



## Peter Burgess LinkedIn Blogs

# The Life and Death of a Corporation

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The life and death of a person, plant or animal is governed by natural laws, but the life and death of a corporation is governed by laws and regulations written by people.

Maybe a corporation never dies, or maybe it is killed by business competition, maybe it dies when it is convenient.

During its life, a corporation may make a real mess of the environment, a mess that will take a very long time to fix, and will cost a lot of money and effort. When the company dies, it is society that will have to clean up the mess.

Take the case of coal mining in Western Pennsylvania in the United States. There was a time when this area had a big coal mining industry producing coal mainly for the railroads and the steel industry. This was underground mining and over time when pits were worked out they were abandoned. Eventually most of the companies engaged in mining wound up and investors moved on.

The companies were now dead, but environmental issues stayed very much alive. The abandoned pits flooded and the waters coming from these pits flowed into the streams and down into the rivers. This pit water contained a variety of pollutants in concentrations that kill fish and other aquatic life. With this contamination of the rivers, they could not be used safely for recreation. Thousands of miles of rivers in Western Pennsylvania were impacted by this problem.

But who gets to foot the bill for cleanup. The company is long dead. It is society that must pay the cost of environmental damage resulting from once profitable industrial activity. Civic groups and public funds are being mobilized and clean-up is underway ... but it is taking years. The companies and investors made money, society foots the bill for clean-up.

The systemic problem of corporate pollution is long standing. In 1980 Congress passed the Superfund Act ... the Comprehensive Environmental Response, Compensation, and Liability Act, (CERCLA) ... to identify and clean up thousands of toxic dumps. 30 years later (2010) there were still over a thousand superfund sites to be cleaned up. About 70% of the cleanup has been paid for by responsible parties, but about 30% has been paid for through superfund resources. Initially the superfund was funded by levies on the petroleum and chemical industry, but since 1995 the funding has come via Congressional appropriation from government's general fund ... in other words the taxpayer pays.

When a company dies ... the pollution that it has caused during its life goes on and on and on. This is very convenient for the investor community, but not so good for society at large.

This is not just an old problem, it continues as a very important problem at the present time. In the United States, hydraulic fracturing (fracking) has made it possible to extract oil and gas from many more geological formations ... but there are questions still about the potential impact on groundwater from use of various toxic chemicals used in the fracking process. Big multinationals like ExxonMobil, BP, Shell, etc. have the financial resources to handle large scale catastrophic pollution, but many of the companies actual doing the fracking are quite small with rather modest financial resources. There are maybe as many as 7,000 small drilling companies presently engaged in fracking, and if any of these creates catastrophic pollution, then the company will instantly 'die' and society will be left with the problem of cleanup.

This is a risk that should be provided for by the industry, and not a risk that should be left for society to bear. It has been pointed out that funding this risk would make the industry uncompetitive and not profitable enough. It seems in this situation that all the gain is for risk taking investors, and the big risk is for the account of the public at large.

Companies may live and die ... but hopefully, society goes on for ever. Legislating corporate responsibility is almost impossible, but there is nothing to stop management and investors being socially and environmentally responsible. This will be facilitated as soon as there is are systems of accounting and reporting that includes not only the profit dimension, but also the impacts on people and planet.

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