

## Fire & Accounting

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(Deeply inspired by Charles Eisenstein's books *The Ascent of Humanity* and *Sacred Economics*)

Today's reality is governed by the laws of economics and accounting has therefore become a key discipline in developing and maintaining our modern industrial world. Balance sheets, ledgers, costs and sales all lead to the final profit and loss statement that is supposed to tell us whether an enterprise was worthwhile or not. We constantly need to make sure that we have accounted for all input costs and that their sum is less than the output price. Or else we would have to use some of our savings to run the show. And spending your capital is a taboo in economics. So accounting has a responsibility towards the very survival of the enterprise. Let us see how accounting has fared through history.

To trace this history we will start with fire. Sometime in the distant past one of our ancestors lit the first intentional fire, thereby releasing a burst of heat and light. This act was to mark our species as the dominant one – the power was undeniable – and Homo sapiens came to rule the world.

Soon fire was celebrated as our most glorious achievement – a techno-evolutionary leap. By setting fire to a piece of wood we could now release a hundred years of sunlight in a flash. No other animal has the ability to light a fire intentionally and then use it to heat, cook, corner animals on a hunt, clear undergrowth, melt, smelt and modify the world. Actually we were dipping into a savings capital by using wood to create a fire, but the obvious advantages of releasing and using this source of stored energy were irresistible. Then again, the first accountant was not born yet. So no one paid any attention to the deficit being created by this action – the four letter word for which is 'burn'. And burning was to become the defining trait of our culture called Civilization.

So starting with burning hundreds of years of sunlight capital, we later made the leap to coal, which opened the door to thousands of years of more capital burning at a go. The fire burned higher and a stunning surge of projects became possible, changing lifestyles and landscapes. Trumpeted as the beginning of the modern industrial world, this new trend changed the very landscapes of our minds. And unknowingly we became devotees of a new religion – Growth. Thousands of years of sunlight capital combined with irreplaceable **NATURAL CAPITAL** like iron, copper, stone, sand, minerals etc. bloomed into the machines, railways, bridges and factories glibly called 'fixed assets' on our balance sheets. No substantial entries were made to account the real cost of these inputs.

Burning any capital at a deficit, without accounting for it, is an accounting sacrilege. Yet it was permitted as the perks were stunning. We added unimagined comfort to our lifestyles and simultaneously accrued a deficit of hundreds of thousands of years of unaccounted sunlight capital, burnt at the altar of growth. This became an acclaimed habit. We dubbed it progress. And the fire rose higher.

But the star of this combustion show was yet to arrive. In 1859, we found the keys to a sunlight capital account that had been accruing for hundreds of millions of years. It was oil. With oil we graduated from burning hundreds to thousands to millions of years of sunlight capital at a go.

Burning this density of sunlight capital was like firing a thruster rocket for our industrial world. The fire was now an inferno and economic growth took an exponential curve up towards the sky. Along with it went our heads, into the clouds, as we lost the connection between value and measure, natural capital and money, reality and concept, body and mind. We convinced ourselves that it was not the stored solar energy capital of our Earth's body, burnt at a huge deficit, that was making growth possible, but our ideas – mere constructs of our mind.

The most lethal of these ideas was a symbolic construct called money. A representation of value but not value in itself. A lubricant for growth at best. We blinkered our accounting practices accordingly. We established that the price of the sunlight capital should only be what it cost to extract it"? We never accounted for what the real cost would be if we ever needed to replace the burnt capital"? This, anyway, was impossible. Burning 1,000 years of sunlight capital per minute for a drive to the grocers and showing it as a viable expense against even an eight digit salary is a serious accounting fraud. But then, were we accounting?

What we were in fact performing was a neat sleight of the mind. We had swapped real capital for a symbolic concept called money. So all we had to do was account for the money and not the real and irreplaceable capitals used which are energy and resources. Even worse, concepts have a tendency to morph into more concepts to form new economic laws. So 'money represents value' morphed into 'money has time-value' therefore the statement 'money must grow' became a law. And again this law morphed into 'this growth must compound'. So money **MUST** grow exponentially although even a child knows that on a finite planet the supporting energy and resources don't behave that way. But who was asking children anyway?

Having committed ourselves to exponential concepts, we were compelled to fuel the fire and make it rise ever higher, ever faster. New forms of capital were needed to do this. What got sucked into the flames this time was the irreplaceable **ECOLOGICAL CAPITAL** of the wild – the fertility of soils, life-sheltering forests, life-supporting rivers, the magical web of species and bio-diversity at large. They all disappeared into the funnel of the economic engine, running on borrowed solar capital, only to emerge with triumphant aplomb on waiting spreadsheets as Gross Domestic Product. Had anyone made an entry in any balance sheet for these ecological input costs? Certainly not, because voicing this was considered an anti-establishment act. You would be deemed a luddite, an obstructionist, a doomer, a tree-hugging environmentalist or even worse – a mere resentful failure.

Yet, reality maintains its own balance sheet way beyond an Excel spreadsheet. It painstakingly and non-numerically tallies the accumulating deficit. And that deficit made itself evident through drying rivers, degraded soils, disappearing forests, dipping aquifers, diminishing bio-diversity, species extinction and other signs of fading life. This was the loss of a unique aspect of the universe called **QUALITY** that we never bothered to account for, in our obsession to account only for **QUANTITY**. In fact, the realisation that quality is beyond conventional accounting became clear when we made desperate attempts to include this loss in conventional balance sheets under the guise of environmental studies and eco-economics.

Meanwhile, the economic flames were licking the clouds and demanding to be fed. Trapped in our tenets of compounding the time-value of money, we were obliged to find new kinds of capital to throw into the fire to keep it rising.

The new kind of capital that was burnt was **SOCIAL CAPITAL** – the bonds between family members, friends and local acquaintances. Everyone had to sacrifice their personal bonds, relationships and leisure to attend 9 to 5 jobs (that end up being 9 to 9 or beyond) and punch the clock on single-day weekends. ‘Time is money’ was an immutable law by now. No more football with the boys in the evening, a casual game of rummy at the club, the unexpected drop-in at the neighbour’s house. The burning of these social bonds was more urgently needed by our office or enterprise to stoke the ever rising fire of profitability and growth. And what did that cost us? Well we could answer that if only we knew how to account a relationship, a smile, a quiet evening with our family and place it as a number on a spreadsheet. Let us just say we accounted for it with a suitable raise in the salaries or annual bonuses. Immeasurable quality compensated by finite quantity. Once more, the deficit popped its ugly head in the form of overworked, depressed workers, high-rates of suicides, dysfunctional families, rampant divorces, and untended, wayward youth.

The inferno moved relentlessly to engulf the next kind of capital, called **COMMUNITY CAPITAL**. Stories, ideas, words, phrases, songs, tunes and other community intellectual property were snatched from the public commons to be converted and privatised into financial capital. Once shared and enjoyed by all, they were now out of bounds. For none to use or you would be sued. Impoverishing all for the gains of a few. And did we account for that loss to the community? No because communities don’t keep ledgers, only companies do.

And finally, in the last rounds of keeping the fire from flagging, we burnt **SPIRITUAL CAPITAL** – virtues like honesty, faith, integrity and trust between people and communities. And suddenly, telling half lies to sell a product was a fine art called advertising. Coercing unwilling workers to stick to their job at a low salary was dubbed management. Statesmanship was reborn as politics. Raping everything in sight was now masquerading as the euphemism ‘exploiting’, echoed proudly in boardroom meetings as ‘exploiting markets’ and ‘exploiting resources’. Did any spreadsheet account for the price paid to lose these virtues of spiritual capital? This is a silly question because, in fact, the spreadsheets were achieving record profits based on the very loss of these virtues. The number of scams these days bear ample evidence to the loss of this form of capital.

And now, it is time to tally our accounts. We find that the fire we started 10,000 years ago has consumed just about every form of **EARTH CAPITAL** we could imagine. Nothing left to burn and the flames of our economic growth are flagging. The evidence is in the unravelling of the multiple crises that we wilfully bred in our hollow accounting systems. The 2008 global financial collapse, the Euro crisis, the energy crunch, the high food prices, the collapsing industries, the disappearing jobs, the resource wars, the falling water tables, the poisoned soils, the melting glaciers, the drying rivers and above all, a warming globe – they all stem from the same root cause: the deficit caused by burning real Earth capital, powered by the pseudo-accounting of a symbolic capital called money. And that, dear readers, is not accounting at all.

Modern Economics with its false tenet of perpetual growth is the culprit. However, its strongest ally has been Accounting. It is time to do some real accounting, called Energy Accounting, before the fire consumes our very souls.

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