

Preface

We live for ourselves and also live for others. Others have supported us and given us this world to care for; it is also our responsibility to see what can we do in support of others around us, and generations to come. This purpose is our legacy to our families, and our civilization.

The human race, both as individuals and as a community, have overcome countless obstacles, survived conflict, and created a civilization that in many ways we can be justly proud of. Although many human endeavors have been badly stained with blood, others fill us with hope and inspire us to work in the interest of humanity.

Human life is filled with contradiction. We claim to want to know God, yet develop religion to serve our own purposes. We call ourselves atheists, but pray for help when we are in trouble, or trust in luck or fate to keep us safe. We are too afraid to eat beef because it gives us mad cow disease, but continue to smoke cigarettes, even though the former has killed less than 200 people in the last 10 years, but the latter has killed millions. We spray our houses with natural pine scents to remind us of the forest, but are unwilling pay even a few pennies more for environmentally friendly products. Although we know that the resources on which we base our luxurious

lifestyle are finite, we pursue a lifestyle of consumerism that does not take into account these limited reserves. Although we watch with horror and sympathy the suffering of people around the world, and express concern over the destruction of the environment, it is too much trouble to put our savings into a bank with a decent ethical and environmental policy. We blame the problems of third world poverty on uncontrolled population growth even when less than 20% of the world's population, who typically have two children per couple at most, consume more than 65% of the world's resources, or when the 100 richest people in Canada, for example, have a total wealth of 120 billion dollars.

Let us remind those who claim that population is the cause of poverty, of life in one of the richest and most desirable cities in the world, Toronto, Canada. In 2004, the eastern areas of North America, including Toronto, were subjected to a severe cold weather front. For several days in Toronto, the temperature dropped to -29°C in the daytime, and as low as to -40°C at nights. Water pipes froze; fire fighters had no water to put out fires. Homeless people struggled to shield themselves from the cold (in 2003 there was at least one known case of a woman freezing to death behind a truck). Social workers, government agencies, church groups, and citizens at large organized themselves to patrol the streets, and took the homeless to shelters, church basements, and perhaps even to jail, in order that they might survive the bitter cold. Some of them refused to accept help and for reasons unknown preferred to stay outside, covering themselves with whatever they could find to shield them from the cold. You probably do not need to be reminded that Canada is not overpopulated, and is rich in resources and technology, and is governed democratically at all levels. Yet, the streets of one of its major cities continue to be filled with the desperate. We can also look at the United States, the richest and most powerful nation in the world, with over 20% of the people living in conditions similar to developing countries. It has homeless people on the streets, hungry children, and even in Washington D.C., just a few blocks away from Capitol Hill, the White House, the Pentagon, and US Federal Reserve Board, there is visible, abject poverty. Perhaps some words of William Shakespeare are appropriate for our crazy, contradictory world: *"...a tale told by an idiot, full of sound and fury, signifying nothing."* (Macbeth, Act V, Scene 5)

What causes poverty? There may be no simple answer, but, amongst the sound and fury, we would admit that poverty, far from being cured by the market economy, is a by-product of it. The strange thing is some of us tend to believe that through economic growth and expansion we could solve the problem of poverty. We can understand that some of us are naïve or ignorant, but to those who should be knowledgeable in this area, thinking we could solve our global poverty problem simply through economic growth would be both unforgivably naïve and ignorant. The market economy rewards and, therefore, induces greed, and facilitates capital accumulation in the few. Some of us believe that wealth is the blessing of God, but that does not give us license to behave without compassion and accumulate wealth without end; indeed, it is at best a temporary blessing, first of all because we cannot take it with us, but also because, if we were to live forever, we would outlive the wealth.

The process of capital accumulation and wealth concentration may provide jobs, and economic growth will add to GDP and GNP, but this is not the same as solving the problem of global poverty. Economic growth can be a blessing to the rich, but is also a cause for poverty. Relying on the market system to make adjustments needed to relieve the pressure of poverty, is at worst self-deception, and at best an attempt to catch the moon from its lake water reflection. Government intervention cannot change the greed in the mindset of the rich, since for the rich, to have more is no less than second nature, and the market system helps them to expand it; charitable and philanthropical works for the poor are gap fillers, and environmentalists advocating and promoting their cause is useful, but far from reaching the roots of the problem. Only the private sector, in particular broad-based private business entities, have the capability to deal with the roots of our problem in global poverty.

Greed is part of human nature, but fortunately it is balanced with kindness, care, and unselfish love. However, we need more than reliance on philanthropic organizations to do all the work. What we need is a system within the market economy that will make it possible and convenient for decision-makers to participate in poverty reduction without stifling the decision-maker or organization. This system must increase decision-maker awareness of the nature of profit versus residual, and the need for stewardship accountability when making ownership decisions. There is no

system directly attached to the market economy better suited than accounting to accomplish this purpose, since the objective of accounting is to identify, measure, and communicate information to its users. It is our intention to communicate with readers that:

1. Profit is only an expression of economists through their analysis. Accounting profit is used to summarize a business's operating result. However, accounting profit cannot be considered economic profit since it does not include all costs. Consequently, it cannot be viewed as the entitlement of shareholders of business entities.
2. Residual is not a new concept, but it reflects an economic reality, and it can be used for reallocation.
3. Ownership is a legal status that empowers individuals to make proprietary decisions, but stewardship responsibility must also be taken into account.
4. The residual concept must be integrated into stewardship accountability. It must be built into the accounting practice, to allow decision-makers to make provisions for the fulfillment of stewardship accountability without changing current practice for corporate reporting. This will facilitate the use of accounting as a system to help relieve the pressure of global poverty.

This is not just a task for other organizations, or a task for the government, or a task for the professionals, or a task for the charities. It is a task for you. In the movie version of the Lord of the Rings, there is a quote "even the smallest person can make a difference." We can go further to say that it is in fact only the smallest persons who will make a difference, and only if they (we) work together. This book is about educating people to undertake that responsibility. This is not an easy task; however, it is a task which must be undertaken. As the US President John F. Kennedy once said about going to the moon: "We do this not because it is easy, but because it is hard." As you read this book, read it not as an academic exercise, but as something which addresses a central issue in everyone's life.

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