

March 2015

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# MDIA

## Why? What? How?

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My GOAL is to design and deploy an accounting system that accounts for impact on people and planet as rigorously as double entry accounting accounts for money transactions that impact profit

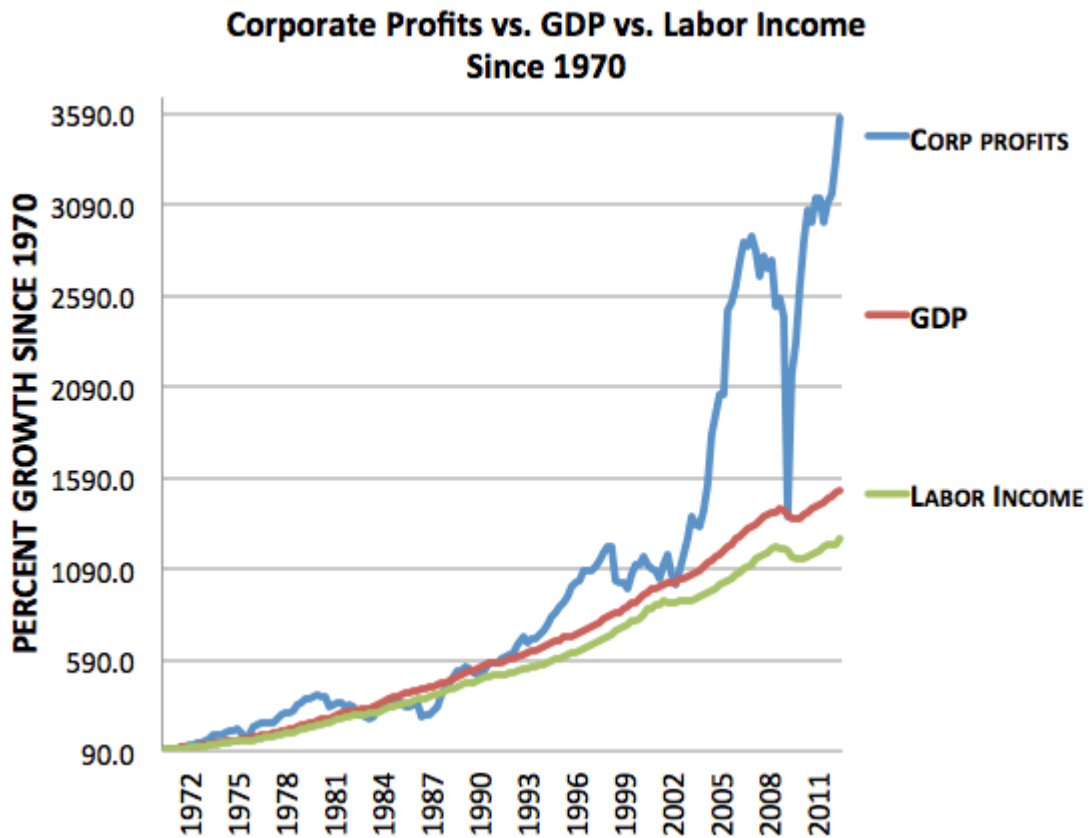
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Corporate money profit performance over the past fifty years has been impressive

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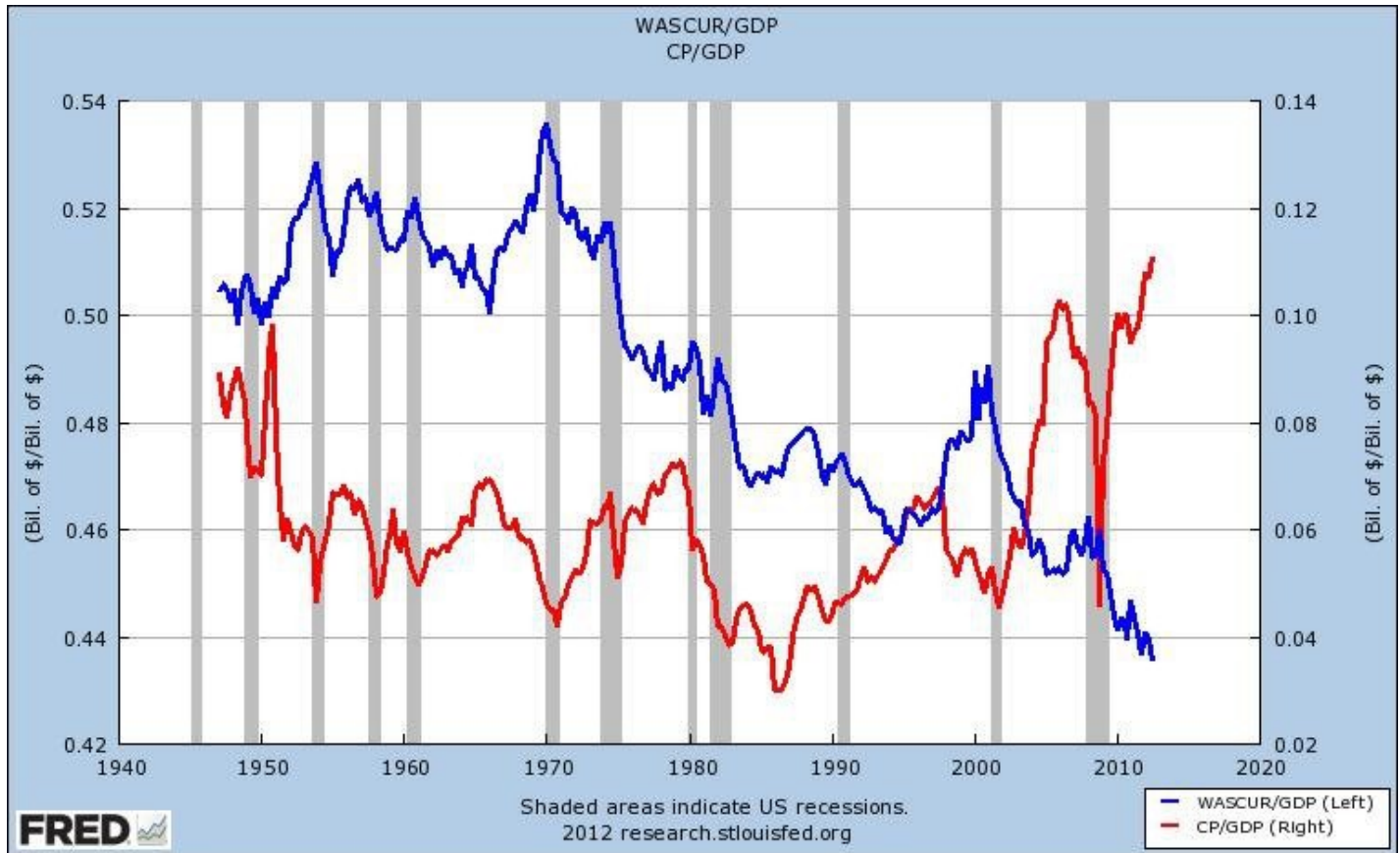
But labor income over the past fifty years  
... not so good

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This graphic shows how GDP in the USA has grown over time ... the red line. It also shows how Labor income has grown over time ... green line. Not quite keeping up with GDP. The blue line is growth in corporate profits which have surged since their weak point in the late 1980s. Some huge changes in the structure of the economy have taken place in the last 50 years.

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WASCUR ... Wages and salaries

CP ... Corporate Profits

GDP ... Gross Domestic Product.

From 1940 to 1970 wages and salaries were steady (or growing) relative to GDP

From 1970 to now, wages and salaries have been declining relative to GDP, except for some increase in the Clinton years

For profits, there was a decline in the post war years, and then rather steady from the early 50s until around 1980. The post GoGo period in the early 70s was not good for profits, nor the Oil Shock in 1973/1974 ... nor the early Reagan years. However, the last 30 years since the mid-1980s have been very good for profit growth especially when contrasted with the decline in wage and salary growth.

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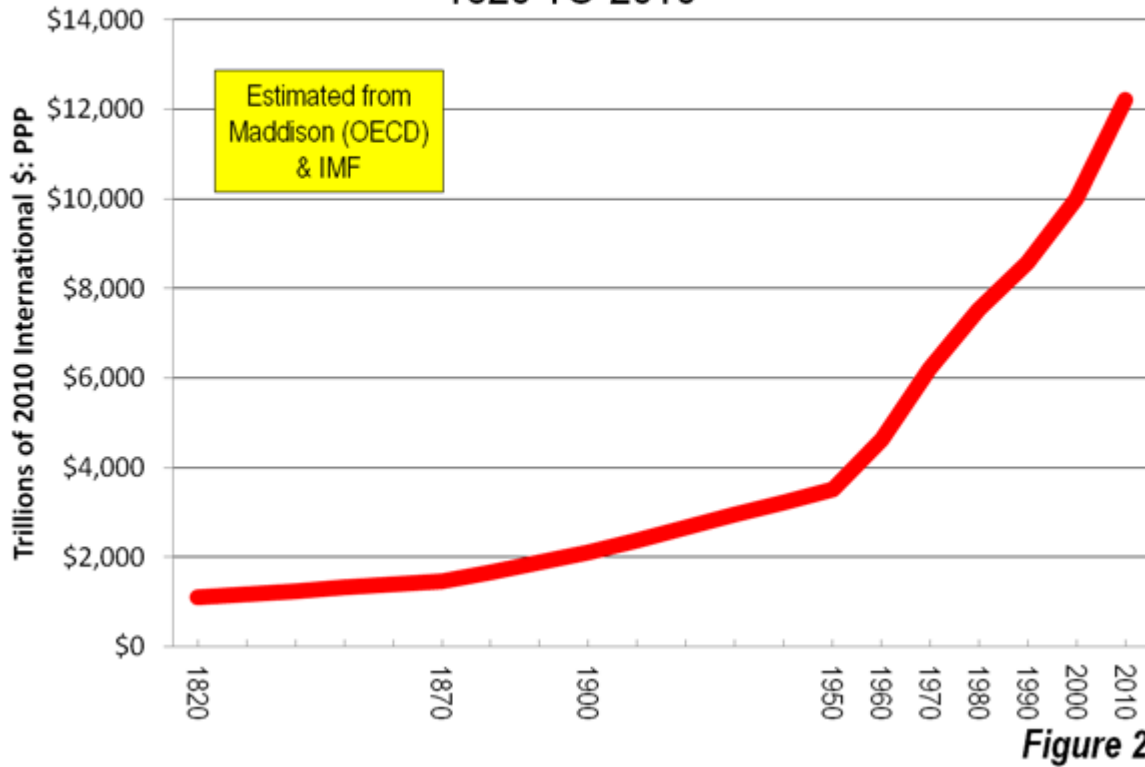
Robert Reich who was Secretary of Labor under President Clinton has highlighted the productivity paradox which results in virtually nothing for wage workers and hourly compensation.

He notes the change goes back to 1980. I argue the change goes back to 1970.

The increase in productivity since the 1970s has been phenomenal ... but virtually none of it has accrued to the benefit of those that are workers compared to those that are owners.

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## World GDP-PPP per Capita 1820 TO 2010



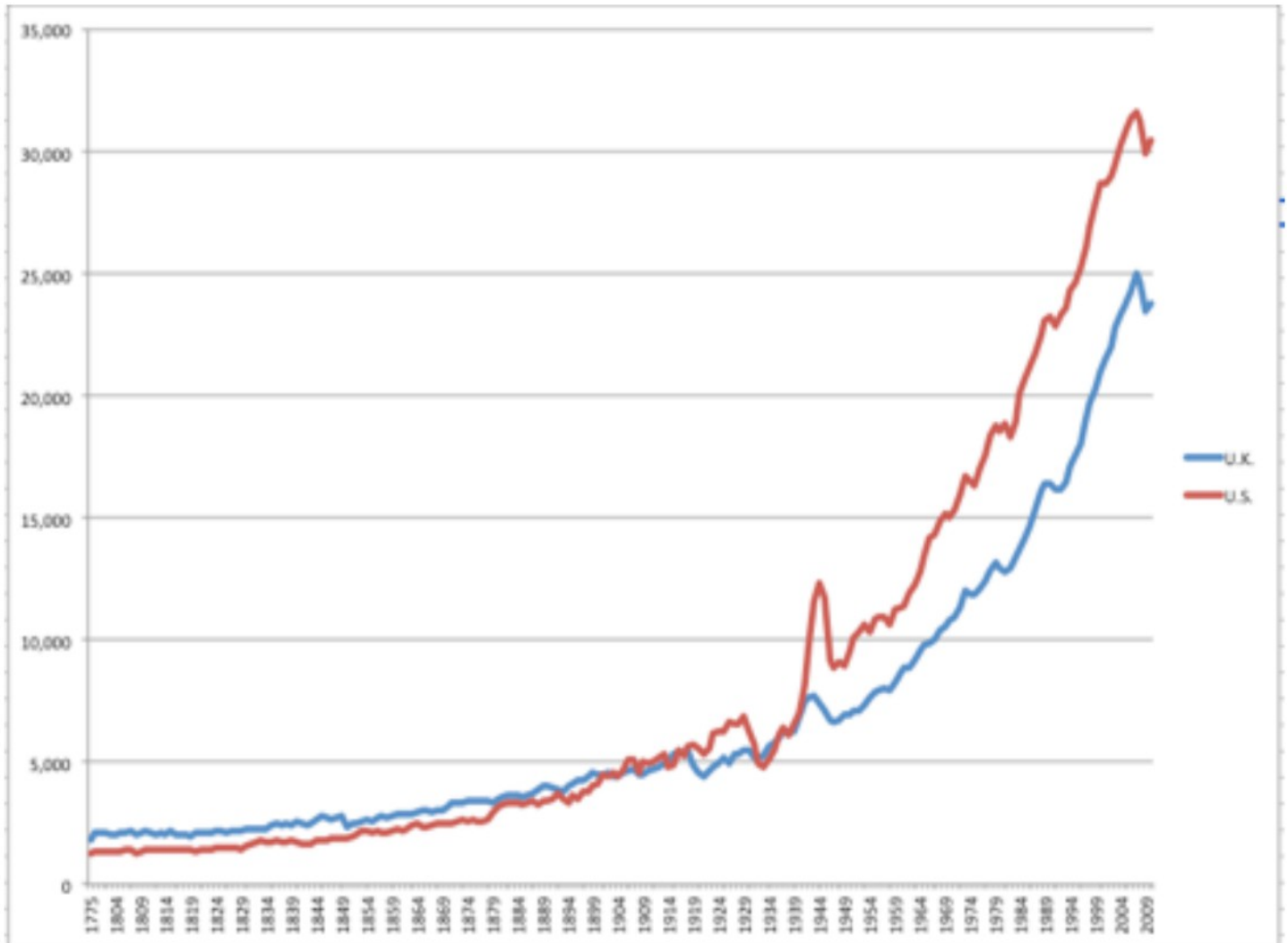
GDP per capita is often used as a proxy for quality of life and standard of living.

In this graph world GDP has increased in an amazing way in the last 200 years, with the increases in the years since 1950 quite remarkable.

By 2010 world GDP per capita has exceeded \$12,000

This is on a PPP basis ... purchasing power parity basis,

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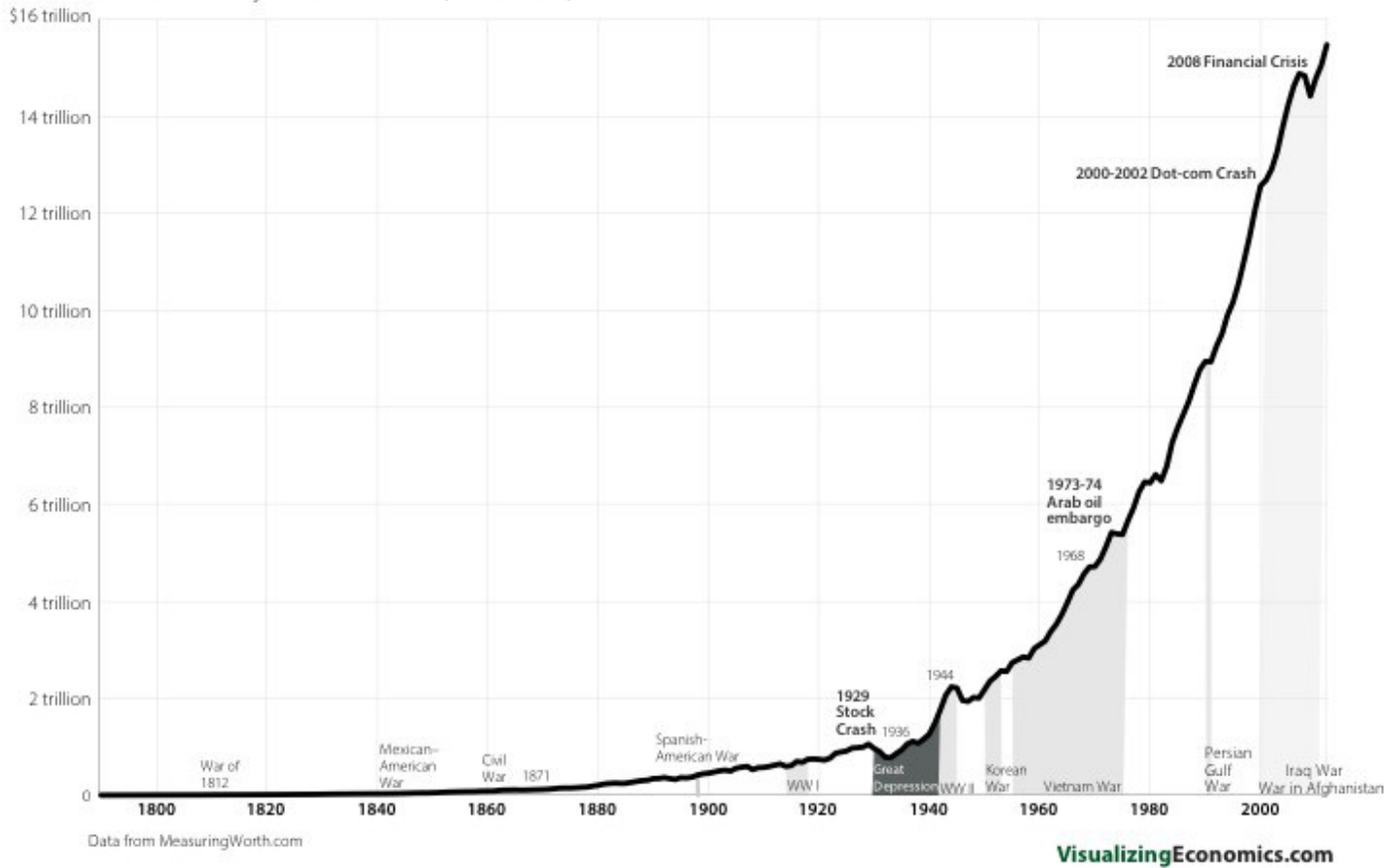


If you track the GDP per capita for the UK and the USA over approximately the same period, the shape is much the same, but the US reaches over \$30,000 and the UK about \$25,000.

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## Real US GDP (Linear) 1790–2012

Annual GDP adjusted for inflation (2009 dollars)



The sheer size of the modern economy compared to the past is staggering.

This graphic shows the size of the US GDP now compared to the past going back to 1800.

This graph adjusts for inflation ... hence 'real' GDP.

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This is an image of the world



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This is another image of the world.

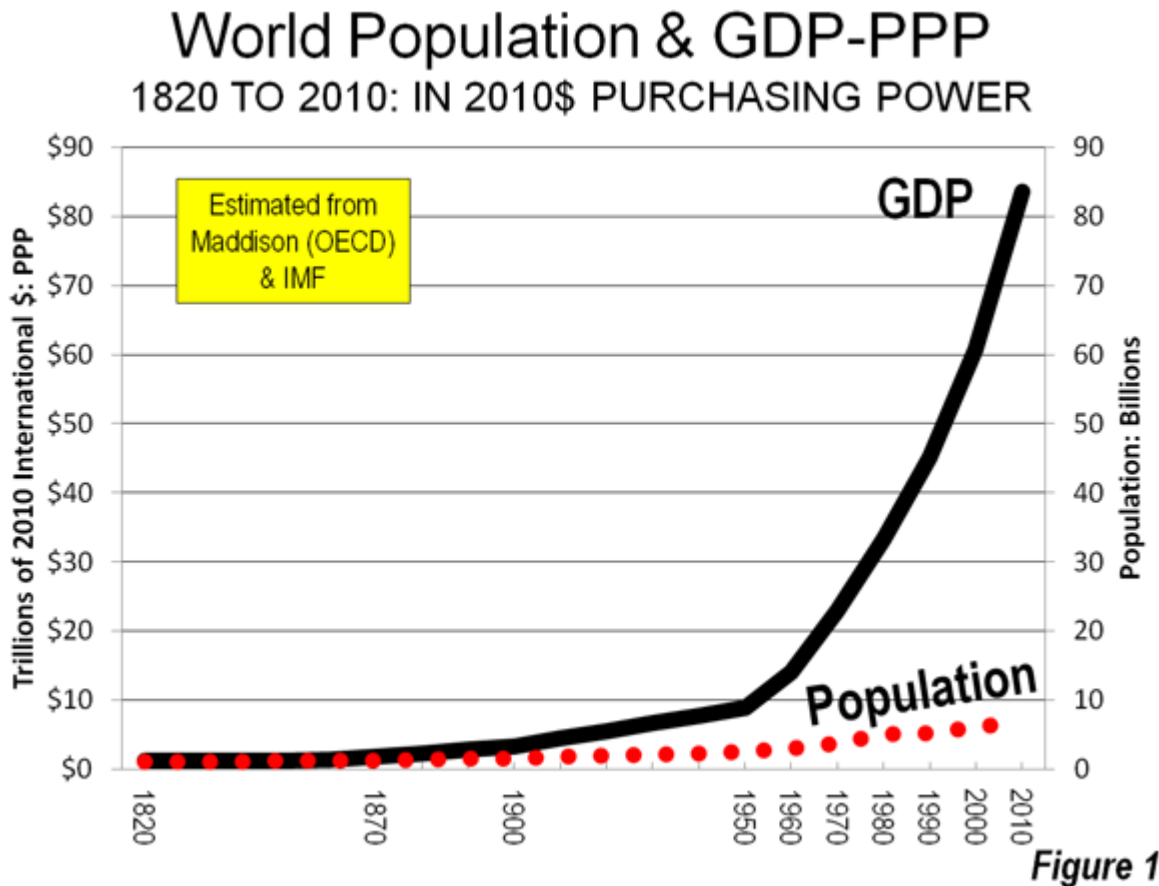
Both these pictures were taken from space in recent years.

If they had been taken a million years ago, or 200 years ago, they would have looked the same.

The planet is a finite size. It is not growing like the modern economy is growing.

This is a problem.

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This graph tracks world GDP and world population for the past 200 years.

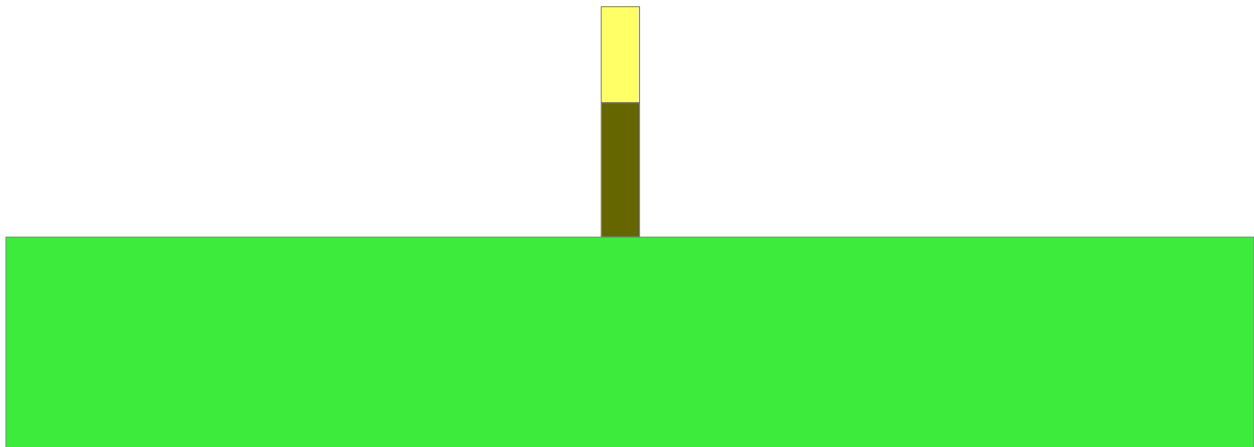
While population is increasing, it is quite modest compared to GDP growth.

The pressure on the planet comes, not so much, from the growth of population but more from the growth of GDP.

The following series of images depict the size of the three components of the socio-enviro-economic system ... the size of the people part (yellow), the size of the man-built structures and systems (dirty brown) and the natural world (bright green).

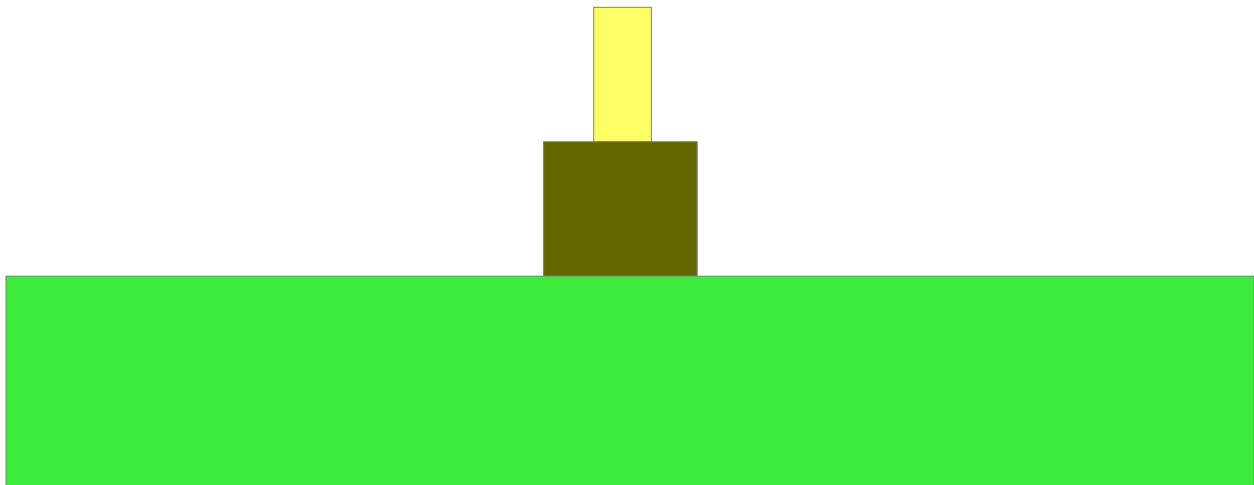
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A long time ago ... People small, MBSS small and Nature unstressed



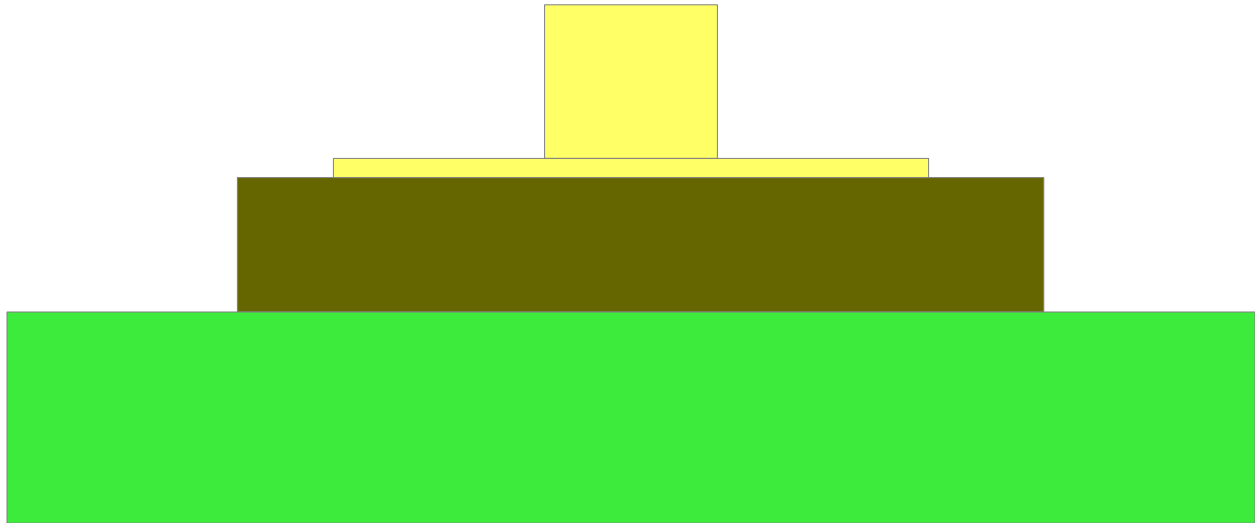
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As time passed, People getting more and richer, MBSS growing and Nature still unstressed



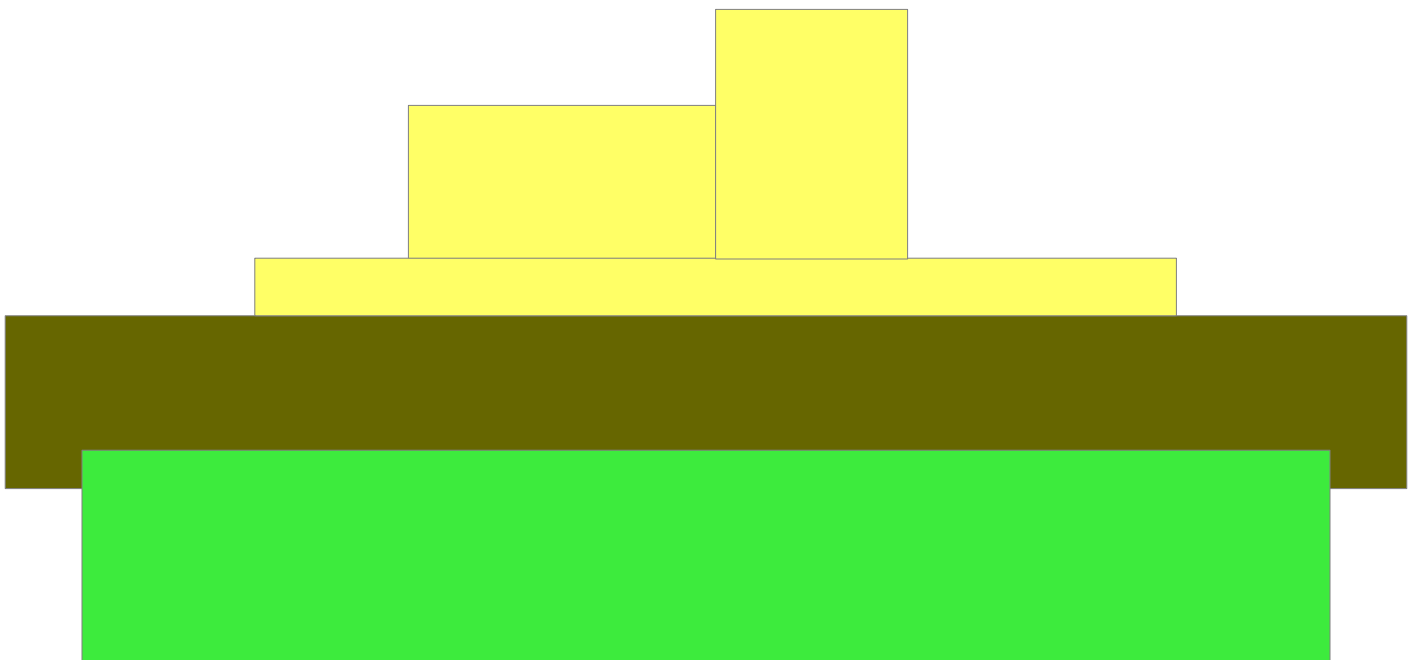
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Population growing rapidly with some people becoming affluent, many more remaining in poverty. MBSS now very large to support the consumption of the affluent. Nature not much affected yet.



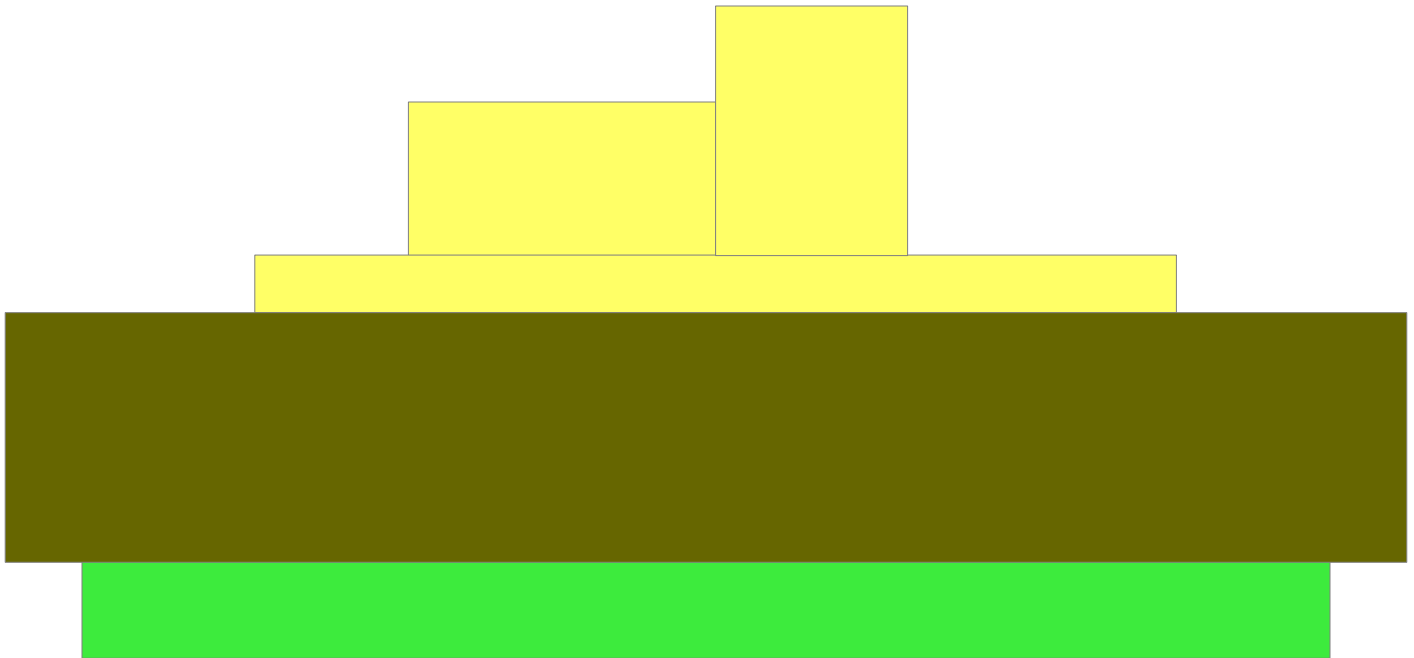
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More people affluent and consuming at high rates. Somewhat less poverty. MBSS now at such a scale that Nature is overstressed and increasingly at risk



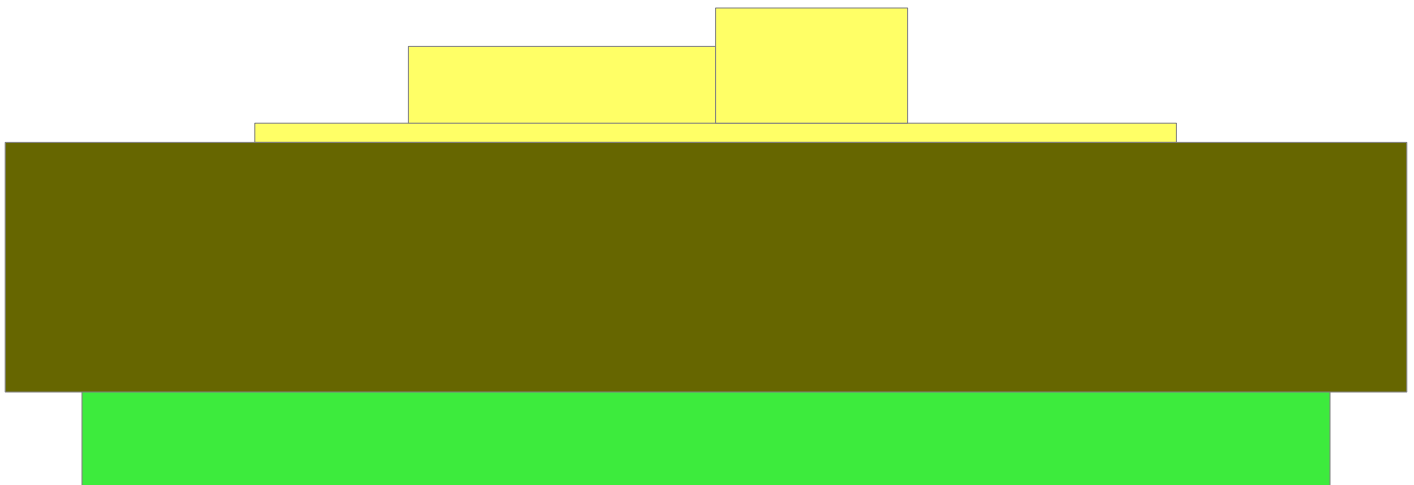
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High population and high consumption requires large scale MBSS that starts to overwhelm the Natural systems



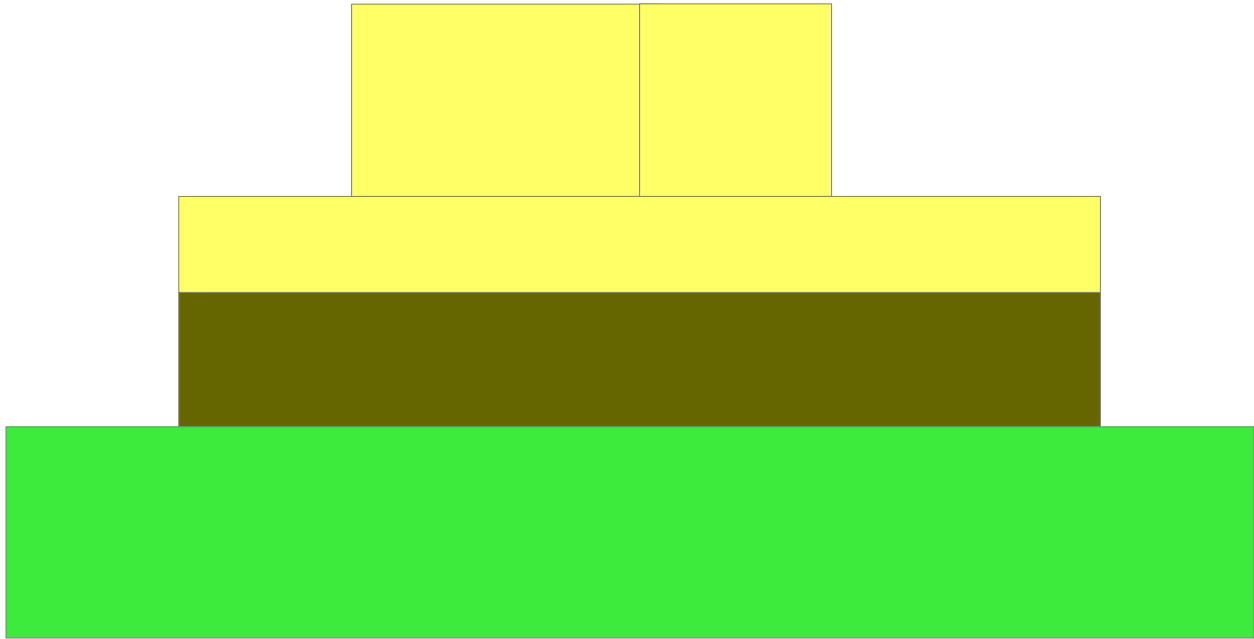
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... and the crash of the Natural Systems makes it impossible to sustain the high consumption large population which then crashes. This is a highly undesirable outcome ... but the most likely outcome using conventional business focus economic analysis.



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This is what we want. An affluent population with efficient MBSS that is supported by Natural systems that are not stressed or compromised.

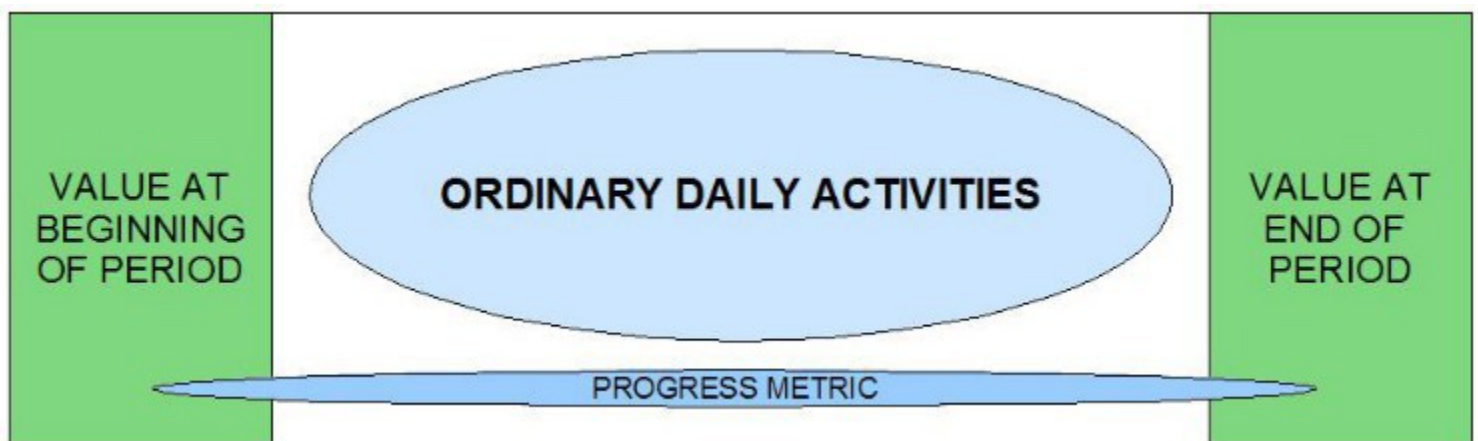


**The Idea of State – Flow – State**

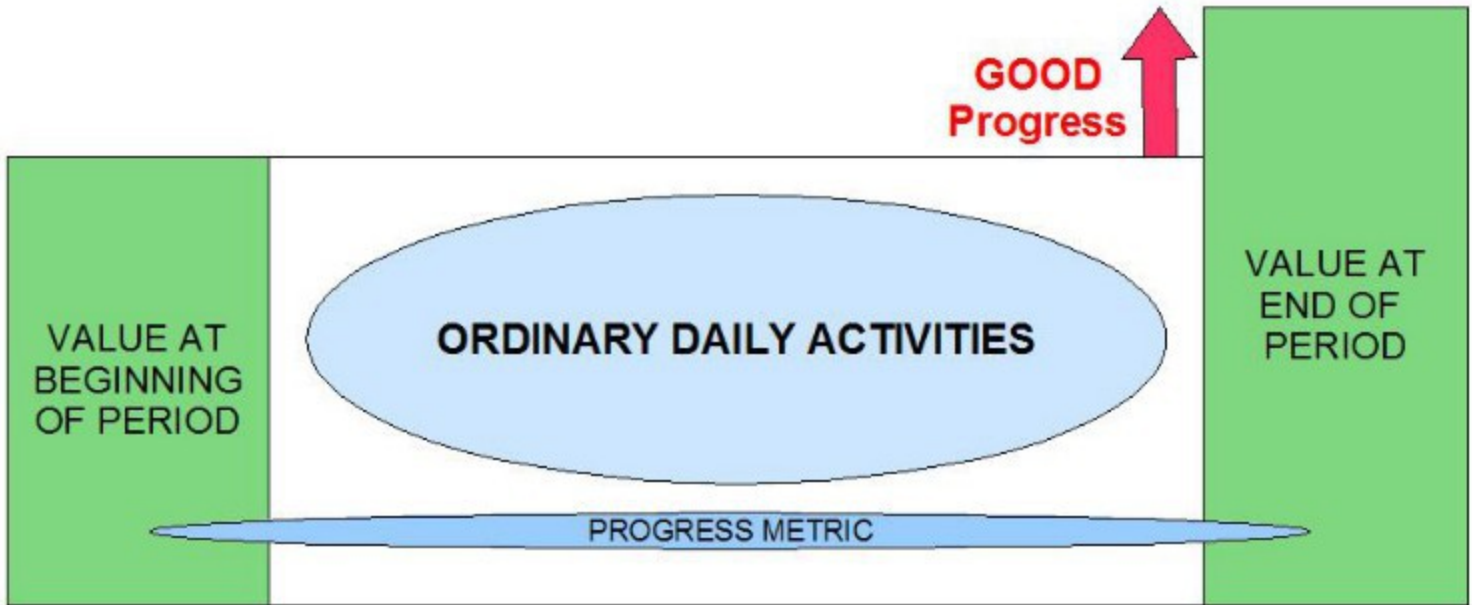
Double entry accounting is very clear about the difference between 'state' and 'flow'. Economics is less clear about the distinction. This is one of the reasons why this initiative has been named Multi-Dimension-Impact-**Accounting**. In conventional accountancy, the balance sheet is about 'state' and the profit and loss accounts are about 'flow'.

Another characteristic of conventional double entry accounting is that the result of 'flow' is a change in 'state'

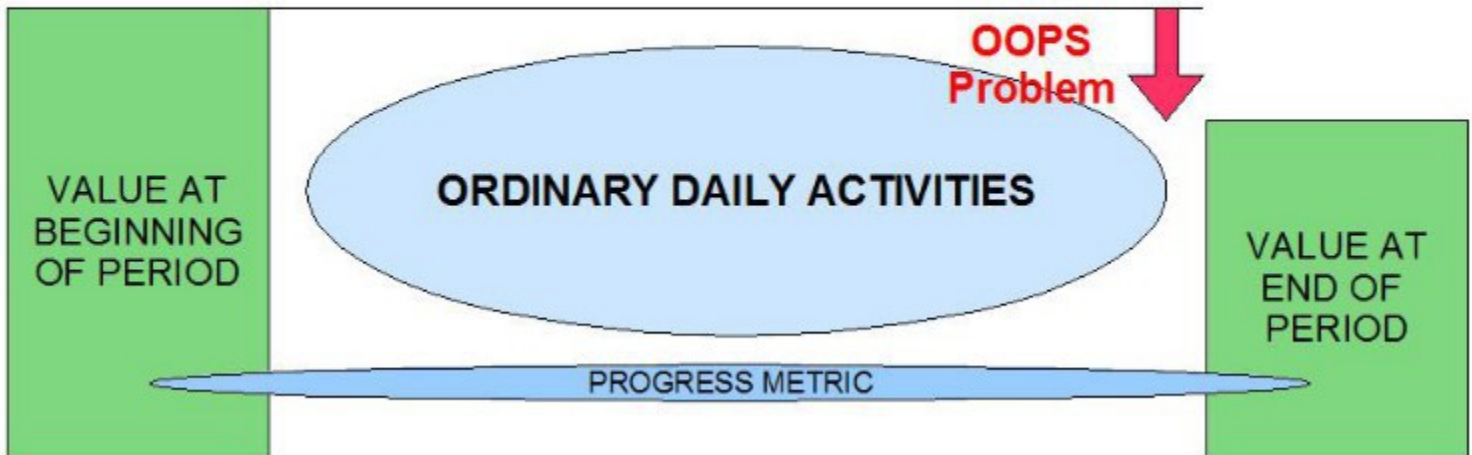
In this graphic the value or 'state' at the beginning of the period is the same as the value or 'state' at the end of the period. This is a steady state situation where the activities of the period merely result in a sustaining of the status quo.



Where 'state' at the end of the period is more than the 'state' at the beginning of the period, there is positive progress.



Where the state at the end of the period is less than the state at the beginning of the period, there is a problem.

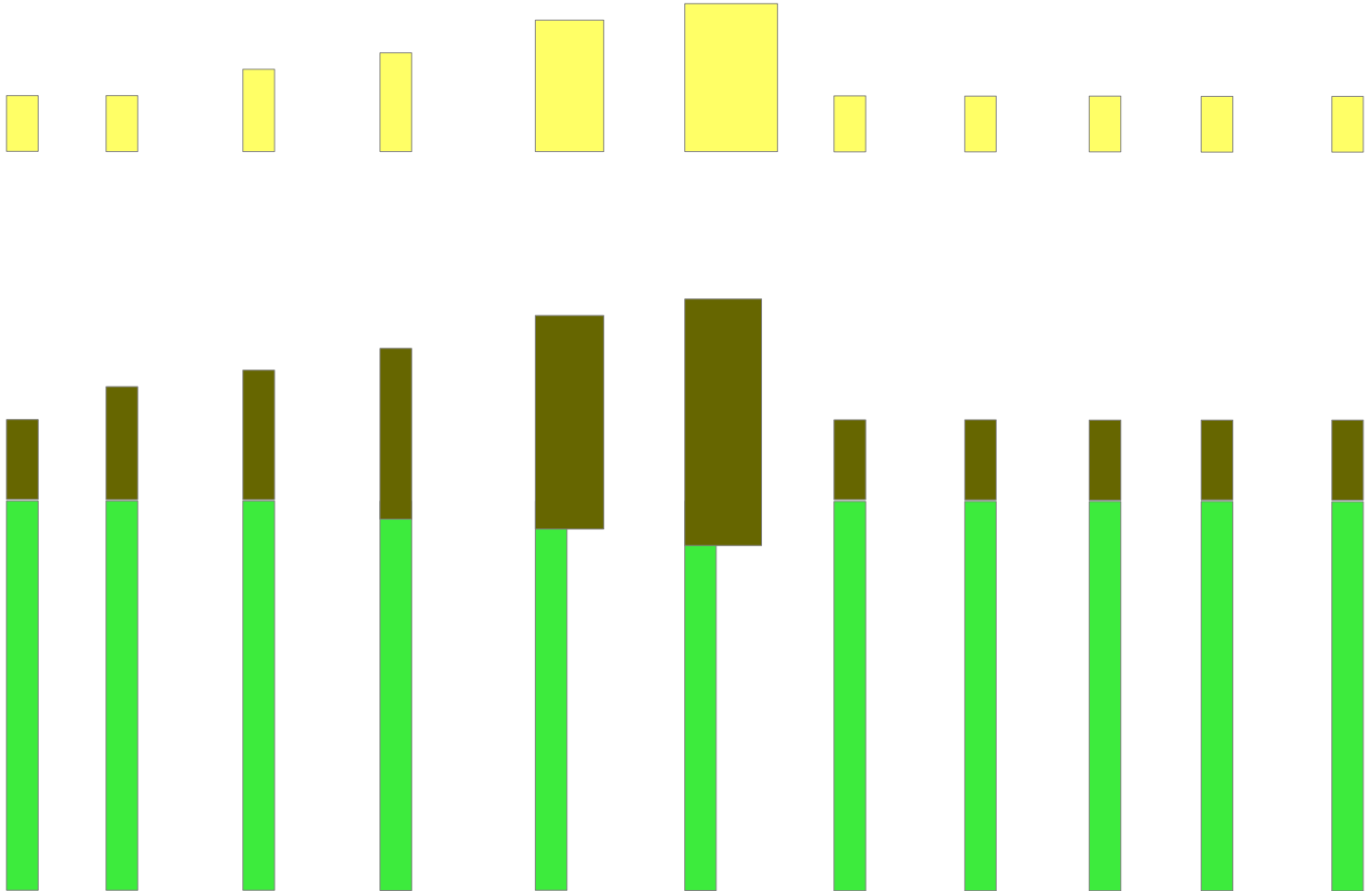


An important thing to note is that none of the details of the activities are needed in order to determine whether or not there has been progress.

This is an incredibly powerful analytical method, and almost completely ignored in the analysis of progress and performance in the socio-enviro-economic system.



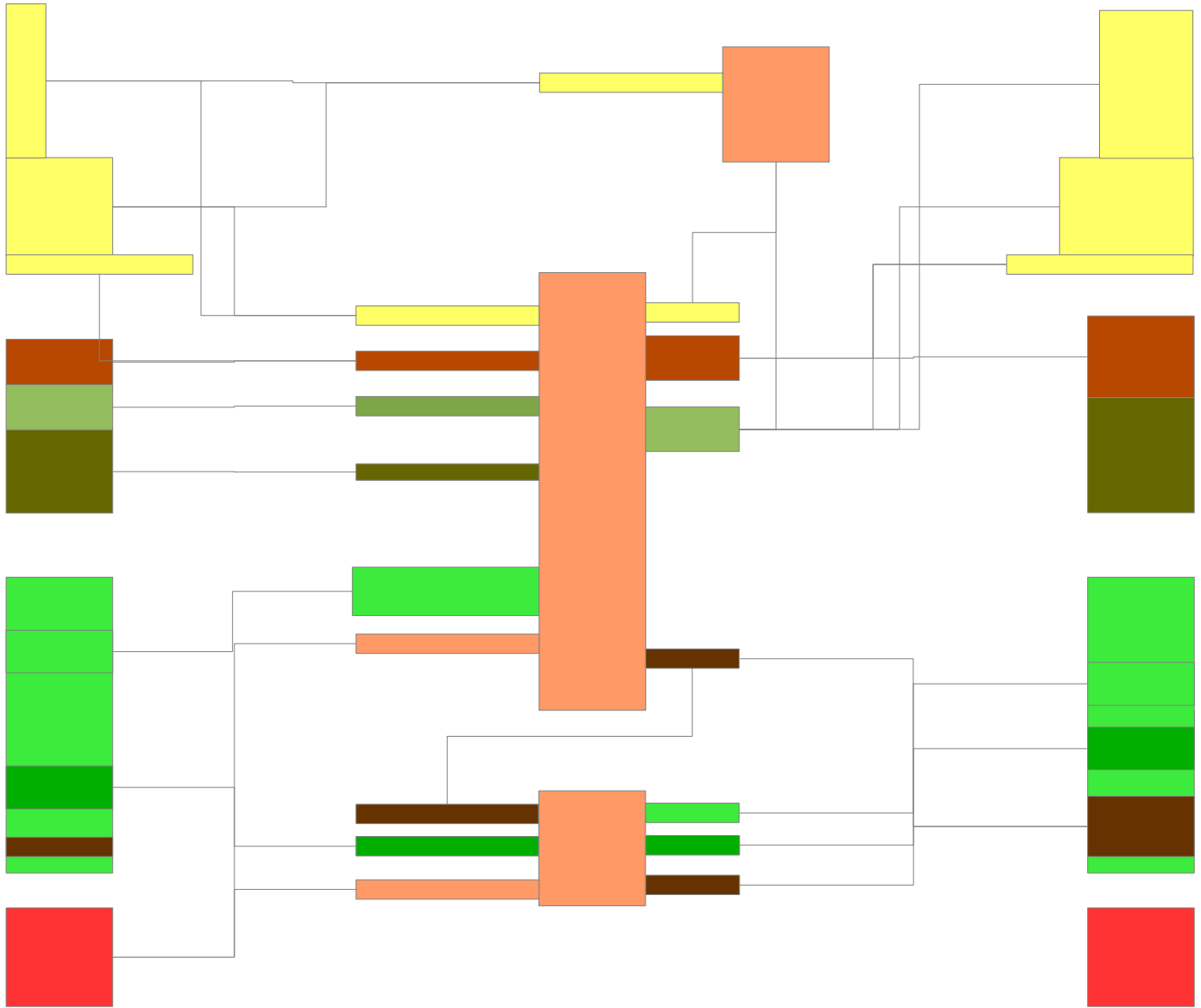
This graphic shows how setting the 'state' side by side over time makes it relatively easy to understand how things are changing. In the following: Yellow is about people, dirty brown is about man built structures and systems, and green is about nature.



As time goes by, people become more, and eventually richer as well.

Man built structures and systems get deployed more and more, and this enables a bigger quality of life.

Nature can easily handle people initially, but eventually MBSS gets very big and the natural systems get overloaded and start to crash.



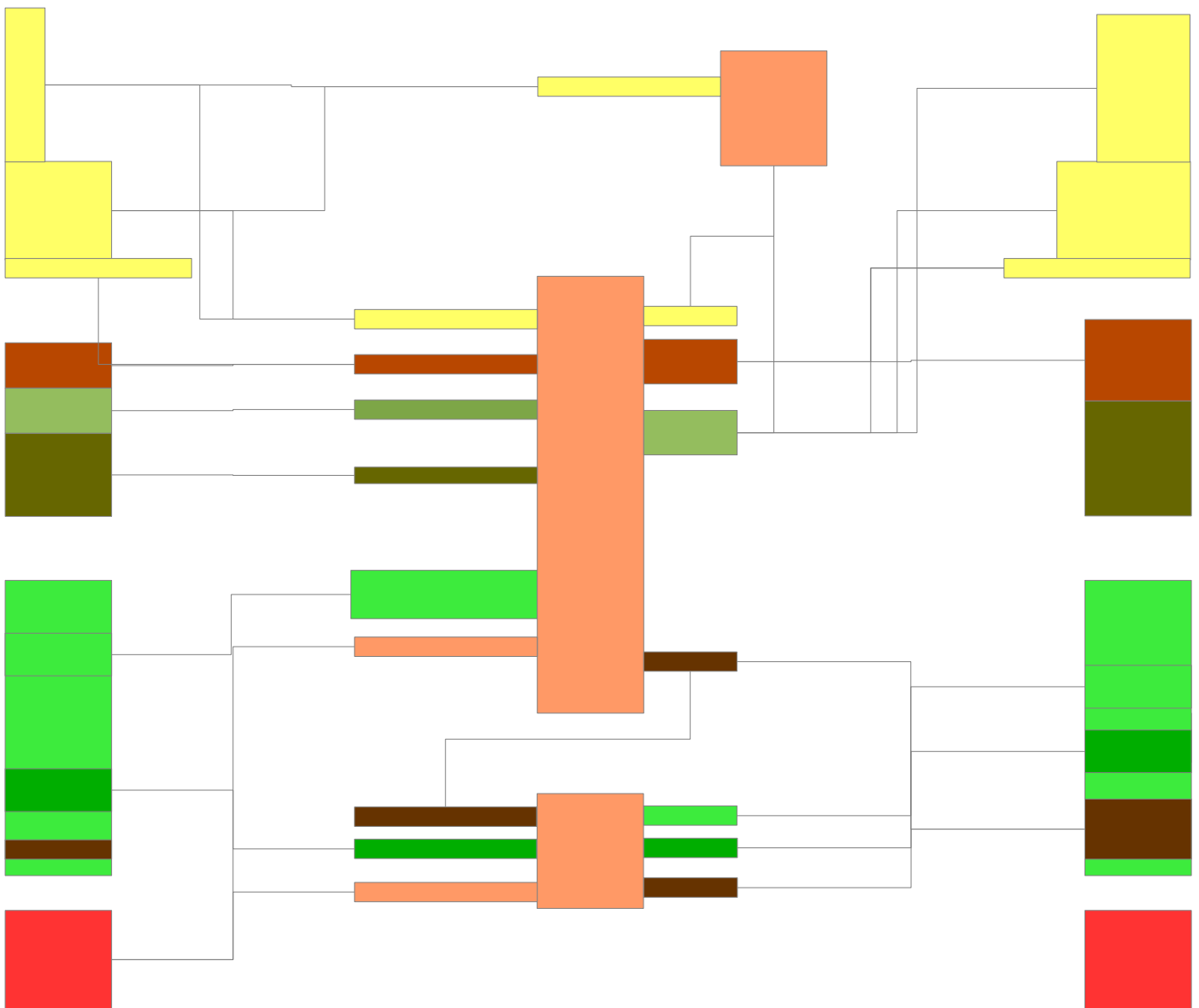
On the left there is the 'state' at the beginning of the period (BOP), on the right there is the state at the end of the period (EOP). In the middle there is the 'flow'

The people section is in yellow

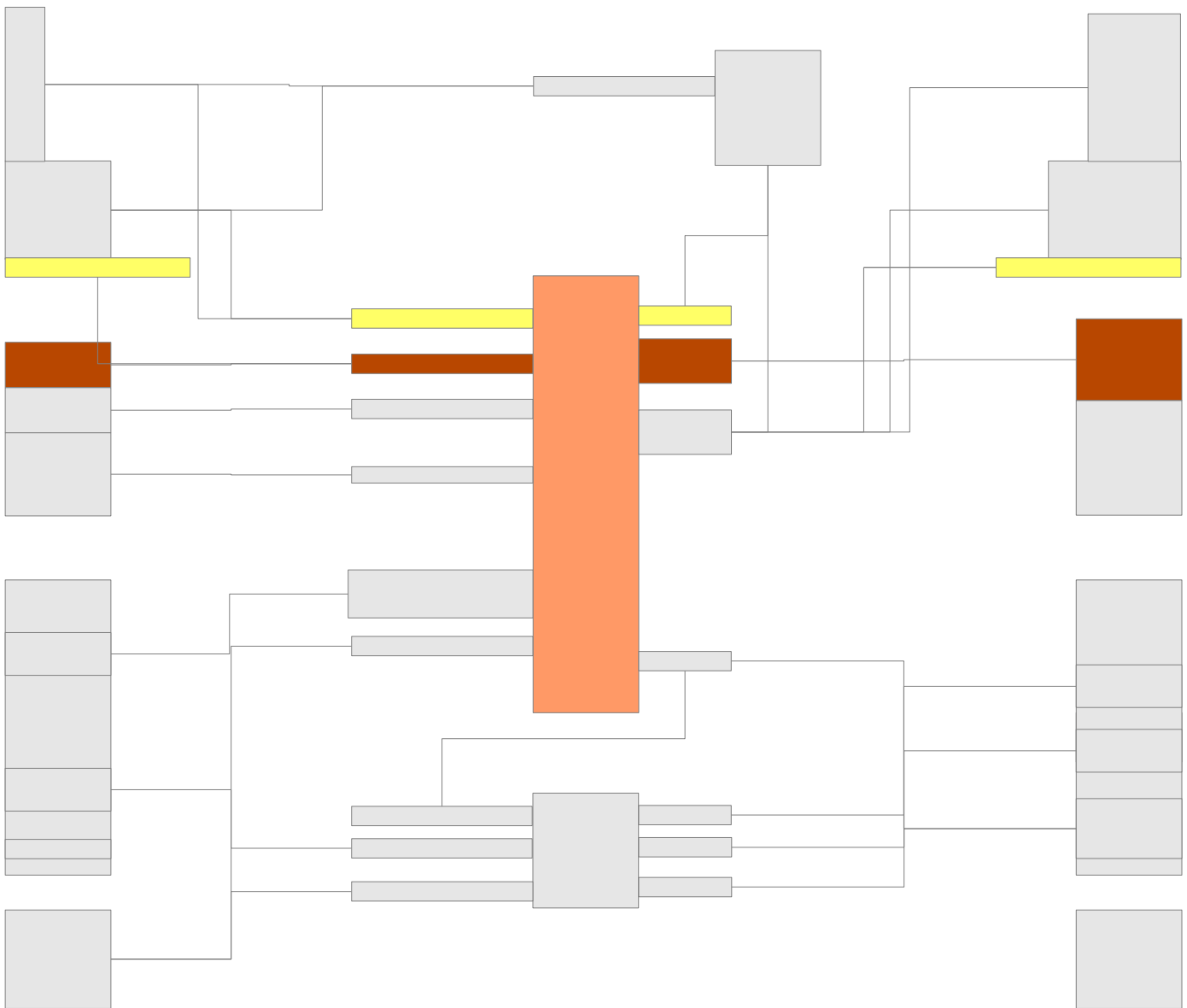
The man built structures and systems (MBSS) is in dirty brown

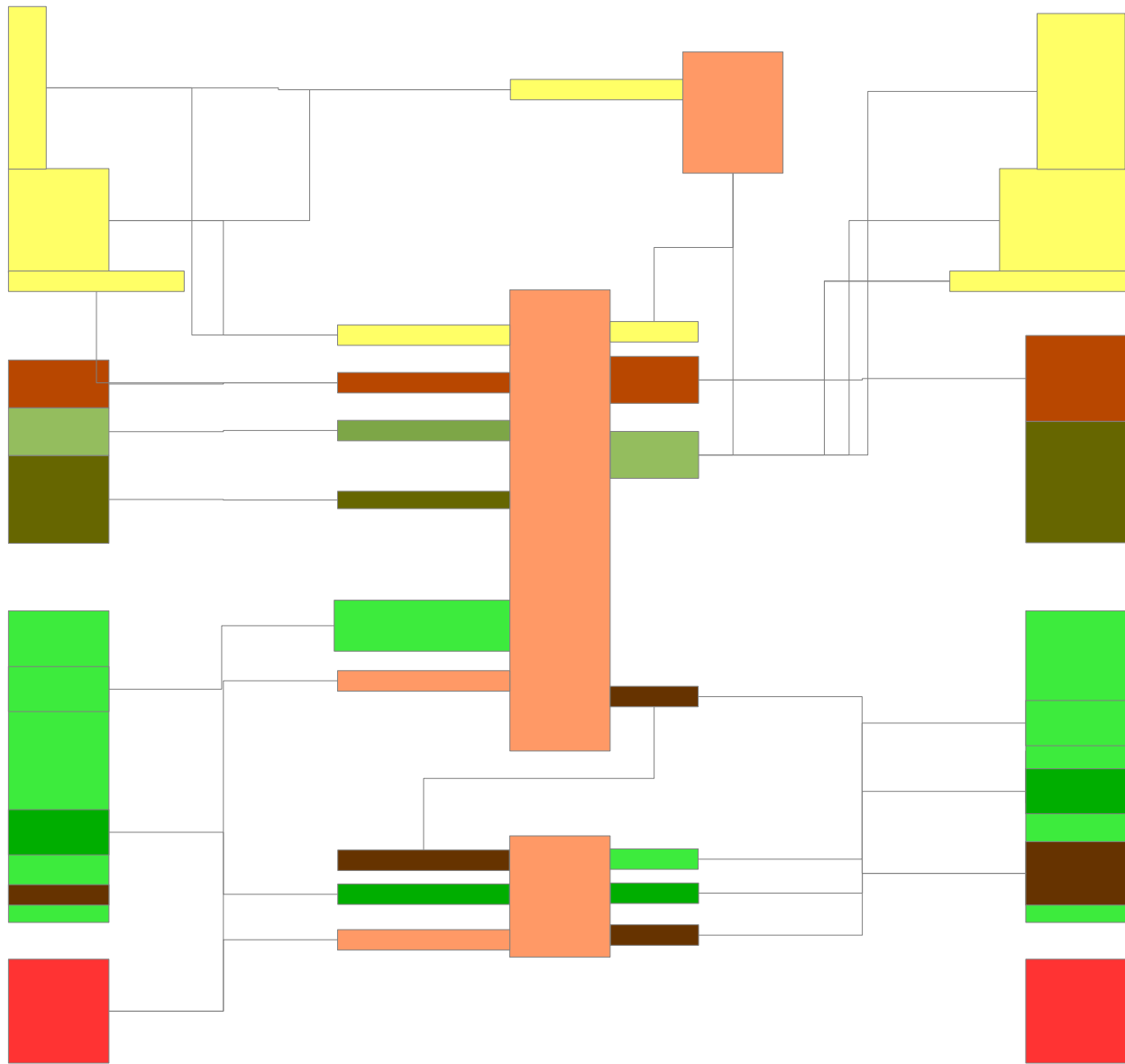
The natural capital is in green

The sun is in red.



The people section is separated into three groups: (1) a large group that has very low quality of life; (2) another group that is large and increasingly with a reasonable quality of life; and (3) a small group that has immense wealth (Financial capital and ownership of assets)





Conventional money profit accounting works for financial performance ... impact on corporate profits and stock value.

Quality of Life and Standard of Living should be measured just as powerfully.

All the dimensions of Natural Capital should be measured just as effectively.

You Manage what you Measure.

Attributed to Peter Drucker

When you change the way the game is scored, you change the way the game is played.

