Trygve Lie, the Palestine Question, and International Loyalty

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The records of the United Nations and the writings and statements of Trygve Lie, first secretary General of the U.N. show that Lie played a major role in the U.N. decision making process, the day the Palestine case was first placed on the agenda of the international body by Britain in 1947 in its capacity as the mandatory power, until he resigned from the U.N. The role he played significantly influenced those member states which on November 29, 1947, in the General Assembly, voted to adopt the partition of Palestine and the internationalization of Jerusalem.

This paper tries to determine whether Lie as Secretary General acted within the limits of the powers he possessed either expressly or implicitly under the United Nations charter, and whether his many initiatives in the Palestine Question and the leadership roles he played were in accordance with the concepts of loyalty, integrity, and impartiality expected and required from an international civil servant.

This naturally begs the question; what do we mean by the loyalty, integrity, and impartiality of an international civil servant? The concept has defeated all attempts made to come up with an easy or definitive definition. Dag Hammerskjold the second Secretary General of the United Nations, when questioned about his involvement in the Congo Crisis in the early sixties, interpreted international loyalty to mean action taken with integrity but not necessarily being impartial (1). He compared himself with a judge who hears both sides then impartially reaches a decision.

Trygve Lie, in 1948, had this to say:

> *As Secretary General of the United Nations, I am responsible to the collectivity of the member states. It is not my business as Secretary General to assess the rights or wrongs between the two sides in the conflict (East-West)... But it is my recognized duty to speak for the organization—which includes everybody—when I believe the United Nations is in danger (2).*

The Royal Institute of International Affairs, points out that the Secretary General of the U.N. is not required to have an international outlook which is more than an ideology or a state of mind, and is not expected to assume the denationalization loyalty of a man without a country (3). His attitude should come from "an awareness made instinctive by habit, of the needs, emotions, and prejudices of the peoples of differently circumstanced countries, as they are felt and expressed by the peoples concerned, accompanied by a capacity for weighing those infrequently impoundrable elements in a judicial manner before reaching a decision to which they are relevant (4)." That is why as an international civil servant, he "finds that whatever his personal views, he can willingly conform to the observances of his

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The following is a research methodology to develop a general theory of accounting. The initial act in the research would be to define the objectives of accounting. Since accounting is basically a service, we would have to determine the needs of the users of that service. To determine these needs, the writer would start with an inductive approach to get from practice a generalized conclusion about the prospective users' needs. These needs would fall into two broad categories, general and specific. For example, we might research the qualities that financial information must possess to be of general use; it might be found that the information should be relevant, objective and quantifiable. There are more points agreed upon by authorities and practice, but these are what the writer thinks the most important. After ascertaining the general objectives, we would have to seek to determine the specific objectives. As to the specific objectives, the writer would use the communication theory approach. This stage would be conducted through two devices, first; survey of users' needs and second; holding of public forums in an effort to receive additional input from interested parties.

After having the objectives (general and specific) determined, the researcher would use a deductive approach to derive logical principles that provide the basis for concrete or practical application. This stage is concerned with the deduction of hypotheses which can be tested; this usually involves playing around with the theory to ascertain which testable hypotheses are generated.

Next comes the actual testing of the hypotheses; the writer would do it through an experiment. The experiment refers to any investigation that includes two elements; the manipulations or control of one variable by the researcher and the systematic measurement of and observation of the change in the other. Referring to the R & D expenditures, the writer would have two groups of people. Each group would be given a different set of financial statements, one group gets financial statements based on complete expensing of R & D expenditures and the other group gets financial statements based on expensing what should have been expensed and capitalizing what should have been capitalized. The decisions of both groups would be tested against the actual data from the companies under investigation. This will determine if the new theory did in fact help the users in making better decisions. If the theory was effective, the writer would still continue to refine it until it reaches an optimal state. If the writer found that the hypotheses he made were null, he would make adjustments, formulate new hypotheses and retest again.

REFERENCES

1. American Accounting Association, *A Statement of Basic Accounting Theory*, 1966, p. 1.
2. *Ibid.*
3. *Ibid.*, p. 2.
4. American Institute of Certified Public Accountants, *Objectives of Financial Statements*, October, 1973, pp. 61–66.
5. Eldon S. Hendrikson, *Accounting Theory*, Richard D. Irwin, Inc., Home wood, Illinois, 1977, p. 133.

misleads the users in term of the future capability of the company because the costs shown in the income statement indicate no anticipated benefits.

For the treatment of the R & D expenditures, the writer puts these expenses into two categories:

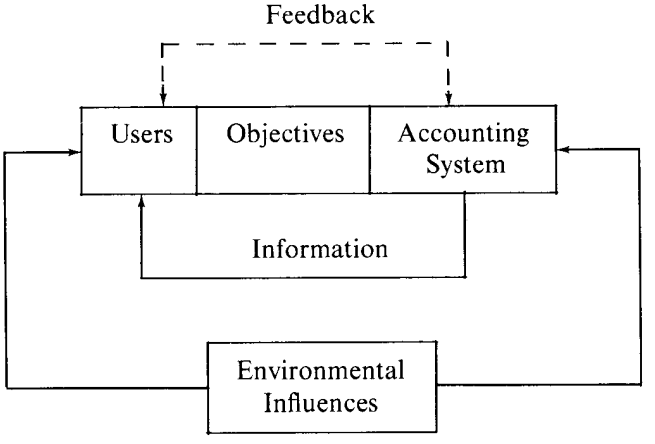
1. Those which are spent every year—Routine R & D.
2. Those which are spent on one product or line (new or old) every given number of years. This type at the end of the year should be sub-divided into two groups:
   A. Those which are 100% unsuccessful.
   B. Those which have some success.

If the expenditures spent this year fall in either category 1 or 2A, these expenses should be charged off as they are incurred. But for those which fall in category 2B, *they must be capitalized.* When the company decides upon capitalizing the expenditures this year, the problem arises of determining the method of amortization. This, however, does not pose a serious problem, because, as stated earlier, previous accounting experience reduces the margin of error. Also engineers in the company are able to estimate with accuracy the number of years the product or the line can compete in the market before another R & D activity needs to be undertaken.

Finally, from the point of view of accounting theory, the R & D expenditures, which are made in the expectation of benefits to future periods, should not be written off against the revenue of the present year.

Once accepted, the assumption becomes an accounting principle. The principle in accounting is a guide to action and a means of attaining objectives. Once these principles are stated, they will last as long as the objectives are still relevant. If the objectives are changed, then the principles ought to be changed.

A framework for the writer's view of accounting theory may be visualized by the following model:



In this model the accounting information users are assumed to receive the information from the accounting system. The user could be any one who is interested in the accounting information. The users might be creditors, investors, shareholders, government, etc.; of course each type of these users needs a different type of information. In this model there are environmental influences such as social, economic, political, and technological factors that also affect the type of information needed. Once these factors are taken into consideration and the users are known, the needed information can be provided. Then a feedback from the users is needed to keep the system useful at all times.

ourselves with how a problem should be solved. One problem is the treatment of Research and Development Expenditures.

2. AN EXPLANATORY EXAMPLE: RESEARCH & DEVELOPMENT EXPENDITURES

Research and Development (R & D) started to become a very important activity in the United States just a few years before World War I. Since then it has been increasing every year. In recent years, many companies have been spending increasingly high amounts for R & D. The problem was how to treat these expenses; the choice was to (a) charge off when they incurred or (b) capitalize and amortize over several years.

In recent years there has not been uniformity in the treatment of R & D expenditures; nevertheless, the majority tend to charge them off when they are incurred. In 1974 the Financial Accounting Standard Board (FASB) issued its statement number 2 concerning R & D expenditures and, unfortunately, they decided to charge off these expenses. Several reasons can be given for this practice, some of them are listed as follows:

1. Easiness — expedience,
2. Tax advantages,
3. No future benefits.

The writer holds that the decision to expense R & D, either by companies or FASB, is not based on sound accounting theory but, rather, appears to be based on avoiding the problem of the nature and length of the deferral and the determination of amortization periods; this is besides the tax advantages. The writer does not agree with this practice because it is wrong and because there is a better way to do it.

Charging-off R & D expenditures is wrong because these expenses run to billions a year. So expectation of future benefits must be conceded, for it is not likely that management, scientists and engineers would continue to spend these large amounts of money, time and efforts without the expectation of future benefits. Convenience and side advantages are not good excuses for not having a practice based on theory.

From the theoretical point of view, charging-off of R & D expenditures is wrong because:

1. It violates the matching concept.
2. It is based on a conservative point of view.
3. It is misleading to the users.

For this writer, accounting provides accounting data to help users in taking good decisions. Income has and does occupy the central position in accounting, and the matching concept provides the theoretical bases for measuring sound periodic net income. Charging-off R & D expenses when they are incurred violates this concept because the type of R & D expenses made for a product or a line are not 100% loss or expense; hence, it should be charged-off in this year. The writer does not believe that at least $1.00 should be capitalized, but believes that a greater amount should be capitalized. Deferring these expenditures creates a good relationship between total costs for the period and the revenue for that period, disregarding the relationship of these costs to a certain product. Moreover, previous accounting experience helps narrow the margin of uncertainty.

This practice is based on the conservative convention, but conservatism is not the right method to treat cases of uncertainty. Conservatism also results in a complete distortion of accounting information because conservatively-reported information is not subject to proper interpretation and lends to lack of proper comparability. Finally, as stated by Hendriksen (5); conservatism is, at best, a very poor method of treating the existence of uncertainty in valuation and income.

This practice misleads the user's decision because it results in expenses overstatement, income misstatement, assets understatement, and stock equity understatement. It also