



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.



©Photo European Parliament

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.*"



© Photo European Parliament

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



©Photo European Parliament

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



© Photo European Parliament

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.



© Photo European Parliament

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.