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People's perception vs. reality – drawing lessons from the use of statistics in the European Union

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Ladies and Gentlemen,

Let me start by expressing my pleasure and gratitude for the invitation to participate in this panel discussion. Ensuring that quality statistics feed into European policy making is, for me, a principal concern.

Indeed, for a politician, the fundamental value of good statistics is clear. Sound statistics form the core of democracy. They justify our actions and document the results of these actions. They provide the transparency and accountability crucial for any democratic system.

Statistics are also vital decision making tools. We cannot consider what to do, how to act or take decisions without access to information that is as objective as possible.

In light of these considerations, it is clear that ensuring the quality of our statistical data is paramount. Accurate, reliable and timely statistics, produced by credible and independent institutions, underpin policy making. They support the legitimacy conferred by citizens upon their representatives.

In this way, high quality data is a public service. And as a public service, official statistics should be accessible and comprehensible. Good communication is crucial. And yet, I realise that the message statistical offices convey is sometimes differently perceived and interpreted by citizens. I will return to this topic in a moment, using the example of inflation misperceptions that followed the introduction of the euro in 2002.

The question of public perception is very relevant when we consider how to measure the progress of societies. Official statistics play a central role here and yet they are by no means perfect. Thus we are constantly developing the statistics we use to improve our understanding of this issue.

For instance, GDP was never intended to provide all-encompassing analysis of the progress of societies, rather to measure the economic wealth created by a market economy. It is a very important statistical indicator that is under permanent review, seeking always to more accurately capture economic reality. We are working alongside other major countries to further improve the GDP measure, in the framework of a future revision of the UN-based System of National Accounts.

But whether the statistical information we use is adequate to comprehend concepts such as economic and societal development, or social welfare, remains in question.

Combating climate change and striving for minimum standards of welfare for all are crucial objectives. And I stress that the use of indicators, such as those agreed as Millennium Development Goals, have proved to be very powerful tools. They raise awareness and fuel public debate on how to address these global challenges.

However, GDP fails to cover more complex concepts, such as individual welfare. It brushes over important considerations like environmental damage and social inequality, and overlooks the long-term financial sustainability of pensions and liabilities.

Thus I share the objectives set down in the Istanbul Declaration and can agree on the need to build a more nuanced and therefore accurate understanding of economic and societal progress. This could involve enlarging the coverage of statistics to include indicators of social and environmental as well as economic outcomes.

But policy makers have to take important decisions on a daily basis. Therefore we need to strike a balance between improving measurements of societal progress in the long term, while continuing to make sure that we have appropriate, reliable and
accurate statistical tools in the short term. This can be a challenging task when, as in the EU, decisions apply to a number of different countries.

And this task has become even more demanding because the role of European Statistics has been evolving in recent years. When Eurostat was set up in 1953, it collected, harmonised and disseminated statistics, providing information on the economy and societies of the six founding Member States. However, over time, new developments in EU policy and progressive enlargements to a more diverse set of countries meant that the Union required hard data, subject to ever more demanding quality standards.

The Treaty of Maastricht that paved the way for the introduction of the euro in 1999 is a prime example of this evolution in policy. To qualify for the euro, Member States had to converge towards agreed, quantified criteria in terms of inflation rates, interest rates and budgetary debt and deficit.

Until then there had been no common definition of a Consumer Price Index or of debt and deficit. So statisticians throughout Europe toiled long and hard to provide the agreed statistics and indicators that would underpin fundamental political decisions involved in setting up the Economic and Monetary Union.

As a result, the European System of National Accounts and the Harmonised Index of Consumer Prices have now developed into technically sound instruments that support important political decisions.

And the ambitious project of Economic and Monetary Union has proved a success, thanks partly to the effective management of quantified objectives, such as the reference values for inflation, government deficit and debt ratios.

It has helped us to create a strong and stable macroeconomic framework for EMU that shields members from external shocks, keeping inflation and interest rates at consistently low levels.

We are now extending the use of statistics to other important areas as a form of "soft" governance. For example, structural indicators covering domains like employment, research and social cohesion provide an objective instrument to measure progress towards the goals of the EU's Lisbon Agenda, our strategy for reforming the European economy. We are also developing a set of indicators to monitor, assess and review the EU's Sustainable Development Strategy.

Thus our use of statistics has evolved from an information tool that facilitates decision making, to become a key to the decision making process itself. Naturally, this places increased scrutiny on their reliability and quality and brings the issue of public trust to the fore.

One visible example of public trust in official statistics being put into question can be taken from the euro area. Here the mismatch between consumer perceptions of inflation compared to the actual rate of inflation have become a concern.

After the changeover to euro notes and coins in January 2002, inflation perceptions rose sharply in all euro area countries. This increase was not in line with actual consumer price developments.

It is true that some unjustified increases in the price of certain frequently-purchased goods and services did take place around the changeover. But the largest part of the increases can be explained by normal inflation patterns and some special non-euro factors such as energy price developments.
The statistical data clearly indicate that the changeover effect on prices was rather limited. However, since 2002, the notion that the euro causes prices to increase has taken hold in many countries.

From a macroeconomic viewpoint, any overestimation of inflation by consumers can have a negative impact — for instance on consumption decisions and on inflation expectations — and may trigger unwarranted wage demands.

From a political viewpoint, high inflation perceptions can affect the support for the single currency among euro area citizens. But it can also affect public trust in our capacity to accurately measure consumer price developments and hence the credibility of monetary policy for the euro area. More generally, misperceptions such as these can lend weight to unfair criticisms that aim to attack the political legitimacy of public authorities and their ability to meet the expectations of citizens.

We constantly strive in Eurostat, together with the ECB, to ensure that the HICP accurately captures the complex reality of inflation in our economies. But this is only worthwhile if at the same time, we can make the HICP understood to every citizen as one of the most widely recognised macroeconomic statistics. Clear and concise communication on inflation measurement is essential and we are currently working to streamline communication and explanation of the HICP.

Euro area inflation is just one example that shows how important it is for people to understand the key economic facts that underpin their societies. This does not only help them take well informed decisions. But more generally, it is essential because in the absence of reliable statistics, genuine public debate cannot take place, and may instead fall victim to misinformation and ideology. Such an outcome can ultimately distort democracy and policy making. This is why it is important to monitor public perceptions of statistics and to improve our communication of data.

Another way to combat misperception and public mistrust is to ensure that our statistical systems remain fully credible, efficient and independent. With these lessons in mind, we are also working to reinforce the credibility and public acceptance of our European Statistical System.

Constructing good cross border statistics is particularly challenging in the EU. Our European Statistical System consists of 27 EU Member States. But their harmonisation extends well beyond EU borders, to include the four EFTA countries, three candidate countries and five potential candidates in the Western Balkans, who are increasingly adopting European legislation in statistics.

Add to these the 16 members of the European Neighbourhood policy and one could argue that an enlarged European Statistical System consists of 55 countries – over one quarter of the total membership of the United Nations.

This stresses the importance of the European Statistical System as a key player in the global statistical system. It bears a heavy responsibility in setting standards and guidelines both on procedures and methods as well as on the quality of statistics.

Given the growing influence of the European Statistical system, I am committed to modernising and improving its governance structure and to enhancing its quality standards.

In 2005 we adopted the European Statistics Code of Practice which lays down 15 principles on the independence, integrity and accountability of national and Community authorities. This code is self regulatory: each member state has completed a self-assessment questionnaire on its implementation and this is currently being complemented by a round of peer reviews. For the sake of transparency, these results will be posted on Eurostat's web site.
In this way, the governance structure is better ensuring that EU statistics are independent and that the trust of EU citizens in these statistics is secured.

Ladies and gentlemen,

Let me conclude by stressing again that statistics are a fundamental instrument of policy making. But if statistics are to fulfil their democratic function, objective and high quality communication to the general public is needed. More than ever statistical information is accessible for all types of users. The growth of the internet is opening up the world of statistics to a broader public and is increasing mutual understanding. However, in this environment of greater transparency, agreed rules and standards on quality of data are crucial.

Thank you for your attention.