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What 'The Economist' Meant to Say …

By Patrick O'Meara

(An abridged version of this article was posted in the National Catholic Register on December 3, 2012 - http://www.ncregister.com/site/article/what-the-economist-meant-to-say)

"Earthly Concerns," an August 18th article in *The Economist* on Catholic Church finances, sharply criticizes the Church's management of her temporal resources in the wake of the sexual abuse scandal.

The criticism is made along three lines: Firstly, the Church does not manage her financial affairs well; secondly, she is irresponsible with regard to accounting and transparency; and finally, the U.S. taxpayer is largely and unwittingly paying for the Church's sexual abuse settlements. These three theses appear as questions that *The Economist* wishes to investigate, but instead are made as assertions with questionable supporting data. At their base these questions appear to be a call for reformation or improvement in the care of the Church's assets. However, in reading the article it becomes clear that *The Economist* does not understand the Church per se, so the intention of reform is not served by the article.

Of course, *The Economist* questions the Church from a corporate view of the world, not from the framework by which the Church herself makes decisions. What makes the Church impactful to society is not her economic prowess but the activity of the people of God geared toward building a more just society as the Church proclaims the gospel to all nations. The Pope does not serve as the CEO of a corporation, and the Church in America is not a single entity; it is massively decentralized—a reality that is profoundly misunderstood and one *The Economist* seems to find inconvenient. A simple civil analogy given by the Judge in the Ronan Case in Portland sheds light on how the Church operates. The Judge ruled that the Vatican is not an employer of priests any more than the Oregon Bar association is the employer of lawyers because it has the power to disbar them[1].

The temporal gifts (assets) of the Church are to be used, understood, and valued only within the context of the transcendent. If we seek to understand the Church's financials outside of the context of what those financial resources make possible, we fail to understand the reality through which they have any meaning to the Church at all. This meaning is in service to the economy of salvation by which people are reconciled to their Creator and each other through the death and resurrection of Jesus Christ. Only in this context can we properly address the questions asked by *The Economist.*

Is the Church a good steward of her assets? Is she accountable and transparent regarding her finances? And is the taxpayer subsidizing her sexual abuse settlements? Or even more appropriately for a periodical like *The Economist*, for what purposes is the Church using her money? How many young people does She educate, how many of the hungry are fed, how many of the naked are clothed? Are the imprisoned visited, is the full development of man being assisted? How many are baptized, receive religious instruction, marital instruction, are buried? How many are served in orphanages, hospitals, and youth ministries? When we answer these questions we then have a metric that allows us to determine if the dollars are being well used. This is where we need the transparency called for by the Church herself in Canon 1287, "…administrators are to render and account to the faithful concerning the goods offered by the faithful to the Church."

There have been many good responses written to elements of "Earthly Concerns," most notably the Nineteen Sixty-Four blog by the Center for Applied Research in the Apostolate (CARA), but none deal with the essence of the criticisms. The final allegation, taxpayer subsidization of sexual abuse settlements, is the most alarming. *The Economist* in answering the question as to how much debt the Church has, and whether

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She is using this to cover deficits created by a fall in donations, answers clearly that the Church is suffering from a liquidity crisis that, "seems to have encouraged a pre-existing trend towards replacing dollars from the faithful with publicly raised debt as a way of financing church business." The result, according to *The Economist*, is that local and federal tax revenue is flowing into the Church. These propositions are without merit under any possible interpretation of the facts.

The Catholic Church is not a single monolithic organization, just as the auto industry is not a single organization. There are 196 separate and distinct dioceses in the United States, that all have autonomy, with more than 20,000 parishes and missions that have rights and responsibilities as unique juridic persons recognized in canon law and, as such, recognized in civil law (with or without a civil alter ego). (*See Milovanovich v. Serbian Orthodox, 1976*).)

Catholic hospitals, Catholic universities, independent schools and Catholic charities are uniquely distinct from the Catholic Church. Catholic Charities has in most dioceses been separately incorporated precisely so that it can administer federal aid programs that strengthen families (counseling and mental health services, immigration, refugee, pregnancy and adoption services), build stronger communities (social support, education, services to at-risk populations, socialization and neighborhood services, health-related services), provide food, housing and other basic needs such as clothing and utility assistance. In the last year alone these services were provided to approximately 10.3 million individuals. Federal dollars made up approximately 62% of Catholic Charities revenues, with the remaining $1.8 billion coming from other sources (Catholic Charities USA, "At a Glance," 2010).

So when we speak of any federal dollars going to the Catholic Church, it is imperative to understand where they are actually flowing.

No federal dollars flow to what is commonly thought of as the Catholic Church, namely the Dioceses and Parishes as such. In some cases, federal or local dollars follow students based on their parents' school choice, be it religious, private, or public school. This is clearly not a subsidization of Church activity but the supporting of a public good regardless of the deliverer of that good. Denying federal aid to an enterprise that legitimately delivers a public good based purely upon the religious nature of the enterprise would be discriminatory. This was firmly established by Supreme Court jurisprudence in the Lamb's Chapel case and has been confirmed most recently in *Zelman v. Simmons-Harris* (See *Mitchell v. Helms*, U.S. Supreme Court, 2000).
One would expect to find an understanding of this basic principle of the philosophical basis of economic benefit of a secular good listed above as well as a basis for accessing Tax Exempt financing dollars in, of all places, *The Economist*.

Even more troubling is *The Economist's* fundamental mischaracterization of tax-exempt municipal bond financings as some sort of government subsidy funded by the U.S. taxpayer. The article claimed that, "Muni bonds are generally tax-free for investors, so the cost of borrowing is lower than it would be for a taxable investment. In other words, the church enjoys a subsidy more commonly associated with local governments and public-sector projects."

This is simply incorrect. In 2002, the courts rejected the argument that the benefit provided by the tax-exempt status of bonds is equivalent to a tax subsidy: "The difference between subsidies and tax exemptions is that in giving tax exemptions 'the government does not transfer part of its revenues … but simply abstains from demanding the [entity] support the state.' [sic] Therefore, the benefit provided by the tax-exempt status of bonds does not amount to a cash subsidy" (See *Steele v. Ind. Dev.*

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Bd. Of Metropolitan Gov't. of Nashville, 2002).

These types of municipal bond financings are not subsidies but are conduit financings wherein a municipality or state issues the bond in pursuit of a particular public benefit (such as primary, secondary, or higher education, or what is referred to as corporal works of mercy: feeding the hungry, clothing the naked, visiting the imprisoned, etc.), with the proceeds from these bonds used to fund a specific project or improvement needed to provide this public good. To put this in context, of the $12 billion the Economist cites as having been raised in California through Tax exempt debt, less than 1/2 of 1% of that debt was for dioceses or parishes. The two largest borrowings by Diocese in California in the last decade would have accounted for just over 2% of that figure and they were taxable borrowings for precisely the reason listed above; the public good was not being served and it was going to be for the service of Catholics only (i.e. a Cathedral).

In fact, if the Church failed to provide these services referenced above, in many areas they would likely cease entirely or would need to be performed by the local, state, or federal government at significant cost to the taxpayer. Consider, for example, the $20 billion of aid to the taxpayer provided by Catholic schools, the direct aid provided to more than 100 million poor by Catholic Relief Services, the 7.1 million people provided with food service, the almost 5.8 million people provided with socialization and neighborhood services, housing assistance and immigration services, the 1.9 million people provided with basic needs services such as clothing and utility assistance, (Catholic Charities USA) and the assistance of 14,285 refugees or approximately 25% of the total number of refugees admitted to the U.S. (USCCB Migration and Refugee Services).

The list above does not include the 629 Catholic hospitals that account for 15.6% of all U.S. hospital admissions, 19 million emergency room visits, and 100 million outpatient visits according to the Catholic Health Association, nor does it account for the 357 health-care centers, the 1,541 specialized homes or the 418 Catholic residential homes for children servicing 28,941 young people, as listed in the 2011 Official Catholic Directory.

Finally, it does not mention the work of the 230 Catholic colleges and universities serving nearly 950,000 students, according to the Association of Catholic Colleges and Universities.

One premise upon which the article's allegations are made is a belief that donations have dropped dramatically. *The Economist* supposes this because the Church does not have a central office with which to check. But with some research and diligence this information can easily be collected from the various dioceses around the country or from the International Catholic Stewardship Conference offices. A simple Google search for audited financials for U.S. dioceses by name would have produced audited financials of every diocese listed in the article.
The bishops of the Catholic Church serve as the successors of Christ's apostles, and "the power which they exercise personally in the name of Christ, is proper, ordinary, and immediate, although its exercise is ultimately controlled by the supreme authority of the Church" (*Lumen Gentium,* 27).

Their role is not as owners but as stewards who have been entrusted with goods by the Master (Matthew 25:14-30). The steward is to cultivate these goods, share them in justice and return them to the Master with increase. (See *Stewardship: A Disciple's Response*, USCCB, 1992.)

So the bishop is accountable, but his accountability is to the Master to whom all these good things belong. In addition to this biblical instruction, bishops are accountable to the lay faithful, as directly stated in Church

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law. The Code of Canon Law (1287§2) reads: "According to norms determined by particular law [the USCCB here in the United States] administrators are to render an account to the faithful concerning the goods offered by the faithful to the Church."

There must be transparency and there must be accountability within every diocese. Accountability is provided through diocesan finance councils (required in each diocese by canon law) and periodic reports to the faithful. There is no argument that the Church can improve here, but the lack of diligence by *The Economist* in seeking to find these published reports, or the claim that such data should be readily available Church-wide and on a consolidated basis hurts the laudatory element of their questions/assertions regarding the Catholic Church.

In Luke 21:1-4 we find the oft-quoted story of the widow's mite: "And he looked up and saw the rich putting their gifts into the treasury, and He saw also a certain poor widow putting in two mites. So he said, 'Truly I say to you that this poor widow has put in more than all; for all these out of their abundance have put in offerings for God, but she out of her poverty put in all the livelihood that she had.'"

The metric upon which the widow's mite is valued is not that of an accountant or an economist. The value of the gift is in its generosity, in that she completely transcends her own self-interest to help others. This is the language Pope Benedict XVI uses in *Caritas in Veritate* (Charity in Truth), where he discusses the logic of gift and the transcendent nature of the Church herself.

The temporal gifts of the Church are to be used and valued only within the context of the transcendent. To see them only in terms of the here-and-now is to fail to understand the very nature of the Church.

If we seek to understand the Church's financials outside of the context of what those financial resources make possible in the form of the transformative power of social justice ministries, educational ministries, palliative care, health care, community services, counseling services, youth services, liturgical and sacramental prayer life, the formation of young people, etc., we fail to understand the reality through which the temporal goods have meaning to the Church.

The Economist specifically refers to the challenges faced by the Archdiocese of Milwaukee. Then-Archbishop Timothy Dolan, after leading the archdiocese through a very difficult time, helped focus the people of God in Milwaukee on the role they needed to play to move it forward. In 2008 and 2009, Milwaukee raised $98 million dollars from just over 41,000 families.

In the midst of very difficult times these families committed on average $13 a week in addition to their normal weekly gift. This is the veritable widow's mite. Considering that $32 million came from less than 200 families, you see that there were many people who committed to small but important gifts to support the mission of the Church in Milwaukee.

This was not someone else's mission; this was the mission that they themselves owned. During this time the archdiocese's offertory grew as *The Economist* would measure it, but more importantly, one in four Catholic families made a greater commitment to owning the mission of the Church.

The article questions the Church's financial viability as a whole based on data from a few dioceses. This is like casting aspersions upon the entire American manufacturing industry simply because a few firms are struggling. Certainly there are some dioceses that have financial challenges, but there are others that are fiscally strong and getting stronger. A prime example is the Archdiocese of Chicago, which today enjoys

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a higher credit rating than the city of Chicago or even the state of Illinois.

The Economist cites ten dioceses that have declared bankruptcy due to sexual misconduct lawsuits. Each of these dioceses has used bankruptcy as a mechanism to respond as justly as possible to the victims of these horrible crimes. To say that the financial health of all 196 dioceses can be determined by the legal strategy of settling sexual abuse claims by these ten cuts short any possibility for the article to have a true reforming effect upon the church.

Unfortunately the broad-brush analysis done to support the criticism offered by *The Economist* at best sheds little light, and at worst perpetuates long-standing misconceptions and myths about the Church and money.

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(1) Jurist, Aug 21, 2012.

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