



# American Lutheran Pastors and Their Finances

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**I**n America, Lutheran pastors have often had to struggle with their personal finances, so the current issues facing clergy in the ELCA are not new. These issues have ebbed and flowed over time, however, and the nature of these financial challenges has changed, as the financial health of the church, and of the nation, has evolved. This will be a short historical overview of the personal financial situation of American Lutheran clergy over time; hardly in any depth, but hopefully suggestive of the broad outlines of the situation.<sup>1</sup>

The basic dynamic behind much of this whole discussion is that distinctly American model of voluntary religion, and especially the financial implications of such a model. Almost from the beginning, in America if you wanted religion, you had to organize it and finance it on your own—religion was and is a voluntary enterprise, self-run and self-financed. Coming from the context of government-established state-church religion in Europe, this was a major change and a serious adjustment for the newly arrived Lutherans. Such a dynamic fundamentally transforms the relationship between Lutherans and their church organizations, and

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*In the voluntaristic world of free-market American religion, Christian leaders have had to reckon with new ways of obtaining support and financial compensation. Over the centuries, American Lutheran pastors have had to deal with numerous and different strategies for such financial compensation.*

between laity and pastors, in ways that are at once both beneficial and troubling. Unlike with the European state churches, Lutheran pastors in North America have had to worry much more directly about raising the funds to assure their own salaries and the survival of their congregations.

In colonial America, this transition was a difficult thing for Lutheran pastors emigrating to North America, and one reason that relatively so few state-church pastors actually came to the New World. For those pastors and congregations who did come to colonial America, cash was very scarce, while land was plentiful, so the major model for providing a living for Lutheran pastors was based on land. Since most congregations were rural at this time, many owned agricultural land, which was put at the disposal of pastors, who farmed the land and supported themselves in such a way. Congregations often promised agricultural labor on behalf of the clergy, promises that were not always fulfilled. To supplement this, pastors also received cash through expected payments for pastoral acts, such as baptisms, weddings, and funerals, and modest annual salaries. Sometimes there would be special offerings taken at various times of the year, to which the pastor was entitled. It is not hard to see how this often became a referendum on congregational satisfaction with clerical performance.

In the nineteenth century, as the United States began to move toward a modern, capitalist, cash-based economy, the increasing liquidity of capital meant that congregational finances, and clerical compensation, were increasingly accomplished by means of voluntary monetary donations. It became much more common for the bulk of a pastor's income to come by means of a set annual cash salary, supplemented by traditional offerings and gifts for pastoral acts. Congregations financed such salaries by a variety of means, including annual assessments, offerings, pew rents, and other income streams. Pastoral salaries were generally very low, on the low end of the scale for educated professionals, and the voluntary nature of donations meant that at many times pastors would not receive at least a portion of the salary that had been promised to them (a constant source of clergy frustration and complaint). The transition to this newer system of the financing of clergy compensation was, of course, much more quickly accomplished in cities and towns; in the rural areas, the older patterns lingered for some time.

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Congregational finances were, of course, deeply affected by economic fluctuations and circumstances, and clergy salaries reflected these variations. Immigrant congregations in rural areas were often desperately poor, and clergy compensation reflected this. Depressions and other economic challenges meant that clergy might

not be paid any or part of their promised salaries, or that a pastor might be forced to accept promissory notes for their salary; these notes were rarely made good. It rarely did any good for pastors to complain directly to their congregations, but in correspondence with denominational officials, or in conversations among their peers, such issues were a constant source of complaint.

Toward the end of the nineteenth century, and into the early twentieth century, Lutheran denominations began to address the issue of financial security for clergy, including the issue of pensions and insurance. Some were reticent to adopt such measures, suggesting that such planning showed a lack of trust in God's providence, but slowly these things began to be addressed. The initial motivation for clergy pension plans was the plight of the elderly widows of pastors, whose financial situations were often desperate. Slowly this evolved into plans whereby pastors and congregations would contribute to regularized pension programs, though such plans were often very modest until after World War II. The introduction of Social Security was also a boost to such efforts.

One way in which clergy sought to benefit economically was by means of special economic treatment from others. For many years clergy enjoyed special economic privileges, in the form of professional or clerical "discounts" on a wide array of goods and services. The "clergy discount" was widespread and pastors often expected it as a means of compensation for relatively low salaries. For example, railroads often provided reduced or free travel "passes" for clergy, allowing them to attend professional events such as synodical meetings or conferences. Church colleges often provided pastors' children with education at much reduced rates of tuition. Though most of these special incentives have now vanished, the tax benefit for clergy housing continues to be an important part of many pastors' financial situations.

After 1945, two elements combined to lift clergy salaries and finances: the economic expansions of the post-war period and the growing push to see the clerical calling in terms of a profession. The status of the pastor was urged as being the equivalent of other, similarly educated professions, and the suggestion was that clergy ought to be compensated in similar manner. One sign of this, for example, was the upgrading of seminary education, from the older degree of "BD," bachelor of divinity, to the newer master of divinity. As Lutherans themselves as a group moved up the educational and economic ladder, so it was suggested that their pastoral leaders be compensated at a level matching their equally educated compatriots. This is an ideal that has only rarely been achieved in practice.

The recent rise in clerical status, and in the accompanying compensation, created a situation in which there has been a widening of the range of salaries between the lower- and higher-paid clergy. This gap between the levels of clerical compensation has led in the last fifty years to a number of attempts to make the system fairer. One is the increasing reference to clergy compensation guidelines, an attempt to set a minimum "floor" for clergy compensation among different congregations, a move that has been widely adopted, and which has had some positive effect. Since the 1960s, there have been, occasionally, more far-ranging plans

suggested for the equalization of clergy salaries, or lacking this, the equalization of clergy pensions, but these proposals have not made much progress.

One of the more recent changes in clergy finances has come in the area of clergy homeownership. Traditionally, a significant portion of clergy compensation was in the form of a congregationally owned home or parsonage, available to clergy for housing. Beginning in the 1970s, clergy began to push for congregations to sell their parsonages and to provide them instead with a greater cash salary, so that they could benefit from the financial (and social) advantages of homeownership. Many, if not most Lutheran clergy have moved in the direction of homeownership where practical or, in lieu of this, have tried to negotiate an additional payment to compensate for missing out on such a growth in financial equity. Recent difficulties in the American housing market have illustrated, however, the downsides of such a shift, as assumptions about constantly rising home values and the liquidity of the housing market have been severely challenged by the recent housing crisis. This crisis has had a deep effect on clergy finances and mobility.

A final issue, and one that is very current, is, of course, the question of clergy debt, especially student debt. Traditionally, students bound for the Lutheran ministry would study at Lutheran colleges, whose tuition was modest, and at Lutheran seminaries, whose tuition was even more modest, being subsidized by their denomination. In the current situation, rapidly rising college tuitions (and reliance on student loans), along with the financial pressures that have moved denominations to less subsidies of seminary education, have led to an alarming rise in student debt load, and in financial issues for younger clergy.

It seems clear that over the last fifty years, and in the current day, two things can be said. One is that American Lutheran clergy are, for the most part, much better off financially than their counterparts in previous generations, and that much progress has been made in this area. But the other thing is that there are a number of current pressures and situations that might have the effect of eroding these hard-won financial gains. But in this situation, clergy, as generally middle-class Americans, are facing many of the same pressures as others around them. ☩

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