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Classes in Maximizing Shareholders' Wealth: Irving Fisher's Theory of the Economic Organization in Corporate Financial Economics Textbooks

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ABSTRACT

Corporate financial economic programs are almost universally featured in economics and management degrees and, therefore, are an essential component of the culture-building process for current and future economists and managers. Nevertheless, these programs are not restricted to financial affairs. A survey of contemporary academic textbooks in corporate financial economics shows that these books are based on promoting Irving Fisher's (1906) specific theory of the organization, which advocates that organizations exist to create wealth for their owners/shareholders. This theory has three key premises. 1) The "correct" equity/stock prices are equal to future cash flows that are payable to the organizations' owners/shareholders. 2) The purpose of the firm and its managers is to maximize the value of the equity/share prices. c) Hence, their purpose is to maximize the cash flows (wealth) payable to owners/shareholders. None of these premises has been clearly demonstrated empirically. Yet, economic and business schools deliver lectures based on this rhetoric every year to thousands of students who will later hold influential roles in society.

KEY WORDS: financialisation, financial economics, finance, Irving Fisher, textbook, economic sociology

JEL Classification: A11, A12, A13, B26, G, D2, G3, L2, M2

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Introduction

Academic programs in corporate finance are not just for lecturing and guiding current or future financial executives. Those programs target an entire community of economists, managers, sociologists, and others whose professional lives are connected to real-life organizations. For instance, both a Masters of Business Administration (MBA) student who is interested in sales and a Bachelors of Economics student who is interested in developmental economics will have to pass one or more courses related to corporate finance. Academic degrees in areas such as economics, management, and business administration at all levels of academia generally require at least one course in corporate finance. In his survey of the core curricula of MBA programs at top-ranked U.S. business schools, Navarro (2008) found that all programs included a course in corporate finance. Although often neglected, financial business education plays an important role

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in legitimizing and discussing idealized decisions and actions (Hall & Appleyard, 2012). Indeed, as has been correctly pointed by Jakóbik (2011), theory related to the economy might be one relevant cause of economic crises. Therefore, within the context of corporate finance programs, this study addresses a key phenomenon with implications for economy and society.

Markets and economies depend on cultural meanings (Alexander, 2011). Academic programs in corporate finance may convey to students a specific meaning for organizations. The current paper demonstrates that those academic programs promote: 1) a specific theory of the organization, which defines that the 2) purpose of every organization is to maximize the wealth of their owners/shareholders and, thus, to promote societal financialization, a phenomenon that is generally studied in economic sociology. Societal financialization encompasses the growing importance of financial over nonfinancial activities as a profit source.

Each year, mainstream financial economics is widely lectured to thousands of talented young persons (Fourcade & Khurana, 2013; Navarro, 2008) who will later become top executives, public servants, researchers, politicians, or community leaders, or will perform other prominent societal roles. Some of these students will even join the corporate elite (Jung, 2014; Maclean, Harvey, & Chia 2012; Maclean, Harvey, & Kling, 2014; Mizruchi, 2013; Reed, 2012; Thomas, 1984; Zald, & Lounsbury, 2010). As suggested by Goshal (2005), flawed theories may harm good management practices. Short of learning about alternative theories and methods, students may become the most incisive ambassadors for a dogma of financialization. For these reasons, academic books and lectures in finance/financial economics are part of a relevant societal process that enhances the trajectory of contemporary societies towards financialization.

To elucidate this process, the current paper presents the results of a survey of a sample of leading textbooks on corporate finance taught at contemporary business and economic schools. The findings provide the first demonstration that textbooks in corporate finance/financial economics actively promote the financialization of contemporary societies, a phenomenon generally studied in economic sociology but not in corporate finance classes.

This article is organized as follows. In the next section, the paper presents a theoretical review of Irving Fisher's theory of the organization and its potential link to societal financialization. The third section describes the research questions, while the fourth section discusses the methodology and sample of academic textbooks in corporate finance that were studied in this paper. The fifth section presents the major findings obtained from this sample. The findings are discussed and conclusions are presented in the final section of the paper.

Theoretical Review

Irving Fisher's Theory of the Organization

During most of his life, Irving Fisher was a very popular and prominent American economist. However, his reputation was deeply disturbed by the post-1929 crisis and resulting economic contraction. Fisher had written that such a crisis would be highly unlikely (Allen, 1993; Fisher, 1929; Fox, 2009), and he lost a large amount of his own invested money when the stock market collapsed (Allen, 1993; Bryer, 2013; Dimand, 2007; Fox, 2009; Galbraith, 1977).

During his lifetime, Fisher's reputation and financial stability never fully recovered from those events (Allen, 1993; Bryer, 2013; Fox, 2010; Dimand, 2007; Galbraith, 1977).

Fisher's theory of organizational value and purpose was created many years before 1929. The procedures of valuating investments through projections of future cash flows and discount rates existed before Irving Fisher. For instance, they were used by Simon Stevin of Bruges as early as 1582 (Parker, 1968) and Bohm-Bawerk in 1903. However, Fisher was the first author to associate discounted cash flow methods to the overall market value of organizations (Fisher, 1882; 1906; 1929; 1930a; 1930b; Parker, 1968; Stigler, 1950). In Fisher's view of the firm, organizational value can be found by discounting projections of future cash flows payable to owners of financial securities. In other words, value is determined through predictions of how much cash will flow in the future to the owners of the capital, adjusted by a rate to correct for the temporary monetary worth (from a current-day perspective, inflation will depreciate the nominal worth of future cash flows). Frequently, this form of computation is called the net present value (NPV). Fisher's framework claims to describe prices and values. Cash flows generated in the future (they may go until eternity) discounted by some rate would be equal to an organization's value and would allow the identification of its "correct" stock prices. Accordingly, one would need to project the (unpredictable) future to compute the organizational value and utility functions, imagining future sales, costs, assets, liabilities, etc.

Mainstream economists praise Irving Fisher for being the first person to examine the measurability of the utility function and its relevance to demand theory (Miller, 1988; Stigler, 1950). Indeed, the utility function that is commonly used in contemporary mainstream economics can be traced back to Fisher's work. However, it is not the case that the discounted cash flow method was forgotten from Fisher's time until Modigliani and Miller's (1958) work. Other scholars used or discussed discounted cash flow models before Modigliani and Miller (e.g., Coase, 1952; Gort, 1951a, Gort, 1951b; Samuelson, 1937). Nonetheless, Modigliani, and Miller's (1958) article is often credited as the starting point for contemporary mainstream financial economics (e.g., Harris & Raviv, 1991; Myers, 2001; Titman, 2002). The only surviving author, Merton Miller, received the Prize in Economic Sciences in Memory of Alfred Nobel for this work in 1990.

It is puzzling, then, that Modigliani and Miller (1958) make no reference to Irving Fisher in their work. Only much later would Miller (1988, p. 103) assume that he and Modigliani had adopted Fisher's view of the firm, in which the corporation is a "black box" into which operating activities are placed. Miller explains that he and Modigliani opted for:

Irving Fisher's view of the firm—now the standard one in [mainstream] financial economics, but then just becoming known—[that] impounds the details of technology, production, and sales in a 'black box' and focuses on the underlying net cash flow. The firm for Fisher was just an abstract engine transforming current consumable resources, obtained by issuing securities, into future consumable resources payable to the owners of the securities (Miller, 1988, p. 103).

Moreover, Fisher was mostly concerned with capital and not directly concerned with organizations. Hence, Fisher had direct views of capital, revenue, wealth, and utility, but did not exposit a direct view of organizations. However, the Fisherian view can be used to present a concrete theory to explain why organizations exist, and a Fisherian view of organizations can be developed (Cardao-Pito, 2017a).

Fisherian notions of the organization and corporate value are, in themselves, rhetorical claims that are used to defend the idea that the purpose of the firm is to maximize shareholder value. This relationship is built through a syllogism involving three premises:

1. "Correct" stock prices are equal to the future cash flows that are payable to the owners/shareholders of the firm.
2. The purpose of firm and its managers is to maximize the value of share prices.
3. Hence, one can conclude that the purpose of the firm is to maximize the cash flows (wealth) that are payable to owners/shareholders, and that firms must be organized towards this primary goal.

These three premises are dogmatic in nature because they have never been empirically demonstrated. For instance, there is no systematic evidence that stock prices are equal to the future cash flows that are payable to owners/shareholders (Bougen & Young, 2012; Callen, 2015; Mouck, 1992; Shiller, 1981; 1984). Furthermore, using quantitative tools to suggest the "correct" stock prices and firm values may give a pretense of accuracy to estimates that are highly speculative and uncertain (Cardao-Pito, 2012).

Fisherian Ideas and Promotion of the Shareholder Value View

According to Cardao-Pito (2017a; 2017b), Fisher's view of organizations provides theoretical support for the financialization of contemporary societies, which refers to the growing importance of financial activities as a source of profits (e.g., Azkunaga, San-Jose, & Urionabarrenetxea, 2013; Baud & Duran, 2012; Bay & Schinckus, 2012; Blasiak, 2010; Cardao-Pito, 2017a; Davis, 2009; Epstein, 2005; Falkowski, 2011; Hiss, 2013; Krippner, 2005; 2011; Milberg, 2008; Stockhammer, 2008; Zwan, 2014). At the core of financialization is the idea that organizations should be managed as though maximizing the shareholders' financial wealth is the only possible or legitimate goal (e.g., Aglieta, 2000; Boyer, 2005; Bigio, 2010; Brocklehurst, Grey, & Sturdy, 2010; Davis, 2009; Fiss & Zajac, 2004; Goldstein, 2012; Goutas & Lane, 2009; Jones & Nisbet, 2011; Lazonick & O'Sullivan, 2000; Mizruchi, 2013; Morgan & Takahashi, 2002; Prechel & Morris, 2010; Stockhammer, 2008, Tengblad, 2004; Thompson & Harley, 2007; Tomaskovic-Devey & Lin, 2011; Zorn, 2004; Zwan, 2014). However, it is not clear how societal financialization and shareholder value postulates ever became so widely accepted within the corridors of power (Allon & Redden, 2012; Montgomerie & Williams, 2009; Cardao-Pito, 2017a). As noted by Davis (2009, p. 87), what would have sounded like a radical provocation in the 1970s—that firms exist mainly to maximize shareholders' wealth—had become the "common sense of corporate America (and other countries) by the 1990s". Furthermore, these findings show that whereas organizational theory seems averse to the problematization of its core research object—namely, the organization (Lopdrup-Hjorth, 2015)—a very persuasive albeit feeble theory of the organization is being promoted in business and economic schools.

Thus, the current paper contributes to the study of conditions that enhance the process of financialization. In recent decades, leading business and economic schools may have spread a creed of financialization through their programs in corporate finance/financial economics that are yearly lectured to thousands of students.

Research Questions

This research project pursues three research questions. The first question regards whether Fisher's view of organizations is found in corporate finance textbooks. Modigliani and Miller (1958) are generally credited with launching the field of corporate financial economics (e.g., Harris & Raviv, 1991; Myers, 2001; Titman, 2002), but Fisher's view precedes their work by many decades. The discovery that these textbooks use the Fisherian view would elucidate the origins of a very influential economic theory and would demonstrate that corporate finance textbooks are not merely about financial decisions (i.e., because they would be promoting a theory about organizational purpose). The second research question concerns Cardao-Pito's (2017a; 2017b) hypothesis that the Fisherian framework argues that the purpose of organizations is to maximize the wealth of owners/shareholders, which, in turn, is a key component of the financialization of contemporary societies. This study investigates whether corporate finance textbooks explicitly state that an organization's purpose is to maximize shareholder/owner wealth. The answer to this question will provide evidence to support or refute Cardao-Pito's (2017a; 2017b) hypothesis. The third research question regards how intensely textbooks utilize the Fisherian view. The research will examine whether textbooks provide alternative theoretical explanations to the Fisherian view in describing the purpose of organizations.

Methodology and Sample

Methodology

The study will employ two main technologies of qualitative inquiry: survey and qualitative content analysis. In the survey methodology, a sample is used to make inferences about a population (Cardao-Pito, 2016; Sapsford, 2007; Scheuren, 2004). In this study, the population comprises corporate finance classes that are lectured at business and economic schools around the world. Inferences about this population will be made through qualitative content analysis of the course textbooks as the sample. By drawing inferences from a sample of textbooks, rather than directly questioning lecturers or students via questionnaires or the Internet, this study will avoid some common problems in survey research (e.g., issues of nonresponse or bias). Inferences produced in this paper assume that the textbook contents accurately reflect the contents of lectures made by the books' authors, who are either invited or tenure-track faculty in finance/financial economics. For example, Stephen Ross, the author of one textbook in the sample (Ross, Westerfield, & Jaffe, 2004), is a professor of financial economics at MIT. This research assumes that the content of his corporate finance course aligns with the content of his textbook. The same assumption applies to the lectures of authors of other textbooks in the sample.

Content analysis is a research strategy for making inferences by objectively and systematically identifying specific characteristics of messages (Holsti, 1969; Krippendorff, 1980; Stemler, 2001; Tipaldo, 2014). This research strategy employs a systematic and replicable technique for condensing many words of text into fewer content categories based on explicit coding rules (Berelson, 1952; Krippendorff, 1980; Weber, 1990; Stemler, 2001). For the current study, coding was produced to address the three research questions presented in the previous section. Content analysis can be used to obtain reproducible results for other researchers who investigate the same sample (i.e., corporate finance textbooks). The aim of this study is to achieve trustworthy findings through credibility, dependability, conformability, transferability, and authenticity (Elo, Kääriäinen, Kanste, Pölkki, Utriainen, & Kyngäs, 2014).

Sample of Academic Textbooks in Corporate Finance

Criteria for inclusion of a textbook in the sample are as follows. First, the book must be an academic textbook in the English language that covers the subject of corporate finance. Most of the textbooks in the sample have exam-type exercises at the end of each chapter. Second, the book must be a contemporary edition (published in the 21st century). Third, to avoid redundancy, the sample should only contain one book by each author. The sample was built by using Amazon (www.amazon.com) and academic libraries.

The sample encompassed 36 textbooks written by 65 different authors. A search on Amazon demonstrates that this sample is much smaller than the population of all textbooks about corporate finance written in English and currently lectured at economic and business schools. Appendix A identifies the sample books. These books have three types of authors. Type 1 authors are *faculty members at top-100 business and economic schools, as ranked by Financial Times' 2013 Global MBA ranking*. These 22 authors (33.8% of all authors) include a subset of authors who are associated with schools ranked in the top 10, such as London Business School (University of London), MIT, Wharton School of Business (University of Pennsylvania), and INSEAD. Type 2 authors are *faculty members at business and economic schools other than those described in Type 1*. This group of 31 authors (47.6%) still reaches relevant audiences of students in preeminent schools around the world, such as the Norwegian University of Science and Technology, London School of Economics and Political Science, California Institute of Technology, Leeds School of Business, and others. Type 3 authors are *consultants/investment advisors*. These 12 authors (18.5%) are regularly invited to lecture at universities, and their books are included in academic libraries.

The sample contains nine books that were among the 20 bestselling "corporate finance" books on Amazon in December 2013. The number of books in this category was limited by the criterion of not including more than one book by any one author in the sample. Several authors have multiple books among the top 20 bestsellers in corporate finance (e.g., Brealey, Myers, 2003; Ross, Westerfield, & Jaffe, 2004). These nine bestselling books can be seen as leading books in the field. It can be assumed that these nine books are not only used by their authors but by academic programs at many universities around the world. Five books in the sample were ranked between the top-21 and top-50 bestselling books. Another 22 books were not featured among the top-50 bestselling books in corporate finance on Amazon as of December 2013; however, this fact does not mean that they do not reach substantial audiences.

All books in the sample were recently published in the 21st century. However, it would be incorrect to situate these books only in the 21st century, as editions of some of the leading books have been published since the 1980s. As reported in Table 1, Brealey and Myers (2003) is the 7th edition of a book that was first published in 1981. Likewise, Ross, Westerfield, and Jaffe (2004) is the 7th edition of a book that was initially published in 1988. Given the longevity of these books, they cannot be considered as mere management fads or sets of buzzwords, as studied by Cluley (2013), Sorge and Witteloostuijn (2004), or Abrahamson and Fairchild (1999).

Findings

Corporate Finance Textbooks are based upon Fisher's Theoretical Concept of Organizational Value and Market Price

Regarding the first research question, the findings in Table 2 show that all of the sample books (mean = 1, standard deviation [SD] = 0) promote the discounted cash flow model to explain firm valuation and market prices, ideas that were introduced by Irving Fisher (1882; 1906; 1929; 1930a; 1930b) and reintroduced to financial economics by Franco Modigliani and Merton Miller (1958). The number of chapters used to explain Fisher's theoretical concept varies from book to book,

Table 1. Example of the longevity of two successful books in Corporate Finance

Authors	1st Edition	2nd Edition	3rd Edition	4th Edition	5th Edition	6th Edition	7th Edition
Brealey and Myers	1981	1984	1988	1991	1996	2000	2003
Ross, Westerfield and Jaffe	1988	1990	1993	1996	1999	2002	2004

Table 2. Analysis of the first research question: Are the books based upon Fisher's concept of organization value and market price?

Type of book	N	Mean	Standard Deviation	Minimum	Maximum
Books based on Fisher's framework	36	1.000	0	1	1
Number of book chapters used to explain Fisher's concept of value and market price	36	5.722	2.146	1	10
Does the book identifies Fisher as the author of value and market price concept?	36	0.194	0.401	0	1

ranging from 1 to 10 chapters (mean = 5.722, SD = 2.146 chapters).

These findings confirm that the books and the academic programs supported by these books are based on Irving Fisher's concept of organizations. Hence, although the genesis of contemporary corporate finance theory is generally attributed to Modigliani and Miller (1958) (e.g., Harris & Raviv, 1991; Myers, 2001; Titman, 2002), this reference is not correct. Only a relatively small proportion of the sample books acknowledge Irving Fisher as the author of the subjacent notions of the firm and firm value (mean = 0.194). The other books take these concepts as a given. The few books that do reference Fisher as the conceptual author do so mostly in footnotes or "further recommended reading" sections. This elimination of original sources may be regarded as rhetorically powerful because it gives students the erroneous impression of consensus about Fisherian concepts, such as the meanings of NPV and corporate value and, as shown in the next section, the purpose of corporations.

Corporate Finance Textbooks Explicitly State that an Organization's Purpose Is to Maximize the Wealth of Shareholders/Owners

Most books in the sample are not satisfied with merely *implying* that maximizing shareholder value must be the primary purpose of every organization. Indeed, 0.75 (75%) of all books in the sample (SD: 0.439) deliver a written statement in the first two chapters that the purpose of every firm must be to maximize shareholders' value (wealth), and that this goal is superior to any other possible goal for the firm. It seems reasonable to assume that this same statement is reproduced by lecturers in classrooms from the first or second week of classes. Table 3 gives evidence of these statements from bestselling books in corporate finance.

The 0.25 of all textbooks that do not make similar specific claims in the introductory chapters convey the same ideas by adopting the Fisherian concept of firm value. On the basis of this information, we can identify an explanation for the rapid diffusion of a theoretical background that supports financialization of contemporary societies.

Major Themes Addressed in the Sample Books

To complement the answers to the two previous research questions, Figure 1 describes the major themes

Table 3. Analysis of the first research question: Are the books based upon Fisher's concept of organization value and market price?

Book	Quote
Brealey and Myers (2003, p. 5)	*"As we will see in the next chapter, the fundamental financial objective of the firm is to maximize the value of the cash invested in the firm by its stockholder. "*
Ross, Westerfield and Jaffe (2005, p. 15)	*"It is necessary to precisely identify who controls the corporation. We shall consider the set-of-contracts viewpoint. This viewpoint suggests the corporate firm will attempt to maximize shareholder's wealth by taking actions that increase the current value per share of existing stock (shares) of the firm."*
Berk and DeMarzo (2014, p. 10)	*"In theory, the goal of a firm should be determined by the firm's owners. A sole proprietorship has a single owner who runs the firm, so the goal of a sole proprietorship are the same as the owner's goal. But in organizational forms with multiple owners, the appropriate goal of the firm – and thus of its managers – is not as clear. Many corporations have thousands of owners (shareholders). Each owner is likely to have different interests and priorities. Whose interests and priorities determine the goals of the firm? Later in the book we will examine this question with more detail. However, you might be surprised to learn that the interests of shareholders are aligned for many, if not most, important decisions. That is because regardless of their own personal financial position and stage in life, all the shareholders will agree that they are better off if management makes decisions that increase the value of their shares. "*
Adair (2011, p. 17)	*"The major goal of a corporation's financial manager should be to maximize the value per share of the existing stock, though 'maximizing shareholder wealth' or 'maximizing stock price' are other common ways to state this same goal. As we will see, this goal also motivates the capital budget decision rules that we have discussed briefly in the last chapter – firms will only accept projects if they add [shareholder] value to the firm. "*
Damodaran (2001, p. 11–12)	*"In the introductory chapter, we noted that the objective in corporate finance is to maximize the value of the firm. Investment, financing, and dividend decisions, we stated, should be directed towards this objective. In this chapter, we recast this objective more narrowly. To see why, consider how a firm, especially one that is publicly traded, is structured. The stockholders of the firm hire managers to run the firm for them. Managers make the decisions on which investments to take, how to finance them, and much to return to stockholders. The firm borrows money either from banks or issuing bonds; these lenders enter into agreements with the firm, specifying what assets the firm will offer as security on the borrowing and what the firm can and cannot do in the future periods. Although the firm includes both equity investors and lenders, we could argue that the lenders can protect themselves contractually and that managers should therefore focus on maximizing the wealth of those who hired them in the first place – the stockholders. Thus, the objective is narrowed from maximizing firm value to maximizing stockholder value or stockholder wealth."*

addressed in at least one specific chapter in the sample books. All of the books have at least one chapter introducing mainstream financial economics and another chapter explaining the Fisherian model for valuating the firm (i.e., NPV framework). All of the books have at least one chapter discussing the relationship between return and risk, which can be simplified as the relationship between the projection of future cash flows and discount rates in the Fisherian view. Almost all of the books (0.97) use those tools to make predic-

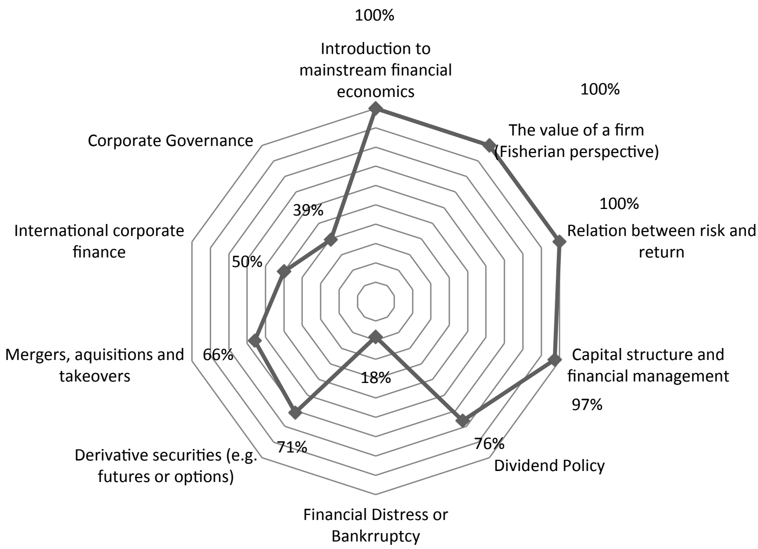

Figure 1. Major themes addressed in the sample books with at least one specific chapter

tions about the capital structure of firms, which are entirely based on the NPV concept. Moreover, 0.76 of the books use the same tools and theories to give directions about the dividends and other payments that firms ought to pay to their owners/shareholders.

Several of the books have chapters that address other interconnected topics that can be addressed within the Fisherian framework. The theme of derivative securities (e.g., options and future contracts) is increasingly popular, with 0.71 of all books dedicating at least one chapter to this concept. Derivative securities are generally used to develop the Fisherian valuation of firm but with slightly more complicated mathematical formulas than are typically associated with this type of securities.

A chapter discussing firm mergers, acquisitions, and takeovers through a Fisherian lens is included in 0.66 of all books. These operations are typically considered as good choices when the Fisherian NPV is positive and poor choices otherwise. Half (0.50) of the books have a chapter discussing issues in international corporate finance, noting that currency exchange and other international risks affect the Fisherian projection of future cash flows and discount rates. Additionally, 0.39 of all books address the issue of corporate governance, generally from the viewpoint of owners/shareholders. Although the sample books are about corporate finance, only 0.18 of them include a specific chapter about financial distress and bankruptcy, important preoccupations for financial managers of real-life firms. Indeed, the risk of bankruptcy and lack of solvency could be the most relevant risks that financial managers face (Broll, Sobiech, & Wahl, 2012). However, these themes are addressed only at some length within other chapters.

Corporate Finance Textbooks Ignore Alternative Theoretical Explanations to the Fisherian View of Organizational Purpose

As described in Table 3, the sample books do not make connections with other social sciences, treating mainstream financial economics as though it were sufficient to explain all existing economic phenomena. Although all of these books were published recently, none of them has even one specific chapter

Table 4. Analysis of the Third research question: Do the Textbooks Provide Alternative Theoretical Explanations to the Fisherian View Regarding Organizational Purpose?

	Does the book have at least a chapter related to:	N	Mean	Standard Deviation	Minimum	Maximum
1	Economic sociology	36	.000	.000	0	0
2	Other social sciences	36	.028	.167	0	1
3	Behavioral economics/finance	36	.194	.401	0	1
4	Discussing limits of Fisher's theoretical concepts	36	.083	.280	0	1
5	Alternative valuation methods	36	.472	.506	0	1

that presents or discusses links to economic sociology where organizational studies would be included. Hence, these books miss the phenomenon of societal financialization that is generally studied in economic sociology. One should not expect to find either classic or contemporary theories about organizations in these books—apart, of course, from the Fisherian view of organizations. Only one book makes connections to other social sciences (0.028), namely the study of the law, but that anomaly might be because its author is a faculty member at New York Law School.

In 0.194 of books, at least one chapter is dedicated to behavioral economics. This field can be considered as a variation of mainstream economics, in which the Fisherian utility function is modified by behavioral, psychological, environmental, or other factors. Nearly half (0.472) of the sample books have a chapter comparing the Fisherian tools for firm valuation with other traditional, ratio-based methods. However, all of these books conclude that the NPV framework is, by far, the best method.

Only 0.083 of books contain a specific chapter addressing the limitations of Fisherian notions, such as whether they might be ethically questionable or problematic to interests of other corporate stakeholders (e.g., customers, workers, suppliers, communities, governments, etc.). However, even those few books that mention ethics are very far from dismissing the Fisherian notions as highly unethical.

Finally, no book in the sample includes any other theory to explain the purpose of organizations other than the Fisherian concept. In this regard, the sample exhibits a high degree of homogeneity. Although many business schools have endeavored to include programs in ethics in their broad curricula, they increasingly risk creating a gap between their upbeat rhetoric around ethics education and their actual MBA curriculum (Rasche, Gilbert, & Schedel, 2012). These findings exemplify the concrete case of programs in corporate finance.

Conclusion

Corporate finance classes are currently included in most programs awarding degrees in management or economics. Hence, they are part of the culture-building process of future and current managers and economists. We must not ignore the organizational theory that is being conveyed to students in those classes. Given the isolation of academic disciplines at contemporary universities, one could be wrongly persuaded that finance classes are merely studying and discussing financial decisions.

This paper demonstrates that the origin of contemporary financial economic programs lays not in Modigliani and Miller (1958), but in Irving Fisher's view of the organization (Fisher, 1882; 1906; 1929; 1930a; 1930b). Furthermore, this study shows that academic programs in corporate finance/financial economics are actively conveying a specific organizational theory to students, which may have important consequences for how students perceive organizations. This theory tells students that the only stakeholders who are really relevant to organizations are the owners/shareholders. This observation is relevant for business schools. For instance, suppose that a certain school is trying to implement a program in business ethics and social responsibility to alert and teach students about an important theme for organizational activities and responsible management. The school must be aware that lecturers in corporate finance classes are promoting a creed of shareholder value to the same students.

In corporate finance classes, the Fisherian formula that is used seems straightforward to lecture in classrooms. It has three premises: 1) "correct" stock prices are equal to future cash flows that are payable to owners/shareholders, and 2) the purpose of firm and its managers is to maximize the value of share prices. Therefore, 3) the purpose of the firm is to maximize cash flows payable to owners/shareholders, and firms must be organized towards this primary goal. Although none of these premises has been clearly demonstrated empirically, they seem to be lectured as dogma.

The textbooks in this sample generally make no connection to other social sciences, contradictory findings, or counterarguments. The Modigliani-Miller-Fisher framework is lectured in the form of "practical applications" (i.e., of increasing shareholder value), with exam-type exercises at the end of each chapter. The dogmatic approach by which these textbooks express their message is of special relevance because their underlying organizational theory is based upon premises that have never been clearly proven. If none of those premises is true, then the entire theory that supports maximizing shareholder value collapses. The same implications apply to the financialization of contemporary societies. Corporate finance textbooks must, at minimum, raise the possibility that these three premises might not be correct.

We may need a new commitment to rigor and inquiry, and may need to challenge key assumptions of the canon embraced by business and economic schools (Montgomerie & Williams 2009; Samuelson, 2006). Problems studied in corporate finance might rank among the most important questions in economics and management. How can an organization progress without adequate management of its financial sources? What activities should an organization invest in? How do markets function and react to firms' activities? Should an organization pay more, less, or no dividends, or alternatively make more, less, or no reinvestments? These examples illustrate just a few of the many fundamental questions studied in finance. One must not confuse the importance of such financial questions with the domain of answers containing the Modigliani-Miller-Fisher framework. Scholars who are not entrenched in mainstream economics must try to address these same important questions.

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