Social scientists like physical scientists have to resort to models to simulate behaviour which they cannot experience in real time. They carry out stress tests to simulate worst case scenarios, to examine whether what they prescribe would withstand the shocks which could occur in the future.

Today we have the fortune or misfortune of being in the midst of the greatest real economic shock the world has experienced for many years, a sort of fifty-year storm which has shown to be the worst financial, economic and social crises in our lifetime. The stress tests are now real not simulated. It is a time which should be exploited from a scientific point of view as this Conference is indeed trying to accomplish.

A decade ago, when most European economies were enjoying the fruits of a financial and economic boom, it seemed inevitable that we would keep getting richer. We were mesmerised with the market which kept delivering record income growth especially in the financial services sector.

There were no economic or financial indicators which flashed a red light as a warning to the average policy maker or even regulator. Nobody tied high leveraged positions and increasing private debts with burdens on future generations. Sustainability was distantly tied to the Rio 92 summit, as if
irresponsible behaviour could only express itself in the environmental but not the financial field.

The financial crises of autumn 2008 damaged the economy badly. It turned into a sovereign debt crises, which in turn is pushing us into a economic vortex from which governments are finding it hard to get out unstuck. I was elected to the European Parliament just nine months after the eye of the storm was moving from Wall Street to the heart of Europe. It is interesting to go back and retrace one’s steps one week at a time. The story is still unravelling.

Five years after the financial crisis started in earnest, the gross disposable income of most European households is lower than it was in 2008. The four EU countries now subject to financial rescue programmes have suffered particularly acutely, facing higher taxes, public spending cuts and fear about job security.

There are also the social effects of the recession. Unemployment rates have gone up, particularly among our young people. A quarter of 16-25 year olds in the EU are out of work, full-time education and training. The loss of incomes caused by unemployment is an economic waste and a social disaster.

We have also seen understandable a terrific backlash against the financial sector and the political class. Thousands of activists have occupied Wall Street and the City of London, the west's two pre-eminent financial
capitals. This has been motivated partly by public fury at the scale of
damage wrought by a crisis which originated in the financial sector, but also
at what is widely perceived as the unfair distribution of rewards.

Meanwhile, thousands have taken to the streets in Greece, Italy, Spain,
Ireland and elsewhere in protest against the austerity measures which are
hurting the population but most of all the poor.

But amidst the current economic gloom we must underscore the fact that
most Europeans are materially much better off than their parents or
grandparents. In part, this is due to technological development. Modern cars
are far cheaper, as are white-goods, lap-top computers, designer clothes and
foreign holidays. We have many more possessions, but do they actually
represent quality of life and happiness? How do we explain that the same
possessions seem to be valued differently depending on whether they are
gained or lost?

It is increasingly clear that the wealthiest societies are not necessarily the
happiest and most cohesive, certainly not where there are massive
inequalities in income, living standards and social cohesion. There is a
wealth of evidence in support of this statement. Various studies are
showing that societies with lower levels of both income and social
inequality have less crime, alcohol and drug abuse, extreme poverty and
other societal problems than the likes of more affluent countries with
greater inequalities.
When I visit my constituents which is once a week, they tell me that the macro-economic indicators banded about proudly by us politicians do not reflect their family predicament. It is also clear that citizens can feel distant and unhooked from statistical data which is supposed to be representing their condition.

There is a definite impression that GDP may have grown but disposable incomes and the quality of public services have fallen. Nowhere is this more true than in the United States, where data has shown that the real wages of middle class families increased by a mere 1% between 1980 and today. At the top end of the wage spectrum, earnings have rocketed in value. All this demonstrates that while GDP has increased, most people do not feel much better off.

Economists try to explain this by a kind of wedge which is believed to be driven between disposable income and output. But surely there are other more fundamental reasons for this asymetry.

My colleagues and I in the European Parliament can confirm that our constituents back home increasingly believe that social, environmental and economic indicators should be used to measure social progress. A Eurobarometer poll carried out in 2008 found that two thirds of EU citizens wanted indicators for social wellbeing rather than purely economic indicators. Indeed, if we were asked what made for good quality of life we would not just talk about income and wealth. The quality of public services, such as efficient transport, enjoying good health, leisure, a clean and
attractive environment, alongside a society in which we and our family can progress, would all have an enormous effect on our level of contentment. Incidentally it is these services which we politicians promise families during an electoral campaign and not the movement of the GDP.

Against this backdrop legislators and policy makers are in search of the need to develop statistical indicators to provide the foundations for effective policy making in the aftermath of the crises. More than that they want to investigate new ways of creating effective social progress. But for this to happen they require new tools, other than the conventional economic ones.

The untold question is staring us in the eye. This is whether in the absence of the sort of economic growth enjoyed in the 1990s and 2000s, it is possible to achieve prosperity for more people without the same rates of economic growth. For while there are reasons to believe that we will emerge from recession, even the most optimistic predictions from the OECD, European Commission and national statistical agencies all bear out the same message: that we are unlikely to see 1990s levels of growth in this decade.

But what is the role of statistics in our response to the crisis? As we are too well aware, it was statistical fraud in Greece that catapulted us into a sovereign debt crisis and related contagion. There are two main functions for good statistical data: they are the building blocks on which we construct policy; and they act as a barometer to read the state of our economy and society thus providing an assurance to the governments and to the financial
The policy challenges for the next generation are radically different to the ones faced in the last thirty years. Tackling man-made climate change and improving energy efficiency were not challenges faced by policy makers a generation ago. But now they are an environmental and economic imperative. The Stern Review on the economics of climate change, the economics of ecosystems and biodiversity both focus on the economic damage that will be caused by the continued degradation of the natural environment. Again, are there ways to measure prosperity without growth? If so, which ones?

When we think of economic indicators that illustrate how well we are doing, GDP is still the best known and most effective measure of macro-economic activity. It was developed in the 1930s GDP measures how wealthy we are collectively and individually and compared to our rivals.

But while GDP is crucially important to measuring economic development and production, every first-year economics text-book will tell you there are a number of things that it cannot take account of. The difference from the past is that the list of things is getting longer by the day.

It is good to note that attempts to find an alternative are encouragingly increasing. The UN has developed a Human Development Index to assess countries using measurements for GDP, health and education. The OECD has its Global Project on Measuring the Progress of Societies, the French
government set up its Commission on the Measurement of Economic Performance and Social Progress headed by Joseph Stigliz, and the EU launched its GDP and Beyond conference - environmental standards and resource efficiency, social inclusion and mobility just to name a few. And of course the GDP and Beyond communication which the Commission adopted in 2009. Complementing the GDP with statistical indicators on the environment must be a priority.

At EU level we have started to appreciate the need to measure other things besides GDP, deficits and debts. One of the provisions of the economic governance 'six pack' for the eurozone is a scoreboard made up of a set of indicators to assess macro-economic imbalances in Europe. The indicators include established ones such as trade balances, current account figures, labour market flexibility and competitiveness, but also income inequality, education and training.

All these indicators show is that even with what statistics we have, we can surely make better use of them rather than paying them lip service.

The same for the question of measuring quality of life? Indeed, we need to start by looking more closely at important indicators we already have but fail to use, such as the ones related to health, work/life balance, housing. These are all measures that I want to see being given more importance in the EU statistical system and EU legislation.

We also want to see a set of social indicators in order to measures the
Europe 2020 Strategy for Growth and Jobs. This strategy now has five headline targets, three of which are in the social domain.

At EU level we now have the chance to put these principles into legislation. Last year the EU adopted a directive to establish a system of Environmental Economic Accounts, and we are currently in the process of adopting the 2010 European System of Accounts into EU law.

At the same time, my colleagues and I on the European Parliament’s Economic and Monetary Affairs committee will shortly begin negotiations with Council on the European Statistical Programme 2013-2017, for which I am Rapporteur and which we expect to become law at the start of 2013. Eurostat's actions on GDP and beyond are included in this proposed programme.

In April the European Commission published its proposal to revise the EU’s Statistical regulation. This legislation, for which I have also been appointed as the Parliament’s Rapporteur, offers the chance to change the way Eurostat and the national statistical offices collect data and to change what they collect. I would like to underline that Eurostat and the European Statistical System (ESS) guarantee high quality data and this according to its mandate and in line with the Code of Practice and the Commission's communication on quality management for European statistics. This then will put us on a firm footing to tailor public policy accordingly.

I want statistical offices to be collecting data on multi dimensional health
indicators, comprehensive household income inequality indicators, and environmental pressure indicators. It is one of the reforms proposed by the Parliament to be included in the European Statistical Framework.

But, you might ask, what then? Establishing a set of indicators and then collecting the data is not an end in itself. In an environment where GDP is seen as the one, and sometimes, only priority, it will be a challenge to ensure that governments treat social and environmental policy indicators on the same level as GDP.

We must also establish measures to prevent governments from misusing data. We all know that governments have found numerous ingenious methods to keep specific public spending programmes off the balance sheet. As soon as statistical data becomes politicised, it is instantly devalued. For years we have seen different tactics to manipulate the figures - even now, a minority of EU governments are trying to keep the contingent liability of their pension schemes off the books. Let us ensure that this would not be repeated with our new indicators.

At the moment we have a fragmented approach to social indicators. Some member states are taking baby steps towards it, setting up sustainable development commissions, statistical indicators and other policy initiatives. But a coherent approach at European and, where possible, at a wider international level which could then be used to co-ordinate different national policies is missing. This is why it is important to develop new indicators at international level.
If nothing else, the economic crisis has forced us to re-assess in a more intense way than before, not only the traditional methods of policy making, but also how we want to report on the state of our people’s well-being. We are more forceful than before to reject the notion that economic growth will automatically increase quality of life and vice-versa. Capturing well-being or quality of life is not as straightforward as economic production but establishing a programme that can do it is one the biggest challenges facing us now as policy makers, academicians, statisticians, or civil society at large.

I can assure you that the European Parliament will be there behind in support of this commendable initiative.