LETS TALK HAPPINESS:
Beyond GDP

SPEECH

by

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Seul le texte prononcé fait foi
Check Against Delivery
Distinguished guests
Dear friends and colleagues,

In 1934 when the economist Simon Kuznets presented to the US Congress his report which defined the concept of Gross Domestic Product (GDP), he warned Congressmen that "the welfare of a nation can scarcely be inferred from a measurement of national income". Eighty years later in 2012, the UN General Assembly decided to make 20 March the International Day of Happiness. As the Assembly Resolution stated, the UN "Recognised the need for a more inclusive, equitable and balanced approach to economic growth that promotes sustainable development, poverty eradication, happiness and the well-being of all peoples". So the question arises: in the 21st Century with the multiple interrelated global challenges, how much does GDP still matter today? What else matters and why?

Our conference 'LETS TALK HAPPINESS: Beyond GDP' will try to address exactly these issues. We will debate alternative indicators of growth and development which go beyond GDP. Indicators which measure individual and societal well-being and quality of life, whether it be material living standards, health, education, personal activities including work, political participation, social relationships or a sustainable environment. What makes us happy today and tomorrow and how do we measure it? What are the repercussions on policy-making? Who should be involved in defining and in managing this new democratic system?

I would like to begin my presentation by recalling that this debate does not take place in a vacuum. Discussions have been ongoing for years, whether it be at the OECD, the UN, the EC, the national level or among civil society organisations. One of the most prominent international event was the 2012 Rio + 20 Summit, where the conclusions called on the UN Statistics Commission to develop global indicators to measure beyond GDP. And of course, let us not forget that economic and social cohesion and sustainable development are overarching objectives of the EU. Similarly, that the Europe 2020 Strategy already sets targets on climate change, energy and social issues. So the framework for such an approach already exists. The question now is how to move the agenda forward.

The second point that I would like to make, is to clarify that the interest in measuring indicators beyond GDP does not stem only from a philosophical ideal of 'doing well for society', although this has to be the fundamental goal of any political and economic system. On the contrary, investment in sustainable development, social cohesion, human capital and quality of life also has a pure economic value. These factors are instrumental in creating employment and wealth and have great potential to become vectors of growth. Let us take two examples. Firstly, environmental and sustainable development indicators. It is now common knowledge that greening our economy is not only an environmental imperative, but also an economic one. According to the European Commission, by 2020 there will be 20 million new jobs in Europe in the sector of the green economy. And how about the indicator of education? Beyond the obvious link between education, skills and economic output, there is also another side to the equation: better educated persons typically have better health, lower unemployment, more social connections and greater engagement in civic and political life. Education brings a whole range of benefits, monetary and non-monetary, to both the person investing in the...
education and the community as a whole. And we are all fully aware that to-day the crucial point is to find strong and durable drivers for long-term sustainable growth.

At this point I would like to refer to the tremendous contribution to this debate that has been made by the Report of the 'Commission on the Measurement of Economic Performance and Social Progress', otherwise known as the Stiglitz report, which was commissioned by President Sarkozy. We are very honoured to have among us today one of the principal contributors to this Report, Professor Enrico Giovannini, who is also a former Italian Minister of Labour and Social Policies and was one of the first initiators of this process. Welcome to you and to all of our distinguished speakers!

As some of you will be aware, one of the principal recommendations of the Stiglitz report was that it is necessary to shift away from a system of 'production-oriented' measurement, towards one focusing on other indicators such as net national income, real household income, consumption levels and the well-being of current and future generations. For GDP does not inform us whether economic development is sustainable, nor does it explain how the economic benefits are shared within a society. Both of these issues have come to the fore in recent years because of the crisis. Indeed, we could argue that had we placed greater emphasis on an integrated approach to progress and development prior to the economic and financial crisis, then the socio-economic impact of the crisis would have been less severe. Certainly the crisis has put centre stage the necessity to change our development model and the paradigm of societal progress. And it is clear that indicators beyond GDP should not only become instruments to monitor and measure, but to also communicate and manage economic, social and environmental progress, by informing policy development, improving communication and encouraging relevant target setting.

Regrettably, I do not think that to date, there has been sufficient political will nor coordinated action to move the agenda forward. At the European level, there has been some progress, for example, in extending national accounts to environmental issues and in including indicators beyond GDP in the annual EU Cohesion Report. Similarly, the 2014 Annual Growth Survey calls on Member States to include longer-term objectives such as climate change. But what we urgently need is to anchor growth onto the objectives of the Europe 2020 Strategy, emphasising energy efficiency, education, training and lifelong learning, active labour market measures, entrepreneurship, social innovation, investment in the green economy and the social economy. We need the revised Europe 2020 Strategy to integrate indicators beyond GDP, for example quality of life, health and household income. And we need to re-balance the European Semester, to move beyond purely economic short-term measurements, towards indicators beyond GDP and an approach that embraces sustainability, growth, innovation, social and human capital.

At the international level there are also opportunities to be seized. Crucially, there must be progress in implementing the conclusions of the Rio + 20 Summit which called for developing global indicators beyond GDP. We should also seize the opportunities of the 2015 review of the Millennium Development Goals, to include measurable indicators beyond GDP in the future global development agenda. Finally, we should ensure that there is sufficient coherence between the UN post-2015 global
sustainable development objectives (future SDOs) and the sustainable development strategy of Europe.

All of this will be challenging. There are significant difficulties to be overcome, starting with how to develop independent, objective, high quality and internationally comparable official statistics to measure quality of life. It is true that since 2003 the European Agency 'Eurofound' has been carrying out 'European Quality of Life Surveys' every four years, which compares well-being and changes in quality of life over time. It is also true that since 2005, Eurostat has been releasing bi-annual monitoring reports on quality of life, measuring eight different indicators, both objective and subjective. And of course there is the UNDP Human Development Index which measures GDP, health and education. However, the concept of quality of life is so broad and the actors engaged so diverse, that we can only speak today of piecemeal attempts. There is a real need to invest in developing compound key indicators which summarise the multiple dimensions of well-being and which are internationally recognised and comparable. I believe that Eurostat has the potential to play a central role in this process, by collecting and disseminating national and regional statistics on EU Member States.

Above all, immense efforts are required to coordinate action and to form strategic alliances at the national and international level among key stakeholders. And indicators beyond GDP fit squarely within the democratic process, as they provide the opportunity to bring policy-making closer to the preoccupations of citizens. As a point of interest, I would like to recall that according to a recent Eurobarometer study, the main factors shaping quality of life for Europeans are unemployment, health, work-life balance, the quality of social contacts and the societal environment. So citizens have clear views on what matters in their life and civil society should be directly involved in selecting the political priorities and the information to be reviewed, and they should be involved in monitoring, assessing and reporting on the new indices.

The final point that I would like to make regarding the democratic process is that introducing indicators that go beyond GDP does pose some risks. For as we have discussed, measuring a multiplicity of indicators will inevitably lead to the direct involvement of a multiplicity of actors. Our democratic system will become much more complex and we may need to re-invent it and to define effective ways of managing it in order to avoid political paralysis!

Ladies and gentlemen, only ten days ago we participated in one of the greatest democratic exercise in the world: the elections to the European Parliament, the results of which clearly demonstrated the deep political crisis both in individual countries and across Europe. Citizens have 'spoken' and they have expressed their profound unhappiness with the social, economic and political status quo, they have stressed their clear demand for change. The next five years will be challenging but they will also provide the opportunities to innovate, to invest in human and social capital, to develop the green economy and the social economy, to look at the world from a different perspective, that of quality. Now is the time to be ambitious, now is the time to shape the Europe of tomorrow with indicators which go beyond GDP!

Thank you for your attention.