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## The Real World of Accounting

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*University of Mississippi*

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**THE REAL WORLD OF ACCOUNTING**

by

**Colin Hartman**

A thesis submitted to the faculty of The University of Mississippi in partial fulfillment of the requirements of the Sally McDonnell Barksdale Honors College.

**Oxford, MS**

**May 2024**

Approved by



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Advisor: Dr. Victoria Dickinson



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## ABSTRACT

### THE REAL WORLD OF ACCOUNTING

This thesis was completed through the year 2023. There are six different accounting case studies that are included in this thesis. Each case has a different topic and focuses on different issues that accountants are or will face. Some of the topics that are discussed involve the Military Industrial Complex, Silicon Valley Bank, and the impact of ESG. These cases go into detail about the topic and discuss certain issues accountants may face. I also discuss what would be the best way to attack certain problems that arise. Each case was designed to challenge us to think outside the box and propose new ideas for solving problems.

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CASE 1: NORFOLK SOUTHERN TRAIN DERAILMENT

By Colin Hartman, Kelsey Mayhan, and Jacobi Scruggs

ACCY 420

Dr. Dickinson

May 2024

## **Case Introduction and Summary:**

This week as a group we learned about the train derailments in East Palestine, Ohio, and how to audit a company in crisis. After the major train derailment caused toxic chemicals to leach into the land and water of a once-thriving mining community, Norfolk Southern, the company responsible, is facing a large amount of backlash for not better preventing this disaster. We examined its Environmental, Social, and Governance Report from the year prior to see if it had taken any preventive measures to reduce the chances of this tragedy occurring. For clarity, an ESG report shows how a company is trying to promote sustainability, energy efficiency, and biodiversity, among other things. As this disaster affects all three areas of ESG, we expected to find some hints for the future in the report.

Norfolk Southern is one of the nation's largest transportation companies in the United States and operates 19,300 miles of track in 22 different states. They are a major transporter of industrial products such as chemicals, agriculture, and metals. Norfolk also transports coal, automobiles, and auto parts. They have a net income of billions of dollars every year. Norfolk Southern had some permanent cost cuts in 2020 due to railroads facing major losses from the COVID-19 pandemic. They reduced costs in almost all areas, including maintenance of their trains and technology spending. Some of these cost cuts could have led to an accident like this occurring. Currently, Norfolk has paid millions of dollars, but it looks like that may not cover all the damages. Norfolk has paid billions in dividends and stock buybacks over the past few years, but they only paid the people affected by the train wreck a few million dollars.

Toxic chemicals are in the air, food, and water in this area. People are already getting sick and having serious health issues. Animals are dying due to all of the rivers and ponds being unsafe to drink, but the United States government continues to spend a considerable amount on

aid to Ukraine. Congress is not supporting its own people, but sending millions of dollars over to another country, and what kind of effect can this have on the spirits of the people of East Palestine, Ohio? We discussed how we could appropriately represent some of these losses on financial statements, and how this could impact their net income and revenues in future years. We analyzed what processes we would take to be able to perform an appropriate audit for this type of situation.

### **ESG and Technology:**

First, we look at Norfolk Southern's Environmental, Social, and Governance Report to see what changes they made from the year before to improve safety, operations, and crash prevention. Norfolk says their vision is to be the safest and most successful transportation company in the world. They have comprehensive safety management systems in place and employees are a part of their Six Action Steps to safe service: Policy and Goals, Education, Communication, Recognition, Accountability, and Follow-up. Norfolk recently got approval for a risk reduction program and used this to reach their operational safety goals. Hazard reduction and elimination were one of their main focuses through this program.

Norfolk Southern is also working on many new digital rail developments. They already have a system of fully automated inspection corridors that can detect failures before they occur. They also have smart technology that uses real-time data to reduce fuel consumption. Ann A. Adams, Executive Vice President and Chief Transportation Officer, states, "Norfolk Southern is using technology to improve every aspect of our business. From operating trains safely and efficiently to added visibility for customers to building a more representative and inclusive workforce, technology is driving progress at our company." Norfolk Southern's board of directors and their new hire, Amy Miles has an enhanced oversight policy to navigate all the



risks faced by the company properly. Their incident reports are also helpful in seeing what kind of accidents are occurring and how frequently they are occurring. The ESG report is useful in improving the operations of the company. Norfolk Southern is finding new ways to reduce carbon emissions and save money while doing it. They are installing new electric cranes that can move 1,000 additional units per year. They are also using data to eliminate over 2,000 hours of idle work per day. This can save a lot of money and save money on gas by eliminating this problem (Black). Norfolk Southern has lots of new ideas and plans to increase efficiency in operations and save money described in the ESG report.

### **Damages and Compensation:**

Norfolk Southern's ESG report did not mention anything about the ECP brakes or the sensors that were mentioned in the article. The ECP brakes brought up in the article were found out to be way too costly for their potential benefits, but the sensors were very cheap for the benefits they would provide. The sensor apparatus would only cost around \$400 to \$900 per railcar. Rail companies still did not want to spend the money to put these systems in (Black). The sensor probably would have caught the wheel bearing overheating before the derailment occurred. Not implementing some of the safety features mentioned in the article might have cost Norfolk Southern a lot of money and lives.

The derailment in East Palestine has been severely detrimental to the surrounding ecosystems. At a minimum, 43,000 aquatic animals have died as a direct result of the toxic spill. Outdoors.com reports, "So far, no endangered species have been found dead, but all these smaller animals serve as critical food sources for birds, larger fish, and other wildlife, including the threatened hellbender salamander. Right now, some experts fear that it's not just one aquatic ecosystem that's at risk of collapse — it's the whole watershed." The residents share this

sentiment, as many are avoiding the well water and taking their kids out of school, if not leaving the area entirely (Buhay). This flight is negatively impacting the home values of the area. “A local news station reports at least one instance of a bank refusing a home loan for someone trying to buy in the area, as well as many people who are trying to leave the area struggling to sell. (Cloutier).” With so many acute side effects as well as the potential for a slew of long-term consequences, the question of who is responsible to fix this issue is raised. How do you determine the financial compensation for the effect on the housing market? Or the medical effects that are felt in 20 years? The consensus, and mandate from the Environmental Protection Agency, is that Norfolk Southern is solely responsible for paying to clean the contaminated soil and water, as well as paying the EPA for their cleanup costs. (Stein) When it comes to the human effects; however, the answer may not be quite as clear. Currently, Norfolk is giving \$300,000 to the local school district, \$825,000 to the local fire department, and states its total responsibility is close to \$8 million. There is speculation about whether this is truly enough compensation. CNN reports, “The company revealed Wednesday during a conference call with investors that it has as much as \$1.1 billion worth of liability insurance coverage that it can draw upon to compensate third parties for losses caused by the accident. It also has about \$200 million worth of insurance coverage to cover damage to its own property, such as tracks or equipment.” When Norfolk has the capability to give East Palestine up to \$1.1 Billion, but they are choosing to commit only \$8 million, there is a huge lack of awareness on their part. The optics of this monetary gap will only further damage their reputation in the media. The easiest way to determine the compensation for the people of East Palestine is for those people to decide themselves. A class action lawsuit would effectively provide Norfolk with a concrete number to repay, other than their bill from the

EPA. The lawsuit could stipulate the creation of a payable to the city to be paid over several years or provide a large lump sum amount to then be paid out to individuals by the city.

Another facet of the compensation issue is the great profits their shareholders are projected to receive this year. In March, Norfolk announced their plan to repurchase \$10 billion worth of their shares. When a company repurchases its own shares, it decreases the number of total shares in the market, subsequently increasing the price of the remaining shares. Currently, they still have \$7.5 billion left to repurchase under that plan. Furthermore, they paid out dividends totaling \$4.6 billion to their shareholders in 2022. (Isidore) If they continue their share repurchase plan, they will pay out even more dividends to their shareholders in 2023, despite paying out to East Palestine. The ethics of that decision become unclear; it seems morally incorrect that their shareholders would reap such a large profit, thousands of times what they have given to the city that they destroyed. Of course, as a business, Norfolk cannot afford to disregard profits despite this tragedy as they must continue to be able to function. They will not be reaching their repurchase profit goals regardless of the timeline, as their stock prices have steadily dropped since the train derailment on February third. (MarketWatch) Their second train derailment as of March 4<sup>th</sup> and in Ohio, only further this issue and the scrutiny they will be under. Considering their stock prices will most likely continue to plummet, they should consider repurchasing even more shares than previously projected, to mitigate some of these losses.

### **Reparations, Dividends, and the Need to Reconsider:**

Seeing as though the estimated total amount of compensation that Norfolk Southern needs to pay tends to exceed the estimated \$8 million of damages determined by Norfolk Southern, Norfolk Southern must do more to pay its reparations, especially since it has only contributed approximately \$7 million. The reasoning behind this is that the contributions made

towards East Palestine are still short of what damages were done. While Norfolk Southern deems the number of damages to what it believes the value should be, it fails to consider the value of the damages to the citizens, which shows a lack of empathy and compassion, especially since Norfolk Southern is repurchasing stock and giving out hefty dividends to shareholders. So, when asked the question should shareholders of Norfolk Southern be rewarded considering recent events the answer is simply yes. Merriam-Webster defines a shareholder as “one that holds or owns a share in property.” To put it in simpler terms, a shareholder is nothing but a stockholder of a company who invests his or her money into stocks to gain a return. Choosing to be a stockholder of a company makes one responsible for conducting great research such as examining past financial statements, computing ratios such as price-to-earnings ratios, and determining the overall value of a company to reap benefits later. However, what a stockholder is directly not responsible for is the moral corruption of executive officers who choose to not give money to those in need despite the company having an abundant amount of money. With that being said, shareholders should not be punished for something they had no direct control over. In addition to this, seeing as though Norfolk Southern is currently repurchasing a significant amount of its shares as treasury stock, this overall reduces the voting power of shareholders in certain decisions affecting the company. While one may argue that shareholders are eligible for a higher return during this process, one must also realize that this results in shareholders’ opinions and voices being heard less because of voting power in situations such as the previous derailment. This proves evident as an article revolving around the topic of shareholder voting states, “Shareholder voting rights give you the power to elect directors at annual or special meetings and make your views known to company management and directors on significant issues that may affect the value of your shares.” Since Norfolk is still in the

process of acquiring more treasury stock, shareholders will have a difficult time in sharing their inputs and thoughts about previous decisions such as those related to spending that could have prevented the recent derailment (U.S. Securities and Exchange Commission). Because of this, shareholders should still be rewarded as they had nothing to do with this and because they have no final input in what happens in business operations.

In order to prevent situations such as the previous derailment in the future, Norfolk Southern must consider many factors. A certain type of factor, in this case, would be a financial reporting risk related to this event. One financial reporting risk from this event would be simply not reporting the train derailment in East Palestine. Shareholders not seeing this in the annual report and having to find out about it on their own can prove to be quite detrimental. This can result in the stock price of the company plummeting, a decrease in the number of shareholders, a feeling of untrustworthiness towards the company by the general public, and even the company paying a fine to the U.S. Securities and Exchange Commission for the lack of information. In addition, another financial reporting risk in this situation would be not reporting the actual damages at a value determined by a third party or citizens of East Palestine instead of a value solely determined by Norfolk Southern. This could result in an overstatement of net income, an understatement of expenses, and a decrease in earnings-per-share in the next annual report. "The railroads are quick to point out their lack of funds to provide adequate staffing, paid sick leave and improved safety, yet they have billions of dollars to spend on stock repurchases," is a statement said by Eddie Hall, national president of the Brotherhood of Locomotive Engineers, the industry's second-largest union behind the one that represents conductors.( Isidore). In light of this statement, audit procedures that should be performed should include establishing a baseline with the safety benchmark in the previous annual report to see what can be improved in

response to current times, calculating the change in staffing and benefits, and even calculating the change in the number of treasury stock from the previous year. With the derailment in mind, it should be reported in the company's income statement as an unusual loss as the event resulted in compensation that needs to be paid out to those affected in the tragedy. While this will also be placed in the footnotes of the annual report, certain financial statement line items that should be used to account for the current and future ramifications of this event should be compensation and benefits, materials and others, and the amount of common stock net of treasury shares. This is evident because of the recent examination of Norfolk Southern's previous 10-K (Corp., Norfolk Southern).

### **Politics and Its Effects:**

As many should know, politics play a role in everyone's everyday lives as it affects us all on different levels. The same is true for the citizens of East Palestine, Ohio. In recent news, several media commentators have claimed that the unfortunate citizens of East Palestine can blame no one but themselves as they voted for past US president Donald Trump with a three-to-one vote. The commentators suggest that because of this alongside the fact that East Palestine citizens contributed a great deal of money to Mike DeWine, a Republican Ohio governor, and his campaign. In addition, other ideas insist that the citizens of East Palestine have not received relief from the United States government because they were not in his voter base, which creates a sense of inequality since America has sent billions of dollars in tax to Ukraine. With that being said, if one were a resident of East Palestine, he or she would feel a great deal of confusion, sadness, and hopelessness in America not wanting to help the city recover, especially since America was built upon justice, equality, and fairness for all. As Matthew 7:3-5 states, "Why do

you look at the speck of sawdust in your brother's eye and pay no attention to the plank in your own eye?"

CASE 2: SILICON VALLEY BANK

By Colin Hartman

ACCY 420

Dr. Dickinson

May 2024



## **Case Introduction and Summary:**

This week the students learned about the Silicon Valley Bank (SVB) crisis and how the economy will be affected by it. SVB is a large corporate bank involved heavily in technology companies and venture capitalist firms. They held a large amount of their capital in held-to-maturity securities and as the past couple of years unfolded they had a substantial number of unrealized losses. As the Federal Reserve began to raise interest rates to fight off inflation, the value of these held-to-maturity securities dropped substantially, and as companies started needing more cash to continue operations SVB was forced to sell their securities as they were running out of money to pay depositors back. Auditors gave SVB a clean report and issued no going concern problems. Two weeks later they failed and left investors with nothing. I discuss some potential changes in the accounting rules involving these securities and how they will affect my career.

I learned a lot about Silicon Valley Bank and the entire banking system during this case. I learned how interest rates can affect held-to-maturity investments and cause their value to be lower. If you hold this investment until maturity the changes in interest rates do not affect you, but if you must sell before the maturity date you will lose a significant portion of your investment. I also learned how big companies missed so many things with SVB. There were many red flags showing that most people would have seen as suspicious, yet none of the large investors could find them. Auditors can also miss lots of information during an audit. There is no way for them to catch everything and it is impossible to predict the future, but they should have done better in this case. I also learned the importance of being honest and a person of good character in today's world.

## **Economic Response:**

Since the fall of Silicon Valley Bank (SVB), there has been fear, uncertainty, and doubt in the in the economy. The Federal Deposit Insurance Corporation (FDIC) is going to have big decisions to make in the coming weeks and months. Should depositors only be insured up to the \$250,000 limit? Should depositors be paid back in full? The answers to these questions will have a big impact of the future of the economic system. If the Federal Reserve prints more money to pay depositors back, interest rates will keep rising and rising causing more and more banks to be at risk of failure. I do not believe paying back all the Silicon Valley Bank depositors in full in the correct response. The United States Government is spending money they do not have and causing inflation to keep increasing. The depositors of SVB knew FDIC deposit limit rules, and they should have to pay for not following them.

The Congressional response should be very intense. The US Government has been too lenient recently with too much money going out and not enough coming in. As a country, we are digging ourselves into a deeper hole in recent years as our spending is increasing. With large amounts of bank failures looming and lots of money likely to be paid to depositors, we cannot be printing more money to pay them back. There needs to be a big spending decrease from Congress as soon as possible. There are so many ways they could be cutting down on spending, but instead spending has increased 43 percent over the last four years. (Edwards, 2023, paragraph 7).

I would personally cut down spending on almost all programs. As a country, we are so deep in debt that sacrifices are going to have to be made if we hope to come out of it. Another increase in spending has already been suggested for 2024, so it looks like there is no plan to try

and get rid of the country's debt anytime soon. The debt will only be increasing for the foreseeable future, driving the country deeper in debt.

### **Career Outlook and Changes to Auditing Rules:**

These events have me thinking a lot about the future and how these recent events will affect the accounting world. There will likely be some big changes coming soon. I believe accountants are going to be relied on to do more than they have in the past. I think we will under the public eye a lot more after a few missed going concerns. "Auditors are supposed to warn investors if companies are in trouble. They are required to evaluate "whether there is substantial doubt about the entity's ability to continue as a going concern" for the next 12 months after the financial statements are issued." (Weil, 2023, paragraph 9) People are going to be upset because they lost their money in SVB and Signature Bank stocks and received no warning from accounting firms that they were about to go under. The more banks that go under and the more stress that is put on the economy will make things hard for everyone going forward.

I think the accounting rules are in a for a big change soon. Banks and other businesses should be forced to show their unrealized gains and losses on held-to-maturity investments. It is not faithful representation when SVB's financial statements did not reflect these losses. Auditors are supposed to see these losses and make them known to investors. I think some accounting firms will be taken to court for not accurately representing the financial situations of these companies. One of the reasons for Silicon Valley Bank failure was their rapid growth in the years before. SVB doubled their assets and deposits in 2021. They mostly worked with venture capital and tech companies. During the last few months, there has been a money crunch in the economy and SVB was forced to start selling their held-to-maturity securities for huge losses. In

the next few years, I believe the Generally Accepted Accounting Principles (GAAP) will be changed and companies will be forced to comply with new investment reporting rules.

CASE 3: FINANCIAL CRISIS HISTORY

By Colin Hartman

ACCY 420

Dr. Dickinson

May 2024

## **Case Introduction and Summary:**

This week I was tasked with learning about the Financial Crisis of 2008 and reading a Rolling Stone article about the deep ties of Goldman Sachs and the Federal Government. It is shocking to see how deep the corruption runs between Wall Street and the Federal Government. Repeatedly, big banks are bailed out at the expense of the taxpayers. Billions spent to pay back banks like Goldman Sachs for making sub-prime mortgages they knew would default. Goldman Sachs made money off people investing in their securities and off the government bailout given to AIG, the insurer of these securities, to pay back those who lost money with them. Investment banks have been taking advantage of the average person for decades using their deceptive tactics and predatory loans.

They can continually trick people into doing what they want because of their great reputation, given by the government, and use it to funnel more money to themselves. Over time, Goldman Sachs has slithered their way into the Federal Government. Their ex-employees have almost completely taken over finance and finance regulation areas in the government. Goldman Sachs has used these positions to benefit their firm repeatedly. These situations make me question everything about Wall Street and Federal Government. It seems like you can get away with whatever you want when you have money and power.

This assignment has my trust in the President, Congress, Wall Street, and financial regulators broken. They continually exploit the common man for their own gain. There needs to be serious action taken against the people in charge, but sadly that action will never come. The government will continue to get more corrupt and let themselves be influenced by outsiders. The entire system will potentially fall apart in the near future, and maybe it should. A new beginning is looking like the best way get out of Goldman Sachs rule. They have set themselves up to gain

at our expense for the next few decades. We cannot allow this to continue. Somebody must step up and make these major changes.

### **Effect On Trust In Government:**

I have not had trust in the United States Government in a long time. I believe almost all politicians are corrupt and are constantly doing things without public knowledge. Our case this week has solidified my claims. The levels of corruption go deeper than most people could imagine. United States citizens are so focused on what political party they are aligned with, and they cannot see how both sides are just as corrupt as the other.

I have always had respect for Wall Street, investment banks, and anything involving the stock market. I believed the stock and bond markets are a great method of wealth creation for everybody, and I could not believe when people would tell me they were not invested in stocks, bonds, or commodities. Researching for this assignment has changed my mind completely. Investment bankers that claim to be for the people and promise to only invest their money in very low risk items are lying. They seem to only care about themselves and their firm. “The bank’s unprecedented reach and power have enabled it to turn all of America into a giant pump-and-dump scam, manipulating whole economic sectors for years at a time, moving the dice game as this or that market collapses, and all the time gorging itself on the unseen costs that are breaking families everywhere — high gas prices, rising consumer credit rates, half-eaten pension funds, mass layoffs, future taxes to pay off bailouts,” says Matt Taibbi (Taibbi, Rolling Stone paragraph 4).

When you have no trust in your own government, it is a scary place to live. You never know when they will lock you in your house for months at a time or use your money to make themselves and their associates rich. They have stolen freedom from the common person, and I

think we are on the verge of a communist society. The people with the most money tell everyone what to do, and this is only good for the elite. This must be changed for us to have a society where people have equal chances.

**Role in Society:**

The materials I have been reviewing this past week have made me reconsider what I originally thought. I did not think that accountants work was all that important. I just thought it was something that the law required be done, but our jobs are much more than that. Honesty in accounting is needed badly. We need good workers to disclose correct information and turn in all the businesses doing shady things. In my personal life, it will be more difficult to trust institutions and the government now. I want to know that my money and tax dollars are going to things that help our country. I also do not want to lose all my money to a corrupt bank that just wants to make themselves and their executives richer. Some major changes need to be made in the financial and legislative areas of our country.

**What Can Be Learned from The Past To Avoid A Future Crisis:**

There are many similarities happening now that were happening in the last financial crisis. Just like in 2008, the government has been bailing out big banks recently. The government is once again spending massive amounts they do not have and driving up our national debt to new highs. Inflation is on the rise and more money is being printed to help with bailouts. The value of the dollar is going down and we are setting ourselves up for another recession. Lending requirements for a mortgage in 2008 were non-existent, and millions of people defaulted on the loans. The federal government is now doing the same thing with Covid-relief checks. They are handing out money with no background checks or requirements. How have we not learned from our past mistakes and done better?



CASE 4: CHINA HUSTLE

By Colin Hartman

ACCY 420

Dr. Dickinson

May 2024

## **Case Introduction and Summary:**

For our first case of the semester, we watched a documentary produced by Mark Cuban and the class learned about an economic event referred to as the “China Hustle.” After the economic crash of 2008, investment banks and others were looking for new ways to make quick money, and with a growing Chinese economy, they found their answer. Starting in late 2010, a third-tier investment bank named Roth Capital began to list Chinese companies in the United States markets. They used a method called a reverse merger to get these companies listed on US markets. A reverse merger is when a company, without operations, is still listed on a US stock exchange merges with another company so that company can now be listed on the stock exchange. This method of entry is very unethical because it requires no background checks or audits.

After these Chinese companies got listed on the markets, they began to lie on their financial statements about how much money they were making to make their stock price go up. New findings led to GEO investing sending people to China and setting up cameras to see what was really going on. They found out everything they were being told was a scam. Dan David of GEO Investing began to short fraudulent stocks and drive them into the ground. This led to some companies going bankrupt which caused Americans to lose billions in the process. Only one CEO went to jail out of the hundreds of reverse mergers that took place.

I learned it can be very difficult to assess what you are being told from other countries and prove that the information is true. I also learned that investment banks do not care if the information is true or not. They will still try to get new investors to buy what they are selling to make themselves a nice profit. The documentary also proves China does not care about American interests or if they are lying to us about the real value of their companies.

### **Trust in the Government and Financial Industries:**

I always knew the financial industry, including Wall Street, was full of crooks who only care about themselves and their firms, so I did not have any change of mindset after watching this documentary. Wall Street is always looking for new ways to make money while disguising what is going on behind the scenes. The financial crisis of 2008 happened because of bad mortgage lending practices and collateralized debt obligations (Rothstein). Investment banks were looking for new opportunities before the dust even settled. I cannot say I blame them for doing it anymore because of the arrogance of people who think they know what is really going on. If you can get pension funds and individuals to buy something they do not know anything about then they should accept that risk.

The government is a whole different story. I used to believe they cared about people and wanted them to thrive in the American economy, but I fell for the same trick almost everybody does. The US government is just another organization filled with people who only care about themselves and getting rich. They did not care about the people who lost all their money because of China and the Investment banks. Dan David brought what was going on to their attention and went to the hearing to try and get the ball rolling on stopping this disaster, but the government “shockingly” decided to not do anything about it.

### **My Thoughts About the Spokespeople Chosen:**

The spokespeople chosen in the movie were okay, not great. I would have liked to see some bigger players talking about what happened. Blackrock, State Street, or Vanguard CEOs would have made the documentary a better watch in my opinion, but they may not have played as big of a part as I am thinking. Overall, the spokespeople seemed to be highly intelligent about the topic and gave well, thought out, and researched information. Although I do not think they

represented the financial markets, I liked everything that had to say about what happened during the “China Hustle.”

### **Similarities Between SPAC and Reverse Mergers:**

A special purpose acquisition corporation (SPAC) is the new way companies are being taken public. It starts with an initial public offering (IPO) so that capital can be raised to purchase or merge with an existing company listed on an exchange (PwC). This sounds strikingly familiar to the reverse mergers discussed in the film. They both involve merging with a company that is already listed on a stock exchange, so they do not have to be listed by themselves. It seems like history is already repeating itself by allowing companies to issue shares and gain capital using this method. I would not be surprised if another big event will be tied to this type of merger bringing a company public.

### **Global Business Environment:**

The global business environment seems extremely complex and very difficult to learn the ins and outs. The documentary shows how difficult it can be to prove that companies in other countries are telling the truth about how much money they are making and their operations. It took people going over to China to prove that everything we were being told was a lie. China had zero interest in how their lies would affect the American people. They saw an easy way to make lots of money, and they jumped at the opportunity. I am now more fearful than ever about investing in stocks based in other countries. It seems like a huge risk since you cannot fact check anything they are telling you. Based on what I said earlier about Wall Street, I do not believe they have American interests at heart, so I cannot believe that other countries would be looking out for Americans in any way.

The documentary talks about how China purposely falsified their financial statements to try and get companies to invest in their stock to keep the money. They lied about how much inventory they had and how much they were selling to the public. It is almost hard to believe they got away with this for long, so little fact checking was done to prove that what they were saying was true. Hopefully, in the future, this type of the business will be background checked so the public will have faith in these companies and investment banks.

**My Role in Society:**

This documentary did not change my beliefs about my professional or personal role in society. There is no way to stop things like this from happening. It is going to happen again and again because of greed and personal advancement. People are naturally greedy and selfish, and one person is not going to be able to change this mindset. My professional role is to be as honest, helpful, and professional as possible with my clients. I will do my best to be a great influence on those around me. It is the same in my personal life. My goal is to be as honest as possible with everyone and be a good influence on those around me. I think this is the best way to try and change society and those around me for the better.

CASE 5: MILITARY INDUSTRIAL COMPLEX

By Martina Gratz, Colin Hartman, Molly O'Connor, Anna Dale Franks, Steven Young, Sydney

Baumgardner

ACCY 420

Dr. Dickinson

May 2024

## **Case Introduction and Summary:**

The purpose of this case is to look at macroeconomic factors shaping the environment today, inciting critical discussions about the nature of the current social-political climate. The case begins with an analysis of President Eisenhower's cautionary warning of the dangers inherent in the military-industrial complex. Then, in subsequent readings, we draw comparisons about how those warnings may present in the current crisis in Ukraine. Through collaborative discussion of current events presented in multimedia formats, we scrutinize the actions of Congress and the president and formulate our best diagnosis for the crisis. With war comes ethical decisions about the nature and extent to which the U.S. should offer foreign aid to offer an end to Ukraine's suffering while avoiding excess strain on America's resources. The battle may be physically distant from the U.S., but the effects of the war in Ukraine reverberate in America's defense security market and the monetary and fiscal decisions of the U.S. government.

Through this case, we learn that there is no single, easy diagnosis for the crisis in Ukraine, but there is value in trying to predict how America's actions can affect the U.S. economy. This event does not occur in a vacuum; all Americans are stakeholders when broader geopolitical factors are at play, influencing substantial governmental outlays of taxpayer dollars. Inflation rates and interest rates have potent effects on the business cycle, and significant decisions made by politicians now can have long-term implications for the health of the U.S. economy. A top-down approach to market analysis ultimately dictates financial advising and accounting. Accountants need to place financial statement information into the proper context to advise clients better and undertake savvy planning and investment strategies. Without awareness

of current events, accountants may fail to understand decisions made by clients or comprehend the broader implications of industry trends.

### **Discussion on President Eisenhower's 1961 Farewell Speech:**

President Eisenhower's 1961 farewell speech emphasized the importance of maintaining a strong military while also ensuring that the military did not impose on the lives of the entire country's citizens. At the time, the civil rights movement was gaining momentum, and the country was experiencing extreme division over U.S. involvement in the Vietnam War. This marked a turning point for the United States where it would no longer be acceptable to have a military that was not funded, trained, and evolved to optimize its performance at any given time. As other countries, ally or non, began improving the capabilities of their armed forces, the U.S. and its leadership were forced to step up to the same challenge to protect their people and remain at the top of the world's food chain.

With the rise of the defense industry in the U.S., it was also imperative that every citizen educated themselves politically and economically to the best of their abilities. This was and is important because a stronger military meant increased military influence on every element of civilian and government life, which created the potential for abuses of power. President Eisenhower's speech ultimately highlighted the importance of governmental balance and active political participation by the patriotic citizens of the United States (Real Fishing Life). This is a concept that should still be of the utmost importance to all U.S. citizens as we are coming into an age where our freedom is more and more reliant on the different choices, such as at the polls and where we buy goods.

### **Presidential Drawdowns:**



Future profitability for defense industry clients will remain strong and may even increase for the foreseeable future. This is strengthened by legislation such as the Foreign Assistance Act and, by extension, the ability of the Executive Branch to draw down the military's stockpiles and inventories at its own discretion, without permission needed from Congress (U.S. Department of State, para. 1).

This unilateral decision-making has, in the past, and will continue to markedly increase our deficits, thus adding to our national debt. While drawing down the stockpiles and the reserves of military assets does not directly increase spending, the logistical costs of transporting the assets and, more importantly, the need to replenish the stockpiles do. Further, suppose materials, workers, and capital are used in the production of military goods. In that case, they cannot be used in the production of goods within other sectors, such as domestic ones. As more spending gets pumped into the economy in the production of military supplies, it is likely that this will create ripple effects of inflation throughout the nation, even the global economy.

Following this string of events, higher inflation rates will lead to increased interest rates to slow spending and cool the economy. In effect, the increase in spending on the military necessitated by drawdowns do lead to a decrease in spending in other categories. Increases in interest rates indirectly caused by drawdowns affect Americans' everyday lives. More importantly, this does impact the lives of those who will be affected by the damage done by these weapons of war.

### **Continued Support for Ukraine by the US Department of Defense:**

According to the article listed, The United States Department of Defense has no intention of reducing support to Ukraine. However, this goal may be slightly diminished by Congress' lack of action (Lopez, para. 1). The continuing resolution passed earlier this month had no additional

funding for Ukraine in the provisions. Nonetheless, one must consider both sides of the coin when sending aid to another country— morals and money.

The United States is the self-declared defender of democracy, and aiding Ukraine in their fight against Russia most certainly fits that archetype. On August 24th, 2022, the Department of Defense announced the “USAI”— The Ukraine Security Assistance Initiative (Ryder, para.1). The USAI cleared roughly \$3 billion dollars to send to Ukraine’s aid. Providing Ukraine with funding seems like the just thing to do, and sending munitions overseas is something the United States has done for over a century. Furthermore, by sending this aid, the United States is affirming that they will be on the right side of history. However, this is directly conflicting with American individualism. Many believe that Ukraine can pull itself up by its bootstraps, and some conspiracists think that Ukrainian leadership does not want the war to end at all. One thing is for certain though, the conflict in the East has heavily affected the global economy.

During the beginning of the conflict, commodity prices did increase, but then stabilized as the war continued. Peace talks between the two quarreling countries led to a brief deal in which Ukraine could export grain through a narrow corridor in the Black Sea, but Russia has since pulled the deal. According to Neely’s article, the more important effect was the increased market risk assumptions of foreign exchange assets with the Group of Seven (Neely, 2022). Due to the conflict in the east, the risk of default was pushed to the forefront. It remains an important consideration in many investor’s decisions today.

#### **U.S. Tax Dollars Used in Funding for Ukraine:**

The United States government has provided funding to the Ukrainian military, but they have also provided funding to farmers and other small businesses to boost Ukraine’s economy (Chasan, para. 5). The Ukrainian economy succumbed to a deep recession due to the events of

the war. Still, America's funding for Ukraine appears to be extending beyond the realm of essential military funding; the U.S. may be over-injecting the Ukrainian economy with funds that exceed essential wartime activities. This overindulgence of the Ukrainian economy may cause concern in a post-wartime environment. According to the article, Ukraine is the second most corrupt country in Europe, only behind Russia (Chasan, para. 16). However, there have been systems put in place to ensure that funds get correctly appropriated by the Ukrainian government. Still, given the scale of the funding and the physical distance between the U.S. and Ukraine, we question whether America can, confidently, guarantee that the conversion of assets is not occurring.

This article also presents the moral considerations of war, which further complicates this topic. Is it even ethical to argue whether a country deserves funding when civilians are actively dying? We do not think it is America's responsibility to rebuild the livelihoods of Ukraine's citizens, but we believe it is crucial to prevent undue loss of life through essential military aid.

### **Congressional Disagreement and Discussion over Funding for Ukraine:**

The United States Congress is deeply divided about the issue of funding Ukraine against Russia. According to the speakers, over \$100 billion has already been given to support Ukraine, and there is an amendment to stop the future monetary support of Ukraine (Forbes Breaking News). The side supporting of the amendment highlights the large amount of debt that the United States government is already in, the uncertainty regarding American police and firefighter pension plans, and other issues American citizens are struggling with as reasons not to continue support. Additionally, the supporter of the bill mentions that the support of Ukraine is causing issues with inflation with wheat and oil. The opponents of the amendment believe that Ukraine should continue to be supported to stop Putin's influence from being spread and to show other

authoritarian governments that America will support countries they attempt to take over and support the EU.

### **Increased Profitability of the Defense Industry:**

Reading the article in U.S. News, we recalled echoes of Eisenhower's warnings of a military-industrial complex. Ukraine's new Defense Industry Alliance, funded through military defense reserves, appears to have broader goals than just funding the operations of the current war: they intend to become a leading producer of defense systems (Associated Press, para. 9). This is frightening because excess Western aid may make this ambition a reality. America needs to reassess whether its enthusiastic financing of Ukraine's defense industry may lead to worrisome consequences in the future. More concerning, all the think tanks that advise U.S. senators are profiting from weapons manufacturers (Semler, para. 8). This intermingling of senators and defense contractors is particularly concerning because there is a lack of independence between political decision-making and those with a vested interest in war-time profit.

There are long-term implications for the government's fiscal decisions in the war on Ukraine. Analysts project that there is a ten-year horizon with \$10 billion on the line contributing to the formation of new defense contracts and research efforts (Fang, para. 6). In the previous war in Iraq, the U.S. entered long-term military defense contracts. Particularly alarming were 'no-bid' defense contracts totaling \$7 billion, which eliminated competitive market forces and guaranteed high returns for defense industries (CBS News, para. 7). It is evident that defense companies experience more demand and funding during times of war compared to peace, leading to higher stock prices for these industries.

More broadly, inflation and interest rates also rose during the Iraq war due to interruptions in the supply chain and expansionary governmental actions. America is currently feeling the effects of inflation and the strain that rising interest rates place on the economy, which have only been exacerbated by this recent conflict in Ukraine with concerns voiced by Congress, as noted before. KPMG analyzed how America's supply chain for precious metals has affected the technology industry, as well as how the interruption of the grain supply impacted the global wheat market, leading to a trend of generally rising prices across multiple areas of the market (KPMG, para. 3). Potentially, this may lead to a trend toward deglobalization and changes manufacturing strategies and debt leveraging for companies to combat risk. In more recent news, shares of big military contractors such as Lockheed Martin and General Dynamics increased roughly 10% since the start of the Hamas conflict, and we are sure investors are keener than ever on watching the behavior of military securities and the defense industry (Sindreu, para. 2).

### **President Biden's Efforts to Send More Funding to Ukraine:**

Joe Biden is the current President of the United States of America. He assumed office in the very controversial 2020 presidential race. One of the more influential names that fully supported Joe Biden's win, was the Ukrainian President, Volodymyr Zelensky. In a December 2020 New York Times interview, Zelensky welcomed Joe Biden's election as US President and observed that Biden ("knows Ukraine better than the previous president" and "will really help strengthen relations and end the occupation of our territory) (Pifer, para. 1). There is a plethora of reasons why Joe Biden wants to continue financing the war in Ukraine, including his obvious personal affiliation with the country and the promises he has made publicly to continue support. "Biden assured Ukrainian President Volodymyr Zelensky during a visit to Washington last

month that strong US support for his war to repel Russian invaders would be maintained despite opposition from some Republican lawmakers” (Al Jazeera, para. 13). During a recent investigation into Hunter Biden by the US Justice Department, US attorneys found evidence the Biden family has accepted bribes from Ukrainian officials. This is concerning if Biden could be profiting off these payments sent to Ukraine.

Any reasonable person would wonder why we are so apt to send away weapons and money with so many problems at home, but they do not understand the full story. The media narrative about the war in Ukraine is being controlled by large companies to influence public perception about what is happening (Greene, para. 10). There are large corporations that lobby and financially incentivize the President and other members of Congress that are making billions of dollars off this war. CNN, an obviously biased news network, conducted a poll and found that 62 percent of Democrats favor additional funding while 72 percent of Republicans are against it (Agiesta, para. 4).

Why are so many Democrats favoring this, and why are so many Republicans against it? Are the Democrats profiting from the war? Do Republicans know they are and are they trying to stop it? It will likely be many years before the truth is finally revealed. For now, we can only speculate about the truth of this situation and pray that a solution will be found quickly.

### **President Biden’s Allegiance to the Defense Industry vs. Foreign Countries**

In the media listed above, Joe Biden is sharing an anecdote in which a \$1 billion loan was withheld from the Ukrainian government due to communication issues. One party had agreed that something would happen before receiving the loan, and it simply did not. Specifically, this situation involved Hunter Biden, who is not the president of the United States. One must think of

the larger picture and remember that politicians are most definitely beholden to the defense industry.

Oliver Stone reinforces the idea above in his 2017 Writers Guild Awards speech (Petranek, pg. 3). Stone reminds the audience that, "...in the thirteen wars we've started over the last thirty years, and the \$14 trillion dollars we've spent and the hundreds of thousands of lives that have perished from this Earth, remember that it wasn't one leader, but a system both Republican and Democrat and call it what you will...it's a system that has been perpetrated under the guise that these are...justifiable in the name of our flag that flies so proudly over our lives" (Stone, 0:30-1:17). Though Biden is beholden to the defense industry, so has every president been prior, regardless of the side of the aisle they sit on. War does not follow a political party— it follows wallets and lobbyists.

However, one must note that media coverage has abruptly shifted from the Biden interest in Ukraine to the conflict between Israel and Palestine. Hunter Biden's trial date was October 3rd, and the Israel-HAMAS war escalated on October 7th. Though this is an intensification of violence, Israel and Palestine have been in conflict for hundreds of years. HAMAS itself was established in 1987. Consequently, one has to wonder if politics' powerful influence over all media has encouraged news outlets to turn a blind eye to Ukraine for a moment, and subsequently the president's son's involvement with them.

**Who is Zelensky:**

Volodymyr Zelensky is the President of Ukraine, and he was sworn into office on May 20, 2019. He was born in Kryvyi, Ukraine in 1978, and lived in Mongolia as a young child before moving back to Ukraine to start school. Zelensky was in the entertainment business before he decided to go into the political atmosphere. He was a comedian and a singer in a boy

band. “Although he was a political novice, Zelensky’s anti-corruption platform won him widespread support, and his significant online following translated into a solid electoral base” (Ray, para. 1). He won a landslide victory over incumbent Petro Poroshenko in the second round of the 2019 presidential election. President Zelensky’s leadership during the Russian invasion of Ukraine won him global acclaim. Since Ukraine has been at war, he likes to wear his military outfits to make it seem like he, too, is at war with his people.

Zelensky became the face of Ukrainian resistance, and his entertainment background and media savvy provided Ukraine with a weapon for which Putin had no counter. In the information war, the winner was unquestionably Zelensky. After Russian propaganda organs attempted to promote the false claim that Zelensky had fled the capital, he took to the street and filmed himself defiantly standing in central Kyiv. When the United States offered to evacuate him from the combat zone, Zelensky reportedly said, “The fight is here. I need ammunition, not a ride.” Often clad in an olive drab T-shirt, he delivered video addresses to governments around the world, calling upon them to provide Ukraine with military aid and to limit Russia’s ability to wage an offensive war through whatever means possible (Ray, para. 20).

It seems that Zelensky is very serious when it comes to keeping himself in power at the expense of Ukrainian lives. Zelensky wants to be a hero and leave a legacy of being the savior of his country. If you take his background into consideration, as a comedian, actor, and singer, he is used to being in the spotlight. It seems like Zelensky wants to keep himself there as long as he can. Although, he does deserve the credit for being able to get other countries to stand behind him. Whether that is in a legal way or not, it is still impressive how he has drawn support to fund their war. If he can bring in enough help and take down Russia, he may go down in the history books as the savior of Ukraine.



## **Do the Costs Outweigh the Benefits Concerning the U.S.'s War Presence:**

Since 2001, the United States of America has spent \$2 trillion on the war in Afghanistan (Helman, para 3), and the citizens have not gained much in return. One of the only things that we have gained as Americans because of this war was the buffing up of internal defense and immigration laws. If the United States had pulled out of Afghanistan after Seal Team 6 eliminated Osama bin Laden, it would have been easier to rationalize the trillions of dollars spent on the war. However, the war has continued for more than a decade, and all the money spent has truly become a loss because of the Taliban taking control of all the supplies the United States left for the Afghan army after President Biden pulled out the troops in 2021. The only true thing that Americans 'gained' from the war in Afghanistan is the thousands of dead and injured Americans and billions of dollars borrowed to pay for war.

Much like the war in Afghanistan, Americans truly do not gain anything firsthand. As a result of our supporting Ukraine and Afghanistan, we are simply preventing the spread of ideologies that do not agree with those of America. Additionally, a larger gain for America through the United States funding Ukraine in the war against Russia is that we are able to, at least partially, deplete Russia's military and, in turn, prove to Russia that we have a better military. However, this can quickly turn south if Russia decides to use stronger forces, including nuclear power. If Russia has enough of America in its way and has China on its side, there is little we can do, as America is in debt to China from funding the war in Afghanistan and Ukraine.

Ultimately, this situation gets trickier as we consider the current war between Israel and Palestine. Janet Yellen recently stated that the United States could fund the war in Israel and Ukraine. Considering that we only had the ability to fund the war in Afghanistan through

borrowing from China, that is the only way we would have the ability to ‘afford’ the two wars. This might work in the short run; however, in the long run, we will have billions, if not trillions of dollars, in interest due to China. Eventually, in one way or another, the United States will have to pay that back.

### **Concluding Thoughts:**

In this case, we discussed many different facets of the United States’ involvement with the war in Ukraine, mostly focusing on the political actors and the Ukrainian funding provided by U.S. tax dollars. We also look at the intentions that previous U.S. leaders had for the country, specifically in President Eisenhower’s 1961 farewell speech. Ultimately, it has been obvious for a long period of time that the defense industry is growing all around the globe, and that we must rise to the occasion as well. However, in building a formidable military, citizens of this country are faced with new responsibilities. The underlying theme throughout the duration of this case was that the political education of each and every U.S. citizen is of the utmost importance when addressing our current political and economic climate. Between elections, involvement with the war in Ukraine, and an ever-growing defense industry, the only hope for stability lies within the hands of voters. We see the need for this responsibility clearly when discussing the actions of President Biden and different members of congress concerning increased funding to be sent to Ukraine, on U.S. taxpayers’ dimes. Such a controversial topic surely holds weight in the minds of many voters and has the potential to significantly alter the future of our nation.

From an economic standpoint, we highlight the implications that come with proposed increases in funding and analyze the costs versus benefits of being involved in foreign wars when the U.S. is facing its own issues, namely excessive debt. Politically, we examine where the loyalties of U.S. leaders truly lie, and how they can be shifted by times of war and peace.

In this modern age, accountants are beginning to be seen as business partners and advisors, faced with the responsibility of reading the economy and making predictions that would help their clients to be optimally successful in the future. For that reason, it is important that we consider these politically and economically driven ideas and educate ourselves on them so that we may make thoughtful and informed decisions, both professionally and as U.S. citizens.

CASE 6: IMPACT OF ESG

By Colin Hartman

ACCY 420

Dr. Dickinson

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## **Case Introduction and Summary:**

“An idea is like a virus, resilient, and highly contagious. The smallest seed of an idea can grow to destroy you or define you” (Nolan). The focus of this case is the idea of Environmental, Social, and Governance (ESG). It has become the focal point for most companies and regulators, but is it just a pipe dream? With global dissonance on the rise, mass immigration, and other extensive issues on the home front is America’s focus is the right place? As protests against the use of fossil fuels have become more frequent and destructive, such as the Just Stop Oil group vandalizing different art exhibits, America and other worldwide governments have expanded their efforts in finding ways to increase the use of renewable energy sources. Solar panels and wind turbines are being set up in different locations in order to reduce fossil fuel consumption. Although renewable energy sources are all around us, it is “extremely difficult to harness nature’s built in power sources.”

The sun is not always shining, and the wind is not always blowing, thus, to be able to use only these resources would require storing energy generated to be used during such times. This has yet to be perfected, and coal power plants have been set up to go into action when these energy sources stop producing. Fossil fuels are the foundation for most countries’ energy resources, because without energy, that country cannot function. I do not believe we will ever achieve full sustainability solely utilizing renewable energy sources.

The Securities and Exchange Commission is in the process of creating climate disclosure rules for public companies. They will be required to report their greenhouse gas emissions on three different levels. “Scope 1 focuses on the direct GHG emissions of the company and Scope 2 reports GHG emissions of the energy providers used by the company. Scope 3 focuses on GHG emissions along the supply chain, including those of private companies who sell to

publicly traded companies, and of the end consumer”(McGowan). Trillions of dollars are being spent to promote sustainability and renewable energy resources. Financial firms will also play a role by setting up a carbon credit system to allow the tracking of a company (or individuals) carbon footprint. There will likely be benefits set forth for those who reduce their carbon emission to an acceptable level, and penalties for those who do not.

**Who stands to profit the most:**

The government, banks, and certain investment firms normally stand to profit from new ideas and regulations. Banks’ ability to generate profit by helping their customers understand and successfully implement new climate action policies seems ridiculous and borderline unethical to me. This Wall Street Journal article states, “Banks should play a pivotal role in propping up and sustaining the carbon-trade ecosystem, which will include acting as key partners to new participants. As financial intermediaries, they can add liquidity, assist with pricing carbon-credit assets, and reduce counterparty risk in nascent trading platforms. Banks could work with rating agencies and exchanges in vetting carbon credits for quality and supplying added assurance on certification labels. Finally, they can serve as a bridge to consumers by lending back-end infrastructure to payment functions on nonfinancial apps and websites” (Gregorie).

Certain investment firms and governments stand to make hundreds of billions, possibly trillions, from new ESG policies. Governments will tax companies that are actively reducing their carbon emissions and in turn investment firms will divest their funds from said companies. As these companies begin to struggle and environmentally sustainable companies are exploding in value, the government and the firms will profit.

## **Government and ESG:**

Andrew Tate says “a dying nation implements new laws, as a dying man takes medicine. When a man is dying, he will try any medicine the doctor gives him because he has no choice. When a nation is dying, they have no choice but to enforce new laws to try and save it.” We are witnessing the destruction of the greatest country to ever exist. Since the democratic party took over, they have meticulously dismantled the foundation on which America was built upon. They have turned this country away from God. If there is no God, there is no basis of right and wrong. The Bible says in the end times that you will be told that wrong is right and right is wrong. This is exactly what has begun to happen. Homosexuality, transgenderism, and making people feel bad for being who God made them to be is the new right way to live. If you have no core belief system, then you are more easily controlled.

The government wants to subtly implement control mechanisms (laws) under the guise of safety and virtue to convince the populous of how they should act or respond towards certain situations. The media networks play a vital role in this by using the illusionary truth effect. The illusionary truth effect is the tendency to believe false information because of repeated exposure. This tactic has likely been used hundreds of times, but I first noticed it during covid-19. The mainstream media networks were spreading false information to makes us afraid. Using fear as a manipulation tactic, the government was able to lock people in their houses, force small businesses into bankruptcy, and steal a presidential election without consequence.

Fear has been used as a control tactic since the beginning of time. When a wave of uncertainty and fear is on the horizon, citizens are more likely to accept laws that will “keep them safe”. It is a web of deception, and they will likely use the same pattern with ESG

regulations. There is a direct correlation between law and control. Simply put, the more laws there are to enforce, the more control you have over your citizens.

**Who will be the most harmed:**

The middle class will take the brunt of the hit financially by the various agendas that are being pushed. The government will only come after the people they know will pay fines and comply with the enforcers. The middle class is clearly the most exploited group of all. You are discouraged from having an opinion when you are middle class. Again, as I said earlier, it is the same as Covid-19. If you did not take the covid vaccine, you stood a high chance of being fired from your job, but nobody was given another choice except to comply. Middle class citizens on average do not have a lot of money saved because of inflation, high interest rates, and, in most cases, student loans. The system is designed to make you rely upon it. If the government wants you to pay more taxes because the sun is too hot, then you will. You need to feed your children and keep a roof over your head.

The government is attempting to infect the moral structure of our country, because when you stand for nothing, you are accepting of everything. You are not a bad person if you hate the idea of paying triple for gasoline that offsets greenhouse gas emissions, but when you are geographically limited, you have no choice. The middle class is not able to be mobile. The idea from the 1950s of being able to purchase a home and live your own life without government intervention is gone. They are coming for us all! Will you be ready?

**ESG and National Debt:**

I think ESG will continue to increase our national debt, even though it could dramatically reduce it if implemented correctly. The US government will likely borrow/print more money (that we do not have) to push for more sustainable operations while trying to gradually reduce



reliance on fossil fuel producing companies. It is not a change that can be made overnight, and it will likely take decades, if ever, to move to completely sustainable energy sources. It is also not cheap to build wind turbines and solar panels. They must be replaced every 10 years or so, and this means money will have to be constantly coming in to keep up with manufacturing, and sadly, most of these are manufactured in China.

ESG and carbon emissions policies could also dramatically reduce our national debt if corporations and citizens are taxed based on their carbon emissions, and this money is used to reduce the debt, but they will likely not do this. They will use the extra tax dollars to house illegal foreign immigrants or increase entitlements for the nonproducing element of the population. So, the bottom line is, I think ESG will end up increasing our national debt due to high costs of switching to more sustainable energy sources.

#### **ESG Legislation and Jobs:**

ESG legislation could destroy a high number of jobs in the USA. There are so many factories that run on fossil fuels that create jobs for citizens, and if these factories are shut down, lots of people will lose their jobs. As new AI applications and carbon emissions regulations come out, companies will be forced to make changes. These changes will likely result in job cuts that will hurt the economy, all based on the false narrative of saving the planet.

#### **ESG and Public Accounting:**

I am not enthusiastic at all about participating in this area of public accounting. I will do my best to stay as far away from this area as possible. I think ESG and carbon emission are a scam, and I want nothing to do with any part of it. If it comes down to public accounting focusing on ESG as a main priority, I will take a stand against it. These agendas go against

everything I believe in, and I hope to be on the right side of history. I want to be one of the few who stood against these ideas and did not fall for another one of the government's lies.

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