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*From the Editor*

# Principles for Renewal

by Roy Branson

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Seventh-day Adventists in North America give their church more money per person than do members of any denomination of comparably significant size. But the vast pyramid of denominational activities rests on a fragile point: the commitment of the individual member to write a tithe check.

Recently the confidence of Adventists in their leadership has been strained. North American members have learned that 163 denominational employees to whom they entrusted their tithes, legacies, and offerings have had to be investigated for participating in the loss of \$22 million. Members have been told that the General Conference has voted to discipline 80 officials at all levels—from local conferences to the General Conference—for their lack of fiduciary responsibility and/or conflict-of-interest.

Now, church members are finding out that although the newly built printing plant of the Review and Herald Publishing Association is not running anywhere near full capacity, and its two high-speed web presses could print everything the Review and the Pacific Press Publishing Association now produces and more, the General Conference has approved constructing a new printing plant for the Pacific Press. It will have its own state-of-the-art, high-speed web presses. After constructing its new plant, the Review has a debt of \$13.5 million, which costs approximately \$1 million a year in interest. The \$8 million debt of the Pacific Press can be retired through sale of its

present property, but it still has \$12 million of unsold inventory, and it is estimated that over \$4 million (and possibly much more) will be required to construct the new Pacific Press printing plant. More importantly, not running either the Review or Pacific Press presses full-time will mean the church will needlessly pay hundreds of thousands of dollars every year to finance and operate underutilized buildings and expensive presses. The result will be higher priced books and, therefore, fewer readers.<sup>1</sup>

Not surprisingly, laymembers are calling for change. They feel this sort of stewardship in North America cannot continue. Committed members around the United States are turning their frustration and outrage at such administrative misadventures into constructive suggestions for altering a church structure that seems to allow such profligacy. As the various commissions and committees established by the General Conference, the Pacific Union, the North Pacific Union, and local conferences examine church structure in North America, it will be crucial for them to distinguish between policy and principle.

Policies can be retained or discarded according to circumstances. Principles express fundamental commitments that endure. Policies can be kept or changed depending on whether they effectively apply principles to present conditions. In the Davenport case denominational policy required a financial statement from Davenport and verification of the collateral provided for local and union conference loans. That

policy should remain. In Adventist publishing long-standing policies may need to be changed. In either case, what should not change are basic principles. We must learn from the confusion of policy and principle that has coursed through two bankruptcies affecting the denomination: Davenport and the Pacific Press.

## *The Davenport Case*

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A conflict of interest arises when a trustee, officer or an employee of the organization has such a substantial personal interest in a transaction or in a party to a transaction that it reasonably might affect the judgment he exercises on behalf of the organization. . . . The following situations are considered to have the potentiality of being in conflict and therefore are to be avoided:

. . . Lending money to or borrowing money from any third person who is a supplier of goods or services or a trustor or who is in any fiduciary relationship with the organization or is otherwise regularly involved in business transaction with the organization.

—“Conflict of Interest,” *Seventh-day Adventist Working Policy*. (First voted at Autumn Council, 1969; distributed at Spring Council, 1970; printed in the *Working Policy* ever since 1971.)

For even those of us not directly involved, the Davenport case is our concern—for reasons beyond the loss of money. My father, as a conference and union president, sometimes brushed aside denominational policy to establish new institutions: Middle East College, the New York Center, the first nursing home built by a conference for its elderly members. Some of the denominational administrators who have been accused of involvement in the Davenport case can be admired because, like my father, they have sometimes dared to be innovative.<sup>2</sup> It is possible to imagine that a local or union conference leader might resist denominational policy directing him to place investment funds in a portfolio of stocks supervised by the General Conference that for years had not provided as good returns as did Davenport. In fact, I have to concede that, were he alive, my father might have

approved breaking denominational policy in order to put conference funds in Davenport if he thought that the returns would make greater resources available to expand the work of his conference.

But conflict-of-interest is another matter. I can remember lucrative opportunities that would have involved him in conflict-of-interest which he rejected in order to avoid compromising his administrative objectivity. Flouting denominational policy to improve your conference's financial condition is bad enough. It is far worse to break the most widely recognized principle of administrative ethics in order to benefit yourself financially.

In a survey of 211 corporations conducted five years ago by the Southwestern Graduate School of Banking, *A Study of Corporate Ethical Policy Statements*, by far the most frequently cited ethical principle concerned conflict-of-interest—83 percent for businesses of all types, 97.5 percent among financial corporations. The strictest codes had been adopted by corporations like banks (or Adventist conferences) who entered into a fiduciary relationship with customers. An example is the statement of the Republic National Bank of Dallas. It sounds very much like the denomination's statement on the subject. “The most obvious example of a conflict of interest is the officer or employee who lends to a customer, syndicate or corporation in which he or she has a present or prospective financial interest.”<sup>3</sup>

Even those corporation codes with less stringent wording would not have allowed their officials to have invested personally in Davenport when he was also the major (sometimes principal) recipient of loans from the local and union conferences the administrators were heading. That would have been true even if the Adventist administrators had received the same rates of interest as the institutions they led.

But Terrence Finney, a superior court judge in California and vice chairperson of the President's Review Commission investigating the Davenport case for the General

Conference, has said that the situation was even worse. Most of the presidents, secretaries, treasurers, and trust officers whose names the commission recommended for publication in the *Adventist Review* received *higher* rates of return on their personal loans to Davenport than did the conferences, unions and institutions they headed. If Judge Finney is right, then not only did many Adventist officials violate the principle of avoiding a conflict-of-interest, they engaged in practices that had they been government officials would have led to their prosecution for bribery.<sup>4</sup> Consider how citizens would regard a governor, treasurer, or secretary of a state if that official received a higher rate of interest from a personal loan to a company than did the state loaning funds to the same corporation.

Church members are justifiably shocked at the cavalier way denominational officials broke sound policy governing loans and investments of tithes and trust funds. Members are even more outraged and saddened that some of the highest officials of this church did not recognize a fundamental moral principle. A staggering number of these powerful denominational administrators did not adhere to the ethical principles proscribing conflict-of-interest prevalent in the corporate and political institutions of our country.

### *Publishing in North America*

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Men in responsible positions should have worked up plans whereby our books could be circulated and not lie on the shelves, falling dead from the press. Our people are behind the times and are not following the opening providence of God.

—Ellen White, 1880, in *Testimonies*  
Vol. 4, p. 388.

Never should our publishing houses be so related to one another that one shall have power to dictate as to the management of another.

—Ellen White, 1901, in *Testimonies*  
Vol. 7, p. 173.

Publishing generates deep feeling among Adventists. A considerable number of us have participated in that rite-of-passage

called summer canvassing, or known friends who have. I was rather self-congratulatory about being a student colporteur for nine summers until I met my wife and discovered that she had persisted for 12, and that my mother-in-law for many years had sold more Adventist books in North America than any other woman.

Possible changes in the publishing work elicit strong emotions because publications are at the root of Adventism—Seventh-day Adventist publishing antedated by many years the organized Seventh-day Adventist denomination. Ellen White wrote voluminously and in detail about Adventist publishing houses—she and her family had established all three in North America. Surely all church members would still agree with her fundamental principle concerning publishing: Adventist ideas should be distributed as widely as possible. In her lifetime she suggested many policies to implement that principle. If she were alive today she might well recommend new policies to utilize innovative technologies implementing her basic principle.

It is deeply disturbing that only after the Southern Publishing Association has been closed and Pacific Press has virtually reached bankruptcy that a systematic thoroughgoing review of Adventist publishing policies in North America by the highest levels of the church is now under way. If the commission established by the General Conference, chaired by General Conference Vice President Charles Hirsch, undertakes a comprehensive analysis, it may recommend some revolutionary changes in policy. Perhaps, in addition to Adventist Book Centers, gift shops in the scores of hospitals within the Adventist Health System/U.S.A. would be authorized to sell Adventist books. The commission might even recommend using alternatives to our present system of publishing secretaries, colporteurs, and Home Health Education System. But any such changes would only be alterations of policy. They would be attempts to remain true to the fundamental principle of

distributing Adventist literature to as many people as possible.

A confusion of policy and principle also lies at the heart of recent debates about the future of the Pacific Press. The General Conference Committee seems to have drawn Ellen White's writings into such a confusion:

"From a purely business standpoint, there is serious question whether more than one printing plant would be required to meet the foreseeable volume of demand for literature in the North American Division. The counsels of the Spirit of Prophecy through Ellen G. White, however, seem to encourage the church to continue operating more than one publishing house with a printing plant in the North American Division."<sup>5</sup>

The committee was understandably attempting to keep faith with Ellen White's counsel, but was not sensitive to the importance of distinguishing policy and principle.

Ellen White repeatedly attacked consolidation of power and authority over Adventist publishing in the hands of a single North American publisher. At times, she had significant differences with editors dominating the Review and Herald Publishing Association. Not surprisingly, a principle to which she was unwaveringly committed was pluralism of authority over Adventist publishing in North America. Because of her principle, books are sold every day at Adventist Book Centers that otherwise would never have been published. Many other Adventist authors have had their manuscripts rejected by one Adventist publisher only to be accepted by another. The wisdom of Ellen White's principle of maintaining checks and balances among Adventist publishers in North America is as sound today as it was in her lifetime.

But translating that principle into the complexities of modern publishing quickly leads to policy considerations about which there can be honest differences of opinion. Publishers in the United States are collections of editors, marketing professionals, circulation experts, and financial analysts. Very few publishers in the United States own their own printing plants. Most

publishers have decided that the advent of expensive, high-speed presses makes it prohibitive for them to own their own printing equipment. The same sort of consideration of cost-effectiveness ought to determine whether the Adventist denomination in North America should have three, two, one, or no printing plants. Any of several arrangements concerning printing presses could serve the basic principle of maintaining pluralism of Adventist publishing houses.

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A realization of the difference between publishing and printing would presumably mean adopting the policy of not operating more than one Adventist printing facility with high-speed presses. At the same time, the Pacific Press and Review and Herald could continue as separate publishers, exercising independent judgment about editorial content and marketing strategy. If the Adventist denomination supported two publishers in North America, while limiting itself to no more than one efficient printing facility, it could remain true to Ellen White's principles: distributing inexpensive literature as widely as possible and maintaining pluralism in publishing authority.

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### *Policies, Principles, and Church Structure*

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**T**he millions of dollars lost in the Davenport affair and the enormous sums wasted in Adventist publishing have stunned Advent-

ist tithe-payers. Some have stopped signing tithe checks. Others are placing their tithe into escrow accounts. The most responsible and significant response has been the unprecedented groundswell of interest by North American members in the structure of their church. Members of constituencies in the Michigan, Southeastern California, Montana, and Washington conferences have either called for, or organized committees to examine church structure. The Pacific and North Pacific Union conferences have created major commissions studying church organization. The General Conference, in addition to the task force analyzing the publishing work in North America, is continuing to support the President's Review Commission. Laymembers of the commission say that it will recommend structural changes in North America that are needed to avoid another Davenport fiasco.

Before long these commissions and committees will suggest that the membership of the church adopt new policies. Some of their proposals—possibly urging the elimination of entire departments and levels of church bureaucracy—may seem far-reaching and unsettling. (The commissions will no doubt notice that the merging of the Northern and Central Unions into the Mid-America

Union together with the subsequent merger of eight into five conferences has saved close to \$1 million in operating expenses annually, not counting the one-time saving from the sale of three conference offices and one academy.)<sup>6</sup> The commissions are likely to recommend policies that make employees of the church more accountable to the membership that supports their activities. Accepting or rejecting these policies should depend on their potential effectiveness, while commitment to basic principles remains unwavering.

Probably not since 1901 have Adventists gone through such a turbulent period. Certainly not since then have members devoted so much attention to the nature and structure of our church. Although revision of organizational policies is not a cure-all, crises often force communities to conduct reappraisals they should have carried out long before. The serious and thorough studies now under way into whether administrative policies conform to principles are necessary to reassure members that we can once again have confidence in our church and the way it carries out its mission. We as members of this church must assume responsibility for transforming recent reversals into occasions for renewal.

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#### NOTES AND REFERENCES

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2. Jiggs Gallagher. "Merging Unions and Conferences: the Example of Mid-America," *Spectrum*, vol. 13; no. 1, Sept. 1982.

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4. Glen Coe. "Letters." *Adventist Review*, June 9, 1983, p. 15.

5. "Publishing Work Task Force—First Session." *Adventist Review*. July 14, 1983, pp. 12–13.

6. Jiggs Gallagher. "Merging Unions and Conferences: the Example of Mid-America." *Spectrum*, vol. 13, no. 1, p. 25.