increases our human production capital but makes people more satisfied with their lives.

It may seem somewhat trivial, but economic conditions are terribly important for happiness, not so much income, but employment. Unemployment is the worst thing for happiness. People who are employed and are then thrown out of their job lose contact with society and feel useless. This is a terrible situation and makes them really unhappy.

What the government can also do is to create the right political conditions. One which I think is very important in the twenty-first century is to increase citizens' rights in terms of political participation. There is now strong econometric evidence that citizens who get involved in politics at various levels are more satisfied with their lives. I think that the European Union could move a little bit more in this direction. Everybody speaks about the "democratic deficit" of the EU and a lot of European politicians have understood that. We now have evidence from happiness research that this really is important for people's well-being. Another thing that improves public satisfaction is political decentralisation. People are more at ease with political decisions taken at the local level with which they are familiar.

So my conclusion is: Happiness is a wonderful concept and can be used to make better policies, but it should be used by governments to enable people to achieve their own personal happiness in their own way.



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## Hans Rosling

Professor in Public Health Science,  
Karolinska Institute, Sweden

### Communicating content: New communication tools for new measures

*Editor's note: Professor Rosling's presentation used extensive visual aids in the form of statistical software and slides. To see archived video of the presentation, visit the Beyond GDP website at <http://www.beyond-gdp.eu>.*

I am going to talk about how we can put ambition high – really high – when using data. Let's unveil the beauty of statistics! Those who like to analyse a lot manage to understand statistics, but it is difficult to communicate this understanding. Look at this – how beautiful it is! It is *Chopin's Nocturne* – but very few of you can see the beauty of the music just by looking at the notes. There may be one or two who can see it. Yes, there is someone over there who can see the beauty, ... you are like the composer who can see the beauty, but most of us need an instrument and someone to play it. Only then can we see the beauty of the notes. But here is some good news. There are small electronic instruments that your kids can use at home, quite cheaply, and they will play the notes. Let's take this allegory a little further and see if we can apply it to statistics. Let me play some statistics for you.

Let's start with this one. Here every 'bubble' is a country and the size of the bubble is the size of the population. Up here we have the United Kingdom, and Germany; in fact those brown ones are European countries, not just the European Union but the Europe we learned at school. Those are the Americas and what have I shown on the axes? I have shown the size of the family on one axis and life expectancy on the other axis. This is 1950 when the world was as my students said "us and them". These were the industrialized countries and these were the developing countries.

What has happened since then? To show how much of the world has changed we can use animation. See how as the years pass by the former developing countries improve their life expectancy. And now look at the red bubble showing Chinese family planning: they move to smaller families very fast! Now off come all the

American countries – and the Arab countries in green now move ahead with family planning into a completely new world which we are not really prepared for. And here we are today!

These animations are aimed at two major target groups: children below twelve and Heads of State! Analysts and economists devised this animation. It is not designed to replace any other econometrics or statistical software; it is just intended to add something to it.

I could show you another thing, which you may find surprising. It is an important message for Europe. Europe is not so special any longer! A large part of Asia and a large part of the Middle East have the same family size and the same life expectancy. But there is something where Europe is special. We see fertility rates on this axis, but I now have population aged sixty-five years and above on this other axis. In 1961 you had Europe up there – old people, small families – and the developing countries were down there. They had large families and not very many old people. Now let's look again. See how Europe is now getting older and older and in America and Japan see the 'green' and 'red' bubbles. The rest of the world is changing to small families, but they are not following Europe in terms of old age. This is what makes Europe special: our life expectancy! The size of the family is no longer special but we have double the proportion of the population around sixty-five. This is not the same in the United States but it is the same in Japan. I used to say that these are the countries suffering from immigration deficiency. They have developed very rapidly but they don't have immigration, so they have a very old population. Interestingly enough, if you track Germany for instance and



you go backwards in time, and then compare it with China for instance, you will see that China moves towards a very small family with a very low proportion of old people. So very rapidly you can see a lot of the statistics.

Let me show you GDP down here. On this axis you have the child survival rate, the number of children dying. The low numbers are up here, so at the top you have the healthy ones and at the bottom those with high numbers of children die at an early age. This is the world today; high infant mortality in Africa (the blue countries down here) and the very favourable situation in Europe.

GDP – I would agree with the President – is a very good measuring stick. As a Public Health Professor, I like it because it explains 80 percent of health in the world. I agree that happiness in high-income countries is not correlated with GDP, but in the rest of world it is, because unemployment and economic hardship is an everyday concern, as it used to be in Europe back in the 1800s. Then Europe developed and got healthier and wealthier. Let's freeze the world where it is today and I'll pick out Portugal. Now we can explore this one country very easily, going backwards like this. This is where Portugal was in 1945, exactly where we have Chad or Angola today... This is Portugal's development. It is interesting to see that something appears to have happened in Portugal in 1974. Isn't it nice how very fast you can see it? You can see that the democratization which came about abruptly brought a social dimension to development in Portugal and it then became the country we know today. It is not the best economy in Europe, but its child survival rate is much better than in the United States of America. That is where Portugal is today.

Let me show you a PowerPoint presentation too. Let me give you a conceptual model. What are we doing when we are collecting data? We have the world and we have the statisticians who are very good at collecting and generating data. So we have all the data up there. How do we get it down here? Well, normally we have microdata in the form of individual information, or individual environmental measurement. And then we have indicators, which are more useful. The normal procedure is to send data to the government and the government manages the world. Now Enrico Giovannini of the OECD has suggested that the very word 'statistic' is wrong because statistic doesn't mean 'static' it means 'the state' and we need '*societal-tistics*'. I don't know the pronunciation and I know Enrico is struggling with this. It means data for society. Who else uses this data? Well researchers use it and

they produce results for government and for the commercial sector, and they feed it down and we get functioning markets. They request the data. We have data that goes to the media, and research goes to the media, and then it feeds down into the civil society. That's how things were fifteen years ago. Then the Worldwide Web came and the statistical agencies started their web pages and made information available directly to civil society. Unfortunately, we lost ten years with the old concept of selling data. But we now have free data in the European Union and we are moving in that direction. Civil society is doing something new and that, I think, is part of why we are here today. It is not only because of the new environmental statistics; it is also because civil society is asking for data today. People want data about global development, about their own nation, and about their local community – so we really need to have a very broad arrow that goes down like this. This is what it is all about. Can we devise tools, or new ways of allowing all that valuable data to flow around the world and be used in so many different ways – not to replace any of the other uses, but to reinforce them? We can add to the use of data which is already being produced with such a lot of professional skill and such a lot of investments.

Let me show what you could do with environmental data for instance. I will tell you a nice story that will make you feel good about how we can handle the environment. Sulphur emissions per person: how much sulphur have we emitted into the environment in relation to GDP? We start back in 1851 when the United Kingdom was in the midst of the industrial revolution and was the most terrible polluter the world had ever known – but worse was to come. Look what happens when we move forward here, I can move forward and other countries follow the United Kingdom. First the United Kingdom is leading and then – see the large mass of green – the United States overtakes as the main polluter. We move on into the new century and see pollutions sky-rocketing up. We reach the highest level here and start to realise that something has to be done about it. The United Kingdom by then is up there and they are overtaken and then this happens. So isn't this an effective measuring tool?

What you see is this transaction where the United Kingdom went up like this and then came down again and eventually in the year 2000, when we are over there, we come all the way

down. That was the case with sulphur oxide. But it is an easy one, because it was linked to one specific pollutant. And it is simpler than the one we are facing today – carbon dioxide. I could for instance go to the GDP measurements. I could de-select here and change this variable up here. Instead of categories I could take indicators. Now I am looking at Eric Swanson's "World Development Indicators", the best compiled data set of Development Indicators. I can now easily look at the environment and see emissions, and I have five hundred variables immediately available here. I can choose carbon dioxide emissions per capita. There is no data from the countries in the North here but when I go backwards here we have a carbon dioxide emission. The red ones emit a lot. China and India are still low ... and here we can see child health.

The sad thing is that all improvements in the economy and in child health have been connected to higher emissions of carbon dioxide. It is really the big challenge we have. That's why GDP doesn't work because it is absolutely contradictory to the main environmental concern we have.

If I then put carbon dioxide on this axis instead and put GDP here, we can see that in 1975 the United States was there. China was not much of a concern. No one was thinking about carbon dioxide, we were all concerned about sulphur. This is what has been happening. Can you see? Really what appeared there was the data from the Russian Federation after the split of the Soviet Union when started getting emissions statistics from there too. None of them are falling... they just stop increasing. This is a real challenge to be able to follow this year by year. And what I have noticed when I lecture about this is how the big investors, and governments, are being influenced by their children. Make environmental statistics freely available on the internet for children to see and they will talk with their parents. This is a very important message.

So, how can we achieve that big arrow on the right? Let me move it over like this and I will show you what we can do. Of course, the WebPages of the statistical agencies must continue to improve and a lot of good work is being done on that, but if we really want innovation, and let's take that as our message, why is a fifty-nine year old Professor of Public Health standing here talking about IT technology? This is a job for a child. It is my son and his wife who dropped out of

University seven years ago who shut themselves away and wrote this code! This is how it happens. It is the same story for all inventions: someone gets an idea and they see that they can get IT technology from there, and statistics from somewhere else, and then put it together in a new form. But what we also need is a unified format.

The single most common request we get is that we should put measurements of happiness together with other data. We want environmental data – both the statistics collected publicly and those from research and civil society – and we want to see them in the same format. A unified format is the number one requirement. It was only when we started to write music with the same notes that it could be widely played. It is very important to have a unified format. We need a search function; it took us half a year to make a prototype where you can search databases. It was given to the United Nations statistics department and is now being quietly launched as UN data: free access to search a lot of databases. It has only been accessible in the last few months.

When we came up with these designs – and what I showed you in the bubble is just one of them - we made several types. We need interactivity and we need story-telling. But in the end it is not WebPages that spread information. It is how it is used by the people who tell stories and initiate innovation. We know how we get innovation; I have studied documents from the World Bank, the European Union and the OECD. We need lots of ideas, we need new technology, we need investment and in this particular case we need access to data. For our study over the last seven years, the single most difficult thing was not ideas, technology nor even money; it was being allowed access to data. That is why we are not getting. I must emphasise that. I see the problems in making databases available. I have become aware of them, because innovation is now taking place only within agencies or groups where this is happening. We need an access licence, not only in order to pick one little series of data,

but to get the whole dataset. But licences cannot just be given out willy nilly. This is a legal issue, not a technological issue.

When we started discussions with Google (and Google actually acquired our software half a year ago and intend to scale it up for free use in the public sector) the first question was, "How many statistics are there?" "There is a lot of microdata" I said. "No, no, not microdata but the indicators, all the indicators in the world. How much is that?"

I didn't know, so I made an estimate and it was about five terabytes; that's all the historical statistics, everything from local communities to nations. And their reaction was: "Five terabytes, that's no problem whatsoever, it's less than 'the Lord of the Rings!'" In one night a kid can download the entire database of public statistics! 'here are no technological limitations but there is a legal one, and a credibility issue. "If you use our data you need to give the source, you need to show our logo, you need to make a link to our Webpage. You cannot revise the data which we have published and claim that it is still ours. You have free access but if you make an income we share it with statistical agencies." We have to settle this, if it can be done by proper governance, because today these good innovative statistical units don't have clear governance from above. That's why they cannot link out of the corporate sector and into the innovative sector in the best way.

We need to combat this disease. It is the worst disease we are facing today in terms of data access. We could call it Database Hugging Disorder!!! But it is not a congenital disease; it's a disease transmitted by poor management, haphazard budgeting and unclear legal relations. If we can eradicate it we can get data out, and not only in the bubbles that I have just show you. You have a lot of innovative young people and innovation out there. We must let the corporate sector and small start-up enterprises contribute without losing the credibility of the good professional statistical agencies.



## H.E. Chief Emeka Anyaoku

International President of WWF



### Beyond GDP: Measurement tools for a Living Planet

Dear Commissioners, Members of the European Parliament, distinguished guests,

I am delighted to be here representing my organization, WWF, as one of the joint originators and sponsors of this conference. Twelve years ago we co-hosted a similar gathering, also held here in the European Parliament and also co-sponsored with the European Commission and Club of Rome. It was called "Taking Nature into Account."

We argued then for a whole new range of measurement tools to help our policy-makers and political leaders to chart a path to sustainability. We likened it to a dashboard in a car. We argued that society needs a vast new array of dials and instruments next to the steering wheel to be able to measure how fast the planet is travelling. We need to know how much fuel we have in our tanks, the engine work rate and temperature, the oil pressure, the water levels, tyre pressures and so on. The call is the same now as it was 12 years ago – only more urgent. We need to move beyond our reliance on limited, though well-known, dashboard indicators like Gross Domestic Product. We need in other words to move beyond conventional economic accounting. We are calling for new ways to measure and record progress so that we can take the necessary corrective measures to set a more wise development path.

Societies cannot continue to operate as if the planet was a business in liquidation. We cannot continue to turn our backs on pollution and call it someone else's problem. We cannot continue to call income what in reality is resource depletion. We cannot claim economic success for development patterns that leave hundreds of millions of people marginalised and which stoke the fears of resentment and conflict.

The WWF mission is to build a future in which humans live in harmony with nature. Obviously we have a great deal of work to do to meet that

challenge. Our way of living is not only threatening the health and diversity of our planet's species, but has become a huge threat to human survival as well.

WWF has been publishing the Living Planet Report biennially over the last decade. In these reports we have been calling attention to the fact that we are now in what we call **ecological overshoot**. In plain terms, this means we are using more resources and emitting more waste than our planet can handle. Reversing these trends is WWF's goal.

To better understand the distance to our goal, we are using two measures.

The first is the Living Planet Index, now being further refined jointly with The Zoological Society of London. The Living Planet Index is a kind of "Dow Jones" index of nature. It measures the health of our planet's biological diversity. It summarizes population trends of more than 1300 vertebrate species around the world: in the sea, on the land and in freshwater ecosystems. It documents a 30 per cent decline in the average population size of vertebrates since 1970. Quite simply, biodiversity suffers when our planet's ecosystems cannot keep up with human rates of consumption and waste generation. This is now happening at a rate *unprecedented* in human history.

The second, complementary measure tracks human demands on the planet. For this we use the Global Footprint Network's Ecological Footprint, a resource accounting system that measures how much nature we have and how much nature we use. This allows us to compare human demand against nature's available supply.

Nature's supply is comparatively easy to quantify – we have one planet Earth. Human demand has grown rapidly. In 1961 humanity used half of our

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planet's ecological capacity. According to the most recent data, just over 40 years later, humanity's demand now equals 1.3 planet Earths.

These calculations apply to nations and regions as well. For example, Europeans use 2.6 times more than Europe's ecosystems can provide. If everybody in the world consumes resources and expends wastes at the same rate as Europeans, we would need close to three planet Earths to sustain these lifestyles. If everybody lived like the average American, we would need more than five Earths.

Such ecological deficits are possible because nations import resources from other countries and deplete ecological assets. Without any other planets – (at least for the moment) – to trade with, Planet Earth's

ecological deficit, our global overshoot, is entirely dependent on depleting our planet's resource stocks and accumulating yet more waste. Technological breakthroughs may slow the trend but are nothing like enough currently to reverse them.

This global overshoot is liquidating the assets on which human well-being depends. It is creating social tensions and conflict, and it is making our existence ever more fragile. It is also taking away the development rights of future generations.

WWF, UNEP, and the World Conservation Union define Sustainable Development as a commitment to "improving the quality of human life while living within the carrying capacity of the supporting ecosystems". As this definition implies, ecological



©Photo European Parliament

indicators alone do not determine sustainable development. We must also be able to measure the quality of life.

Most recently, WWF has been working with others to see if it might be possible to combine the Ecological Footprint with the United Nation's Human Development Index. The challenge with this combination approach is to see if it is possible to live well, which the UN defines as a minimum Human Development Index of 0.8, and live within the means of one planet, which means an Ecological Footprint of 1.8 hectares or less per person. This would mean we could fit within one planet and have a satisfactory quality of life.

Living and thinking within the box defined by these two indicators is the single greatest challenge of the 21<sup>st</sup> century. But nearly all countries in the world are missing this target. In fact, moderate United Nations projections, with slow, steady growth of economies and populations, indicate that humanity will be living as if we had two planets to support us by 2050. At this level of ecological overshoot, exhaustion of resources and large-scale ecosystem collapse become increasingly likely.

In our new Global Programme Framework, WWF has committed to stop biodiversity loss and help humanity reduce its Footprint to the size of one planet Earth by 2050. The scale of this challenge is absolutely enormous – nothing short of a revolution in our economies, societies, energy choices and lifestyles. We need to move not only beyond GDP, but also far beyond WWF. The reason is obvious: we cannot do this alone.

We see this conference as an important step in building support for a broader range of scientific

sustainability tools so they can become robust measures for public policy formulation, evaluation and eventually better decision-making.

It is enormously important and gratifying that the statistical experts from Eurostat, the Organisation for Economic Cooperation and Development (OECD), United Nations institutions and numerous national statistical agencies are here to help us to chart this path. It is important too that the European Union institutions and Member State governments represented so strongly here are putting their progressive environmental policy positions to the test. We simply will not know if carbon dioxide reductions, energy efficiency gains, renewable energy targets, the operation of a carbon market and halting biodiversity goals will be reached or not if we don't measure them – and place the results firmly in front of the leaders setting these ambitions.

In conclusion, it is almost certainly the case that those countries and regions with surplus ecological reserves, – and not the ones relying on continued ecological deficit spending, – which will emerge as the robust and sustainable economies and societies of the future. If this is the case, then it is also true that the GDP indicator does not capture this vital information. Of course, measuring the performance of our economies is important. But economies are a means, not an end. The decision leaders in governments and industries of today, never mind tomorrow, need to know how our ecological and social assets are performing just as much as our economic ones. I trust that this conference will give us this guidance.

Thank you.



## Pervenche Berès

Chairwoman of the Committee on Economic and Monetary Affairs of the European Parliament



## Economic policy making – beyond maximising GDP

### 1. Introduction

Thank you for the invitation to speak at this very timely conference in the European Parliament.

This discussion at the international level has been going on for some time. But now, we can have the dream that with this Conference the Commission is completely committed to the idea that time has come for action. We need it for us if we want to be coherent with the Lisbon Strategy but I also have the conviction that the EU could take the lead in moving ahead at the global level.

I think it is important to underline that the purpose of Gross Domestic Product – GDP – is normally simply to measure economic output and economic growth. GDP is also used to project a country's potential economic growth. Moreover, GDP can be compared across countries with a minimum of methodological difficulties.

GDP was not created to be a measure for societal well-being, but I recognise that it is often used as an indicator for that. I suppose that GDP has been used and is being used as an indicator for well-being because it is up to now the best available measure. It has served well for a good number of years, but I think that all policy makers realise that GDP cannot be the only basis when deciding and devising an economic policy in today's society.

### 2. Limitations in using GDP as a measure

Let me underline that economic growth is necessary to ensure poverty can be fought and social inclusion guaranteed. This all implies: a need for more jobs. We have to realise that even activities that are not strictly speaking really adding something to society in an economic sense, still provide people with a job and therefore with an income. You may think of activities like repairing a lock after a burglary, or cleaning a beach after

an oil tanker was shipwrecked. Economic growth is also necessary to meet the challenges of the ageing society we are facing.

Economic policy should therefore focus on an indicator measuring economic growth. GDP as a measure still has future in giving an indication of the realised economic output and also in giving an indication of the potential economic growth. As with all economic data, it is not the precise level as such that is most important, but the trend and the relative position, in this case to other regions.

I can only observe, that GDP as a measurement has proven to be a reliable proxy for economic activity in that sense. However, using GDP as a measure has limitations. For instance: GDP does not take into consideration depletion of non-renewable resources. GDP also does not take into account the free-rider-problem. Seen from a modern policy maker's point of view this limitation must be overcome if we are to address the problems we are facing with climate change and other environmental issues.

Another limitation of GDP is that it does not give any indication of the income distribution. From a policy maker's point of view a huge deficiency that must be overcome in our fight for a more fair distribution of wealth in today's society.

Not does GDP measure a population's well-being or "quality of life". Understanding what defines "well-being" and "quality of life" is crucial, but subjective at the same time. It is not least crucial for policy makers from very rich parts of the world, where most material needs of the population have been or at least can be met.

Moreover, GDP measures are normally limited to countries. This is not always practical in a world where not only financial markets but all markets are becoming global.

One can conclude from this that modern policy makers cannot rely on GDP solely when designing policies. Policy must take into account what could be called social progress. Therefore GDP must be supplemented, not replaced, by other measures and perhaps more qualitative information.

### 3. Beyond GDP

Our Western societies have developed so much that the ordinary citizen nowadays expects politicians not only to just deliver long term economic growth; growth should also be sustainable, including state of the art health services, social security, environmental protection et cetera. This is a just and big challenge in an ever more globalised world.

For some issues like environmental resources we could simply set a price. This would mean integrating some externalities into GDP. It sounds easy and it is necessary, but in reality it is extremely difficult – both politically and methodologically.

Think about the current discussion about emission trading. All of a sudden there is no more free-riding. It costs to pollute and of course industry reacts. This is in many ways a classical political fight between industry interest and “green” concerns.

Let me allay all doubts: I recognise that intellectual challenges and methodological issues need to be considered such as: What is the right price? How should the price be fixed? Will pricing of free goods benefit rich companies and rich societies? Even for what intuitively seems to be the simplest way of improving GDP as a measure there are many issues to consider.

The methodological issues do not get fewer when considering various indexes on “well-being” or

“quality-of-life”. Moreover, there are also many political issues to be considered. First of all what index is the best! And can any index be used in any country of the world?

Second, even if a country scores high on a “well-being” or “quality-of-life” index, can policy makers be sure that it is the result of a given policy-mix. And can policy makers in other countries simply copy the policy mix and be sure that their population will become happier? Or can a high “well-being” or “quality-of-life” score be explained simpler e.g. that some people are just more positive than others? As you can understand this involves quite a lot of very subjective elements in what used to be a fairly objective and straightforward measure.

Many other issues such as globalisation of markets and the time-lag in policy effects could also be addressed.

### 4. Conclusion

I have made clear that moving beyond GDP is not as easy as it sounds. I have also made it clear that it might be difficult for a politician to get reliable answers from any type of index or GDP. Nonetheless, GDP, with all its inherent difficulties, might remain a useful measurement of economic output for some time but time has come for us to reflect on better measurement that would better take into account issues of public goods.

To me – whether relying on GDP or measures beyond – politics is about conviction. One can be inspired by all kinds of indexes and experiences but any politician will have to make up his or her own mind on how he or she considers society to develop and then fight for it to become a reality.



## Pier Carlo Padoan

Deputy Secretary-General of OECD



Ladies and Gentlemen,

It is a great pleasure to be at this important event.

The OECD is well known worldwide for the quality of its statistics and has, since its inception, worked to provide the figures needed to explain and understand our social economic processes and improve our public policies. We have a wealth of expertise based on the experiences of our 30 members and nearly 70 other countries. We are also a well recognised source of publications and information delivery.

Based on this statistical supply and know-how, measuring whether and how life is getting better is one of the most important roles this Organisation can take on. And to do this properly we need to look beyond GDP. As Angel Gurría, the OECD's Secretary General said this year "We have to move towards measuring welfare not just output".

Some call it well-being, and some the wealth of nations. We call it progress of societies. But whatever words you use, many now agree that it is time to call for a global effort to find measurements that go beyond GDP.

"Progress" is a complex concept, because it means different things to different people, depending on their cultural background, history and personal beliefs; but also depending on the health of society, the environment and the economy. But if we agree that progress encompasses many elements, we therefore also have to agree that its measurement cannot be reduced to "growth in GDP per capita". And this is true both for developed countries, as well as for emerging countries, who do not want to simply follow the development path followed in the past by OECD countries.

Developing measures of progress is not a purely statistical/technical exercise: it touches on two very sensitive areas for all societies: governmental accountability and social participation. Measuring progress with reliable information is a key ingredient of the democratic process. On the one hand, it

makes governments more accountable and trustworthy, and on the other, it encourages people to participate more actively in the definition of policy goals.

We are already witnessing an explosion of initiatives to measure progress around the world. Statisticians, policy makers and civil society are discussing what progress really means and how it can be measured. The second OECD World Forum held in Istanbul in June 2007 and the preparatory meetings organised in all continents made clear that there is a "world movement" engaged in this effort. But the magnitude and implications of this movement have not been fully recognised. What is remarkable that it is happening across the world and it isn't just being led by the public sector. Civil society is increasingly taking a lead in several countries.

Why are all these people and institutions spending so much time and resources on this? Why has this captured the general interest? Have societies seen this as a way to tackle a common challenge? The OECD recognises the importance of this work on several fronts.

One of the main ingredients of a successful democracy is access to quality information. Reliable facts and figures help governments improve their policies by comparing them and measuring their impact. When societies can trust social and economic indicators, they can better assess a government's performance and put forward better proposals. In turn, governments can enjoy stronger consensus for their policies.

Globalisation has made our national realities more complex, as well as more sensitive to external actors and factors. The Information Age has made our daily lives more dynamic, more plural and more complicated. The amount of available information makes it much more difficult to understand public affairs and develop a participative democratic culture. We must provide our societies with new, clear and reliable tools to form their opinions, to make

their assessment of the effectiveness of their democracies in fostering social progress.

In many countries, we see distrust in public figures, in political parties, political communication and, ultimately elections. This scepticism affects the whole democratic process because it undermines accountability.

So, to reiterate the point, the OECD believes better information is an essential support to democratic governance.

So, yes, the OECD thinks it is time to look beyond GDP to provide better and more useful information. And that is why we have launched a Global Project on "Measuring the Progress of Societies" and I would like to tell you about our work.

In June 2007, three years after our first World Forum on "Statistics, Knowledge and Policy" held in Italy, the OECD, in collaboration with the United Nations, the World Bank, the European Commission and the Organisation of the Islamic Conference, organised the second World Forum in Istanbul on "Measuring and Fostering the Progress of Societies". Some 1200 people, from over 130 countries attended. Presidents and ministers rubbed shoulders with the leaders of civil society. Captains of industry met the heads of charitable foundations and leading academics.

They shared a common interest in wanting to develop better measures of how the world is progressing. They shared the view that the world needs leadership in this area and that the Global Project on Measuring the Progress of Societies can provide it.

The conference led to the Istanbul Declaration which the OECD, the European Commission and our other partners signed. It calls for action to identify what "progress" means in the 21<sup>st</sup> century and to stimulate international debate, based on solid statistical data and indicators, on both global issues of societal progress and how societies compare. The World Forum gave the OECD a clear mandate to begin a Global Project in collaboration with others. Our aims are many but in short we will follow three main streams of work:

First, we will **advocate** globally encouraging societies to develop their own measures of progress;

Second, we will **assist** those who want to measure progress by sharing and developing best practice and providing support (recognising that different societies have different views about what progress means);

And third, we will **achieve** results by promoting the use of these measures: by working with the media and the ICT industry. We want to produce a set of statistics that are trusted, understood and used by as many people as possible.

What steps are we taking?

I believe that we should encourage each nation or region to design its own sets of progress measures, taking into account good practices developed around the world. We do not believe in the idea of replacing GDP with another single indicator. We have to take into account the complexity of our societies. Therefore we think that the development of a set of "key" indicators, is the most promising avenue.

At the same time we should work to achieve the highest degree of comparability of indicators between societies through internationally agreed statistical standards. Of course, this is not easy, but the balance needs to be struck. New initiatives are being launched and we are working with countries and experts to advise and assist their work. We will promote research on some of the new and complex areas that are clearly relevant for progress, like social cohesion, subjective well-being, good governance and others.

Early next year we will publish a handbook on Measuring Progress in Practice. It will bring together the world's best practices and provide a tool-kit for those wishing to embark on a project. A training course to accompany the book will be developed.

We also need to be more effective in bringing indicators to the public. We have started projects with leading ICT companies to develop the tools that will engage citizens. Indicators of progress can tell some fascinating stories; they increase accountability; build knowledge, change behaviour and underpin democratic governance. To achieve this they need to be known and, above all understood.

And we are working with others to build a website – using the interactive philosophy of Web 2.0 – that will allow people to undertake and share their own

analyses of progress with the rest of the world. A “Wikipedia” for progress, where people interested in knowing whether their country, region, city is progressing or not can find appropriate data and metadata and interact with figures.

We are fostering the creation of regional groups so that those working on this issue can interact with others in their region: groups in Latin America, Africa, and Middle East are being created, as well as for OECD member countries. Such exchanges will not only enrich the knowledge of the respective region but will also flow – via the Global Project – to benefit the whole world. Inclusiveness is the name of the game.

We have already established a group for Africa, where the African Development Bank and other agencies will run a biennial forum on the Progress of Africa. The Inter American Development Bank have agreed to run a group for Latin America. And the United Nations will take the lead in running a group for the Arab Region. While the OECD will run a group for the OECD members. Other groups will follow and we hope that a similar initiative for Europe will be taken after this conference.

Let me reiterate that we are not trying to enforce one single view of progress. We should celebrate the differences in history and culture that give rise to our different notions of progress. But after listening to the debate here and hearing about the discussions at Istanbul, I am struck by the overwhelming similarity in what we all consider as progress, from Bhutan to the United States, from Nigeria to New Zealand. Indeed this process could turn out to be an invaluable point of reference in the run up to 2015, when the existing set of Millennium Development Goals will be reviewed.

Ladies and Gentlemen,

If we want to improve the quality of public debate, the contribution of civil society to public policy, the transparency of governments and therefore the level of trust in democracy, we need to provide credible points of reference and reliable solid data. A set of progress indicators, supported by the joint expertise of international organisations, can provide this new reference.

In the 19<sup>th</sup> century, our societies established a new institution – the national central bank – to better manage our economies and help protect society from crises. In the 20<sup>th</sup> century, we introduced antitrust and audit institutions to improve the efficiency of markets and protect consumers and investors. In the 21<sup>st</sup> century, it is time to build new schemes and institutions to empower our citizens to assess the quality of their governments and policies, but also to measure their own progress in a modern society.

What if we could build, in each and every country, an institution for assessing progress? An institution where different parts of society (government, opposition, trade unions, business associations, NGOs, academia, media, statisticians and others) could discuss what progress means to them and the key indicators to measure it. An institution whose progress indicators are seen as having authority and legitimacy. Would this significantly improve the quality of our political and social debates – the quality of our democracy?

I believe so. As I said before, better indicators of progress alone are not enough. They need to be trusted – to be seen as accurate and impartial. They need to be used and understood and become shared knowledge among citizens. It was Socrates who said “The only good is knowledge and the only evil is ignorance”.

It is vitally important for all our societies to develop a broader understanding of progress so that we can measure it. It is a unique opportunity to improve the ways in which our policies are made and it can breathe new life into democratic processes. These are worthy, ambitious goals but they are achievable, so long as all of you – each and everyone one of you – participate.

So, I am delighted that so many people are here to discuss this exciting, far reaching endeavour to move Beyond GDP and to assess the well-being, true wealth and progress of nations. Because by measuring progress we can achieve progress for all.

Thank you.



## Giulio Santagata

Minister for the Implementation  
of the Government Programme, Italy

First of all I would like to thank the President of the European Commission, José Manuel Barroso, and all the organisers for the invitation sent to me to participate in this conference today.

I would like to thank them for having put on the agenda of an in-depth debate on a topic which is extremely relevant for our democracies: the quality of statistical information, its significance, spatial and time comparability and transparency, and its accountability to citizens and public opinion.

What is important is that the path we set out in 2004 in Palermo and this year in Istanbul is followed in greater depth, looking at important aspects and bringing the individual governments to participate more thoroughly.

The questions that this conference is addressing to the policymakers involved in implementing governmental programmes are diverse and complex: What is the universe of information, data and indicators which are important for defining and implementing governmental programmes? What innovations are needed for the statistical and information system to make the management and control of public policies more effective? What balance should be struck between the continuous increase in the data available and the optimal use of this data by the public authorities?

Here I can bear witness as the Minister responsible for the implementation of the government programme in Italy. On the basis of my experience, albeit brief, I would suggest to you various points with respect to our new information needs and with the need for more linear and transparent links between government action and communication to the public.

During a year and a half of the Prodi government, the monitoring and assessment of public policies was tackled on various fronts:

1. The definition of government goals, hierarchically defined, on the basis of the political

programme proposed to the voters before the election, which was accepted by the parties belonging to the Governmental coalition.

2. The transmission of these goals to the competent authorities, who are responsible for updating and specifying the goals, and for designing specific implementation measures.

3. The definition of a closer link between the objectives of the programme and the definition of the public budget. This will also make it possible to make budget management more active, reducing inertia and getting closer to a zero-base budget. This is very important for a country which is strongly committed to budgetary readjustment.

4. The establishment of a system to monitor how government policies are achieving their objectives. This aspect is particularly important for an institutional universe as complex as the Italian one; it is complex in terms of decision-making procedures, complex when it comes to the division of tasks between various institutional levels, and complex as regards the use of a new type of accountability that is still recent and not fully implemented by every single authority.

5. The ongoing monitoring of measures approved by the Government and by Parliament thus concerns the phases of administrative implementation, financial measures, effective implementation through concrete acts and, lastly, monitoring the impact of such measures on specific subjects, with comparative evaluation of the objectives set.

6. The greater emphasis on, and sometimes total renewal of, assessment systems which will allow us progressively to set up a sort of "memory" of governmental actions and of their impact on citizens, on firms and on the environment.

Institutional renewal of this type means by its very nature that we need solid information that is more detailed than we currently have.

The actions to be undertaken are of at least three types:

- First, the individual authorities responsible for management of the programme should be able to generate the data and the information which are necessary for monitoring their own actions; for such task there is a need for continuous advice and supervision from the official statistical offices. I would like to stress the agreement between governmental structures involved in the implementation of Governmental programme and our National Statistical Institute, in order to associate new measurement criteria to the single *policy* actions.
- Secondly, authorities have to be able to supply prime factors which go beyond mere performance indicators, for more complex assessments of the impact of these provisions.
- And thirdly, thanks to what's going on here and what a lot of international and national institutions are doing as well, we can progressively enrich the list of available knowledge sources and indicators in order to monitor the implementation of the programme.

As you can see a whole series of actions have to go "beyond GDP".

We've got to go beyond the horizons which for decades have been established and anchored in the traditional national accounting systems. I think this is significant from at least two points of view.

The first point relates to the indicators and aggregate measurements of what the government is doing. Here the monitoring and implementation of the Government programme are obviously **obliged**, if you like, to use a whole series of measurements and assessments based on the state of our environment, which could prompt more general reactions closer to the concepts of satisfaction and happiness. And in fact it is becoming more and more essential that measurements and evaluations relate more to the quality of development and the quality of choices made by policymakers.

I don't think that it is worth looking just at a simple substitution of GDP with other criteria to assess the progress of our democracies. Nevertheless, we will always need sectorally and territorially accurate measurements of the **intensity** of economic development. I believe, for instance, that changes in the interest rate obviously have to be linked to the economic cycle. But at the same time it is

quite true that our choices, basically in any area of public activity, should be based on information enriched with other elements of knowledge on environmental sustainability, and on the satisfaction and well-being of our citizens.

My second point concerns, at the other end of the scale, the level of detail of indicators related to the implementation of public policies. These indicators should include the elements which are recognisable when it comes to measuring environmental impact, population impact, and generally the way the nation's capital is used.

On this last point I would like to recall that some of the most innovative analysis of the causes of territorial differences in my country are based on the concept of "social capital"; I refer in particular to the contributions by Robert Putnam. The possibility of having a better assessment of social capital is something which allows you not only to improve existing information but to open up new roads of analysis, and new possibilities of interpretation and finally to look at innovative and more effective areas of public action.

Before concluding I would like to underline a problem which is relevant, namely the selection and choice of the indicators we use. I'm not really saying anything new if I remind you in this audience that while looking at the trends in our economies and at the impact of government action we are supported by an ever-increasing volume of data and indicators – and more and more information just keeps coming in. We are increasingly enriched by this and open to it, but sometimes our decision making process can be swamped by too many different indicators and statistics.

What I would say here is that we need to be selective – but rigorous – in using indicators. In fact we need to be very strict and fair when choosing the indicators we use and keep monitoring, in relation to the task we have to carry out.

This is particularly important when you look at how you report to the public on the state of our nations. I believe that our citizens need to be informed simply, directly, regularly and understandably, using indicators which should perhaps be commonly agreed by the people involved in governance, including the government majority and the political opposition who expect to be the Government of the future.

This is why I very much believe in events like the one today and in the role of international cooperation.

Cooperation on a daily basis, even if only technical, can help choose the most significant set of indicators to communicate to our citizens.

Italy would like to continue the journey started in Palermo and Istanbul, which continues here in Brussels today. I am convinced of this, both as a matter of principle and also because the two-coalition system that we are trying with difficulty to build in my country should be based on solid

and shared institutional infrastructure – including high quality statistical information – which needs to be reinforced. If that happened, the quality of policy making would improve, since it would benefit from more effective internationally comparable measurement of what each government is doing. That would also improve communication between the government, parliament and public opinion. And I think the quality of our democracies cannot but profit from that.



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- **Timo Mäkelä**

Director, European Commission,  
DG Environment, Chairman of Session 1

Your Excellencies, Ladies and Gentlemen,

My name is Timo Mäkelä and I work in the European Commission on issues related to sustainable development.

After some stimulating opening addresses and keynote speeches including the impressive presentation by Professor Rosling, we will now open our first panel of this conference. We have been hearing a lot about hardcore economics and how to measure happiness as part of the sustainable development process. All kinds of issues have been raised so I hope that our panellists are not confused by what they have heard so far. We have here a very impressive group of panellists who are at the heart of attempts to use indicator statistics and develop them into a decision-making tool.

The theme of the panel is "Decision-making beyond GDP: needs and a vision".

Our panellists are:

- HE Chief Emeka Anyaoku, President of the WWF,
- Madame Pervenche Berès who comes from the centre of the European economic decision-making body, and is currently Chair of the Economic and Monetary Affairs Committee of the European Parliament,
- Dr Pier Carlo Padoan, the present Deputy Secretary-General of the OECD – organisation with headquarters in Paris,
- Mr Santagata, who is a member of the Italian Government; in his present position as Minister for the Implementation of the Government Programme, he needs to see how to make practical use of statistics indicators.

*For speech by HE Chief Emeka Anyaoku see page 41.*

*For speech by Pervenche Berès see page 44.*

*For speech by Pier Carlo Padoan see page 46.*

*For speech by Giulio Santagata see page 49.*

- **Marcello Palazzi**

Progressio Foundation, Netherlands  
and Tällberg Foundation in Sweden

I would like to put a question. Many cities, businesses and financial institutions have acquired experience by pioneering some of these new ways of measuring their progress over the last 20 years. Just this Friday I was in Paris, where there were 450 financial institutions all working on triple bottom line reporting, and they had all pioneered new ways of measuring their progress. So my question is this: GDP is first and foremost an aggregate measure. How do we start (at enterprise or city level) and bring it up to the aggregate dimension?

And in a way why don't we have one of the governments that are represented here create an alliance platform of businesses and cities, and just experiment and see what happens? Because I think the time is right to do that. So I call on you to look at what enterprises and cities are doing and think how a government could pioneer some kind of alliance in their own country to do that together?

- **N.N.**

My question is: Don't you think that in the context of the knowledge economy or information age, and the Lisbon Strategy of the EU, there is good news? Progress is becoming qualitative because there is too much information. Quantity of information is not the issue; the issue is about quality of knowledge. And so are we not shifting the very notion of progress and going in the right sustainable direction?

- **Pervenche Berès**

Member of the European Parliament

There should be no doubt that we need to take account of all the good experiences that are going on around Europe. Obviously we must. But your proposal was to try going from the local to the global and here I think we need to have a two-way strategy, because we need to see both views. I'm quite clear about this because one plus one doesn't always make two; sometimes it makes three, sometimes just one. So let's make sure we take account of all degrees of experience.

Thank you to the other speaker who mentioned the Lisbon Strategy because I forgot to say something about that in my speech. For me, one good reason for Europe to move on this subject is the

Lisbon Strategy, because if we're only going to use GDP as it's designed today to evaluate the outcome of the Lisbon Strategy, it will turn out all wrong because it will not serve as a good measurement of the sustainability of our growth. It will not take into account the added value of the knowledge society and so on. And I would even say this need has been increased by the decision rightly taken by the head of states and governments last March under Chancellor Angela Merkel, when it was decided that the EU would take an initiative in terms of energy and environment. If we want to be coherent with this strategy, then it is certain that we cannot measure the results of this strategy if we have a GDP that does not completely take into account the externalities of some spending. And we need a good tool that reflects the results and progress we make in terms of the environment, but also how we deal with public goods – and here fair distribution of wealth and the social aspects are very important.

- **HE Chief Emeka Anyaoku**

WWF

In all the discussions we've been holding today it's clear that we are talking about Europe and the developed world. Because some of the theses put forward here can be easily challenged in the context of the developing world. However, I do not want to go into all that; I just want to say that we should be aware of the fact that the focus for our discussion is Europe and the developed world. But be that as it may, may I comment briefly on what the gentleman there said about the quality of information, the quality of the knowledge that we get. I think that in trying to measure progress and well-being, there should be careful selection of the information and knowledge on which such measurements are based, because we do now have a surfeit of information and knowledge – some of it relevant and some of it irrelevant. I'd just like to underscore that point.

- **Pier Carlo Padoan**

OECD

These are two very important points. I certainly share the view that there are several very important places where information is produced: from the business sector and from society. So from that point of view we have to go from local to global and vice versa, but we also have to go from macro to micro and vice versa. After all it's not just beyond GDP but also below GDP that we need to look. And that is an enormous task for the reasons I gave earlier. We need to trust that data just as we need to find comparable ways of producing new data. This is a daunting task, but it is necessary. I hope international organisations can help with their expertise.

From the Lisbon Strategy we have finally understood that knowledge is a powerful driver of growth – even GDP growth, let's admit it. The point is how we use this wealth of information. We need to adjust that information, and we need ways of scrutinising it and translating it into policy action. From that point of view I fully share the sentiment of your remarks.

