

# **Ten theses on the capitalist economy and its de/reconstruction**

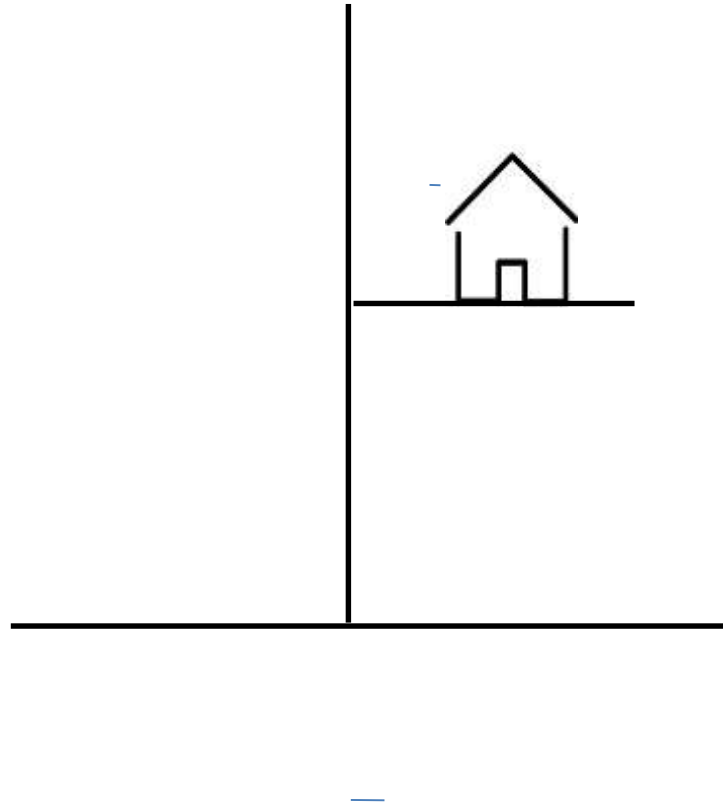
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# Thesis 1 (apparently a banal one)

- Every enterprise , and every economy, including capitalist ones, rely on the common use of three kinds of capital
  - Natural capital (NC)
  - Human capital (HC)
  - Financial capital (FC)
- A **recent rediscovery**: natural capital is the basis for the other two ones : see the following drawing by Jacques Weber

# Jacques Weber's drawing



# **Thèse 2 **Inequality of fate** of the 3 capitals in capitalist accounting**

- **Only the FC is strictly conserved**
- **Only the FC is registered as a debt to be reimbursed to the capitalist on the liabilities's side of the balance sheet**
- **The 2 other capitals are only means to be used for the service of the FC: simple assets or ressources rented or buyed on the asset's side**
- **This terrible accounting law is written inside the first capitalist balance sheets toward 1300/1400**
- **It still remains today !**

# An example of balance sheet: 31/1/1399 (Datini de Prato)

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## • *Assets (debitori)*

- Cash
- Clients
- Finished goods
- Land and buildings
- Slave Martha

## *Liabilities (creditori)*

- Suppliers
- Correspondents
- Provisions
- Capital Datini**
- Profit Datini

***NB In the goods is registered the cost of use of salaried workers according to their market value (treated as assets and future charges of the financial capital) ; the nature?no place for it***

# The peculiar original concept of capital of traditional accountants

- FC is not an asset or a resource as it is the case with almost all economists (including Marx)
- But a **debt** of the enterprise towards the capitalist ! (see liabilities' side on the right)
- Extraordinary split of personality of the capitalist which allows for the conservation of the financial capital (and after its accumulation)
- **Hence here accounting capital = a thing to be systematically conserved and fully reimbursed**

# Thesis 3 Only this system allows for the conservation of financial capital

Assets		liabilities	
Cash	1000	Capital	1000

**Dualistic system (double entry) with** which both usages and increases of resources (assets' side) ) and the conservation of the capital (liabilities'side) are measured. This major tool of capitalism (Sombart) remains today after more than plus de 600 years. Rather Incredible in spite of the technological changes !

# Thesis 4

- The financial capital is not only strictly conserved
- It also **gives the power** in the entreprise as soon as 1300-1400
- See in Florence the Podesta towards 1350 and the repression of strikers: hanging of Ciuto
- The others two capitals are dominated
- It is always the case today



# Thesis 5: a mighty , iniquitous, immoral and anti economic system

- The strength of the system :accounting regulates the markets ( accounting above the markets!)
  - A Smith did not see that
  - A specific concept of cost at the basis of markets
- Iniquity and immorality (see after)
- Anti economic system (why only one capital systematically conserved if all are useful?)
- A system at the root of all today's problems
- But a system jealously protected (see after)

# Thesis 6 A system eagerly protected by an international law (IL)

- A true international law harmonized at the world level (the only one)
- A very **harsh law** (not a soft law comme like the CSR) ( see the case of depreciation for machines)
- The soft law? It is good for the HC and the NC
- A law recognized and sanctioned by all states
  - Easy to find an agreement for the protection of the FC . See the difference with the case of HC and NC!!
- A law recognized and protected by the big international organisms (TWO, UNO, IMF , WB aso..)

# Thesis 6 (following)

- A law **materialized** by a Code : the IFRS Code (emanating from a private organism but whose rules are ratified without problems by the states all over the world)
- An **enormous** Code (much bigger than the labour Code )
- A Code almost incomprehensible except by a very tiny accounting elite
  - And despite of all this very complex and harsh Code is worshiped by all big capitalists of the world
  - A proof that capitalism is very found of certain rigorous *laws!!*Capitalism want certain laws not all laws!!

# Thesis 6 (following)

- Under the influence of economists (Fisher) the today's IFRS Code is even more dangerous than the traditional cost based accounting from 1300 to 1970/80
- It breaks the principle of prudence by permitting to value unsold assets at their anticipated selling price ( so called fair value accounting)
- It tends to demolish the principle of financial capital to be conserved at the level of the firm to replace it by a conservation at the level of the private capital (no longer existence of the firm)

# Thesis 6 (end)

- It is this accounting Code that dominates and regulates the world (root rex , raj:cf Rechnungswesen)
  - And less the economic measures that are only secondary instruments acting within the frame of accounting rules
- It is this Code that **must be first changed** to change the world.
- But it is the heart of the capitalist system
- Hence there will be a very strong resistance

# Thesis 7 We need a new ecological **and** human accounting system

- New accounting axioms
- A new type of balance sheet with new kinds of capitals: new true capitals ( in accounting sense)
- A new conception of valuation
  - return to the historical cost system but adapted
- Hence the proposal of the CARE /TDL model

# New accounting axioms

- At least three capitals must be systematically protected :  
CN,CH,CF
  - Non instrumental character of human being (Kant; Pope François)
  - Non instrumental character of fundamental environmental functions
- These three capitals must be valuated in terms of maintaining costs , not in terms of financial fair value (no discounted values to value nature and human beings)
- The new capitals are registered as debts on the liabilities'side
- In correspondance, an equal cost of usage appears on the assets'side. This cost through the use of assets becomes a depreciation expense

# An example for the human capital

- A person is hired
- A budget of 1200 for a decent remuneration (not a minimal one) according to the WTO is provided for the period of use , admittedly 10 years
- This budget is registered as a capital (debt on the LS)
- The corresponding cost is registered on the assets'side as a cost of usage of the person
- Each year  $1/10$  ( or120) is registered as a depreciation expense and this amount must be payed to maintain the person . Hence a monthly amount of 10
- NB nothing to do with the Beckerian conception of the « human capital »! No financial value of the HC!



# An example for the case of the Natural capital

- The same firm uses a land for agriculture
- Un budget for organic manure of 1200 is budgeted for the usage of the land during 10 years
  - It forms the natural capital (ecological debt) on L S
- This amount is also registered on the asset's side as the cost of usage of the land
- Each year a depreciation expense of 120 is passed in the PL statement
- The corresponding cash flow will be devoted each year to the purchase of organic manure and the renewing of the land

# NB The case of the Greenhouse gases (GHG)

- The CARE/TDL model also applies to the GHG
- It has nothing to do with the famous carbon price (a totally ineffective economic system)
- It relies on the following (serious) triptyque:
  - definition of scientific targets for emission reductions
  - determination of the corresponding costs
  - registration of these costs in the accounting system (capital, and assets valued at cost along the method used for the manure)
- Thus as many different costs as there are enterprises (not a unique carbon market price).

# Example : the initial balance

- Balance type CARE with 3 lines of capitals

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- Financial assets 1200                      CF    1200
- Human asset                      1200                      CH    1200
- Natural asset                      1200                      CN    1200

NB « natural asset» and « human asset» are indeed taken here for **usage cost of these assets** .

# Thesis 9 : a new concept of profit

- Three lines of depreciation (and not only one for « machines ») appear as expenses in the CARE PLS
  - Here a true and full human and ecological cost.
    - NB nothing to do with the externalities of the « environmental » economists . No discounting of future damages!!
  - The end with the ecological and human dumpings
  - The end with the enormous distribution of fictitious dividends
  - Towards a new concept of profit
- A common profit for the new three associates
- This new concept of profit could lead to a drastic reform of the national accounting systems . A new national product based on CARE it means calculated after deduction of the TDL.

# The CARE/TDL annual P&L statement after production and sale before tax

- Net sales\* 460
- Financial depreciation expense (120)
- Human depreciation expense (120)
- Natural depreciation expense (120)
- Real profit (after full cost) 100
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\* Sales minus raw materials and services expenses

# Thèse 10 A new ecological and human governance of the firms

- Three capitals will share the power
- Abolition of the wage system
- Generalization of the system to all firms
  - A generalization of the commons and the social and solidararian systems (but based on a solid accounting system)
  - A true benefit corporation (BC)
  - All that permitted by a new accounting system

# Three capitals will share the power

- Strict equality of the three capitals in matter of power . Three groups of representatives.
- Each group has  $1/3$  of the voting powers in all instances of decision of the firm including the GA , the Board , the direction (CO) and the committees.
  - A very different case comparing with the German codetermination
- Within each group of representatives : principle one woman/one man one voice (see cooperative system)

# The suppression of the wage system

- No longer any wages inside the expenses
  - The employees are no longer considered as « expenses » of the financial capital. Their maintaining cost is considered as an expense of their own human capital (depreciation expense)
- Each capital has its own expense!
- This corresponds to a true liberation of the « human capital» . Each human person is treated as having a true capital (in the sense of traditionnal accounting)



# Generalization to all firms (as a matter of principle)

- All firms are managed along the basic principles of the commons ( solidarity and participation)
- NB :Today practically all firms apply the same capitalist accounting system (sometimes simplified for small firms)
- And this general appliance is considered as a normal thing!
- It is thus time to consider the same rule for another ecological and human accounting system for all firms

# General conclusion

- It remains a market economy but with a
  - A drastic redefinition of the concept of cost
- It remains a profit based economy but with a totally different type of profit
- This being due to the redefinition of the concept of capital
- It remains a possibility of growth and accumulation but under the constraint of the conservation of (at least) three capitals
- The type of property (private , public , mixed one ..) is not important (cf E Ostrom).

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