



*EU Environmental Policy Briefing\**

## **Measuring Wealth, Well-Being and Progress Beyond GDP**

23 November 2007

More than 600 people from 53 different states met in Brussels on the 19 and 20 of November at the conference 'Beyond GDP', in the buildings of the European Parliament. The conference, organised by the European Commission, European Parliament, Club of Rome, WWF and OECD, aimed to bring together key institutions, organisations and expertise to explore how to improve the measurement of progress, true wealth and well-being, and launch a process for this improvement.

Before the conference, an Experts' Workshop took place in the morning. A restricted number of experts discussed technical and policy challenges, like the possibility of substituting or complementing GDP with a new type of composite indicator, or whether it was better to complement it with a set of indicators. It emerged that a lot of indicators already exist (eg the Genuine Savings Index, Genuine Progress Indicators, Ecological Footprint, Healthy Life Years, unemployment rate), and others are being developed (eg the European Foundation for the Improvement of Living Being Condition's Quality of Life indicator). Many countries are also developing national environmental accounting methods to complement the economics-based system of national accounts; most recently Italy proposed a decree to commit to giving this priority. Nevertheless, in practice, most of the new approaches are not yet widely used in decision making processes, and clarity is needed as to what indicators are best suited for EU, national and local policies, and how to make them effective.

The Conference was opened in the afternoon by the European Commission President José Manuel Barroso, who recognised how GDP, despite having been an important tool for policy-making in the past, is now unfit to reflect today's challenges, like climate change, health and the environment. President Barroso noted, '*It's time to go beyond the tools developed for the very different world of the 1930s. It is time to go beyond GDP.*'

Joaquin Almunia, Commissioner for Economic and Monetary Policy, also stressed the inadequacy of GDP to take into account sustainable consumption matters. He suggested that in the short term key sets of indicators will be important to take into

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account social and environmental challenges, while in the long term Integrated Environmental and Economic Accounting could be the ‘strongest tool’ for supporting the promotion of wellbeing and progress.

Amongst other speakers, the conference hosted the President of the European Parliament Hans-Gert Pöttering and other MEPs, OECD Deputy-Secretary General Pier Carlo Padoan, Kristalina Georgieva of the World Bank, WWF President HE Chief Emeka Anyaoku and European Office Director Tony Long, co-president of Club of Rome Ashok Khosla, the Commissioner for Employment, Social Affairs and Equal Opportunities Vladimir Špidla, and a number of national Ministers, Members of the European Parliament and industry representatives.

GDP was created in 1930, immediately after the Great Depression, and was hence developed as a tool to guide post-war reconstruction and to achieve economic objectives specific to that period. GDP has since become so popular that it is today the foremost measure of economic activity. It is used for instance for key EU decisions, such as the Maastricht criteria to adopt the Euro, or for the Stability and Growth Pact. Nevertheless, it was noted at the conference, GDP was born to be a mere indicator of economic performance, and it seems to no longer be suited for steering the current path of development, which nowadays needs to be more focused on social and environmental sustainability – given the modern concerns over, inter alia, resource scarcity, climate change, globalisation and health. For instance, it was noted that episodes like wars, natural disasters (like hurricane Katrina), and the unsustainable harvesting of natural resources can all lead to positive gains to GDP, although they imply capital destruction. In short, the majority of participants believed that GDP is out of date.

The debate over more appropriate indicators has been going on for many years, and brought up in several high level fora - from the Conference ‘Taking nature into account’ held in 1995, until the most recent OECD event ‘Measuring the progress of Society’ this year in Istanbul. In these years a large number of indicators have been developed, but hardly ever in a coordinated manner. Although some have made newspaper headlines – like the Human Development Index (HDI) or the Ecological Footprint (EF) – and others have been actively used as policy tools (like the Sustainable Development Strategy indicators), none of them ever reached the popularity of GDP.

It is now the time to take some concrete steps, many participants argued, including WWF President HE Chief Emeka Anyaoku. He made reference to the WWF Environmental Footprint, according to which human demand for resources corresponds today to 1.3 planet earths – ie an unsustainable growth path. ‘*Society,*’ said Anyaoku, ‘cannot continue to operate as if the planet was a business in liquidation’. Further underlining the urgency for action, Chief Anyaoku 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.*’

Despite a large debate over the limitations of GDP, most participants believed that it would be a mistake to throw the baby out with the bath water, ie to get rid of the

widely recognised GDP to substitute it with a single ‘catch-all’ indicator. Rather, there was substantial agreement on preferring a limited set of indicators to complement GDP with the information it lacks.

There was support for measuring progress, true wealth and well-being, not just from the conference participants, but also from the general public. A GlobeScan survey launched within the context of Beyond GDP, showed that *‘three quarters of people in ten countries believed that their governments should look beyond economics, and include health, social and environmental statistics in measuring national progress.’*

DG Environment Commissioner Stavros Dimas closed the meeting noting that *‘the main achievement of this conference has been to clearly demonstrate the political consensus on the need to go beyond GDP’*. He also announced that the Commission will present a policy Communication in 2008 that will develop the ideas discussed at the conference into a roadmap for action. The European Union is also developing an indicator that would measure environmental progress, use integrated accounting and other sub-indicators to improve policy making. A preliminary version is expected by 2009.

IIEP was part of the core team supporting the Beyond GDP partners in the development of the events. IIEP contributed to the content of the conference, press and outreach activities.

More information can be found on the Beyond GDP website [www.beyond-gdp.eu](http://www.beyond-gdp.eu).

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