



MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

Metrics about Place ... Where People Live and Work

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All economic activities are located in a place

Because the dominant metrics for the past two centuries have been those that apply to an enterprise, the impact on place has been largely ignored.

A place is for ever

A place is important for many reasons. A place does not move in the same way that an organization or a project can move. A place exists essentially in perpetuity.

A place is where economic activities may be located

A place can be real world demonstration of the whole being better than the sum of the parts. ... or vice versa. It is possible for an economic activity to be doing everything right, but the impact on society and the economy ends up being nothing. This is a big part of why the funds flowing into international development assistance often do not end up producing useful results.

A place is where resources are located

Analysis of economic activity over the years does suggest however, that the place has been the source of great wealth in large part because the place was where valuable minerals were located and could easily be extracted at low cost.

This is the story of the American West, of Kimberley in South Africa and of Nigeria in West Africa. Great profits were made while the resources were being exploited with no accounting for the lost value and impact on planet.

A place is where pollution happens

Pollution is in the news because of issues like climate warming and the impact greenhouse gases are having on global weather patterns. These are difficult to comprehend, and difficult to address without getting into arguments that are almost impossible to settle with understandable data.

But all pollution originates in a place, and analysis of performance with respect to pollution in a place is much easier to understand. When pollution in a place is identified, it is possible to have follow up so that the pollution is abated.

Validation of reality is possible in a place

One of the great strengths of data about a place is that it does not move. The place where something has happened cannot be relocated.

This enable management by observation ... management by walking around.

The 'State' of the Place

Money flows and wealth

The money wealth of a place, or the lack of wealth is a component of the 'state' of the place. Money is an enabling factor in the performance of society and economic activities.

Where money comes from and where money goes to are factors in determining the state of the place. Money and wealth that is local has a different value dynamic than money that has come from outside the community.

Organizations ... profit and valuadd

Organizations and the underlying economic activities are a key component in the socio-economic vitality of a place.

Conventional money profit accounting and project analysis that has a rigorous financial focus without an equally rigorous focus on valuadd has resulted in a 'race to the bottom' for society. Companies relocate to anywhere that offers low wages, low taxes and low cost amenities of all sorts.

Truvalue accounting optimizes not only for the money profit advantage for the company but the value impact for the place.

People

For people, state is about quality of life, and all its components. For place, it is people that are the biggest 'raison d'etre' for the place, and the state of people's quality of life a very big determinant of the state of the place.

How people are able to interact with all the other components of the state of the place determines quality of life. All of these feed into people's quality of life:

- The quality of the schools and educational opportunities;
- The quality of the transport infrastructure;
- The quality of the health infrastructure;
- The economic activities and job opportunities;
- The opportunities for sports and recreation;
- The opportunity for arts and entertainment;
- etc.

The state of people feeds into the state of the place.

The MDIA analytical construct is based on the premise that people are 'assets' and more people is better than less people.

Too much of economics is based on small samples, scaling up to a bigger population, and then dividing by the size of the population to arrive at a per capita number.

The 'value' of people starts off with a standard or norm. Lack of things that are important creates a deficit relative to the standard. A critical part of the development of a working system is the way in which these deficits are computed.

Product

Product is the vehicle for economic costs and values to travel through the economy. The products that go into an economic activity are derived from materials and energy that originates in a place, and economic activities that are located in a place.

Planet – Resources

Resources in a place are important. Much of the decision about location of industry throughout the industrial revolution has been to do with the location of resources, and the availability of transportation for resources.

Planet – Environment

The issue of pollution of the environment is somewhat academic at the level of the planet or even the nation, but is very real at the community level and the physical place. was ignored in economic decision making until the last 50 years or so. It is now part of the conversation, but the prevailing conventional metrics ignore all externalities.

Built Environment

The built environment in a place determines in large part how well the place is able to perform in every aspect of society and the economy:

- The transport infrastructure
- The water and sewer infrastructure
- The communications infrastructure
- The education infrastructure
- The health infrastructure
- The sports and entertainment infrastructure
- The housing infrastructure

Enabling Environment

The effectiveness of the economy is another dimension of state. There can be more progress in an economy where the enabling environment is good, than one in which the enabling environment is poor. The enabling environment has many components ranging from the rules and regulations governing economic activity, the infrastructure, the availability of skilled workers, the availability of essential materials, and so on.

Organizations engaged in economic activities and governance are part of the enabling environment in a place.

- For the State, there is a State Government
- For the County, there is County Government
- For the City or Municipality there is City or Municipal Government
- For schools there are School Boards

Note: This is how they would be described in the United States ... other countries have very similar structures albeit with different names.

These organizations enact laws and promulgate regulations that govern the way a lot of life gets lived and organizations behave. Sometimes these laws and regulations are very much in the public interest, but too much, these laws and regulations have elements that favor special interests in inappropriate ways.

Knowledge

Knowledge is an enabler of socio-economic progress. This has been true for all of human history, but the role of knowledge to enable 'game-changing' socio-economic activities has never been as strong as it is today. We have seen amazing progress in the last 200 years, and especially in the last 50 years, but the progress of knowledge is faster now than it has ever been.

The system that is global society, and the system that is the global economy are very complex, but the idea that research should be constrained by money rather than by human brain and innovation is a major sub-optimization of these systems.

Progress of the Place

Progress is change in state. The progress of a place in a period is measured by how much the 'state' of the place has improved from the beginning of the period to the end of the period. Each of these components of state has a role in measuring progress.

1. Money and Wealth
2. Organization performance
3. People
4. Product
5. Planet – Resources
6. Planet – Environment
7. Built Environment
8. Enabling Environment
9. Knowledge

The Performance of the Place

The State of the Place versus the Value Consumed

The basic measure of performance is to relate the state of the place with the value consumed to sustain this state.

A secondary measure of performance is to relate the progress of the place with the value consumed to achieve this progress.

This measure has the advantage that it confronts those metrics that are based on the idea that more is better. It connects the achievement of a high quality of life and standard of living with the trucost of sustaining this or improving it.

Comparing Trucost and Truvalue

In conventional money profit accounting there is a comparison of money costs with money revenues, and the result is profit. There are conventional ways to measure profit performance such as 'return on investment' where the amount of profit is compared to the amount of money capital that is invested to earn that profit.

The performance of a society and the economy can also be measured, in this case by comparing the trucost with the truvalue.

Every economic activity consumes inputs and generates outputs. When these are expressed not as simple money costs and prices, but as the complete trucost and the complete truvalue it is

possible to see the flows of all the components of the socio-economy rather than just the money component.

Impact of Economic Activity for the Place

The impact of economic activity for the place is measured at the level of the place by looking at the 'state' and the change in state over time.

The analysis of economic activities makes it possible to understand in a very granular way how the local economy functions. As in corporate accounting, the details that go into making a summary, are more interesting than the summary consolidation. The details have a granularity that enables understanding.

Not every economic activity needs to be the subject of analysis for a good understanding of the way the economy in the place functions. The performance of a place can be understood without all the economic activities being in the data.

For economic activities that have a material impact, the following elements of truecost and truevalue need to be documented:

1. Money - Surplus or Deficit;
2. People - Impact on Quality of Life;
3. Product;
4. Community - Place;
5. Planet - Resource Depletion - Materials - Energy;
6. Planet - Environmental Degradation - Land - Water - Air;
7. Built Environment - Infrastructure, Buildings, Plant and Equipment;
8. Enabling Environment - Governance, Rule of Law, Taxation, etc;
9. Knowledge - What we Know

Place ... The State and Progress of a Community

Place

The State of a Place and the Performance of a Place are a big determinant of the State of an Individual, and in turn the State of all the Individuals in the place is a big factor in the State of the Place.

Things that happen in a place are easier to understand than things that happen inside a corporate organization and are not identified to a place. Things that happen in a place can be reported by the local media, and people in the place can see what is being reported. There can be accountability and transparency in a place in ways that are not possible when no place is identified.

In the MDIA framework, the place is different from the government entity that has the role of governance in the area. The State of Place is about a geographic location, not an administrative district. The governance organization are part of the inventory of organizations located in the place.

Place is important because every economic activity is located in a place, and its performance in a place can be observed in a very specific way. An economic activity in a place has interactions with everything that matters:

- People ... that live and work in the place;
- Organizations ... that implement or finance the economic activities;
- Products ... that are consumed by an economic activity and are produced by economic activities;
- Natural environment and resources:
 - Land and water use;
 - Resource depletion ... the consumption of materials, energy, water, etc. that impact the planet, both within economic activities and by the people in the place;
 - Environmental degradation ... that results from economic activity and the lifestyle choices of the people in the place;
- Built environment ... the consumption of resources associated with
 - the use of the infrastructure in the place;
 - the degradation of the built environment; or
 - the upgrading of the built environment.
- Enabling environment ...
- Knowledge ...
- Wealth ...

There is both the 'State' of the place and the 'Progress' of the place. Progress may be ascertained by looking at the way 'State' changes over time.

There is also the 'Performance' of the place, which has two parts:

- the relationship between the Progress being achieved as a result of the allocation and consumption of resources.
- the consumption of resources required to maintain the 'state' of the place

People in the place

People: that live and work in the place are the main source of value in the place. This is sometimes referred to as human capital, sometimes as the human resource. In MDIA people are people, and the purpose of everything is that people will be able to sustain a decent quality of life and improve their quality of life, all the time while reducing the stress on the planet so that everything is sustainable.

Place is important not for the place per se, but because people live and work in a place, or maybe people just enjoy the place when they visit. Everything is, however, people centric.

It was Henry Ford that realized that people were both producers and they were consumers. For a while the idea of people being prosumers was popular in popular economic literature.

For analysis, people are considered in several groups:

- Owners and investors
- Executives
- Employees

Each of these groups have to be categorized by where they are located.

For owners and investors there is the question of where the investments are located, and where the income and capital gains from investments are located. There is a big difference in the economic and social impact of these two investments:

1. an investment being made in location A that comes from location B, earns profits in location A, and then returns capital and profit to location B
2. an investment being made in location A that comes from location A, earns profits in location A, and then returns capital and profit to location A

For executives and employees there is also a question of location. When an individual works and lives in the same community, there is one dynamic. When the individual works in one community and lives in another community the economic dynamic is very different.

The same issues also apply over time. A person may grow up in one place or community taking advantage of the educational infrastructure, then work and live in other communities and then retire in another place or community. This creates a series of complex financial implications that need to be addressed in order to have fairness for places and the people who depend on the places.

Economic activities in the place

The health of the economy of a place is a function of the economic activities that are located in the place. An economic activity may be implemented by an individual, a group, a corporate organization or some other entity. The economic activity is independent of the legal form of organization. An economic activity may be financed in many different ways, and the method of financing is independent of the economic activity.

A report about the state, progress and performance of an economic entity is of interest per se, but is also of importance as a part of a consolidation with other economic activities that then summarize the aggregation of the economic activities.

There are two main ways in which economic activities are consolidated or summarized:

- For the place
- For the organization

Organizations in the place

Organizations have had a very positive impact on socio-economic progress that has been good for many people (but not all people) for a very long time, while causing a vast amount of damage to the natural environment.

Political leadership is engaged in a race to the bottom when it offers tax holidays and other incentives to attract companies into the area.

Organizations implement or finance economic activities which are located in a place. The performance of a place is in some part a result of aggregating all the economic activities located in the place.

The health of the local economy in the place is not much of a function of the organization, but a function of the economic activities that the organization invests in or implements in the place.

Products used in the place ... their value chain

Products ... that are consumed by an economic activity and are produced by economic activities;

Planet ... resource depletion

Resource depletion ... the consumption of materials, energy, water, etc. that impact the planet, both within economic activities and by the people in the place;

Natural environment and resources

Land and water use

Planet ... environmental degradation

Environmental degradation ... that results from economic activity and the lifestyle choices of the people in the place;

Natural environment and resources

Land and water use

Built environment

Built environment ... the consumption of resources associated with the use of the infrastructure in the place, the degradation of the built environment or the upgrading of the built environment.

Enabling environment

Knowledge ...

Wealth ...

One or many economic activities are implemented in a place. The performance of a place is the aggregation or consolidation of all the economic activities in the place. Everything that impacts the planet has its origins in a place, either in nature or as a result of economic activity.

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