

GLOBAL SOLIDARITY ACCOUNTING FOR BUSINESS

Introduction

In the modern economy, everything is calculated in monetary terms with accounting system in one currency or another. From personal income and salaries for work, through profits and losses, share value, capital and debt, to national income and GDP, we think in terms of the amount and flow of money. Individuals are judged by their net worth, with some now in billions of dollars. Executive performance is rewarded with bonuses or stock options. For corporations, it is their valuation in the stock market. Countries compete in their GDP rankings of the size of their economies. We take all this for granted.

But increasingly, this assumption about the way we assess the importance of the economy is being called into question, because it has no real relationship to our well-being. Once people have enough wealth to meet their basic needs, there is no further correlation between income and happiness. A corporation whose only legal obligation is to make profits for the shareholders may use any means to achieve that end, including selling harmful products (tobacco), arms intended only to kill people, gambling or drugs that create addiction, etc. The GDP of a national economy increases if there are more road accidents with medical expenses and car repairs. War is wonderful for the economy as long as it is someone else's war.

Another fatal flaw in the present economy is its failure to consider things not valued or traded in the market. Women having babies and raising a family does not count as paid employment, yet this is essential to society. Natural resources are only valued when they are exploited, not for the ecosystem services they have always provided. Many social and environmental impacts escape any valuation. People living a subsistence lifestyle or in the informal economy do not count.

Furthermore, the market constantly favours those who can pay the most, which excludes the poor who lack the income even to meet their basic needs for food and shelter. There are debates about diminishing purchasing power and minimum wages that highlight an economic system that tends to concentrate wealth at the top while increasing inequality, rather than sharing the wealth generated more equitably.

Underlying these challenges are the values on which the economic system is based, assuming that humans are naturally selfish and aggressive in the competition for limited resources. This justifies and cultivates greed, falsehood, indolence, even violence, which would be condemned in any moral or ethical framework. These assumptions and values are not only widely expressed at the individual level, but are built into our economic and political institutions.

What, then, is the alternative? Why not start by considering what are the dimensions of human and environmental well-being, and then ask how can the economy encourage and support society evolving to achieve as much well-being for as many as possible? Some governments have already started in that direction, and a variety of organizations are working on measures of well-being. This is an opportunity for businesses to reconsider their role in society. Creating employment is important, and being profitable is a requirement for survival as a business, but should it be an end in itself, or a means to a

higher purpose? We propose that businesses should first define a social purpose, how their activity will contribute to human well-being while being socially and environmentally responsible, and we are developing tools to assist in that process. They are based on our more general work with Global Solidarity Accounting beyond GDP. The concepts are simple enough that anyone can understand them while addressing the essentials of well-being.

First there is the environmental dimension. We are totally dependent on a planet suitable for life, but our recent rapid growth in population and technological development have overshoot planetary boundaries, such that climate change, biodiversity loss, and pollution and waste have become the triple existential threats to our future.

Then there are our basic human needs for water, shelter, energy, food, and other requirements for good health. These are common to every person on the planet, and well-being includes the human right to have all these needs met, leaving no one behind.

We are a social species, so beyond our physical needs are the ways we are part of a community and the whole human family. Everyone has both the capacity and obligation to contribute to society in some way. This includes work or employment, but also raising a family, or being of service in some way beyond what is presently considered paid employment. Then there are the less tangible dimensions of society, or what we might call civilisation: knowledge, information, science, culture, art that we cannot live without, and that we must transmit to each succeeding generation through education. Finally, if we consider our higher human purpose to refine our character and contribute to social cohesion, we need to account for the presence and application of values, ethics and moral principles in what is often called spiritual capital, that are critical to making society function efficiently for the good of all.

Businesses, just like other institutions and communities, should reflect on these dimensions of our human system and how to contribute in some positive way to their realisation. There is already some progress here. For several years there has been a Taskforce on Climate-related Financial Disclosures (TCFD) looking at financial risks associated with carbon emissions, and more recently an equivalent Taskforce on Nature-related Financial Disclosures (TNFD), a market-led taskforce with financial institutions, corporations, nature companies and others to assess, identify, manage and disclose nature-related risks. Unfortunately in both cases, the emphasis is risks to be avoided rather than positive contributions to well-being. Harvard Business School has an Impact-Weighted Accounts Project to measure the consequences for a company of its actions not only for financial and physical capital but also for human, social and natural capital. On the more positive side, some American companies are considering their corporate social purpose to make a positive economic, social and environmental impact for public well-being, such as helping people be better educated and healthier, and making societies more resilient. Even here, responsibility to shareholders and profitability come first, so the primary aim is to improve a company's reputation.

Where a corporation is legally only responsible to generate profits for its shareholders, this end can justify any means. How much better it would be if the legal charter of a business first defined a social purpose to contribute in some way to individual and collective well-being, while respecting social and environmental responsibilities. Profit would only be one measure of efficiency among others, not an end

in itself. The following are some ways that a business can explore what contribution it could make to the common good.

Corporate solidarity accounting to increase well-being

There are of course a wide variety of businesses operating in many different contexts around the world. Each will need consider its own situation in its own local reality, consult on its capacities and opportunities relevant to its business operation, and decide on the priorities for well-being that it will undertake to address. These may include both positive contributions towards its objective, and reducing or eliminating something negative that is damaging well-being. The following are nine domains of accounting for well-being that are suggested as being generally relevant.

Environment Accounts

Energy and carbon

One essential dimension of any system is the energy that powers it. This requires an energy source, the means by which the energy operates all activities and living organisms (including people), and any wastes or emissions generated by the use of energy. Most modern technologies depend on fossil fuels and generate carbon dioxide as a waste product, causing global heating. Where living organisms are involved, as in livestock, their food is the energy input and methane from digestion is a waste product. Carbon is therefore a convenient currency to account for energy uses with a significant threat to planetary well-being. Simple accounts would measure all inputs of carbon-containing energy sources, the efficiency of their use, and releases of carbon dioxide and methane to the environment.

However, this is only part of the carbon cycle. The early hothouse Earth was made habitable by excess atmospheric carbon dioxide captured by the photosynthesis of early life making energy-rich carbon compounds ultimately stored in deep geological formations, which we might consider carbon capital. Extracting fossil fuels for their energy returns carbon to the atmosphere as greenhouse gases causing global heating, which could be considered as carbon debt. To complete the carbon cycle and maintain a habitable global environment, that carbon needs to be removed from the atmosphere, or sequestered, back in organic deposits or geological formations. Many natural processes have always done this, whether through tree growth, soil formation, or deposits on the ocean bottom, but we have greatly reduced these processes with development. As in any accounting system, capital accumulation should be rewarded, borrowing should be taxed, and debt should keep paying interest until reimbursed to the capital account. A business aiming for climate well-being should account for its role in all parts of this carbon cycle, both to reduce contributions to global heating and to reinforce sequestration.

Biodiversity

Nature, its ecosystems and biodiversity, represent a second dimension of environmental capital, that traditionally provided many ecosystem services without charge, from capturing solar energy through photosynthesis providing the energy source for almost all life on the planet, to managing the hydrological cycle and our water supplies, furnishing extensive natural resources, and making our living environment more habitable and beautiful. A business will almost certainly rely on inputs of

natural resources and ecosystem services, often with long supply chains, and its products and outputs will have impacts on natural environments and processes. Accounting can document both the damage done by extracting natural resources, and the ways business activities and outputs might contribute to the protection or regeneration of natural systems and processes, all adapted to the particular biomes or ecosystems within which the business operates or which it exploits.

Pollution and Waste

The third environmental dimension and contributor to the triple planetary crisis is pollution and waste. Our technological civilisation has fabricated materials and invented chemicals in enormous quantities for multiple uses, which the natural environment cannot absorb, recycle or detoxify, without worrying about potential damaging effects on our health and the environment. In our linear production model, these were manufactured, used and just discarded, but their damage can no longer be ignored. Some are “forever” chemicals that never break down. Every part of the planet has been contaminated with no possible return to a pristine state, and the quantities of most pollutants, originally highly profitable to their manufacturers, are still increasing. Very few have been regulated or prohibited, apart from some ozone-depleting chemicals. A business can quite easily determine all of its material and chemical inputs, their transformation in the business, and their ultimate destination after use, as well as the known or suspected impacts.

Human Well-being Accounts

Minimum living standard

If our aim is to ensure the well-being of every person on the planet as part of one human family, then the first requirement is that their basic physical needs are met, eliminating poverty. This is often expressed as a minimum daily income, but we can more realistically measure those needs directly, such as adequate shelter, clean water and sanitation, security, and a source of energy. While a business cannot take on all the poverty in the world, it can certainly work to prevent poverty in its workforce, value chains and clientele. For example, this might include providing adequate housing if this is not otherwise available or affordable.

Food

We all need to eat, so nutritious and healthy food is another essential requirement for well-being. For the moment the world produces enough food for everyone, although a global food crisis threatens. The problem today is more in access to food or its affordability. In Western economies, the food industry is often more interested in marketing highly processed and fast food for profitability rather than ensuring a nutritious diet to everyone regardless of means. Businesses in the food industry should give priority to their important contribution to human well-being.

Then there are all the issues around agriculture and food production. Industrialized agriculture driven by giant multinational agro-industries is both a major source of greenhouse gases and impacted by climate change. It drives deforestation and loss of biodiversity, excludes small farmers, degrades the soil, depends on high chemical fertilizer inputs far beyond the planetary boundary, and uses all sorts of pesticides, antibiotics and other noxious chemicals, all to maximise short-term profits. This is both dangerous and unsustainable. The business opportunities of the future are in

regenerative agriculture which can be more diverse and productive, acknowledging the important role of the farmer, and more localised where possible. Wherever a business in the food chain, it should provide its contribution to human well-being with environmental and social responsibility.

Health

Good health is another dimension of well-being. Our ideal health capital is everyone in good health throughout life, able to contribute constructively to society, including in a business. Employee health is obviously important, requiring access to health care when needed. The impacts of business products and services on health also need to be considered. Too many businesses today produce products damaging to health (tobacco, alcohol, narcotic drugs, even addictive social media). The purpose of a business activity should always be to contribute to human well-being, not damage it. This could include providing medical and other health services, encouraging physical fitness, controlling pollutants and other threats to health, even ensuring contact with nature and its proven health benefits.

Social Accounts

Work and service

Every human being has potential to contribute to society through some work or productive activity, assuming he/she receives the necessary education or skills. The ideal human capital would be to benefit from those contributions to general well-being throughout the full lifetime of each individual. This goes far beyond what is presently considered paid employment to include all activities bettering society, including raising a family. Unemployment is human debt and a waste of resources. A business will include people in its workforce and form a community for which it should feel responsibility beyond formal employment. This could include many contributions to individual and social well-being in complement to whatever social security is publicly available. Since access to meaningful employment is a human right, a business is one social institution able to offer that right to all who can contribute to the purpose of the business within the means available, while adapting to the needs of each individual.

Knowledge and education

The intangible capital of any community, society, institution or business is its knowledge, information, science, technology, art and culture that enable it to function effectively and produce its products and services. This is one dimension where the ideal is almost the opposite of current business practices. These factors are not diminished by use, but increase wealth and value the more they are shared. Rather than protecting them as intellectual property for a competitive advantage, businesses and other economic activities should share them widely so that everyone everywhere can benefit, and through trust, cooperation and reciprocity determine the optimal sizes for the many businesses contributing that product or service. There are other ways to reward innovation and creativity besides restricting access. Accounting in this domain would document the knowledge capital in the business, inputs from other sources, and transfers outside with their compensation for value added. Imagine the increase in general well-being when innovations, effective means of production and other dimensions of business success are shared as widely as possible around the world, with corresponding sharing of the wealth and other benefits generated.

The other aspect of knowledge to be accounted for is education, the transmission of knowledge to others and to the next generation. Information in a book or hard disk just sits there, it only becomes useful when it enters people's brains or runs programmes. Like energy, it is the flow of knowledge through education and its subsequent use that creates wealth and well-being. A business needs to ensure that its intellectual capital is preserved and transmitted through its employees. Beyond that, it can, through relevant continuing education, help all those with whom it interacts, within and outside the business, to develop their full potential throughout their lives. This is a responsibility that is obviously shared with other public and private actors, but businesses should explore the part that they can play.

Spiritual Capital and Values

The most fundamental level of organisation in any human system or institution is the values that determine the relationships among the members and how they cooperate. Too often today, business leaders are driven by self-interest and express greed, dishonesty and pride in their quest for power and wealth. They may succeed materially, but what is the impact on their business?

If we accept that there is a higher human purpose than material success, including refining our character and contributing positively to society, then we would favour values like unity, cooperation, love, justice, humility, altruism, selflessness, trustworthiness and forbearance that build strong human relationships. Since these generally have originally come from religion, they are often referred to as spiritual values. The more these values are expressed in a business, the higher its spiritual capital. While it is not easy to measure and account for these values directly, they are reflected in human behaviours that can be measured. Even just being aware of the importance of these values can enrich a business and improve its contribution to well-being inside and outside the company.

Conclusion – Nine Dimensions for a Higher Purpose

The above nine dimensions of well-being map out the principal ways that a business can set for itself a higher purpose. They are not comprehensive, but can suggest the kind of meaningful conversation that might take place in a business to reorient itself away from the materialistic economy of today and contribute to building a better future. Similar conversations need to take place in our communities and in the larger society, including at the global level. Please join in working for the transformation that is so urgently needed to save us from ourselves.

This document can be accessed on the International Environment Forum website at https://iefworld.org/GSA_business, along with more information on the Global Solidarity Accounting project.