

Milton Friedman and Trofim Lysenko

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The growing concern over home foreclosures, equities and derivative values is largely epistemological, but it is related to the growing awareness of more serious problems of resource availability (\$100+ barrel oil) and global and local ecosystem stability. It is becoming increasingly clear that these financial and environmental problems may affect our prospects for quality of life in the future. Both are the result of profound ignorance, hubris, and flawed economic policies. The harsh reality is soon to be revealed when the economic game players, confront ecological reality. A \$3.7 billion dollar income for a year of hedge fund trading is likely to insulate a person from hunger, but it can't get you to another planet.

Although all of us depend on natural systems for the air we breathe, the food we eat, the water we drink and the materials we use to build our homes, we have lost touch with this connection. Water now comes from the faucet or in a bottle; food comes packaged, prepared and free of dirt; energy flows from the wall socket from distant power plants; and wastes are simply flushed away. But these conveniences mask the critical connections we have to the natural and managed ecosystems that provide us with the requirements for life. Every one of us has an impact on our planet, and the wealthier we are the greater the impact. These impacts are exposing us to potentially catastrophic change.

Who is to blame? Both crises are the result of fundamental flaws in our economic system, and both can be attributed in large part to the ignorance of economists like Milton Friedman (1912-2006) and his many disciples, including Alan Greenspan and other key players in the U.S. government and global financial markets. They have long neglected the value of community and Nature's Services and Natural Capital. Friedman, a classical flat earth economist, represents the peak of economic folly with his statement that, "*A company's only responsibility is to increase profits for stockholders.*" This view of economics neglects all the costs the current market does not include, including a wide range of environmental and social costs associated with company operations. This nonsense is still taught in universities and colleges around the world.

This view is as foolish and flawed in its own way as the evolutionary theory championed by Trofim Lysenko (1898-1976). Lysenko was Stalin's director of biology and promoted views that ignored fundamental research in genetics by Mendel and many others. At the peak of his powers he had dissent outlawed. When his theories didn't improve yields he gradually fell from favor and science returned. Many people suffered and starved in support of his failed beliefs.

Milton Friedman's failed beliefs are much more dangerous and have harmed far more people, now and in future generations. Worse yet, his disciples are still in power and favor with the ruling elite. If you ignore reality, reality may bite. The flat earth view of the earth has failed; and by any measure we are taking too much and disposing of our wastes improperly, leading to Global Warming, severe health problems, societal crises, and ecosystem destruction.

The average American now requires almost 24 acres to support his or her current lifestyle, and we would need at least five more planets if everyone on Earth were to demand

as much, while still leaving some room for Nature. Only a handful of countries are living within their ecological means, and trends are not encouraging, with the ecological footprint of the world expected to increase 50% by 2015. The flat earth economists ignore these problems, arguing that infinite substitutability and technological fixes will cure all ailments.

Sustainability is not simply about the environment either. To be sustainable a community must have a healthy economy and programs, policies and traditions that provide support for community, safety, cohesion, cooperation, education, health and equity. These can be as elusive as ecological sustainability, and will not happen without more careful consideration of the impact of the policies, regulations, and incentives that determine market forces.

The first step is discrediting the flat earth economists. Decisions need to be made that will favor economics that consider the triple bottom line (social, economic, environmental) while respecting the 3Ps, People, Prosperity, Planet. Triple bottom line accounting and reporting can help avoid ponzi schemes and speculation. Correctly and directly linking value to price is essential. It is almost inconceivable to learn that JP Morgan Chase had \$70 trillion dollars in notational derivatives before they were forced to take over Bear Stearns. This is more than twice the GPD of the U.S., U.K. Japan, China, Germany, and Japan combined. The collapse of the derivatives frenzy, like the tulip bulbs of Holland, the dot.coms, and the burgeoning sub-prime equity collapse, will give us the chance to start over with a more realistic view of what the game of economics is about and how it should be played. It is time to cast out the Friedmanites and bring in a new younger generation of economists who understand the problem and can offer solutions that value the future. Time to relegate the flat earth economists to the junk heap of time.

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