

We already live in a post-GDP world where social and environmental indicators matter



We must start talking about vulnerability and no more about sustainability: Enrico Giovannini, Istat President, said.

Statistics for environmental heritage assessment made huge quality improvements.

Post-GDP society season has already started. Maybe the majority of us has not understood it yet, but Enrico Giovannini, President of Istat, a past Director of Statistics, Chief Statistician of OECD and ONU adviser, is absolutely convinced.

Information about GDP, Gross Domestic Product or a country's overall economic output, is not sufficient to understand how we live actually and how fast we are growing on an economic point of view. In fact, we are able to use tens of data about the progress or regression of healthcare, labor market and education.

Data that are already available to everyone and regularly published by statistical agencies. The reason why GDP is still widely used by media is that it is simple to communicate and compare, not because it expresses a complete socio-economic situation scenario.

The 2008/2009 recession made developed countries citizens know a reality they were not used to anymore: the significant fall of the GDP or wealth.

Nevertheless, communities, social bodies and the international society have been able to rule the economic shock, as there have not been extreme tensions or evident mass pauperization cases. Does it mean that, ultimately, GDP as an indicator does not fully express the economic value, and it represents just a minimum part of our life complexity?

First of all, let's try to analyze the data correctly. Italy's GDP suffered a 5% fall in 2009, while families' disposable income fell of just 2,5%.

This means that not all the reported GDP fall has been converted into less income for the people. The difference has been absorbed by support to employment public policies, such as unemployment benefits, and transfers made by the state towards families. This means that parents' jobs have been preserved during the crisis but sons' ones have not, and at the same time they contribute less to family's disposable income.

332 thousand sons lost their jobs during the crisis, while less than 100 thousand fathers and mothers experienced the same condition. Among crisis-hit families, the 29% belonged to the 20% of poorer Italian population. In other words, the recession has been paid in terms of income by the less rich part of the population, which was already living with limited resources. Other Italian families increased their welfare during the crisis because inflation fell down, interest rates for loans decreased and so on. This data are useful to say that, in my opinion, if I could choose between GDP and families' disposable income, and try to represent recession's economic effects on society, I would rather choose the latter indicator.

It is said for long time that GDP should be replaced by a new and more representative human progress indicator. The problem remains that all the economic policies as we know them are GDP-target based.

How could fiscal policy be elaborated again if it had not a wealth growth percentage as a target?

In Keynes' times GDP did not exist as statistical indicator, nevertheless budgetary policies' impact on economy was already considered by the economic theory. In his general Theory, the English economist talked about other economic variables: expenditure, income, investments, employment.

President Roosevelt himself had to manage the great depression of the 30s without the possibility of talking of GDP, an objectively hard task because it was not easy communicating to people in simple words how deep the economy had fallen. Alan Krueger, United States Assistant Secretary of the Treasury for economic policy, says GDP is a cold war related indicators, because in those years it was import showing how much output was produced and processed by the supercountries, even in military power terms. Moreover, in 19th century being a great country meant having a large territory, while in 20th century production and consumptions mattered. So much so that in 19th century they used to tax real assets such as lands, while in 20th century we taxed productions and consumptions. Maybe in 21st century being a great country will mean disposing of great immaterial resources and being considered as a good place for living. I am quite assured that ensuring a better quality of life in a wider perspective than just GDP, obviously considering the economic matter, is the capacity that will make the 21st century nations great and attractive.

So why do we keep talking about GDP and its trend?

For three different reasons, I think. First, because we are used to the economic cycle's cultural domination and GDP is a very easy to communicate indicator in this context. Then, because GDP is easily available: it is updated every quarter and this continuous presence make it the center of media attraction. At last, because statisticians are a little bit lazy. They keep on being linked to a measure which made much more sense in the past than it does today. Again, the GDP data's timeliness played a crucial role because other indicators, such as environmental ones, are much less easy to update promptly.

In 1971 the Nobel prize winner Sin Kuznets, inventor of the national statistics GDP is based on, warned us about the fact that economic growth calculating was a wider work than the simple statistical measurement of activities. Why are we still at early stages in building wider indicator, 40 years after Kuznets' magisterial words?

It is not at all true that we are at early stages. "Noitalia", the volume published by Istat yearly, contains 100 different indicators useful to understand the country deeply. So, we already have numbers to understand a society and an economy beyond the data expressed by GDP, and they are available with continuity. We can, for example, use life expectancy: in Italy we reached a life expectancy of 82 years, while it was just 77 in 1990 and 80 in 2000.

Gaining years of life means for the members of a society and can be more important than GDP per capita's growth. We have very analytic data about the knowledge situation, so that today a country's human capital is meanly considered 7 times superior to its physical capital. We are able to calculate the value of the environmental heritage and the labor market situation. In summary, it is not at all true that we can only count on GDP as a useful indicator to understand where the world is going; statistical situation are far richer and more organised.



The French commission wanted by President Sarkozy, a commission you take part to, proposed to calculate the quality of life basing on seven different parameters. Isn't it too much complex?

No, it is not, because we already have many data, even detailed data about almost all the topics suggested by Stiglitz Commission. Maybe we are late about the standards related to interpersonal relationships and social networks. And in advanced countries we do not know enough about statistical indicator related to

governance, because world older democracies assume many features that have been studied more analytically in emerging countries, thanks to the work done by the world bank. Anyway, we are not far from publishing a series of indexes as the Stiglitz Commission Suggested.

Among the central topics in the quality of life debate, one is related to the environmental policies and sustainability of economic growth. But, are we really able to quantify economic growth's environmental impact, subtracting from the GDP the consumed environmental resources?

We did huge progresses about the environmental statistics. Today we have best quality measurements, increasingly integrated with economic statistics. We have methodologically valid and universally accepted tools related to environmental physical assessments. The situation is different when we talk about environment-related assets prices. In this case we use the categories of "shadow prices", but doubts are still strong. In my opinion, today, I would say that we have good indicators to measure environmental capital's size, that the situation about the prices is still complex and we are still in a primordial state about the biodiversity dimension.

In what way could talking about the statistic facts on sustainable growth help favor renewable energy?

Surely confronting the thematic of renewable energy in a statistical point of view helps us understand its dynamical aspect. All it takes is a rainier winter to understand that climate change issues are less important. Environmental changes is to be taken into consideration in order to learn how to govern the issues regarding them, because the biggest problem about these issues is mainly on predicting the future. In this sense statistical studies are very important to measure and control future uncertainties. Most of all they help us predict human behaviors that have an impact on the future. For these reasons i would suggest to substitute the word sustainability with vulnerability. We have to go from the logic of sustainable development to that of a development that takes into consideration the actual value of the future effects of our human behaviors or decisions.

How?

In various ways. First of all, if we introduce a way of actualizing the effects of our behaviors, if we give importance to certain facts like the ones regarding environment, the problem would get simpler for us and future generations. In this way, we will be a lot more concerned of the effects caused by our actions on our present and future condition. Some think that the taking of conscience of a vulnerable point of view passes by many micro decisions that are socially visible. I am referring specifically on the proposal of exposing stickers of different colors on windows in order to communicate to others eco-sustainable decisions, such as in white goods. By doing so, we socialize our decisions on climate change, moreover, we would like to be considered as better citizens. In a near future, we might have bar codes that indicate the amount of consumption in every product. I think we are having a prudent conduct that lead us to measure the quality of such conduct in terms of environmental effects.



Environment has been up till now considered a sort of common good that has been used in any way we like and without costs. Being able to set prices or costs to consumption goods, and on natural resources will be very hard. What is the situation of studies on this aspect?

As I said, there have been relevant advances in recent years. In some areas we possess concrete and accepted methods. In other areas, such as biodiversity, we are in the mere beginning. I think that the indicators we possess are enough structured and strong to be used in order to give advices periodically in coherence with suggestions given by the Stiglitz commission.

What has been the effect of the recent economic crisis in the USA? How has it influenced the debate on the GDP(Gross domestic product)?

GDP has the advantage of being easily known. In the USA, this aspect is very important. Nonetheless, in the worldwide agency agencies we have asked ourselves if the crisis can be considered as a positive input, or, a killer of the culture of GDP overcoming.

Obviously, there is no certain answer yet, even though new aspects have come up to light, such as the fact that governments have understood that if the development measures have changed, offering promises on GDP growth has little or no sense. On the other hand, GDP has been so low in the year 2009 that a country leader willing to go over the GDP could be accused of adopting “distractive measures” to obviously avoid the confrontation of crisis issues he or she could not solve. All this leads us to conclude that the GDP issue is politically a very complicated one, and success of GDP has a lot to do with the fact that it can be considered the “leading indicator”. Obtaining the growth of GDP is a very positive result and is considered as a challenge, which is most liked among humans. We are ready to include other indicators such as health, education and labor, and we hope policies would be able to face this challenges.

And what about the indicator proposed by the UN on human development for years?

From this year the indicator will be expanded to include some indicators suggested by the Stiglitz commission.

Information is lacking about some developing countries, but this problem will ride out too with time.

More, UN will also give the representation of social indicators' median values, in addition to the mean ones, for communicating their social distribution too.

How Internet and the new technologies did and do help to overcome the GDP?

The revolution has been huge. Today data are available as never before. The Problem has become managing data excess.

Somehow, problems changed: at the beginning there was a problem of scarcity, today of abundance. Today the task of the statistician is to find the consistency among the many available data. A difficult exercise. In my opinion, the statisticians today are evermore “data integrators” for contributing to a country's collective knowledge.