



MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

Metrics about People and Quality of Life

February 2014

Quality of life (QoL)

Quality of life is a complex metric, but for all that an important one, and arguable the metric that should be at the center of everything.

An individual's quality of life has many components. The 'state' of a person is not only about the current money income, but also about the money wealth of the individual and the family. It is also about what has happened in the past, the parenting, the education, the wellness and all sorts of other choices. It is also about the future, the opportunities there are. It is about the whole enabling environment of society, including things like physical security, things like community and all the services that exist to help and to make life worth living. It is about facilities for sport and recreation, the arts and entertainment.

QoL ... the central purpose of economic activity

Maintaining and improving the quality of life for real individual is the central purpose of economic activity. The prevailing metrics do not measure this in a meaningful way. There is, maybe, an assumption that more GDP per capita means also that quality of life is maximized ... but this has been debunked a very long time ago.

An individual has quality of life, which is perhaps the main goal of economic activity. Economic activity that enables improvement in quality of life also generates a variety of other outcomes that have impact on organization, other people, place and planet.

Money and material wealth

Ever since economists concerned themselves with analysis of the economy, they have used money as the measure of standard of living, quality of life and well-being. While this is better than nothing, it does not reflect a big part of what it is that makes for a good quality of life.

When economics was starting to emerge as an area of academic study, there as endemic poverty and shortage. In that context more money correlated well with a higher standard of living and a better quality of life. In more modern times with amazing productivity, the situation is very different and especially for richer people more money has a very low correlation with happiness and other intangibles that go into quality of life.

What can be bought with money

Some of these can be bought with money, and give a direct impact on quality of life. Having money and earning money enables the purchase of the necessities of life. These items are in this category:

- Payments for water and food;
- Payments for shelter;
- Payments for clothing; and,
- Payments for recreation.

Some can also be bought for money, but the impact on quality of life does not come immediately but at some point in the future. These purchases are in this category:

- Payments for healthcare; and
- Payments for education.

What does not get bought with money

Many aspects of an individual's quality of life are not bought for money alone, but result from behavior that is not directly related to money transactions. These quality of life components are in this category:

- The value of family;
- The value of friendship;
- The value of community;
- The convenience of things (like ease of buying things)
- Accessibility to what one wants;
- Financial security; and
- Physical safety and security ... lack of violence.

There are some aspects of an individual's quality of life that are controlled by fate and by others. These include:

- Some health issues;
- The macroeconomic environment;
- The state of development;
- Catastrophic weather events and natural disasters; and
- The macrosecurity environment.

Quality of life may be complicated ... but quality of life is important. Arguably it may be the most important thing in society and the economy.

How QoL builds from the income of an individual

An individual receives a salary as a worker

Earnings from an economic activity are at the central core of a healthy economy. These earnings make it possible for workers to purchase what they need. This is arguably the most important linkage in the economic system, and increasingly at risk as technology reduces the need for labor in an economic system that makes more and more use of automated production.

An individual receives remuneration as an executive

The earnings from an economic activity paid to executives are partly used to purchase what is needed, but the amount of salary usually goes way beyond this minimum to something that represents reward for decision making and management which may be reasonable or unreasonable depending on the amount.

An individual receives income as an investor

Some people get benefit from investment. Up to a point this may be considered a fee for the use of money, and beyond some point the benefit may be something that represents remuneration from exploitation which may or may not be reasonable.

People get benefit as members of these people's families

A worker's remuneration has secondary impact that is substantial because of the use of this salary to provide for the needs of the family. A small wage is not enough to provide well for a family with children, but is massively better than no wage.

People get benefit as members of a community where people have income

Most of a worker's remuneration gets spent, and to the extent that this spending is for goods and services that are produced in the place or community then there is a multiplier effect. The multiplier effect may be anything between 2 and 10 depending on the characteristics of the community.

Data for individual decision making

Aggregation makes it possible to understand progress. Disaggregation makes it possible to inform decision makers more effectively at the point of decision.

There needs to be data to inform an individual about the impact of decisions that are being made by the individual.

The buy or not to buy decision by an individual is a small decision, but it is made many of billions of times a day, and in most cases, there is no data to advise on the impact of the decision, either pre decision or post decision. This needs to be changed.

The importance of this is fully understood by the corporate commercial sector who have funded the development of a very sophisticated advertising and public relations infrastructure for over a century. Corporate advertising and brand PR makes it possible for anyone contemplating the purchase of a product to be told how good it is, and how it will improve the buyer's quality of life.

But virtually nothing is available to advise the possible buyer that this purchase is going to have a chain of adverse impacts on people around the world and the planet we have to live on. This needs to be changed.

An individual is the source of decision making and therefore of importance in behavior change that impacts everything.

An individual is also part of a family. The economic flows that impact an individual also have impact on the individual's family.

In addition the economic flows that impact an individual and a family also have impact on the larger place or community. This is recognized in economics as the multiplier effect.

Decision making ... to buy or not to buy

An individual makes decisions that result in improved quality of life, in the main by choosing to buy goods and services that offer the best value for money.

The value for money proposition is the focus of advertising and promotion.

There is no equivalent flow of information about the impact of the product on people and planet from the start of the value chain for the product to its end.

This information asymmetry results in a society and economy where the buy or not to buy decision is based on data that favors the organization without data that informs about other important things.

Data to enable incentives

As the MDIA initiative matures it should be possible to use data to drive incentives that will encourage individuals and organizations to modify behavior in the interest of the greater good.

There are many ways that incentives can be designed ranging from those sponsored by individual organizations to those that are supported by communities and even national governments through tax policy.

There is no question that incentives around optimizing for profit, people and planet will deliver a healthier society and planet than the prevailing system where the only incentive is a result of more and more GDP growth, more and more profit and higher and higher stock prices with all the damage to people and planet being totally ignored.

The State of the Individual

In conventional money profit accounting, there is a focus on profit performance of the organization. There is an implicit assumption that the organization performing well means that society and the economy is performing well, yet there is no natural law upon which this can be based. Maybe for the economy of the 18th and 19th centuries this might have been true, but by the latter parts of the 20th century conventional money profit accounting performance measurements and increased productivity meant that this assumption was no longer valid.

Rather in MDIA, the primary focus is on the performance of society and the economy as it affects people. The underlying idea is that the purpose of all economic activity is to improve the quality of life of people. The MDIA approach makes it becomes possible to optimize every aspect of society and the economy so that quality of life for people is improved to the maximum extent possible.

A central idea of MDIA that the purpose of economic activity is to improve an individual's quality of life is quite simple, but in practice the concept rapidly becomes complex for a variety of reasons, all of which should be taken into consideration, for example

- the improvement in one individual's quality of life must not come at the expense of someone else's quality of life;

- an individual having more 'stuff' must not create unacceptable stress on the natural environment;
- a corporate organization may be able to make more profit, but the company performance should be judged not only on the profit, but also on the impact of a set of externalities including the following:
 - impact on people;
 - impact on the natural environment caused by resource depletion;
 - impact on the natural environment caused by environmental degradation;
 - impact on the built environment;
 - impact on the enabling environment; and
 - impact on the knowledge environment.

In order for MDIA to be practical, there has to be an easy and rigorous way for quality of life to be quantified. This may be accomplished by having the value of everything that matters recorded in a database that is universally accessible.

An individual's quality of life is affected by many factors. Throughout the MDIA framework there is both the 'State' and 'Activities' where 'state' is something like a business balance sheet and 'activities' are something like a business profit and loss account.

In the MDIA approach, progress is the improvement in 'state' over a period of time. Just as in a corporate balance sheet, the valuation of different elements in the balance sheet will change the 'state' and also change the progress and performance.

The 'state' of a person at any moment in time is everything that has been accumulated over time that is now having impact in the present, and will affect the future, together with a large set of things that will possibly happen in the future, and should be taken into consideration today.

Having an education or not, is something that happened in the past and now has a certain value in the present. At the same time, the opportunity to use the education in the future is a factor from the future that has an impact on the situation or 'state' at the present time.

These are the elements that impact the 'state' of a person, and a person's quality of life:

- Parenting (received)
- Parenting (given)
- Education (received)
- School choices
- Subject choices
- Experience
- Skills development
- Lifestyle choices ... impact on wellness
- Preventative medicine
- Family choices
- Friend choices
- Food and nutrition
- Alcohol
- Drugs

- Tobacco
- Career choices
- Spending choices
- Investment choices
- Location choices
- Entertainment choices
- Job opportunities

The elements that impact quality of life are many, and they interact in multiple ways that change over time.

Everything may be wonderful, and then something happens and the state of health deteriorates, at which point all the other positive attributes no longer have much influence of the resulting quality of life 'state'.

The main elements of an individual's state

These are the main elements of the 'state' of the individual., Not only are there many elements that go into the making of quality of life, but they are also interrelated in complex ways:

Personal situation

- Happiness
- Lack of stress
- Position in the family
- Spiritual security

Happiness

- Spouse, partner
- Children
- Parents
- Extended family
- Friends
- Enjoyable work
- Little financial stress
- Little health stress
- Appreciation of music
- Appreciation of dance
- Appreciation of art
- Appreciation of food, wine
- Appreciation of sport
- Appreciation of travel

Stress

- Immediate issues ... health
- Immediate issues ... water
- Immediate issues ... food
- Immediate issues ... money
- Immediate issues ... employment
- Concern about the future ... financial
- Concern about the future ... old age care

Growing up ... impact of the past

- Parenting
- Home
- Family and friends
- Education

- Healthcare
- Food and beverages
- Sport
- Culture
- An individual's choices
- Experiences

Concern for the future

- Concern about children's future
- Concern about own future
- Concern about parents' future
- Concern about society as a whole

Family

- Home ... shelter
- Parenting
- Food security
- Water security
- Energy security
- Shelter
- Clothing and stuff
- Family friends

Community

- Access to jobs
- Access to goods and services
- Access to recreation

Financial security

- Income
- Wealth

Job opportunities

- Economic activities
 - in the community
 - in commuting distance
- Education, skills and knowledge
 - During growing up
 - Lifetime learning

Wellness ... good health

- During growing up
- Lifestyle choices
- Access to healthcare
- Genetics
- What the future holds

Access to infrastructure

- that gives access to transport
- that gives access to energy
- that gives access to goods and services

Enabling environment

Opportunity

- a function of education
- a function of skills
- a function of available jobs

Consumption of stuff

- an individual's buy or not to buy decisions

Access to recreation

- an individual's buy or not to buy decisions

Quality of life in the present is affected by what has happened in the past, by the situation at the present and by what will be possible in the future. This adds complexity to the model, but also makes the model more meaningful.

Activities that improve an individual's state

State	Activity	Combined
Personal situation		
Happiness		
Lack of stress		
Position in the family		
Spiritual security		
Happiness		
Spouse, partner		
Children		
Parents		
Extended family		
Friends		
Enjoyable work		
Little financial stress		
Little health stress		
Appreciation of music		
Appreciation of dance		
Appreciation of art		
Appreciation of food, wine		
Appreciation of sport		
Appreciation of travel		
Stress		
Immediate issues ... health		
Immediate issues ... water		
Immediate issues ... food		
Immediate issues ... money		
Immediate issues ... employment		
Concern about the future ... financial		
Concern about the future ... old age care		
Growing up ... impact of the past		
Parenting		
Home		
Family and friends		

Education		
Healthcare		
Food and beverages		
Sport		
Culture		
An individual's choices		
Experiences		
Family		
Home ... shelter		
Parenting		
Food security		
Water security		
Energy security		
Shelter		
Clothing and stuff		
Family friends		
Community		
Access to jobs		
Access to goods and services		
Access to recreation		
Financial security		
Income		
Wealth		
Job opportunities		
Economic activities		
in the community		
in commuting distance		
Education, skills and knowledge		
During growing up		
Lifetime learning		
Wellness ... good health		
During growing up		
Lifestyle choices		
Access to healthcare		
Genetics		
What the future holds		
Access to infrastructure		
that gives access to transport		
that gives access to energy		

that gives access to goods and services		
Enabling environment		
Opportunity		
a function of education		
a function of skills		
a function of available jobs		
Consumption of stuff		
an individual's buy or not to buy decisions		
Access to entertainment		

State (BOP), Activity, State (EOP)

In MDIA everything revolved around the idea that progress is the change in state from the beginning of the period to the end of the period.

When there is no change in state between BOP and EOP, there is a stable situation that may or may not be desirable, and the cause may be because the state is not subject to change, or that there have been substantial activities, but still no change. There are situations where it takes a lot of activity and effort to sustain a constant state.

For people, State is a measure of quality of life. There are hundreds of separate issues that go into an individual's quality of life. Change in state from the beginning of a period (BOP) to the end of a period (EOP) is a very useful measure of progress and improvement (or deterioration) of quality of life.

It is possible to have a quantifiable change of state or a change in quality of life without having any knowledge about what caused the change.

It is also possible to have a substantial activity with a lot of cost, and no measurable change in the state and change in the quality of life. Understanding what causes little progress with big expenditures is a challenge, and is most effectively resolved by management analysis rather than using statistics. In most cases the reason for poor performance in complex systems is that there are one or more critical constraints still active that need to be addressed. This is difficult to identify using statistical method, but is very often easy to see when there is a management that understands the activities and observes the details.

I used to call this 'management by walking around'. Early in my career I attended a training session on 'observation and perception' which really opened my eyes. Many solutions are obvious if only staff and decision makers would be more observant

	State BOP	Activity cost	Activity value	Change in State	State EOP
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Personal situation					
Happiness					
Lack of stress					
Position in the family					
Spiritual security					
Happiness					
Spouse, partner					
Children					
Parents					
Extended family					
Friends					
Enjoyable work					
Little financial stress					
Little health stress					
Appreciation of music					
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Appreciation of food, wine					
Appreciation of sport					
Appreciation of travel					
Stress					
Immediate issues ... health					
Immediate issues ... water					
Immediate issues ... food					
Immediate issues ... money					
Immediate issues ... employment					
Concern about the future ... financial					
Concern about the future ... old age care					
Growing up ... impact of the past					
Parenting					
Home					
Family and friends					
Education					
Healthcare					
Food and beverages					
Sport					

Culture					
An individual's choices					
Experiences					
Family					
Home ... shelter					
Parenting					
Food security					
Water security					
Energy security					
Shelter					
Clothing and stuff					
Family friends					
Community					
Access to jobs					
Access to goods and services					
Access to recreation					
Financial security					
Income					
Wealth					
Job opportunities					
Economic activities					
in the community					
in commuting distance					
Education, skills and knowledge					
During growing up					
Lifetime learning					
Wellness ... good health					
During growing up					
Lifestyle choices					
Access to healthcare					
Genetics					
What the future holds					
Access to infrastructure					
that gives access to transport					
that gives access to energy					
that gives access to goods and services					

Enabling environment					
Opportunity					
a function of education					
a function of skills					
a function of available jobs					
Consumption of stuff					
an individual's buy or not to buy decisions					
Access to entertainment					

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Contact information for Peter Burgess: Founder / CEO ... TrueValueMetrics

Website: <http://truevaluemetrics.org>

Email: peterbnyc@gmail.com

Skype: peterburgessnyc Twitter: @truevaluemetric

LinkedIn for Peter Burgess : www.linkedin.com/in/peterburgess1/

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