Do Unto Others — A Three-Dimensional Theology of Finance

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ABSTRACT: Financial instruments trade in markets where the prices paid are based on either promised or predicted future cash flows. The time that elapses between the purchase of a financial security and the ultimate payment of the promised or predicted cash flow creates opportunities for selfish behavior, errors, and fraud. The best that can be said about the net impact of laws and associated regulations that address these market flaws is that they have, perhaps, minimized confusion. What is the most efficient way to summarize prescriptive ethical behavior in business dealings and financial transactions? This paper advocates three biblical concepts as the proper focus. If routinely applied, the standards of proportionality, transparency, and integrity would establish trust and support both market and stakeholder values within the world of finance.

KEYWORDS: biblical interpretation, theonomy, Exodus, Jesus, contemporary practice

INTRODUCTION

Asymmetric Information and Lemons

In his classic paper, "The Market for Lemons: Quality Uncertainty and the Market Mechanism," George Akerlof (1970) demonstrated that markets collapse due to what he called "information asymmetries." That is, when buyers cannot discern quality, they pay less for products or services because they assume all products or services are of inferior quality. Sellers of high-quality products refrain from participation and only poor quality goods are available. All participants recognize the end result, and the market collapses because no one wants to buy a lemon.

The good news is that Akerlof's lemon principle is an extreme example that cannot be applied in its totality to markets today. In our current functioning *commercial* market dealings, the lemon principle is mitigated because activity generally operates in a spot market[1] where fraud and deception can be addressed in a timely manner. Furthermore, as Akerlof points out, there are instruments used by businesses for instilling public confidence and reducing quality uncertainty, such as product guarantees and licensing of service providers. The internet age has additionally compounded the information set about virtually every business and business owner. Online sites such as Amazon, EBay, and Travelocity allow participants to rate their experiences and provide rankings for future due diligence searches. Thus, information asymmetry has been significantly reduced since the publication of Akerlof's paper.

However, the same cannot be said for *financial* instruments, which are nearly always driven by some form of a promise to pay in the future and a pledge offered as insurance against non-payment. That is to say, finance is almost always related to either a forward or future cash flow or event and, therefore, counterparty risk[2] is inherent in financial agreements where nonperformance may not be recognized until several years in the future. Thus, the tenets of Akerlof's argument are more relevant and still apply in financial markets today because asymmetric information has not been totally eliminated.

Greater levels of information asymmetry and longer lengths of time for transaction consummation provide increased opportunity for problematic behavior.

Unfortunately ethical lapses can eventually destroy public confidence. It is the existence of ethics violations that has led to the establishment of consumer watch groups in recent times. And when the extent of the violations creates an existing or impending market failure or collapse, governments oftentimes enact legislation and regulation to punish violators. But even in those cases where unethical behavior does not reach the point of constituting a violation of existing law, it nevertheless still has the potential to affect business dealings and market values. With that in mind, legislators may attempt a forward-looking approach to preclude unethical activities that have not yet occurred. However, the development of legislation first requires the establishment of acceptable standards. A strong argument will be made for biblical precepts as notable benchmarks of ethical dealings in the world of commerce and especially finance. The biblical standards presented below fall into three dynamic categories: proportionality, transparency, and integrity.

PROPORTIONALITY

Background

Proportionality is a relatively easy concept in the abstract. For instance, one might say that a man's ears are proportional to his head, and there would be general agreement among those polled on the question. But when financial matters are considered, more polarization of viewpoints exist, which results in more individualized perceptions of proportionality failures.

In the Akerlof theory, proportionality would be achieved if high quality results in a high price. This is rather straightforward, and most would probably agree. However, other examples can be cited where individual definitions of social justice and equality are at play in defining proportionality failures. A case in point is the topic of income inequality. When the AFL-CIO website reported that CEO salaries were 331 times larger than the average worker salary in 2013, it seems reasonable to assume that the organization believes this is an injustice and a proportionality failure.[3] On the other side of the argument, the executives would likely state that there exists an asymmetry of managerial knowledge and skill between themselves and the workers, thus justifying the wage disparity.

A second example is found in the lack of proportionality that was endemic in the home mortgage market prior to 2007 when interest rates were set artificially low for the first few years on loans for home buyers, only to increase at a later date to market levels the borrowers could not afford. It could be argued that the mortgage market meltdown was perpetrated by unethical bankers and mortgage brokers who knew their financially unsophisticated customers would ultimately be forced to default for lack of sufficient income to support their loans. In this case, there is an asymmetry of financial knowledge, which can be exploited. However, the case can also be made that the borrowers bear some responsibility for improving their own understanding about financial matters.

As can be seen from these examples, counterarguments are always possible. Likewise, in order to further discuss proportionality, it is necessary to place a value on an asset, whether that asset is tangible or intangible. What is the value of a CEO, a borrower, or a share of stock?

Corporate Social Responsibility, Stakeholder Theory, and Enlightened Value Maximization. In a secular society, the proportionality principle may present itself in the form of a recent movement referred to as corporate social responsibility (CSR).[4] Intertwined within this concept is the idea that stockholders/owners are not the only constituents to be considered when conducting business and financial transactions. Other stakeholders include employees, managers, suppliers, customers, debt holders, communities, and even the global society as a whole. In fact, Branco and Rodrigues (2007) state that it is impossible to discuss or analyze CSR without considering the stakeholder perspective. If CSR and stakeholder theory fulfill the biblical standard of proportionality, they provide an avenue to discuss the modern concept of value creation and also provide a means for empirically testing the relationship between proportionality and value.

Whereas Akerlof's concept of value refers to the proper price of a saleable good within a marketplace, other definitions for value have also been suggested. For instance, Lankoski, Smith, and Wassenhove (2016) give three definitions: 1) value that arises from actual use of a resource (use value), 2) value from possible use in the future (option value), and 3) non-use value (existence value). Included in the non-use category is the pleasure one derives from the ability to practice altruism or establish a bequest for future generations.

Virtually every finance textbook lists the goal of financial management as maximizing the value of owner's equity. However, Jensen (2001) suggests that the financial management goal should be restated as *enlightened* value maximization because the long-term market value of a company cannot be maximized if any constituency

is mistreated or ignored. Because the constituents are in competition with each other for the resources of the firm, an *enlightened* stakeholder should recognize that managers will be forced to make tradeoff decisions. Only in this way will *all* constituents stand to gain. A major point to notice is that even the lowest paid worker must consider his/her responsibilities to the firm and conduct an honest assessment of his/her proportional contribution relative to others. Jensen's concept of enlightened value maximization suggests that stakeholder theory provides a mechanism for empirically testing value increases or declines, and, in fact, several empirical studies will be enumerated later.

Enlightened value maximization takes a step closer to an ethical standard that is prescribed in the Bible. From a spiritual standpoint, the altruistic component of value seems most likely when one considers Matthew 6:19-20 where Jesus said, "Do not store up for yourselves treasures on earth, where moths and vermin destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven…." When considered in the context of short-term versus long-term, the biblical concept of proportionality is eternal. Thus, any stakeholder who is willing to condone actions that result in suffering for other individuals to gain a short-term monetary reward may face an eternal spiritual consequence.

Biblical References

Whereas contemporary society's perceptions of proportionality are changing through time, the biblical standard of proportionality is fundamentally based on the concept of grace, which is an everlasting principle. As conveyed in Ephesians 2:8-10, "For it is by grace you have been saved, through faith—and this is not from yourselves, it is the gift of God—not by works, so that no one can boast. For we are God's handiwork, created in Christ Jesus to do good works, which God prepared in advance for us to do." The grace a sinner receives is disproportional to that which is deserved and through that gift, the believer is led to live a righteous life and assume the responsibilities of a godly person. How the biblical standard plays out is witnessed as a willingness to use one's proportion to the benefit of others.

In reference to the previously mentioned example of income inequality, the fact that some individuals seem to receive disproportionately high incomes (i.e. CEO's, Wall Street traders, sports stars, Hollywood celebrities, etc.) does not necessarily violate the biblical standard of proportionality. However, relative wages are discussed in the parable conveyed in Matthew 20: 1-16 where a landowner hires workers early in the morning and the laborers agree to the payment of one denarius. The landowner subsequently hires more workers at four different times throughout the day. At the end of the day, the workers receive their pay, starting with the last to be hired. Since the landowner pays all of the workers the exact same amount of one denarius, the early hires complain.

From the perspective of current culture, this action may be viewed as a transgression against the early workers, but the Bible does not condemn the landowner who is arguably a rich man. He responds to the upset workers, "Don't I have the right to do what I want with my own money? Or are you envious because I am generous?" It is clear that the landowner is compassionate and is practicing the biblical concept of proportionality which can be seen in Luke 12:48: "From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked." In fact, the treatment of others moves beyond monetary consequences as highlighted in the prelude to Luke 12:48 where Jesus tells of a faithful and wise manager who was put in charge of the servants of a master. If the master unexpectedly returns and finds the manager has abused the servants, then the manager will be severely punished. On the other hand, if the master returns to find the manager completing the task as assigned, the master will put him in charge of all his possessions. The standard is clear—if an individual's proportion is large, then a responsibility is also assumed.

In the words of Paul in 1 Timothy 6: 17-18, "Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment. Command them to do good, to be rich in good deeds, and to be generous and willing to share." Jesus gets to the essential core of the command in Matthew 22:39 where He declares, "Love your neighbor as yourself" and in the famous Golden Rule in Luke 6:31, "Do to others as you would have them do to you." As noted in Gurd and Rice (2011) the accumulation of wealth for oneself to the detriment of others is what the Scriptures warn against.

The Golden Rule precludes ill-gotten gains garnered through fraud and deception. Taking it one step further, the proportionality principle revolves around the idea that it is not what you have been given that matters; it is what you do with your wealth after receiving it. Along these lines, the Scriptures provide another context of proportionality in Matthew 25: 14-18 where a man entrusted

his wealth to his servants while gone on a journey. He distributed the funds in unequal proportions according to their abilities—one servant received five talents,[5] one received two talents, and one received one talent. Over the course of the man's absence, the first servant gained five talents more and the second gained two talents more. But the third servant earned nothing because he dug a hole in the ground and hid the man's money. Upon returning from his journey, the man rewarded the first two servants by entrusting them with even more but the third servant was admonished and cast out. An important aspect of this story is that the ability levels of the men is in different proportions. It is obvious that the objective of the rich man was not to earn as much as possible or he would have given all of the assets to the servant with the most ability. Rather, he provides an opportunity for all three to remain in service. Jesus summarizes this parable as follows: "For to everyone who has, more will be given, and he will have abundance; but for him who does not have, even what he has will be taken away."

Contemporary Application

In today's world, the parable of the talents in Matthew 25 would likely be construed to mean that "the rich get richer and the poor get poorer," thus perpetuating a widening of income inequality. But further reflection suggests a deeper message. Although not as capable as the other two, the third servant should have been able to at least increase the amount entrusted to him. One can further presume that the servant was fed and housed during the man's absence, so the proportion the servant received in support did not coincide with the proportion of work he was doing for the owner of the assets. What the servant lacked was an ethical standard during the time he was not being monitored. Thus this parable fulfills the tenets of stakeholder theory, which suggests that each constituent, no matter the stature in the organizational structure, must work for the betterment of the firm.

With respect to the Golden Rule, it could be argued that it has become so mangled in popular culture that it is now summarized as "He who has the gold makes the rules" and "do it unto others before they do it unto you." The bottom of Akerlof's market for lemons has been achieved if we believe that bankers and corporate managers subscribe to this perversion of Jesus's directive. If the goal of financial management is simply three words—maximize owner's equity—then managers probably feel justified in most of their actions. According to the Nobel prize-winning American economist Milton Friedman (1962), "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

Friedman's viewpoint is clear—the generation of wealth is laudable but with some restrictions. The relevant question is whether those restrictions are *only* the ones that can be prosecuted in a court of law. For instance, in the home mortgage crisis, bankers did not legally defraud the borrowers who willingly signed the very loan documents spelling out the terms that would ultimately result in their inability to pay in the future. However, asymmetric information concerning financial knowledge was at play and as Schoen (2016) states, the lenders acted unethically when they marketed subprime mortgages to unsophisticated, susceptible consumers and furthermore led them to believe that rising housing prices would allow them to refinance their mortgage into ones they could afford.

An obvious violation of Friedman's principles was reported by Petroff (2016) where Bank of America agreed to pay $12 billion in fines in 2012 to help settle lawsuits over wrongful foreclosures and another $16.7 billion in fines to the U.S. Department of Justice in 2014 for creating and selling toxic mortgage-backed investments. The employees of Bank of America demonstrated a blatant disregard for biblical principles, and the company suffered a measurable negative monetary consequence when the stock price fell from a high of $53.87 on September 30, 2006 to $9.32 by September 30, 2012 (finance.yahoo.com).

Will biblical proportionality practices help to support market values? The evidence supporting increased asset values as a direct result of ethical behavior is scarce. For the corporate CEO who is a person of faith, his/her actions of good works may or may not be directly measurable in terms of financial value because oftentimes the acts are not observable. However, if corporate social responsibility and stakeholder theory can serve as a proxy for ethical behavior, then several empirical studies explore the financial impact of these two management practices. Orlitzky, Schmidt, and Rynes (2003) provided early evidence in a meta-analysis of 52 previous empirical studies conducted over the period of 1972-1997. They conclude that there is a positive association between corporate social performance activities and corporate financial performance. Ruf, Muralidhar, Brown, Janney and Paul (2001) found a positive relationship between improved changes in corporate social performance activities and a growth in sales over the nearest two years after the improve-

ments were made. The improvements also resulted in a longer-term increase in year threes for return on sales and return on equity. Finally, Choi and Wang (2007) find that a high stakeholder relations rating not only helps a well-performing firm to sustain superior profits but more importantly helps a poorly performing firm to move out of a disadvantageous position more quickly as long as good stakeholder relations existed prior to any performance downturn.

Does corporate social responsibility fulfill the biblical concept of proportionality? Certainly, proportionality is achieved when employees at all levels deliver an honest day's labor. In Proverbs 19:15 it says, "… an idle person will suffer hunger." Paul warns in 2 Thessalonians 3:10, "If anyone will not work, neither shall he eat," and in Colossians 3:23, Paul tells bondservants, "And whatever you do, do it heartily, as to the Lord and not to men." Those at the lower end of the pay scale must conduct an honest assessment of their proportional contribution and avoid feelings of envy that can cloud judgment. In other words, they need to be enlightened stakeholders. Managers and owners should treat lower level employees with respect and exhibit compassion, as was evident in the parable of the workers in the vineyard in Matthew 20. And everyone from the highest paid executive to the lowest paid employee should share with those less fortunate.

Beyond corporate social responsibility indexes and stakeholder relation ratings, there are oftentimes no readily available measuring sticks of proportionality practices, thus making the next biblical standard even more important.

TRANSPARENCY

Background

Asymmetric Information. When an investor purchases the common stock of a corporation, the value is derived from future cash flows that are based on anticipated managerial actions. But the stockholder cannot perfectly monitor the manager's behavior, and information asymmetry exists. In the event of unethical actions, the stock price is adversely affected as was apparent in the Bank of America example and has played out in numerous other recent corporate scandals as well.

It is obvious that transparency is of paramount importance for a well-functioning financial market. In a total absence of transparency, Akerlof's lemon principle indicates that financial markets will collapse, primarily due to the lack of dependable information about promised or predicted future cash flows. Periodic reporting to the Securities and Exchange Commission (SEC) that is required of publicly traded firms is designed to reduce the level of asymmetric information.

Recent Legislation. Both the Sarbanes Oxley Act of 2002 and the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 include the goal of improving transparency.[6] Accounting guidelines with respect to publicly traded corporations were already extensive prior to Sarbanes Oxley (SOX), but an additional accountability feature in SOX requires company executives to attest to the accuracy of the financial information that is reported, thus increasing investor confidence.

While SOX was primarily directed to the equity market, the Dodd-Frank legislation dealt with the derivatives market. Prior to its passage, the over-the-counter (OTC)[7] derivatives market was largely unregulated and the dollar amount of outstanding contracts was virtually unknown. As discussed in Hull (2017), when the Lehman Brothers investment banking firm filed for bankruptcy in 2008, it had over a million transactions outstanding with about 8,000 different counterparties. The impact of a Lehman Brothers bankruptcy was potentially devastating due to the level of systemic risk[8] that existed. As a result, other financial institutions were ultimately bailed out by the government. Thus the need for increased transparency in the OTC markets was addressed by the Dodd-Frank provisions that make overall risk exposure in the marketplace more easily measured and controlled.

Biblical References

The biblical standard for transparency is conveyed several times in the Scriptures, including in the fifth chapter of Acts. Members of the Christian community had been pooling their resources by selling personal and real property. Ananias and Sapphira sold land for an undisclosed price and when they presented the funds to the church leaders they did so in a way to suggest that they were transmitting the entire price instead of simply a portion of it. As recorded in verse 4, Peter reprimands the husband, "You have not lied just to human beings but to God," and Ananias fell down and died. When Sapphira appeared later, Peter asked her if the amount presented to the church was the full sale price of the land. Since she was unaware of her husband's demise, she proclaimed the same. Peter said to the woman, "How could you conspire to test the Spirit of the Lord?" At that moment, she also fell down and died. The couple lied about the proportion of the gift given and the pas-

sage indicates that financial information, wrongfully withheld, is tantamount to a lie.

A second example of transparency in the Scriptures comes from Ruth chapter 4. This story revolves around a widow, Naomi, whose husband and two sons have all died. She is living with her daughter-in-law, Ruth, who goes to the field of a relative of Naomi's husband to gather leftover grain, as is customary for the poor. Boaz is the owner of the field and he acted kindly toward Ruth. Upon hearing of the kindness of Boaz, Naomi initiated a plan to arrange a marriage between Ruth and Boaz. As part of the arrangement, Naomi offered a parcel of land for sale that belonged to her deceased husband, Elimelech. According to Jewish custom, the nearest living male relative of Elimelech must be given the right-of-first refusal for the purchase of the land as well as the opportunity to marry Ruth to continue the family line. Since Boaz was not the first in line, he took the risk of losing Ruth. Nevertheless, Boaz approached the rightful relative and also gathered ten elders of the city as witnesses. The actions of Boaz from the start show that he was completely open and transparent in the arrangement. God's favor is bestowed upon Boaz and he was blessed with a son in his marriage to Ruth.

The final biblical example is referenced in the second book of Kings when Jehoash was the king of Judah. Money that was collected for the repair of the temple was given to overseers who subsequently paid the carpenters, builders, masons, and stonecutters. They were so honest that no accounting for the construction costs was necessary.

All of these Scripture passages underscore the importance of transparency in business and finance dealings. Boaz and the overseers conducted themselves with utmost ethical standards. But for Ananias and Sapphira, the punishment is extreme and mirrors that of the warnings handed down to the Jewish people by the prophets in Amos, Isaiah, and Micah. Lemler (2002) recounts the egregious behavior as the rich exploiting the poor with an utter disregard for justice or for the rights of the poor. For their iniquities, God promised sickness, hunger, desolation, and even death.

Contemporary Application

Contrast the biblical transparency examples to recent construction industry scandals such as the guilty plea by Structure Tone, which is one of the nation's largest construction firms. As reported by Bagli (2014), the company arranged for subcontractors to falsely inflate their bills for Structure Tone's clients. As a result of the guilty plea, the company agreed to forfeit $55 million on the corruption charges. In spite of the fact that the company previously pled guilty to felony charges in 1998 and paid a $10 million fine then, the Structure Tone officials said the 2014 guilty plea would not affect the company's ability to work on current and future projects. That seems to be the case as Bagli (2014) further reports that Sony hired the company to build its New York headquarters. Perhaps these facts constitute an indictment of the large-scale construction industry where corruption has simply become a cost of doing business much akin to bribes to government officials in third-world countries. Or perhaps, Sony was heartened by a statement from Structure Tone officials indicating that the company had strengthened its compliance protocols to improve transparency.

On the other end of the transparency spectrum, Adams (2016) refers to the owner of a company called Bob's Watches who shows both his bid and ask price for Rolexes[9] and furthermore discloses that he is trying to accomplish a 10 percent margin after overhead and servicing. His successful transparency strategy is apparent given that Bob's Watches gross of $2 million dollars in 2010 had steadily increased to $20 million in 2015. With the markup being apparent, a customer of Bob's Watches said, "It helps you trust where you stand (Adams, p. 1)."

Another example of transparency was implemented by Jack Stack, CEO of Springfield Remanufacturing in Springfield, Missouri. In his popular book, *The Great Game of Business* (1992), Stack encourages company managers to adopt a more transparent approach to business revenues and costs to leverage employee morale and behavior. Stack offers sessions with the accounting staff to help the employees learn how to read the company's income statement and balance sheet. They learn what factors cause changes to the numbers and how they can individually be a driver of those changes. The employees represent a textbook definition of enlightened stakeholders where individual effort to improve the income and overall financial condition of the company not only assures job security but also results in cash bonuses and additions to the Employee Stock Ownership Plan.[10] The success of the company's transparency is evidenced by a stock price that climbed from $0.10 in 1983 to $348 per share in 2013 (as reported in an update to the original edition of Stack's book).

The benefits to transparency in business today are also conveyed in several academic articles, including Bhattacharya, Daouk, and Welker (2003) who analyze financial statements across 34 countries and report that

less transparency (more opacity) in reported earnings leads to "an economically significant increase in the cost of equity and an economically significant decrease in trading in the stock market of that country." Gelos and Wei (2005) find that increased government and corporate transparency positively impact international portfolio holdings. Furthermore, international investors are more likely to reduce their funds in the less transparent markets during a crisis. Finally, Haggard, Martin, & Pereira (2008) determined that firms that choose higher levels of voluntary disclosure have a reduced frequency of stock price crashes.

It is not unreasonable to assume that higher levels of transparency allow stakeholders to more easily ascertain the integrity of the decision makers within a company or organization. With that in mind, the next section discusses the biblical concept of integrity.

INTEGRITY

Background

When individuals act with integrity, trust is a natural by-product. In the Akerlof lemon principle where transparency does not exist and sellers are prone to misrepresenting the quality of their products, it follows that a lack of trust will also develop.

Financial markets, by their nature, require a level of trust by all parties to a transaction, and the top-ranked academic journals in the finance field have published several articles concerning the matter. For example, Guiso, Sapienza, and Zingales (2008) find that difference in trust across individuals and countries is a significant factor in explaining investors' willingness to trade in the stock market. Giannetti and Wang (2016) conclude that corporate scandals and corporate misconduct serve to undermine the level of trust in financial markets, thus leading to a reduction in stock market participation and an ensuing increase in cost of capital for firms. With respect to financial disclosures by corporations across 25 countries, Pevzner, Xie, and Xin (2015) find evidence that higher levels of societal trust lead to earnings announcements that are perceived to be more credible, thus eliciting stronger investor reactions.

Within the current business environment, the importance of integrity is an underpinning in 22 provisions that protect whistleblowers, as highlighted by the Occupational Safety and Health Administration (OSHA).[11] For instance, one of the provisions protects employees of publicly traded companies from retaliation for reporting alleged mail, wire, bank, or securities fraud; violations of the SEC rules and regulations; or violations of federal laws related to fraud against shareholders. Two other provisions protect truck drivers from retaliation for refusing to violate regulations related to the safety or security of commercial motor vehicles and employees of air carriers from retaliation for reporting violations of laws related to aviation safety. These OSHA provisions enumerate examples of breaches of trust due to an accompanying lack of integrity. Given the extreme importance of these two attributes in an economic system, several Bible passages are now considered where trust and integrity are a common theme.

Biblical References

As highlighted in the Old Testament, it was of paramount importance to implement the standard of conduct that would allow the Hebrew people to become established as a civil society. When institutionalizing the grievance mechanism for the Israelites, Moses was instructed by his father-in-law to select trustworthy men who hated dishonest gain to serve as judges to settle disputes among the people (Exodus 18:21). Furthermore, specific references to integrity in business dealings are mentioned in several passages. In Leviticus 19:36, "Do not use dishonest standards when measuring length, weight or quantity. Use honest scales and honest weights…" In Deuteronomy 25:15-16, "You must have accurate and honest weights and measures, so that you may live long in the land the Lord your God is giving you. For the Lord your God detests anyone who does these things, anyone who deals dishonestly." In Proverbs 16:11, "Honest scales and balances belong to the Lord…."

The character of the persons who behave with integrity are described in Isaiah 33:15 as "Those who walk righteously and speak what is right, who reject gain from extortion and keep their hands from accepting bribes, who stop their ears against plots of murder and shut their eyes against contemplating evil." In Proverbs 13:5: "The righteous hate what is false, but the wicked make themselves a stench and bring shame on themselves." Proverbs 16:8 gives a warning about the methods used to pursue wealth: "Better a little with righteousness than much gain with injustice." It is no wonder that Jesus further states in Matthew 19:23-24, "Truly I tell you, it is hard for someone who is rich to enter the kingdom of heaven. Again I tell you, it is easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God."

The Gospels contain several other references to integrity (righteousness) including the Beatitudes in Matthew 5:6, "Blessed are those who hunger and thirst for righteousness, for they will be filled." In another New Testament passage, the parable of the shrewd manager in Luke 16 provides a somewhat difficult lesson since it appears that Jesus is encouraging unscrupulous behavior. The backdrop involves a rich man who accused his manager of wasting the possessions entrusted to him and thus relieved him of his duties. In an effort to secure his future, the manager devised a plan to ingratiate himself to the rich man's debtors by allowing them to remit less than the full amount owed on their debts. In a surprising outcome, the rich man commended the manager for acting shrewdly. Furthermore, Jesus also commends the action and says, "I tell you, use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings."

Contemporary Applications

The approval of the shrewd manager by Jesus seems so unlikely that Dyck, Starke, and Dueck (2006) provide what they refer to as a radical perspective on the parable as follows. Concerning the original loans that were negotiated between the manager and the debtors, it was not the manager who was unjust, but rather there existed an unrighteous socio-economic system that the manager was operating in at the time. Thus by reducing the debtor's burdens, the manager was circumventing the economic system in favor of justice and mercy. So the manager was modeling the character of a righteous man and in so doing, brought honor to the rich man as well. The authors suggest that Jesus is instructing the listeners to redistribute wealth to the benefit of debtors and the poor.

In contrast, an alternate interpretation of this parable is provided by Adewale (2013), who makes several points about the historical context of the story. First, the manager is supervising tenants who are working on the land owned by the rich man and the debts that were ultimately reduced are harvest proceeds or rents. Second, the manager is well within his authority to grant a rent reduction to the tenants and such remission was prevalent in 1st century Palestine. Furthermore, it was more advantageous to the rich man because the act would create a greater dependency of the tenants on the rich man and eliminate the need for the tenants to be expelled from the property. Third, the manager chose his course of action in an effort to retain his position as manager for the rich man. In the final analysis, all three parties have profited from the debt reduction, and Adewale's analysis more closely provides an alignment with stakeholder theory.

Although it takes some difficult maneuvering to turn the shrewd manager into a man of integrity, it is much easier to make the argument for those who hunger and thirst for righteousness as mentioned in the Beatitudes. A current example of this type of individual could be a whistleblower who potentially puts his/her job on the line to correct an injustice or wrongdoing. In an interesting analysis, Avakian and Roberts (2012) equate whistleblowers to the prophets of the Old Testament because they are revealing a hidden immoral act, they challenge order and power, they regard the wider social good motivating them to action, and they are the agents for change.

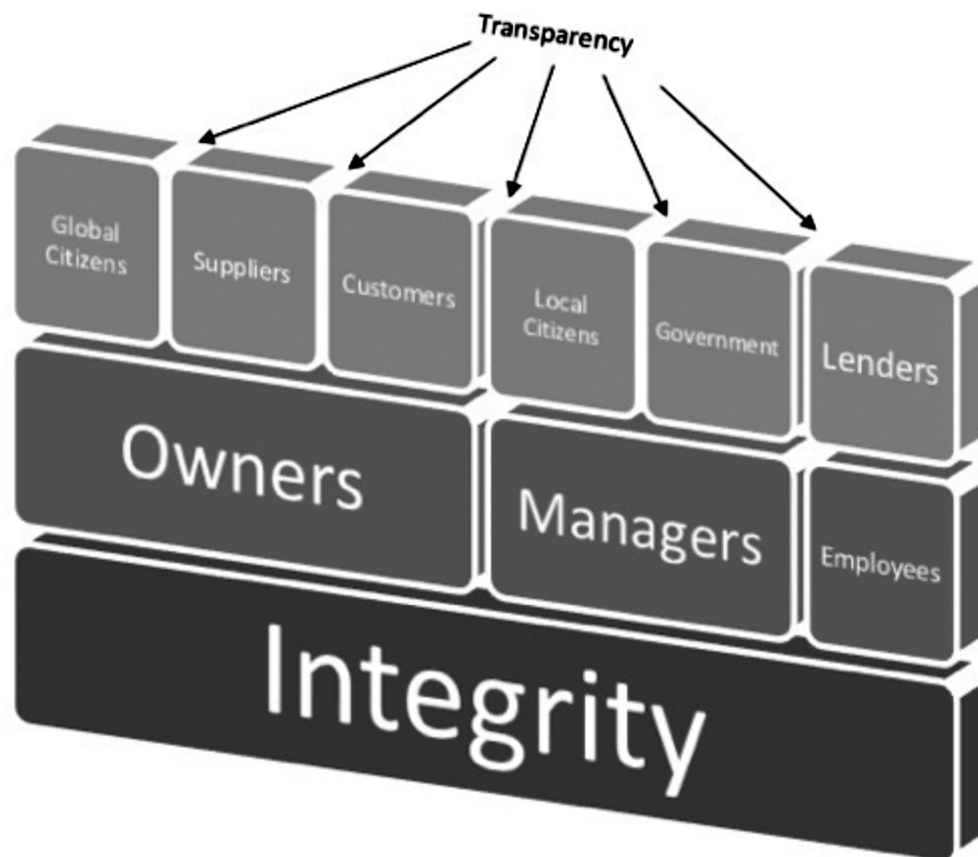
A direct measure of biblical integrity is found in a recent study by McGuire, Omer, and Sharp (2012) who examined the impact of religion on financial reporting. The authors found that "firms headquartered in areas with strong religious social norms generally experienced lower incidences of financial reporting irregularities." They further state that religious norms can reduce the agency costs, which are driven by asymmetric information, thus serving as an alternative monitoring mechanism over financial reporting. In a separate study, El Ghoul, Guedhami, Ni, Pittman, and Saadi (2012) reinforced the benefits of religion in the marketplace when they found that firms located in more religious counties have lower equity financing costs. Further analysis implies that religion plays a corporate governance role particularly for those firms that lack alternative monitoring mechanisms.

In his first letter to the church at Corinth, Paul said, "No one should seek their own good, but the good of others." Biblical integrity is the internal bond of truth found in loving God and loving others as oneself, resulting in the inability to be bought out for the love of money, power, or prestige. It is the core underpinning of one's inner belief system that was identified as a character trait in Isaiah 33:15. And it is contrary to a present competitive world that advances at the expense of others. The true Christian integrity still produces the most effective way of establishing what money cannot buy—genuine internalized goodness externalized in acts of honor and dignity.

INTEGRATING INTEGRITY, TRANSPARENCY, AND PROPORTIONALITY

It is self-evident that integrity, transparency, and proportionality are interrelated within a business organi-

Figure 1: Three Dimensions of Dynamic Ethics



zation. To use a construction analogy, integrity becomes the foundation of a structure and is the most important because it supports the other two components.

Proportionality is represented in the bricks of the wall, where some bricks are by design, slightly larger than others. Transparency is the mortar that holds the structure together. If the foundation of integrity is cracked and starts to crumble, transparency will also likely be chiseled away to hide the misdeed. Likewise, some of the bricks may become so disproportionately large that the foundation cannot hold their weight.

To put the construction analogy into the context of stakeholder theory, it is obvious that the bricks represent all of the stakeholders of the firm. Some bricks are larger than others because their relative contribution to the organization is larger. Where an employee brick is situated next to a manager brick, they are separated by a line of transparent mortar so each can clearly see the load that the other is bearing. The mortar extends from the highest reaches down to the foundation and thus allows each stakeholder to become enlightened. Because the mortar is joined to the foundation in numerous locations, integrity is allowed to permeate the entire structure and reach every brick in the wall.

When transparency exists, proportionality can be revealed and outsiders (as well as insiders) can judge the integrity of the business owner, managers, and other constituents. It is likely that those with the utmost in integrity would be the most vocal proponents of information sharing. As Akerloff pointed out, it is information asymmetry that can lead to an ethical lapse and potential market collapse. Even though a lack of proportionality is the most likely driver of envy and greed, those stakeholders with a biblical worldview will give righteous and compassionate consideration to all other stakeholders of the organization.

As noted by Goossen (2004) in his description of the Christian model of entrepreneurship, the first core element is a God-narrative instead of a personal narrative. Of course, the Christian model can be extended well beyond the entrepreneur to every stakeholder of a business. With

a God-narrative, an individual strives to live according to God's laws rather than just man's laws. He/she does not define his/her purpose and meaning through work but instead interprets the significance of work within the context of all aspects of life. Furthermore, a person with a God-narrative recognizes that the gifts one possesses are not for self-fulfillment, but for the advancement of the Kingdom of God. Thus, the ability to achieve one's calling is through divine help rather than a power from within. Goossen further notes that "the Christian model represents an orientation away from self-centeredness, and a practical outgrowth is the notion of servant leadership."

CONCLUDING REMARKS

In a secular society, cultural norms often dictate the bounds of acceptable behavior. Because individuals operating in the field of finance are part of the larger culture, it may not be surprising that moral values seem absent at times or are at least subdued. No law will ever catch up or preclude the kind of market calamities that are driven by unscrupulous players. To establish trust, financial professionals working in the private and public sector will have to practice the Golden Rule in spite of the fact that Christian beliefs are often ridiculed.

According to James 2:10,"Whosoever shall keep the whole law, and yet offend in one *point*, he is guilty of all." This declaration is echoed by other writers and by Jesus himself. Therefore, it is not possible to compartmentalize ethics. We argue that ethical standards are *multidimensional*, meaning there are interaction effects among all parties. Put another way, everyone works for someone else. Employers are responsible to employees and vice-versa. Both answer to company shareholders in one way or another. Suppliers and lenders have to be paid and regulations must be followed. Governments and their representatives are responsible to their citizens. And the entire system fails if there are no customers.

So is it possible to become successful *and honest* within the world of finance? Whereas laws and regulations are numerous and conflicting, the three-dimensional framework of proportionality, transparency and integrity allows for market dynamics among and between the several parties within concepts that are more simply defined and applied.

Internalized self-importance when left without governing principles oftentimes evolves into arrogant pride and adherent dishonesty in order to advance one's own self-preservation and achievement, thus producing chaos, mistrust and ultimately the breakdown of financial transactions and markets. The element of fair play and honest dealings is what makes a market and affirms that a transaction will be finalized as originally agreed.

ENDNOTES

[1] A spot market is one in which assets are traded immediately, or on the spot.

[2] The risk that the other party to an agreement will default.

[3] The website of the AFL-CIO accessed on July 15, 2016 (http://www.aflcio.org/Corporate-Watch/Paywatch-2014/100-Highest-Paid-CEOs) shows the highest paid CEO in 2015 at Valeant Pharmaceutical International with a listed figure of $143,077,442.

[4] *Business Dictionary* defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources. http://www.businessdictionary.com/definition/corporate-social-responsibility.html. Retrieved January 20, 2017.

[5] According to the Life Application Study Bible, a talent of gold is approximately 75 pounds, or 900 troy ounces. At a current price of around $1,300 per troy ounce, this represents $1,170,000. If the measure mentioned in this verse is a talent of silver, the amount would be considerably less since silver is currently selling for approximately $20 per troy ounce.

[6] Sarbanes-Oxley was a direct result of several corporate and accounting scandals at companies such as Enron Corporation, WorldCom, Tyco International, and others. Dodd-Frank was in response to a credit crisis that started in 2007, emanating from lax lending standards and what some refer to as deceptive practices in the home mortgage market.

[7] An over-the-counter market is one that does not trade at an organized exchange with a physical location. The transactions take place between two parties with no supervision.

[8] Systemic risk is the risk that a default by one financial institution will create a "ripple effect" that leads to defaults by other financial institutions and threatens the stability of the financial system. [See Hull (2017), p. 5]

[9] http://www.forbes.com/sites/susanadams/2016/07/06/mr-big-time-bobs-watches-brought-transparency-to-the-fraud-filled-market-for-used-rolexes/print/. Accessed on 7/27/16.

[10] When people leave, the company repurchases the SRC stock they own. The company also has special trading window days which allows employees to buy or sell stock.

[11] Occupation Safety and Health Administration. For a list that enumerates the 22 provisions listed by OSHA, see http://www.whistleblowers.gov/whistleblower_acts-desk_reference.pdf

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