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A Christian Perspective on the Joint Stock Company

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Pope Benedict XVI, in *Caritas in Veritate* (2009), continues the long legacy of previous popes in emphasizing the importance of gospel values for building a good society. Pope John Paul II, in *Centesimus Annus* (1991, n. 5; original emphasis), had the same orientation, arguing "that there can be *no genuine solution to the 'social question' apart from the Gospel*." These expressions, and their development in the encyclical letters, can be developed into a methodology by which to assess the quality of existing societies and their components: Aspects of those societies can be compared with gospel values to determine how they measure up. Here, this exercise is performed for one facet of the advanced free-market society—the joint stock company or corporation—economically the most important form of business organization. The structure of the corporation is assessed against three particular gospel values: hierarchy, responsibility versus duty, and inequality. The corporation is found not to measure up well against gospel values in these three areas. In the conclusion, alternative forms of free-market business organization are considered that could help mitigate the deleterious effects of the corporation in the three areas examined.

Introduction

Pope Benedict XVI, in his recent encyclical, underlines that "adhering to the values of Christianity is … essential for building a good society." He emphasizes "the indispensable importance of the Gospel for building a society according to freedom and justice; indeed, "*the Gospel is fundamental for development*."[1] The values of Christianity and the gospel become the yardstick by which society and its components are to be assessed. In this article, one aspect of contemporary society in relation to the gospel and to biblical and theological principle is considered. The aspect under scrutiny is the joint stock company, the most common form of corporate organization in the advanced free-market economy (called here, for short, the corporation). While this particular business construction might seem to be an unproblematic dimension of society, it has generated a stream of critical comment from both secular and religious sources. Founder of the free-market Chicago school, Henry Simons, held that "America might now be better off if the corporate form had never been invented or never made available to private enterprise." Protestant evangelical economist, Donald Hay, concluded that ethical grounds exist against "the formal structure of the joint stock company." Catholic business academic, Joseph Maciariello, claimed that "the management systems of many, if not most, public companies are guided predominantly by shareholder values" that "are to be contrasted to management systems guided by biblical values." James Lincoln, Christian architect of Lincoln Electrics, held that for existing firms, "the stockholder does not do much to contribute to the success of the company and is not terribly committed to the company, its customers and workers"; they have "very little loyalty."[2]

Pope John Paul II took a different line in implied criticism of the joint stock company. He believed that "there is something wrong with the organization of work and employment." The problem was that "while conspicuous natural resources remain unused, there are huge numbers of people who are unemployed or underemployed and countless multitudes of people suffering from hunger." The pope's direction for changing the organization of work was in line with the "principle that has always been taught by the Church: *the principle of the priority of labour over capital*." He insisted that a reorientation of the relationship between capital and labor was required, for "capital cannot be separated from labour." Historically, this separation had occurred with the growth of the joint stock form, but the pope was advocating their reunification, by way of "*proposals* for *joint ownership of the means of work*, sharing by the workers in the management and/or profits of business, so-called shareholding by labour, etc." Therefore, recognizing "the proper position of labour and the worker in the production process demands various adaptations in the sphere of the right of ownership of the means of production." Labor must be associated "with the ownership of capital, as far as possible."[3] All these quotations suggest that Pope John Paul II was advocating forms of employment organization different from the usual joint stock company.

The Joint Stock Company and Its Relationship to Biblical Principle

Hierarchy

The form of organization of the joint stock company is assumed to be known and is not explained in detail here. Suffice it to say that it involves three sets of economic actors: shareholders, directors, and employees, but the company is a legal entity distinct from the people involved in it. Shareholders contribute capital in exchange for a share in profits, their liability being limited to the capital they provide. The discussion here is mainly about *public* joint stock companies whose shares are usually traded on the stock exchange. Directors, elected to the board by shareholders at the annual general meeting, have responsibility to chart and oversee the direction of the company's operation, to protect shareholder assets, and to decide on shareholder dividends. Directors usually appoint upper-level managerial employees, who in turn appoint lower-level workers, managers, and workers to conduct daily business.[4]

In relation to biblical principle, three areas stand out, each discussed in turn below. First, this corporate form requires a hierarchical system of internal control. Unidirectional authority in theory runs from shareholders to directors to managers to workers. However, shareholders exercise little further authority, merely rubber-stamping subsequent directorial appointments. Nonetheless, a hierarchy or system of an identifiable, graded order of top-down authority exists within the company from directors down. To maintain the hierarchy requires the operation of coercive power and/or authority. The graded order of the hierarchy depends on the specification of work roles, with the upper-graded orders exercising power and authority over lower-level workers.

Effects flowing from this process include that workers have restricted say in decisions affecting the firm's operation. These can range from the daily, such as workers having only limited control over their conditions of work and methods of production, to the firm's wider operations, relating to the nature of products, raw material inputs and environmental effects of production. The historical response by labor to these situations has been to form trade unions, long encouraged by successive popes. However, these institutions have weakened in the last sixty years, with deregulation of the labor market producing declining relative trade union memberships and declining perceptions of employment security by workers. Pope Benedict XVI points out that this has contributed to "the lack of effective protection on the part of workers' associations" so that their promotion "must therefore be honored today even more than in the past."

The exclusion of workers from much decision making within corporations has helped weaken "networks of solidarity"[5] in these firms, and also undermines the Catholic principle of subsidiarity. Garvey explains that "subsidiarity, as applied to the business firm, demands that decisions be made at the lowest, appropriate level within the enterprise."[6] Generally, these are the workers in the firm, but the forms of hierarchy within the corporation militate against workers having significant roles in running the enterprise.

To the extent that intrafirm hierarchy inhibits workers from participative decision making, it has been documented as deleterious to their health. Studies cited by Velasquez show that workers who were effectively excluded from control over their work, such as assembly line operatives, suffered abnormally high mental illness rates and other psychological disorders. As Velasquez points out, "the psychological costs of dull, meaningless, and repetitive work tend to be borne"[7] by the lowest paid, least-skilled workers. Yet, there is also evidence that giving workers greater involvement in, and control over, a variety of work tasks enhances efficiency, a process strongly advocated by Pope John Paul II (1981).

There is little reason to think that subsidiarity, delegation, and participative decision making are becoming more commonplace in the corporation. Describing the post-Second World War, U.S. corporate governance system, O'Sullivan suggests that "workers and managers became more and more segmented from each other."[8] This led to diverse problems. For instance, in trying to counter Japanese competition, U.S. corporations faced a barrier in "the hierarchical segmentation between managers and workers," and in "relying predominantly on the managerial organization for the development of new productive capabilities." In O'Sullivan's view, the advantages of integrated participation between labor and management, evidenced in Japan and at Volvo in Sweden, were poorly recognized and practiced in the United States. The talents of workers were insufficiently utilized. This hiatus in influence affects all ranges of matters. Thus, decisions concerning takeover, restructure, closure, or relocation of the firm are out of the hands of the firm's workers even though they may be significantly affected by these decisions, such as finding their employment terminated. Pope Benedict XVI castigates common outcomes of these decisions, instead advocating the need "to *prioritize the goal of access to steady employment* for everyone."[9] That managers possess the right to terminate workers' jobs, sometimes on an employment-at-will basis, tells against this sought-after employment security.

Hay also views takeovers from a Christian perspective, "that a firm is an institution made up of *people*." He holds that "people cannot be made the subject of property rights; so the sale of the firm, as in a takeover, is morally objectionable." An additional consideration is that interests of managers and workers may diverge. Workers may seek job and earnings security, but managers may seek higher sales growth and greater market share. As Hay notes, "principal-agent analysis recognizes that the objectives of the principal and the agent (e.g., the manager and employee) diverge, and that there is assymetry of information."[10] In conventional thinking about corporate governance, even though directors are employed to run the firm, Gregg points out that "their first loyalty" must "be to the corporate purpose—not the employees, managers, or even customers," where corporate purpose means directing the corporation "to achieve the purposes established by the shareholders." However, as both Sternberg, and Gregg note, the interests of executive directors "may often be different from those of the shareholders that they are supposed to represent as directors,"[11] while the existence of nonexecutive directors does not overcome conflict of interest.

The hierarchical form of organization typical of the joint stock company is contrary to at least one principle of biblical thought. It contradicts the cooperative unity in the life that God, Jesus, and the Holy Spirit enjoy together in the Trinity in which they call humans to participate and emulate. As Pope Benedict XVI emphasizes, "God desires to incorporate us into this reality of communion as well." The Church is (or should be) "a sign and instrument of this unity"[12] that should flow over into other social life. With the Trinity as the exemplar, a supreme equality is exhibited among God, Jesus, and the Holy Spirit. This is the desired norm for human behavior, even though difference among humans still exists, just as difference exists among the three members of the Trinity. Meeks points out that the normative nature of relationships within the Trinity point to an absence of hierarchy. In this way, "the Trinity engages in *cooperative work* … according to the scriptural narratives the whole community [the Trinity] is involved in each work, event, or process of God." The Trinity, therefore, serves as the model for work organization. "The equalitarian work of the triune community" stands out. "While the three persons of the Trinity have their own work, the work of no one of them elevates that person higher than the others.… The Trinity is a criticism of all forms of work that incur relationships of domination."[13] People should work with others as equal, cooperative collaborators—modes of work that do not apply in the joint stock company.

The trinitarian precept is exemplified in Jesus' teachings. Hierarchical modes of organization contradict those Jesus proposed for his followers and the wider world. Jesus advocated an absence of hierarchy, a community of equals, although followers would be differentiated by task. These conclusions are argued below from the exegeses of biblical commentators. Because God and Jesus desire that all people become their followers and that they present their organizational models as precursors for the New Creation, it is a reasonable inference that God and

Jesus intend Christians to advocate their models, and to apply these models in the wider world. It is an even stronger inference where organizations explicitly seek to run on Christian principles.

Jesus' teachings criticizing power, authority, hierarchy, and status are illustrated in nine of his texts: Matthew 18:1–5; 20:25–28; 23:8–12; Mark 9:35–37; 10:42–45; Luke 9:46–48; 14:7–11; 18:9–14; and 22:24–28. Three of these are discussed below: Matthew 20:25–28 and 23:8–12, as well as Mark 10:42–45. One text that might qualify Jesus' criticism of hierarchy and status is Matthew 16:16–19, and this is discussed after the three texts above. The issue is how far did Jesus seek to lessen the presence and operation of power, authority and hierarchy, and of status and rank among his followers. The conclusion is that Jesus' concern to reduce the degree of power, thus guiding interpersonal relations in his movement, compared with the organizations of the world, constitutes an antihierarchical and egalitarian tendency that contradicts the organizational structures by which the corporation operates.

In Matthew 20:25–28, most exegetes see Jesus as drawing a contrast between the way in which collective decisions are made in the world and the way in which he wants his followers to make them. Jesus' judgments are never restricted to the socioeconomic environment in which he lived on earth, but he did use that context as the vantage point his followers could clearly recognize. Accordingly, Blomberg points out that "under Roman occupation, rule by domination and authoritarianism prevailed," while for Nolland "the power realities are very evident as some dominate and some are dominated."[14] However, "the text's point is to teach the *church* to shun secular leadership models," for "Jesus clearly does not like … secular organizational relations," as Bruner puts it. Jesus is the model leader, and Blomberg emphasizes that "Jesus' entire thrust is on enabling and empowering others rather than wielding power for oneself." Blomberg had already pointed out for Matthew 20:16 that "all true disciples are equal" in God's eyes, so a reasonable inference is that they also are to be equal in each other's eyes. Luz reads Matthew 20:25–28 as Jesus' abolishing authority among his followers that "there simply is not to be in the church any 'being great' and 'being first' at all."[15] All these interpretations point in the direction of antihierarchy and equality within the Jesus movement. If the church or body of believers is the organizational model for the new creation, its nonhierarchical, egalitarian qualities are to be the exemplar for the wider society.

Jesus' teaching in Matthew 23:8–12 has the same thrust in which verses 11–12 contain the pith. Luz interprets verses 8–12 as Jesus' advocating an "egalitarian church structure," "a community of equals," to counteract "Christian trends toward institution and hierarchy." This view is supported by Keener that "Matthew probably supports a generally egalitarian approach."[16] Even though prophets, sages, and scribes (Matt. 10:41; Matt. 23:34) with charismatic gifts might exist within the church, they would not constitute a hierarchy as defined at the beginning of this section above. As Turner reads the text, "the egalitarian family model must permeate and constrain whatever hierarchical structures the community enacts in order to acknowledge specially gifted servant-leaders and govern itself." In this environment, Jesus was the model servant-leader, but "domination is forbidden," according to Davies and Allison, quoting Bernard of Clairvaux. Therefore, concepts of eschewing rank were enshrined "because all are equally instructed and privileged."[17] All this involves a dramatic difference from the values and behavior of the world.

A third set of Jesus' sayings relevant to the issues above is Mark 10:42–45, virtually identical to Matthew 20:25–28, but worth considering for how Markan exegetes interpret them. Kernaghan argues that "the hierarchical view of authority that Jesus criticized" was directed at the nations, that "the scope of Jesus' criticism, then, is universal." If this is the case, then it applies to all secular and religious organizations, including the "the pagan corporate world" in Garland's view.[18] In general, hierarchical patterns typify human collective behavior, with the upper levels ruling over those below them. The standards of Jesus' rule that are to be sought in the world require an inversion of these values. Jesus is the exemplar for this style of rule, and his "example of leadership is diametrically opposed to the examples set by secular authorities," as Witherington puts it. In Jesus' new community, according to Juel, relationships are not to be governed "by power and status but by service and hospitality for those without status."[19] It is not "just a matter of recognizing a higher rank within a recognized hierarchy: it is to *everyone* that precedence must be given," in France's view. Rank and hierarchy are to be abolished, though servant-leaders can continue to function, as with the Twelve. Only by pursuing this orientation can "the alternative value scale of the kingdom of God" be sought. The New Revised Standard Version (NRSV) of the Bible expresses similar conclusions for Mark 10:32–45, as showing Jesus' "exhortation on egalitarian social-political relations in the [Jesus] movement and its communities."[20]

Matthew 16:16–19 might appear to tell against Jesus' opposition to hierarchy and authority within his movement. Here, Jesus gives Peter the "keys of the kingdom of heaven," perhaps suggesting that Peter is to have supreme authority in the church. Against this interpretation, Luz, and Wilkins argue that all the disciples had already made the same confession as Peter in Matthew 14:33—"Truly you are the Son of God." In repeating Matthew 14:33, Peter acts as the spokesman for all the disciples, "as first among equals," but "speaking for the apostles as a whole," according to Turner.[21] Again, all the disciples in Matthew 18:18 (and John 20:23) are given the same loosening and binding powers by Jesus as was Peter. It can still be recognized that Peter became the founding figure of the church but not that he was to have supreme authority over it. Indeed, as Witherington points out, Peter does not seem to have exercised such authority in the church after Easter. More likely is Wilkins' view that Peter "is not being set apart from or above the rest" of the disciples but that "they will also be included in similar roles." For Luz, Peter "does and is exactly what *all* disciples do and are"; he is represented in every disciple. As Keener explains, "Jesus gives Peter—and those who share his proclamation of Jesus' identity—authority in the kingdom."[22]

If power or domination is defined as "the exercise of constraint and compulsion against the will of an individual," the texts exegeted above lend no support that Jesus or members of his movement advocated or practiced them. A similar judgment applies to the exercise of authority in the Jesus movement where authority is synonymous with power as the right to enforce obedience—"the right to control, command, or determine."[23] There is no evidence that Jesus sought to erect a hierarchy or system of identifiable, graded order of top-down authority in the Jesus group, despite the existence of the Twelve. To maintain a hierarchy requires the operation of coercive power and/or authority, with upper-graded orders exercising power and authority over lower-level members, but Jesus taught against such tendencies. Nor is there evidence from the texts that Jesus and his movement sought to erect and maintain status rankings within it, understood by Abercrombie et al. as measuring a person's standing or position in relation to others in the group and as related to honor or prestige.[24] The same judgment applies to rank, akin to status, indicating a place in a scale or in a graded body. The four texts examined suggest that Jesus opposed the existence of power, domination, authority, hierarchy, status, and rank as understood here. All these qualities are common in contemporary secular organizations, particularly the joint stock company. God and Jesus appear to want humans to devise ways of running collective activity that mitigate the undesirable qualities.

Ownership and Duties

A second feature of the joint stock company is that it separates duties of running the corporation (stewardship responsibilities) from ownership of the company, from those who make the capital investment. Owners buy shares but need take little interest in other aspects of the company's functioning. Nor may they be in a position to exercise any control over the company's operations, given widespread dispersion of shareholdings as the typical occurrence in the modern joint stock company. In the main, as long as the company makes adequate investment returns, shareholders take little interest in the company's products, their ethical nature or how they are marketed, employment conditions, environmental effects, and so forth. It is not necessary to claim that shareholders exercise *no* control over these aspects of the company's operations, but that, in the main, "shareholder monitoring might appear to be of little practical importance," as Ricketts puts it. Charkham and Simpson give an example in that "there is little evidence of shareholders challenging the board in an informed and constructive way," so that "the private shareholder, in practice, is virtually powerless." Sternberg's summary is that "managers and directors are frequently left free to treat the business as though it were their property."[25] Shareholders (especially institutional ones) are too distant from accountability for employees' working conditions, remuneration, product type and quality, marketing, and environmental effects of production. The empowerment of shareholders and workers for meeting their mutual responsibilities of care for, and service to, each other is damaged.

Evidence is cited by Gregg that "the accountability of directors and managers to shareholders has been weakened in more recent years," an example of which is the difficulty for shareholders to discuss issues not on the annual general meeting (AGM) agenda. These matters are amplified by Sternberg who outlines a litany of problems in which "the ability of shareholders to control corporate direction is severely limited by the procedures which govern general meetings and corporate elections." Directors set the AGM agendas, binding resolutions from shareholders are difficult to achieve, the subject matter of shareholder motions is often severely limited, and few sanctions are available to shareholders when directors do not perform their required role. The end result is that AGMs become "an expensive waste of time and money," "shareholder activism will not be the rational choice," and shareholders sell out if they cannot obtain redress. Executives have the advantage in that they can access information not available to shareholders, shareholders are not able to monitor managerial activity, except by way of the annual report or meeting, and shareholders have little power to seek redress of problems. Charkham and Simpson underline these problems for the United Kingdom. Because of legal time constraints, "shareholders cannot lodge a resolution in response to what they read in the [company's] report and accounts," shareholder motions are rare, and "spin doctoring at the AGM is an art."[26] Because of all these matters, the ownership and governance responsibilities of shareholders become even more diluted, and hierarchical control by managers and directors is heightened. The idea even exists for abandonment of the one-share one-vote principle in corporations, with larger shareholders having disproportionately more votes, thereby further eroding shareholder democracy.

Given these issues, shareholders have been “losing in the struggle” with the managers of their capital, while shareholder surveys find major dissatisfaction with corporate governance. Monks points out that shareholders “do not elect directors in any sense beyond the ritual of being sent ballot cards,” so that shareholders have become “intentionally inactive,” treating their investments as “betting slips.” Conversely, directors act as a self-perpetuating group distant from discipline by shareholders. Legislative action to deal with some of these problems, such as the Sarbanes-Oxley Act in the United States, has, in Fisher and Lovell’s opinion, amounted to very little. There may be objective reasons for shareholder displeasure in that companies with strong shareholder-rights protection outperform those with weaker protection.[27]

In this environment, shareholders have little effective control or governance of the corporations in which they invest. Hay agrees that arguments of earlier writers “that the separation of ownership and control arising from dispersed shareholdings has led shareholders to abdicate their responsibility for the company.” He floats the view that “the shareholders’ role is minimal. They have no involvement in the firm, and the election of directors is a charade.” Therefore, “the concept of ‘ownership’ attached to shareholding is an anachronism.” Hay’s conclusion is that “dispersed shareholding deters the shareholders from taking an interest in responsibility [for] the operations of the company.”[28] This form of ownership does not allow owners to exercise any duty or stewardship in the corporation, except to collect investment returns and perhaps to attend AGMs. The position may be accentuating with growing indirect ownership, fostered by legislation encouraging pension and superannuation funds, unit trusts, and the like. The influence of personal stockholders may be overwhelmed by corporate stockholders in all matters, such as takeovers and employee tenure. The ultimate beneficiaries of such shareholdings “have no idea what assets they own indirectly.” Gregg expresses it that “individual owners are thus effectively rationally ignorant (that is, poorly informed and willingly uninvolved).”[29]

A contrary case is expressed by Chong and Lopez-de-Silanes that “the image of the public corporation as a firm owned by dispersed shareholders, with control concentrated in the hands of management, has been shown to be the exception rather than the rule in most countries around the world.” They draw this conclusion on the basis of La Porta et al., but this research related more to the less-developed countries of the world, such as Argentina. In these, family and state shareholdings are more important than in more-developed countries with good shareholder protection, such as the United States, the United Kingdom, and Japan where dispersed shareholding is the rule. As La Porta et al., point out, 80 percent of the largest twenty U.S. corporations “fit the widely held description.”

The other issue with La Porta et al., is that their definition of control is synthetic. They ascribe control as pertaining to 10 percent and 20 percent alternatives of shareholder ownership votes, but how these two numbers relate to actual control in the corporations is not shown.[30]

An additional aspect of shareholders' being relieved of responsibility in the joint stock company is that shareholders do not have to bear the full consequences of the company's operations. As Hay expresses it, "the owners of a company can, with limited liability, duck out of all responsibility for the consequences of poor judgement or mismanagement: in liquidation or bankruptcy, debts incurred in their name are left unpaid." Full entitlements to workers can remain unmet, while adverse environmental effects on workers, customers, and/or communities can be uncompensated. Hay describes this state of affairs as morally reprehensible, noting that "it also reduces the incentive for the owners to take an active interest in the affairs of the firm." A contrary mode of operation of the firm is required, "that those who *work* within the firm should have the responsibility for the use of resources." Shareholders "are unable to exercise stewardship responsibilities that are associated in Biblical ethics with 'ownership,'" the corporate form "is incompatible with the Biblical insistence that stewardship should involve work."[31]

The biblical view does appear to be that work and responsibility should not be severed from the assets a person possesses, responsibility has to be taken for how one uses one's resources. In more general terms, "*rights presuppose duties* … but nowadays we are witnessing a grave inconsistency in the excision of rights from duties. Shareholders in corporations enjoy the rights of investment return but need (or can) exercise little other duty in the company. An overemphasis on their rights, "leads to a disregard for [their] duties."[32] At some time in the future, each person will have to give a reckoning to God and Jesus for how they have used their assets—part of the gifts and talents God and Jesus have provided to them. Financial assets are one of these gifts, and people will have to answer to God and Jesus concerning how they were gained and employed.

Genesis 1–3, the Parable of the Pounds in Matthew 25:14–30, and the Parable of the Talents in Luke 19:11–27 exemplify these contentions, but space here allows only a discussion of Matthew's Parable of the Pounds. The main message of this parable is that people are expected to use the assets, abilities, gifts, and talents God has given them in the direction of furthering the interests of the kingdom, they are to be responsible and good stewards. As Blomberg puts it, "those who have been good stewards of all the time, material resources, and abilities God has given them … can expect commendation, happiness, and eternal life from God." Those who do not use these gifts in God's direction can expect to lose them, for "powers and privileges are used or lost." As the first two slaves in the parable show, they are given unequal talents, but because of good stewardship each receives comparable reward. Luz expresses this outcome that "it is repeatedly said that God rewards not the size of the achievement but the good intention—therefore the first two slaves are rewarded equally."[33] This is so even though "not all people have equal duties and tasks, and the Lord knows what each one is capable of." The third slave, however, "takes no responsibility for his lethargy; he has not personally invested himself in the task."[34] The inference is that the first two slaves are rewarded because they took personal responsibility for what they did with the master's talents ("trading" as the NRSV of the Bible puts it; "employed them in business," the NEB, or "put his money to work," the NIV). This is removed from the idea of passive shareholders interested only in the return on their investments and doing no work other than studying movements in the stock market.

Inequality

There is wide Christian acceptance that extreme inequalities in the distribution of wealth and income are contrary to the teachings of the gospel. Pope Benedict XVI notes with alarm that "the world's wealth is growing in absolute terms, but inequalities are on the increase," "'the scandal of glaring inequalities' continues." He is adamant that "economic choices do [should] not cause disparities in wealth to increase in an excessive and morally unacceptable manner."[35] It does seem to be the case, however, that inequalities within many countries are both high and increasing. In the United States, for example, the richest 20 percent of households in 2004 owned 92.5 percent of all nonhome wealth (i.e., excluding dwellings), up from 91.3 percent in 1983.[36] This might be regarded as one of the "glaring inequalities" of which Pope Benedict XVI speaks. Bhalla reports "overwhelming evidence that intracountry inequality worsened" from 1980 to 2000. His world data set for 130 countries showed that the Gini income coefficient for third world countries increased on average by 0.97 between 1960 and 2000 (i.e., inequality increased), standing at a level in 2000 10 points above first world averages that had declined slightly over the same period.[37]

Religious and secular authors underline the disadvantages of these situations. Again, Pope Benedict XVI observes that

> through the systematic increase of social inequality, both within a single country and between the populations of different countries (i.e., the massive increase in relative poverty), not only does social cohesion suffer, thereby placing democracy at risk, but so too does the economy, through the progressive erosion of 'social capital': the network of relationships of trust, dependability, and respect for rules, all of which are indispensable for any form of civil coexistence.

Indeed, "today it is this trust which has ceased to exist." Moreover, indifference to those at the lower end of the wealth and/or income spectrum—the poor—may increase. Pope Benedict XVI puts it that "while the poor of the world continue knocking on the doors of the rich, the world of affluence runs the risk of no longer hearing those knocks."[38] Other Christians have replicated these conclusions, such as Mott and Sider, Hicks, Forrester, and Bauckham, echoed by secular commentators such as Wilkinson and Pickett.[39] Equality may feature differently in Christ's kingdom, for, as Bruner points out, "in the kingdom of Christ not all are created equal."[40] Nevertheless, believers who have performed their God-given tasks adequately will be looked after comparably, as the Parables of the Pounds and of the Talents and of the Laborers in the Vineyard suggest. In the present world, however, the weight of Christian views does seem to point to the need for reducing inequality. What has this to do with the joint stock company?

It would appear that historically and contemporaneously the joint stock company has served to encourage the concentration of income and wealth into the hands of the wealthy. The corporation might not have started with this intention, but this has been one of its effects. Thus, Wolff found that in the United States, "stocks remain highly concentrated in the hands of the rich"; the richest 20 percent of households owning 90.6 percent of the value of all stocks in 2004. This figure included all types of stock holdings, ranging from retirement accounts to mutual funds and trusts.[41] Therefore, most dividends flow to the wealthy and continue to do so, consolidating and increasing the degree of inequality that exists. This process has occurred insofar as joint stock companies seek to maximize shareholder wealth and thereby become vehicles for perpetuating the unequal contributions that got these companies started. Rarely were lower or middle-income groups contributors to the establishment of joint stock companies when they were first developed in Britain in the eighteenth and nineteenth centuries. Higher income and/or wealth groups provided the bulk of funds and have continued to reap the benefits in investment returns.

This process has occurred even though middle-income groups have become greater investors in shares today, but their share of corporate ownership in the aggregate remains low. Therefore, they can exercise little influence on the company's operations. For instance, their bearing on directorial (re)election remains low, for as Gregg points out, "the equality that exists in corporate elections is not the equality in dignity of human persons. Rather it is the equality of fungible capital." As long as joint stock companies earn profits, dividends accrue to shareholders who may well be concerned mainly with their investment returns than with other aspects of the firm. This tendency is heightened because, in the conventional view, each decision by the company "is [and should be] governed by the organization's purpose: to maximize shareholder value for the owner." Sternberg expresses it that "directors are properly accountable to shareholders for maximising shareholder value," for "the definitive objective of business is … maximising long-term owner value."[42] This is the theory, "generally favored by economists and reflected in American corporate law, [that] commits managers solely to the maximization of profits for the owners of the firm's assets."[43] As noted above, the bulk of these shareholdings are owned by wealthy people. To the extent that shareholder value is maximized, a powerful orientation exists for joint stock companies to act as vehicles that concentrate "business wealth in the hands of those who already have it." This process has probably continued since the Industrial Revolution and thereby has reproduced joint stock firms in Dow's view.[44] This tendency to inequity may be augmented by the common phenomenon of institutional investors being offered new issue shares at substantial discounts, compared with the price individual investors must pay. Wider potential dangers exist within this orientation of maximizing shareholder value. Pope Benedict XVI points out that "once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty." Indeed, "one of the greatest risks for businesses is that they are almost exclusively answerable to their investors [to deliver dividends], thereby limiting their social value."[45]

Estimates differ of these potential limitations on the social value of corporations. Garvey, for instance, makes a scathing assessment of the magnitude of this deficiency. He believes that in the reality of

> the modern American world of business, managers would maximize shareholders' returns only by imposing unacceptable costs on employees, consumers, and society generally. These costs—a sort of moral externality—may reflect the gains derived by depriving workers of their dignity, perhaps by paying less than a living wage or by maintaining an inhumane work environment, by polluting the environment or by producing dangerous, immoral, or excessively costly products. In this situation, managers cannot escape moral culpability by relying on a "duty" to maximize their shareholders' profits. They must, rather, employ the resources under their control in ways that promote the common good.[46]

A second way in which corporations perpetuate and accentuate inequalities in the distribution of wealth and income is through the existence of disparate pay scales within them. Remuneration ratios in the United States, the United Kingdom, and Australia between the average and highest paid in these firms may reach 500:1 and more, up from 44:1 in the 1960s, as O'Sullivan and Monks note. Charkham and Simpson, adhering to this view, also suggest higher tax breaks to the higher paid over time.[47] A conventional defense of these wide ratios is that the highest paid contribute more to the success of their firms than the lowest paid, accordign to Sternberg. An alternative explanation is that managers or directors have few constraints on their self-determined remuneration and that "graveyards are full of the indispensable" formerly highly paid executives. Whichever is true, it has not been established that the highest paid contribute five hundred times more value or are five hundred times more productive than the average paid, or why this contribution ratio has escalated in recent years "for no obvious reason," according to Charkham and Simpson.[48] It is unlikely that such estimations could be made given the interdependencies among employees in large firms. Lower ratios in Japan (perhaps under 20 currently), Germany, and France do not seem to have contributed to poorer company performance. That a connection exists between executive remuneration and company performance is unlikely. Phan's dramatic judgment is that "more than thirty-five years of empirical study of how managers are compensated has resulted in a single conclusion. Management pay is directly related to the size of the firm but never with profitability," echoed by Monks. Similarly, citing 2008 International Labor Office data, Wilkinson and Pickett report little evidence of a relationship between executive pay and company performance, supported also by Gregg, although these claims are disputed by Claar and Klay citing 1999 data.[49]

The view has even been expressed that where pay rates are more equal within firms, they can become more efficient. Velasquez cites data that "when workers receive equal compensation, they tend to become more cooperative with each other and to feel greater solidarity with each other." This is untypical of the corporation where pay by (alleged) contribution is the norm. However, Velasquez also points out that this latter form of remuneration promotes among workers "an uncooperative and even competitive atmosphere in which resources and information are less willingly shared and in which status differences emerge." The unsettled arguments about the sources of cooperation compared with competition and the economic and social advantages of cooperation versus competition raise their heads.[50] Evidence also exists that more equal societies may be more productive than less equal ones.[51] Corporations are not the sole contributing influence to given societal levels of inequality in the distribution of wealth and income, but they are one such nonetheless.

At the beginning of this section, comment was made that social processes accentuating inequalities in the distribution of wealth and income appear to contradict gospel values. The tendency of joint stock companies to assist in the maintenance of inequalities in these distributions and to heighten them runs counter, therefore, to the aims of God and Jesus to foster greater *equality* in these attributes. This contention is demonstrated below. God and Jesus' aim is not one of absolute equality because human difference, ability, industriousness, and laziness contribute to differing levels of income or wealth equality. Rather, the existence of *great* or *gross* inequalities runs counter to the precepts God and Jesus taught. *Great* is not defined by God or Jesus, but their teachings consistently advocate a reduction in existing levels of inequality in the world. It is a reasonable inference from Jesus' teachings, examined below, that extreme distributions of wealth do not conform to Jesus' advocacy.

In at least eleven of Jesus' sayings, listed below, inferences exist that Jesus advocated reduction of material inequality. In each case, Jesus was teaching far more than this, but the sayings nonetheless point to the need for greater material equality. If Jesus' admonitions had been followed in each case, greater equality in the distribution of wealth and income would have been produced. Jesus' statements include:

> Matthew 19:21–22: "Sell your possessions, and give the money to the poor."
> Matthew 19:23–24: "Easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God."
> Matthew 25:31–46: Parable of the Sheep and the Goats; those who had helped the disadvantaged materially will be rewarded.
> Mark 10:21: "Sell what you own and give the money to the poor."
> Mark 10:25: "Easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God."
> Luke 12:33: "Sell your possessions, and give alms."
> Luke 14:12–14: Invite the poor, crippled to a banquet.
> Luke 16:19–31: Parable of Lazarus and Dives; Dives should have shared his wealth with Lazarus.
> Luke 18:22: "Sell all that you own and distribute the money to the poor."
> Luke 18:25: "Easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God."
> Luke 19:1–10: Zacchaeus' salvation derives partly from sharing half of his wealth with the poor.

Space here allows discussion only of the first two Matthean statements, as interpreted by biblical exegetes. Had the rich young man in Matthew 19:21–22 followed Jesus' command, sold his possessions and given his money to the poor—the result would have been greater equality in the distribution of wealth between the rich man and the poor. Overwhelming help was required to the young man's (poor) neighbors because, as Ridderbos explains, "unlimited love for God and one's neighbor is the basic content of the law." In this case, the commandment to love one's neighbor "requires nothing less than a willingness to sacrifice everything for one's neighbor at God's command." Jesus did not make this same demand of everyone. He did not call for "universal self-impoverishment as a condition of discipleship," as Nolland points out. This does not take away from the distributional implications that acceptance of the demand in this case would have had. Keener puts it that "love for God demands a true love for neighbor that … actively serves that neighbor."[52] The serving in this case is sharing wealth, for unshared wealth is the young man's trap. Where wealth is shared, it is no longer recognizable as wealth because wealth is relative. For Jesus, according to Luz, "there was clearly a fundamental tension between the kingdom of God and wealth." Along these lines, some of the Church Fathers, such as Basil, interpreted the text as demonstrating a contradiction between wealth, "understood as what exceeds the basic necessities of life," and "the highest commandment of the love of neighbor, which has the goal of economic equality among people." Therefore, as Bruner notes, "it is not only self-renunciation as sacrificial gesture that Jesus seeks; it is real help of the poor," a situation arising because "some people have too much … and some too little." For Bruner, "the story teaches all who want to be perfect to work for a more equitable distribution of money." Jesus thereby reaffirms the "central social tenets of the Torah," according to Turner, although it is "Jesus alone who determines what is genuine Torah obedience."[53]

In Matthew 19:23–24, Jesus draws further implications from his encounter with the rich young man that it will be "easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God." In verse 23, Jesus generalizes from the young man's problem of wealth "to a statement of principle," as Nolland puts it. This is part of "Jesus' consistent and univocal critique of wealth," for Bruner that wealth does not equal success or does not act as an entre card into the kingdom. For Davies and Allison, "the whole weight of the Jesus' tradition" held that wealth is not a sign of divine favor.[54] On the contrary, according to Ridderbos, "Jesus regarded wealth in general as a great obstacle on the path to the kingdom," so much so for Witherington that "Jesus is in fact more critical of wealth and the wealthy than almost any other subject because of the negative spiritual effect wealth can have." This is because the possession of wealth can act as a barrier against people committing themselves to Jesus, for "the wealthy are generally held captive by their wealth," being enthralled by it. Wilkins' expression is that "the rich person is self-sufficient, having the resources to be powerful, to protect oneself from deprivation and hardship, and to make of oneself whatever one wants."[55] Disinvestment is part of the cure, always directing the proceeds toward the poor, and thereby generating greater equality. Notwithstanding this direction, nothing is impossible with God, some rich persons *will* be admitted into the kingdom of God.

Conclusion

As Pope Benedict XVI explains, “the cultural and moral crisis of man, the symptoms of which have been evident for some time all over the world” can be dealt with only by adherence to the gospel. This is because “without God man neither knows which way to go, nor even to understand who he is.”[56] This article has attempted to assess the joint stock company in relationship to the gospel and has found that the corporation does not measure up well to gospel values of mitigating hierarchy, of joining ownership with responsibility, and of reducing inequality. In this evaluative undertaking, both the Catholic social tradition and Protestant evangelical thought continue “the Old Testament prophetic heritage by calling for an earthly society committed to charity and justice.”[57] They are on the lookout for how social and economic processes might operate more closely to gospel values.

Assuming that the biblically based objections to the joint stock company are valid, the question arises as to whether an advanced economy could function on the basis of other forms of business organization that have the potential to dampen the problems of the corporation. Obvious alternatives are self-employment, partnerships, 100 percent employee-share ownership plans, and worker cooperatives. The Italian and Spanish experience of worker cooperatives, influenced in their start-ups by Catholic social thought, suggest a significant role for these types of firms. Around 11,000 Italian worker cooperatives employ over half a million worker-owners, and the 132 Mondragon (Spanish) worker cooperatives, 50,000. These businesses could be encouraged more than they are today to function on gospel values. Economies of scale, firm size, and heterogeneous labor do not have to present as constraints to the formation and operation of these firms. Further, privately owned small- and medium-sized businesses that make up over 70 percent of U.S. companies,[58] also have the potential to mitigate problems of hierarchy, the divorce of ownership from duty, and disparate pay scales that are typical of the corporation. Lydenberg[59] describes a variety of these types of firms that have consciously sought to avoid corporate structures. All the firm types advocated here already make significant economic and social contributions in both advanced and less-developed countries. Their potential for embodying Christian principles have yet to be tapped.

Notes

1. Pope Benedict XVI, Encyclical Letter *Caritas in Veritate* (June 29, 2009), nos. 4, 13, 18; original emphasis.
2. Simons cited in Gus Alperovitz, *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy* (Hoboken, N.J.: John Wiley, 2005), 33; Donald Hay, "The Public Joint-Stock Company; Blessing or Curse?" *Working Paper Association of Christian Economists (US)*, 1991, 15; Joseph Macariello, "Business and Empowerment: Management Systems with a Heart for the Poor," in *Toward a Just and Caring Society*, ed. D. Gushee (Grand Rapids: Baker Books, 1999), 433, 434, 457, 460.
3. Pope John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981), n. 18, 12, 13, 14; original emphasis.
4. Hay, "The Public Joint-Stock Company."
5. Pope Benedict XVI, *Caritas in Veritate*, n. 25.
6. George Garvey, "The Theory of the Firm, Managerial Responsibility, and Catholic Social Teaching," *Journal of Markets and Morality* 6, no. 2 (2003): 533.
7. Manuel Velasquez, *Business Ethics: Concepts and Cases*, 4th ed. (Upper Saddle River: Prentice Hall, 1998), 443–44.
8. Mary O'Sullivan, *Contests for Corporate Control: Corporate Governance and Economic Performance in the United States and Germany* (Oxford: Oxford University Press, 2000), 144, 152.
9. Pope Benedict XVI, *Caritas in Veritate*, n. 32; original emphasis.
10. Hay, "The Public Joint-Stock Company," 15, 10.
11. Samuel Gregg, *The Art of Corporate Governance: A Return to First Principles* (St. Leonards: Centre for Independent Studies, 2001), 17, 50; Elaine Sternberg, *Corporate Governance: Accountability in the Marketplace* (London: Institute of Economic Affairs, 1998), 63.
12. Pope Benedict XVI, *Caritas in Veritate*, n. 54.
13. M. Douglas Meeks, *God the Economist* (Minneapolis: Fortress, 1989), 133, 134; original emphasis.
14. Craig Blomberg, *The New American Commentary: Matthew* (Nashville: Broadman, 1992), 307; John Nolland, *The New International Greek Testament Commentary: The Gospel of Matthew* (Grand Rapids/Cambridge, U.K.: Eerdmans/Paternoster, 2005), 822.

15. Frederick Bruner. *Matthew: A Commentary*, vol. 2, *The Churchbook*, rev. ed. (Eerdmans: Grand Rapids, 2004), 332, 335; original emphasis; Blomberg, *Matthew*, 308, 304; Ulrich Luz, *Matthew 8–20: A Commentary* (Minneapolis: Fortress Press, 2001), 546, 544.

16. Ulrich Luz, *Matthew 21–28*, 110, 111; Craig Keener, *A Commentary on the Gospel of Matthew* (Eerdmans: Grand Rapids, 1999), 546.

17. David Turner, *Matthew: Baker Exegetical Commentary on the New Testament* (Grand Rapids: Baker Academic, 2008), 548; W. Davies and Dale Allison, *Matthew: A Shorter Commentary* (London: T&T Clark, 2004), 391; Blomberg, *Matthew*, 343.

18. Ronald Kernaghan, *The IVP New Testament Commentary Series: Mark* (Downers Grove: InterVarsity Press, 2007), 205, 206; David Garland, *Mark: The NIV Application Commentary* (Grand Rapids: Zondervan, 1996), 416.

19. Ben Witherington III, *The Gospel of Mark: A Socio-Rhetorical Commentary* (Grand Rapids: Eerdmans, 2001), 288; Donald Juel, *Augsburg Commentary on the New Testament: Mark* (Minneapolis: Augsburg, 1990), 149.

20. R. France, *The Gospel of Mark: A Commentary on the Greek Text* (Grand Rapids/ Carlisle: Eerdmans/Paternoster, 2002), 419; M. Coogan, ed., *The New Oxford Annotated Bible*, 3rd ed., *New Revised Standard Version (NRSV)* (Oxford: Oxford University Press, 2001), 77.

21. Luz, *Matthew 8–20*, 361; Michael Wilkins, *Matthew: The NIV Application Commentary* (Grand Rapids: Zondervan, 2004), 561; Turner, *Matthew*, 407.

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23. Nicholas Abercrombie, Stephen Hill, and Bryan Turner, *The Penguin Dictionary of Sociology*, 2nd ed. (London: Penguin, 1988), 16; *The Macquarie Encyclopedic Dictionary* (Sydney: Macquarie University, 1990), 56.

24. Abercrombie et al., *Dictionary of Sociology*, 242.

25. Martin Ricketts, *The Economics of Business Enterprise* (Cheltenham, U.K.: Edward Elgar, 2003), 282; Jonathan Charkham and Anne Simpson, *Fair Shares: The Future of Shareholder Power and Responsibility* (Oxford: Oxford University Press, 1999), 8, 112; Elaine Sternberg, *Just Business: Business Ethics in Action* (Oxford: Oxford University Press, 2000), 53.

26. Gregg, *Corporate Governance*, 48–50; Sternberg, *Corporate Governance*, 60–72; Charkham and Simpson, *Fair Shares*, 218, 219.

27. Robert Monks, *Corpocracy* (Hokoben, N.J.: John Wiley, 2008), 90, 114; Colin Fisher and Alan Lovell. *Business Ethics and Values*, 2nd ed. (Harlow, U.K.: Pearson Education Ltd., 2006), 306; Phillip Phan, *Taking Back the Boardroom*, 2nd ed. (London: Imperial College Press, 2007), 6, 7, 29, 198.

28. Hay, "The Joint-Stock Company," 5, 12, 13.

29. Gregg, *Corporate Governance*, 16.

30. Alberto Chong and Florencio Lopez-de-Silanes "Overview: Corporate Governance in Latin America," in *Investor Protection and Corporate Governance: Firm-Level Evidence across Latin America*, ed. A. Chong and F. Silanes (Washington: Inter-American Development Bank and Stanford University Press, 2007), 38; R. La Porta, F. Lopez-de-Silanes, and A. Shleifer "Corporate Ownership around the World," *Journal of Finance* 54, no. 2 (1999): 491.

31. Hay, "The Joint-Stock Company," 12, 14, 15.

32. Pope Benedict XVI, *Caritas in Veritate*, n. 43; original emphasis.

33. Blomberg, *Matthew*, 373; Robert Smith, *Augsburg Commentary on the New Testament: Matthew* (Minneapolis, Minn.: Augsburg Publishing House, 1989), 295; Luz, *Matthew 21–28*, 260.

34. H. Ridderbos, *Bible Student's Commentary: Matthew* (Grand Rapids: Zondervan, 1987), 461; Witherington III, *Matthew*, 464.

35. Pope Benedict XVI, *Caritas in Veritate*, n. 22, 32.

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37. Surjit Bhalla, *Imagine There's No Country: Poverty, Inequality, and Growth in the Era of Globalization* (Washington, D.C.: Institute for International Economics, 2002), 3, 218–23.

38. Pope Benedict XVI, *Caritas in Veritate*, n. 32, 35, 75.

39. Stephen Mott and Ronald Sider, "Economic Justice: A Biblical Paradigm," in *Toward A Just and Caring Society*, ed. D. Gushee (Grand Rapids: Baker Books, 1999), 15–45; Douglas Hicks, *Inequality and Christian Ethics* (Cambridge: Cambridge University Press, 2000); Duncan Forrester, *On Human Worth: A Christian Vindication of Equality* (London: SCM Press, 2001); Richard Bauckham, *God and the Crisis of Freedom* (Louisville: Westminster John Knox, 2002); Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (London: Allen Lane, 2009).

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41. Wolff, *Household Wealth*, 17, 40.

42. Gregg, *Corporate Governance*, 46, 31; Sternberg, *Corporate Governance*, 21, 49.

43. Garvey, *Theory of the Firm*, 528.

44. Robert Oakeshott, *Jobs and Fairness* (Wilby, U.K.: Michael Russell, 2000), 37; Gregory Dow, *Governing the Firm* (Cambridge: Cambridge University Press, 2003), 137.

45. Pope Benedict XVI, *Caritas in Veritate*, n. 21, 40.

46. Garvey, *Theory of the Firm*, 535.

47. O'Sullivan, *Contests*, 200; Monks, *Corpocracy*, 62–63; Charkham and Simpson, *Fair Shares*, 180.

48. Sternberg, *Corporate Governance*, 50–52; Charkham and Simpson, *Fair Shares*, 184, 180.

49. Phan, *Taking Back*, 5–6; Monks, *Corpocracy*, 57–73; Wilkinson and Pickett, *The Spirit Level*, 243; Gregg, *Corporate Governance*, 40; Victor Claar and Robin Klay, *Economics in Christian Perspective* (Downers Grove: IVP Academic, 2007), 198.

50. Velasquez, *Business Ethics*, 106, 108, 111.

51. Lane Kenworthy, *In Search of National Economic Success* (Thousand Oaks, Calif.: Sage Publications, 1995), 42–73.

52. Ridderbos, *Matthew*, 357; Nolland, *Matthew*, 793; Keener, *Matthew*, 475.

53. Luz, *Matthew 8–20*, 522, 518; Bruner, *Matthew*, 298, 299; Turner, *Matthew*, 469.

54. Nolland, *Matthew*, 795; Bruner, *Matthew*, 307; Davies and Allison, *Matthew*, 325.

55. Ridderbos, *Matthew*, 358; Witherington, *Matthew*, 371; Donald Hagner, *Word Biblical Commentary*, vol. 33B, *Matthew 14–28* (Nashville: Word, 1995). 562; Wilkins, *Matthew*, 650.

56. Pope Benedict XVI, *Caritas in Veritate*, n. 32, 78.

57. Garvey, *Theory of the Firm*, 531.

58. Phan, *Taking Back*, 205.

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