ORGANIZATIONAL REPUTATION AND CONSTITUTIONAL CONSTRAINTS: An Application to Religious Denominations

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Constitutional economics may be defined as the study of constraints chosen by cooperative groups. In this paper, the scope of constitutional economics is extended by an examination of the constitutions and rules that govern seven of the eight largest U.S. Christian denominations. This examination of church constitutions reveals constitutional provisions and church rules that protect denominational reputation by preserving doctrinal integrity and constraining the behavior of local churches, clergy, and individual members. By protecting their reputations, religious denominations may increase their appeal to current or prospective members or both.

Introduction

As explained by Buchanan (1990) in his seminal piece on constitutional political economy, the discipline distinguishes itself from conventional economic and political theory by focusing on the cooperative choice of constraints that define and regulate individuals' behavior. Buchanan considers the "comparisons of the working properties of alternate sets of rules" as a significant part of the domain of constitutional political economy (Buchanan 1990:9).

This paper begins the application of constitutional economics to religious organizations by comparing the constitutions of major Christian denominations in the United States. Specifically, this paper examines constitutional constraints that are designed to preserve the reputation of religious denominations. This study of religious constitutions is especially interesting because separation of church and state ensures that

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religious organizational forms, unlike those of for-profit or other nonprofit firms, are not constrained by government regulation. Indeed, the examination of religious constitutions reveals significant differences in the constitutional constraints that preserve denominational reputation.

The paper is organized as follows. After considering the relation of denominational reputation to the possible objectives of religious denominations, I identify the dominant Christian denominations and briefly discuss their theological orientations and governance. To ensure some homogeneity of doctrine, and perhaps more importantly, homogeneity of treatment by civil authorities, the analysis is restricted to Christian denominations and their U.S. establishments. The third section of the paper examines specific properties of church constitutions and the implications these properties have for doctrinal integrity, church programs and ministries, and opportunistic behavior by clergy or lay members. Constitutional differences are considered in section four, after which a few final thoughts conclude the piece.

I. Denominational Reputation and the Possible Objectives of Religious Denominations

Brand names are valuable assets of for-profit firms. To establish and protect brand name value, these firms invest in advertising and other nonsalvageable assets and monitor the outputs, inputs, and performance of affiliated establishments.¹

Nonprofit firms, including religious denominations, also value "brand name" assets. A religious denomination's reputation can be upheld only by the cooperative behavior of local churches, clerical members, and lay members. Because denominational reputation is a collectively-produced asset, religious constitutions go to great lengths to constrain the behavior of local churches, clergy, and individual members. Specifically, constitutional provisions govern the doctrines and programs of the church and guard against opportunistic behavior by the clergy or laity.

¹ See Kljen and Leffler (1981) for a discussion of the role of advertising and investments in nonsalvageable assets in assuring output quality. The roles of output monitoring, input monitoring, and establishment monitoring are straightforward applications of standard franchise theory.