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Catholics In Crisis
Phyllis Berman and Lea Goldman, 09.19.05

Between tort lawsuits and declining attendance, the Roman Catholic Church in North America is a financial mess. Some Wall Streeters think they can clean it up.

What would a turnaround artist do with an \$8.6 billion (sales) organization with 133,000 employees, falling market share and a mountain of multimillion-dollar lawsuits?

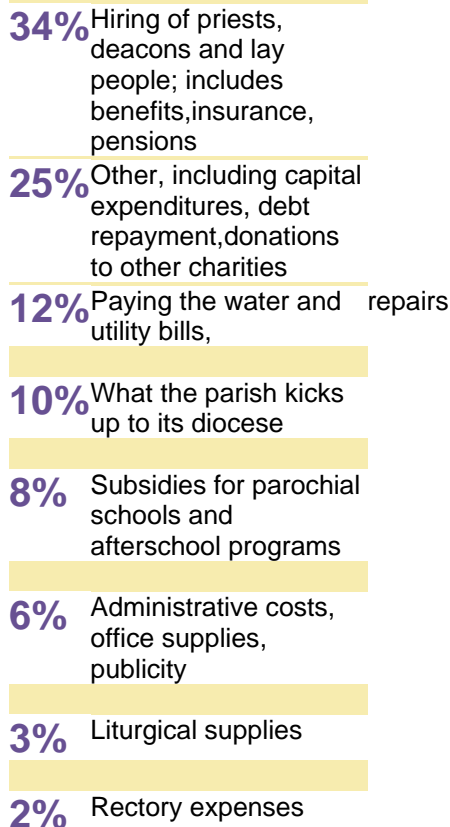
You can't break it up into pieces or sell off the whole shebang. This, after all, is the American Roman Catholic Church. But Geoffrey T. Boisi, a veteran Wall Streeter and devout Catholic, has an answer: Rationalize the assets and look for a better return, just as you would in any business. First, says Boisi, 58, "we're recommending a rigorous analysis of how all parishes and dioceses in this country are being managed. The laity is now offering up its expertise to help the Church through a very difficult time." But ultimately, he concedes, "we have to face the realities that some parishes will have to go. Some schools will need to be shut down. There is no other way."

A pitched battle is shaping up between reformers and traditionalists within the U.S. Catholic Church. On the one side are businesspeople like Boisi and former baseball commissioner Fay Vincent. They have few if any disagreements with the Pope on matters of dogma. But they are openly defiant of the Church authorities on matters of money. The rebels argue that better financial management by an informed laity is the only way to reinvigorate the fallen-away faithful. "How could anyone in Rome argue it wouldn't be better if the Church were run more efficiently?" asks Vincent.

On the other side of the aisle are powerful organizations like Opus Dei, which has a direct line to the Vatican, and large donors like Domino's Pizza founder Thomas Monaghan. They see any change as a direct threat to the long-established order of things. "You don't need modern management techniques," says William Donohue, president of the Catholic League. "You need a return to orthodoxy." This is a struggle over authority and money--and the outcome will change forever the lives of the 65 million Catholics in the U.S.

No one denies the American Church is in trouble. Over the past four decades regular attendance at Mass has collapsed from 75% of those who professed to be Catholic to 40% today. Nearly one in five churches doesn't have a resident priest. In those that do, parishioners are increasingly likely to hear Mass said in thickly accented English by a prelate from Nigeria or the Philippines. Many parishioners are still furious about the sex-abuse scandals--as well as the coverups and sizable payouts that followed--comparing their impact to the shock of Sept. 11. "Once that blew up, Catholics realized just how little say they had in their churches, and they were incensed about it," says Robert Beloin, the Catholic chaplain of Yale University.

Where the Money Goes
The biggest source of funds for parish operations is still the weekly collection plate. Here's what happens to every Sunday dollar. Reformers insist the resources could be put to more efficient uses.



Based on random sampling.
 Sources: Forbes; professor Charles Zech of Villanova University.

They have expressed their rage with their pocketbooks. On a household basis, Catholics, who are now just as well-educated and upwardly mobile as Protestants, donate less than half as much to their parishes: \$550 a year, compared with \$1,300 for the typical Protestant. Since the pedophilia cases broke in 2002, annual giving at the parish level has inched up an average 4.6% a year to an estimated \$6 billion. But bishops have been hit much harder. In Boston, giving to the archdiocese dropped 43% from \$14 million in 2002 to \$8 million in 2003. The Spokane, Wash. archdiocese, saddled with a reported \$77 million in sex-abuse settlement claims, saw donations to its annual appeal plunge from \$1.9 million in 2002 to \$45,000 a year later. In the Diocese of Rockville Centre, N.Y., the bishop's take fell 28% to \$7.3 million after a 2003 grand jury report found the diocese protected abusive priests by shuffling them from parish to parish.

Why, parishioners ask, should a chunk of the collection plate end up in the hands of defense lawyers and insurance companies when that money is so desperately needed to maintain schools, keep churches open, hire more qualified priests and administrators and expand charitable works? The revenue squeeze is on, just as the cost side of the ledger is going haywire. The pool of almost-free labor--priests and nuns taking poverty-level salaries--is drying up, forcing the hiring of more salaried lay workers. (The Church has 3,308 seminarians now studying to be priests, down from 8,325 four decades ago.) In the view of the dissidents (and even the quiet majority still putting bills into the collection basket), the Church's inept supervision of the pedophilia cases exemplifies problems throughout the dioceses: arrogance, secrecy, poor judgment bordering on corruption, lack of accountability and oversight.

Boisi is an unlikely critic of the Church. He is a member of the exclusive Knights of Malta, a conservative Catholic fraternal organization, and a Steward of St. Peter, an honorific conferred on those who donate at least \$1 million to the Papal Foundation. But he is also something of a bare-knuckle businessman, who earned his first notch on Wall Street as the youngest partner in Goldman

Sachs history (he was 31) before founding Beacon Group, a boutique M&A outfit, in 1993. Seven years later he cashed out Beacon to Chase Manhattan for an estimated \$500 million and stayed on to become J.P. Morgan Chase's vice chairman. A ruthless cost-cutter, Boisi fired 9,000 employees over two years starting in 2000; in 2002 he himself was forced out. Since then he has devoted much of his time to matters of faith, building the Boisi Center for Religion & American Public Life at Boston College.

He has drawn an impressive following. Among his acolytes: William P. Frank, senior partner at Skadden, Arps, Slate, Meagher & Flom; Frederick Gluck, former managing director of McKinsey & Co.; Thomas J. Healey, onetime partner at Goldman Sachs and Assistant Treasury Secretary in the Reagan Administration; Jonathan O'Herron, partner at Lazard Frères; Gerard Roche, chairman of Heidrick & Struggles International; and Richard Syron, chief executive of Freddie Mac.

What do these guys want? A reorganization of how the American Church is run, from requiring annual reports and five-year strategic plans in each parish to SWAT teams of lay accountants, lawyers, psychologists and consultants to deal with crises and other management problems. Among the goals:

**Establish better recruitment and training of the nation's 31,000 lay ministers--80% of whom are women--as well as annual performance reviews.

**Encourage more lay involvement in parish finance committees, whose decisions would carry weight with priests and bishops.

**Streamline dioceses, which control parishes, even if it means closing redundant churches, seminaries and schools.

**Cut costs by, for example, buying Bibles, paper towels, candles and clerical garments in bulk.

**Introduce "best-practices" programs, like those of the Chicago archdiocese, to achieve accountability in the other dioceses.

To spread his gospel, Boisi has held annual conferences that draw prominent legal scholars, theologians, judges, corporate types--even bishops. The first, in 2003, was a small, invitation-only gathering at the Pope John Paul II Center in Washington, D.C. Up for discussion: the Church's financial woes and, by some accounts, lay participation in the selection of bishops and priests. Enraged critics charged that Boisi was debating Church doctrine. (He denies this.) Washington, D.C. Archbishop Theodore McCarrick later claimed he'd been hoodwinked into attending. "Why on earth would high-ranking bishops entertain a meeting with such known liberals and dissenters?" wrote Deal Hudson, former head of the Republican National Committee's Catholic Outreach, in an e-letter to subscribers of *Crisis* magazine, a monthly he once edited. Says Kerry Robinson, executive director of the National Leadership Roundtable on Church Management, a group founded by Boisi, and a prominent fundraiser for Catholic causes: "Those who oppose what Geoff is trying to do simply fear change. He just wants to restore trust between the Church and the laity."

Boisi tried to head off detractors by publicizing his next conference, a two-day roundtable at his alma mater, the University of Pennsylvania's Wharton School, in July 2004. But he still couldn't avoid a firestorm--not after he recalled for attendees an exchange he once had with Wal-Mart founder Sam Walton about how to run a successful company. "Listen to the customers," Boisi says Walton stressed. "Reassure them that this is their company, too. Give them confidence to speak up, because they will come up with the solution to almost any problem."

For an organization as hierarchical as the Church, run by a man who is (according to doctrine since 1870) infallible, the talk about "customers" borders on heresy. "The Church is not a business, and Catholics in the pews shouldn't be considered customers," insists Denis Coleman, onetime chairman of Covenant House and a former director at Bear Stearns. He says he's not against transparency. But, "if you follow Boisi's logic, then Catholics ultimately can choose who becomes a cardinal--or even the Pope." Other powerful conservative Catholics are lining up on Coleman's side. Among them is Father C. John McCloskey, a former stockbroker for Merrill Lynch who is a leading cleric in Opus Dei, and Bishop Fabian W. Bruskewitz of Lincoln, Neb. The call for reform, they fear, is really a Trojan horse to subvert the authority of the Church. "If Boisi and his group are anything like Voice of the Faithful," says a prominent member of Opus Dei, referring to a group calling for more financial disclosure and lay involvement in running the Church, "that would be a sign of their intent for a putsch, a takeover." Voice of the Faithful, whose motto is "Keep the faith, change the Church," denies that characterization.

There has long been a struggle for authority between the Vatican and its North American minions.

From the late 18th century to the 1820s, immigrant Catholics built and financed their own churches in the U.S. and even hired their own priests. By 1829 increasingly powerful bishops appointed by the Holy See clashed with lay trustee boards--and soon banned them. By the 1880s Americans became the largest donors to Peter's Pence, the Pope's personal fundraising arm, and to the Vatican's missionary efforts in Africa. Even so, Rome couldn't resist chastising American Catholics in 1899 for their "unrestrained capitalistic individualism."

More recently the Vatican has picked up the cudgel against parish pastoral councils, lay advisory groups created by the Second Vatican Council in the mid-1960s. After a 1987 Synod on the Laity, Pope John Paul II warned against "equating the common priesthood and the ministerial priesthood"--a hard line strengthened a decade later in a ruling from Rome making it "unlawful" for the laity to hold any position of authority in a parish. News of the sex scandals, cascading in 2002, did little to break the hold of clerical authority. When Boston's Parish Finance Council recommended a way to handle the sex-abuse cases, Cardinal Bernard Law, Boston's then-archbishop, simply ignored their input.

Still, democratization is starting to take root. While bishops still have final say over all parish matters, some churchgoers are pushing back--with their wallets. As a result of the sex scandals and settlements, "some people on the finance committee [of the Boston archdiocese] were angry with [Archbishop Bernard] Law," says John A. Shaughnessy, a large donor to Catholic charities and retired chairman of Shaughnessy & Ahern Co., a trucking-and-rigging outfit and major subcontractor for Boston's Big Dig. "And [they] withheld giving." Appalled by the way his diocese mishandled its pedophile cases, West Palm Beach, Fla. attorney Edward Ricci is sitting on the \$100,000 he promised his parish. Last summer a small group of congregants of the Holy Disciples parish in Puyallup, Wash. held back on \$2,500 in monthly donations to compel the Seattle archdiocese to get rid of their overly paternalistic priest. (Eventually he was replaced, but not with the parishioners' first choice.)

If the mishandling of the abuse cases failed to incense some parishioners, the Church's flagrant nose-thumbing afterward certainly did. In April Boston's Cardinal Law, forced to resign as archbishop in the wake of accusations that he harbored child-molesting priests, was chosen to preside over a requiem Mass for Pope John Paul II. A month later Father Thomas J. Reese was ousted by the Vatican as editor of *America*, a Jesuit weekly, purportedly because the magazine questioned the Church's position on such issues as gay marriage and stem-cell research. That did it for onetime baseball commissioner Vincent. Shortly after, he says, "I pulled out of a lot of my Catholic commitments," cutting off giving to Fairfield University, a Catholic institution, and turning down an honorary degree from Sacred Heart University in Fairfield.

The Church has other means to fill those financial gaps--from wealthy donors who are deeply invested in the status quo and have little interest in shaking up the system. In Boston, Archbishop Sean O'Malley turns to stalwart patrons like John A. Kaneb, chief executive of the megadairy HP Hood. New York's archdiocese frequently calls on Theodore Forstmann, the buyout king. And in Detroit, Domino's Monaghan--who also founded Legatus, an elite group of Catholic business leaders--has contributed millions of dollars to the Church. In return these donors enjoy rare opportunities to "rub the red," or fraternize, with the likes of cardinals and other high Church officials. But no matter how deep these pockets go, they can't singlehandedly support the dioceses. "That business model just isn't sustainable," says Boisi.

Which is one reason that Opus Dei, the ultraexclusive lay organization, plays such an important role in American dioceses. While only 3,000 of its 86,000 members worldwide are in the U.S., Opus Dei can still easily raise \$49 million or so every year in this country, according to John L. Allen, author of the upcoming *Opus Dei* (Doubleday, November 2005). Most of that is spent on social services stateside--school programs, retreats and religion classes. Change, in Opus Dei's view, is not a good thing--unless it means the departure of dissidents. "If people leave [the Church] because they disagree with the program, that's sad, but it's better than them staying in," says a high-ranking leader in Opus Dei. "Seems far-fetched that just because some guy from

Goldman Sachs comes along, the bishops are going to give over financial control of the Church to him and others like him."

But Boisi has some powerful converts-in-the-making, sizable donors who routinely rub the red. Money manager Peter Lynch gives millions of dollars a year to Catholic causes and sits on the financial council of the Boston archdiocese. Bishops aren't trained to solve financial crises, he says. "You've got weddings, funerals and baptisms. Now you've gotta worry about paying the heating bill? This is a business," Lynch continues. "The clergy are talented people, working long hours, but they need help from a high-quality lay staff--like the kind that run hospitals and universities."

Boston construction magnate Jack Shaughnessy Sr. is hardly a radical and, like Lynch, has never attended Boisi's conferences. But he is sympathetic to the cause of financial reform. "That doesn't mean that I want to see people elect their own bishops," he says. "I don't want homosexual marriage. But I think the laity can participate and give their time, talent and treasure without it having any effect on doctrinal issues."

Is that possible with such an autocratic body, so jealous of its ancient authority? Look what happened near the site of the Boston Tea Party. Armed with pillows and comforters, 500 or so men, women and children last summer began packing the pews at the church of St. Albert the Great in Weymouth, Mass. It was one of 80 parishes in the state Boston Archbishop O'Malley had threatened to close and sell off in order to raise \$400 million to fill dwindling church coffers. Hoping to save their place of worship, the parishioners showed up day after day for 306 days. Finally, in June, Archbishop O'Malley relented. St. Albert's, one of 20-plus churches awaiting the wrecking ball, was saved.

Still, a showdown seems inevitable. And the Vatican, which has so far maintained a serene distance, will probably get more involved. Pope Benedict XVI has made no secret of his willingness to accept a smaller and more ideologically pure Church. But he recently made an intriguing choice in his own replacement, in May naming San Francisco Archbishop William J. Levada to his old post as head of the Vatican's Congregation for the Doctrine of Faith. Levada, now one of the Church's top cops, spoke at Boisi's conference last year at Wharton, declaring that the laity has an important role to play. "Issues of governance and accountability should prompt an open dialogue within a Church that has both human and divine elements," he told attendees.

Is Anyone up there listening?