

## **CABE London Network**

### **“THE ECONOMY OF THE CHURCH OF ENGLAND”**

**Andreas Whittam Smith, 22 September 2010**

#### **A BUSINESS MODEL**

1. You don't have to be a business to have a business model. If you need a constant supply of funds to carry on, you are bound to have a business model, charities and business enterprises and churches alike.
2. Who doesn't have one? Govt departments?
3. Moreover the sources your income influences the work itself, even when it is not-for-profit. If only because the people who supply funds, for whatever purpose, often want a share in decision-making or at least in making appointments.
4. What if BBC was financed by advertising rather than licence fee?

**In this sense the Church of England has had a business model and it has had one for well over 1,000 years.**

#### **FINANCING THE CHURCH OF ENGLAND**

In this first decade of the 21<sup>st</sup> century, the Church of England is costing some £1.3 billion per annum to run. In financial terms it is about a fifth of the size of, say, Waitrose. Some 60 per cent of this £1.3 billion is supplied by giving, that is by what individual members put into the collection plate or insert into little gift aid envelopes, or contribute by way of legacies or which they find by a variety of fund raising activities.

#### **GIVING**

The figures for giving by ordinary parishioners of the Church of England are quite remarkable.

- a. The average church member now gives 3.4% of his or her income to the Church. In money terms this is nearly £450 per annum.
- b. This sum is a bit more than twice the average amount that UK adults give to the charities they support. There is, however, one aspect of this Church giving that is not so satisfactory.
- c. As a proportion of income, church people living in the poorer parts of the country give more than those living in the more prosperous areas. This is the parable of the widow's mite in action.
- d. The dioceses with the highest average personal incomes give on average 3.1% of income per donor, whilst dioceses with the lowest average personal incomes give 3.5% of what they earn to the church. Clearly absolute giving levels are higher in the wealthier dioceses. It is only when expressed as a proportion of income that they are lower. The wealthiest third give on average £10.67 per "church member" per week, the poorest third give £8.58.

#### **Business model described in Old Testament**

**THE TITHE.** This was a tax levied by the Church on local landowners and farmers. This was the tithe. The tithe was the tenth part of the profits of land and stock, allotted to the clergy for their support or devoted to religious or charitable uses. This form of fund raising lasted in one form or another until the 1930s. It was first mentioned in the book of Genesis. Jacob is recorded as giving a tithe of all his possessions to the Lord. Under the laws of Moses, the payment of tithes was made obligatory.

The people of Israel were commanded to offer to God the tenth part of the produce of the fields, of the fruits of the trees, and the firstborn of oxen and of sheep. In the Christian church the earliest rules on the subject seems to be contained in the letter of the bishops assembled at Tours in 567 and the canons of the Council of Maçon in 585. In course of time, the payment of tithes was made obligatory by ecclesiastical enactments in all the countries of Christendom. The Church looked on this payment as "of divine law, since tithes were instituted not by man but by the Lord Himself." English law very early recognized the tithe. It was enacted in the reigns of Athelstan, Edgar, and Canute before the Norman Conquest. In English statute law proper, however, the first mention of tithes is to be found in the Statute of Westminster of 1285. At first, the tithe was payable to the bishop, but later the right passed by common law to parish priests.

## **Business models described in the New Testament**

### **1. HOLD GOODS IN COMMON**

Two business models are described in the New Testament. The first is utopian. In the Acts of the Apostles we learn that "All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need." And in a later passage it is observed: "There was not a needy person among them, for as many as owned lands or houses sold them and brought the proceeds of what was sold. They laid it at the apostles' feet, and it was distributed to each as any had need." This resembles Karl Marx's famous dictum: from each according to his ability, to each according to his needs. But very rarely has this principle been put into practice either within the church or in idealistic communities outside.

### **2. GIVING**

The Apostle Paul, however, gave much more practical advice to the early Christian communities which has been followed in one way or another ever since. This is the second of the two models mentioned in the New Testament. "On the first day of every week, each of you is to put aside and save whatever extra you earn, so that collections need not be taken when I come." he told the church at Corinth. And he later added: "Each of you must give as you have made up your mind, not reluctantly or under compulsion, for God loves a cheerful giver."

## **Anglo Saxon Church**

### **ENDOWMENT OF MONASTERIES**

Now I want to move rapidly forward to the Anglo Saxon period, when missionaries came to Britain and founded monasteries and abbeys. Of our famous cathedrals, for instance, Canterbury, Winchester, Worcester, Ely, Carlisle, Durham, Rochester and Norwich were all once abbeys. They became cathedrals as we understand the terms today only at the time of the Reformation.

In Anglo Saxon times, rulers and rich laymen endowed them with lands. Financed by the rents from these holdings, the clergy lived as a community. Their headquarters, if one can so describe an abbey, was in fact often called a minster.

The donation of land was an early method of financing. For centuries endowment was to be a lot more valuable than giving by ordinary people, though there was always such giving. People living around these early monasteries made offerings of various kinds. The early gifts of land, however, were not completely disinterested transactions so far as the donors were concerned. In return the

religious community would regularly pray for them. Remnants of these early endowments remain in the hands of the Church Commissioners, as I shall later explain.

### **PETER'S PENCE**

At the same time, Saxon kings collected a sum of money from the Church known as Peter's Pence and sent it to Rome. Thus was solved a familiar problem in church finance. It is relatively easy to fund the local church from within its community, but how do you pay for the hierarchy, particularly when part of it is situated more than a thousand miles away in a foreign country? Even today it is with some reluctance that dioceses send funds to pay for the national institutions of the Church of England only as far as Church House in Westminster, which is very much closer than Rome. The dioceses pretty regularly jib at the expense.

### **ENDOWMENT OF PARISH CHURCHES**

So to re-cap, at this early stage there were perhaps 80 important monasteries and abbeys in England. But what about parish churches? These began as private churches built by landowners on their estates. Once a bishop had consecrated them, they could be used for baptisms, marriages and burial. This is the origin of the parish system.

### **PLENTY OF PEOPLE, NO CHURCH**

But note that the problem that the Anglo Saxon landowners faced - plenty of people but no church - has recurred at regular intervals ever since. It was at its most acute during the nineteenth century when small towns with single churches, such as Liverpool, Manchester and Birmingham, suddenly expanded by hundreds of thousands of people. Along with housing and drainage, roads and markets, many additional churches had to be provided. Nowadays the creation of vast new housing estates presents the same problem.

### **DONORS DEMAND A SAY**

Now the Anglo Saxon landowners regarded the churches they had erected as their own property and they expected to appoint the parson who would work there. In due course this right of appointment was passed down to the descendants of the original benefactor. This was unexceptionable at the time but it created a system that came to be known as **lay patronage**. The role of the patron was to present a man or woman to be instituted and inducted by the Bishop into the office. Numerous traces of this system still exist today, although its force has been considerably attenuated.

### **THE TITHE IN ENGLAND**

As well endowment, there was another very important feature of the Anglo Saxon church that endured for many centuries – until, indeed, what seems like only yesterday. This was a tax levied by the Church on local landowners and farmers. This was the tithe.

**The financial and structural features of the Anglo Saxon Church have since had long and often controversial histories and all of which have left marks on the way the Church of England is financed today.**

## **PETER'S PENCE AND QUEEN ANNE'S BOUNTY**

Let me start with a seemingly minor arrangement, Peter's Pence, the monies sent by the English Church to Rome. They were levied by the monarch as charges paid by the clergy whenever they took up new office. They took the form of a heavy first payment and much lighter annual payments thereafter. Throughout the mediaeval period, successive monarchs didn't always remit the full amount to Rome; they kept back a certain amount for their own use.

You would have expected that the Reformation would have brought this system to an end. Not at all. Henry VIII continued to levy these taxes on the Church and kept the proceeds for himself. They were mainly used for the payment of royal pensions. Successive monarchs followed the same practice until Queen Anne came to the throne. She was persuaded to re-route these tax revenues back into the Church. She set up Queen Anne's Bounty in 1704 to apply the revenues thus collected to the augmentation of the incomes of the poorer clergy. The tax continued to be collected until 1837, but from 1704 onwards it was put back into the Church.

This may seem like an obscure incident in Queen Anne's reign long ago, but it is worth examining it closely. Once Queen Anne's ministers had concluded that the Queen didn't really need the old Peter's Pence funds for royal purposes, they could have simply decided to stop collecting it. The Church of England would have benefitted in a negative way through being relieved of a charge.

**The decision to re-cycle the funds to poorer clergy is the first example of what has ever since been an important aspect of the Church's business model, that is, trying by a variety of means to transfer funds from the richer parts of the Church to the poorer.**

## **HENRY VIII'S RE-CYCLING**

Moreover, if you take a charitable view of Henry VIII, you could argue that he had done some re-cycling of his own when he dissolved the monasteries in short stages from 1536. For in 1540, Henry established five new Episcopal sees carved out of the huge dioceses of Lincoln and Lichfield. These were the dioceses of Oxford, Chester, Gloucester, Bristol and Peterborough and Henry endowed them with some of the estates of the dissolved monasteries. That was a good deed. The Crown retained the bulk of the former monastery lands and sold or leased them to the King's aristocratic friends.

## **DEFECTS DEVELOP**

In fact the two great Anglo Saxon innovations in the financing of the Church, the one by landowners who endowed the Church with part of their own wealth, the other by the state when it passed laws that enforced the payment of tithes to the Church, both began to develop defects. So it was with the generous endowment of church institutions throughout the Middle Ages. For by Henry VIII's day the Church held probably one third of all land in England. This was too much. It was bound to excite envy. Moreover the incomes of the great abbeys like Glastonbury and St. Albans, and of bishoprics like Winchester and Durham, were such that their abbots were in a sense richer than the greatest lay lords. Only the Crown exceeded them in wealth. That state of affairs couldn't go on.

## **THE CHURCH GROWS RICHER**

- a. The Protestant Church of England that emerged during the second half of the sixteenth century and took form during the reign of Queen Elizabeth was by no means poor. It had lost its monastic lands, but it had retained its bishops' estates and the land holdings of its cathedrals.
- b. This already wealthy Church of England, albeit with many poor parishes, grew even more prosperous during the second half of the eighteenth century and early nineteenth century as the industrial and improvements in agricultural methods substantially raised agricultural rents and the value of land. This was the period when the Georgian rectories in their substantial gardens were built – almost all of which have been sold off during the past thirty and forty years to alleviate clerical poverty in the modern era.

## **WEALTH UNEVENLY SPREAD**

The income of ordinary clergy varied substantially according to the endowment of the churches in which they served. A poor clergyman, and there were many of them, would be short of books. His local society would not be energising, particularly as he might feel himself looked down upon by some of his parishioners. He might have to boost his income by taking on additional curacies elsewhere or by school teaching. And if aggressive local farmers wished to find pretexts for encroaching onto Church land, he would not be well placed to resist.

Many benefices were still incapable of supporting fully resident ministers. According to the 1809 returns, at least 3,300 benefices were under £150 a year (which hardly raised a married clergyman with a family above the poverty line) and at least 860 were under £50 a year (well below the poverty line).

## **WEALTH IN WRONG PLACES**

The even more important problem, however, was the rapid growth in the population of the new industrial centres, mainly in the North, that outstripped the old rural parish structures. Towns in any case had always been more difficult terrain for the Church than the countryside. The rural alliance of church and gentry could not operate there. Such middle class inhabitants as there were might easily be nonconformists. An unchurched England was becoming all too visible and distressing.

## **PARLIAMENT ACTS**

As Parliament controlled the Church, it was only Parliament that could tackle the crisis. The Church leaders of the period were conservative to a fault. They were shocked by the removal of restrictions on Nonconformists and Roman Catholics as a result of the repeal of the Test and Corporation Acts in 1828 and the passing into law of the Roman Catholic Relief bill of 1829.

Parliament's character had changed in a disagreeable fashion, Church leaders thought, now that Roman Catholics and dissenters might sit in it. Some 21 bishops voted against the 1832 Reform Bill in the House of Lords. So seeing the immobility of the clerical leadership, Parliament got on with finding solutions.

1. In 1818 a Church Building Act was put into the Statute Book and Church Building Commissioners were established. A sum of £1 million of public money was made available for the provision of new churches.
2. At the same time, the division of parishes was made a good deal easier.
3. Voluntary subscription followed where Parliament had led. The Church Building Society, which funded church repair and enlargement, was started

in 1817. A number of diocesan building societies were founded in its wake and church building grants were provided under legislation dating from 1825.

4. Ten years later Parliament began the laborious task of creating a means of equalising the wealth of the Church. The successful conclusion of the work was one of Robert Peel's great achievements. When Peel addressed the 'Electors of Tamworth' in his famous election address of 1835, which was to be a prelude to his first, rather short term as prime minister, he stated: "I cannot give my consent to the alienating of Church property...from strictly ecclesiastical purposes. But...if, by an improved distribution of the
5. revenues of the Church, its just influence can be extended, and the true interests of the Established religion promoted, all other considerations should be made subordinate to the advancement of objects of such paramount importance."
6. Peel's next step was to establish the Ecclesiastical Duties and Revenues Commission, a mixed clergy and lay body, to elucidate the true state of affairs. After Peel's fall, the new Prime Minister, Melbourne, re-constituted the Commission. From this proceeded two months later the statute establishing the Ecclesiastical Commissioners, the forerunners of the Church Commissioners.
7. The Commissioners worked out the total revenues of all the bishops from strictly episcopal sources, divided the total by the number of bishops and then settled on a minimum of a handsome £4,000 a year with more for the archbishops and London. This was done through the means of an Episcopal Fund.
8. Then started a process of legal expropriation of the richer bishoprics and cathedrals. The work started with the cathedrals with the decision that their revenues must be brought into a common fund and then redistributed as need required. The relevant act, the Cathedrals Act, went onto the Statute Book in 1840. Some twenty years later, bishops' estates were brought into the Commissioners Common Fund.

### **THE 1840's FORMULA STILL HOLDS GOOD.**

The funds that gradually built up under the control of the Ecclesiastical Commissioners were used according to a formula first established in the 1840 Cathedrals Act that still governs the work of the Church Commissioners. They should make 'additional provision...for the cure of souls in parishes where such assistance is most required, in such manner as shall...be deemed most conducive to the efficiency of the Established Church'. There are three things to notice about this statement.

- a. It refers to parishes not to dioceses; the parish is the important unit.
- b. It mentions 'where such assistance is most required' and this has been taken to mean that the Commissioners can indeed subsidise the poorer parts of the Church.
- c. And it refers to 'efficiency' that is taken to mean that the Commissioners have the power to fund new developments, whether physical in nature such as the building of places of worship on new housing estates or supporting mission initiatives.

Using this legal power, for instance, the Church Commissioners, the product of a merger of the Ecclesiastical Commissioners and Queen Anne's Bounty in 1948,

have established a Mission Development Fund to which dioceses may apply for financial assistance.

### **THE CHURCH COMMISSIONERS TODAY**

In total the Church Commissioners make available nearly £200 million per annum to the Church which represents in turn some 16% of its income. Slightly more than half of this sum goes to paying clergy pensions up to 1998; for service since then there is a separate scheme. It honours its nineteenth century deal with the bishops and deans and chapters – in return for acquiring your estates, in other words, your endowments, we will pay your stipends and working costs and provide suitable accommodation. Then it makes grants to lower income dioceses totally some £30 million per annum and makes £1 million a year available to enable the Church to establish a presence in new housing areas. The remainder of the Church's income comes from a variety of sources. Some dioceses and parishes have retained or built up modest endowments, the Church receives legacies from time to time and it charges fees for the occasional offices as they are called, baptisms, wedding and funerals.