

# Opening Remarks at IARIW-BOK Special Conference

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Distinguished guests, ladies and gentlemen!

I am very delighted to welcome you all today to this conference, jointly hosted by the International Association for Research in Income and Wealth (IARIW) and the Bank of Korea. Let me begin by expressing my special thanks to our conference co-host, IARIW President Albert Braakmann; and to our two keynote speakers, François Bourguignon, Professor at the Paris School of Economics, and Martine Durand, Director of the OECD Statistics Directorate. I would also like to express my sincere appreciation to all of the panelists, session speakers, chairs, and discussants for their contributions to this conference.

The IARIW is a highly-esteemed organization which has been at the forefront of SNA-related research on income, wealth, productivity and well-being. And the Bank of Korea, as the central bank and national accounts institution, currently releases five major national accounts statistics including GDP. I believe that today's conference will provide us with an opportunity to re-examine national accounts statistics from the perspective of well-being measurement and facilitate exchanges among researchers. Furthermore, it will be a great help to improve Korean national accounts statistics.

As you well know, GDP is the primary macroeconomic indicator of a country. Throughout Korea's development, GDP has been used as one of the major indicators in setting economic policies and measuring the economy's performance. And GDP is expected to continue playing a central role in explaining a country's macroeconomic conditions for a considerable period of time.

That being said, it has often been indicated that GDP has its limitations. There are criticisms that GDP does not properly reflect new economic activities such as the digital and sharing economies. And it is true that GDP does not fully capture degradation of the environment, the distribution of income and wealth, and changes in the quality of life.

Considering these points, we should make efforts to accurately measure material growth through GDP, and at the same time work to create a balance by estimating the quality of life measures that are not captured by GDP. I would like to share some of my views on where we have to focus.

First of all, GDP needs to be revised to faithfully reflect the rapidly changing economic reality. With regard to the advent of new economic activities, including the digital economy and industries related with the Fourth Industrial Revolution, we must collect the relevant base data and further study estimation methodologies. In this regard, the Bank of Korea has been reviewing whether the current GDP fully measures the digital economy and is preparing a work plan for possible improvement.

Next, we need to expand national accounts statistics to show the distributions of people's living standards, in addition to their averages. The OECD has made considerable progress in its research on distributional information of income and consumption by integrating macroeconomic indicators from national accounts with microdata from household surveys. I hope that progress will continue to be made in this area and that the OECD will soon provide feasible international guidelines.

Lastly, as countries try to estimate well-being indicators in various ways, we have to continue the research on how to increase the relevance of these indicators for policy makers. Although quality of life measures have the advantage of showing various aspects of life, they have a number of weaknesses as policy tools. For example, it has been pointed out that the selection and weighting of relevant indicators can be subjective, and that the transmission mechanism between policy instruments and these indicators has not been sufficiently clarified yet.

Ladies and gentlemen!

I have briefly laid out my views on the tasks of improving and supplementing GDP and well-being measures. To effectively address these challenges, continuous cooperation among academic institutions like the IARIW, statistical agencies, and international organizations is essential. If this kind of multilateral cooperation can be achieved, I believe that the usefulness of GDP will be considerably increased and well-being could be measured in a more balanced way.

I hope that this conference, through active and lively discussions, will lead to many creative and practical ideas on enhancing well-being measurement and the usefulness of GDP.

Thank you.

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