

Order in the church: A property rights approach

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Abstract

This paper examines the organizational structure of Christian churches, and in doing treats churches as firms constrained by their theology. Like all firms, churches must manage opportunistic behaviour. The hypothesis of the paper is that the particular organizational structure of a given church is the result of transaction cost problems that arise in the production of its spiritual good. An effort to test the theory is made by examining the history of the church and examining cases of church failures and successes.

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1. Introduction

The church, although not often thought of as such, is a firm designed to produce religious goods. Like other firms it must meet its payroll, pay its creditors, plan for future contingencies, and act on a host of other day-to-day decisions. The governance structure of the church plays a role in these earthly affairs because the way a church is organized affects costs, and in particular affects transaction costs². A church's ability to survive requires an organizational

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² Transaction costs are defined throughout as the costs of establishing and maintaining property rights. See Allen (1991) for a discussion and defense of this definition.

form that is best able to produce a given amount of output. In designing the structure of a church, and in making changes to the organization, wealth maximizing Christians³ select that form of organization which best suits their needs. In this light, it behooves the economist to ask, what explains the organizational differences across various types of churches?

The Christian church is a useful case study for at least two reasons. First, it has existed, in one form or another, for almost 2000 years, and if the justification for assuming maximizing behaviour among firms is longevity, then there could hardly be a stronger case than the church. The Roman Catholic Church is perhaps the oldest on going firm in the world, and most of the mainline Protestant churches have existed for 200-300 years. Second, the organizational structure from one denomination to another varies dramatically. From Baptist to Brethren, Mennonites to Mormons, the structural difference is extensive. Some churches are predominantly controlled from the 'bottom up' while others are just the opposite. Granted, one could choose any product and find a variety of different firms producing, the wide spectrum observed in Christianity appears particularly striking.

There are many organizational issues within churches. For example, why are there different payment schemes for clergy and what effect does this have on productivity, what is the effect of financing by large past accumulations of wealth versus funding mostly by contributions and why are all churches non-profit firms? Some churches depend only on the production of traditionally religious goods while others have more commercial enterprises on the side. The organizational differences go on and on. This paper ignores virtually all of these details and asks a broader question. What explains the huge variance in hierarchy across different churches?⁴

The paper is organized quite simply. Section 2 articulates the specifics of matching theology and structure, while Section 3 provides three different tests to support it. The first test looks at a cross tabulation of church doctrines and organizations, and shows that the two are closely related. The second interprets cases of church failures as examples of mismatches between theology and organization. And finally three successful church histories are examined to see how their specific organizational features were a response to the unique aspects of their theology.

³ This is not an oxymoron. Christians, though commanded to love their neighbor, will still maximize their wealth, if only to give more to their neighbor. More seriously, I do not intend to down play the importance of faith. The hypothesis is that Christians choose the most efficient form of organization given their constraints. Although the paper focuses on Christian churches, the hypothesis is general enough to apply to all religions.

⁴ The answer given, can also be used to explain differences in methods of payment to clergy, in funding, and in the spectrum of goods produced. However, these issues are not addressed in this paper.

2. Theology as an organizing constraint

The structure of any firm depends in part on the nature of the good(s) it produces, and so it is with churches as well. In general different goods, and the various production technologies possible to produce them, provide different opportunities for workers, owners, and consumers to exploit one another, which lead to different mechanisms and organizations for policing. For example, leasing contracts among Midwestern farmers can be simple because reputations for producing simple commodities are easily monitored, while contracts for coal tend to be long and complicated because of the huge sunk investments involved ⁵.

Perhaps it is too much a leap of faith, but this paper presumes that the crucial output of a church in terms of explaining its organization is spiritual ⁶. That is, provision of secular goods like education and health care are considered less important than the particulars of the religious offering. Hence the nature of the spiritual good, along with the production technologies available determine the successful governance structure. The seeming impossibilities of evaluating such a good are diminished by the fact that churches describe their vector of religious attributes in a 'theology' or 'doctrine.' A theology presumably tells an individual everything about the spiritual output of a given church. 'How do I get to Heaven? Who or what has authority over me? How much of my income should go to the church?' – implicitly or explicitly a church's theology answers these questions and others.

Among theologians delineations of differences in theology are common, however, none of them are helpful in understanding why the governance structure of say the Seventh Day Adventists is any different from the Brethren churches, for example. The property right approach argues that the essential aspect of a good which influences organization is the extent to which opportunism is possible in its production. Hence the classification of theology in this paper centres on the extent a particular theology allows for potentially illegitimate wealth transfers within the church ⁷. Churches are organizationally constrained by the revelations and interpretations that make up their theology because these create opportunities for some members (or even non-members) to exploit their fellow brethren. Therefore, church members conspire to organize their church to mitigate these opportunities. To this extent a theology is expected to *constrain* the church's governance structure.

⁵ For an example of the former see Allen and Lueck (1992), for the latter see Joskow (1985).

⁶ The demand for spiritual goods and how individuals choose between competing producers is taken as exogenous.

⁷ The term wealth transfer is used in a broad sense here, and is not limited to physical dollars going from Peter to Paul. For example, if a member of the clergy or hierarchy redirects funds or behaves in a manner that lowers the brand capital of the church for his own financial or utility gain, this would be considered an illegitimate wealth transfer.

Although this method of classification may seem too crass, individuals within a church, are still individual utility maximizers, willing to trade some private gains for church services. Depending on the particular theology of the church, the ability of individuals within to gain at the congregations expense will differ. However, congregations, prophets, church boards, and other ecclesiastic bodies realize this and in developing and adjusting the constitution and by-laws of the church these opportunities are accounted for. The hypothesis is that the different adjustments made to mitigate cheating opportunities result in the different organizational forms of the churches we observe today.

Upon reflection, it is not difficult to imagine how unsanctioned wealth transfers can take place within a church. All churches are nonprofit, which means that residuals cannot be legally alienated by any individual. However, nonprofit churches still have residuals which accrue to individuals in several forms. To the extent increased output is valued in its own right, some may be better able to consume residuals in the form of increased output. For example, in an evangelical church, some people are more skilled in bringing new members to the church and may be given more credit and praise. A second method of accruing residuals comes from being better able to free ride on the contributions of others. When the benefits from increased output are spread evenly, this ability to shirk on donations will be a major source of variation in residuals across the membership. Wealth also may be transferred in ways other than just shirking on giving. The church may provide relief to some of its members in the form of goods in kind or transfers of cash. These transfers may be legitimate, but in a world of positive transaction costs, it is possible to have transfers that violate the original intention of the giving. Finally, in the extreme some members of the church may steal from the congregation as a whole.

An immediate implication of this argument is that churches having the same theology, are expected to have similar organizational features, because the same cheating opportunities arise. By theology, of course, I mean the same potential for managerial opportunism. The Jehovah's Witnesses and Mormon theologies, as normally thought of, could hardly be much different, however, in terms of the classification used here they are similar and therefore expected to be similar in governance structure. To the extent churches differ theologically, meaning to the extent their theology allows for different cheating opportunities, they will have different organizational structures. This is expected even when along traditional theological lines the churches may be quite similar. For example, many Baptists would feel comfortable in a Presbyterian church, and yet they are structured very differently.

When a church has an organizational structure that is poorly aligned with its theology it becomes inefficient in producing its spiritual good, and it is expected that such a firm will be driven out of the religious market by competing churches. Hence what counts for a successful church is the match between theology and structure. Differences across churches and over time are explained by differences

and changes in theology ⁸, while successes and failures by churches result from correct and incorrect matchings of theology and structure.

2.1. Differences in church structure

The differences among Christian churches is quite impressive, and is more impressive when on the surface they all produce the same good – access to the same Heaven. However, all Christian churches are not the same because their theologies, or doctrine, are different. The conditions for salvation established by the Catholic church are different from those of the Baptist. In fact, about the only true similarity among all the churches is the common belief that their own beliefs are correct.

There are many ways to categorize the different doctrines and structures of Christian denominations, with perhaps the best known being the Church-sect classification ⁹. Churches are the large, well established bodies that accept a secular society, but claim domination over it. Sects are small anti-secular groups that emphasize faith over sacraments. You are born into the church, you must be a believer to join the sect. Others have narrowed these classifications, but my purpose is to propose yet another one. Here the doctrinal distinction focuses on the freedom of individuals to hold different theological opinions within a church. The inability to hold different opinions is the main way a theology can be used to sanction wealth transfers. In the extreme, if a person is endowed with the only right to interpret scripture, little may stand in the way of personally favourable interpretations. When individuals are free to hold their own interpretations and opinions they are partially freed from this hazard ¹⁰. To this end, I make three broad classifications of doctrine: individualistic, confessional, and prophetic churches – ranging from almost complete to no freedom. For example, some Baptists churches which grant their members almost complete autonomy in interpreting the Bible, would be considered an individualistic church, while the Jehovah Witnesses, which allows no such freedom would be considered a prophetic church. See the appendix for a detailed discussion.

The classification of governance structure is based on the constraints placed on the clergy and other members of authority to sanction wealth transfers. Again there are three categories: congregational (democratic and corporate), denominational,

⁸ Whether changes in theology are truly exogenous (ie. revelations from Heaven) or are driven by secular concerns or even changes in organizational innovation (ie. endogenous) is an interesting, but irrelevant, question for the point being made here. What counts is the combination or matching of theology and structure.

⁹ Developed by the German theologian Ernst Troeltsch (1931).

¹⁰ Of course, freedom of opinion has its costs, namely false beliefs, arguments, and church splits.

Table 1

Doctrinal Structure	Organizational form		
	Congregational		Denominational
	Democratic	Corporate	
Free	Some		
Individualistic	Baptist		
Limited	Quakers	Most Baptist	Salvation
Individualistic		Disciples of Christ	Army
		Alliance	
		Mennonites	
		United Church of Christ	
		Seventh Day Adventist	
Doctrinal (Confessional)			Lutheran
			Presbyterian
			Episcopal (high)
			Methodist
			Some Brethern
			Nazarene
Prophetic			Jehovah Witness
			Mormons
			Roman Catholics
			Christian Science

and hierarchical. These organizational structures range from having all decisions made by the congregation to having most decisions made by a head of the church. For example the Quaker church, where all decisions are made by voting and all members are encouraged to take part, would be a democratic congregational church, while the Roman Catholic Church, with many decisions made by the Pope and the church bureaucracy, would be a hierarchical church ¹¹. Again see the appendix, for a discussion.

3. Tests of the theory

Table 1 provides some evidence that a church's organization is directly linked with its doctrinal classification. As the doctrinal structure moves from individualistic to confessional to prophetic, churches become more complicated in their organizational form. To the extent a doctrine demands more of its members, it is expected that more constraints and internal control would be put on those individuals in control. To the extent a doctrine can easily be changed, then even

¹¹ These organizational classifications are similar to one used by some sociologists: namely congregational, presbyterian, and episcopal. They are not identical, however.

more constraints would be expected¹². This point will be elaborated on as the paper progresses, but consider the extremes. In a prophetic church, like the Roman Catholic, it would be possible for a Pope, along with other professional members of the church, to claim a divinely sanctioned wealth transfer to themselves. Possible because the church theology allows for it. In a Quaker meeting it would be impossible for the clerk to get away with such a thing. Thus, rules and regulations that govern Popes do not exist for Quaker clerks.

3.1. Church failures

When a church theology allows for general wealth transfers from its members to those in control, *and* when the organizational structure of the church fails to check these transfers, then the church will ultimately fail, since wealth maximizing clergy and members, when given the opportunity, ability, and sufficient payment to enhance their own station in life, always take it. There are many examples of church failures, but here I consider just two: the slow fall of various mainline churches in the past two centuries, and perhaps the largest church failure and subsequent recovery of all, the Protestant Reformation¹³.

3.1.1. The decline of mainline denominations

It is well documented that mainline denominations have been declining in relative and absolute terms for many years¹⁴. One puzzling feature of the rise and fall of various denominations is the irrelevance of growth rates to denominational tastes. One simply cannot argue that one type of church governance survives, while others fail. However, this puzzle is explained by the hypothesis of this

¹² In fact, the almost complete absence of off-diagonals in Table 1 is quite striking. The one major exception is the Salvation Army. Started in 1865 by William Booth, the original intention was to hold open-air services for the destitute of East London. When his efforts were not received by the Church of England, Booth set out on his own. From the beginning the Salvation Army has been more of a para-church than an actual church, with its constitution stating that it is a 'religious and charitable organization.' Given that the Salvation Army puts most of its efforts towards the physical (as opposed to spiritual needs of its patrons, it could be argued that it should not be classified as a 'church', in the same way that religious hospitals are not churches.

¹³ Hallman, in a fascinating study of church property during the counter-reformation, repeats the hypothesis here in her opening remarks: "Reformers in the fifteenth and sixteenth centuries focused upon the venality of the church and particularly upon the fiscal practices of the Roman curia as targets for reform efforts. It is surely paradoxical that the very success of the church in the acquisition of wealth, combined with the emergence of the papacy as its undisputed head, led to the incidents that precipitated the Protestant revolt." [p. 1, 1985]

¹⁴ There is some debate over how long this decline has been ongoing. Most start the decline within the last 40-50 years. However, Finke and Stark put this decline much earlier: "Using our reconstructed denominational statistics for 1776 and 1850, we demonstrate that the so-called Protestant 'mainline' began to collapse rapidly, not in the past several decades as is widely supposed, but late in the 18th Century." [p. 27, 1989]

paper. What counts is not the specific form of organization, but the relationship between organization and theology. As churches become more mainline their theology tends to change and become more ecumenical, while corrective changes in organization may not follow or only be incomplete. The resulting wealth transfers lead to church failure.

One feature of mainline churches has been their move to merge together¹⁵. Churches that have merged together tend to be within the same organizational category. Hence churches like the United church of Christ, the United Church of Canada, the United Presbyterian, and the United Methodist, have the same general organizational form before and after the merger. However, what does change after a merger is the theology. Doctrinal differences tend to be downplayed or forgotten and the church becomes more secularized. As is known, mainline mergers have not been successful relative to the evangelical churches. All have experienced drops in attendance, membership and per capita growth. According to Roozen and Carroll:

Attendance data by denomination from 1966–1975 shows that the recent declines are not characteristic of all denominations. Baptist attendance over this period shows no change, but decreases are found among Methodists, Lutherans, Presbyterians, and Episcopalians.

Concerning religious giving . . . The analysis . . . shows that the declines of the late sixties and early seventies are not characteristic of all denominations; rather, as before, they are limited to the more liberal groups. [p. 26, 1979]

Merging need not always be a bad thing. The ecumenical innovations could have resulted in a successful church. However, they did not, and there is evidence that failure resulted from inappropriate use of residuals. Although, this probably took many forms, one manifestation was an increase in transfers to the clergy. In a comparison of 19th century Baptist and Methodist ministers with mainline ministers, Finke and Stark find that the upstart sects had poorly educated clergy:

Of the 1,586 who had ever been pastor [up to 1776] of a Congregationalist church, 1,507 or 95% were college graduates. Of the 127 Anglicans and 51 Presbyterians, all were college graduates. Of the 217 Baptists, however, only 25 (or 11.5%) had college degrees. [p. 35, 1989]

Further, the Baptist and Methodist ministers were often unpaid, while their mainline cousins received a little more than that:

average yearly income for Presbyterian and Congregational ministers at this time [1830's] was estimated at between \$1000 to \$4000 in large towns and between \$400 to \$1000 in small country towns[p. 39, 1989]

¹⁵ In fact, this merging in part makes them 'mainline.'

Both of these observations are consistent with wealth transfers from the lay membership to the clergy, which reduce the attractiveness of the organization¹⁶.

3.1.2. *The reformation*

Catholics argue that since St. Peter's appointment by Christ, there has been a Pope. Certainly by the time of Constantine's legalization of Christianity, the Catholic church was well established as a hierarchical organization. Within the Church of Rome, the Pope has always been viewed as the spiritual head, and authority is carefully divested to Cardinals, Bishops, and other members of the church¹⁷. Throughout the first millennia there were several events that changed the power and position of the papal office, but they did not change the formal structure of the organization¹⁸. What evolved through time in the Medieval Church was a change not in organization, but in theology. The Medieval theological innovations included the verification of miracles, the identification of Saints, the payment of indulgences, the sale of relics, and perhaps most important, the emergence of the Pope as God's representative on earth and the lord of church property. By the late 1400's abuses were well known: miracles were fabricated, saints grew out of superstition, and indulgences were used to raise general revenues for the church¹⁹. Church offices were commonly sold, many Cardinals and Bishops simultaneously held multiple income generating offices, and nepotism was rampant²⁰. In 1517, shocked by the commission to sell thousands of indulgences in Germany for the rebuilding of the St. Peter Cathedral, Luther nailed his Ninety-Five Theses on to the door of Wittenberg church, and the reformation was underway.

In response to the growth of Protestantism, the Catholic church launched a counter-reformation. This remodelling not only involved the creation of new religious orders, most notable being the Jesuits (1540), the creation of the Holy Office of the Inquisition, and the introduction of the Index of Prohibited Books, it more importantly realigned the churches organizational structure with Catholic

¹⁷ I do not want to suggest that there were no disputes. There were schisms in the Medieval church, resulting, for example in the split between the Church of Rome and the Eastern Orthodox Church at Constantinople. My point is that the organizational structure, remained relatively constant throughout this time.

¹⁸ For example, the creation of the Papal States in 756 gave the Pope authority that resembled a prince.

¹⁹ Ekelund et al. (1989) analyze the Medieval church as a profit maximizing monopoly and that it used its usury laws, for example, to 'promote the monopoly-bureaucratic interests of the ecclesiastic organization and its temporal satellites' (p. 329). They generally consider the behavior of the church from 1000-1500 AD as a rent-seeking monopolistic firm.

²⁰ Hallman [p. 16] estimates that a Cardinal could live at the curia for about five ducats per month, while the Cardinals decided that anyone who lacked an annual income of 6,000 ducats was entitled to a church pension of 200 ducats per month.

theology. The Council of Trent (1545–63), along with a series of Papal proclamations were major efforts to sort out the problems of the church, and to ensure that the flagrant wealth transfers would cease. Interestingly, the Council of Trent maintained most of the theological innovations and modified its enforcement mechanisms²¹. In fact, the Pope ironically emerges from the counter-reformation with authority equal to the Bible. The irony being that once this power was made official, rules were made to keep it in check²².

The Council of Trent reformed practically every level of the church. For bishops minimum qualifications like legitimate birth (hence reducing nepotism), skill in letters, ordination at least six months before consecration, and the holding of an academic degree in theology or law were introduced. Further, bishops now had to reside in their diocese and could not accept any other position in the Church, nor any government office. They were required to visit each parish and hold annual clerical meetings. Likewise priests found new constraints placed on them. They were required to serve as deacons for one year before ordination, to pass an examination by the bishop, no ordination could take place without a position being available, and the priest was required to preach at least once every Sunday and Holy days. After Trent reform of the Curia, the Papal administration, also continued. This mostly involved the establishment of ‘congregations’, run by cardinals that reported directly to the Pope on such matters as doctrine, implementation of Trent’s rules, and missions. According to Davidson, these changes led to the Church being ‘better organized and much more closely controlled than ever before.’²³

According to Knowles (1968), the three major problems facing the church included the excessive accumulation of wealth among the holders of church benefices’, the involvement in secular affairs, and the lack of trained clergy. The Council of Trent addressed most of these issues. Every diocese was to have a

²¹ One can interpret the evolution of monasticism as a response to theological/organizational conflicts as well. Monasteries began at the beginning of the 4th century, after the Christian persecutions and during the legalization of the church. Thus they were an organizational response to changes in legal status, in order to correspond with the simple message of the gospel. Monasticism grew quickly and spread throughout Europe, perhaps due to the vows of poverty, celibacy, and other rules of behavior that policed the monks. But over time they quickly became indistinguishable from secular lords and the clergy. It is not too surprising that Medieval monasticism basically died with the reformation, nor that the church, in its reforms, adopted some monastic-like regulations of its own (eg. celibacy and vows of poverty).

²² The church, in fact, had no choice but to adopt the evolved theology and adapt the organization of the church, as opposed to rejecting the newer theological developments. To do otherwise would be to admit error and therefore, that the church did not speak for God.

²³ One of the keys in the success of the counter-reformation was the intervention of the Pope in implementing the changes. Apostolic visitors were commissioned by the Pope to see to it that the decrees were acted on. Effort was also made to ensure that the secular governments accepted the decrees. See Jedin, p. 277.

seminary for clerical education; the authority and responsibility of the bishops as well as regulations for the ordination of priests and the supervision of their conduct was established. In 1547 pluralism (the practice of holding more than one office) was forbidden, while in 1556 the right to regress (to reclaim an office that became vacant) was also removed²⁴. The use of indulgences was approved, but only where they were not granted for monetary payment. Burns indicates that the rumours of a council formation ‘resulted in a sharp decline in the prices of saleable church offices.’²⁵ Although the practices were not completely eliminated, the Council of Trent is generally thought of as a watershed for the Catholic church²⁶. Burns states that it was:

a turning point... the church was still a hotbed of intrigue and the scheming for political and economic advantages... [but] the Popes [after Trent] were generally superior to their predecessors. [p. 58]

3.2. *Three successful church cases*

In the following section I briefly examine the early developments of the Mormon, Quaker, and Lutheran churches. The three cases span the three diagonal elements of Table 1, and demonstrate quite clearly that the organizational solutions arrived at during the development of each church were intended and able to solve problems that stemmed from their respective theologies.

3.2.1. *Joseph Smith and the early mormon church*²⁷

The early history of the Mormon church is quite spectacular and provides an excellent example of an organization groping for organizational constraints in the

²⁴ Hallman, pp. 34–35, 1985.

²⁵ Burns p. 47, 1964.

²⁶ Consider the area of missions. The Book of Acts contains the stories of missionary efforts by the apostles and early Christians. Most notably the church expanded its membership not by force, but by preaching. The existence of a powerful Medieval church is evidence that this strategy was successful. The Catholic church thrived after the counter reformation, and again the missionaries were peaceful (or at least the violence that occurred was not officially sanctioned by the church). During the Middle Ages, however, the church tried to expand its membership by violent crusades. Anderson et al. argue that the church was interested in expanding their borders for the sake of material gain. According to these authors the crusades enhanced the churches ability to tax, loan funds, and increase revenues through ‘buy backs’ or crusading vows. The picture painted is one of a church abusing its position of authority and transferring wealth from its members and competitors (the Eastern church and the Muslims) to itself. The interpretation here, of the movement from peaceful to violent and back to peaceful ‘conversions’, is that the wealth transferring abilities of the church were dealt with during the counter reformation.

²⁷ Most, if not all, traditional Christian churches would not consider the Mormon church as a Christian church – Mormons, of course, disagree. This disagreement is irrelevant for the purpose of this paper. The theory applies to all religions, despite the concentration here on Christianity.

face of a prophet with undefined powers. Whether by luck or with intent, but certainly not without hardship and disaster, the church survived its earliest years and today is one of the fastest growing churches of the world. One thing seems clear, however, when Joseph Smith exploited his position the church suffered, when he was constrained, the church flourished.

Joseph Smith, considered himself a prophet, and as a prophet he received revelations from God. A prophet is a great thing. Regardless of the decision, no matter how mundane, who is better to make it than an omniscient God? The problem, of course, is how do you deal with a false prophet, or a prophet that is fallen from grace and speaks for God only sporadically? Revelation in the wrong hands is a dangerous thing. If one knew with certainty that another man was a true prophet, it would be folly but to follow. However, in a world of uncertainty mortals will be more cautious.

Though Joseph Smith was a prophet, he was not always one, nor did he always know he would become one. Smith's early days were spent as a searcher of lost treasure in the hills of Palmyra N.Y. Soon word got out that he had found something of extraordinary value. Smith later revealed that he had found some metal plates, some magic seer stones called Urim and Thummim, along with some other items. Written on the plates, in a lost language, was the record of early American settlers, from whom the American Indian was descended.

Smith was dirt poor at the time, but had convinced a local farmer Martin Harris to be his patron and help translate the Book of Mormon – much to the chagrin of Martin's wife Lucy. Work was slow. Smith would sit on one side of a curtain, place his seer stone along with his face in a hat, and call out the translation to Harris on the other side. After several months 116 pages had been completed and Smith allowed Harris to take the manuscript back to his wife as proof of Smith's legitimacy. Predictably, Lucy Harris stole it, and apparently destroyed it because it was never seen again. Now Smith was caught between the Scylla of reproduction and the Charybdis of confession. What to do? According to Brodie:

To admit that the whole story of the golden plates was a mere figment of his dreaming would be to destroy Emma's faith in him forever [his wife]. It would mean the end of Harris's patronage and the undying contempt of his father-in-law... A retreat from the fantasy that he had created was impossible. [p. 55, 1963]

A couple of weeks passed by before Smith had arrived at a solution, he would simply ask the Lord for a revelation. God was faithful, and Smith received two long communications. Joseph was not to retranslate the first 116 pages, rather:

the Lord had foreseen this contingency and had provided a set of small plates, called the plates of Nephi, which covered exactly the same period in Indian history as the lost manuscript. This record was primarily religious history, in contrast with the first version, which had been largely political. Once he had translated it, he could go back to the old plates and carry on, presumably from page 117. [Brodie, p. 55, 1963]

The innovation of revelation had saved Joseph Smith and they came to him quite often after this first one. As the revelations came to pass, the number of followers began to increase, and then one went wrong. While the Book of Mormon was in the process of print, some citizens of Palmyra organized a boycott of the book. The frightened publisher refused to continue unless paid in full. Unfortunately, Smith and his followers had no money and no credit. Looking into the Urim and Thummim, Smith received a revelation that two followers were to go to Toronto where they would find a willing financier. They did not find him, and faced with a faulty revelation, Joseph Smith had another one: 'some revelations are of God; some are of man; and some revelations are of the devil...' ²⁸

Had Smith continued in this way, the Mormon church, started in 1830, would have gone the way of most early 19th century fringe sects. Several developments set Joseph Smith apart, however. First, he quickly abandoned seer stones, mineral rods, and other magical tools and spoke only in revelations. Second, unlike many other sects at the time, he declared himself the only true prophet and forbade preaching by anyone but approved Elders. These raised his status and power, which would have been all the more deadly, had it not been for a third innovation. Joseph Smith wanted his church to be a rational one. From the beginning Mormons have stressed education and learning. Smith quickly learned to write and encouraged his members to keep journals and records of everything. Smith recorded most of his revelations, and with the Book of Mormon in print, sought evidence for its thesis his whole life. This reduced his ability to go back on revelations, modify them, or deny that he ever made them. Accountability closed these easy back doors when problems arose, and forced Smith to come up with ingenious and often outrageous claims ²⁹. This stand forced everyone to conclude that he was either crazy, a liar, or the prophet he said he was.

In 1831 the church moved from N.Y. to Kirtland Ohio, and although the prophet had to be consistent in his revelation, there seemed to be no area in life that he had nothing to say about. While in Ohio Smith organized and ran the United Order of Enoch, which, based on revelation, ran the Mormon community as a commune ³⁰. He also founded and ran the Kirtland Safety Society Bank,

²⁸ Brodie, p. 81. Most of Smith's revelations regarded mundane affairs of everyday life, and were usually quite specific – involving specific names and dates. According to Cannon and Knapp, among other things 'he had a revelation telling people to lend him money, and other revelations indicating when and where he would pay the debt.' [p. 36, 1913]

²⁹ When a set of Egyptian hieroglyphics were brought to Smith, he declared that they were part of the Book of Abraham. He carried on and translated the book, unaware that the Rosetta stone had been discovered and that these writings were now decipherable. When it turned out that the writings were common funeral statements, his reply was that there was more than one method of translation.

³⁰ The Mormon community at Independence Missouri was also run on a communal bases from 1831–34. Bullock and Baden (1977) document some of the trials that arose as individuals tried to privatize the communal wealth. They also note how in 1834 tithing was introduced, by revelation, as a new mechanism to generate church funds.

dabbled in local and state politics, and formed a militia to defend the Saints in Missouri. All of these things ended in disaster and contributed to the movement of the Church to Missouri, and would be irrelevant were it not for the changes that came about because of them.

By 1835 the church is organized into a Presidency, which consisted of Smith and two councillors, the twelve apostles, a group called the seventies, and two high councils. Although the President was in command, he was not put in charge of everything. Most notably, member property was now signed over to the church, not Joseph Smith, and bishops were put in charge of the United Order of Enoch and its allocation efforts³¹. In addition, every male was made an elder, and if one demonstrated faith and perseverance, any elder could move up the ranks of the hierarchy. Although Smith was a young man, this method of promotion practically ensured aged prophets in the future³². This helped the long run viability of the church by raising the cost of becoming a prophet for personal gain. Finally, after 1834 Smith becomes much more of a pastor than a prophet. According to Brodie, he barely made a dozen revelations after 1834, while prior to this he made more than a hundred³³. Cannon and Knapp claim that the reduced number of revelations resulted from Brigham Young's insistence that revelations be cleared by the Apostles before they were announced. According to them:

The plan was evolved that when the prophet had one of these spiritual visitations, he should first present it to the Quorum of the Twelve Apostles. If the Quorum thought well of the matter, it would be presented to the church. [p. 79, 1913]

There is some evidence, outside of the creation of church offices, of a constrained prophet during the last years of Smith's life. In 1833 Smith made one of his more famous revelations called 'The Word of Wisdom' which suggested that members abstain from alcohol, tobacco, etc. Smith, however, did not heed the revelation and continued to consume alcohol. In 1836, the High Council forced a vote of total abstention and Smith had to comply. When the church migrated to Nauvoo Illinois, Smith, as mayor tried to get an ordinance forbidding anyone from setting up a business without his permission, but was unsuccessful. And, finally, his revelation regarding polygamy, was revealed only to his closest inner circle, and kept secret until well after his death – the prophet was clearly not sovereign. In 1844 Smith was killed by an angry mob. After his death dozens of Mormon prophets sprung up and failed. Only Brigham Young, who was to become no minor prophet himself, had the wisdom or luck to make his authority the rules and

³¹ See Barzel (1990) for a theory of why an absolute dictator will find it in his interests to delegate his authority.

³² All of the 20th century prophets were born in the 19th century.

³³ Brodie, p. 159.

government structure of the church itself, and of course, most Mormons followed him ³⁴.

3.2.2. *The Society of Friends (Quakers)*

It is generally recognized that George Fox began the Quaker movement in England in 1652. Although he never considered himself a prophet, in many ways he was one, and in this respect it is interesting to contrast him with Joseph Smith. Like Smith, Fox gets an early revelation that the existing ways are not for him. At the age of 19, while praying and lamenting over the hypocrisy in some puritan lifestyles a voice speaks to his heart: 'Thou seest how young people go together into vanity, and old people into the earth: and thou must forsake all, both young and old, and keep out of all, and be as a stranger unto all.' ³⁵ This sends the young Fox on a four year sojourn to seek the truth, after which time he receives another revelation 'a voice which said 'There is one, even Christ Jesus, that can speak to thy condition' and when I heard it, my heart did leap for joy.' ³⁶ However, despite this similar beginning, the final organization which evolved could hardly be any different from the Mormon church – a difference which results from a difference in theology.

The message of George Fox was quite radical, even for (or especially for) Reformation England. According to Fox professional training, education, and church going were insufficient to reach any knowledge of God. Rather first-hand experience was necessary. Every man received an 'inner light', and it was up to him to follow it, to commune with God personally, and to accept no authority other than divine revelation. Furthermore, this relationship was not reserved for Fox; rather 'Every man and woman that be heirs of the Gospel, they are heirs of this authority...' and 'The least member in the Church hath an office, and is serviceable and every member hath need one of another.' ³⁷ Hence, unlike the Mormon theology, the Quakers have, in theory, an egalitarian religion. Under such a system, though there can be no spiritual authority, no creed, no headquarters, no professional clergy, no hierarchy of any kind, and of course, with these constraints, no chance for survival ³⁸.

³⁴ Iannaccone (1992) provides a complementary theory of church organization. In his model some churches produce private consumption goods, others produce collective goods. Stigma and personal sacrifice are used to police free riders in churches that produce collective goods. Hence Mormons use more stigma than Catholics because their religious output is more interdependent. However, Catholics and Mormons have similar organizational structures because their theologies vest great authority in their earthly leaders.

³⁵ Braithwaite, p. 31 (1961).

³⁶ Lloyd, p. ix (1950).

³⁷ Lloyd, p. 8 (1950).

³⁸ The irony of the Quaker church is that, despite its theology, it developed a government structure. The point here is that the unique form resulted from the unique theology.

From the earliest days the Quakers would gather together in a meeting house, where if anyone felt led they would speak, or where no one may be inspired and the meeting would be held in complete silence. Discipline was to be self-discipline. However, this led to 'abuse by any canting hypocrite who could master Quaker diction. There was no lack of such men and women . . . ' ³⁹ The problem for the early Quakers was that although they rejected all outside authority, they were a church and some organization was needed. Eventually, through a process of epistles and advises a compatible structure was worked out, but not without birth pains. Fox, and other leaders would devise methods to police backsliders, run meeting, etc. and be immediately challenged on what authority they could do this. This must have been frustrating for Fox, and no doubt he tried to increase his power at times. In 1673 a letter was issued from the London meeting that:

a general care be not laid upon every member touching the good order and government in the Church's affairs, nor have many travailed therein; . . . the Lord hath laid it more upon some, in whom he hath opened counsel for that end, – and particularly in our dear brother and God's faithful labourer, George Fox . . . [Lloyd, p. 25, (1950)]

What eventually evolved is rather unique in Christendom. The backbone of the Church became the 'Business Meeting' or the 'Meeting of Discipline'. There were four different levels of meetings, the two most important of which were the Monthly Meeting and the Yearly London meeting ⁴⁰. The Monthly Meeting held most of the executive power of the Church and decided on entry and exit of members, administration of endowments and the regulation of Quaker marriages, and it also policed individual conduct. The Yearly London meeting on the other hand, made most of the legislative decisions and set the general policy of the Church. It also acted as a supreme court for appeals and answered questions brought forth. Although members from each meeting were selected to attend the next stage meeting, any Quaker could attend any meeting and participate. In fact, it was expected that if one could attend he should. More unique is the process by which decisions are made. Every meeting has a clerk, who is chosen annually and acts as both chairman and secretary. When a decision is to be made the members 'wait upon the Lord' and speak when they are inspired, while the clerk's job is to seek 'the united sense of the meeting.' What this means is that majority voting is not used. The clerk is to weigh each members comments by his stature and conviction. If no 'sense of the meeting' is found, then the decision is postponed and the process repeated at the next meeting.

This unique process is a logical consequence of Quaker theology, but it is also cumbersome and potentially easily exploited. The cumbersome and costly nature may explain why the Quaker organization has never been very successful – with

³⁹ Lloyd p. 18 (1950).

⁴⁰ See Isiche, Chapter 3, (1970) for an excellent discussion of Quaker government.

currently only 200,000 members world wide. The easy ability to exploit the system explains other features of Quaker government. Given the decision process, anyone who remained silent had no impact on any decision, while those that talked loud and often could determine the sense of the meeting. By 1738, the many writings from the yearly meetings were packaged into the 'Christian and Brotherly Advices' – which by 1834 was aptly called the 'Book of Discipline.' For a body that shunned external authority, the Quakers became very strict. Problems constantly arose whereby two members would claim Divine inspiration and yet contradict one another. Part of the solution was to 'disown' (excommunicate) any member that abused the concept of inspiration. Evidence of abuse could be as slight as not taking the meeting process 'seriously.' Anyone caught lying could be disowned. The Quakers (for most of their history) had to marry other Quakers, and their children were automatically members of the church. These and other 'advices' tended to make for a very homogeneous group, which no doubt eased the decision process and increased the probability of finding a wolf in the fold. Finally, the church had no professional clergy and an almost non-existent paid staff, which meant that it was in practice almost impossible to exploit other members for financial gain.

3.2.3. *The Lutheran Church*

As a final example of church organization evolving from specific church theology, consider the Lutheran Church. Luther is just as remarkable a man as Smith and Fox, and the creation of the church that bears his name is just as intriguing. Unlike the other two, Luther receives no direct verbal message from God, but rather becomes a monk after a close encounter with a lightning bolt. He endeavours to become the best of monks, but his study of the Bible leads him to the conclusion that the Roman church had added to the Scriptures to the point whereby their method of salvation was impossible. Of concern here, is that he ultimately concludes that the Bible is the sole source of authority.

Having the Bible as the sole source of authority avoids the problems found with prophets and revelators, but this insight still comes from a man. The major problem for the Lutheran reformers was whose interpretation of the sole authority is to carry the day ⁴¹. During the reformation some participants like Erasmus and Melanchthon thought that the Pope could be reconciled with the reformers and later that the reformers could be reconciled among themselves, but the problem of interpretation was not overcome. Among the Lutherans, and during Luther's lifetime, his personal authority held things together. After his death, however, questions over the Lord's supper and justification by faith began to cause splits.

⁴¹ This was, of course, a problem with all of the reform churches, and so it is no surprise that they all ended up with similar organizations. For example, compare Presbyterians with Lutherans.

What evolved was the Confessional styled church, a church ultimately run by the members, but with a hierarchy to police interpretation.

The Lutheran church did a number of immediate things to rectify the abuses of the Roman church, and in many respects they were similar to the changes brought about at Trent. First the treasury was controlled by city councils or local princes and taken out of the hands of the clergy⁴². Churches focused on preaching, worship, and education, and removed itself from welfare roles. Lay members took an active role in church discipline and pastors were required to study and take exams from church appointed superintendents. But the real innovation was the confession of faith and the church structure to enforce it. The confessions and catechisms were methods of settling theological debates in the early church. Where there was no agreement there were two different churches. Hence in the constitution of Lutheran churches you find some statement to the effect that every member must accept the Bible as the Word of God and recognize, for example, the Ecumenical Creeds, the Augsburg Confession, the Large and Small Catechisms of Luther, and the Formula of Concord 'as a true and unadulterated statement and exposition of the Word of God.'⁴³

4. Conclusion

When churches face the same theological constraints they have the same forms of organization, and when their theologies differ and allow different methods of illegitimate wealth transfer, then the organizations differ as well. Here I have tried to argue that differences in church organization stem from differences in church doctrine. To the extent one accepts the classifications in Table 1, the evidence is quite striking that the more authority vested in particular church positions, the more sanctions are placed on those positions, and that churches with similar theologies result in similar organizations.

When the doctrinal structure fails to match the organizational form, the church fails. The Protestant Reformation is interpreted as a response to theological innovations in the Roman Church that mismatched doctrine and organization and

⁴² In the early days of the Reformation, an entire region would hold the religion of the duke or temporal leader. When this changed, the treasury moved back to the church, but still not to the clergy.

⁴³ Iannaccone (1991) provides some interesting evidence for this paper. The Church of Sweden is a highly regulated Lutheran church. Clergy are paid and hired by the state, most citizens are automatically members, and the church is subject to a great number of state regulations. Iannaccone points out that the result has been a disaster. Attendance rates are around 2%, even though membership is 98%. Since the state has clearly imposed an organizational structure that is different from what the Lutheran church normally imposes on itself, it is safe to conclude that it chose the wrong one, and the result has been a failure of the church.

allowed for massive wealth transfers. The counter reformation is interpreted as an organizational catch-up to the earlier theological innovations.

The final evidence for the paper was the three church cases that all show the organization of a church not being independent of its theology. For the Quakers, a theologically individualistic church, we see an attempt at utility-weighted voting and restrictions on conduct aimed at reducing exploitation of this mechanism. With the Mormons, we have a Prophetic church quickly developing constraints on its prophet, and evolving into a corporate hierarchical church. Within the Lutheran church voting is based on one-person-one-vote, but the constitution restricts the direction of voting. Hence, the doctrinal position of a unique interpretation, coupled with the notion that all Heavenly revelations are finished and complete, leads to an organizational form between the Mormons and Quakers. It is the conjecture here that all other churches attempt to match their organizational structure to their particular theology as well.

5. Appendix: delineating doctrine and structure

Doctrine:

Individualistic: Free and Limited.

The church claims the Bible as the word of God, but allows the individual freedom to interpret passages. Interpretations made by the denomination are general and few. Within the Individualistic church there are two sub-categories: the Free and the Limited. The Free Individualistic church allows complete freedom by its members to interpret the Bible, and places no restrictions on the behavior (outside of Biblical commandments, although what constitutes a commandment is still subject to interpretation). Some Baptist churches, for example, allow their members to hold which ever position they feel is supported by the Bible on issues like the second coming of Christ, the rapture of the church, and predestination⁴⁴.

The Limited Individualistic church allows members freedom to interpret most scripture, but puts some constraints on interpretation, and/or behavior, and/or primary goals of the church. A common constraint is infallibility. Members are free to interpret the Bible, but they cannot claim that an uncomfortable text is an error. These churches might also require their members to adhere to a simple 'statement of faith'. These statements usually require agreement to 'basic' doctrines, but can also include some specific denominational positions. In terms of

⁴⁴ This does not imply that these groups allow complete freedom. In fact, in appearance they might all conform to very strict and rigid rules. Freedom usually leads to disagreements and fragmented churches, with each fragment being quite firm in their beliefs. By freedom it is meant the freedom to personally take a position on an issue. For example, should women wear hats in church, should members be allowed to consume tobacco. In some Free Individualistic churches, there might be a unanimous yes and no, respectively, but this decision is not dictated by the church organization.

behavior, these congregations might restrict dancing, smoking, and alcohol consumption.

Confessional

The Bible is the sole source of authority, but the interpretation and emphasis are established by the denomination or the founders of the church. Changes in doctrine cannot be decided by any individual within the congregation, but are not decided unilaterally by the clergy either. Hence, in the Presbyterian church much of the doctrinal position was laid out by Calvin, but no one in the church today has such authority. Rather, the church has a constitution, that establishes procedures and rules for change, and it is a process that involves individuals from every level of the church.

Prophetic

The Bible is a source of authority, but not the only source. Within these churches there is usually a prophet, or an earthly representative of God who acts as the interpreter or as the most important interpreter of the Bible and possibly other holy books. For example, the Mormons hold that along with the Bible, God has provided the Book of Mormon, The Pearl of Great Price, and Doctrines and Covenants. Further, the president of the Mormon Church is God's only prophet on earth, and speaks with complete authority. Likewise Jehovah's Witnesses hold that the Watch Tower and Bible Tract Society speaks for God on earth, and that only it has the correct interpretation of the Bible.

Organization

Congregational: democratic and corporate

In a democratic congregational setting, virtually all decisions are made by congregational voting. In the corporate congregational church, the congregation elects a board of directors/deacons/elders that make most of the decisions. These directors hold fixed terms in office and usually can be directors for only a limited number of terms. In a corporate church, major decisions like the selection of a pastor or the purchase of property may be brought to the congregation for a specific vote.

Denominational

Here many different congregations are governed by elders or presbyters. Elders (which include pastors or ministers) are elected by the congregations (although if a pastor then he/she must be ordained by the governing body) but are to respect the doctrine of the church rather than the wishes of their constituents. Governing bodies in a denominational church usually own all assets which are then held in trust by the local church. Mutual agreement between the members of a local church and the governing body is usually required for many important decisions – for example, the assignment of a pastor or minister. The denominational form of government shares (or splits) decision making authority. Members of the local church have veto power on some decisions and may elect elders, but ultimately local decisions are constrained by fellow churches in the denomination.

Hierarchical

Church members can only vote with their feet. All decisions on doctrine, ordination, purchase of property, etcetera, are made by members with official church positions. Members of the congregation have no direct say in the running of the church, or in the discussion of doctrine.

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