People, Nature and the Man-Made Environment

Analysis of society and the economy is very complicated and because of this, difficult to understand. Multi Dimension Impact Accounting (MDIA) aims to make an understanding of socio-economic performance somewhat easier without losing contact with reality.

A characteristic of the MDIA method is that it is built on accounting concepts more than it is based on statistics and mathematics.

One of the main simplifications is to think of everything as being in one of these segments:

- People;
- Man-made environment; and
- Nature

People are at the center of everything, though this is not the way conventional money profit metrics operate. Conventional money profit accounting is about the performance or an organization and impact on investors more than anything else. In this model, society flourishes when the quality of life of people is sustained and is improving.

The modern world has a socio-economic environment that is very much dependent on a man-made environment. The man-made environment includes the built environment of housing, infrastructure, etc., but also the framework of government, rule of law, knowledge, organizations, etc.

Everything … people and the man-made environment … exist on top of nature. Nature is both the fact of life and the reality of living resources, mineral and energy resources, and the environment. Nature is the enabler of everything.

A system of metrics that combines ideas that originate with natural science with the powerful but simplifying concepts of accountancy has the potential to be both simple, realistic and powerful.

Of the rules from nature it is the basic Second Law of Thermodynamics that is one of the most important. There are relationships between energy and work that must be respected no matter what the activity. Inputs have predictable relationships with outputs.

Of the concepts from accountancy it is the basic relationship between balance sheet and operating results that is one of the most useful. Simply stated it is the profit for a period that changes the balance sheet from the beginning to the end of the period. Put another way, it is progress that changes the state of anything from the beginning to the end of the period.

Conventional accounting and economics has a singular focus on performance measured in money. It is widely recognized that many of the matters that should be measured are ignored by
conventional metrics. Accordingly MDIA seeks to have value quantification that is as ubiquitous as money measures.

When there is an economic activity, the results may be expressed in terms of money accounting, but are better expressed in terms of money and value along these lines:

- Money flows and profit;
- Impact on people and their quality of life;
- Impact on place where everyone lives and/or works;
- Impact on product that flows through economic activity to satisfy people's needs and wants;
- Impact on resource depletion that is embedded in the products we buy, use and junk;
- Impact on environmental degradation that is embedded in the products we buy, use and junk;
- Impact on built environment that is both the enabler of productivity and constraint on best practice;
- Impact on enabling environment that is both the enabler of productivity and constraint on best practice;
- Impact on knowledge that enables productivity and better performance.

An economic activity is the low level building block of MDIA. It is located in a place, operated usually by an organization, financed by an organization or individuals, there are employees, and there are products being used in the operations and there are products being produced, and there are wastes that are degrading the environment. An economic activity functions in a built environment, and functions in an enabling environment … and an economic activity draws on knowledge and may contribute to knowledge.

The performance of a place is made up of many people and many economic activities together with all the impacts associated with their activities.

The performance of an organization is made up of the economic activities that they operate. The MDIA logic means that the organization becomes accountable for all the flows of product into the operations from the supply chains.

Products and economic activities are valued based on standard value which quantify everything that matters.

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