

Minutes
Of the first plenary session of the Commission
On the Measurement of Economic Performance and Social Progress
Paris, 22 - 23 April 2008

The Commission on the measurement of economic performance and social progress (CMEPSP) had its first plenary meeting on 22 - 23 April 2008 in Paris. 15 members and the 7 rapporteurs attended the meeting. The list of participants is attached in Annex 1. Supporting material for the first meeting was circulated beforehand to Commission's members. It consisted of two surveys of (i) existing approaches to measuring socio-economic progress, prepared by Insee and OECD staff; and (ii) theoretical foundations of main approaches to the measurement of individual well-being and social welfare, prepared by Marc Fleurbaey¹. Additional contributions by members of the Commission have been circulated to participants at the beginning of the meeting. Their list is attached in Annex 2.

1. Mandate and goal of the Commission

The discussion started with the clarification of the mandate and goals of the Commission. It was reminded that increasing concerns have been raised since a long time about the adequacy of current measures of economic performance, in particular those based on GDP figures. Moreover, there are broader concerns about the relevance of these figures as measures of societal well-being, as well as measures of economic, environmental, and social sustainability.

Reflecting these concerns, President Sarkozy has decided to create this Commission, to look at the entire range of issues. Its aim is to identify the limits of GDP as an indicator of economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way, and to check the feasibility of measurement tools proposed by the Commission.

The schedule of work is the following: it is expected that the Commission produce a list of issues by July 2008 (this is in relation to EU institutional calendar, with France taking on the EU Presidency for the second semester of 2008); an interim report after six months, i.e., in early November 2008; and the final report after one year, i.e., by the end of April 2009.

2. General exchange of views

The presentation of above mentioned surveys, especially the survey of existing approaches to measuring socio-economic progress, gave rise to a large exchange of views among participants. The wide range of issues addressed makes it difficult to reproduce the whole discussion in detail. But it is useful to mention the main points that have emerged.

¹ A note attempting at structuring the work of the Commission was attached to the surveys.

2.1. About institutional environment of the Commission: we are not alone on this topic. There are international standards for economic and social statistics. The worldwide standard *System of National Accounts (SNA)* is being updated and the new version will be published soon. UNDP is producing an annual report on Human Development in the World, associated with the Human Development Index (HDI) that is computed for all countries in the world. The ILO is working since a couple of years on the concept of “decent work”, which has been introduced in the UN Millennium declaration. OECD is running the Global Project on “Measuring the Progress of Societies” in cooperation with international and regional partners². The UNECE/OECD/Eurostat working group on sustainable development statistics is in the process of finalizing its own report based on a “capital approach”. At the EU level, most statistical concepts and classifications are defined by compulsory Community regulations. This is not to say that nothing new is possible. Indeed, new tools produced by the Commission will have to be clearly situated vis-à-vis international statistical standards.

2.2. About the presentation of information: several presentations of information on socio-economic progress already exist. Whether “corrected” GDP, set of indicators / dashboard, composite index, or survey measures of subjective well-being, the key point is to get information that is robust, clear, and easy to understand by individual citizens.

Given the current proliferation of composite indices, the Commission should avoid to add to the mess. It will be useful to conduct an assessment of all indicators. A key question to answer will be: “Do we privilege assessing change over time in a given country, or comparing countries at a given time, or both?” This question should be addressed against the background of policy-makers’ needs. For this purpose, the history and current status of HDI are interesting elements to take into account³. Anyway, quality and comparability of data (over time or across countries) will be a critical dimension through which the general public will judge the information proposed by the Commission.

2.3. Several important broad issues related to the current measurement of GDP were discussed:

- a) Health—measurement by input (as in the U.S.) versus as imperfect measures of output (Europe). This highlights importance of standardization, and a failure to understand that currently, there is not standardization, which impairs cross-country comparisons.
- b) Public goods—not only are there measurement problems in the conventional sense (valuing outputs by inputs), but also issues of *access*. “Enclosure” (privatization) reduces access, and so could be associated with a lowering of societal well-being, even if the resulting increase in profits shows up as an increase in GDP.
- c) Security—conventional measures put no value on changes or differences in economic and health security, which is especially important when these are provided publicly.
- d) Defensive expenditures (to protect existing assets) could be viewed as an input into production, not as final consumption. These include expenditures on national defense and prisons.

² The project has been built around a series of World Forums and encompasses associated work within and outside of the OECD. The last World Forum was held on 27-30 June 2007 in Istanbul and focused on “[Measuring and Fostering the Progress of Societies](#)”.

³ UNDP is conducting a review of the Human Development approach and HDI. HDI is likely to be revamped, including a broadening of its components. The outcome of this review will be released in the 2010 Human Development Report, on the occasion of the 20th anniversary of this report.

2.4. It is the task of the Commission to explore areas “beyond GDP”. Most of them have been listed in supporting material circulated before the meeting. However, it was noted that social connections, in relation to social capital, should be explicitly added to these areas, as an element of welfare.

2.5. Unpaid homework was mentioned several times in the discussion. A number of empirical difficulties have been pointed out, e.g. the measurement of marginal social valuation of unpaid homework.

2.6. Reference was made to the importance of externalities, and to the negative effects of economic growth, most of which are poorly measured. It was suggested that the Commission should provide a framework for the rational discussion of these issues.

2.7. Inequality is a multi-faceted issue. For instance, “traditional” indicators of inequality based on income are reflecting “vertical” inequality while “horizontal” inequality (between groups of people) is important, too. Even inequality indicators based on income can be misleading when income is not adjusted for unpaid homework.

To better reflect differences in economic and social conditions within the population, it was suggested to look at the economic and social situation of the first eight deciles of the income distribution. Another suggestion is to look at the socio-economic profile of the median (as opposed to average) person. Beside income-based inequality, other inequalities have to be identified and measured through robust and unbiased indicators. For instance, gender inequality is not well reflected in income-related indicators: unpaid homework has been already mentioned, but political voice, violence against women, economic insecurity, etc., should be also considered. The question of public goods was also raised, and it was suggested to approach them from the perspective of individuals’ access to them and the functioning of institutions.

2.8. Sustainable development and environmental issues will be on the front line of areas explored by the Commission. This is not new. “Green GDP” or “green accounting”, in the spirit of corrected GDP figures, have been promoted since decades. Other approaches, using sets of indicators (dashboard) or composite indices have been also developed. In total, a lot of sustainability indicators have been proposed, most of them based on arbitrary assumptions. A critical review of these approaches is needed⁴. Attention should be devoted to the output of the joint Eurostat-OECD-UNECE working group on sustainable development indicators, whose report is nearly finalized (as mentioned in paragraph 2.1 above). Reference was made as well to the work of the World Bank on environmental sustainability⁵.

2.9. Subjective indicators of well-being are also on the table. Their design and use in view of a measurement of socio-economic progress raise a number of issues. Various opinions have been expressed by Commission’s members. On the one side, the issue of aggregation of micro-data raises the question of a common numeraire to overcome the difficulty of combining these data with other data expressed in money. It would be advisable to keep subjective and objective data separate until we know more. On the other side, the possibility

⁴ The concept of ecological footprint, despite its conceptual shortcomings, was mentioned as an early warning indicator.

⁵ “Global Monitoring Report 2008: MDGs and the Environment: Agenda for Inclusive and Sustainable Development”, World Bank, April 2008.

to build a metric based on satisfaction expressed at the micro-level should be considered. The measurement of time allocation and related affective (or emotional) experience at the individual level has also been introduced as a promising technique. Another indicator proposed is that of subjective feeling of trust. It seems to be a very robust predictor of future behavior of individuals or households.

2.10. About welfare, it was pointed out that a distinction should be made between the welfare of a given generation and the change in welfare of a population (or a social group) over time. Related to that was the remark that, beyond the focus on aggregate stocks of different types of capital, these can be redistributed in ways that more people can enjoy them.

2.11. Some points of method have been addressed in the discussion. In particular, it is necessary to test empirically the feasibility of proposed measurement tools. It will be important to detect eventual correlations between macro-economic data, such as GDP figures, and social or environmental indicators. It was proposed to prioritize issues according to their actual magnitude of impact, which would imply “exercises” to be performed by secretariat of the Commission looking at few countries. Another point is the relevant periodicity of indicators. Periodicity matters. It is worth considering whether it is enough to produce information on inequalities, social capital, and environmental degradation every five years.

Finally, the question of feasibility of measurement tools proposed by the Commission has been recognized as a major dimension of work. France, especially Insee and other bodies of the French public statistical system, and USA could be good candidates for an experimental computing of indicators selected by the Commission⁶.

3. Meeting with FAIR

At their request, the Commission met with two representatives of the *Forum pour d’Autres Indicateurs de Richesses (FAIR)*, Dominique Méda and Florence Jany-Catrice. They were accompanied by the deputy Director of the Office of the Human Development Report of UNDP. D. Méda and F. Jany-Catrice described the nature of the Forum, a cooperative network dedicated to research and production of alternative indicators of wealth, beyond GDP. The work of the Forum relies on local initiatives of economists, engineers, scientists, members of associations and trade unions. A brochure describing existing initiatives and their outcomes was distributed to Commission’s members.

4. Organization of future work

The last part of the meeting was devoted to organize the future work of the Commission. Three working groups were created:

- **Classical GDP Issues**, chaired by Enrico Giovannini (OECD, e-mail enrico.giovannini@oecd.org); rapporteurs: Paul Schreyer (OECD, e-mail paul.schreyer@oecd.org) and Xavier Timbeau (OFCE, e-mail xavier.timbeau@ofce.sciences-po.fr)

⁶ This does not mean that the Commission’s work will be focused on developed countries. In principle, the output of the Commission will be made public, providing a template for every interested country or group of countries.

- **Sustainable Development and Environment**, chaired by Geoffrey Heal (Columbia University, e-mail gmhl@columbia.edu); rapporteurs: Jacques Le Cacheux (OFCE, e-mail jacques.lecacheux@ofce.sciences-po.fr) and Didier Blanchet (Insee, e-mail didier.blanchet@insee.fr). This group will also address sustainability issues that are not directly related to environment
- **Quality of Life**, chaired by Alan Krueger (Princeton University, e-mail akrueger@princeton.edu); rapporteurs: Marco Mira d'Ercole (OECD, e-mail marco.mira@oecd.org) and Laurence Rioux (Insee – CREST, e-mail laurence.rioux@ensae.fr)

Several issues may need to be treated by more than one working group; issues of unpaid work, inequality, and “public goods”, for instance, arise as both classical GDP issues, but also as important aspects of quality of life. The different working groups are encouraged to look at these issues from their own perspective, with any differences in conclusions to be discussed at the next meeting of the Commission in the fall of 2008.

Each chair of a working group will draft a two pages list of issues for his group at his earliest convenience. It is important to have a list of working groups’ members as soon as possible. It is expected that working groups will meet at least once, between now and mid-July. Working groups may invite other persons to take part in the discussion if needed. The possibility to commission papers was also mentioned.

An issue paper has to be delivered by end of July (see paragraph 1 above). A first draft should be prepared by chairs and rapporteurs of each group on the basis of the initial list of issues and the first exchanges among members of each group; it will be sent for assessment to Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi. After assessment the draft will be circulated to all members of the Commission. The final draft shall be ready by the end of July. The issue paper will present the list of issues, a broad work agenda, and methods of work used in the Commission.

The Commission will strive for transparency and will keep contact with civil society. There is no restriction at all on contacts between Commission’s members and chiefs of national statistical offices. To this end, the Commission will have a website for its external communication. Insee and OFCE will set up and maintain this website.

For working groups’ reports and the preparation of general reports, an extra-net site will be set up by Insee. Access will be reserved to members and rapporteurs of the Commission, through logins and passwords. The extra-net will consist of (i) an electronic library where publications and documents of interest for the work of the Commission will be posted; and (ii) a collaborative space for the preparation of working groups’ reports as well as general reports. As soon as this is set up, directions on use will be sent to members of the Commission.

**List of participants in the first plenary meeting
Of the Commission on the Measurement
Of Economic Performance and Social Progress**

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Professor Jean-Paul Fitoussi, *Coordinator of the Commission*

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**Supporting material circulated for the first plenary meeting
Of the Commission on the Measurement
Of Economic Performance and Social Progress**

- Survey of Existing Approaches to Measuring Socio-Economic Progress, Document prepared at INSEE by *Cédric Afssa, Didier Blanchet, Vincent Marcus, Pierre-Alain Pionnier and Laurence Rioux*, and, at OECD, by *Marco Mira d’Ercole, Giulia Ranuzzi and Paul Schreyer*.
- Individual Well-Being and Social Welfare: Notes on the Theory, *Marc Fleurbaey*
- Draft Outlines of Working Subgroups, *Notes of Didier Blanchet, Jacques Le Cacheux, Marco Mira d’Ercole, Laurence Rioux, Paul Schreyer, Xavier Timbeaux, Rapporteurs of the Commission, on a first tentative list of working subgroups*
- National Time Accounting: the Currency of Life, *Alan B. Krueger, Daniel Kahneman, David Schkade, Norbert Schwarz, Arthur A. Stone*
- National Income and the Environment, *Geoffrey Heal, Bengt Kristom*
- A Note on National Income in a Dynamic Economy, *Geoffrey Heal, Bengt Kristom*
- Stiglitz Commission – Initial Note, *Tony Atkinson*
- Two messages e-mailed by Justin Lin and Nick Stern who could not attend this first meeting