

Dialogue I

Comments on “A Christian Perspective on Accounting: Making the Invisible Visible”

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“A Christian Perspective on Accounting: Making the Invisible Visible” is interesting and well-written, but the topic raises several concerns. Much of what passes for environmentalism comes suspiciously close to worship of the creation rather than the Creator. The Bible says that we are to manage the earth, not worship it. I was pleased that White’s article avoided this common error.

One issue that does appear to be a problem in the paper is identification and measurement, a serious issue in much of accounting. Environmentalists proclaim with certainty about such issues as global warming. However, among those who have expertise in the scientific study of the earth, there is no general agreement that the earth is warming. Some studies suggest that the earth is actually cooler now than thousands of years ago and cooler than over the last few centuries. Other studies suggest

that solar variations impose temperature changes on the earth that outweigh anything humans have done or are capable of doing.

Nor are sources of pollution as simple or as human as environmentalists want us to believe. An example of the source problem is the recent spate of articles on Nashville, Tennessee’s air pollution. Scientists have discovered that greenhouse gases are more concentrated toward the fringes of the metropolitan area. Much to the disappointment and disbelief of the environmentalists, some of Nashville’s pollution appears to be caused not by human sources but by trees. (What does the term “greenhouse gas” suggest?) After all, the names of the Blue Ridge and Great Smoky Mountains predate autos.

Even if scientists agree that a problem exists, and even if they agree as to the cause, there are no dependable mechanisms available

for pricing an environmental problem. Some available techniques are quite arbitrary. Just ask an environmentalist and a CEO to agree on the price of a firm’s pollution. The market mechanism could be used, but it can only price items that can be bought or sold.

If there is uncertainty as to the cause of an environmental problem, or even whether such a problem exists, and if it is not possible to price the problem, it is not possible to allocate the problem’s cost. It is not clear from the article who is to assign the cost of a specific environmental problem to a particular firm or how it is to be done. Identifying an environmental problem and measuring its cost are outside the expertise of financial accountants. A reading of scientific journals seems to indicate that identifying and measuring such issues may be outside the expertise of today’s science.

Secondly, some of the proposed prescriptions for curing environmental problems would cause a slowdown in economic progress leading to a lower standard of living, health, and welfare of the earth’s human population. I am afraid that reporting additional liabilities on

the balance sheet and additional expenses on the income statement would aid that slowdown. Most environmental advances over the centuries have occurred in developed countries. London’s smog was eliminated as England became richer. The slash and burn agriculture in less-developed areas that is so deplored by more developed countries used to be common in North America. People who are grubbing for basic needs don’t have the time or resources to be concerned about the environment.

Those who support the Luddite concept that development is evil and the clock should be stopped or turned back have romanticized the short and brutish life of our ancestors. Luddites should visit a Third World country and live with a family for a while. Those of us who live in Amish areas quickly learn that pollution predates autos. When we go to a grocery store, we do not park near light poles. That’s where the Amish tie their buggies and where their horses deposit their recycled herbage. We try not to get in the checkout line close to our Amish brethren. As much as we respect their beliefs and hard work, a bath a week while working with farm animals is not up to modern standards.

The famous Amish cheeses are the result of USDA rules. Milk that doesn't qualify as grade A can't be sold for drinking. Making cheese out of it is OK. Do you like Amish baked goods? Visit an Amish kitchen. The pre-industrialized lifestyle includes flocks of flies.

Third, as desirable as Christian beliefs are, one cannot expect Christian beliefs to motivate non-Christians and non-Christian organizations. Attempting to apply Christian beliefs to induce the accounting profession to include environmental accounting should not be expected to work. I am reminded of what I see every day on the highway. As a Christian (who has read Romans), I can't intentionally violate the speed limit. However, I am not surprised at the number of drivers who zip past me. I should not expect the behavior of other drivers to be in concert with Paul's admonition to obey authority, because authority is from God. Most of them don't believe in God. It is probably appropriate to be distressed, however, when the speeding car has Christian symbolism attached to it. White is appropriate in encouraging Christian accountants to apply their faith to

their professional activities, but to expect a secular profession to reflect Christian values is overreaching.

Finally, accounting may already include some of the effects of environmental and human degradation. Society has established various agencies and processes (EPA, OSHA, ADA, workers' compensation, etc.) to monitor the impacts that firms have on their constituencies. If these function as they should, costs of externalities such as pollution should be attached to firms in the form of the costs and penalties they impose. These should be reflected in the financial statements as liabilities and expenses. If they have not yet imposed costs and penalties, but it is believed that they will, the expected values of these should be incorporated as contingent liabilities. Even if they are not reported on firms' financials, if security markets are efficient, the present value of these expected penalties should be reflected in stock prices.

I disagree with White on (a) the ability of accountants to identify, allocate, and quantify environmental problems; (b) the desirability of such reporting; (c) the hope of Christian motivation of a secular

profession; and (d) the current lack of such reporting. I find, however, that White's paper has made me think about the issue from a Christian perspective. If the readership is similarly stimulated to think about the place of Christian motives in accounting and other business professions, it will serve a very worthwhile purpose.

JBIB