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# Lake Pedder: Accounting, environmental decision-making, nature and impression management

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### ABSTRACT

This paper looks at the role of accounting in a major environmental infrastructural project, the flooding of Lake Pedder in Tasmania in the 1960s. This was a contentious political decision in which accounting information was important and decisive. The paper found that accounting was used selectively and creatively to legitimate decision-making supporting a cost-benefit calculus. Environmental considerations were rendered invisible, marginalised and excluded from the evaluation. Accounting was used as an impression management tool through selectivity, bias and enhancement. It provides a rare illustration of the limitations of accounting for an infrastructural environmental decision using a real life, in depth case study.

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“If we can revise our attitudes towards the land under our feet, if we can accept a role of steward, and depart from the role of conqueror, if we can accept the view that man and nature are inseparable parts of the unified whole – then Tasmania can be a shining beacon in a dull, uniform, and largely artificial world.”<sup>1</sup>

Olegas Truchanas 1923–1972

## 1. Introduction

The role of accounting in environmental decision-making is complex and intertwined with social, economic and political factors. This includes its role in financial costing. Accounting, although seen by wider unsophisticated users as a neutral, rational and technical servant of the decision-making process, can also be employed as a powerful instrument of political, social and economic advocacy (e.g. [Knights & Collinson, 1987](#); [Cooper 1995](#)). It has, for example, been widely recognised as a rhetorical and persuasive discourse exploited by those with particular social, economic and political agendas (e.g. [King & Schrems 1978](#); [Dillard & Ruchala, 2005](#); [Cooper & Catchpole, 2009](#)). Accounting inputs are thus used selectively and creatively to legitimate decision-making supported by an economic cost-benefit calculus. Moreover, associated negative externalities are rendered invisible or marginalised ([Jones, 2014](#)). Accounting can, therefore, be used to omit, bias or select information to creatively portray the views of management (e.g. [Jones, 2011](#); [Brennan & Merkl-Davies, 2013](#)). In addition, accounting has a narrow remit. For example, while traditional accounting can capture and measure financial numbers, it fails to account for natural assets (e.g. [Jones, 2010b](#)). Thus, flora, fauna, ecosystems and natural beauty have no monetary value in traditional accounting terms. They are not, therefore, included in the balance sheet.

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<sup>1</sup> Olegas Truchanas was an environmental activist who died on the Gordon River, Tasmania trying to protect the Lake Pedder area.

Despite these evident weaknesses, accounting and accounting data are routinely used in both operational and strategic environmental decisions. However, perhaps surprisingly, there has been comparatively little analysis of the use of accounting in environmental decision-making using in depth case studies. In particular, there has been little consideration of the strengths and limitations of accounting's use in financial costing especially when used to evaluate long-term strategic environmental one-off decisions. We thus have little evidence of how accounting information can be used selectively or in a biased way in such contexts. The decision in the 1960s to dam the pristine Lake Pedder to increase Tasmania's hydro-electricity generating capacity (the Lake Pedder Decision), which we discuss in this paper, provides an example of the power of accounting as an apparently rational technology for decision-making when used by a powerful and entrenched institutional advocate. The effect was to frame an environmentally devastating decision as rational and neutral through the privileging of financial concerns over arguably more precious natural and social ones.

Our article seeks to provide an insight into the use of accounting in the Lake Pedder decision in Tasmania in the late 1960s. This case is particularly important in the history of the Australian, and more widely the global, environmental movement. At the time it caused political controversy not only in Tasmania but within Australia and internationally. Indeed, the Lake Pedder decision has been credited as leading to the formation of the world's first environmental movement. This was the United Tasmanian Group formed in March 1972 as a result of protests over the damming of Lake Pedder (Stratford, 2008). In addition, the furore caused the Australian government to set up the Australian Heritage Commission and sign the World Heritage Convention (Lake Pedder 2000 Commission). However, although the Lake Pedder decision has attracted the attention of economic, social and political commentators (e.g. Bayley, Lake, Swain, & Tyler, 1972; Davis, 1972; Baidya, 1984) it has so far, to our knowledge, passed unnoticed by accounting researchers. This is perhaps, surprising as, at its heart, the Lake Pedder decision was based on accounting numbers. It was about the imperative of providing cheap electricity for the industry of Tasmania. At the centre of the decision there were, therefore, accounting calculations based on accounting estimates.

The Lake Pedder decision although taken in 1967 has obvious modern relevance, for example, in the context of dam construction itself ([www.internationalrivers.org](http://www.internationalrivers.org) (2015)). Across the world, there are, at least, 47,000 dams. However, as in the Lake Pedder case, these are socially, politically and economically contentious (McCully, 2004; p. 14). "Today, almost everywhere that a big dam is being proposed or built there is a community or a group of activists organising against it". For example, in the UK, there is currently a longstanding social, economic and political debate about building a barrage across the River Severn. Advocates claim it will provide energy from renewable resources, while critics argue it will destroy a pristine and invaluable natural habitat. This problem is persistent and perennial. Two other recent cases are from Brazil and South East Asia. In Brazil, the building of the Belo Monte Dam on the Xingu River in 2011 for hydro-electric power caused severe environmental problems such as deforestation, loss of flora and fauna which are reminiscent of the Lake Pedder decision 40 years ago (BBC News, 2011). Meanwhile, in Asia, plans to build a series of dams across the Mekong in Cambodia, Laos and Thailand present serious threats to the river's ecology and the livelihood of local people (Goichet, 2015).

The contribution of this article is threefold. First, it looks at the role that accounting for financial costing played in the damming of Lake Pedder as part of the Gordon River Scheme for electricity in 1972. In particular, it contextualises accounting within the historical, economic, political and social debates of the time. Second, it investigates how accounting for financial costing was used in an advocacy role to persuade and convince people that the construction of the Gordon River hydro-electric scheme was a rational and sustainable allocation of resources. It thus shows how accounting was used as an impression management tool in a biased and selective way. Few studies have looked at major environmental infrastructural decisions in the context of accounting information. Third, it demonstrates the limitations of accounting for financial costing when it comes to decision-making and demonstrates those environmental externalities, both anthropocentric and non-anthropocentric, which fall outside the current accounting paradigm. As Houdet & Germaneau (2014, p. 64) comment: "There is a growing consensus that conventional accounting practices do not provide adequate information for properly supporting decision-making in terms of the environment". Furthermore, Gray (1991, p.23) commented: "The vast majority of the biosphere is . . . not covered by price (air, water, common land, habitat, species, ozone layer, etc.)". Although these limitations have been recognised in theory in the academic accounting domain for decades (e.g. Hines, 1991; Jones, 2010b; Freeman & Groom 2013), they have only rarely been discussed using case study examples.

Our case study shows how several aspects of impression management were present. Conceptually, there are three potential stages to impression management. First, by completely omitting material a distorted view of a company's performance or costs and benefits can be conveyed (e.g. Beattie & Jones, 1992). Second, information that is presented can be distorted., for example, certain aspects of the information can be enhanced (Merkl-Davies & Brennan, 2011; Merkl-Davies, Brennan, & McCleay, 2011). Third, there can be partial or incomplete disclosure. This is where there is disclosure, but only of certain self-serving information or specific aspects of that information. This can be characterised as selectivity. We use this three-fold conceptual framework (i.e., omission, bias, and selectivity) to show how economic cost-benefit information in the Lake Pedder decision was used to construct a case for building the dam.

The project is based on both archival and secondary sources. The archival material consists of governmental reports and papers from the time, whilst secondary sources include articles and books that have been written about the Lake Pedder decision. In particular, we draw upon the Report of the Select Committee of the Tasmanian state government's Legislative Council on the Gordon River and Thermal Power Development in 1967 (Select Committee, 1967), the Tasmanian Hydro-Electric Commission's (hereafter THEC) report to the Tasmanian government on the same scheme (THEC, 1967) and the Australian Federal Government's Report of the Lake Pedder Committee of Enquiry in June 1973 (Committee of Enquiry, 1973a, 1973b). Also there are papers concerned with the ongoing restoration of Lake Pedder (Lake Pedder Submission,

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