

- The statistical *concepts* may be correct, but the measurement process may be imperfect.
  - In many cases, there are debates about what are the right concepts, and the appropriate use of different concepts.
  - When there are large changes in inequality (more generally a change in income distribution) gross domestic product (GDP) or any other aggregate computed *per capita* may not provide an accurate assessment of the situation in which most people find themselves. If inequality increases enough relative to the increase in average per capital GDP, most people can be worse off even though average income is increasing
  - The commonly used statistics may not be capturing some phenomena, which have an increasing impact on the well-being of citizens. For example, traffic jams may increase GDP as a result of the increased use of gasoline, but obviously not the quality of life. Moreover, if citizens are concerned about the quality of air, and air pollution is increasing, then statistical measures which ignore air pollution will provide an inaccurate estimate of what is happening to citizens' well-being. Or a tendency to measure gradual change may be inadequate to capture risks of abrupt alterations in the environment such as climate change.
  - The way in which statistical figures are reported or used may provide a distorted view of the trends of economic phenomena. For example, much emphasis is usually put on GDP although net national product (which takes into account the effect of depreciation), or real household income (which focuses on the real income of households within the economy) may be more relevant. These numbers may differ markedly. Then, GDP is not wrong *as such*, but wrongly used. What is needed is a better understanding of the appropriate use of each measure.
- 6) Indeed, for a long time there have been concerns about the adequacy of current measures of economic performance, in particular those solely based on GDP. Besides, there are even broader concerns about the relevance of these figures as measures of societal well-being. To focus specifically on the enhancement of inanimate objects of convenience (for example in the GNP or GDP which have been the focus of a myriad of economic studies of progress), could be ultimately justified – to the extent it could be – only through what these objects do to the human lives they can directly or indirectly influence. Moreover, it has long been clear that GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental, and social dimensions, some aspects of which are often referred to as *sustainability*.

### **Why is this report important?**

- 7) Between the time that the Commission began working on this report and the completion of this Report, the economic context has radically changed. We are now living one of the worst financial, economic and social crises in post-war history. The reforms in measurement recommended by the Commission would be highly desirable, even if we had not had the crisis. But some members of the Commission believe that the crisis provides heightened urgency to these reforms. They believe that one of the reasons why the crisis took many by surprise is that our measurement system failed us and/or market participants and government officials were not focusing on the right set of statistical