



Le Conseil Economique et
Social Libanais

Gross National Happiness towards a new paradigm in Economics

In Balancing the Economic Development and Social Strengthening in Asia and Global

Speech

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Excellencies, Mr. President, Dear Colleagues, Ladies and Gentlemen,

It is always a pleasure to participate in the International Association of Economic and Social Councils and Similar Institutions conferences, which brings together the experience of sixty countries gathering the organizations members. The pleasure is doubled today, as the opportunity given by the Economic & Social Advisory Council of Thailand allows us to meet in an emerging country of Asia, whose experience may be helpful to many other developing countries that are facing today a serious crisis generating unemployment and job insecurity.

Crises, such as diseases, are calls to order. Thus, one must ask the question: what went wrong? Have we exaggerated? We have already found, as the world showed an insolent growth, almost everywhere, a squandering of resources, an increased poverty, and a serious harm to the environment, a fact that represents a serious threat to the future of our planet. Hence the paradigm: The National Production no longer corresponds to the National Satisfaction.

The environment

Let's take the notorious case in which a tanker aground near the shore and spills its oil at sea. Clogging the gap, cleaning-up the sea and shoreline pollution will provide employment for many people and salaries that will add up to the national income. But is this really a creation of wealth?

Measurement of Economic Performance and Social Progress, Stiglitz Report

At the beginning of his term, President Sarkozy was aware of this dichotomy. The Stiglitz Report¹ which ended with the beginning of the crisis was a premonitory aspect. The world was acting in a way it should not have adopted: the rent economy had replaced the production economy, capital was better paid more than work; the derivative markets became much more important than real markets; the gaps between the incomes of most advanced countries and the emerging ones were widening, and even within these countries, unleashed financial markets gave rise to such abuses.

The crisis expansion in Europe has failed to give the Stiglitz report the proper implementation it deserved. It had to deal with urgent matters and save the financial system. Today we also have to save the monetary system; the Report implementation shall wait. It is unfortunate because the core of the new paradigm is rooted in this Report.

The distribution of wealth and income

The third dimension of the "National Satisfaction" lies in the income distribution among the different actors of the community. The problem is not new, but it has never had a solution. The poverty threshold which covers a larger stratum in the world, marks the income gaps in our societies, as they constitute the source of many "isms" which shocked the world during recent history.

¹ Professeur Joseph Stiglitz, président de la Commission ; professeur Amartya Sen, Conseiller de la Commission ; professeur Jean-Paul Fitoussi, coordinateur de la Commission.

New Measure of Economic Welfare

In fact the National Satisfaction has a new theory "Measure of Economic Welfare" which should be distinguished from the Welfare Economy and the state paternalism it characterizes. The Welfare Measure already takes into consideration environmental degradation and long-term threat which represent the unconscious practices which cause climate change, sea pollution, desertification of lands and increased incidence of natural catastrophes.

Analysts take more into account, while calculating the GDP, the degradation caused to the environment (Green adjustment to GDP). The result can significantly reduce the Domestic Product, and indicates that we must give more importance to the conservation of the natural "capital" than to the production. The concept of Sustainable Development, imposed for two or three decades, has henceforth a more scientific content and constitutes the subject of international agreements with regard to the conservation of nature. Unfortunately these agreements suffer here and there from betrayal, particularly from the most advanced countries, such as the Kyoto Agreement regarding the GHG emission limitation.

Priorities have changed on the social level. The "Millennium Development Goals" represent the minimum progress which developing countries shall assume, the countries which Abbé Pierre used to call the South of the World. But the South of the World is also present in most advanced countries: 15,000 homeless in a European capital city, is an amazing and new phenomenon. But this could hardly be the only problem. In most advanced countries, social benefits are steadily declining, insecurity and exclusion are increasing; in emerging countries the social protection is often random, or ineffective, and many countries have not until now an unemployment insurance while the right to work is an integral part of the right to life.

Thus, the income per capita has become a very inaccurate data which should be adjusted by a set of criteria that correspond to the welfare of society. That is what the Stiglitz Report applies to, for example.

We should however face the facts that with the aging population, no nation, how much developed it is, can, in the current system, properly assist its marginal population and preserve the retired standard of living. This represents a constant threat to social peace and national harmony, roughly, for all countries in the world. The risk is enhanced in times of crisis. But we are not sure that the matter shall be solved soon.

During the second half of 2010 several countries among the most advanced nations have announced the end of the recession on the basis of the current definition: two consecutive growth semesters. Unemployment rate remained high. Countries, in the stimulus euphoria, have given unemployment a little importance as they expected to see it decline within the following 18 months, when growth had had its effect and created new investments. The revival of the crisis in 2011 with more perspicacity, has jeopardized the euro zone, and threatened to bankrupt some of the world's powerful economies.

The hypothesis saying that "there will be no recovery without jobs recovery" has been asserted. It surely still has its opponents, but also its followers in key positions in the global economy. The initiative undertaken by Mario Draghi, the new president of the European Central Bank, and which already amounts over 500 billion euros at a 1% interest rate has the clear intention to resume employment.

For a new concept of economic growth

Emerging Asia countries have not all the sins of the West. The economic crisis which occurred between 1997 and 2000 has settled many situations and restrained many speculative behaviors. If their actions are synchronized, they can play a locomotive role in the resumption, with all countries in the region willing to recognize the employment priority and promote a productive economy. When this is said, I think at first of my country Lebanon, but the case applies to all emerging countries that have suffered from the crisis even though they have done nothing to deserve it.

We find unemployment, poverty and insecurity at the heart of the problem. They are all linked. It is clear that unemployment leads to poverty and the employment support is the only way to pull the underclass out of the vicious circle of poverty. Lengthening the life of advanced states proves to be unable to maintain the social benefits they provide, and the emerging countries to give the social benefits and security which the citizens claim for.

The salary range continues to widen, the compensation cost of living here and there defies the market laws and its undesirable effects in the loss of competitiveness or the revival of inflation are quickly felt. What we could still do, while applying a social purpose and before the opening of markets, becomes today against the economy.

A full employment policy alone can improve wages while keeping labor demand economically feasible, thus to say the one that does not obstruct the competitiveness. The active demand in profit generating employments shall maximize the revenue and gradually improve the social life conditions. The intervention of the State is then reduced to the minimum requirement to which it has to deal without resorting to any tax or debt increase.

Yes, markets need to be regulated in order to promote innovation and productivity without hindering the free competitiveness. The idea that unemployment is the result of a natural order, and that must be socially compensated, has caused great harm especially to the market economy.

Summary and Recommendations

It is interesting to note that the recommendations that I advocate at the end of this analysis, which is largely based upon recent works on "Measures of Economic Welfare" in Europe and the United States are highly relevant to our Asian countries, especially to my country, Lebanon. The struggle we are undertaking in favor of SMEs is primarily designed to reduce unemployment, and range the social benefits cost within the reach of the state budget.

1. Every initiative not taking the long term basis into consideration is doomed to a more or less imminent term. The determination of the net GDP allocating for degradation of nature should be generalized. Such degradation is more often caused by others, such as the sea pollution or desertification, and shall also be taken into account in the GDP for at least their future rehabilitation cost.

2. There are two potential indicators of the social progress: unemployment and labor force activity ratio, in other words, the percentage of the working population who is on the market. In Europe, the percentage reaches beyond 65%, in the Middle East it amounts around 45%. The difference is mainly due to the women at work. Obviously there is a correlation between the two phenomena: When unemployment decreases, the labor ratio tends to increase.

3. The available consumable² goods and services must be taken into consideration rather than the production figures. In parallel, it is the family income³ that becomes significant as the common life becomes the rule and the individual life, the exception. It would also be useful to consider the value of non-market activities⁴, mainly home based work and raising children.

4. The citizen's priorities should be taken into consideration that is the health, education and pension fund issues; thus giving equal importance to the professional qualifications and the citizen's suitability for the job market. The satisfaction expression requires that the citizen shall contribute to the elaboration of the economic and social policy.

5. We should also assess inequalities in a comprehensive way⁵ through the survey of life quality prior to the adoption of public policies⁶. Statistic bureaus in charge of surveys would be able to give the required information on life quality, following objective and subjective measures of the citizen's satisfaction.

Here I am again thanking the AESCSI and the ESC of Thailand that allowed us to work together, especially the Councils of Asia, as it is extremely useful to the economic and social policy guidance. I invite you to pursue and develop this Joint Action and give it the necessary promotion on the international level. The Lebanese Economic & Social Council would be pleased to welcome you for an upcoming conference in Lebanon.

² Recommendations 1, 3 et 4 du Rapport Stieglitz.

³ Recom. 2 *ibid*.

⁴ Recom. 5 *ibid*.

⁵ Recom. 7 *ibid*.

⁶ Recom. 8 *ibid*.