

# **ECONOMICS IN TRANSITION: THE "TRIPLE-BOTTOM LINE" OF FINANCIAL, SOCIAL BENEFIT, AND ENVIRONMENTAL BENEFITS**

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## Outline:

1. A brief history of economic thinking over the past 90 years
2. Recent trends in new economic thinking
3. The 'Bottom Line', the 'Double Bottom Line' and the 'Triple Bottom Line'
4. Social aspects of emerging economics thinking
5. Environmental aspects of emerging economic thinking
6. Global warming, indicating the dangers of environmental neglect in prior economic thinking
7. Global dimming, indicating the danger of drastically speeding up global warming by removing atmospheric pollution that was largely ignored in previous economic thinking
8. At issue: how can we create an economy based on people, to achieve financial profit, social benefit, and a safer, cleaner environment.
9. What would such an economy look like? How can it work? What can be done in Ukraine to achieve it?

This presentation will discuss the various forms of predominant economics thinking over the past century and put into context how we are where we are today. In that context, new economics thinking will be presented not merely as advancing economic theory, but as stark reality with life and death at stake for millions of people.

At first glance, it might seem redundant to emphasize people as the central focus of economics. After all, isn't the purpose of economics, as well as business, people? Aren't people automatically the central focus of business and economic activities? Yes and no.

The prevailing economics systems in the twentieth century were capitalism and communism. Both systems were hypothetically aimed at creating a means of providing people with comfortable, safe and secure life.

Along the way, in the process of attempting different forms of economics from capitalism to communism, we have managed to pollute and contaminate our own environment to the extent of causing environmental change to the point of quite possible catastrophe for people around the world. Neither the capitalist system nor the communist system – nor the various fascist systems attempted in such as Germany, Spain and Italy – lived up to their promises. Communist and fascist systems became infamous for mass murder. The Western capitalist was less murderous. Overall, capitalism was able to produce a much larger middle class of people between rich and poor, and has gained precedence due to making safe and secure life possible for more people. But, its various methods over the past 100 years left millions of people to suffer and die more indirectly than outright murder. Those people were dismissed as relatively unimportant, mostly left to die from deprivation rather than outright execution. In all systems, some rationale was created to either dismiss people and leave them to die, or, kill people outright. In the end, for the victims, the result was identical.

In that context of disposing of people, by all economic systems, and with capitalism having become predominant, financial profit came to rule the day. Profit, the bottom line, was master of all else. People and the environment we live in were secondary considerations. The vehicle of Western capitalism was, and is, corporations.

Corporations are legal structures created as legal entities to carry out the business – financial – objectives. Under US law, corporations are a legal person. What sort of person? According the psychological assessment measures in the Diagnostics and Statistical Manual, Fourth Edition (DSM-IV) used for personality assessment, corporations meet the strict clinical definition of a psychopath. "Psychopath" is another word for lunatic, or, someone who is legally, criminally insane.

This is where we find ourselves today. Ignoring the fact that millions of people were left to perish if necessary in the name of financial profit included ignoring the environment in the name of short-term profits. During the past two decades, profit has therefore come to be seen as not simply 'bottom line' profits, increase in cash and wealth at any cost. Balancing social benefits and outcomes worked its way into economics thinking. That is 'the double bottom line.' Additionally, it has become inescapably evident that the environment that every person on earth must live in, the global environment, has to be taken into account lest we risk mass extermination of the human species regardless of what we might prefer to think about economics, theories, and debates. Environmental impact has therefore become the third part of 'the triple bottom line.'

It is now widely accepted scientifically that global warming poses such a threat as to put at risk the survival of the human species. Greenhouse gases, primarily in the form of carbon dioxide emissions produced by burning hydrocarbons for energy supplies, are causing global warming. Logically, it seems that reducing these emissions and developing alternative energy sources that do not require burning hydrocarbons will reduce the 'greenhouse effect', or global warming. However, in doing that, we also reduce atmospheric pollution. On its face, that sounds good since atmospheric pollution is also a direct hazard to human health.

Global warming models have mostly been based on predictions of a gradual but steady warming such that a one degree centigrade increase by around 2040 or so will produce catastrophic environmental changes. On September 11, 2001, America was attacked and grounded all aircraft for three days. That removed most of the normal atmospheric pollution over the US for those three days. The sky was clear and unusually blue. Routine temperature measurements were continued, as they had been for half a century, without interruption. And we saw some unexpected and startling data: during those three days, temperature measurements increased by one degree centigrade. In three days, the dreaded one degree centigrade occurred, rather than several decades. The date was examined closely, around the world. It turned out that the increase was due to decreased atmospheric pollution that had been acting as a shield, an umbrella, in blocking solar thermal radiation. After US air flights were resumed and atmospheric pollution was restored to normal levels, the temperature receded.

Evidently, we are caught in a seemingly impossible dilemma. If we reduce hydrocarbon emissions for the purpose of human health and safety with the purpose of decreasing global warming, we also remove the shield, the umbrella, that protects us from far faster global warming.

Thus the issue of ecology economics is not only 'the third bottom line', it might be more aptly renamed the economics of survival of the human species. That includes everyone, regardless of one or another economic hypothesis or theory they might prefer. We can endlessly debate and discuss von Mises/von Hayek free market economics/capitalism which proved successful except for the times it failed, and then study why it failed – repeatedly, the most recent failure in September 2008. We can endlessly debate and discuss opposing Keynesian government interventionist economics/capitalism, which proved successful except for the times it failed. That has been an alternating pattern for the past eighty years in Western capitalism. We can discuss the successes and failures of various flavors of communism and fascism. At this point, the simple fact is that regarding economic theory, no one knows what to do next. Possibly this has escaped immediate attention in Ukraine, but, economists in the US as of the end of 2008 openly confessed that they do not know what to do. So, we invented three trillion dollars, lent it to ourselves, and are trying to salvage a broken system so far by reestablishing the broken system with imaginary money.

Now there are, honestly, no answers. It is all just guesswork, and not more than that. What is not guesswork is that the broken – again – capitalist system, be it traditional economics theories in the West or hybrid communism/capitalism in China, is sitting in a world where the existence of human beings is at grave risk, and it's no longer alarmist to say so.

The question at hand is what to do next, and how to do it. We all get to invent whatever new economics system that comes next, because we must.

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