

Practice Note**Reparations Costing: An Emerging Role for Management Accountants**

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In May 2015, there was a rousing debate at the Oxford Union; on the subject 'Does Britain Owe Reparations?'

Reparation is not a new word in the dictionary. The giving of money to compensate the wrong doings by someone or something, the act of taking responsibility for that and to give a token of feeling sorry is what the word "reparations" stands for. In a global context, 'Reparations' is a term used when one country is asked for compensation to repair damages it has caused in the past to another country.

In researching the issue, the author found that it has become quite a hot political topic in many diverse arenas. In fact, when the Caribbean Community (CARICOM) Heads of Government gathered for their 36th Regular Meeting recently, they continued to "flesh out" the initiatives that have to be taken to push the 'reparations agenda' forward. What CARICOM wants is reparations for native genocide and slavery by the former slave trading countries of England, France and Holland. CARICOM is currently working on a landmark legal case to sue European countries for reparations.

CARICOM is of the view that the effects of slavery continue to be felt in the region and that it had affected the economies and societies. Prime Minister Freundel Stuart of Barbados says, "*The configuration of slavery is still evident in a few Caribbean countries, where you have a sociological minority being at the same time an economic majority and the numerical majority being an economic minority. These are facts that result from slavery and colonialism.*"

The money from the slave economy became the basic source of income for England's Victorian era families. When slavery was abolished, compensation of about 20 million pounds was paid (at that time) to the families who had lost their "properties" (the slaves) and not to those poor souls who had to give everything and lost everything during the time slavery was ongoing.

'Reparations' are being demanded for many reasons. Although many countries are demanding that the USA and England amongst others should pay heavily for profits earned via the slave trade; slavery is not the only issue. Today, with the Greek economy in shambles, Greece is asking Germany for World War 1 (WW1) reparations that could be close to €9 Billion. This will solve the Greek Debt problem!

In the light of this, particularly interesting were the points raised by *Dr Shashi Tharoor*, the Indian former Under-Secretary General of the UN, at the Oxford Union Debate mentioned earlier, who provided some surprising facts about British colonialism in India. See <https://youtu.be/f7CW7S0zxv4>

The first point he raised was on how being a colony affected the economy of a India. India's share of the world economy before she became a colony of the British Empire was 23 %, and after the

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Independence it came out to be below 4%. He stated that the rise of the British Empire was built on the very foundation on which it suppressed India. The very concept of industrialisation in England came into reality when they “de-industrialised” their own colonies.

Before the British merchants became their rulers, India’s weavers used to enjoy a very high reputation for quality; one never matched by anyone else. When the British came, they conquered and smashed the tools of those weavers, took away their livelihoods, and imposed cruel taxes on those still functioning. The reason was simple - the British did all that, so that, far across from India, the British Empire could prosper as the world’s leading exporter of finished cloth. And as a consequence, India was forced into becoming the biggest importer of the products from them. By the end of the 19th century, India became a “cash cow” for Britishers; who just kept on milking its resources. The result - there was nothing left for India’s own children. Meanwhile, Britain continues to benefit from the financial capital it amassed from the natural resources of other countries when it had an Empire.

An interesting point raised by Dr Tharoor, was that England as a colonial power not only started a regime of cruelty and inhuman behaviour in their colonies; they were also the cause of many man induced famines. The Bengali famine of 1943 (during the World War II), is the best example to study how these powers had cared almost nothing about the chilling cries of the empty stomach.

Dr Tharoor says that the famine, which caused the death of around 4 million Bengali Indians, could have been averted. There is historical evidence to show that Winston Churchill, the British Prime Minister, deliberately diverted food and other supplies from Bengal to Britain to feed their own people, including its soldiers; and just let the Bengali people die of starvation in their own filth. Even after some conscious British Government Civil Servants tried to bring the seriousness of matter in front of Churchill, he replied to them by saying that “*Why is Gandhi still alive?*”. The fact is that the Colonial powers just cannot brush aside the starvation problem they have created in the colonies by blaming it on its people. If you ‘loot’ a country of its resources, then you are responsible for the resultant starvation.

Although countries such as England, France and Holland provide some aid in developmental, educational and health issues; the view is that these countries can contribute a lot more. Dr. Tharoor says that the aid given by Britain to India is 0.04% of India’s GDP. The nation itself invests more than the given aid on the fertilizer subsidies.

Have the rulers repaid in other ways? Former colonial powers have argued that if not for them, their colonies would never have enjoyed the emerging technologies. For example, the British built railways and roads. But Dr Tharoor says the railways and roads developed were not meant for the people living in the colonized country, but for those rulers who just wanted a means to transport their goods from ports to the industries. “*Many countries have built railways and roads without having had to be colonized.*”

Today, Americans say they are giving ‘Democracy’ (often in exchange for oil) to countries they occupy (with a UN mandate or not). The British also take credit for making India democratic. However, it is important to note that India’s democracy was not given; it was snatched from the rulers. Dr Tharoor claims, “*It’s a bit rich to enslave, maim and torture people for 200 years and celebrate that they’re democratic at the end of it.*”

Can we quantify the amount of damages to be repaid? Many countries and political groups such as CARICOM are of the view that they are not in a position to quantify damages in term of an overall monetary figure, and that this is for the Law Courts to determine. It is also important to note that reparations go far beyond cash payments. They also include recognising past injustices and redressing the moral imbalance brought on by colonisation.

Management accountants who are well versed in Environmental and Social Management Accounting (ESMA) have the tools and techniques of providing courts with such quantitative calculations. The approaches in undertaking 'stakeholder audits' and 'contingent valuations' are all familiar to management accountants. Today approaches to quantifying the extent of damage to both the environment and to society of a man made (Fukushima nuclear power plant) or natural (Nepal earthquake) disasters are available. These techniques could be utilised to value reparations.

For example, Dr Tharoor says that in WW1, a sixth of all British force were Indian; 54,000 Indians lost their lives; 65,000 were wounded; and there is no information on other 4,000 Indians. At that time, the Indians had to generate the tax amount of 100 million pounds to satisfy the war needs of their rulers. In fact, 1.3 million personnel served in the war which was not even their war. Now these are numbers that management accountants could work with in arriving at a value for reparation. In fact, some crude accounting calculations have already been done, including using concepts of the time value of money. These calculations show that the amount that Britain owes India for both the World Wars comes to several billion pounds. Not a single cent has been repaid to date.

If CARICOM wins its landmark legal case of suing European countries for reparations then there will be significant work for management accountants to provide the base calculations for the Courts to determine the extent of damages. India's Prime Minister Narendra Modi has already signalled that he agrees with the claims made by Dr Shashi Tharoor. It is going to be an interesting time in the future, if the former colonies sue Britain for reparation. Some say it will be '*karma*' for both the colonists and the colonised!

