

Stock Market

By Fr. Archer Torrey

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Dear Father Dae:

As you are no doubt aware there have been stories in the press about the "overheated stock market" and the Seoul stock market handling more shares than ever in its history. Every day there are reports on the stock market. Is there anything in the Bible that bears on this subject? What should be the Christian attitude toward the buying and selling of stocks and shares?

How can we understand the issues involved and the ethics involved? I have an uncomfortable feeling that something is wrong, but I cannot quite put my finger on the essence of the problem. What do you think?

Sincerely yours, in Christ, Nam-goong Sok

Dear Brother Nam-goong:

When I got your letter, my first reaction was that I wished you hadn't asked such a question. I felt as if I didn't know much about it. Of course, when Jesus Abbey was first begun, the simplest form of organization was a stock corporation and we incorporated under the name of "Kwangchon Kae Bal Choo Shik Hoi Sa." This was in order to be sure that it was a partnership (the Greek word for "partnership" is *koinonia*, and that appears in the Bible, in Luke 5:10 where we are told that James, John, Andrew and Peter were partners in the fishing business with Zebedee, the father of James and John. When they followed Jesus, they left the business with Zebedee and the hired hands. But our little *koinonia* did not last. A law came out that required all stock corporations to offer their shares for sale. We were faced with the possibility that someone might buy control of Jesus Abbey and we would no longer own it or be free to follow God's guidance. Since we intended for God to be the real owner, we liquidated the corporation and spent a long time trying to register as a non-profit corporation. The government is, rightly, suspicious of people who register non-profit corporations. It took a long time.

Stock markets have existed for many centuries, but the modern form dates back to about 1720. I wonder if those wealthy trading cities, Tyre and Sidon, did not have such things, but I do not know. What is important is to understand just what the stock market, today, is about.

Let us suppose that a group of people, such as our Galilean fisherman, decide to go into business together. By sharing both the risks and the profits there will be advantages for them all. They pool their resources (whether money or boats and nets), decide how the business is to be run, and they share the profits or the losses. The business goes well, there are plenty of fish, and they buy more equipment and begin hiring employees who are paid for their labor but

have no investment in the business. Whether business is good or bad they have to pay the employees (Mark 1:20). There is no risk to them. They get their wages every day they work. But the partners may discover that the price of fish has gone down and they are not making enough to pay the workers and still make a profit. They will pray for better conditions and hang on until things improve. Or they may decide to go out of business. In any case, they share both the risks and the benefits and they make their decisions together and are their own “bosses,” not having to take orders from anyone else. Each one normally owns one share in the business but if, say, Zebedee’s investment is much greater than that of the young men he might expect to have more than just one share.

Now, suppose the partners see a great opportunity for expanding the business but lack the money to buy the equipment, to pay for a site on which to build their docks, or refrigeration plant, and also to pay the workmen until the profits begin to come in. What can they do? They can go to a bank and borrow the money they need, pay interest and, in time, repay the loan. At this point a moral issue arises: what is a legitimate rate of interest? Since this is the same issue as what is a legitimate dividend on an investment, I will return to it in a moment.

Suppose that the bank does not want to lend the amount of money for whatever reason (they think it is too risky, or the loan is too high). What can the partners do? They can invite other people to come into partnership with them by buying an interest in the business. These others will now be entitled to a share of the profits in proportion to what they have invested, and they get certificates to show that. Since they must know that the business will be run right, they get ownership rights as well as dividends and these “stock certificates” show that.

The essence of the stock market is buying and selling certificates that prove that the owner is entitled to a share of the profits and of the control of a business. The original partners no longer own their own business, but have sold the right to determine its policies to the stockholders. Or the original partners may give themselves a controlling interest and avoid others taking control. If circumstances force them to sell more shares than they want to, say, to modernize the business and remain competitive, another company may buy enough stock to get control.

From the point of view of the people organizing the business, selling shares has one advantage over borrowing from a bank. If they borrow from a bank they have to repay the loan, with interest, whether the business does well or poorly. If they sell shares they do not have to guarantee any specific rate of return on the buyer’s investment. If the buyer becomes dissatisfied and decides to sell out, he may discover that nobody wants a share in this business and he has to sell his shares for far less than he paid for them. The bank takes no risk. The stockholders take the risks. In return, they get partial control of the business and may possibly receive a huge return on their investment, much higher than mere interest.

The stock market reflects investors’ guesses as to which companies are going to make the most money and how much a share in that company is really worth. If a rumor spreads that a certain company is going to be highly profitable, there may be a scramble to buy shares and the buyers begin to bid against each other for the number of shares that are being offered on the market and push the price up and up. This is what happens when the stock market gets “overheated.” If a business recession comes, it may turn out that all the shares are overpriced and there is a rush to sell. Those who are slow to sell may end up holding shares that are almost worthless or,

if the company goes bankrupt, actually are worthless. Then they lose both income and investment and are left with nothing but the ownership of a failure. This is a “stock market crash.”

Is there a point where selling shares is legitimate and a point where it is no longer legitimate? Are there other issues involved? As I said, in order to produce anything, a business needs land (a convenient site for the kind of business or factory that it is) and it needs workers. The money invested in equipment is paying for work done by other companies and is part of the cost of labor, although it is usually referred to as “capital.” It is said that “capital is frozen labor,” that is, the income from someone’s labor goes into cold storage until he needs it and then he invests it where it will help him get a business going. Everything he buys, except the land on which his business is located, is made by human labor. The land is made by God. When land prices are high, the cost of doing business goes up. Beside the landlord, who collects rent for his land, and the various workers who collect wages or salaries, there is one other set of people involved, the consumers, the people who are going to buy what the business produces (whether goods or services). If the price is too high no one will buy. When a business gets into world trade it has to ask whether it can sell its products at a price that will be attractive to buyers in other lands.

If they discover that their goods are too high priced either for the domestic market or for the international market, as the case may be, they have to find ways of lowering the cost of production. It is rarely possible to move the plant to a cheaper location. They have to pay whatever the landlord demands. The only thing they can cut is wages. If the customers are satisfied with the price of the goods and the workers are satisfied with their wages and the landlord is satisfied with his rent, the business may make a good profit, and pay nice dividends to its stockholders. If it has to cheat the customers by charging high prices for shoddy goods, or cheat the workers by paying less than their labor is worth in order to be able to pay dividends, they are in moral trouble. The moral problem of the stock market is that it puts pressure on the business to sell shoddy goods or to pay low wages in order to be able to pay higher dividends. The stockholders are so far removed from the actual running of the business that they may not be aware of whether the customers or the workers are being exploited. All they want is the biggest dividends. This attitude is referred to in the Bible as greed and we are told that it is a form of idolatry.

The Bible denounces those who oppress the laborer: (Deuteronomy 24:14) *Thou shalt not oppress an hired servant that is poor and needy, whether he be of thy brethren, or of thy strangers that are in thy land within thy gates.* (Malachi 3:5) *I will come near to you to judgment; and I will be a swift witness against the sorcerers, and against the adulterers, and against false swearers, and against those that oppress the hireling in his wages, the widow, and the fatherless, and that turn aside the stranger from his right, and fear not me, saith the LORD of hosts.* Please note that exploiting the workingman is in the same class, from God’s point of view, as witchcraft, adultery, perjury, taking advantage of widows and orphans and denying rights to foreign workers. The Apostle James says of the rich who underpay their workers (James 5:4) *Behold, the hire of the labourers who have reaped down your fields, which is of you kept back by fraud, crieth: and the cries of them which have reaped are entered into the ears of the Lord of Armies.*

There are also many passages with regard to the rights of consumers, such as Micah 6:10: *Are there yet the treasures of wickedness in the house of the wicked, and the short measure that is an*

abomination? Shall I count pure those with the wicked balances and the bag of deceitful weights? This refers both to cheating the customer and to inflation (which cheats both the customer and the worker).

Let us assume that the stockholders do not force the company to do any of these things and it is run clean and decently. Is there any other moral issue? Yes. We come to the issue of whether it is right to make money without working. Collecting interest and receiving dividends on stocks is, morally, speaking, the same thing. If the return is so high that the lender of money or the buyer of stocks can live in ease without working, he is being supported by some else's sweat and labor.

The Bible not only forbids the taking of interest but says that no one should expect to eat if he does not work. (2 Thessalonians 3:10-12) *For even when we were with you, this we commanded you, that if any would not work, neither should he eat. For we hear that there are some which walk among you disorderly, working not at all, but are busybodies. Now them that are such we command and exhort by our Lord Jesus Christ, that with quietness they work, and eat their own food.*

What is a reasonable rate of interest? Enough to equal the rate of inflation plus the cost of handling.

I know a bank in Pittsburgh, Pennsylvania (USA) which was organized for the specific purpose of lending money to poor people so that they could buy homes. Mr. Robert Lavelle, the President, and his son and staff work far harder than any other bankers I know to accomplish this purpose. They charge rates of interest that will barely sustain the operation, and they pay low interest to their depositors in order to be able to give these low interest loans to their borrowers. When the borrowers become discouraged and want to give up and let the bank have the house (the bank could make money selling the house to someone else) they will go to the borrower and plead with him not to give up. Mr. Lavelle spends many evenings sitting in the kitchens of Pittsburgh's poor, pleading with them not to despair, and working out ways of extending the loans. I wish I knew more pastors with the kind of shepherd's heart this man has. He says that is able to do it only because he received the baptism in the Holy Spirit. But the Dwelling House Savings and Loan Co. has a serious problem. They cannot expand their business and they cannot help more people because no one wants to deposit money in their bank at lower-than-market rates of interest. The only obstacle to the operation is the greed of Christian (and other) investors who want the highest possible return on their investment without regard to the human side of the equation.

There are other ways of amassing capital to finance housing and other enterprises. They are Credit Unions, Credit Co-ops, Cooperative Banks, and Community Land Trusts. In America there are a number of such organizations and they are doing good work. They all suffer from the same problem as the Dwelling House Bank: not many people want to invest in their projects. The church is often concerned for the urban poor and has feeding programs and other ways of helping them, such as Habitat for Humanity, but the churches and the para-church organizations rarely address the basic issue of justice, which the Bible identifies as land. Low-interest loans are not a matter of justice, but of mercy.

Is there any legitimate way Christians can use the stock market? I can imagine one. Suppose a group of Christians see a business that they feel is legitimate, producing a useful project and providing jobs, but it is being forced to choose between overpricing products or underpaying workers because only so can they keep their shares on the stock market and have the operating capital they need. The Christian group could buy most of the company's shares, then use their influence to encourage the company both to pay the workers more and to sell a better product at a lower price. If, when they sold their shares they received only their money back plus the amount lost by inflation, they would, it seems to me, be following Biblical principles. I am assuming that they will not sit idle and live off the company, but are investing extra money of which God has made them stewards while they go on with their own work and "eat their own" rice.

Here in Korea, there is one acute problem that is ruining businesses, and forcing businesses to underpay their workers through no fault of the management. That is the high price of land. Korea's land is so overpriced that it is said to be equal to the value of all the land in the United States. This means that an excessive part of the cost of production is the rent of land. Korean products have to be priced so high that they cannot compete in world markets, especially when the competitors are those who ruthlessly exploit their labor and pay less than living wages. If the Korean Christians want to help their country to prosper economically, they must join with one voice and insist that land be taxed at its full value. That will bring down the inflated price, cut the operating costs of every Korean industry and business, and make possible paying the workers a decent wage. Then, if Christians would buy shares in businesses as stewards of God's money without demanding exorbitant profits, we would see a really beautiful picture of God's justice at work. The number of unemployed and other unfortunates would be so small that they could all be cared for by works of mercy. Micah 6:8 puts justice first, works of mercy second, and religion ("walking humbly with your God") third. If we are really walking humbly with our God we will listen to his voice, obey his orders, and attend to justice and mercy. For those who do not know God, doing justice and mercy is almost impossible. The natural man is greedy and ready to exploit his neighbor if he can get away with it. Only the supernatural man, the one who has been "born again" by the Spirit, can have the power to obey God and establish justice.