

Pioneers of environmental economics awarded

This year's Volvo Environment Prize is awarded to two professors of economics, Partha Dasgupta and Karl-Göran Mäler. In their recent work they have maintained that gross domestic product is a poor measure of well-being as it does not take account of how natural resources are affected.

This is the thirteenth year in a row that Volvo awards its Environment Prize, worth SEK 1.5 million.

Partha Dasgupta, who is originally from India, is today Professor of Economics at the University of Cambridge in the UK. The Swede, Karl-Göran Mäler, is Professor of Economics at the Stockholm School of Economics and Director of the Beijer International Institute of Ecological Economics.

Working both separately and together they have carried out research in the field of environmental economics since the beginning of the 1960s and today they are regarded as pioneers in environmental economics.

They have carried out research into well-being and the way economic decisions affect poor regions of the world.

Often when measuring economic well-being, Gross

Domestic Product (GDP) or the Human Development Index (HDI) are used. These show that large parts of the poorer areas of the world have become better off in the last fifty years.

Consequently many economic decisions are aimed at increasing these indices and thereby the well-being of the population.

However, Partha Dasgupta and Karl-Göran Mäler think that these indices are misleading as they do not take account of the way in which natural resources are used.

Together they have worked out a new welfare index which shows that some of the poorest countries of the world "developed" by degrading their natural environment. Some countries that seem to be performing well when looking at GNP or HDI have in fact become poorer, according to the new welfare index. GNP and HDI is more a measure of aggregate economic activity, and do not reflect whether or not econom-

ic development is sustainable.

By contrast, the new welfare index suggested by Dasgupta and Mäler includes not only the social value of manufactured capital, but also human and natural capital. As a consequence, the new index can change our perception of the development process, especially as we attempt to find solutions to the problems of poor countries. ●



The trophy, created by the artist Erika Lagerbielke, is made of glass and birch.

Photo: Elisabeth Falk



Program

14.00–16.00 Seminar

Sustainable development How do we measure progress?

► **Welcome Speech**

Mr. Leif Johansson, President of AB Volvo and Chief Executive Officer of the Volvo Group

► **Part 1 Macro economy and global development**

Presentation: Prof. Mäler,

Indicators of economic development vs. sustainable development
What is measured? What is not measured?

Questions and Answers: Panel and Moderator

Short summary: Moderator

► **Part 2 Micro economy and development**

Presentation: Prof. Dasgupta,

From macro to micro economy
Conditions for the poorest people

Questions and answers: Panel and Moderator

► **Conclusions**

The roles of science, industry and society

Moderator: Claes Sjöberg

Panel: Karl-Göran Mäler, Sir Partha Dasgupta, Dennis Pamlin from WWF, Inge Horkeby from AB Volvo, Ulla-Britt Fräjdin-Hellqvist from Confederation of Swedish Enterprise

16.30–17.00 Cocktails

Served outside Malmstenssalen

17.00–18.00 Ceremony

Professor Karl-Göran Mäler was born in 1939 in Sollefteå, Sweden. He is Professor of Economics at the Stockholm School of Economics and Director of the Beijer International Institute of Ecological Economics.

Assignments

As a recognition of his successful research achievements, Professor Mäler was elected a member of the Royal Swedish Academy of Science in 1981, and in 1991 the Academy appointed him Director of the Beijer International Institute for Ecological Economics. During Mäler's ten years of management of the Institute he has successfully worked towards the objective to foster interdisciplinary work involving ecologists and economists. A work that has deepened the understanding of the interactions between humans and nature, informed management of our common environment and opened up new avenues for research.



Research focus

Prominent among Mäler's collected work is 'Environmental Economics – A Theoretical Inquiry' (1974); which laid the foundations for environmental economics as a major discipline.

Some of Mäler's main contributions include a theoretical basis for estimating social benefits from pollution control and developing general equilibrium theory to include the environment. In his 1989 paper, 'The acid rain game', he provides the basis for a major advance in addressing international environmental problems. Professor Mäler is also recognised for helping to lay the basis for proposals for reforming systems of national accounts.

His current research interests are 'Measurement of well-being' and 'Economic analysis of complex dynamic ecological systems'. ●

Sir Partha Sarathi Dasgupta (1942-), originally from India, is Frank Ramsey Professor of Economics at the University of Cambridge and Fellow of St John's College. He is recognised for giving an ethical voice to economics through his espousal of social well-being and the effects of economic policies for the poor.

Research focus

His research interests include the economics of poverty and nutrition, environmental economics, economic measurement and the economics of knowledge. Prominent is his recognition of the importance of environmental resources for poor countries. Among other things, his research identified the critical parameters for sustainable development in economies reliant on depletable natural resources and man-made capital. He was also one of the first economists to consider the role of natural resources in providing essential ecological services. Because of that insight, his 1982 book 'The control of resources', became a milestone in the history of environmental economics.



Contribution

Through his research he has made several unique contributions to many fields of economic. He has brought to surface the consequences of environmental degradation to the very poorest people in the poorest countries. His work on the economic theory of non-renewable resources, green accounts, development and poverty have led to significant policy change. His writings on these subjects are now classics.

Today, Dasgupta's analyses are widely used to forge optimal policies for extracting exhaustible resources, and also underlie economic development planning. He has also brought new ideas to the understanding of optimal population growth, and to how competition fosters technological innovation. ●

The Volvo Environment Prize Foundation

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