

John Wesley and the Goal of Maximizing Shareholder Wealth

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ABSTRACT: This paper explores the use of John Wesley sermon number 50, “The Use of Money,” in corporate finance class when discussing shareholder wealth maximization. Wesley provides a framework to help keep the focus on good stewardship and away from greed. The paper will first provide the background as to why Wesley’s teaching is appropriate for wealth maximization. The paper will then demonstrate the use of this sermon in class.

INTRODUCTION

An often-heard cry in Christian education is about the difficulty of integrating faith into a business class, such as finance or accounting. A quick read of the Gospels will show that Jesus used many financial examples as he prepared the disciples for mission and ministry (see, for example, Matthew 6:24, Matthew 20:1-16, Luke 12: 16-21, and Luke 14: 28-30). Business activities are carried on by most members of society, and those who live faithful Christian lives should be able to integrate their business endeavors with their personal faith. It is critical that business professors help students connect business education and faith.

Finance professors and practitioners are keenly aware that the maximization of shareholder wealth is a foundational concept to financial management (Ross, 2007, p. 10). In fact, there is not another goal that should supersede this duty of financial officers in the corporate setting (Dobson, 2005). Those teaching corporate finance see maximizing the value per share of stock introduced in the first chapter of the most commonly used textbooks (Ross, 2007; Block 2009).

Milton Friedman (1970) believed that every member of society should always act to maximize return because it is in the interest of all to have a productive and efficient society. However, in many circles there are serious concerns that over attention to maximizing wealth has led to

negative consequences, such as the wild swings in financial markets in 2008 and 2009.

Some Christians argue that the goal of a corporation to maximize the wealth of shareholders is dangerous to the life of the faithful. A wealth-maximizing mentality can be threatening to biblical teachings. Edward Trunfio (1995) argues that “the Christian bottom line should never be just the financial bottom line” (p. 19). Lisa Surdyk (1995) states that “a profit at all costs attitude will compromise biblical principles” (p. 16). The Christian movement in business-as-missions (BAM) has led to discussions of other bottom lines (Johnson, 2010, p. 270). For example, Mats Tunehag (2008) suggests that firms maximize not only financial goals, but also social and spiritual ones (p. 6). It is important to note that these writers do admit some attention needs to be paid to financial success or there will be no business.

Secular writers have warned of the potential dangers of wealth maximization. There exists a stakeholder primacy model where corporate managers attempt to balance the interest of all stakeholders (Bretsen, 2006, p. 43). This goes well beyond the typical wealth maximization model of simply following the law (Friedman, 1970, p. 3). In addition, corporate social responsibility (CSR) is highly practiced in today’s business environment (Johnson, 2010, p. 269).

Christian business educators should let students know that maximizing shareholder wealth is the goal of financial

management. Value is added by discussing the appropriateness of maximizing wealth and how it fits well into the traditional Protestant work ethic. A way to approach this topic is through a discussion of the works of John Wesley. His teachings tended to instill the value of working hard while practicing thrift (Oden, 1994, p.81). His theology was well grounded in the real world. For example, he often preached to those working in coal mines.

Wesley is further useful because of his commitment to Scripture (Oden, 1994, p. 56). He used scripture as his primary tool in handling everyday issues that were part of the Christian life. This is a model that all Christian educators could use when integrating faith into the classroom. Wesley was classically educated and well read. He believed that the Gospel could transform all of life, and that was particularly true of a person's economic life (Jennings, 1990, p. 15).

WESLEY'S ECONOMIC THOUGHT

Wesley's scriptural approach for business led him to a three-pronged approach to handling money. He believed that Christians should make as much as they can, be thrifty, and give away as much as possible (Burwash, 1967, p. 495-499). This is the theme of sermon 50 of Wesley's 52 standard sermons and can be found easily online (<http://new.gbgbm-mc.org/umhistory/wesley/sermons/50/>).

Wesley did not live in a world where the corporate structure was common, but he dealt with many people who owned their own businesses and were the entrepreneurs of their day. Wesley's material on gaining all one can is pertinent for a discussion about shareholder wealth maximization since business is a legitimate calling (Ward, 1996). Wesley states in one of his homilies: "It is the appointment and will of God, that every man, during this time of mortal and transitory life, should give himself to such honest and godly exercise and labor, and every one follow his own business, as to walk upright in his own calling" (as cited in Jennings, 1990, p. 173).

Wesley is useful because greed can lead to excesses, and he provides a framework that can help maintain a biblically consistent life for a steward.

The first point of emphasis in Wesley's sermon is to "gain all you can." Having a goal to gain all one can does not sound that different than what the world teaches, which is that "greed is good." In fact, Wesley clearly states that Christians are meeting the world on their terms (Outler, 1964, p. 241) for "the people of the world understand the use of money far better than the 'sons of light'"

(Luke 16: 8). To Wesley, wealth maximization is not a matter of seeing who can die with the most toys, but issues of using resources wisely since Christians are to be good stewards (Burwash, 1967, p. 495).

A framework for wealth maximization must exist to temper greed, and Wesley does provide some limits to gaining all one can (Outler, 1964, p. 241). First, he believed that gaining all one can should not occur at the expense of one's health or life. There should be some balance to life, including time to eat and rest. He believed some employment is dangerous in and of itself, and other endeavors can become so when done for too long a period, so proper rest is critical. The words of Christ should be kept in mind that "life is more than food, and the body more than clothing" (Luke 12:23).

The second limit to gaining all one can deals with those things that harm the mind and soul (Outler, 1964, p. 242). Therefore, money never should be gained in any sinful or unethical trade. Christians should follow both the laws of God and the laws of one's country. Wesley specifically stated that customers should never be cheated and taxes should always be paid.

Wesley encouraged people to work in careers that fit their temperament and talents. He claimed, "I could not study to any degree of perfection mathematics, arithmetic or algebra without being a deist, if not an atheist" (as cited in Outler, 1964, p. 242). He went on to state that others could do mathematics without risking their souls. His warning was for Christians not to do something that may threaten their relationship with Christ.

Wesley also warned that harm should never be done to a neighbor. Wesleyan ethics are built upon Matthew 22:39. Thus, Wesley preached that "we cannot, if we love everyone as ourselves, hurt anyone in his substance" (Burwash, 1967, p. 443). Therefore, Christians should consider potential harm from trades, such as liquor that damage the health of an individual or trades that lead to wasting of time and intemperance, such as production of certain movies.

As a further warning on hurting one's neighbor, Wesley instructed those in business never to sell a product or service below the fair market value because this hurts their neighbors (Outler, 1964, p. 243). By under pricing goods in a predatory manner, people may do damage to a neighbor's trade and perhaps destroy a person's livelihood.

WESLEY ON STEWARDSHIP

Wesley's approach to the ordering of human affairs on earth was that of a steward. A steward is not the proprietor

of anything, but is entrusted to use all things under the condition that final ownership belongs to a master. In his sermon “The Danger of Increasing Riches,” Wesley states in response to the idea that we own possessions, “Here lies the ground of your mistake. It is not your own. It cannot be, unless you are the Lord of heaven and earth” (as cited in Jennings, 1990, p. 100). This carries directly to the corporate structure where a manager is not the owner, but the steward, who is expected to use resources for the benefit of the owner.

The understanding of stewardship should give Christian business students a significant advantage in the corporate world over those who are not familiar with this concept. Being a good steward is a common goal of evangelical business leaders (Nash, 1994, p. 74). This implies that personal motives are removed from corporate decisions. The focus of the company is on quality service to customers, so that the firm is as profitable as possible.

The key scriptural reference used by Wesley for the teaching of stewardship was Luke 16: 1–13. This parable was addressed to the disciples directly and concerns a wealthy man who had a steward who was wasting possessions. The steward was asked to give an account of his management because he was no longer allowed to continue as steward. The important biblical implication, according to Wesley, is that eventually each person’s responsibilities will cease and accountability will be required (Burwash, 1967, p. 493).

In the corporate world, which functions under the mantra of maximizing shareholder wealth, the stewardship model holds. Those from Christian backgrounds ought to be ideally suited to serve as managers and provide shareholders of corporations the highest possible returns on investments. Christians should already understand that they are stewards of what God has given them. The business professor should instill in each faithful, Christian student the direct application of stewardship to those who provide employment.

CLASSROOM DISCUSSION

The above background provides information necessary to lead a discussion in class on Wesley’s thoughts on economics and stewardship. I normally lead this discussion on the second class meeting of the semester in corporate finance. I teach at a small, Christian college in the Midwest where corporate finance is the introductory class for finance majors and is the required finance course for all business majors. The subject of shareholder wealth

maximization is introduced in the first chapter of the course textbook (Ross, 2007). Discussing this topic early encourages students to begin thinking of faith integration in finance.

As a requirement, students are expected to have read the first chapter of the textbook coming into the class. I also supply them a link to Wesley’s 50th sermon (provided above) to be read ahead of time. The first chapter of Ross is covered, and this discussion exercise occurs once the text begins covering shareholder wealth maximization. I suggest isolating this goal on a PowerPoint slide. The importance of wealth maximization needs reinforced.

I next have a student read Luke 16: 1–13. As part of the discussion, I ask the students to discuss the difference between the steward and the owner. Once the students come to a good grasp of this, I then briefly present the corporate structure and ask the students, “Who are the owners and the stewards of a corporation?” The parable is used to draw comparisons. I conclude this part by stating that the stockholders are the owners, and managers are the stewards. It is the managers who are to give an account to the stockholders (Luke 16:2).

The next step in the discussion is to talk through Wesley’s sermon on “gaining all one can.” I suggest playing the clip from the movie *Wall Street*, where Gordon Gekko gives the “Greed is good” speech. I then ask the students if gaining all one can is acceptable to Christians. We discuss portions of Wesley’s sermon that were presented in the earlier part of this paper. The focus is on what might help students who are charged as managers to maximize shareholder wealth.

At this point, the discussion can be drawn to a conclusion with a few final comments being made by the professor. First, one of the goals of the discussion is to help students think about their roles as Christians in the business world. During this class and in other courses, students will be introduced to a variety of ways to integrate their faith into business. There are countless ways to do this, and the goal is for students to learn how to think and operate with integrity for both business and faith. John Wesley’s sermon is not a final answer, but a tool to help students in the learning process.

Second, I make the point that this is not a theology class, and this was in no way a complete look at John Wesley’s theology. The emphasis of Wesley’s sermon is quite clear, that Christians should give all they can. As Wesley is introducing the third point of his sermon, he states, “All this is nothing, if a man go not forward, if he does not point all this to the farther end” (as cited in Jennings, 1990, p. 165). Wesley’s theology hinges on

loving one's neighbor as oneself (Leviticus: 19:18; Mark 12: 29-31). The entire focus on Wesley was the love of neighbor, with the "poor" being a special category of neighbor (Luke 4:18). In his discourse on the Sermon on the Mount, he states, "give to the poor with a single eye" (as cited in Jennings, 1990, p. 106). Wesley could be quite critical of the wealthy (Jennings, 1990, p. 34-35). I am simply using the part of the sermon focused on earning all one can, in an attempt to illustrate that making money is not, in itself, wrong. In fact, working hard is often a part of good stewardship.

CONCLUSION

The introductory finance course is an ideal place to communicate to students both the importance of maximizing wealth and how to be good Christian steward in the business world. A good way to begin this is by introducing students to the framework of John Wesley, who taught that Christians should "gain all they can." This exposure is beneficial in guiding students to make good use of time and resources.

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