

# Concept Note

## Friday Seminar on Emerging Issues

### THE FUTURE OF ECONOMIC STATISTICS

Friday, 1 March 2019

10:00 am – 6:00 pm

Conference Room 4

Meeting organized by United Nations Statistics Division

#### Call for dialogue and consultation

Leading up to the opening of the 50<sup>th</sup> Session of the UN Statistical Commission, this year's *Friday Seminar on the Future of Economic Statistics* offers a unique opportunity to interact, exchange and learn from leading economists, statisticians and academics in the fields of economic policy, data and statistics. The renewed interest in economic policy, data and statistics has been initiated by the UN Secretary-General, who recently asked to proceed immediately with the implementation of a UN network of economists led by the UN Chief Economist. This seminar is timely and fully supports this initiative.

The seminar will seek a collaborative response to the need for economic statistics that support evidence-based policy making within the 2030 Agenda for Sustainable Development. This response may call for a step-change in the conceptual framework of economic statistics combining measures of economic activity that reflect globalization and digitalization trends with broader measures of equitable and sustainable economic performance. It is expected that these broader measures can inform policy actions that can help foster economic growth, people's well-being, inclusive societies and sustainable use of the environment as set out by the sustainable development agenda. To debate the broader purpose of economic statistics in the future, we need to assess the users' demands, as well as the capacity and capability of our statistical systems to provide the required data and statistical services.

#### Our challenges

Measures of economic progress are critical in achieving the policy objectives of the 2030 Agenda. Challenges range from securing productive agriculture and food security to feed the growing world population, eradicating poverty and reducing income inequality within and between countries; to ensuring a low carbon economy and investing in human and social capital. These challenges highlight the critical links between economic activity and outcomes for citizens, such as access to education and health for all and creating decent jobs and new skills for the growing global workforce; or achieving gender equality. These challenges also point to the links between economic activities and the environment, natural resource and climate change. Other challenges still call for a review, and the development of broader economic measures to better capture the globalization of production and the digital transformation.

## Measuring economic activity and social outcomes

Policy objectives increasingly demand a better understanding of how economic activity relates to outcomes for people across material and non-material aspects of well-being as well as environmental sustainability. Ultimately, the quest for outcome measures requires the explicit connection with the quality of life of individuals and demographic groups (such as by age, gender, education, ethnicity, location) and the impact of economic activity on the environment.

Such a development in official economic statistics would mirror changes occurring in corporate business accounting, such as 'triple bottom line' accounting. Expanding economic statistics in line with the broader purpose of corporations could enrich the analysis of business cycles in terms of financial and non-financial measures. These broader measures could reflect long-term investments in employees, science, technology, innovation, communities and the environment.

Andrew Edgecliffe-Johnson, Financial Times (FT) US Business Editor, in his recent essay *Beyond the bottom line: should business put purpose before profit* in the FT<sup>1</sup>, points to the letter in 2018 of Black-Rocks' CEO Larry Flint to chief executives in which he states that "with governments failing to prepare for the future, people were looking to companies to deliver not only the financial performance, but a positive contributions to society, benefiting customers, and communities as well as shareholders". The essay continues in saying that it is striking that these arguments are made by the world's biggest investor, who seems to be most at risk with the shift from shareholders' interests in financial performance to measures of environmental, social and governance benefits. Flint writes that "without social purpose, companies fail to make the investments, in employees, innovations and capital expenditures needed for long terms growth" – and above par returns for the investors.

1. <https://www.ft.com/content/a84647f8-0d0b-11e9-a3aa-118c761d2745>

There is increasing interest in understanding how the benefits of economic growth are distributed across households. This calls for the integration of inequality in income, consumption and wealth within national accounts. Moreover, the call for quality government services, transparency and accountability, justice for all and effective, accountable and inclusive public institutions at all levels of government, could also be met by economic statistics that give more detailed insights in the behavior and management of government, provision of public goods, public sector efficiency, and political freedom.

Subjective well-being measures<sup>1</sup> are critical to assess the non-monetary costs and benefits of public programmes and policies. While much progress has been achieved since 2009 in embedding these measures in large-sample official surveys, such efforts should be maintained to shed light on the many measurement and research issues that are still open. Economic insecurity is a "new" field where much more effort is needed to develop metrics of the shocks affecting people, and of the buffers available to them. The 2008 crisis reduced not just people's economic security but also their trust, because of the widespread perception of the unfairness in the manner in which the crisis was handled. The loss of trust (both in others and in institutions) is a long-lasting legacy of the crisis, whose effects are contributing to the political upheavals we are witnessing around the world.

1. Beyond GDP, measuring what countries economic and social performance, Stiglitz, Fitoussi and Durand, OECD, 2018 pp 14

Economists are increasingly interested in the behavior of individuals and households in the production, consumption and financing arrangements using digital technology. The digital divide may affect the social mobility of those households and individuals who do not have access to digital technologies or the delivery of digital goods and services by the government. The globalization of production arrangements affects job creation and income generation across all economies with some regions more integrated in the global value chains than others.

Considering the limits of the environment as a natural source for economic growth and prosperity has moved center stage with the environmental objectives of the sustainable development agenda. Efforts towards the broader measurement of economic performance should consider more physical and monetary measures of the sustainable use of the environment and the functioning of terrestrial and water related ecosystems. These broader economic measures on the extent, condition and services of ecosystem types would allow for a step-change in measuring the impact of economic activity on the health of the environment.

#### Roadmap for global user consultation on the future of economic statistics

Developing the roadmap for the future of economic statistics will require global consultation of users at regional and national level. It is proposed to create a High-Level Group on Economic Statistics that builds on existing initiatives and mechanisms of statistical and policy dialogue and provides a major thrust for the strategic area of economic statistics under the Cape Town Global Action Plan on Sustainable Development Data.