

SZ: Sir Partha, your aim is to revolutionize thinking in economics. How do you want to achieve this?

Dasgupta: I have never had an ambition to revolutionize anything. But for 30 years I have been trying to bring nature into the spotlight - not only in economics but also in political discourse.

SZ: Isn't that done already? If a river is polluted by a firm, which is located nearby, economists call this "externality" meaning that the firm is not liable for all costs simply because the river does not belong to anybody.

Dasgupta: Yes and no. "Externalities" is such an all-encompassing term, that one can easily be misled into thinking that if someone has used it in their study, he or she will have covered all there is to be covered. In my own recent work I have tried to show that ignoring many persistent externalities has meant that the way national statistics is compiled misleads us into thinking the statistics provide us with correct information about economic progress. For example, if a wetland is destroyed because a shopping mall is built, economic growth is automatically recorded as having enjoyed a boost. That's because national statistics do not take into account the loss of the wetland when calculating the costs and benefits of constructing the mall. That's is a serious mistake.

SZ: What do you suggest?

Dasgupta: We should price natural resources, analogous to other goods.

SZ: How is that supposed to work?

Dasgupta: For some resources, markets can be created. For others the government should impose taxes for their use. In traditional societies, communities were the custodians of their local environment. There is a rich literature unearthing how they did that. The point is to ensure that those who use natural resources, or the environment more generally, should bear the cost of its use, which includes the environment's scarcity value. Many natural resources offer services that are hidden from view. For example, forest cover protects soil from erosion; the foliage offers a habitat for birds and insects; they in turn pollinate crops; and so on. There are an awful lot of services that nature provides that are left unaccounted for in our economic systems. That's the source of the problem and why nature is typically over-used.

SZ: What would be the impact of such a calculation on the real world?

Dasgupta: The focus of politics would move, substantially: once the destruction of the local environment was taken into account, the economies of many developing countries would be found to be shrinking. Even China would not be reckoned to grow anywhere as fast as its GDP figures suggest. Once we appreciate the value of nature, as a factor of production, not merely an amenity of the rich, we would not make the mistake of insisting, as people often do, that poor countries need to boost their GNP first and then worry about the environment. The state of our environment and our economic wealth are interdependent!

SZ: At the request of the French President Nicolas Sarkozy, Nobel laureate Joseph Stiglitz developed a completely new standard for growth. Do you want to do the same?

Dasgupta: Again "yes" and "no". Stiglitz' report went into many issues on which I am not an expert. The report has much to say about the ethical society, about the character of the ethical life, and so on. Such issues have been discussed for centuries in every part of the globe; and I have

nothing to add to it. What I can add to the discussion is how to relate ethics, no matter what conception of ethics is being espoused, to economic measurement. And in doing that I am able to show that we simply have to account for nature.

SZ: Who is the addressee when it comes to avoid the destruction of environment? Firms?

Dasgupta: Everyone. Firms, households, communities, the State, you name it. We are all guilty of jeopardizing our future, not only our present. Because our social and economic institutions don't take nature seriously as a capital asset, our incentives are wrongly shaped. Because nature is typically underpriced in transactions, we are all rapacious in our use of natural capital. Environmentalists often say that the problem of overexploitation of nature can be traced to the fact that people are short sighted in their use of nature, but the problem isn't so much myopia as wrong incentives.

SZ: So the pressure must come from consumers?

Dasgupta: From citizens. There is no alternative: Firms focus on the interests of their customers and (occasionally) their shareholders; politicians try to satisfy what they think is the interest of their voters. So unless citizens urge their State and international organizations to take nature seriously in the design of their policies, I can't imagine matters improving.

SZ: What do you mean by that?

Dasgupta: Consider climate change, which is a global problem. Progress in reducing carbon emissions can only be achieved at the international level. But nothing much has happened. Governments, at least in democracies, would act only if pressured by their citizens. Sadly, voters are not yet prepared to do that. I'm afraid the situation will not change until the climate crisis becomes more noticeable.

SZ: This sounds pessimistic. Is there nothing that can be done now?

Dasgupta: Copenhagen has failed and not much has happened so far. I don't know how the negotiating parties can find their way out of what appears to be a dead end. However, I haven't convinced my professional colleagues to take nature seriously, so why should I be surprised at what's happening at the international level? (laughs)

SZ: A great understatement - you were awarded almost every prize an economist can be given. Nevertheless, do I detect some regret in your voice?

Dasgupta: Yes, every scholar seeks to influence their colleagues.

SZ: You once said: I have not become an economist to change the world.

Dasgupta: Yes. I moved to economics in the mid 60's. While an undergraduate, studying physics, I was much concerned about the Vietnam War. But my fellow students in mathematics and physics mostly didn't know where Viet Name was. I went to demonstrations, usually with economists. I moved to economics subsequently. But I didn't do that to make the world a better place. That would be both untrue and sound pompous. All I sought was to be an academic, to work on problems no one was working on. Gradually, I came to realize that those toy models we economists fashion, if built with care, can tell us a lot about the world round us.

SZ: You did research in many other fields. Do you work on the financial crisis?

Dasgupta: I am not an expert. But I believe that the core of the crisis is the loss of confidence. Nervousness leads banks to restrict their credit lending and we are sliding into a recession. The 10-trillion dollar question is how we will manage to restore confidence.