

The Diocese of New Jersey and the Great Depression

The financial problems that face our nation and our diocese in 2009 are hauntingly akin to what the nation and diocese faced in the Great Depression. Here is an overview of those problems, from 1932 to 1935. The Right Reverend Paul Matthews was Bishop of New Jersey during this period.

1932

The first inkling of trouble is found in Bishop Matthew's *Convention Address* of 1932. The pertinent text of the Address follows: (As you will see, Bishop Matthews was not without humor.)



Figure 1: The Right Reverend Paul Matthews, Bishop of New Jersey during the Great Depression

Evidently it took some time for the fiscal woes of the country to trickle down to the church. The various Tables in the *Journal* show decreased income from most churches but, because Bishop Matthews risked everything to get approval of his hoped-for Cathedral, he did not so much as mention financial problems in his 1931 address! The fifth paragraph of his lengthy 1931 Address began: "It would be a matter of considerable embarrassment to me if you were disposed to the latter course," that course being to reject plans for the Cathedral.

Diocesan Finances

The Diocese has had its own severe financial trial. Owing to the closing of the Burlington City Loan & Trust Company, which was the depository of our Diocesan Trust funds, we have suffered a heavy loss.

Under existing Canons of the Convention, the Aged and Infirm Clergy fund and the Widows' and Orphans' Fund is accumulated for a whole year before appropriations are made from this so-called available fund. This income was deposited in the banking department of the Burlington Bank, and became subject to the conditions of ordinary deposits. This has meant that none of this fund was available for use, and it

will mean a probable heavy loss when depositors are finally paid in part.

To meet this condition, I asked the Treasurer of the Diocese to pay, out of the funds of the Convention in his hands, the meager pension due our beneficiaries. This he has consented to do, and the beneficiaries have been paid.

If I did wrong in this, it is your privilege to say so and to administer the proper discipline, which, I presume, should be decapitation; but I hope that if I have exceeded my authority in giving such counsel to our Treasurer the punishment will fall upon me, who is to blame, and not upon the faithful Treasurer who has stood like a rock on a troubled shore, breaking every assault of a raging sea into harmless foam.

My private and personal opinion is that Mr Tattersall deserves the thanks of this Convention for his courageous if uncanonical action in this matter.

In the meanwhile, the Trust Funds of the Diocese are still as secure as they were. The

securities have been placed in the hands of the Trenton Trust Company, and arrangements have been made whereby the income as well as the principal corpus of each fund shall be kept in the trust Department of that Institution.

This situation, which came as a great shock to us, points the way for a reorganization of our Diocesan Financial System.

The matter was taken up by the last Convention after several recommendations on my part, and a committee "to consider the advisability of combining the various Endowment and Trust Funds" was appointed. We shall have from that Committee and from the Cathedral Foundation some very definite proposals which I hope will receive careful and favourable consideration.

Such a simplification and combination will involve some Canonical changes and the Committee on Canons has been asked to prepare this matter for our consideration.

1930 Total Receipts: \$1,198,968 (*approximately \$15,000,000 in 2007 dollars*)

1931 Total Receipts: \$1,115,016

1933

The 1933 Convention Address was a good deal stronger in tone and a lot more space was given to the financial situation. In addition to the Cathedral plans, the 1934 General Convention, to convene in Atlantic City, was a concern.

The Bishop's Address

My dear Brethren:

This year has been, for a multitude of people, the hardest of their lives. For three years and a half they have been patiently and quietly enduring an ever-increasing money stringency, a stoppage of business, and calamity prices for commodities that have meant the severest hardships and positive want for a large number of people. Multitudes, whose only desire is to work and produce, have been face to face with a growing unemployment. Great financial values have shrunk to insignificance. Large fortunes have disappeared.

It is an amazing thing that through all this period of trial the people of the United States have behaved with a patience, restraint, and good nature that has turned a trial into a triumph, and a catastrophe into a conquest. Facing war conditions, the men and women of America have found a war spirit. Quietly, and uncomplainingly, almost with gaiety, they have faced a foe the more deadly because invisible, intangible, sweeping upon them with unseen forces and from unexpected directions.

It has been a trial that has proved a test of character, and has discovered to us unthought-of depths of faith and courage. There have been no labour troubles of any moment; the most significant of any have been the farmers' protests, in most cases a passive resistance against mortgage enforcements, and only rarely joined with violence, and much kindness, sympathy, and most substantial help have emerged.

The Church, I think, has suffered less financially than the larger part of organized business, and in spiritual and moral force I believe the Church has been strengthened. Congregations have been more closely knit in the consciousness of a common need and of a wide appeal for sympathy and by the conviction that the grace of God appears the greater and the stronger and the more satisfying as the sense of our own impotence is borne in upon us by the stress and struggle of the world around.

But, or course, the Church has suffered, and suffered severely. The National Council has been forced, rather reluctantly, to drastic retrenchments. We, as a Diocese, so far from even attempting the over-large quota assigned the last General Convention of more than \$80,000, gave last year \$65,000 because we had promised it, and this year we have been forced to reduce our "expectation" to \$35,000. I think it fair to say that our Diocese has not cut its missionary obligations more greatly than any others of equal, or even greater apparent strength, and as a matter of fact, we have done better than many, and we are at least so far keeping faith, and paying what we promised.

At the same time we have cut the budget of our own Diocesan needs to the limit, asking for \$46,620 instead of \$66,850, as in former years.

All of our Diocesan Officers have accepted a reduction in salary, and I think most of our Missionaries and also the Parochial Clergy. (I hate to suggest it, as it may seem rather invidious for me to do so, but a reduction in Diocesan expenses seems eminently desirable at this time.)

The immediate cause for this condition, locally, is the disastrous failure of the Burlington City Loan & Trust Company, which was the custodian of our Diocesan Trust Funds. While the actual securities are intact, it was found that a large amount of our Diocesan money was in insecure investments, and a considerable sum is in default.

In addition to this, some of the parishes, in fact a large number, are heavily in arrears in their payments on their Diocesan assessments. Some of these arrearages are of several years' standing.

We have a poorly worded and somewhat ambiguous Canon which provides that a Parish which is in such arrears for two years or more shall lose its lay representation in this Convention. This Canon should be made more stringent, I believe, and apply to any delinquency, so that no parish could be represented here which was in arrears at all. *And further, to really produce results, something should be added to the Canon to deprive the rectors of delinquent parishes from seats and votes. I say this because I have been driven to the belief that both in Missionary Apportionments and Diocesan Assessments failure is due more to indifference and neglect on the part of the clergy than to the unwillingness of the laity to meet their obligations.*

On the other hand, where missionary money, given specifically for Missionary work, is used by a Vestry for running expenses, it is my opinion that some form of punishment should be meted out to these delinquents. Such a course is not honest. *(Note: emphasis added.)*

When we consider that by far the larger part of our Diocesan Assessment is for the Pension premiums of the clergy, the gravity of the above situation appears even more fully.

I have made a list of twelve delinquent parishes, all of which are active, and at least seven of them would be rated as among our stronger parishes, and several of them have considerable endowments (see table below).

| PARISHES IN ARREARAGES | |
|------------------------|-------------------|
| Number | Amount |
| 1 | \$1,394.40 |
| 2 | \$1,236.96 |
| 3 | \$747.31 |
| 4 | \$688.38 |
| 5 | \$682.60 |
| 6 | \$611.25 |
| 7 | \$567.27 |
| 8 | \$532.78 |
| 9 | \$532.49 |
| 10 | \$463.95 |
| 11 | \$452.62 |
| 12 | \$450.45 |
| Total | \$8,360.46 |

Since the figures were compiled, five of these parishes have made partial payments amounting to \$919.04, but this leaves from this group's still unpaid arrearages of \$7,371.42.

There are some sixty parishes in arrears for the years 1930-31 and 1932, and of course for this year's as well. In addition, some forty others are in arrears for this year, no payment having been made since January first.

This means that 100 parishes owe money to the Diocese. A good part of this year's assessment will undoubtedly be paid, and probably much of it has already been paid, but the unpaid assessments for this current year were reported to me very recently as being nearly \$12,000. It is rather discouraging to grant the appeal of a hard-pressed congregation to have their arrearages wiped out and charged off, and then with their promise to do better in the future, have them fail to keep their word and pay their current indebtedness to the Diocese.

One parish was forgiven a debt of \$1,500, but has not paid this year its quarterly assessment of \$56. Another was forgiven a debt of \$500, and has not paid its \$25 quarterly assessment this year. Another parish, largely endowed, owes the Diocese \$985, with no prospect of payment.

The Treasurer reports an aggregate of \$16,576.57 owing on assessments, of which \$9,698.29 is due for Pension premiums.

In addition to this, the Board of Adjustment has charged off nearly \$3,500 this year. I believe that at least an equal amount might be charged off for equally good reasons, but I am not in favor of such a course of general amnesty. *I think it is time that our parishes generally should be held to a stricter account. It is not just or fair that the parishes which do pay should bear the burden any longer; nor is it right that the clergy whose parishes*

*Approximately \$134,000 in 2007 dollars, using the Consumer Price Index as a benchmark

*are so delinquent in their Pension premium payments should be kept on a sort of charity list.** Such a condition cannot continue. It is not surprising that our Diocesan Treasury is depleted, and the Treasurer will hardly be able to pay the next quarterly installment due for pensions.

We have had a fine system, now operating for years in this Diocese, of paying the Pension premiums by the Diocese itself, the money being raised by assessments on the parishes, and of course this has amounted to a guarantee that all the premiums would be paid. The system now breaks down, by the default of so many parishes, and if it seems that it must be abandoned at once, the duty of paying the premiums must be laid upon each parish individually and directly.

Some of the clergy will, I fear, suffer some hardship if this has to be done, and, of course, one objection which naturally rises to such a course is that the premiums for the Missionary clergy and for the Diocesan officers would have to be met from the Missionary treasury, thus increasing the Missionary quota by the amount needed for such purposes. It would add, I think, approximately \$3,000 to the apportionment.

1932 Total Receipts: \$935,516

1934

The 1934 Convention Address continued in a bleak mood. However, Bishop Matthews was heartened by a move made by some Southern Ohio laymen called *Forward Movement*. His address makes interesting reading today.

The Financial Situation

We are all appalled at the deficit that faces the National Council, and the results which may follow. A half-million dollar deficit at the close of the year just ended, and another similar deficit for the current year, would of necessity mean not only no forward steps, but also the cutting off of many important and apparently vital parts of the present programme. I believe that this deficit is due to causes beyond the control of the National Council and its existence cannot be considered in any real sense their responsibility.

The deficit is due partly to the shrinking of values in invested funds and in legacies, and also in a very large measure to the fact that the Diocese failed to pay the amount that the National Council was assured they would pay. This lapse amounts to something over \$125,000, about one-quarter of the entire deficit for the year.

This failure to meet the amount definitely undertaken is a matter of grave concern. It does seem to me that an official notification from the Diocese of what they expect to pay amounts to an obligation of honour. I am thankful to say that New Jersey paid, and slightly overpaid, this "expectation."

It seems a strange thing that the National Council should have in its elected membership representatives of some Dioceses which have most woefully failed to meet their engagements.

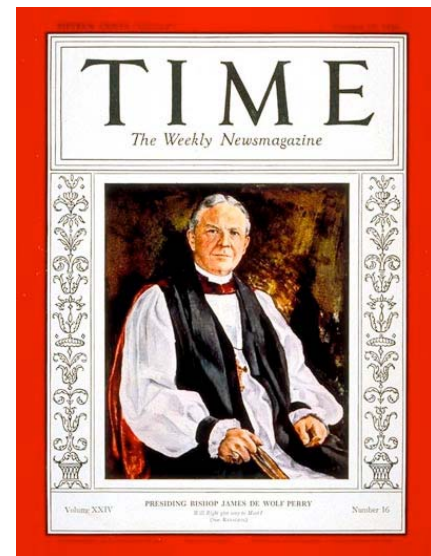


Figure 2: TIME magazine cover, featuring the Presiding Bishop of the Episcopal Church, during the General Convention held in Atlantic City in 1934.

A ray of hope appears in the movement started by the laymen of Southern Ohio, under the leadership of Mr. Charles P. Taft, for an Everyman's Offering, to enable the National Council to hold the line and balance the budget. I hope that New Jersey laymen may be moved to undertake their share in this volunteer task, and to shoulder a real and definite part of this burden.

Diocesan Finances

We have our own troubles in the Diocese. There has been a great shrinkage in values in invested funds, and I fear a total loss of considerable amounts. This has affected our Episcopal fund for the payment of Episcopal salaries, a number of the funds belonging to Parochial endowments, and also the graver loss and depletion of income in the Aged and Infirm Clergy fund and the Widows' and Orphans' Fund.

To make the situation critical, we have delinquencies in payment of assessments on the parishes which amount to the formidable total of \$20,222.40. Some of these arrears seem to me to be unavoidable and due to causes quite beyond the control of the parishes involved, but on the other hand I believe that some of it is avoidable.

It points the gravity of the situation that the Finance Committee could not recommend any appropriation for the expenses of entertaining delegates to this Diocesan Convention, and as a consequence the custom of years has been abandoned, and you will have to pay all your own expenses, including luncheons and the Fellowship Dinner.

It is, of course, a much greater concern to me that the widows of the clergy received only a fraction of the already pitifully meager sum hitherto appropriated for them. Forty-five dollars, I believe, was the total grant for the past year. It makes my heart ache to think of it. One lady, whose means perhaps barely made the sacrifice possible, has returned to the Diocese the amount recently sent her, as she felt that by doing so she could help to augment the payment to those poorer than she is. I give her your grateful thanks for her generosity, but I am rather ashamed in doing so!

The Church Pension Fund has notified the widow of one of our clergymen who has recently died, and whose pension premiums had not been paid owing to a long period of enforced inactivity, that her annual pension will be thirty-nine dollars. I am far from faulting the Church Pension fund. I am sure this great enterprise is a wonderful benefit to the Church, and is being managed in a very human way. I did not expect that this lady would receive anything from that source. It is a surprise to me that she is going to get nearly forty dollars. But that is what her assured income is, and that is all of it.

Our Pension payments are so seriously affected by these arrears that some drastic action is forced upon our Finance Committee. It begins to look as though the Diocese would find it impossible to "carry" much longer, if at all, clergymen whose parishes are in arrears. The Diocese has suffered for years from delinquencies, and it has come to the end, not of its patience, but of its resources. It can no longer pay for parishes which are unable or unwilling to meet their obligations to the Diocese.

More than gratitude is due to the unremitting and skillful attention given to the financial affairs of the Diocese by our Finance Committee and by the Trustees of our Diocesan funds. The present Trustees were elected when things were at their worst, and they have been doing, for the past two years or more, a work for the Diocese which I can best describe as a salvage job.

We have on our Finance Committee busy and distinguished men, whose time is

valuable. They have given largely of their time, and unsparingly of their expert knowledge to the service of the Diocese. They have been holding monthly meetings. The day of perfunctory performance has passed, and we are now having personal service.

In conjunction with the almost heartbreaking work of our Finance Committee, I am more than glad to recognize publicly the constant and unremitting labour of the Assistant Treasurer of the Diocese, Mr. William F. Stroud. He is effective, expert, and unsparing. He gives to his work his whole self, and my feeling is that he has worked altogether too hard. I doubt very much whether the N.R.A. would approve of it. However, he is an executive and so can give eighteen hours a day to his task, if he wants to. And he often does. I think the least you can do to show your appreciation of his work for the Diocese is to elect him to some additional office!

1935

From 1930 until 1934, the losses looked like this:

1930 Total Receipts: \$1,198,968 (*approximately \$15,000,000 in 2007 dollars*)
 1931 Total Receipts: \$1,115,016
 1932 Total Receipts: \$935,516
 1933 Total Receipts: \$799,182
 1934 Total Receipts: \$847,308
 1935 Total Receipts: \$924,205

The percentage of loss from the high of 1930 to the low of 1933 was just over 34 percent.

The 1935 Convention Address mentions nothing about financial distress, as it appears the worst crisis was over and the total receipts began to increase.

*This article was researched and compiled by the Reverend Canon Laurence D. Fish,
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