

Measuring progress, wealth and the well-being of nations

Measuring progress, true wealth and the well-being of nations are the topics that will be discussed at a high-level conference on 19-20 November organised by the Commission in partnership with the European Parliament, the OECD, the Club of Rome and WWF. The aim of the conference is to move towards a better appreciation of what progress, wealth and well-being actually are, decide how they should be measured, and highlight the benefits of integrating them into decision-making. The Beyond GDP conference will be opened by the President of the Commission, Jose Manuel Barroso on the first day and the President of the European Parliament, Hans-Gert Pöttering, on the second day.

GDP no longer a good measure of well-being

Moving towards a low-carbon economy, preserving biodiversity, promoting resource efficiency and achieving social cohesion are today as important as economic growth. Measuring these elements in a comprehensive manner to quantify the well-being of a country is highly complex and most economic indicators used today – such as GDP (Gross Domestic Product) - do not fully address these issues.

The GDP indicator was created in the wake of the great depression and the subsequent second world war as a means of providing decision-makers with a measure of economic performance and activity. But today's economy and society are substantially different from those of the mid-20th century when GDP was conceived.

GDP has arguably helped decision-makers avoid a second great depression, guide reconstruction efforts after the war and maintain unprecedented economic growth over the past 40 years. But the indicator alone cannot reflect all facets and needs of modern society. Indeed a growing GDP can mask substantial losses in wealth and well-being. A country could, for example, cut down all its forests or send children to work instead of school and this would have a positive effect on GDP or a hurricane killing thousands and wreaking widespread destruction could prove beneficial to GDP due to the ensuing reconstruction efforts.

Moving beyond GDP

GDP indicates that the output of the world's major economies have been growing steadily from the 1950s to date. But using other indicators it is clear that progress has not kept pace with GDP and that during certain periods some countries' economic welfare has even stagnated.

Over the last two decades a number of alternative indicators have been designed to complement GDP in measuring progress and the health of the economy. They introduce aspects not covered by GDP such as the long-term accumulation of wealth (natural, economic and social), the levels of life expectancy, literacy, and education and the negative impact of pollution and resource degradation.

Some of these indicators are already in use today to measure 'real progress' in setting targets and objectives. In March 2001 the Welsh Assembly was the first administration in the world to do so. However, these indicators are neither homogeneous nor is their use widespread.

The European Union is now developing an indicator that would measure environmental progress and also use integrated accounting and other sub-indicators to improve policy-making. A preliminary version is due to be operational by 2009. The initiative is linked to the Global Project launched by the OECD at the Istanbul World Forum (June 2007) where a call was made on the need for international indicators to measure the progress of societies. Another Beyond GDP conference partner - the World Wildlife Fund for Nature (WWF) - has established an indicator which takes into account the depletion of ecological assets.

The Beyond GDP conference

The Beyond GDP conference is the launching pad for the political debate on the need to move beyond the principles of Gross Domestic Product. It will be held at the European Parliament building in Brussels. Some 600 participants from the economic, social and environmental sectors will be attending. Speakers include José Manuel Barroso (President of the European Commission), Hans-Gert Pötering (President of the European Parliament), HE Chief Emeka Anyaoku (President, WWF), Ashok Khosla (Co-President, Club of Rome), and Pier Carlo Padoan (Deputy Secretary General, OECD).

The entire conference will be webstreamed live and can be viewed on the conference's website

(<http://www.beyond-gdp.eu>)

The 12:30 press conference on 19 November and some sessions will also be available to television stations

(<http://ec.europa.eu/avservices/ebs/schedule.cfm>).