The Ethics of Share Investment:

Should a Christian Invest in the Share Market?

Moore Theological College, CT 499 (Project), 2009

CANDIDATE NO:	10014107
UNIT:	CT499 Project
TITLE:	The Ethics of Share Investment: Should a Christian Invest in the Share Market?
NO. OF WORDS:	15,000
DATE DUE:	29 October, 2009
DATE SUBMITTED:	29 October, 2009

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Abstract

This project takes a personal-ethical look at one of the key institutions of modern capitalism – the share-ownership system. We first clarify what participation in the share-market is – it is a form of business-ownership and a participation in a separate corporate-personality. We then critique these two participations through the biblical lens on work partnership and economic agency. In the first instance, we see that godly work partnership is relational and those wielding economic authority are to exercise duties of care on those in partnership, proximity and exchange with them. We conclude that the modern corporation's unique characteristics make it extremely hard for a shareholder to exercise these duties of care, because it allows no real control and no real risk.

In the second instance, we see that a godly economic agent needs to recognize the relational telos of work and production. Evaluations of economic agency need to move beyond assessing efficiency to avoid being utilitarian. Godly economic agency should be sustaining community, loving in its processes, recognize production as penultimate, and be ecologically caring. The corporation's economic personhood falls short of such relational demands because of its profit-maximising ethos, and it also leads society in the same idolatrous direction. The shareholder is complicit in this economic ungodliness because he is responsible for the corporation and yet shielded by law from this responsibility/culpability. Hence the shareholder in essence irresponsibly lets loose onto society an un-accountable and anti-social being.

Thus, the share-ownership system is flawed at its heart, exacting deep relational costs while bringing the good of production. However, the Christian response should not be an abandonment. In light of our eschatological and cultural context, the share-market presents a legitimate way to accept exchange relationships to bring about production for the sake of love. Such a retrieval ethic is distinguished from utilitarianism by re-orientating radically the way we do invest – for love and in love, and tightly remembering our God-given stewardship responsibility in the work and production He has entrusted us with.

Chapter 1

Why the need?

The emergence of capitalism in the 1700s sparked off a fierce debate which continues to this day. This debate was highly visible, with a dramatic polarising on the world stage. On the right were the free, keenly competitive capitalist economies. On the left stood the tightly-controlled economies of communistic regimes. In contemporary times, though the polarisation has gained complexity, political parties continue to be identified by their economic positions. The current global financial crisis has only served to give the debate renewed relevance.

The Christian world is not free from this debate, indeed nor should it be, with what can be termed *the* 'preeminent social issue' of the past two centuries.[1] In the main, Christian scholarship has followed the same fault-line – the macro critique of capitalism versus socialism.

On one end, mainstream scholarship has been largely *pro*-capitalism. The Weberian association of capitalism with Protestantism[2] is but the first strand in a 'dominant tradition'[3] that embraces capitalism.[4] Key arguments are that of liberty and efficiency.[5] Capitalism is seen to free up the individual for the work that God has designed him to do, releasing

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[1] Craig M. Gay, *With Liberty and Justice for Whom? The Recent Evangelical Debate over Capitalism* (Grand Rapids: Eerdmans, 1991), 1.

[2] Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (trans. Talcott Parsons; New York: Scribner, 1958; repr., New York: Dover Publications, 2003).

[3] Stephen Long, *Divine Economy: Theology and the Market* (London: Routledge, 2000), 10.

[4] Long, *Divine Economy*, 66.

[5] Donald A. Hay, *Economics Today: A Christian Critique* (Leicester: Apollos, 1989), 154.

creative energy which lifts production levels. Hence, capitalism is lauded for being in accord with God's will,[6] and the best way to increase the welfare of all.[7] This tradition faced a flood of negative sentiment in the 1950s-90s with the rise of socialism.[8] But it has emerged from battle with regained strength, with the help of theologians such as Novak and Griffiths, and communism's obvious failure.

On the other hand, as Griffiths notes, the 'the Christian church has never found it easy to come to terms with the market-place'.[9] From the Church Fathers onwards, there have been Christians who considered private property, interest and profit questionable.[10] Capitalism met with particularly strong criticism in the 90s, with the emergence of Christian Socialism and liberation theology.[11] Theologians in this strand regard capitalism as theologically incompatible with Christianity, and presents socialism as the better alternative.[12] Key is the emphasis on justice – capitalism is seen as unjust because it empowers a small elite which oppresses the masses.[13] This tradition has underpinnings of Marxist thought and urges wealth redistribution.[14] Now, its influence has faded somewhat.[15] Yet, its challenge has highlighted issues of community and care, which have been taken up by a 'mixed economy model' advocated by the evangelical center.[16]

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[6] E.g. Michael Novak, *In Praise of the Free Economy: Essays by Michael Novak* (ed. Samuel Gregg; New South Wales, Australia: The Centre for Independent Studies Ltd, 1999), 38.
[7] Novak, *In Praise of the Free Economy,* 58, 65.
[8] Brian Griffiths, *The Creation of Wealth: A Christian's Case for Capitalism* (Illinois: InterVarsity Press, 1984), 9.
[9] Griffiths, *The Creation of Wealth,* 9.
[10] Griffiths, *The Creation of Wealth,* 9.
[11] Griffiths, *The Creation of Wealth,* 9.
[12] Long, *Divine Economy,* 84.
[13] Gay, *With Liberty and Justice for Whom?,* 23.
[14] Gay, *With Justice and Liberty for Whom?,* 32.
[15] Christopher Rowland, 'Introduction: The Theology of Liberation', in *The Cambridge Companion to Liberation Theology* (ed. Christopher Rowland; 2nd ed.; Cambridge: Cambridge University Press, 2007), 1-16.
[16] Gay, *With Liberty and Justice for Whom?,* 126.

This macro-focus of Christian scholarship has been helpful for Christian engagement with wider debates of the world. However, it also leads to a few holes which demands attention.

Firstly, to retain purely this focus is to ignore the movement of *history* on this issue. In the first place, although the debate is not settled theologically, capitalism has largely won the day, with the collapse or compromise of communistic regimes.[17] This reality means Christianity now has the 'task of working out what it really thought of the remaining, and clearly triumphant direction'.[18] In other words, we need to direct more efforts towards examining the now dominant reality of the market-economy,[19] rather than the almost abstract macro-question. In addition, history has also changed the shape of capitalism, such that some past paradigms might not hold anymore. For example, Novak's argument about capitalism freeing up creativity for good work has to be held up against the actuality of modern, liquid and anonymous share-markets where productive work is not necessarily linked with ownership. Thus, we need to understand concrete aspects of modern capitalism to ensure we are not critiquing/promoting a phantom one.

Secondly, this macro-focus neglects a critical *personal* focus needed. While the church concerns itself with macro-questions, it has neglected to shepherd its flock with regards their personal response to the capitalist reality they are ensconced in.[20] Furthermore, most existing thought on this personal aspect is curiously divorced from the wider question. Many popular views of investing assume capitalism's neutrality and sees investment as good

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[17] Jon Davies, 'Introduction' in *God and the Marketplace: Essays on the Morality of Wealth Creation* (London: IEA Health and Welfare Unit, 1993), 3.
[18] Jon Davies, 'Introduction', 4.
[19] Peter H. Sedgwick, *The Market Economy and Christian Ethics* (Cambridge: Cambridge University Press, 1999), ix.
[20] David A. Krueger, with Donald W. Jr. Shriver and Laura L. Nash, *The Business Corporation and Productive Justice* (Nashville: Abingdon Press, 1997), 24.

stewardship,[21] although the macro-issue is far from settled. Thus, the insights of the wider debate are un-utilised in personal ethics, leading to an impoverishment of both.

Thirdly, Long shows persuasively that the wider debate has been carried out on faulty theological lines. The pro-capitalists draw on an invalid, Weberian fact-value distinction which gives economics an independent reality outside of theology.[22] The anti-capitalists' 'meta-narrative of liberty' subordinates the theological to the natural virtues,[23] thus leaving aside theological virtues. Both sides therefore render theology external to the debate. Long proposes an alternative, an economics grounded on the 'true' rather than the merely useful.[24] Following Aquinas and Millbank,[25] he shows the question of economics depends on 'the *theological ends* our exchanges serve'.[26] Such is a *teleological* approach, with appropriate questions becoming 'Do our exchanges point us toward our true source?', 'Does it allow us to participate in God's perfections?'.[27] Long's approach thus recognises what God made and saved us for and is *internal and fundamental* to the gospel's logic, and hence more theologically robust than traditional approaches.

In short, a gap in our theological thought on capitalism is that of a personal-ethical look at the concrete phenomena of modern capitalism, grounded on teleological ethical theology. This project's aim is to address this gap to a modest degree.

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[21] E.g. Paul Stevens, 'Investment' in *The Complete Book of Everyday Christianity: An A-Z Guide to Following Christ in Every Aspect of Life* (ed. Robert John Banks; Illinois: InterVarsity, 1997), 540-45.
[22] Long, *Divine Economy*, 71.
[23] Long, *Divine Economy*, 174.
[24] Long, *Divine Economy*, 177.
[25] Long, *Divine Economy*, 77, 268.
[26] Long, *Divine Economy*, 268, italics mine.
[27] Long, *Divine Economy*, 269.

In particular, we propose to do this through inquiring into the modern phenomenon of the *share-market*. Typically, any interest the church has on economic phenomena focuses on usury, with much less thought on equity. This is a serious gap because the equity system is what supports the heart of today's capitalism: the corporation. Modern capitalism is dominated by the corporation and is quite a different animal from the older capitalism, such that it is better now to term it 'corporate capitalism'.[28] The share-ownership system, as a foundational prop, is therefore key to understanding modern capitalism.

Thus, we hope to achieve two aims in our examination. Firstly and primarily, we hope to reach some understanding on how Christians can live in our capitalist reality by addressing the concrete question of 'Should a Christian invest in the share market?' Secondly and secondarily, we hope this answer will contribute somewhat to the wider theological investigation of capitalism itself.

Chapter 2 will clarify what participation in the share-market means fundamentally – a form of business-ownership, and a participation in a separate personality. Chapters 3 and 4 critique these two participations with, respectively, the theology of work partnership (Chapter 3) and the theology of economic agency (Chapter 5). Chapter 6 then summarises our theological evaluation of share-ownership. Finally, Chapter 7 draws out the ethical implications and suggests an alternative Christian response.

[28] Charles K. Wilber and Kenneth P. Jameson, 'Goals of a Christian Economy and the Future of the Corporation' in *The Judeo-Christian Vision and the Modern Corporation* (ed. Oliver Williams and John Houck; Notre Dame: University of Notre Dame Press, 1982), 206.

Chapter 2

What *is* Share Investment?

We first need to define what share-investment really is. What are we participating in when investing in shares?

Fundamentally, a share is a claim on a 'proportionate share of the net proceeds of any activity undertaken by the corporation, after all obligations […] have been paid'.[29] Thus, shareholders are *residual claimants* i.e. the corporation's net profits belong to them.

This residual claim makes it natural to view shareholders as the company's effective owners.[30] The residual claimant is the one with a *personal stake* in the corporation's activity. This is made clearer against the foil of the other main investment instrument, the bond.[31] A bondholder is essentially a *lender* to the company. His income arises from the *time-value* of money, with a fixed return that has no correspondence to the activity for which the money is loaned. He is one step removed from the corporation. A shareholder's returns, in contrast, varies as a direct result of the flourishing (or not) of the business. Thus the shareholder is much more aligned with the natural risk that accompanies ownership of a productive business.

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[29] Margaret M. Blair, *Ownership and Control: Rethinking Corporate Governance for the 21st Century* (Washington D.C.: Brookings Institute, 1995), 20.

[30] Blair, *Ownership and Control*, 27.

[31] A bond is a debt instrument, whereby a person receives a fixed interest payment in return for a fixed loan.

Some, however, view share investment in 'rental' terms – a letting out of an asset and gaining income from allowing that use. This view draws on the similarity between bonds and shares, as both provide capital for the company's use.

However, this does not account for the differentiated alignment of bondholders and shareholders to the risk and activity of the company. This differentiated alignment is attested to by the standard financial recognition of shareholders' interests as the controlling interests of the company.[32] A company's mandate is to add value for the 'owners' by 'maximising the current value per share of the existing shares'.[33] While the bondholder does rent capital to a third party, the shareholder provides capital to a party which core activity is to work for his interest. He thus has direct stakes in the company in a way that the bondholder does not – it is the difference between owner and lender.

Hence, the law by and large recognises the shareholder as the corporation's legal owner.[34] Buying a share then, is buying *part ownership of a productive company*.[35]

But what *exactly* does the shareholder own? The corporation is a unique and carefully defined business institution. Today, there are a few main forms of business organisation.[36] There is the sole-proprietorship and partnership, with ownership limited to a small number of people who typically keep all profits and bear total liability for business debts (i.e.

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[32] Stephen Ross et al., *Fundamentals of Corporate Finance* (2nd South African ed.; Roseville, NSW: McGraw-Hill Australia, 2001), 9.
[33] Ross et al, *Fundamentals of Corporate Finance*, 9.
[34] For further expansion, see Chapter 4.
[35] Tom Scollon, *Fair Share: How to Successfully Get Your Fair Share in the Australian Stockmarket* (Rosebery, NSW: Pow Wow Publishing, 2005), 22.
[36] Ross et al, *Fundamentals of Corporate Finance*, 5-8.

unlimited liability). The owners bear the full benefit or brunt of gains and losses, and there is no separation of identity between the company and the owners.

In contrast, the corporation is 'a distinct legal entity'. It is its 'own legal person, separate and distinct from its owners and has many of the rights, duties, and privileges of an actual person'.[37] Such a corporate form first emerged with joint-stock companies during industrialisation, when new large-scale enterprises demanded unprecedented levels of financing.[38] It gained momentum with America's railroad boom and morphed to allow middle-class people to invest.[39] Thus limited liability was created, to remove fears of middle-class investors of being personally liable for debts of a gargantuan company.[40] The corporation's legal personality then became a natural corollary, with its debts and assets separated from its owners. By the end of the 19th century, courts had fully transformed the corporation into a 'person'.[41]

Hansmann and Kraakman identify five core characteristics of this unique 'person'. Firstly, as noted, it has a legal personality empowered to own assets distinct from the property of other persons, and to use, sell and pledge them.[42] Secondly, also as noted, it has limited liability i.e. creditors are limited to making claims against the firm's assets only, and not against

[37] Ross et al, *Fundamentals of Corporate Finance*, 6.
[38] Joel Bakan, *The Corporation: The Pathological Pursuit of Profit and Power* (London: Constable & Robinson, 2004), 8; Stephen N. Bretsen, 'The Creation, The Kingdom of God, and a Theory of the Faithful Corporation', *Christian Scholar's Review* 38/1 (2008), 118-19.
[39] Bakan, *The Corporation,* 11.
[40] Bakan, *The Corporation,* 12.
[41] Bakan, *The Corporation,* 16.
[42] Henry Hansmann and Reinier Kraakman, 'What is Corporate Law', in *The Anatomy of Corporate Law: A Comparative and Functional Approach* (Reiner Kraakman, Paul Davies, Henry Hansmann, Gerard Hertig, Klaus Hopt, Hideki Kanda and Edward Rock; Oxford: Oxford University Press, 2004), 7.

shareholders' personal assets.[43] These two characteristics then make possible the third, that of transferrable shares, because the firm's value is sufficiently isolated from the financial situations of the owners.[44] This transferability is typically exercised in free tradability.[45] Fourthly, management is delegated. Coordination of productive activity is delegated to a separate management team, because shareholders are normally numerous and fractional.[46] Finally, as explored above, investors are the owners, with rights to participate in control and to receive profits.[47]

Such is the unique creature the shareholder becomes part-owner of. This helps us understand the nature of our participation when buying shares.

Firstly, since buying a share confers ownership rights to the business, *we effectively become business-owners*. Secondly, since it confers ownership rights to a separate legal person, *we effectively become involved with a second personhood*. In language curiously echoing the New Testament's, a pioneer corporate lawyer once defined a corporation as 'a collection of many individuals united into one body […]'.[48]

Understanding these *fundamental roles* of share participation gives us our starting point, by directing our questions. Is business-ownership in this idiosyncratic corporation a godly one? Does being part of the corporation's 'personhood' allow us to be a godly societal participant? These are the concerns of Chapters 3 and 4 respectively.

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[43] Hansmann and Kraakman, 'Corporate Law', 8.
[44] Hansmann and Kraakman, 'Corporate Law', 8.
[45] Hansmann and Kraakman, 'Corporate Law', 10.
[46] Hansmann and Kraakman, 'Corporate Law', 11.
[47] Hansmann and Kraakman, 'Corporate Law', 13.
[48] Stewart Kyd, *A Treatise on the Law of Corporations* (2 vols.; London: J. Butterworth, 1793-1794), vol. 1, 13.

Chapter 3

The Godly Business-Owner

The first question on view is: is business-ownership through the share-market a godly one?

The bigger issue behind this question is that of the *godly business-owner*. What kind of business-ownership pleases God? Gaining a biblical understanding of this can be tricky as Scripture rarely directly addresses it. However, business-ownership is again part of a bigger concept of *work partnership* – it is a specific manifestation of a ubiquitous human phenomenon. What does God's revelation tell us about work partnership?

GODLY WORK PARTNERSHIP

Firstly, Genesis yields two culture-transcendent truths about created earthly life. In perfect creation, God's abundant provision comes with input from his creatures. Although all provision is sovereignly given (Gen 2:9), man is mandated to 'work and take care' of the (penultimate) source – the Garden (Gen 2:15). This 'working' was ordained before the Fall and so it appears that work is intrinsically part of the good ordering of man.[49]

Secondly, what especially interest us is that this good work is corporate. Adam had a 'helper' (Gen 2:18). Eve was given not to cure Adam's loneliness, but to *partner* him in his God-given

[49] Victor P. Hamilton, *The Book of Genesis: Chapters 1-17* (NICOT; Grand Rapids: Eerdmans, 1990), 171.

task.[50] This gardener-helper relationship was not reciprocally identical – there was authority and submission within it.[51] Harmony and intimacy marked this partnership (Gen 2:23-25). Such a partnering contrasts with individualistic and competitive views of work, and also with views that reject any differentiation (interpreted as inequality) in partnership.

Such harmonious partnership disintegrates with sin. As relationships in the world degenerate into opposition and battle instead of concord and partnership (Gen 3:4), work partnerships are tainted by oppression and bitterness. There is a breakdown of trust between man and woman, the first partnership, whereby they are doomed to an eternal power struggle (Gen 3:16).[52] Egypt later displayed paradigmatically the horror of human partnerships in work, with the oppressive slavery of the Israelites (Exod 1:11-14).[53] The master-servant relationship is now rife with callous lordship and dehumanising subjugation.

Ironically, the era of disturbed working relationships was also one of ripe progress. Cities were built, tools invented (Gen 3:22). Self-interested humanity still exhibits an urge to band together in partnership (Gen 11:3), epitomised in Babel. This banding together, however, is a mockery of the original Edenic partnership. Instead of partnering to serve out God's purposes, humanity gathered in a mighty anti-God, hubris-tic effort (Gen 11:4).[54] Thus work partnership can now be both anti-men and anti-God.

[50] Christopher Ash, *Marriage: Sex in the Service of God* (Leicester: Inter-Varsity Press, 2003), 120.
[51] This differentiation is shown in various ways e.g. the naming of Adam of Eve, signifying authority.
[52] Hamilton, *Genesis Chapters 1-17*, 202.
[53] H. D. McDonald, 'Work', n.p. *NBD on CD-ROM.* Version 3.0f. 2000.
[54] Hamilton, *Genesis Chapters 1-17*, 353.

Despite this, good work partnerships still manifest occasionally. We see hints of that in Abraham and his chief servant (Gen 24). This servant had Abraham's trust, being 'the one in charge of all that [Abraham] had' (Gen 24:1). He was also entrusted with the task of getting an Israelite wife for Isaac, a task significant for its familial value and its spiritual value – it is one in obedience of God's commands. The servant's prayer showed his concord with his master (Gen 24:12-14). So here is a small picture of a faithful helper with his master, working together towards achieving a godly purpose.

That work partnerships can now take on godliness or evil is shown in God's pleasure or condemnation of them. Here, there seems to be two foci point: God's care of the weak and God's concern for integrity.

Firstly, God's care of the weak goes in two directions. He cares for those under another's authority. Hagar, the mistreated servant, was provided for by Yahweh (Gen 16:7-13). God's paradigmatic care of those under oppressive authority is shown in his concern for the Israelites' *suffering* under Egypt (Gen 3:7). This prompts God, in the big picture of achieving his purposes, to take drastic action to reverse their plight.

Israel's law further reveals the priority of care Yahweh has for those under authority in work partnerships. Servants are to go free in the seventh year, thus preventing life-long hard servitude (Exod 21:2). The Deuteronomic expansion shows this setting-free is to be accompanied with liberal generosity ('you shall *garland* him!'), to give the freed servant economic viability (Deut 15:12-15).[55] Employers are to ensure their hired men are prevented from hardship by not holding back their wages overnight (Lev 19:13; Deut 24:14). Israelites are commanded to 'not rule over your fellow Israelites ruthlessly' (Lev 25:43; 46) on the basis that they are Yahweh's servants.

Moreover, Yahweh cares also for the weak *in proximity* with those with working authority. He commands owners of fields to use their property for the weak around them. They are to let their fields, vineyards and olive groves lie unploughed and unused in the seventh year, so the poor may get food from them (Exod 23:10). When harvesting, they are not to maximise their own gain by reaping to the edges but to leave them for the poor and the alien (Lev 19:9; Deut 24:19). When selling food to the poor Israelite, they are to remember his need and not take interest or sell food at a profit (Lev 25:37). Boaz, a 'man of standing' (Ruth 2:1), exhibited such gracious land-ownership in his God-like *hesed* treatment of Ruth,[56] even instructing his workers to pull out stalks from the harvest and leave them for her (Ruth 2:16).

Secondly, God demands integrity from the worker, especially those with authority to conduct their own business. In business, one is to use honest scales and weights (Lev 19:35). This is part of a bigger principle of acting rightly with people one conducts business with – the Israelites are exhorted not to take advantage of one another (Lev 25:14) but to deal with integrity, out of the fear of Yahweh. Yahweh detests those who have differing weights, those who deal dishonestly (Deut 25:13-16).

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[55] Christopher Wright, *Deuteronomy* (New International Biblical Commentary; Massachusetts: Hendrickson, 1996), 193.

[56] Daniel I. Block, *Judges, Ruth* (The New American Commentary; Nashville: Broadman & Holman, 1999), 611-14.

Summarising at this point, we see that even with the increasing complexity and corruption of work partnerships, Yahweh's will continues to be that shown in creation – that of a loving, harmonious partnering in good work. Work partnerships are not intrinsically evil but come with clear relational duties and obligations, particularly on the one with authority. *Authority thus comes with the duty of care,* over those in partnership with you, those whom the business comes into proximity with, and those whom you conduct business with. Thus, biblical authority is one that uses its 'strength' to promote neighbourliness for the sake of the community.[57] One is not to wield it arbitrarily.

Wisdom literature reinforces this right ordering of authority. Proverbs loudly affirms the godliness of diligence (e.g. Prov 6:6, 10:4, 18:9, 24:30). But even more important is the reinforcement of authority's responsibility to care. Thus, a man is not to hoard selfishly when it benefits his society to sell (Prov 11:26);[58] is to use honest scales (Prov 11:1; 20:10) and is to gather little by little rather than gain a windfall through dishonest means (Prov 13:11). The noble wife provides a paradigm for such good, godly work – she is praised for her diligent and wise trade, out of which profits she provides amply for her family, servants, and shares with the needy and poor (Prov 31:10-31).[59]

This emphasis on the duty of care comes forth in the prophetic literature, albeit negatively. The prophets routinely condemned God's people when they neglected to address abuses of the weak in society. Amos particularly condemns Israel for trampling on the heads of the

[57] J. B. Webster, 'Authority', *New Dictionary of Christian Ethics and Pastoral Theology,* 180.
[58] Tremper Longman III, *Proverbs* (Baker Commentary on the Old Testament Wisdom and Psalms; Grand Rapids: Baker Academic, 2006), 264.
[59] Longman, *Proverbs*, 540-41.

poor and denying justice to the oppressed (Amos 2:6; 5:12). In the prophetic context, political leaders get the brunt of the censures and yet it is hardly realistic to suppose that such economic authority and duty did not fall much on individual employers and land-owners, who were the ones who held the wealth and power.

The OT thus reveals a God intensely concerned with the quality of relationships in economic partnerships. Ultimately Israel is to model her economic relationships after Yahweh's character, the God of compassion and faithful love (Exod 34:6), the Father of the fatherless who uses his power in salvific ways.

In the NT, when the Word of God dwelt among men, he shows us godly authority *par excellence*. Jesus wielded his authority for the sake of others, healing, exorcising, teaching, and bringing them to his Father. His loving headship is most clearly shown in his relationship to the church. Jesus provides the paradigm for the ultimate partnership – marriage. The model that Christ provides for the head of the partnership is that of costly, self-sacrificial love in the service of godliness (Eph 5:22-33). Such a paradigm mirrors but ultimately expands the character that the original Edenic partnership was meant to carry.

Thus in the NT, economic authority continues to come with responsibility. The Pauline household codes are especially instructive (Eph 5:5-9; Col 3:22-4:1). In those times, slavery was 'an aspect of an economic institution'.[60] The household was the most important unit of

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[60] Oliver O'Donovan, *The Desire of the Nations: Rediscovering the Roots of Political Theology* (Cambridge: Cambridge University Press, 1996), 264.

economic production, and slaves allowed expansion beyond its biological capacity.[61] Paul's admonition to slave-masters is 'remarkable, in comparison with secular parallels, for its concern with the kindness and 'other-regard'.[62] Masters are to provide justice and fairness to slaves,[63] without threats and manipulation.[64] They should do so because they are answerable to a higher master, the Lord Jesus.[65] Thus, the way that masters relate to those in their authoritative care is *weighty*, accountable.[66] In a profound way, Christ's Lordship over the lives of both slaves and masters changes the dynamic of that relationship, lifting it to a new plane.[67]

Drawing the threads together, we see a coherent biblical picture concerning work partnership. Work and work partnerships are inherent and good for human existence. Even with the Fall and the increasing complexity of work partnerships, they are not intrinsically evil, but the people of God are called to conduct them in a godly fashion. In particular, those wielding economic authority are called to exercise the duties of care that comes with authority – to those in partnership with them, in proximity with them and in exchange with them. Such godly carrying out of work partnerships is the biblical focus.

[61] O'Donovan, *Desire of the Nations*, 264.
[62] Douglas J. Moo, *The Letters to the Colossians and to Philemon* (PNTC; Grand Rapids: Eerdmans, 2008), 316.
[63] Moo, *Colossians and Philemon*, 316.
[64] Peter T. O'Brien, *The Letter to the Ephesians* (PNTC; Grand Rapids: Eerdmans, 1999), 454.
[65] Moo, *Colossians and Philemon*, 317.
[66] Webster, 'Authority', 180.
[67] O'Brien, *Ephesians*, 456.

THE WEIGHTINESS OF SHARE-OWNERSHIP

This Scriptural witness calls for a radical re-orientation in how we evaluate our economic participations. Long has pointed out the fallacy of evaluating economics through the 'useful'.[68] In essence, he questions using utilitarian grounds in assessing capitalism and socialism. Broadly speaking, traditional arguments for capitalism look at the wealth it brings to the masses, whereas arguments for socialism look at the wealth capitalism denies the masses. Though reaching polar conclusions, both uses a common evaluative assumption: that maximisation of consumption is the ultimate end. This is a sub-species of utilitarianism whereby the ethical concern is to achieve maximisation of preferences, here seen in consumption terms.

Our biblical survey questions such a utilitarian approach, which is ultimately consequentialist. Biblically, work and its partnerships are evaluated divinely in *relational* terms. *Love,* as the Bible's supra-structure,[69] is the order against which all our interactions are measured. Thus, Scripture is not only concerned with the creation and distribution of wealth but more with compassion, justice and integrity in working relationships and business dealings. Employing utilitarianism as the criteria of evaluating economic interactions is not only inconclusive but fundamentally misplaces economic goods in place of the ultimate good of godly relationships.

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[68] See Chapter 1.

[69] Oliver O'Donovan, *Resurrection and Moral Order: An Outline for Evangelical Ethics* (2nd ed.; Grand Rapids: Eerdmans, 1994), Part 3.

Such utilitarian evaluation of economics springs from a misconceiving of economic interactions as mere close-ended exchanges.[70] This views the interactions only as means to an end: two individuals crossing paths momentarily and neutrally for individual and mutually exclusive aims. O'Donovan points out this fails to see market transactions as communications in their own right.[71] Our biblical survey shows that economic interactions are intrinsically weighty – as communications, they carry moral accountability. They are not neutral – they are either relationship-building or relationship-destroying.[72]

Thus, we reach a critical insight for our evaluation of share-ownership. We see now the fittingness of examining share-ownership in terms of <u>*role*</u>*. Buying a share is not a neutral market transaction done over the counter with an impersonal counterparty. It casts us into the role of the business-owner, which casts us into a web of relationships and into a position to respond to these relationships in building-up or destroying ways. A business-owner is to be evaluated relationally and therefore owning a share is to be evaluated relationally.*

A RELATIONAL EVALUATION OF BUSINESS-OWNERSHIP VIA SHARES

So can the shareholder be a godly business-owner, according to the biblical call to love rightly in all our economic interactions? In particular, can a shareholder exercise the proper duties of care intrinsic to the authoritative position of the business-owner?

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[70] Oliver O'Donovan, *The Ways of Judgment: The Bampton Lectures 2003* (Grand Rapids: Eerdmans, 2005), 246.
[71] O'Donovan, *Ways of Judgment*, 248.
[72] O'Donovan, *Ways of Judgment*, 249.

This project suggests that the corporation's five characteristics make it extremely hard for shareholder to exercise their duties of care adequately. This is so because they lead to shareholders having, firstly, no real personal control and secondly, no real personal risk.

1. No Real Personal Control

Firstly and most importantly, the corporation's idiosyncrasies make it hard for share-owners to effectively control relationships within and outside the business. An investor-owned corporation has an ownership that is numerous, diverse and fractional. Thus, the control of a single-shareholder is severely circumscribed. He is only one of many, and has no choice over his business-partners, who might have vastly different priorities. Moreover, this partnership with other shareholders is inherently unstable. Free transferability of shares means the composition of a corporation's owners is in constant flux. This is attested to by the massive capital movements in the world's stock markets.[73] In more extreme times, the collective behaviour of a company's owners can even resemble that of animals – herd behaviour where shares are sold because of a mass panic.[74] Thus, it is close to impossible to gain concord of priorities with your fellow-owners, who are not chosen by you, nor stable.

Moreover, even if shareholders achieve concord, delegated management still takes effective control out of shareholders' hands. It is precisely the impossibility of coherent collective shareholder action that management of the businesses is given to a board of directors. Authority is separated from ownership; responsibility delegated away. Moreover, even the

[73] E.g. share turnover for the NYSE from Jan – Aug 2009 approximates USD$12 trillion. See World Federation of Exchanges, http://www.world-exchanges.org/statistics/ytd-monthly.
[74] See Sushil Bikhchandani and Sunil Sharma, 'Herd Behaviour in Financial Markets', *International Monetary Fund Staff Papers* 47/3 (2001): 279-310.

board is typically not involved in the day-to-day work – the hired employees are the real forces on the ground. Separation of ownership from management is also compounded by a common phenomenon whereby corporations hold stock in other corporations. Thus shareholders might end up being 'part-owner' of corporations they don't know about.[75] Finally, a corporation's largest shareholders tend to be managed funds, which further depersonalises economic ownership.[76]

Such a structure means that shareholders are several degrees separated from those whom they owe care. It is very hard to reach across this gulf to ensure generous employee treatment, honest dealings with customers, integrity in business operations, and participation in social responsibility. Such priority needs to come from the hired management who have effective control and hence hold the corporation's 'relational reins'. The most shareholders can do is to participate in shareholder meetings. However, most shareholders' votes are too small to count for much.[77] Moreover, such meetings typically have only financial propositions that require shareholder approval (e.g. for major asset acquisitions), rather than ethical considerations, on the agenda.

In light of this, Hay and Mills observe that this removal of control results in a lack of responsibility for personal resources.[78] It severely challenges a right shouldering of the duties of care of a Christian business-owner. Whether these duties are fulfilled or not is another question – many corporations do have good employee and integrity policies etc. But the

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[75] Hay, *Economics Today*, 167; A. B. Cramp, 'Economic Ethics', *New Dictionary of Christian Ethics and Pastoral Theology*, 119.
[76] Christian Schumacher, *To Live and Work: A Theological Interpretation* (Bromley, Kent: MARC Europe, 1987), 191.
[77] Bretsen, 126.
[78] Paul Mills, 'Investing as a Christian: Reaping where You have not Sown?', *Cambridge Papers* (June 1996): n.p. Online: http://www.jubilee-centre.org/document.php?id=14&topicID=0; Hay, *Economics Today*, 167.

issue here is that the Christian *has no effective avenue* to exercise that care, not whether that care is actualised.

However, some might argue that share investment is but an interim moment which can yield valuable profits for us to love people in our own personal way rather than via the corporation. However, this unwittingly conceives our economic transactions as closed-ended exchange – only the result matters. We have explored how every economic interaction is a morally accountable communication. Since we enter into that communication, we need to be evaluating the neighbourliness of *that* communication, which casts us into relationship with others. There is no economic transaction free from that evaluation.

2. No Real Personal Risk

Secondly, the corporation's features put shareholders into an unloving position with regards a particular group in economic proximity – the corporation's creditors. Limited liability was created to protect shareholders from the full onus of bearing the corporation's debt. If there is a corporate failure such as a bankruptcy, the shareholder's loss is limited to his initial capital outlay. Creditors cannot call for satisfaction from the owners' personal assets, unlike in an unlimited liability company.[79] Thus creditors end up bearing the brunt of a corporate failure if there are insufficient corporate assets to cover the debt.[80]

[79] Michael Schluter, 'Risk, Reward and Responsibility: Limited Liability and Company Reform', *Cambridge Papers,* 9/2 (Jun 2000): n.p. Online: http://www.jubilee-centre.org/document.php?id=28.
[80] Some might argue this is still fair because *personal* creditors are correspondingly not allowed to tap on corporate assets. However, the end result for the shareholder remains – he gets the full upside while being protected from the full downside.

This shielding of shareholders thus brings two related problems. It firstly ties their hands with regards to the basic duty of care of repaying debts (Ps 37:21; Rom 13:8). Schluter points out the cardinal importance Scripture attaches to repaying debt, through the way debt used as a metaphor for sin.[81] A parliamentarian's initial argument against limited liability was precisely that 'it attacks the first and most natural principle of commercial legislation […] that every man was bound to pay [his] debts'. Presciently, he added that the shareholder's 'limited chance of loss with an unlimited chance of gain' would encourage vicious and improvident speculation.[82]

More generally, it also means that shareholders take on less personal risk than is usually expected of business-owners.[83] A business-owner normally assumes the bulk of the business' risk because he is the residual claimant. In this way, the privilege of benefitting from a business' success comes with the concomitant duty of shouldering the failure. We cannot examine a full theology of risk and financial investment here,[84] but we note that assuming such risk is essentially a way of taking full responsibility of the asset/business because it puts your own interest on the line. Conversely, shifting that risk gets others to put their interest on the line without giving them the concomitant upside. This basically evades our own personal cost by putting that on someone else, a cost that is a natural part of running a business.

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[81] Schluter, 'Risk, Reward and Responsibility', n.p.
[82] Bakan, *The Corporation*, 13.
[83] See brief history of discussion on this aspect in David A. Jr. Skeel, 'Christianity and the Large-Scale Corporation', in *Christianity and Law: An Introduction* (ed. John Witte Jr. and Frank S. Alexander; Cambridge: Cambridge University Press, 2008), 318; Bretsen, 39.
[84] See comments by Joan Lockwood O'Donovan in Oliver O'Donovan and Joan Lockwood O'Donovan, *Bonds of Imperfection: Christian Politics, Past and Present* (Grand Rapids / Cambridge: Eerdmans, 2004), 116-19; also Paul Mills, 'Finance', in *Jubilee Manifesto: A Framework, Agenda and Strategy for Christian Social Reform* (ed. Michael Schluter and John Ashcroft; Leicester: Inter-Varsity Press, 2005), 206.

Recognising this brings a needed correction to a common view that equity is relationally better than debt because equity-owners take on proper risk.[85] Such views typically arise from perceiving the unloving nature of debt because the 'lender takes no explicit share in the risks of the business, yet requires a return',[86] and essentially profits from the need of another person. Mills hence concludes that 'shares are a more principled outlet for a Christian's savings than a bank deposit.'[87] Important though such critiques are, we need to recognise that modern corporations limit shareholders' assumption of risk, shielding them to a big extent from the downs of production. Ironically, such risk is passed back primarily to the debt-owners.[88] Therefore in reality, such 'equity' can be as non risk-bearing as debt.

CONCLUSION

In a nutshell, the corporation's idiosyncratic features make it difficult for a shareholder to fulfil his duties of care. It is hard for him to love rightly by caring actively for employees, customers and those in proximity with his business. It is also hard for him to be a responsible business partner who loves his creditors by discharging debts and assuming risk responsibly. The corporation therefore, renders being a godly business-owner extremely hard for a share-owner.

[85] E.g. Michael Schluter and Paul Mills, for the Relationships Foundation.
[86] Mills, 'Investing as a Christian', n.p.
[87] Mills, 'Investing as a Christian', n.p.
[88] See Hansmann and Kraakman, 'Corporate Law', 10.

Chap 4

The Godly Economic Agent

In Chapter 2, we saw that the shareholder takes on not just the *personal* role of business-owner, but also participates in a *corporate* personality which conducts economic relationships in its own right. This chapter will examine this related, but distinct role that a share-owner participates in.

THE CORPORATE PERSON

To start, we need to ponder what kind of person the corporation is.

Firstly, it is an artificial person who does not take on all dimensions of natural personhood. The natural person is a worker, citizen, child, friend. Not all these dimensions are relevant in the corporation. Scripture recognises collective entities which take on selective aspects of personhood e.g. the state which wields the sword and is called to the task of justice rather than mercy.[89]

The corporation is specifically created to conduct economic activity. Thus, it is a *simple economic agent*, unlike a complex human entity. We need to assess it in this simplicity. It would be unfair to impose obligations on it that falls outside this scope e.g. demanding it to provide for society's elderly, a duty that primarily belongs to the natural person (1 Tim 5:8).

[89] O'Donovan, *Ways of Judgment*, 3ff.

This does not mean however, that its only obligation is economics – to pre-empt our discussion, even a purely economic person will have duties beyond pure production.

Secondly, it is an *independent* person. It stands on its own, is distinct from the shareholders,[90] and can engage in contracts, take on rights, pledge property etc.[91] As we have seen, this is unique to the public company whose shares are listed and freely transferable.

Thirdly, it is a *powerful* person. Modern capitalism has produced giants who tread over national boundaries, wield considerable power, and are essentially one of the most influential social forces in the world.[92]

Fourthly, it is a *collective* person. Behind its legal personhood stands different stakeholders, groups of natural persons e.g. shareholders, management, employees. These are the ones who act on the corporation's behalf, and express its personality.[93]

GODLY ECONOMIC AGENTS

With these in mind, we can now examine the corporation's economic personhood through the biblical lens on *economic persons.* We touched upon this previously when we focused on a particular type of economic person, the business-owner. We will continue to draw on

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[90] Bretsen, 121.
[91] Hansmann and Kraakman, 'Corporate Law', 7.
[92] See Schluter, 'Risk, Reward and Responsibility', n.p.
[93] Lynn Sharp Paine, a Harvard Business School professor, cited in Bretsen, 131.

insights from Chapter 3 while broadening our perspective to consider *economic activity* in general and *economic personhood* in general.

Firstly, we saw that God's abundant provision is given to mankind through the intermediary of working the Garden (Gen 2:8-15). This 'working and taking care' implies a tilling of the Garden to realise the provision that God intends it to be (cf Gen 3:17). Thus this 'gardening' can be said to be the very first economic activity, that of coaxing from creation goods for human sustenance and flourishing. This sheds light on economic activity's *telos*: it is the God-ordained way of appropriating the provision sovereignly granted.[94]

Moreover, this activity is the outworking of humanity's unique role in God's ordering of creation. Genesis 1 gives the macro-view of mankind's divine appointment and task, to subdue and rule the earth (Gen 1:28). Genesis 2 fleshes out how man and woman fulfil this task – through partnering to work the garden.[95] Although God's provision is for all creatures (Gen 1:29-30), the task of caring for the Garden is given only to man. This expresses man's differentiated place – he is the ruler who therefore is responsible for the whole creation. Work is the integral way he exercises his dominion – he rules by caring for creation through tilling God's provision for them. Thus the Hebrew word translated 'work' means 'serve' – man's work is his service of God, to creation.[96]

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[94] See Hay, *Economics Today*, 72.
[95] This partnership does not mean identical responsibilities. The role of procreation, and by extension, the family role, surely comes into play as part of how humanity rules works the earth.
[96] Hamilton, *Genesis Chapters 1-17*, 171.

Therefore, Hay points out that working the earth is a *stewardship*, an entrusting of creation from the true Owner to its vice-gerent.[97] Moreover, this stewardship is not only how mankind lives out its God-ordered life, but instrumental in sustaining all creation to live in ordered *kingdom life*. This is how creation lives in *Eden*. Such a paradigm is given by God for harmonious, blissful existence under Him. Therefore, economic activity is the godly service of the servant-steward, for creation's good kingdom life under God.

This sheds further light on economic activity's *telos* – ***it is humanity's ordered kingdom responsibility to appropriate God's good provision to serve the whole creation, for ordered Kingdom living.*** This critically helps us understand what economic activity should look like – how might we so order it so that it becomes a proper response to God's gracious provision and purpose?[98]

But with the Fall, this responsibility becomes toilsome (Gen 3:17-19) and distorted by sin. Humanity's economic endeavours now set out on a trajectory that forgets its *telos* as God-glorifying for the sharing of goods, to become self-autonomous for the hoarding of goods.

This trajectory arcs across biblical history. Goods now become objects of coveting instead of sharing. Individual crimes such as robbing and defrauding arises (e.g. Micah 2:2) and national crimes such as seizing of kingdoms' wealth and goods occur (e.g. Gen 14:11). Hoarding instead of sharing becomes the order of the day, seen most clearly in the emergence of great income gaps. God's abundant provision, instead of manifesting and

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[97] Hay, *Economics Today*, 71.
[98] Cramp, 'Economic Ethics', 115.

sustaining a loving community, now divides. Instead of community, there is competition, and instead of service, sin (e.g. Job 24:2-12; Prov 22:7; Eccl 5:8-12; Isaiah 3:15; Eze 22:29; Amos 5:11).

In sin, production and wealth also forgets its source and purpose from God, and asserts self-autonomy. Wealth now becomes a prime candidate for idolatry. Through it, humans seek a security that forgets the true Sovereign (e.g. Amos 6:1-6) and focuses their loves on it instead of serving God (e.g. Ezekiel 28:1-5). Work and wealth now usurp God rather than serve Him.

With production and work so misshapen by sin, it is no wonder that God's law and wisdom puts a strong emphasis on right economic practices. The OT continues to affirm work as God's ordained way for mankind's sustenance (e.g. Prov 14:23, 18:9, 21:25), but brings in explicit laws to remind Israel of the creational fundamentals of economics. Land redemption reminds Israel that property, and hence all goods, belongs to God, and his provision is for everyone, not just the strong (e.g. Lev 25:23).[99] No one is to be disenfranchised from land – hence the Jubilee, while recognising private property, provides a check to restore some equality between men, and a way for everyone to have opportunities to start over (Lev 25:8-17).[100] Tithes for the Levites, in committing the landless Levites to the community's care, reminded Israel to share God's provision amongst all despite different roles (Num 18:21).[101] Finally, a godly entrepreneur will use the fruit of that enterprise to the good of those around them, within and outside the family (e.g. Prov 31:20-21).

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[99] Gordon J. Wenham, *The Book of Leviticus* (NICOT; Grand Rapids: Eerdmans, 1979), 320.
[100] Wenham, *Leviticus*, 317.
[101] Philip J. Budd, *Numbers* (WBC; Texas: Word Books, 1984), 204.

When Israel failed to share God's provision, prophets denounced it passionately (e.g. Amos 5:11-12). These denunciations highlight that economic injustice often goes together with a forgetting of God – it is symptomatic of a people who have turned away from the God of provision and hence forgotten the purposes of production and wealth (e.g. Isaiah 5:8; Micah 6:1-12).

The NT intensifies the emphasis on work's communal *telos.* Work is not only for, or even primarily, for oneself. The NT redeemed person not only stops stealing but works hard and honestly *so that* he might share with the needy (Eph 4:28).[102] Economic activity is now even more radically for the *other*. Such is the way of following a Lord who gave himself for others (1 John 3:16). There is also a strong reiteration of the OT's call to worship the one God and warnings against placing trust in mere riches (e.g. Luke 12:13-21; James 4:13-16) and idolising Mammon (Matt 6:24).

So far, we have seen that economic activity should have work's communal *telos* in mind, towards a sharing, rather than hoarding or idolising of God's provision. At this point, we also cast our eyes back to Chapter 3. We saw there that God's people are to conduct work partnerships in a godly fashion expressed in honesty, integrity, compassion etc. It appears that not only the *end* of work needs to be love and care, but the very *means/process* of work should be loving too.

Such demands on economic relationships highlight again a conclusion from Chapter 3 – love is the ultimate kingdom order. This is hardly surprising considering that one of the central

[102] O'Brien, *Ephesians*, 343.

characteristics of the Triune God who created and defines his creation is love (1 John 4:8). The *telos* of economic activity can be rephrased as humanity's *loving service* to appropriate God's good provision for the whole creation, for the sake of *loving relationships.* Hence work is not to betray that *telos* of love in not just its ends but its very process. Reiterating a point from Chapter 3, all our economic communications are morally weighty. Work 'must be cherished not only for what it produces but also for what it is – it is an act of genuine responsibility'.[103]

Hence the relational principles peculiar to the business-owner can be extended to the general economic agent as well. Moreover, the business-owner is of special interest to us because the corporation is an economic entity more akin to him than the other main economic agent, the hired man. Like the business-owner, the corporation wields power and independence to control economic relationships and agendas. Its authority distinguishes it from a hired man/slave who participates in the existing economic agendas of corporations/business-owners.

Drawing the threads together, in Scripture, economic activity is affirmed rigorously and yet strongly subordinated. Production, and hence economic activity, is a fundamentally divine mandate for humanity, an integral mode of expressing, sustaining and enabling a loving community through right appropriating of God's good provision. However, that underlines its very instrumentality to the superior and ultimate goal of love and care. Thus, production is never an end in itself but its fruits are for sharing and its processes are to be manifestations of loving relationships. It is subordinate to love and serves love.

[103] P. A. Marshall, 'Work', *New Dictionary of Christian Ethics and Pastoral Theology,* 901.

Now we are at a good point to pinpoint specific characteristics a godly economic person would have.

Firstly, *good economic persons will do their best to fulfil their primary responsibility of appropriating God's provision.* Working the earth for consumable goods and services is a right, divinely-ordained expression of humanity's role. It is right for economic persons to fulfil their role by seeking to order labour and creativity for the effective production of goods.

Secondly, *good economic persons work towards the loving goal of sustaining community around them.* Each person's work cannot be seen individualistically in a bubble but as part of a communal project. Work is not an owning of what is previously unclaimed, but a 'stewardship-appropriating' of *God's* provision for the *whole* earth. Thus humanity needs to ensure that the all is indeed provided for through its economic endeavours. This is despite the different roles each plays, and extends to animals.

Is this a nod towards communism? An extended analysis of Marxism is beyond our scope here, but we note one thing. A problem with the Marxist ideal is its confusion of the different spheres of responsibility in society. Marxism, while recognising the communality that economic activity should aim at, saw the solution as removing economic authority from private agents and investing it in the state. The state takes over the economic enterprise by directing productive agendas, energies and creativities. This stifles the very energies necessary for effective production and is also a fundamental misplacing of totalitarian authority in the state. It fails to recognise what O'Donovan calls 'differentiated authority' i.e. that within creation's pluriformity, there are different 'structures of relations' that have *limited* authority within their own spheres to conduct their particular purposes.[104] Scripture suggests that the state's main agenda is justice, not production (Rom 13:3), whereas production is belongs mainly to private economic agents/families (e.g. Israel's land allocation; Prov 31).[105] Schluter notes that biblical teaching also assumes free markets for goods exchange.[106]

The case of Ananias and Sapphira is instructive (Acts 5:1-11). Peter affirms their private property rights (Acts 5:4),[107] in a communal church context where Barnabas had willingly sold his field and contributed the money for communal use (Acts 4:36-37). This resonates with the rest of NT teaching, where giving is not to be by force (as would be under state-control) (2 Cor 9:7), and communal goals are enjoined more on the individual economic agent than on the state.

Thirdly, *good economic persons seek to fulfil the duties of love in its very economic processes.* Since work is an activity of love through and through because of its *telos*, ethically we cannot just assess the use of its fruits. That would be ironically utilitarian. Instead we need to holistically assess the very nature of the work, recognising its intrinsic relationality.

Fourthly, *good economic persons recognise the instrumentality of their production and does not idolise production.* Production has to be understood in its proper place – as a good thing *penultimate* to loving relationships. It is not to usurp the throne.

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[104] O'Donovan, *Desire of Nations,* 231.
[105] See Craig L. Blomberg, *Neither Poverty Nor Riches: A Biblical Theology of Possessions* (New Studies in Biblical Theology; Leicester: Apollos, 1999), 82-83.
[106] Michael Schluter, 'Is Capitalism Morally Bankrupt? 5 Moral Flaws and Their Social Consequences', *Cambridge Papers,* 18/3 (Sep 2009): n.p. Online: http://www.jubilee-centre.org/document.php?id=334.
[107] See F. F. Bruce, *The Book of Acts* (Revised ed.; NICNT; Grand Rapids: Eerdmans, 1988), 105.

Fifthly, *good economic persons care for the earth while appropriating provision from it.* Stewardship implies care rather than exploitation.[108] Hence, the Hebrew verb for 'keeping' the garden means to exercise great care over, to the point of guarding.[109] Creation is to be protected rather than to be possessed.

IS THE CORPORATION A GOOD ECONOMIC PERSON?

So how does the corporate person measure up?

The first stand-out thing about the corporation is its extraordinary economic efficiency. Its five characteristics make it 'uniquely attractive for organising productive activity'.[110] Its structure facilitates the coordinating of millions of owners of capital to pool money to enable large-scale operations that would otherwise not have been possible. Its very size also confers on it economies of scale i.e. cost advantages that arise when average cost per unit falls with expansion of scale.

The corporation's separate legal personality also gives it a perpetuity beyond its shareholders, enabling it to 'amass knowledge and capital, protect them from shareholders' creditors and transfer them efficiently from generation to generation'.[111] As such, corporations are not only quantitatively effective but qualitatively effective.

[108] Hay, *Economics Today*, 19.
[109] Hamilton, *Genesis Chapters 1-17*, 171.
[110] Hansmann and Kraakman, 'Corporate Law', 5.
[111] Bretsen, 122.

The corporation was therefore the very vehicle the Industrial Revolution rode on. Production boomed and a world which saw a stable GDP per capita now rode into the era of per-capita economic *growth*,[112] i.e. production started growing faster than population. Paul Collier, Professor of Economics in Oxford, posits that a billion people have been lifted out of poverty in the last 30 years through this capitalist system.[113]

The corporation's dazzling power in creating exponential increases in production is generally the main case made for capitalism. Novak's advocating of democratic capitalism is largely based on its productive achievements.[114] Wealth is not a fixed sum – there can be wealth creation and capitalism provides the best condition for that.[115] When wealth is created, the poor can be raised up,[116] and the world transformed for the better.[117]

We noted above that an economic person should rightly fulfil as best as possible their productive role. Thus, the corporation's efficiency *is* a great good that makes it possible for more to enjoy God's abundance. Krueger coins the term 'productive justice' to point out the goodness and rightness of seeking conditions that optimises wealth creation for society.[118] Krueger views that corporations fulfil productive justice, because 'this system of capital risk management has proven more effective than the alternatives in allocating scarce capital to meet society's material aspirations.'[119]

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112 Observation of Robert Lucas, 1995 Nobel Prize winner for Economics, in Robert Lucas, 'The Industrial Revolution: Past and Future', *The Federal Reserve Bank of Minneapolis Annual Report Essay* (2003): n.p. Online: http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=3333.
113 Cited in Schluter, 'Is Capitalism Morally Bankrupt?', n.p.
114 Novak, *In Praise of the Free Economy*, 35.
115 Novak, *In Praise of the Free Economy*, 38.
116 Novak, *In Praise of the Free Economy*, 71.
117 Gay, *With Liberty and Justice for Whom?*, 65.
118 Krueger, *Productive Justice*, 67.
119 Krueger, *Productive Justice*, 79.

However we saw there is more to the good economic person than mere efficiency. If our evaluation of corporations/capitalism stops here, we succumb to a utilitarianism which misapprehends the penultimate for the ultimate, treating production as an end in itself.[120] As Hughes puts it, the logic of utility itself is harmless, provided it keeps its 'proper, subordinate place, [...] serving higher transcendent goods', for a 'right relation between means and ends.' Thus 'usefulness, efficiency, profit and rational organisation are not evils in themselves [but] neither are they gods'.[121]

It is telling that Novak partially defends capitalism through seeing how it harnesses sin for the common good. This defence is fundamentally consequentialist and ignores the true *telos* of production. Production is for the expression and enabling of right kingdom relationships, not just for consumption. This teleology demands that our economic relationships are to be ordered rightly. It is therefore a myth that 'the entire economic realm of production, exchange and consumption is a neutral realm of necessity independent of moral concerns.'[122] Thus when assessing production, we cannot merely ask 'what can I get out of this?' but should pose questions such as 'is this truly good and useful?, 'is it serving its true end?'[123] A mere functional view of the corporation is insufficient because *even a purely economic person is not free from the obligation to love*.

Thus, we need to proceed to evaluate the corporation against the rest of the description of the good economic person i.e. one which fulfils the duties of love in its processes, and works

[120] See also Hay, *Economics Today,* 154.
[121] John Hughes, *The End of Work: Theological Critiques of Capitalism* (Malden, Massachusetts: Blackwell, 2007), 219.
[122] Hughes, *The end of work,* 229.
[123] Hughes, *The end of work,* 231.

towards community sustenance, while being ecologically caring and avoiding idolatry of production.

However, each corporation has different processes, ethical practices and environmental policies. How can we assess them as a whole? That possibility however, *is* open to us because corporations share a *similar goal* which arises from their common distinctive of having their ownership traded in public markets.

We noted previously how the corporation's diffuse ownership leads to management being typically delegated away. This separation of management and ownership means that the corporation's goal is typically shaped by two *external* factors – market forces and the law.

Firstly, one way that the management is 'kept in line' 'is through the share price. Generally, the higher the demand for a company's shares, the higher the share price. What creates high demand for a share? The typical share-investor decides on a share when he believes that particular company's potential earnings are high.[124] If the company is profitable, dividend payouts (which come from net earnings) will be higher and capital gains likewise higher (because demand for the share will be consistently high). Hence, market decisions are typically purely *financial*.

Because of the high mobility of capital flows due to easy share transferability, share prices respond sensitively to such financial decisions. *Hence the share price is determined almost*

[124] Hence, the P/E ratio (which measures earnings potential compared to cost) is the most popular ratio used to evaluate shares. E.g. see http://www.investopedia.com/university/ratios/investment-valuation/ratio4.asp.

exclusively by earnings or profitability considerations. This measure is public and the natural transparent standard by which a management's performance can be measured against.[125] The importance of this measure is heightened by the dominance of institutional investors[126] whose business is to invest purely for returns, and who exerts considerable influence in the markets and possibly in the boards (where they commonly have representatives).[127] Moreover, the strong takeover culture lends greater urgency to keep share prices high through short-term profit, to prevent take-over threats.[128] As such, profitability typically drives the agenda of management.

Therefore, it is almost axiomatic to view management's role as that of maximising shareholders' *financial* gain.[129] Market forces in effect impose a goal of *profit-maximisation* on management teams. This is in fact seen as desirable, because it presumes this aligns management with the owners' interests. Milton Friedman, a famed monetarist, even states categorically that a corporation is not free to pursue any other aim except profit maximisation, and that it is immoral to do otherwise.[130] Deborah Spar from Harvard Business School concurs that corporations really have only one mission, which is to increase shareholder value.[131]

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[125] Donald Shriver's reply to Krueger in Krueger, *Productive Justice,*110.

[126] Jonathan Charkham and Anne Simpson, *Fair Shares: The Future of Shareholder Power and Responsibility* (Oxford: Oxford University Press, 1999), 4. They note that typically, half a U.K. company's share capital will be in the hands of 30-40 investment managers.

[127] Edward R. Trubac, 'Economic Guidelines for Corporate Decision-Making', in *The Judeo-Christian Vision and the Modern Corporation* (ed. Oliver Williams and John Houck; Notre Dame: University of Notre Dame Press, 1982), 35.

[128] Russell Sparkes, *The Ethical Investor* (London: HarperCollins, 1995), 228.

[129] E.g. see Ross et al, *Fundamentals of Corporate Finance*, 9.

[130] Milton Friedman, ' The Social Responsibility of Business is to Increase its Profits', *The New York Times Magazine* September 13 (1970): n.p. Online: http://www.springerlink.com/content/m2141pp14981487h/

[131] Bakan, *The Corporation*, 35.

Secondly, the potential moral hazard from a division of management and ownership (which Adam Smith foresaw as a problem[132]) leads some countries to enshrine the goal of profit maximisation in law. Bakan, a corporate lawyer, points out that in the US and other industrialised countries, the law compels executives to prioritise profitability above all others, and forbids them from being socially responsible (unless that contributes to profitability).[133] Another corporate lawyer, Hinkley, notes a remarkable consonance whereby 'the corporate design contained in hundreds of corporate laws throughout the world is nearly identical', and that design dictates corporate purpose as making money for the shareholders.[134]

The case of Dodge versus Ford (1916) is illuminating. When Ford wanted to make only 'reasonable profits', he was sued by major shareholders John and Horace Dodge, who argued that profits belonged to shareholders, so Ford had no right to give them away. The court agreed that 'a business corporation is organised and carried on primarily for the profit of the stockholders'. This gave rise to the principle of 'the best interests of the corporation' which forbids other motivations for corporate decision-making.[135]

Thus, market forces and the law combine to impose a *single-minded goal of profit maximisation* on the corporation. Such a single-minded corporation is rarely a rightly-ordered economic agent because, firstly, it typically fails to realise the relational *telos* of economic endeavour,

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[132] Adam Smith, *The Wealth of Nations: Books IV-V* (London: Penguin, 1999), 330-31.
[133] Bakan, *The Corporation*, 35.
[134] Robert Hinkley, 'How Corporate Law Inhibits Social Responsibility', *Business Ethics: Corporate Social Responsibility Report* (Jan-Feb 2002): n.p. Online: http://www.commondreams.org/views02/0119-04.htm.
[135] Bakan, *The Corporation*, 36.

and secondly, it becomes instrumental in leading *society* to fail to realise the *telos* of economic endeavour.

Firstly, the single-minded pursuit of profits means the corporation is really dedicated to its own *self-interest*.[136] Profit-maximisation allows little space for a wider use of the fruits of the corporation's labour to serve those in economic proximity to it. Thus Ford is disallowed to share the benefits of his company's production with consumers. Even though the corporation brings abundant wealth creation, there is little room for generosity (not charity – 'reasonable profits' *are* reasonable). The corporation is essentially a hoarder. In OT terms, it gleans right to the edges with no concern for the society around it.

This also means the duties of love in its economic processes are likely to be pushed aside. We noted above that profit-maximisation disallows other motivations in decision-making. Such a singular goal thus makes cultivation of other 'virtues' inconvenient. Corporate executives have very little room to exhibit compassion, mercy, justice, honesty in their economic relationships because their top duty is to act in the corporation's interests i.e. to maximise profits.[137] MacIntyre notes that for corporate executives, 'moral concerns are at best marginal, engaging [them] qua citizen or qua consumer rather than qua executive'.[138] Thus, many times, economic sense might demand corporate executives to make decisions which they are uncomfortable with personally. A prime example is that of making redundant large numbers

[136] Hinkley, 'Corporate Law', n.p.; Schluter, 'Is Capitalism Morally Bankrupt?', n.p.
[137] Observation of James Macken, cited in Andrew Cameron, 'Globalisation' (Unpublished handouts for Social Ethics, Moore Theological College, 2009), 3.
[138] Alasdair MacIntyre, 'Utilitarianism and Cost-Benefit Analysis: An Essay on the Relevance of Moral Philosophy to Bureaucratic Theory', in *The Moral Dimensions of Public Policy Choice: Beyond the Market Paradigm* (ed. John Martin Gillroy and Maurice Wade; Pittsburgh: University of Pittsburgh Press, 1992), 193.

of lower-rung employees, rather than working out alternative solutions of retaining jobs at the expense of fewer profits.[139]

Another example is that of General Motors, where it was found that despite knowing one of its car models had a high risk of fuel-fed fires, GM did not remake it because cost-benefit analysis supported the profitability of ignoring the duty of care to consumers.[140] Such 'cost-benefit' analysis' is the bread-and-butter of corporate decision-making. The U.S. Chamber of Commerce supported GM's decision, defending cost-benefit analysis as 'the hallmark of corporate good behaviour', with an 'unimpeachable' underlying logic.[141] Cost-benefit analysis shows up the *amoral* nature of corporations – actions have no moral weight, only economic weight.

Even 'altruistic' actions are measured by cost-benefit analysis. Outwardly, corporations are seldom rapacious monsters, and many take on costly social responsibilities. However, most such decisions ironically arise from hard-nosed economic sense – the financial benefits of these actions outweigh their costs. Therefore, Sir John Browne, head of British Petroleum till 2007, admitted that BP's green agenda' stemmed from 'long-term self-interest', and 'hard-headed business logic'.[142] Ferguson, an ex-CEO, notes that while there can be 'enlightened corporate self-interest' which leads to good corporate practices, we should recognise it is *still* self-interest and it is 'neither healthy nor wise to claim otherwise'.[143]

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[139] E.g. the case of U.S. Steel in Ohio in 1980 in Trubac, 'Economic Guidelines', 42.
[140] Bakan, *The Corporation*, 63.
[141] Bakan, *The Corporation*, 64.
[142] Cited in Bakan, *The Corporation*, 44.
[143] Quote of James Ferguson, Chairman and Chief Executive of General Foods Corporation 1973-1987, in Trubac, 'Economic Guidelines', 50.

Thus, we see how the corporation is almost invariably an *ungodly economic neighbour.* It hoards instead of shares, and disregards the good of those it deals with, in its pursuit of self-interested gain. This stems from its relentless chasing of wealth for its own sake, an idolatrous elevating of production which forgets the relational purposes of God. Like Israel, its two sins of idolatry and economic injustice flow together.

Secondly, the corporation does not just have explicit economic relationships but also *implicit* ones which arise because of its societal position. It wields considerable influence which affects stratum of society which might have no formal contact with the corporation itself.

The corporation's *power* confers on it a significant position in society. This power arises from its unique ability to concentrate the economic power of many into one.[144] Thus, most corporations are giants in society, with millions of dollars in revenue, thousands of employees, and operations in far corners of the earth. Hence, Drucker argues that the corporation's power makes it a 'representative institution' of modern society.[145] Ira Jackson of Harvard's Kennedy School of Government goes so far as to observe that corporations 'have displaced politics and politicians as the new high priests and reigning oligarchs of our system'.[146] The corporation is no ordinary economic agent but a veritable force to be reckoned with.

With such power, the corporation's influence stretches from impacting international divisions of labour, government policies to shaping national demand patterns and even

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[144] Gay, *With Liberty and Justice for Whom?,* 153.
[145] Peter F. Drucker, *The Concept of the Corporation* (New York: The John Day Company, 1946), 140.
[146] Cited in Bakan, *The Corporation*, 25.

society's ethos and cultural forms.[147] Schumpeter, an economic theorist and historian, observed that the corporation's business logic is a 'conqueror [...] subjugating man's tools and philosophies, [...] including [...] his spiritual ambition'.[148] As such, it plays an integral role in *shaping the objects of love in society*. O'Donovan points out that each society has objects of love which are shaped collectively by the members themselves.[149] With the rise of the corporation, a large amount of the world's economic power is now channelled into institutions which push profitability as *the* priority. Hence, it is unsurprising that the corporation's rise is concomitant with the rise of consumerism in industrialised countries. Schluter notes that our focus on capital lends itself to idolatry of wealth on all levels, inviting Mammon to supersede God as the focus of human loyalty.[150]

Thus the corporation's direction does not remain within itself but flows over into society. Through various channels (products, marketing, advertising, politics), the corporation's value becomes society's. It could thus be argued that it bears the guilt of being a major leader of a societal disregarding of the proper *telos* of production, of leading in a love of wealth over God, of leading creation away from kingdom living. Thus, the corporation not only forgets its own true *telos*, but further defeats it by encouraging community around it to disregard it as well. What is meant to be a social being has become anti-social.

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[147] Observations by the United Nations, cited in Denis Goulet, 'Goals in Conflict: Corporate Success and Global Justice?', in *The Judeo-Christian Vision and the Modern Corporation.* (ed. Oliver Williams and John Houck; Notre Dame: University of Notre Dame Press, 1982), 220; Schulter, 'Risk, Reward and Responsibility', n.p.; Michael Novak, *Toward a Theology of the Corporation* (Washington D.C.: AEI Press, 1990), 56.
[148] Oliver Williams and John Houck, 'Understanding the Corporation', in *The Judeo-Christian Vision and the Modern Corporation* (ed. Oliver Williams and John Houck; Notre Dame: University of Notre Dame Press, 1982), 27.
[149] Oliver O'Donovan, *Common Objects of Love: Moral Reflection and the Shaping of Community: The 2001 Stob Lectures,* (Grand Rapids: Eerdmans, 2002), 19-21.
[150] Schluter, 'Is Capitalism Morally Bankrupt?', n.p.

As such, the corporation is now not just an ungodly economic neighbour, but also an *ungodly societal participant*.

WHO IS RESPONSIBLE FOR THIS PERSON?

But at this point, we might ask: what has the corporation's personality to do with the shareholder? If it is a person in its own right, why should the shareholder be responsible?

This is where it is critical to remember that the corporation's personality is a legal one, behind which stands a collective made up of various natural persons. So the question is: which *natural* agent should be responsible for this collective being?

In Scripture, responsibility for collectives appears to fall on the one in *authority*. We see this in the smallest 'collective' – Adam and Eve's family. Even though Eve first transgressed, Adam as the designated leader is held responsible. Thus the entrance of sin and death is attributed to Adam, not Eve nor even Adam *and* Eve (Rom 5:12-19).

In Israel's history, kings are held responsible for Israel falling into national sin (1 and 2 Kings). This is largely due to the fact that they typically control the nation's spiritual direction (e.g. Judg 2:6-10). The influence they wield means attention is cast on their corresponding responsibility. Moreover, kings or leaders are held responsible not only for active uses of their power but also for *passive* omissions. Eli was judged for his passivity in reining in his sons' sin, people he was responsible for (1 Sam 2:29). In the NT, pastorsteachers who authoritatively guide their flocks are warned that they will be judged more strictly (Jas 3:1).[151]

Economically, Revelation 18 offers interesting insight.[152] John focuses his indictment of Rome on her economic exploitation, and expresses God's eschatological judgment on such exploitation. When this judgment is presented, three parties are shown to be mourning – kings, merchants and mariners. Bauckham suggests the merchants are probably magnates of trading companies,[153] who mourn for the cessation of benefit from trade with Rome (Rev 18:11).[154] These three classes are presented as collaborators in Rome's evil, epitomising the ungodly attitude.[155] The point pertinent to us is that though the merchants most likely own extended businesses with plenty of hired men and associates, the *merchants* are the ones held as representative of the ungodly perspective. Their representative role likely comes about because they are the main beneficiaries of such trade.

So with regards the modern corporation, who should shoulder responsibility, or bear culpability for its anti-social actions? Scripture points towards those with authority. Two obvious groups spring to mind – management and shareholders. Management has authority to shape the direction and ethos of the business processes. However, Chapter 2 showed that it is those who directly profit from the ups-and-downs of the business who naturally own the

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151 This does not mean the people themselves are excused from their sin – Scripture also stresses individual responsibility.
152 Richard Bauckham, *The Climax of Prophecy: Studies on the Book of Revelation* (Edinburgh: T&T Clark, 1993), 348ff.
153 Bauckham, *The Climax of Prophecy*, 370.
154 Brian S. Rosner, *Greed as Idolatry: The Origin and Meaning of a Pauline Metaphor* (Grand Rapids: Eerdmans, 2007), 92-93.
155 Bauckham, *The Climax of Prophecy*, 376.

company.[156] Management is no such residual claimant but receives a fixed salary – in that sense, it is like a *hired man*. Shareholders are the residual claimants and their interests determine the company's direction. Thus shareholders can be said to be akin to the 'merchants' of the past, and these 'merchants' should bear ultimate responsibility for the corporation.

However, here we hit a snag. The corporation's very structure *does not allow the shareholder to be responsible*. The corporation's separate legal personality *shields shareholders legally*. Shareholders cannot be held liable for any civil or criminal offence the corporation commits, because, legally, only the corporation is responsible for it. Bakan notes that this thus leads to endemic illegalities in the corporate world.[157]

Thus, we see a financial animal which curiously lacks *real accountability.* In the 18th century, Lord Chancellor Thurlow observed that 'corporations have neither bodies to be punished, nor souls to be condemned, they therefore do as they like.'[158] This echoes the biblical point that a human fear of punishment is what gives the state's sword its sting (Rom 13:3). Fines imposed on corporations fail to deter anti-social behaviour if such behaviour brings profits according to cost-benefit logic. Therefore, shareholder immunity results in 'the law's threats [being] hollow: no one will have to pick up the tab.'[159] Corporations become free-floating

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[156] See also Schluter, 'Is Capitalism Morally Bankrupt?'. n.p.
[157] Bakan, *The Corporation,* 79.
[158] Cited in John Micklethwait and Adrian Wooldridge, *The Company: A Short History of A Revolutionary Idea* (New York: The Modern Library, 2003), 33.
[159] Christopher D. Stone, 'Corporate Accountability in Law and Morals', in *The Judeo-Christian Vision and the Modern Corporation* (ed. Oliver Williams and John Houck; Notre Dame: University of Notre Dame Press, 1982), 272.

spirits with a life on their own, pursuing their goal of profit-maximisation without accountability and culpability.

Thus, just as the lack of managerial control does not allow the shareholder to discharge his duties of care as a business-owner, this lack of *personal liability* does not allow the shareholder to assume his duty of care as the person responsible for the corporation.

This lack of personal liability hence renders the corporate personality *unjust*, because it cannot be brought to real culpability for its behaviour. It is also *unloving* because it allows free rein to the corporation's anti-social actions in its single-minded pursuit of profit. As the natural agent responsible for this animal, the shareholder needs to think seriously about the position that the very act of shareholding puts him in. It almost automatically casts him in a position of irresponsible authority. This irresponsibility is perpetrated not by the shareholder's actions, but by the evasion of accountability built into the structure. It is foisted on the shareholder, whether he agrees or not. Thus, one can almost say that buying a share becomes not a neutral act, but a relationally irresponsible act.

Chap 5

A Theological Evaluation of Share- Ownership

We can now consolidate our thoughts into a final theological evaluation of share-ownership. We explored share-ownership by firstly examining whether it allows us to be a godly business-owner (Chapter 3); and secondly whether it allows us to be part of a godly economic agent (Chapter 4)?

In the first instance, we saw that the corporation's structure makes it hard for a shareholder to fulfil his duties of care as a business-owner. This is regardless his intentions, because the very *structure* of the modern corporation strongly ties his hands with regards to that. The shareholder possesses little control over the company's workings, direction, goals, relationships; and he signs up to a structure which shields him from taking on full risk and fulfilling all his debt obligations.

In the second instance, we saw that the corporation's structure puts the shareholder almost in a position of automatic irresponsibility because he is unable to bear accountability for an agent he is rightly responsible for. The corporation's structure protects him from the full liability that should have fallen on him. Thus the share-owner essentially lets loose onto society a largely anti-social economic agent which is able to unrestrainedly pursue a profit-maximisation that subordinates the duties of love, and negatively influences society through re-orientating its objects of love away from God.

It is worth reiterating that these observations apply across all corporations, because they flow from *structural* factors. Novak points out that in practice, there is much fraternity, sympathy, and cooperation within the corporation, and that many of the corporation-dominated industries are the most heavily unionised.[160] The shapes of corporations can and do vary enormously.

However, these different shapes do not negate our observations. Firstly, regardless of how the corporation actually conducts its relationships, the share-owner is likely *not* the agent directing these relationships. It remains that he has little control to *actively* discharge his duties. Secondly, again regardless actual corporate behaviour, the primacy of the share price as the signal of shareholders' interest means that the corporation's goal is most likely still geared towards profit-maximisation. The different practices of corporations are thereby likely manifestations of that goal, rather than evidence of a different value-system.[161] Thirdly, non-liability for debts and the corporation's actions are legally enshrined and hence are unavoidable features of business-ownership via shares.

In conclusion, the current share-ownership system makes it very difficult for a shareholder to fulfil his proper relational duties. The system has a built-in relational distance that arises from the separation of ownership from responsibility, thus separating the owner from the real life of the corporation. This distance does not enable a loving way of participating in good and beneficial production for the godly sake of others. Instead it encourages a forgetting of the relational telos of production as it perpetuates a utilitarian, anti-social and irresponsible grasping at production for its own sake.

[160] Novak, *In Praise of the Free Economy,* 20, 28.
[161] See Chapter 4; Bakan, *The Corporation,* Chapter 2.

Thus it is unsurprising that this in-built relational distance spills over into actual *practice*. Share-ownership is depersonalised with shareholders commonly treating their shares as pure financial investments.[162] So shares are assessed by pure financial valuation models, with no concern about the company's relational activities.[163] Investors monitor graphs and indices, with no interest in the actual business.[164] Such practice spills over to the Christian community, where distorted concepts of stewardship unwittingly elevate financial returns as *the* goal to aim for.[165] More unacceptable are the practices of many Christians who simply unthinkingly follow the world in investment practice, swallowing the lie that share-ownership is just a closed-end transaction with no moral weight. This means that Christians can often be hypocritical unintentionally – in relinquishing any effort at our duties of care, it becomes contradictory to bemoan economic exploitation and injustice because we do not realise our own part in the game.[166]

GAMBLING?

At this point, it is instructive to reflect on some popular views of share-ownership. On one end, the obvious relational distance and lack of labour has led some to condemn share-ownership as pure gambling. However, if we evaluate gambling in relational terms, there is a fundamental difference between the two. Gambling is a *zero-sum* game, with one winner and many losers. The winner gains purely from the losses of the others, without giving out

[162] Mills, 'Investing as a Christian', n.p.
[163] E.g. see 'tools of fundamental analysis' which are all about ratios at http://stocks.about.com/od/evaluatingstocks/a/Fundanatools1.htm
[164] E.g. see Scollon, *Fair Share*, Chapters 6-13.
[165] See section on 'Stewardship' below.
[166] Mills, 'Investing as a Christian', n.p.

any benefit, and thus gambling is essentially anti-social. Share-ownership, however, is not zero-sum – there can be many winners and no losers. The shareholders' profits derive not from pure taking away from others, but from the rightful reward that comes from producing goods which benefit society. As such, share-ownership is linked to productive work, albeit at a distance.[167] Thus, when deliberating on our moral response to share-ownership, we need to remember this critical good of production that corporations do bring.

However, we saw that the system does prompt a *forgetting* of the purpose of the productive activity behind the share. This forgetting leads to a common distorted attitude towards risk-taking. Instead of taking on risk for the sake of contributing to good, concrete production and as part of production's normal ups and downs, we now take on that risk as a gamble that our *prediction* of price movements will bring us gain.[168] Such a risk-taking *attitude* is akin to gambling, which undertakes risk purely for the possibility of a future event leading to gain, an event which could be as frivolous as what side the dice land on. Thus, it encourages *speculation* whereby assets are acquired 'solely in expectation of their appreciating in value'.[169] We are encouraged to trade rather than steward, and capital markets are evaluated by their liquidity (the more capital movements, the better). Schluter goes so far as to say that buying *existing shares* does not contribute directly to production because it provides no additional funds to the company, and hence it is almost akin to placing bets on a horse, because it is merely for short-term profit.[170]

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[167] Whether or not a share-owner needs to be *personally* involved in the labour is another question. Note the Bible allows rent, which seems to endorse income without labour if it brings good to another (Exodus 22:14-15).
[168] Mills, 'Investing as a Christian', n.p.
[169] Mills, 'Investing as a Christian', n.p.
[170] Schluter, 'Is Capitalism Morally Bankrupt?', n.p.

STEWARDSHIP?

On the other hand, many Christians have unthinkingly endorsed the share-markets' neutrality and quote the Parable of the Talents as exhorting stewardship by making your *money* grow. Ironically, this is a utilitarian perception which neglects the relational ramifications of share-buying. We saw in Chapter 4 that stewardship reaches beyond money itself – it is *over all creation,* expressed through *good production for kingdom living.* Thus, proper stewardship demands an alignment with this relational *telos* and investment contributes to such a stewardship when we use our money to support rightly-ordered production. If we consider share-ownership as merely a means to increase wealth so that we can use that for godly purposes, we risk ignoring a big part of the call to godliness in *all* our relationships.

The Parable of the Talents (Matt 25:14-30) itself supports this deeper idea of stewardship. Its context shows that at its heart, it is a call to a faithful discipleship that is ready for Christ's return.[171] This means a life characterised by eager and responsible kingdom service.[172] It encompasses the whole of life, not just our money.[173] The ironic thing is that our biblical survey previously has shown that such faithful discipleship would encourage more *giving away* wealth in generous sharing than accumulating wealth![174] This is consistent with another 'financial' parable, that of the shrewd manager (Luke 16:1-13), which highlights the goodness of giving away material wealth for kingdom purposes.[175] Therefore, being faithful with our money in line with the parable demands we use our money relationally, not for financial maximisation!

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[171] R. T. France, *The Gospel of Matthew* (NICNT; Grand Rapids: Eerdmans, 2007), 936.
[172] France, *Matthew,* 950-56.
[173] Blomberg, *Neither Poverty Nor Riches,* 124-25.
[174] See also Blomberg, *Neither Poverty Nor Riches,*126.
[175] Blomberg, *Neither Poverty Nor Riches,* 122.

THE BIGGER PICTURE

Finally, we briefly consider how our exploration contributes to the wider social issue of capitalism.

Arguments for capitalism typically centre round its efficiency and the economic liberty it bestows.[176]And indeed, we have seen that capitalism seems to get it right in its undoubted superior productiveness and its recognition of private property rights and freedom of individuals to direct their gifts and labour towards enterprise, goods that the Bible recognises.[177] Empirically, history has also put its stamp of approval on it, with capitalism becoming the order of the day.[178]

However, this backdrop should not blind us to capitalism's *relational costs*. It does not come without a price. We have examined one of its main vehicles, the corporate share-ownership system that gives it its engine power. And our exploration has shown up the deep flaws of the vehicle, flaws that perpetuate a disturbing societal utilitarian obsession with wealth, and disregard for relationships.

Thus even as we recognise the good that capitalism brings, we cannot simply let its relational costs slide by us.[179] If we simply accept them as necessary payment for a well-fed world, or worse, if we are ignorant of them, we fall into the very utilitarianism that capitalism perpetuates.

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[176] Hay, *Economics Today*, 154.
[177] See brief discussion on Marxism in Chapter 4.
[178] See Chapter 1.
[179] See Schluter's similar critique of *corporate* capitalism in 'Is Capitalism Morally Bankrupt?', n.p.

So at the very least, we need to be *troubled* by capitalism's relational costs. In this vein, Dex's observations are well-worth remembering:

> 'Capitalism can be criticized for failing to have a concept of care for the natural order. It does allow individuals to exercise stewardship though the rights attached to private property, but it fails to encourage the responsibilities which should go alongside e.g sharing the product with the poor. Capitalism fails to allow all to exercise stewardship through work opportunities or through influencing the running of their firm and it encourages the idol of pursuing wealth for its own sake.'[180]

[180] S. Dex, 'Capitalism', *New Dictionary of Christian Ethics and Pastoral Theology*, 214.

Chap 6

A Christian Ethical Response in the World

How then, do we *proceed*? Do the share-market's relational failures mean that Christians should not participate in it?

OUR CULTURAL AND ESCHATOLOGICAL CONTEXT

Firstly, we need to step back to survey the context in which we are tackling this question. The very reason why share-markets exist is because the world is *monetised*. Instead of storing and sharing our provisions in physical, perishable goods (e.g. passing cups of grain to needy neighbours), there is now injected a medium. Money is the imperishable unit of measurement in which we now store and share any extra provision.

Thus, *savings* is now our extra provision monetised. Typically, we view savings primarily as a good activity which wisely recognises the contingent nature of the future. However, if we put savings in the bigger framework of humanity's mandate of work, savings as *left-over provision from consumption and sharing* can become another avenue to contribute towards our mandate of work. Just as it is wise to use our fruits of labour to contribute to a sustainable eking out of provision (e.g. keeping seeds to plant the next harvest), it is wise not to use all our income for immediate use but direct it back into the production cycle for sustainable growth. Consider the noble wife – 'out of her earnings she plants a vineyard' (Prov 31:16). This injection of 'capital' back into the productive cycle is praised as part of her general godly economic wisdom which allows her work to be fruitful, so that she can provide for those around her.

In today's world, how are savings ploughed back into production? It is mainly through the *capital markets.* Their initial creation was to allow people to pool their savings together for re-channelling into production.[181] There are two main instruments for that re-channelling – the bond or the share.[182]

Understanding this cultural context will help us see what our options really are. It is not an isolated question of "Should we invest in the share market or not?" Most Christians will have surfeit savings that needs to be dealt with in some way. There are a few possibilities. Firstly, a Christian could choose not to channel savings into production e.g. storing money under the bed or buying fixed assets (e.g. real estate). Secondly, one could channel savings into production via investing in businesses outside of the capital markets e.g. starting up their own small business. Thirdly, one could channel savings into production via the capital markets, either directly or indirectly (through the bank which invests in debt/equity).

So the question of the share-market is part of a bigger question: *how can we channel our savings in the most godly, responsible and loving way?* There is no easy answer. A brief consideration of the options shows that all have a sting in their tails.

[181] Hay, *Economics Today,* 153.
[182] Most of the numerous and sophisticated financial instruments out there are really permutations of the basic share and bond.

Firstly, if we choose not to channel savings into production, we might be able to escape the relational responsibilities of owning production. However, the question becomes then whether it is really godly to entirely escape the production cycle with our savings, when production is a godly mandate. Hoarding away money (which even investing in durables has traces of, because its character is more consumption than new production) can also be anti-social because it deprives the community of goods and employment being generated.[183] Moreover, inflation adds to the wastefulness of hoarding. Because money is an artificial measure, its commensurability with underlying goods diminishes with inflation. With mere hoarding, a fixed sum represents a shrinking bundle of goods i.e. its potential to contribute to further productive activity is lowered. It is almost like letting a tenth of a bushel of seed grain go bad.

The second option has many attractive points. It allows constructive production without the relational distance of a public corporation. In small businesses, owners will typically have more avenues to exercise duties of care, and steer the business' economic relationships. However, in terms of gifting or 'vocation', actively running a business might not be what everyone should pour energy into. Some might also not be able to harness the business well enough for real productivity. And many times, our capital is just simply not large enough, or opportunities not readily available, for this to be a serious option.

As for the third option, we have examined the relational deficiencies of share-investing. As for debt, there has been much theological work done on whether lending on interest is godly, and the verdict is not in yet. Christians need to think seriously about OT injunctions against

[183] Mills, 'Investing as a Christian', n.p.

interest and ponder the principles behind it, rather than blindly accept this ubiquitous feature of modern financial life.[184] The main critique against debt is the observation that the 'lender takes no explicit share in the risks of the business, yet requires a return',[185] which is unloving because it profits from the need of a person.

ETHICS IN A FALLEN WORLD

It seems therefore there is no first-best investment option available. Mills, after measuring different investment instruments against Christian relational criteria, concludes that generally 'Christian principles for investment rest uneasily with most of the widely available savings media [in the UK]'.[186]

This situation reminds us that we still live in the fallen world, in the 'now and not-yet'. Systemic imperfections in the financial systems make it almost impossible to find an investment avenue which promotes good, loving and responsible production. Thus, the question of investment seems to be what Andrew Cameron calls an 'ethical hotspot, where whichever way I jump, some good is not advanced and some evil is not overcome.'[187]

In such a hotspot, it appears that investment ethics can only be *retrieval.* A retrieval ethic takes precisely into account the fallen context in which we direct our Christian action and love. It recognises there will be situations where *of necessity*, 'some goods might have to be

[184] For example, see critique in Mills, 'Finance', 201ff.
[185] Mills, 'Investing as a Christian', n.p.
[186] Mills, 'Investing as a Christian', n.p.
[187] Andrew Cameron, 'The Teleological Shape of Christian Ethics' (Unpublished handouts for Ethics 3, Moore Theological College, 2008), 7.

abandoned and others taken up'.[188] The ethic then demands that in such a case, love requires us to retrieve as much good out of the situation as possible.[189]

Such a retrieval ethic can be met with cautiousness because of its apparent similarity to consequentialism or worse, a 'picking of the lesser of two evils'. So it is important to recognise that this retrieval is really an outworking of *love in a provisional place*. It loves properly by striving to achieve *goods* that God has called us to (and hence is not a picking of *evil*) even though it cannot achieve *all* the goods. It also loves properly by remembering the *teleological purpose* of the goods we are retrieving, which controls *how* we retrieve the goods, preventing us from treating our moral actions as mere means to an end.[190]

In the case of investment, retrieval suggests that although there are severe relational deficiencies with the share-market, *a straight abandoning of it is not necessarily the Christian response*. This is mainly so because the corporation is 'the large-scale organisation through which a modern society *primarily* accomplishes its economic purposes of production and distribution'.[191] This is particularly clear when we consider some goods (e.g. airlines) that only corporations could have brought us.[192] Corporations are now how society mainly brings about the *good* of production. Hence, using our savings to participate in production through this key institution should remain a serious possibility for Christians.

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[188] Michael Hill, *The How and Why of Love: An Introduction to Evangelical Ethics* (NSW: Matthias Media, 2002), 133.
[189] Hill, *The How and Why of Love,* 132.
[190] Hill, *The How and Why of Love,* 31.
[191] Trubac, 'Economic Guidelines', 33, italics mine.
[192] Novak, *In Praise of the Free Economy*, 36.

This runs the risk of sounding utilitarian because it appears to ignore the relational costs for the pure sake of production. However, this ethical position is prevented from utilitarianism and is properly retrieval when it seeks production *not for its own end*, but in recognition of its *telos* of kingdom living in loving relationships. In other words, while it recognises that pursuing production for its own sake is never right, it also recognises that pursuing production for its penultimate role in promoting kingdom living is a legitimate good that can be pursued, when other goods cannot be realised.

Such an ethic also recognises the flip side of the 'exchange relationships' which the system encourages. Although we saw that such exchange relationships fall far short of the love relationships that should mark the nature of productive activity, Cameron points out that they are 'not all bad', as an intermediate good. At the minimum, they allow cooperation and interdependence, rather than strife, and potentially lead to production and sharing of goods.[193] In a sense, this exchange relationship is then a retrieval of the ideal mutual-love relationship.

In light of this, it seems that we are not called to cease participating in the share-market, because it presents a legitimate way to accept exchange relationships to bring about production for the sake of love. Here, the NT response towards slavery is instructive: Christians were exhorted to *express godliness* in their participation in their world structure, rather than seek godliness in boycotting the major structures of their world.

[193] Cameron, 'Teleological Shape of Christian Ethics', 8.

THE PERSONAL OUTWORKING OF ETHICS

However, understanding properly the retrieval nature of this ethic *will* change radically the way we do invest.

Firstly, retrieval rather than utilitarianism means that the question of production still cannot be prior, as Novak sees it.[194] *Love is always prior* and retrieval is about trying to find the best, imperfect way to realise that love.

This means that even as we recognise the corporation's significant productive role, we could still be willing to incur the cost of less corporate production, albeit its effectiveness, for the sake of *better* production. Hence, a Christian might still not choose share-investment as a first option. Christians need to think seriously about other options available in his own context, and to strive for 'better investing' (e.g. business-angel investment in small start-up companies[195]). Such an evaluation of options might mean using a smaller proportion of our savings in the share-market. Conceivably, some Christians might consider not investing in shares at all, if the relational costs are too high, and might choose to participate in this main productive structure of the world through other means (e.g. advocating for law changes).

More importantly, retrieval rather than consequentialism means that if we *do* choose share-investment, that should flow from us deeming it as a way of retrieving the most good with our personal monies, in our context. This means *our investing mind-set should be radically different from the world*. Instead of seeing ourselves as mere owners of neutral capital, we will

[194] Novak, *Theology of the Corporation*, 30.
[195] Mills, 'Investing as a Christian', n.p.

be conscious that investing our excess income is a morally weighty action. This weightiness should spur us towards a *different kind of share-investment*, one that strenuously tries to reach towards the *telos* of kingdom and loving relationships through any intermediate means available to us. This counter-cultural investment mindset is especially critical for the Australian Christian, where superannuation makes share-investment almost a certain reality in his life.

In the first instance, this would mean that our investment *goal* will be radically re-orientated. Typically, we invest for the sole purpose of getting maximum returns, either out of selfishness or a mistaken conception of stewardship that focuses on returns. Yet teleologically-orientated stewardship requires production that promotes loving kingdom living. Thus, our investing criteria should change from 'what is *financially* good' to 'what is *relationally* good' (i.e. how can I best support this stewardship)?

This means that we will be prepared to accept lower gains as a possible cost. Mueller demonstrated the real possibility of this through examining ten ethical funds and finding that nine had returns lower than their category average.[196] This should be unsurprising to Christians whose call to discipleship are in the words of 'taking up your cross' (Mark 8:34). Investing in a counter-cultural, kingdom way will exact costs that we should be prepared to take up. This is in contra-distinction to possible alternative advice e.g. Jacobs, noting ethical portfolios' poor returns, suggests socially concerned investors should invest in better

[196] Samuel A. Mueller, 'The Opportunity Cost of Discipleship: Ethical Mutual Funds and Their Returns', *Sociological Analysis*, 52/1 (1991): 111.

performing funds and give the excess return to charity.[197] Such advice, although attractive, once again falls prey to utilitarian thinking about capital which ignores the weightiness of the act of investing.

Secondly, and flowing on from that, what does *relational criteria* for shares look like then? Negatively, it means share-evaluation should not be a mere monitoring of prices to predict their future direction, or through mere ratios to unearth the company with the best financial value. These criteria elevate wealth over relationships and, as we saw earlier, are akin to gambling because they forget the corporation's productive activity.

Positively, we should assess corporations in light of how well they achieve their relational duties and *telos*. A conscientious attempt to understand the product, the company's employee practices, consumer policies and social policies, is a way to retrieve some good from the restriction on our ability to fulfil our rightful duties of care. Moreover, what makes this workable is that, even though corporations are profit-maximising animals, their products and practices can be socially responsible because many times this is what sells their product. This obviously still falls far short of the relational *telos* any economic agent should have, but again offers a retrieval of our current economic system. This means share-investors should be prepared to put in the hard work of research and also implies a wisdom of investing in fewer companies (contra traditional financial wisdom which advocates diversification for risk-reduction) and of holding shares through the long-term.

[197] See Mueller, 114.

Thirdly, our share-ownership should be *active* rather than passive. We can take hold of the limited opportunities shareholders have to make our voices heard. By participating in shareholders' meetings, monitoring the corporation's activities and speaking up against anti-social practices, we take small steps towards ensuring loving economic relationships. These are also small steps for steering the corporation's goal away from profit-maximising, by signalling that not every shareholder is merely interested in financial gain.

At this point, the ordinary Christian might be tempted to throw in the towel. He is unlikely to have the time and expertise necessary for a loving way of participating in share-ownership. This is especially so since the very *telos* of work encourages a *personal* participation (e.g. Eph 4:28, 1 Thess 3:6-13) i.e. the Christian should be reasonably occupied with a job suitable to his gifts so that he can contribute to society directly through his work. It does not seem right that this *secondary* way of participating in productive stewardship should occupy the bulk of time.

At this point, as hinted at above, *ethical funds* offer a serious option for Christians who seek to invest in a responsible yet proportionate way. Such funds have boomed in the past two decades. They typically do extensive research on corporations' products and practices.[198] Some also actively monitor the company, file shareholder resolutions and organise meetings with management to put ethical concerns on the agenda.[199] These funds offer a few advantages. Firstly, they have the requisite time and expertise for proper research, that being their core activity. Secondly, they provide a bigger ethical voice to influence management

[198] Sparkes, *The Ethical Investor*, 36.
[199] Sparkes, *The Ethical Investor*, 11.

and shift corporate policy. Finally, this louder voice can also be heard better on the trading floor, with its collective purchasing power sending a stronger market signal that not all share-buyers are profit-maximisers.

Of course, powerful global market forces means that the impact of ethical funds will still be limited. But they are a step in the right direction, offering a 'more principled alternative for those without the time or expertise to engage in the stewardship of specific shares'.[200]

In summary, our personal Christian response to the share-market does not need, and should not be, abandonment. We can retrieve some good by participating in beneficial production and seeking to change the corporation's profit-maximising ethos, by injecting Christian voices into the corporate world through our choices and actions. Even while we recognise the immensity, and to a certain extent impossibility, of the task, that is the duty called to us. Hughes points out that even though we need to concede that total changes of economic system are impossible, there are times we still need to make a stand.[201] Such then, might be our counter-cultural 'Christian stand'.

OTHER OUTWORKINGS

This project has been mainly concerned with discerning a *personal ethic* towards share-ownership. However, it is appropriate here to briefly comment on other levels of responses, to prompt a more holistic response to the share-market.

[200] Mills, 'Investing as a Christian', n.p.
[201] Hughes, *The End of Work,* 230.

On the highest level, Christians should affirm and participate in *political* action that seeks to correct the corporation's anti-relational legal structure. Since the corporation is legally created, the law holds the power and the responsibility to change it to be more socially responsible.[202] Some commentators have especially advocated the re-thinking of limited liability, so as to shift ownership closer to responsibility.[203]

More generally, Christians should be *for* economic regulation. Resistance against regulation rests on the assumption of the market's primacy and is part of modern economic life's utilitarian nature. Christians should recognise this undertone which elevates the economic logic over all. Thus, we should support measures which will force the economic sphere to make room for other spheres, in particular that of the state whose sphere of justice confers legitimacy on its measures to restrain economic injustice.[204] Novak himself insists that corporations need to be held to political and moral judgment.[205]

Between the personal and social-ethical level lies another level. Ultimately, the corporation flourishes because *we* allow it to. We are the society that gave birth to the value-system which elevated the corporation, which in turn perpetuate these same values in an ever-deepening spiral. Therefore, part of our response should be towards *culture*. Christians need to be pillars of light subverting culture with our alternative values in all matters. This might fit into what Volf calls making a 'soft difference'.[206] If we live with reformed mindsets not

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[202] Bakan, *The Corporation,* 153, 161.
[203] See e.g. Hay, *Economics Today,* 173-74; Schluter, 'Risk, Reward and Responsibility', n.p.; Charkham and Simpson, *Fair Share,* 1.
[204] O'Donovan, *Ways of Judgment,* 63-66.
[205] Novak, *Theology of the Corporation*, 56.
[206] Miroslav Volf, 'Soft Difference: Theological Reflections on the Relation between Church and Culture in 1 Peter', *Ex Auditu* 10 (1994): 15-30.

only on the share market, but on all economic matters, this 'soft' difference might well become a 'strong difference', one that gradually fixes itself on society's consciousness, and like a little tiller, slowly turns the gargantuan ship from its self-destructive path.

CONCLUSION

In our journey through this project, we looked into the heart of the share-ownership system and found troubling systematic flaws with it. It lulls us into thinking that wealth is what matters, and that in our pursuit of it, an amoral indifference to relationships is allowable. In its anti-social influence, we are also lulled into forgetting the God who gave us the earth to steward, and who stands behind all our economic actions. So we hold shares unthinkingly, enjoying its fruits in good times without lamenting its costs. And when bad times confront us, as the current GFC is savagely doing, we are *still* unthinking about our own roles and point our fingers at the bankers, the CEOs or the 'golden calf of the corporation'.[207] We forget that the calf is *our* projection, *our* sin.

Our exploration in this project is a call to *remember*. In the complexity of living in our modern fallen world, we might not have easy answers. But what is clear is the need for us to be *re-orientated* back towards God's good purposes. It is time to remember our God-given stewardship and responsibility of love in our production, work, wealth. May this remembering help change us in our relationships, investments, and yes, even our shareholdings.

[207] Cameron points out that the corporation 'as an illusory mega-person' is like a golden calf which 'rubber stamps the wishes of the worshipper'. Cameron, 'Globalisation', 4.

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