

Believing without contributing? Developing a theoretical model
for the system of church financing
of the Roman Catholic Church in Germany

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Abstract

This thesis analyses the financing system of the Roman Catholic Church in Germany (RCCiG) from both, a church membership- and financial-viewpoint. The RCCiG invites laymen with expertise in secular aspects of ecclesiastical being to contribute to an ideal system of church financing (Gemeinsame Synode, 1977, p. 213). Additionally, public interest in church financing has increased recently. Uhle (2015, pp. 5-6) explains this based on three recent incidents: (i) the debate on the *Staatsleistungen*, i.e. payments by the state based on historical titles, (ii) the *Causa Limburg*, where the Bishop of Limburg created a financial scandal while renovating his residence, and (iii) the modification of the church tax on capital gains. This study is relevant for both, ecclesiastical practice and academic theory. Practically, the problem is that church financing is embedded into an ever-changing environment that is challenged by the powers of secularisation. Hence, the continuation of church disaffiliations implies shrinking church tax revenues, which are the primary source of the income as only church members pay church taxes. This implies uncertainty about the size of the ecclesiastical budget which is necessary to secure pastoral care in 10,280 parishes for 23.6m Catholics and to remunerate 180,000 direct employees of the RCCiG (Deutsche Bischofskonferenz, 2017d, pp. 7-41). Theoretically, a financial analysis of church financing in Germany is missing, and there is an identified gap in the literature.

Thereby this hermeneutic systematic research adopts academic and non-academic documents within a non-reactive data gathering method and it abstains from interviews because relevant church representatives are reluctant to engage into empirical inquiries. However, the author's presentation of a paper based on this thesis at a conference in June 2018 encouraged this approach and revealed the interest in the outcomes of this study. Thus, by using a Husserlian understanding of phenomenological reduction the study covers the legal and socio-economic external environment of, as well as church-internal preconditions for church financing. Thereby, the thesis entails elements from auto-ethnography to facilitate interpretation based on (1) the researcher's stance to the Church, i.e. being a church member and a former church employee, and (2) the researcher's academic and professional background, i.e. finance. This position is summarised as an auto-ethnographic hermeneutic systematic investigation.

The outcome of this research is a new theoretical model of the financing system of the RCCiG and it systematically captures all church financing instruments and puts them into relationships with ecclesiastical benefits.

Author's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed _____

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Table of Contents

Abstract	2
Author's Declaration	3
Table of Contents	4
List of Figures	7
List of Tables.....	8
Acronyms and Abbreviations	9
Frequently used German terms.....	11
Acknowledgements	13
1 Introduction	15
1.1 Church financing & a business school thesis.....	15
1.1.1 Background of the topic	15
1.1.2 Research goal of this thesis	18
1.1.3 Church financing in the Western world.....	20
1.1.4 Church financing in light of church membership, secularisation and the ritual dimensions of religion 24	
1.2 Guiding elements of the research design	26
1.2.1 The role of written documentation and literature in this thesis	26
1.2.2 The conceptual model of this thesis	28
1.2.3 Gap in the literature and problem statement.....	30
1.2.4 Originality and expected contribution to knowledge.....	32
1.2.5 Research objectives	35
1.3 Structure of the thesis	36
2 My role as a researcher.....	38
2.1 Auto-ethnography versus insider research.....	38
2.1.1 Developing my position	39
2.1.2 From the ethics of friendship to the ethics of membership.....	41
2.2 Multi-voices in my research.....	43
2.3 Tensions in my research	48
2.4 Finance and the business school approach.....	52
2.5 Propositions of financial research on church financing	55
2.6 Initial reflections and personal stance.....	58
2.6.1 Objection as an act of loyalty	58
2.6.2 Church and Christianity.....	59
3 The methodological logic of the study	61
3.1 Introduction to the research process	61
3.2 Philosophy of the study and the question of methods.....	62
3.2.1 The phenomenological research approach of this thesis.....	63
3.2.2 Hermeneutic phenomenology.....	65
3.2.3 Operationalisation of my hermeneutic phenomenological research logic	72
3.2.4 Justification of a nonreactive data gathering approach.....	86

4	Exploration of the Conceptual Framework: church financing in Germany.....	94
4.1	The concept: church financing in Germany.....	94
4.1.1	Church financing: what is being financed.....	95
4.1.2	Perceiving the instruments within the system.....	96
4.2	Logic 1: historical factors.....	102
4.2.1	Introduction.....	102
4.2.2	PART I: An exploratory analysis of the historical environment of church financing.....	103
4.2.3	PART II: An exploratory analysis of church financing from 1803 until post-war Germany.....	110
4.2.4	Hermeneutic thematic synthesis: construction of a history-based analytical framework of church financing in Germany.....	122
4.3	Logic 2: external factors – implications of the legal and social environment.....	131
4.3.1	Part I: An exploratory analysis of the political and legal environment.....	131
4.3.2	Part II: An exploratory analysis of the societal and sociological environment.....	137
4.3.3	Hermeneutic thematic synthesis on the external factors.....	149
4.4	Logic 3: internal factors – implications from canon law and theology.....	152
4.4.1	Part I: An exploratory analysis of canon law, Vatican II and ecclesiology.....	152
4.4.2	Part II: An exploratory analysis of ecclesiology and practical theology.....	156
4.4.3	Hermeneutic thematic synthesis on the internal implications.....	163
4.5	Logic 4: a financial-economic analysis of church financing.....	165
4.5.1	Part I: Manifestations of instruments of church financing in Germany.....	165
4.5.2	Part II: Synthesis of the financial situation of the RCCiG.....	194
5	Hermeneutic thematic synthesis: the conceptualisation of a Model of Church Financing in Germany.....	199
5.1	Introduction.....	199
5.2	The requirements for a theoretical model on church financing.....	199
5.2.1	Study results that frame a model of church financing.....	199
5.2.2	Structural enhancements of the current evidence.....	205
5.3	A model of church financing in Germany.....	213
5.3.1	Objective, nature, reflexivity and the historical path.....	213
5.3.2	Proposal of a model of church financing of the RCCiG.....	216
6	Conclusion.....	225
6.1	Believing without contributing: church financing in Germany.....	226
6.1.1	Believing, belonging and contributing.....	226
6.1.2	The situation of church financing in Germany.....	228
6.1.3	Financial viability: the anticipation of a critical point.....	231
6.2	Contribution to science.....	235
6.2.1	The closed gap in the literature.....	235
6.2.2	Originality.....	237
6.3	Contribution to practise in light of the theoretical model of church financing in Germany (Figure 24)	238
6.3.1	The church tax: no abolishment but a need for a reformation.....	238
6.3.2	A view on voluntary contributions and donations.....	241
6.3.3	Recommendation of a redemption of the <i>Staatsleistungen</i>	249
6.3.4	Retention of state subsidies and direct public cost compensation.....	252

6.3.5 The need for increased proprietorial financing.....254

6.3.6 Increasing the role of church banks.....256

6.4 Limitation of the study.....263

6.5 Concluding remark266

References269

List of Figures

Figure 1: Church financing systems in parts of the world (diagram compiled by the author).	23
Figure 2: The conceptual model of church financing (diagram compiled by the author).	29
Figure 3: Process and Structure of the thesis (diagram compiled by the author).	36
Figure 4: The hermeneutic systematic logic (diagram compiled by the author).	74
Figure 5: Example of an index card (computer-scanned).....	79
Figure 6: Transfer and coding of evidence and development of descriptive themes (diagram compiled by the author).	81
Figure 7: Development of analytical themes, formulation of key concepts and integration of findings (diagram compiled by the author).	81
Figure 8: Hermeneutic interpretation and explanatory logics (diagram compiled by the author).	82
Figure 9: The hermeneutic phenomenological research logic (diagram compiled by the author).....	84
Figure 10: Shares of the instruments of church financing for the RCCiG (diagram compiled by the author).	100
Figure 11: The historical factors within the conceptual model of church financing (Logic 1) (diagram compiled by the author).....	125
Figure 12: A history-based analytical framework of church financing in Germany (diagram compiled by the author).	128
Figure 13: The external factors within the conceptual model of church financing (Logic 2) (diagram compiled by the author).	151
Figure 14: The internal factors within the conceptual model of church financing (Logic 3) (diagram compiled by the author).	164
Figure 15: The financial, economic factors within the conceptual model of church financing (Logic 4) (diagram compiled by the author).	194
Figure 16: The process of benefits creation (diagram compiled by the author).	207
Figure 17: The 'impact-equilibrium' (diagram compiled by the author).	213
Figure 18: Contemporary reflexivity of the system (diagram compiled by the author).	214
Figure 19: The historical reflexivity (diagram compiled by the author).	216
Figure 20: Enhancement of the conceptual model with findings in the course of the thesis (diagram compiled by the author).	217
Figure 21: Three groups of instruments within ecclesiastical finance (diagram compiled by the author).	220
Figure 22: The balance between ecclesiastical expenditure and income (diagram compiled by the author).	221
Figure 23: Integration of ecclesiastical benefits into the model of church financing of the RCCiG (diagram compiled by the author).....	223
Figure 24: A theoretical model of the church-financing circle of the RCCiG (diagram compiled by the author).	224
Figure 25: Development of Catholic church membership (diagram compiled by the author; based on (Eicken & Schmitz-Veltin, 2010, p. 587) and (Deutsche Bischofskonferenz, 2017a, 2017b, 2017e, 2017g).....	233
Figure 26: The importance of membership-based instruments for church financing in Germany (diagram compiled by the author).....	239
Figure 27: Proposal of the introduction of a general <i>Kirchgeld</i> (i.e. church money) for every congregant (diagram compiled by the author).	241
Figure 28: Proposal of a systematic integration of crowd-funding and relationship fundraising in a model of church financing in Germany (diagram compiled by the author).....	246
Figure 29: The cross-financing function of the <i>Staatsleistungen</i> for church financing in Germany (diagram compiled by the author).....	249
Figure 30: The proceeds from a redemption of the <i>Staatsleistungen</i> as a new market-oriented instrument (diagram compiled by the author).	251
Figure 31: The vital role of public subsidies, i.e. direct cost compensation by the state, for the creation of benefits for the society as a whole (diagram compiled by the author).	253
Figure 32: The cross-financing function of the market-oriented instruments of church financing (diagram compiled by the author).....	255

List of Tables

Table 1: An analytical overview of the insights of logic 1: historical factors (table compiled by the author).	123
Table 2: Overview of the analysis of the social environment (table compiled by the author).	216

Acronyms and Abbreviations

A	Amount of the annuity
BA	<i>Berufsakademie</i> (University of Cooperative Education)
BIB	<i>Bank im Bistum Essen</i> (Catholic Church Bank in Essen)
BKC	<i>Bank für Kirche und Caritas eG</i> (Catholic Church Bank in Paderborn)
bn	Billion
BVerwG	<i>Bundesverwaltungsgericht</i> (The Federal Administrative Court)
cf.	Confer
CIC	<i>Codex Iuris Canonici</i> (canon law from 1983; <i>CIC 1983</i>)
DE	<i>Deutschland</i> (Germany)
DKM	<i>Darlehnskasse Münster</i> (Catholic Church Bank in Münster)
DNB	<i>Deutsche Nationalbibliothek</i> (German National Library)
e.g.	<i>exempli gratia</i>
eG	<i>eingetragene Genossenschaft</i> (registered cooperative society)
EKD	<i>Evangelische Kirche in Deutschland</i> (Evangelical Church in Germany)
EStG	<i>Einkommensteuergesetz</i> (Personal Income Tax Law)
et al.	et alii
et seq.	et sequens
et seqq.	et sequential
etc.	et cetera
EU	European Union
EUR (€)	Euro
Ger	German
GDR	German Democratic Republic
GmbH	<i>Gesellschaft mit beschränkter Haftung</i> (limited company)
hons	honours
i	interest rate
i.e.	id est
incl.	including
KNA	<i>Katholische Nachrichten-Agentur</i> (Catholic broadcasting service in Germany)
Lat.	Latin
LG	<i>Lat. Lumen Gentium</i> (part of the documents from Vatican II)

lit.	literally
n.d.	no date
NL	Netherlands
no.	number
p.	page
pl.	plural
PV	Present Value
RCCiG	Roman Catholic Church in Germany
SOAS	School of Oriental and African Studies
UK	United Kingdom
US/USA	United States of America
VDD	<i>Verband Deutscher Diözesen</i> (translated by the author: 'Association of German dioceses')
Vol.	volume
WRV	<i>Weimarer Verfassung</i> (Constitution of the Weimar Republic; Official German title: <i>Die Verfassung des Deutschen Reichs</i>)

Frequently used German terms

<i>Bundesland</i>	Federal State within the Federal Republic of Germany (pl. <i>Bundesländer</i>).
<i>Gemeinsame Synode</i>	General Synod of the German Bishops in the aftermath of Vatican II. The Synod took place in Würzburg, Bavaria from 1971 to 1975. The task of the Synod was to promote the realisation of the decisions of the Second Vatican Council. The Synod was convened by the German Bishops' Conference in February 1969, cf. Footnote 57.
<i>Grundgesetz</i>	German Basic Law, i.e. the German Constitution.
<i>Kirchenbeitrag</i>	Translated by the author: 'church contribution fee'; a membership-based instrument of church financing in Austria, cf. Footnote 76.
<i>Kirchenfinanzierung</i>	Church Financing, i.e. the practise of providing a religious organisation with financial means.
<i>Kirchensteuer</i>	Church tax, i.e. a membership-based instrument of church financing in Germany; cf. section 4.1.2.
<i>Kirchgeld</i>	Translated by the author: 'church money', a manifestation of the church tax, cf. section 4.1.2.
<i>Kulturkampf</i>	The <i>Kulturkampf</i> lit. translated 'culture struggle', was a conflict between the Kingdom of Prussia represented by the Protestant Chancellor Otto von Bismarck and the Roman Catholic Church represented by Pope Pius IX. The central aspect was the attempt to separate state and church; cf. section 4.2.2.1 for further information.
<i>Reichsdeputationshauptschluss</i>	The 'Principal Decree of the Imperial Deputation' is a decree from 1803, which led to a territorial restructuring of the Holy Roman Empire of the German Nation. It involved the confiscation of mainly Catholic ecclesiastical estates; cf. section 4.2.2.1 for further details.

Staatsleistungen

Payments by the government to the Church, which are based on historical titles, cf. section 4.1.2.

Wirtschaftswunder

Lit. translated 'economic miracle'. This term describes the rapid growth as well as recovery after World War II of the economy in West Germany, cf. section 4.2.3.7.

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1 INTRODUCTION

1.1 Church financing & a business school thesis

The role of financial resources in the context of the Church is a phenomenon that has existed since the early days of Christianity two thousand years ago (Lienemann, 1989a, p. 14). Throughout the centuries, financial means have always played a role, and they were necessary to provide for material resources of the Church and of course for the alimentionation of the clergy. The same is true for the contemporary Roman Catholic Church in Germany (RCCiG) which is Germany's largest Christian denomination with 23.6m members (Deutsche Bischofskonferenz, 2017d, p. 6). Thus, nowadays it is impossible to conduct pastoral care without the necessary material and financial resources (Feldhoff, 2004, pp. 16-17). However, it appears to be that money is ruling over theological doctrine and thinking and scarce financial resources have already led to closure of facilities and a reduction of ecclesiastical personnel in many parishes and dioceses (Karrer, 2006, p. 48; Zulehner, 2005, p. 18) and an almost insolvency of the Archdioceses Berlin in 2003 (Feiter, 2010, p. 85). It is because of this that theologians demand that the Church and theology must enter into a dialogue to make the outside environment of the Church and theology fruitful for the benefit of the Church (Kordes, 2015, p. 1). Despite this and corresponding public debates, there has not been a holistic financial analysis of the church financing system in Germany until today. Precisely this, along with the complexity and interrelatedness of the system, makes it a yielding research subject for the doctoral thesis on hand. As a result of this study, the proposed model of church financing in Germany, together with a number of practical conclusions, shall allow the church regime to be able to continue to pay the remuneration of the ecclesiastical personnel and to maintain the current material appearance of the RCCiG in light of a potential critical point where this might be not viable anymore from a financial perspective. Above that, it is aimed to foster a fruitful interdisciplinary academic debate that could use the model as a common denominator for various avenues of argumentation.

1.1.1 Background of the topic

The awareness of the important role of sufficient financial resources within the RCCiG has increased substantially since Vatican II. This general council of the Roman Catholic Church which took place in the 1960s decided on numerous reforms to meet

modernity. In the context of this thesis, one crucial aspect of modernity is secularisation, which describes the alienation of society from the Church, cf. section 2.6.2. In relations to the topic of the thesis on hand, the critical aspect of this state of affairs is the link between church membership and the church tax in Germany as the church tax is the primary source of church financing in Germany (Kühn, 2014, p. 1) and contributes about 80% of the ecclesiastical budget of the RCCiG (Robbers, 2010, p. 266). Thus, as the secularisation is continuing, the number of church members is decreasing at a higher rate. Ultimately, if this development continues, as it has been argued by scholars such as the economist and former advisor of the conference of the German Bishops Thomas von Mitschke-Collande (Mitschke-Collande, 2004, pp. 345-346; 2012, pp. 89-94; Orth, 2003, p. 343) fewer church taxpayers are left to finance the ecclesiastical being. This fact creates a situation where a financial viewpoint on the state of affairs could support decision-making processes in practise and foster an academic debate about church financing in Germany. It is this situation where, in the spirit of Vatican II, it is proclaimed that the Church needs to consider the opinion and critique of secular, non-clerical congregants who are experts on secular subject matters (Pope Paul VI. (Vatican II), 1965b). This invitation becomes even more precise for the author of this thesis when studying the declaration of the General Synod of the Catholic Church in Germany held in the years after Vatican II, cf. *Gemeinsame Synode* (1977, p. 213). In the proceedings of this committee, the active support of trained church members on the attempt to have an ideal system of church financing in place is demanded.

This demand to discuss such an ideal system of church financing in Germany, which indeed goes beyond the church tax only, was already proclaimed 40 years ago. Nevertheless, the awareness of the financial aspects of the RCCiG in Germany again rose notably during the last decade. Thus, the years since the beginning of the millennium brought

- (1) an almost insolvency of the Archdioceses Berlin in 2003 (K. P. Hoffmann, 2009; Suermann, 2012, pp. 241-251), where 440 employees of the Catholic Church lost their jobs (Gehlen, 2003) which were mainly secular employees and not clergy (Erzbistum Berlin, 2009, p. 5),

- (2) the child abuse scandal in the Catholic Church, which reached Germany in early 2010 (Bohl & KNA, 2015; Deutsche Bischofskonferenz, 2017h)¹, induced substantial church disaffiliations and an erosion of the Church's reputation (Wiegelmann, 2014, p. 12),
- (3) the so-called *Causa Limburg* in 2012, where the former Bishop of Limburg caused a scandal which centred around the costly and excessive renovation of the Bishop's residence (Höfer, 2014, p. 7),
- (4) the political debate about an abolishment of the so-called *Staatsleistungen*, i.e. payments by the state to the Church based on historical titles (Bündnis 90/Die Grünen, 2017, p. 120; Liebl, 2014, pp. 107-127; Säkulare Grüne, 2013) and
- (5) the public criticism of the modification of the church tax on capital gains in 2015 (Uhle, 2015, p. 2).

At the same time, there is the empirical data about church membership in Germany that contributes to a state of urgency. Thus, following on the spirit of Vatican II in the 1960s, since then the secularisation of the German society measured in the number of church members continued steadily to decline. While in 1960 25.8m Germans belonged to the Catholic Church this number decreased to 23.6m in 2016 (Statista, 2017c, pp. 6-7). This development implies that the number of members of RCCiG decreased by about 39,000 congregants (i.e. the balance of all baptisms, funerals and church disaffiliations in a year) every year on average since 1960. Despite this trend which can be explained by the ongoing social secularisation in Germany, there are also the demographic effects of an ageing population and corresponding population decrease (Feiter, 2010, p. 87). This effect in combination with an above average rate of young people who disaffiliate from the Church leads to an upward shift of the age structure of Catholic Church members (MDG/Institut für Demoskopie Allensbach, 2010, p. 20). Thus, because there is a direct link between church financing and church membership in Germany in the form of the church tax, this development implies uncertainty about the size of future ecclesiastical budgets. Nevertheless, a stable ecclesiastical budget is necessary to secure the offering of pastoral care in the 10,280 parishes in Germany and to remunerate the 180,000 direct employees of the RCCiG (Deutsche Bischofskonferenz, 2017d, pp. 7-41). L. Müller, Rees, and Krutzler (2014, pp. 7-8) add to this, that with the papacy of Pope Francis also a new

¹ Cf. Wunibald Müller (2010) for a theological and psychological analysis for reasons which lead to the dimensions of the child abuse scandal in the Catholic Church in Germany.

focus on the poor church for the good of the people was initiated and that in context of this the question is frequently raised by the public where the Church receives its funding from. Above that is has already been noted 20 years ago that the public understanding of church financing in Germany is not very sophisticated due to three noteworthy aspects (Fahr, 1996, pp. 116-118):

- (1) the historical development of church financing is complex and not easy to be described in a few sentences,
- (2) frequently church financing is simplified, or levels of consideration are mixed up, such as the Vatican versus the Church in Germany, or the different financial strengths of the 27 dioceses, and
- (3) the actual relationship of state and church is frequently insufficiently considered such as the confusion regarding the so-called *Staatsleistungen* or payments by the state as they both have different origins.

The sum of this background constitutes the entrance and goal of this thesis. As will be seen it requires a multi-layered investigation of these factors to develop new theoretical knowledge.

1.1.2 Research goal of this thesis

Despite the invitation by the Church itself to engage in the debate and significant public relevance of this topic, the phenomenon of church financing in Germany is not yet part of a fruitful academic discussion that gives a systematic order to the state of affairs and substantiates the relevant aspects in theoretical models and explanations. This is different in the United States which has an entirely different church financing in place than Germany, where the Financing American Religion project already started decades ago to combine various scholars in order to explain and develop state of affairs and to “create knowledge about religion and money” (Chaves, 1999, p. ix).

Given that the topic of this thesis is an investigation into a complex phenomenon that is embedded in a particular society, this will exclude various approaches. Thus, this study is not a comparative study that intends to juxtapose the various financing systems found in the Western world. Also, alternative systems will be reviewed but do not turn the basis of the investigation. It will explore the layers of meaning in a particular social system

rather than across different systems. The paradigm here is depth rather than breadth. In addition, it is not a historical analysis of church financing in Germany, but the historical development of the current state of affairs constitutes only one explaining pillar of the investigation. It will refer to other approaches where this can help to provide alternative views. Instead, this research is about the RCCiG, which is Germany's largest Christian denomination to derive the nature of the system and to holistically perceive all instruments of church financing in light of the changing environment. As a result, this thesis aims to propose a theoretical model of church financing in Germany. This proposal shall be able to facilitate and specify the academic debate. Above that, this phenomenological reduction of church financing will allow the author to make normative statements and comments on practical aspects of the state of affairs.

This study takes an economic viewpoint on a rather untapped research object of business studies in general and finance in particular, which is the RCCiG with its financing system. It is interdisciplinary as it considers sociological, legal, theological and historical findings. However, it is primarily written from a business school perspective. This view implies that readers with a non-business school background might find certain avenues too narrowly considered and readers with a business school background might miss the typical business school 'hour-glass'-thesis structure². Hence, a typical business school thesis may include a section usually referred to as being the literature review. This review, in turn, is to be understood as a construction of the internal history of the reviewed literature and identification of themes and then displayed as a description of "the main thrust of the discussion as a temporal sequence of arguments" (Ryan et al., 2002, p. 185).

In this thesis, this traditional approach of a literature review will be substantially enhanced. Thus, rather than a separate literature review, the review of the literature will already be an analysis and will take the form of a hermeneutic investigation. The hermeneutic analysis, in turn, will be enhanced by an auto-ethnographic dimension, which allows an in-depth analysis of the written documentation on the phenomenon. As such, literature functions as data for this thesis and the role of it is of superior importance for the entire research design.

Before the remainder of this chapter reveals methodological aspects and the structure of the thesis, the previous thought of the role of the situation in Germany shall be

² According to Ryan, Scapens, and Theobald (2002, p. 167) the 'hour-glass'-structured PhD thesis is composed of 7 chapters being: introduction, literature review, methodology, research problem hypotheses, methods, results and conclusion.

followed briefly again, and the German case shall be theoretically be placed within the landscape of church financing systems in the Western world.

1.1.3 Church financing in the Western world

In a study on church financing which is different in each country under investigation and frequently also within a given state (if one considers different religious congregations), it is necessary to put the German situation into a broader context. For this, the most relevant systems as discussed in the current body of literature will be revealed hereafter.³

The German conference of the bishops lists five different types of church financing systems in Western Europe and the USA, which are possible and which are used in the realm of the Catholic world (Gemeinsame Synode, 1977, pp. 208-211); however, the Catholic Church indeed is not the major religious society in all of the displayed countries. In addition, in the meantime there was some change since the publication in the 1970s and a new system emerged (cf. point f below), which is reflected in the following dense overview of church financing systems in Western Europe⁴ and the USA:

- a) a donation- and collection-based system (practiced in e.g. **France**⁵, **the Netherlands** and **the USA** and according to Giesen (2009, p. 86) also in **Ireland** and in **the United Kingdom**⁶): in this system it is the individual, voluntary decision of each congregant to decide if and to what extent and for what purpose it wants to contribute to the finances of the congregation. Such a system is based on managing the financial matters at the level of the parish. It is the parish where the donor is being captured and addressed (Marré, 1991, pp. 17-21);

³ This approach has also been applied by the leading expert on church taxes in Germany Felix Hammer who presented a similar context in his doctoral thesis with a section on ‘free and democratic republics in Europe and North America’, cf. (Hammer, 2002, pp. 90-121).

⁴ For an overview on church financing in Eastern Europe cf. to the following: for Hungary cf. Schlosser (2014) and for Slovenia cf. Saje (2014), for the situation in Bulgaria, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia and the Czech Republic cf. pp. 374-480 in Rees (2007). Despite this, those countries are not any further subject of this thesis.

⁵ Moisset (2014) gives an in-depth overview of the history and contemporary system of church financing in France.

⁶ Thompson (2014) gives a complete overview on church financing in the various parts of the United Kingdom. It is important to note that the material equipment varies between the different parts of the Kingdom as well as different denominations in the parts of the Kingdom. Due to space limitations of this thesis and the complexity of the financial situation of religious congregations in the United Kingdom will not be discussed in any further detail.

- b) a tax-based system (practised in **Germany**, **Denmark** and certain cantons in **Switzerland**⁷ and according to Kühle (2011, pp. 210-211) also in **Finland**, **Iceland** and **Sweden**): is the governmentally supported collection of a church tax from all relevant congregants. It is a system that has a liberal cooperation between state and church embedded while adhering a mutual independence from one another. In case of a tardy payer, the tax contribution can be enforced by an administrative compulsory collection by the sovereign government (Marré, 1991, pp. 23-26);
- c) a contribution-fee-based system (practised in **Austria**): the Nazi regime introduced this system which only exists in Austria in 1939. It is similar to the tax-based system, but the main difference is that the contributions are treated as contributions under private law and are therefore comparable to membership fees of a leisure club. As such they are not collected by the government but by the Church itself, and in case of a tardy payer the Church must go in front of a civil court (Marré, 1991, pp. 22-23);
- d) a state-financed-based system (practiced in parts of Scandinavia, i.e. according to the Erzbistum Paderborn (2016a, p. 11) **Norway**, and according to Giesen (2009, p. 86); Marré (2004, pp. 13-44) also in **Belgium**⁸, **Luxembourg**⁹ and **Greece**, according to Haering (2015, pp. 22-23 and 29-32) also in **Liechtenstein** and parts of **Switzerland**, and according to Rees (2007, pp. 300-301) moreover in **Malta**: in this system the state is covering the major part of the costs which are occurring for a religious community with comprehensive, direct state subsidies. Thus, the state is mainly paying the remuneration of the ecclesiastical personnel and material maintenance and existence of the necessary buildings (Marré, 1991, pp. 34-41). This system affects all inhabitants of a country and not only the congregants;
- e) a yields on own assets-based system (practiced in **the Vatican**, to some extent also in **the USA** and in **England** with the Church of England), and according to Haering

⁷ Ernst Buschor (1989) gives an overview on church financing in the various cantons in Switzerland. Luterbacher-Maineri (2014) focuses on the Catholic Church in Switzerland and Marré (1991, p. 25) notes that each canton is responsible to regulate the relationship between state and church independently.

⁸ De Maeyer (2014) gives an overview of the history and contemporary system of church financing in Belgium.

⁹ For further information on Luxembourg cf. Schlitz (2013). Thus, the constitution of Luxembourg declares that the state has to pay the remuneration and pensions of the clergy.

(2015, pp. 34-35) in **Portugal**¹⁰ and in **Cyprus**: in this system the religious organisations are responsible to maintain sufficient own assets which yield returns that in turn can be used in order to cover all occurring costs (Haering, 2015, pp. 34-35). Frequently these available funds are historically grown and Marré and Jurina (2006, p. 27);(Thompson, 2014, p. 165) list the Church of England and Church of Scotland as typical examples for that. In addition to those five systems already mentioned, there is the relatively new manifestation of church financing in the Catholic world which is a form of a ‘mandated tax’ [term invented by the author];

- f) a dedication of parts of income tax-based system to be found in **Italy**¹¹ and **Spain** (Giesen, 2009, p. 86; Marré & Jurina, 2006, pp. 13-44)¹²: in this system, each tax income taxpayer has the right to appropriate a part of his income tax to a eligible beneficiary which can be the Church. It is a system that affects all inhabitants of a country and not only the congregants (Marré, 1991, pp. 26-29).

In addition to the above, it must be noted that not all church financing systems in the listed countries are strictly limited to one form, but that the manifestations appear in combinations. Thus, e.g. the USA is a mixed-system consisting of yields from own assets, donations and collection. The same is true for the United Kingdom where depending on the part of the Kingdom, as well as Christian denomination under investigation, different and mixed-systems appear. Furthermore, the German system comprises of features from various manifestations; however, it is unambiguously characterised by the church tax. Despite this, in this study, I am following the logic that each system can be distinguished by one of the different manifestations. Figure 1 below summarises the above in a map of Western Europe and the USA and displays the primary instrument of church financing in the respective country.

¹⁰ In opposite to this, Giesen (2009, p. 86) notes that Portugal has a system in place which is based on donations and collections. However, the research in course of this thesis revealed that this is not valid. Therefore, Haering (2015, p. 35) clearly attributes Portugal to a system based on yields on own assets, i.e. real estate and agriculture. However, Haering (2015, p. 35) also notes, that Portuguese have the opportunity to dedicate a part of their income tax to the Church. In sum, the system is a mix of different systems but from the author’s point of view, more a system based on own assets. This thesis therefore follows Haering (2015).

¹¹ The Vicar general of the Catholic Church in the German part of Italy Josef Michaeler (1989) gives a complete overview on the history and set-up of church financing in Italy. In addition, the former Vicar general of Cologne Feldhoff (1997, p. 3 et seqq.) expresses his criticism on the Italian system where the Church e.g. is allowed ‘to show commercials in the television in order to persuade the audience’.

¹² This form of a ‘tax’ is also referred to as a ‘mandate tax’ (*Mandatssteuer*) as proposed by Horst Herrmann (1972c).

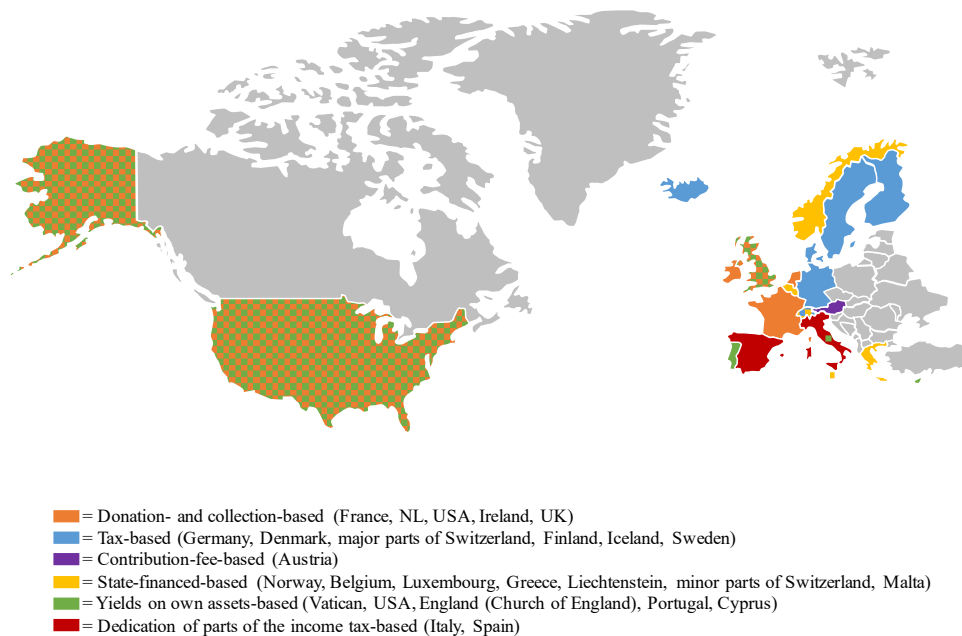


Figure 1: Church financing systems in parts of the world (diagram compiled by the author).¹³

Even though similar tax-based systems exist in parts of Switzerland and some Scandinavian countries, the situation for the RCCiG is unique in comparison to those countries. In this context Davie (2011, p. 172) notes that “(...) different ecclesiastical history has led to different understandings of the relationship between church and society (...)” and that the above mentioned “(...) church tax system of Northern Europe exemplifies one relationship (...)”. For the situation in Germany, one needs to consider that church financing is deeply rooted in the German constitution, history and society. Also, in Germany is a combination of different systems in place with yet, a clear emphasis on the church tax and an emphasis on public subsidies, but additionally, the ecclesiastical budget includes with minor importance also income from yields on own assets, donations and the *Staatsleistungen*. This interplay and interconnectedness of the full range of all existing instruments of church financing¹⁴ constitute the unique research situation on hand.

¹³ This diagram was compiled in Microsoft PowerPoint using the add-in ‘Efficient Elements’.

¹⁴ Indeed, with the exception that a dedication of parts of the income is not possible in Germany.

1.1.4 Church financing in light of church membership, secularisation and the ritual dimensions of religion

Secularisation¹⁵, is one of the central and wide-ranging ideas found in the sociology of religion. It is the process of a loss of social meaning of religion in modernising societies (Pickel, 2011, pp. 135-198). Durkheim (1981, p. 62) in this context divides the world into two areas, where one is the Holy and everything else is the Secular. According to Durkheim, it is this distinctive feature that is religious thinking. Further, on this, Durkheim perceives the Church as the community of the faithful which according to him is the specific element of a definition of a religion (Durkheim, 1981, p. 75). If one follows this community-based thought of Durkheim, then church membership can be perceived as a critical aspect of understanding the role of secularisation in a modernising country such as Germany. In this thesis, the perception of measuring secularisation in the form of church membership & church disaffiliation is a means of complexity reduction. It is a research approach, which follows the business school perspective of this thesis aiming to reduce the phenomenon to a theoretical model. This approach was also applied by Kühn (2014) in her doctoral thesis on the church tax and church disaffiliation from a macroeconomic perspective. Also, the theologian Rut von Giesen (2009, pp. 31-37) uses in her doctoral thesis on economic thinking in the Catholic Church, church membership as a measure of societal change.

However, it must be acknowledged that secularisation, as discussed in the sociology of religion, is by far more complex than just church membership despite, e.g. the aspects of church attendance and the frequency of prayers, frequently also considers *inter alia* the belief in God or eternal life. Norris and Inglehart (2004, pp. 33-52) discuss the various instruments of measuring secularisation in their well-perceived academic contribution in detail. Also in this context Flew (2013, p. 14) argues that “[o]ne of the key difficulties in discussing secularisation is in defining religion”. Besides, she stresses, while referring to Glock and Stark (1966), that the difficulty lies within the problem “of quantifying religiosity” and to measure “changes in religiosity” (Flew, 2013, p. 14). Consequently, Glock and Stark (1966, p. 19) postulate that “[i]nvestigators have tended to focus upon one or another of the diverse manifestations of religiosity and to ignore all

¹⁵ The German language distinguishes between two meanings of the word secularisation. Säkularisation, i.e. the expropriation of the Church during the Napoleonic era, and Säkularisierung, i.e. the alienation of church and society (Heinig & Munsonius, 2015). I will follow this logic in this thesis as well in order to differentiate the two terms. In the following, the first, legal meaning will be referred to as the Napoleonic Secularisation and the latter, religious-sociological simply as secularisation.

others.” This is also a true description of my non-sociological, business school approach. However, I want to take a close look on the five dimensions that Glock and Stark (1966) propose to perceive religiosity, which are the experiential, the ritualistic, the ideological, the intellectual, and the consequential. For the sake of my research on church financing and from their perspective, the second, i.e. ritual dimension appears to be the one to be pursued hereafter. Thus they note that “[t]he principal ritual indicators used are the proportion of Americans who are church members, the proportion who attend church on any given Sunday, the investment in church buildings, and contributions to religious institutions” (Glock & Stark, 1966, p. 73). Transferring this to the situation in Germany then indeed, the following attributes are measurable: church membership, church attendance and church financing (i.e. investment in church buildings and contributions to the Church). However, as my research will show, donations during the Holy Mass are of almost insignificant role in context of church financing in Germany¹⁶ and therefore I will not pursue the aspect of church attendance any further and instead concentrate on the aspect church membership that stays in a direct relationship with church financing in Germany attributable to the church tax.¹⁷

In the context of the German situation, one of the leading German sociologist of religion Heiner Meulemann (2015, p. 32) notes that modernity, i.e. according to my understanding the ideology of progress, in context of secularisation, is a bundle of processes which happen in a society ranging from industrialisation, bureaucratisation, urbanisation, tertiarisation and expansion of education. Indeed and in a broader context, these processes are not only happening in Germany but are key features of Western-European countries where Christianity and the Church as an institution loses meaning for the people and *inter alia* the number of church attendances and frequency of prayers is decreasing more and more, fewer people are becoming baptised and ultimately, large numbers of the societies disaffiliate from the Church (Liedhegener, 2012, pp. 485-397; Meulemann, 2012, pp. 61-66; 2015, p. v).

¹⁶ At this point it almost feels that if a church membership with a corresponding church tax payment is perceived as a ‘flat-rate’ and thus, all financial duty is done with the tax payment. However, this notion needs further research.

¹⁷ For the further development of this argument cf. section 5.2.2.1 where this understanding is being prepared to be incorporated into the theoretical model of church financing.

1.2 Guiding elements of the research design

1.2.1 The role of written documentation and literature in this thesis

The sole reliance on a research design built around the auto-ethnographic hermeneutic systematic interpretation of written documentation about the phenomenon financing of the RCCiG is due to two significant reasons. In this understanding, the researcher is the auto-ethnographic hermeneutic observer, cf. section 3.2.1.2 for further details on this idea that has been developed for the course of this thesis.

First, it suits the research goal best which is to derive a holistic theoretical and practically-usable model of the phenomenon from a business school perspective. For this, it is assumed that the examined body of academic and non-academic literature represents truth and comprehensive written documentation of the real-world phenomenon. In this context, this study discovered that there is no evolution of common thought in the literature on the situation in Germany that is being picked up by subsequent publications. Thus, it is not possible so far to construct a literature network that maps out the development of a key model, thought or theory. Thus, most of the literature starts from scratch to describe the phenomenon of church financing. As a consequence, this research takes a meta-perspective on the existing knowledge and interprets the state of affairs with the author's own, unique background assumed to be well suited for this topic. The theoretical contribution is provided by this in-depth investigative logic. This methodology goes beyond a review that is often the precursor to an empirical investigation but creates logical relationships between the facts that were not discussed or discovered before. This is accomplished through an inductive logic, cf. section 2.4 on page 52 et seqq., and it translates the observations into a finance perspective due to the fact that most of the literature is published in disciplines other than those found in a business school (such as religious studies, theology and legal studies). In this understanding, the auto-ethnographic hermeneutic observation can be perceived in an Iserian understanding as "an act of translation" (Iser, 2000, p. 5).

Second, in addition to the exegesis of the existing research ground, no further empirical inquiries shall be conducted in the course of this study. This, in turn, is because the attempt to conduct inquiries such as surveys or interviews, (1) involves research ethical concerns and (2) the value and additional knowledge of such an attempt is assumed marginal for the goal of this thesis. Thus, with regard to (1), first, the existing body of literature, cf. *inter alia* Foltin (2014, pp. 229-269) and Hochhuth (2003, p. 15) suggests

that (i) the RCCiG in general is very reluctant to engage in empirical enquiries, especially on its financial affairs¹⁸, and (ii) second, with the abandonment of a conduction of empirical enquiries, it is aimed to prevent to bring possible interviewees or survey participants into difficult positions with regard to their church membership and relationship to the Church as their employer. As a result, and in turn, this analysis is based on publicly available information and enhanced with the auto-ethnographic hermeneutic observation of the author with his background as a financier, concerned and scholarly invited church member and former employee of the Church who is familiar with church internal views and organisational set-ups.

Above that and with regard to (2) a common empirical inquiry at a business school with approaches such as an interview or survey conduction could in case of the design of this thesis only function as a tool of verification of the findings. However, this thesis is about the nature of the system of church financing and its embedded inter-relationships. Moreover, the insights from such an attempt are not suited well for the research design on hand which is additionally accompanied by the situation that experts and relevant interview partners are appearing to be not available. From the point of this research this is *inter alia* because of the institutional reluctance of the Church to not participate in such inquiries. Above that the possible ethical risks involved with this are too high and not manageable in the course of this thesis.

However, my invitation and visit to the '2nd International Festival of Creativity in Church Management' at the Villanova School of Business in June 2018 gives a positive outlook on this situation as I had very good conversations about my research with conference attendees, panellists and speakers from *inter alia* the Vatican, the Catholic Church in Australia or the Catholic Church in the USA. Thus, the feedback on my presentation on ecclesiastical crowd-funding, cf. Biermeier (forthcoming), which is based on the theoretical model that I am proposing in chapter 5 of this thesis, was very positive and made the attendees curious about my research. Especially the very good feedback and

¹⁸ The anti-cleric and political scientist Carsten Frerk (2002, pp. 414-416) interprets this reluctance of the Catholic Church to engage in critical inquiries about its financial affairs in the conclusion of his church critical book with the assumption that this might be due to the fact of 'the German national trait' which is according to him, that it is perceived as unpleasant and embarrassing to talk about one's own financial affairs within the German culture. Despite the fact that this might be worth to be investigated further, the reason about the reluctance of the Catholic Church to engage in critical inquiries shall not be of any further concern in this thesis. The public assertion that the Catholic Church is non-transparent about its financial affairs is also frequently addressed by newspaper articles. A good example for this is the article by Terhorst (2014) who even goes into detail and displays the dioceses that according to him are even dissimulating their finances.

deep interest in my overall research of the leading German Professor of the interdisciplinary field of economics and the Catholic Church in Germany Thomas Suermann de Nocker from the FOM University of Applied Sciences for Economics and Management in Essen, Germany was very encouraging. Thus, despite the fact that he is not a church official, he confirmed the high academic need of such a model to me and is very keen to elaborate the merits of my thesis after completion of my PhD. This is interesting as Professor Suermann de Nocker currently acts as a consultant to a number of German dioceses.

1.2.2 The conceptual model of this thesis

This thesis is about the financing of the institutionalised church. It is about the 27 Roman Catholic dioceses in Germany that are constituted as corporations under public law. This implies that this thesis is not about ecclesiastical charity organisations such as the Caritas as they are not governed under the episcopate (Gatz, 2000a, p. 5).

At this point, church financing shall be defined as **the external income of financial means into the financing system of a church**. Thus, it is concerned about the financing of all occurring expenditures involved in the secular maintenance of a constituted religious congregation. This includes mainly the remuneration of the ecclesiastical personnel and maintenance of the church buildings (Hessler & Strauß, 1990, pp. 2-3).

The current scholarly debate on church financing in Germany reveals that the manifestation of the system and the composition of financing instruments strongly depends on the socio-economic, legal and political environment as well as the history of that given religious congregation (Smekal, 1989, p. 122). Also, it is determined internally by theology and canon law (Lienemann, 1989a, pp. 21-26). Above this, it is the intention of this thesis to find out the role of church banks within this system that previously has not been part of the academic debate.

As a result of this definition of church financing for the context of this thesis, the following intends to give meaning to each instrument of church financing by contrasting the instruments against identified ecclesiastical benefits which are created by the RCCiG. This leads to the stage that allows drawing the conceptual model underlying this thesis as displayed in Figure 2 below. The conceptual model is the guiding concept to examine the various aspects and determinants of the system of church financing of the RCCiG.

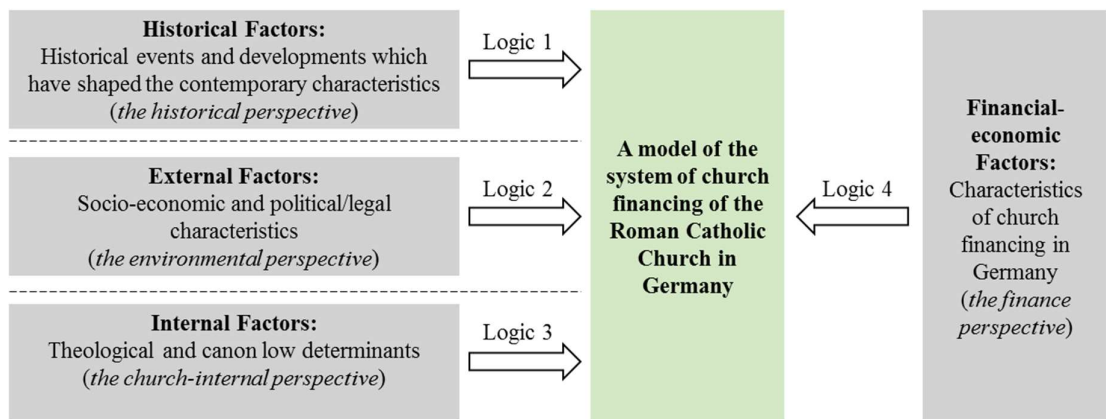


Figure 2: The conceptual model of church financing (diagram compiled by the author).

According to this conceptual model, church financing of the RCCiG is assumed to be perceived with four logics that act upon the system: (a) historical factors, (b) external factors, (c) internal factors and (d) financial-economic factors. All of these are assumed to be the explanatory factors. In this model, the system of church financing is the explanandum, i.e. the phenomenon to be explained.¹⁹ In other words, the explanandum is meant to be the description of the explained phenomenon, and the explanans are the explaining factors of the phenomenon. In the conceptual model above, the four explanans themselves are separate logics that appear to influence the nature of the phenomenon. In the course of this thesis, each logic will be examined in detail. In a business school understanding, this model shall allow displaying assumed relationships between the explanandum and corresponding explanans.

Thus, in this logic, it is the goal of this thesis to explore the phenomenon of church financing along the conceptual model displayed in Figure 2 above. Thereby it is aimed to reach a state of research process where it is possible to propose a particular extension and modification of that conceptual model which shall then be presented as **the model of church financing of the Roman Catholic Church in Germany**.

¹⁹ This follows an understanding explained by Hempel and Oppenheim (1948, p. 136) who “divide an explanation into two major constituents, the explanandum and the explanans”.

1.2.3 Gap in the literature and problem statement

The phenomenon of church financing in Germany, which is not well received in the current literature is different to academically better investigated systems such as donations-based systems found in Western European countries such as the United Kingdom or France, and North American countries such as the United States (G. Fischer, 2005, pp. 13-14). Especially the donation-based system in the United States is well-researched, and there is a fruitful dialogue between science and practise. In this context almost two decades ago, Chaves (1999, p. x) notes that the publication of the edited book “Financing American Religion” is meant “to help close the common gap between research results and useful knowledge” as he finds that “[r]igorous research is not always useful research, and true knowledge is not always practical knowledge”.

Despite the lack of a coherent body of literature about the situation in Germany from a finance perspective, there is another observation that is currently not covered in the literature, which is the existence and role of the five Catholic church banks within the system. Thus, and in an understanding inspired by the suggestions of the Financing American Religion project it is the intention of this thesis to conduct rigorous research on church financing in Germany and to transfer the theoretical findings also into practical knowledge. From a business school perspective, the proposal of a model frequently embodies the bridge between the theoretical and practical world.

Thus, the findings of this thesis show that the contemporary system of church financing of the RCCiG is the result of a turbulent history that primarily has been characterised during the last two centuries. This development primarily reflects the changing relationship between state and church as well as the changed relationship between society and church (Hammer, 2002, pp. 1-2). The latter relationship has already been mentioned above and for the context of this thesis shall be described with the term of secularisation, i.e. the degree of alienation of the society from the institutional church.

From a retrospective view, the RCCiG’s financing system was so far able to balance out the annual financial needs of the Church against external change such as the Napoleonic Secularisation, cf. section 4.2.2.1, at the beginning of the 19th century or the suspension of the payments of the *Staatsleistungen*, i.e. governmental reparation payments resulting from the Napoleonic Secularisation, during the Bismarck era at the end of the second half of the 19th century. This means that if for example, one instrument of church

financing became less yielding than another instrument could fill the gap. This responsiveness worked during the last two centuries, and it was indeed frequently the case that the system and its decision-makers had to react accordingly. However, it never got that far that facilities of the Church had to be closed or church employees had to be given notice that they will lose their job.

This has changed during the last decades. Thus, with the archdioceses of Berlin as an example, a diocese almost went insolvent and had to reduce its personnel significantly by 440 employees, and they had to bisect the number of parishes to rescue the archdioceses (Suermann, 2012, pp. 260-261). In the end, the dioceses could only be bailed out by a loan granted by financially stronger dioceses, and this incident remains as a stigma within the church regime of the Catholic Church in Germany (Feiter, 2010, pp. 85-86). Also, notable scholars such as Paul Zulehner (Zulehner, 2005, p. 18), or Thomas von Mitschke-Collande in an interview with the German theological journal *Herder Korrespondenz* (Orth, 2003, p. 342), who are familiar with the topic of church financing note, that saving is the ruling phenomenon of the ecclesiastical being of the RCCiG. This indeed is one side of the practical problem, i.e. that, within the Church, financial aspects are perceived to rule over theological aspects. It is a problem where finance cannot directly help but can support guidance, structure and an overview to mitigate rumours and perhaps – from a financial viewpoint – asymmetric perceptions. Besides this aspect of the practical problem lies another one. It is a problem that can be addressed directly by finance as a holistic financial analysis of the state of affairs allows a judgement about the problem more adequately, and the processes of decision-making could be supported. It is a fact, that still, the number of church members is declining steadily, but overall the church tax revenues are growing. However, the aggregate of the ecclesiastical budgets are still not able to finance the occurring costs in the long run which is among other things because for instance future pension payments are not secured in the budgets (Feiter, 2010, p. 86). If one now extrapolates the development of the church members and the corresponding anticipated declining church tax revenues, then a significant practical problem in the form of a funding gap is within one's reach. It is exactly this frequently and in parts already commonly anticipated development that asks for the support of an academic contribution from finance. Here, an integrated, holistic model about church financing in Germany could support the decision-making of the church regime to maintain the ecclesiastical being in the theologically desired manifestations.

Thus, it is the aim of this thesis to examine the financing system of the Church from a business school viewpoint and to reflect upon the ancillary function of finance within the greater context of the Church that is offering ecclesiastical benefits to various interest groups. In other words, the mission of the Church is pastoral care and proclamation of salvation and finance should have a serving function for this. Theoretically, the problem is that the interdisciplinary debate on church financing is currently taking place mainly in the form of articles in edited volumes with contributions that explain various aspects of the system in detail, but a linking framework and holistic perspective on the state of affairs is missing.

1.2.4 Originality and expected contribution to knowledge

Through a phenomenological-hermeneutic research logic, it is intended to seek a holistic understanding of the nature of the financing system of the RCCiG from an emic and an etic viewpoint²⁰. Thereby (1) the emic viewpoint is the one of an active church member and former church employee, i.e. the viewpoint of an insider and the (2) etic viewpoint is the one of a business school student and corporate finance professional, i.e. the viewpoint of an outsider. The contestation of this unique research position blends in the research position of an auto-ethnographic hermeneutic financial observer who is within and at the same time outside of the phenomenon.

Thus, the emic side of the author is characterised by the fact that the researcher is a member of the Roman Catholic Church since his Catholic baptism on Easter Sunday 1984. In addition, the inquirer went the first four years (1990-1994) of his school education to the Catholic primary school St. Dionysius in Paderborn-Elsen, Germany. Besides, he was a voluntary worker in several positions (*inter alia* as an altar boy, youth group supervisor and member of a youth liturgy group) in his home parish in Paderborn-Elsen from 1993-2004. Moreover, he worked and lived in a Catholic monastery in Hardehausen, Germany from 2003-2004, before he entered a professional and academic path in finance. However, also in the course of this path, he stayed closely affiliated with the Church in various contexts. Thus, he voluntarily continued to help in the Catholic monastery where he was

²⁰ The emic-etic differentiation started with Wilhelm Wundt in course of his studies of the psychological aspects of folk beliefs (Jüttemann, 2006, pp. 48-49). In this context Morris, Leung, Ames, and Lickel (1999, pp. 781-782) note that “[t]he emic and etic perspectives have equally long pedigrees in social science”. According to the anthropological point of Malinowski (1922) the emic view is the one of “the native's point of view”. In contrast to this the emic view is according to a behavioural psychological understanding of the outside perspective (Skinner, 1938).

permanently employed from 2003-2004 and was a volunteer for the project team which organised the Catholic World Youth Day 2005 in Cologne, Germany.

The etic side, in turn, is characterised by the author's University education in finance and professional role in the corporate finance industry with currently 13 years of practical experience.

As a result, this thesis combines academic curiosity and the academic necessity to pioneer the research on church financing from a business school perspective. In addition, it involves a personal stance against the Church and therefore contains personal moral feelings. For this, the research concepts of hermeneutics and phenomenology are utilised. Hermeneutics, on the one hand, provides guidance and structure for auto-ethnographic interpretation and phenomenology. On the other hand, in the form of the research process of a Husserlian reduction of the phenomenon ensures the pursuit of a systematic process to dismantle the nature of the investigated thing. Within this approach, there lies tension that will be discussed below in section 2.2.

With this thesis, it is intended to create new knowledge that contributes to both (1) the theoretical body of literature on church financing in Germany and (2) the practical administration of the system in the German context.

Park (2005, pp. 198-199) differentiates between a traditional and a new understanding of what originality, the critical factor in a doctoral thesis, can be. Thus, Park (2005, p. 199) notes, that the "traditional notion of a PhD almost inevitably privileges the creation of new knowledge over the application, extension, interpretation or questioning of existing knowledge." Yet, he notes that today both ways are commonly referred to as being accepted ways of fulfilling the assessment criterion of originality: (i) the creation of new knowledge and (ii) the interpretation as well as an extension of existing knowledge. Thus, both ways provide something that was not known before. Hence, this research intends to create new knowledge, as new findings will be integrated into the body of knowledge. Besides, there will be a logical proposal for a way forward resulting in a theoretical model that conceptualises the research result. During that process, the existing knowledge will be auto-ethnographically interpreted which thereby extends the existing knowledge.

In contrast to that Tinkler and Jackson (2004, pp. 117-118) offer a more specific and detailed way of identifying original research: (1) the research topic, (2) the research

process, or (3) the research outcome. Here it is aimed to meet the criteria in the following way:

- (1) The research is on a new and rather untapped area of study. Thereby a novel way of doing research in a business school is undertaken. Thus, there has not yet been a publication in the literature of finance on church financing in Germany that takes such a perspective. In other words, also research in finance is enriched by this study in the form of a new research avenue. Ryan et al. (2002, p. 186) note in this context that “[m]uch of the finance research literature has typically focused upon a capital market perspective rather than adopting an interfirm or managerial perspective”. Thus, this study will also be a contribution to the research stream that takes a managerial perspective on the financial state of affairs and extends the finance literature by an inter-church or church-regime perspective. This perspective contains the view that the church regime, embodied by the bishops and conference of the bishops, is the decision-making body within the RCCiG.
- (2) The research process in this thesis applies established research tools in a new way and context. Therefore, hermeneutics and phenomenology are being applied in order to explore and analyse the research object. Both concepts are supported by auto-ethnographic interpretations.
- (3) The research generates new and substantially revised (i) solutions, (ii) knowledge and (iii) interpretations to the body of research. Thus, it is intended to integrate all existing manifestation of church financing instruments in Germany into the research framework and to give meaning to each, and new relationships of aspects of the phenomenon are being proposed. Thereby fresh knowledge will be synthesised. Ultimately, the research could help to open up new and neglected fields for significant further research.

In addition to the above-mentioned commonly employed criteria for a contribution to knowledge, this thesis contributes to the body of knowledge with the juxtaposition of multi-voices. Thus, the phenomenon is not only investigated with the voice and eyes of a typical business school student, which would be etic but also includes the personal position as being an active church member, which is emic. It is this auto-ethnographic position that

not only generates a scientific interpretation of the state of affairs, but that also allows and encompasses a firm stance with regard to certain aspects.

As the role of the researcher in this thesis and the way of conducting research is also a contribution to knowledge and learning, it is important to reflect upon this in detail. However, before Chapter 2 will reveal this in detail, it is necessary to present the research objectives of this thesis as the closure of this first Chapter.

1.2.5 Research objectives

The research objectives of this thesis are:

- The primary aim of this thesis is: to contribute to theory and practise as a financial economist with an auto-ethnographic perception of church financing in Germany and to propose a model in the tradition of a business school thesis that could be the basis for discussing church finance in Germany in both, the academics and in practise (reflected as the explanandum of the conceptual model, cf. section 1.5, as a result of the four logics).

Above this ancillary objectives of this thesis are:

- To identify the historical, legal and canonical elements in the current financing system of the RCCiG (reflected in logic 1 and 2 of the conceptual model, cf. section 1.5) and to holistically perceive all forms of church financing in Germany in course of the research (reflected in logic 3 of the conceptual model, cf. section 1.5);
- To derive new views on the RCCiG's system of church financing as it is the assumption of this thesis that a continuation of all ecclesiastical manifestations of the RCCiG and the continuation of the offering of all current forms of ecclesiastical benefits is desirable;
- To examine the role of church banks in the context of church financing in Germany and to propose their function with the financing system of the RCCiG (reflected as logic 4 'the role of church banks' the conceptual model, cf. section 1.5).

Those four research objectives shall guide the auto-ethnographic hermeneutic analysis of the RCCiG's system of church financing in Germany. As the auto-ethnographic part of this research is of key importance of this study as it involves special attention for the inquirer, the understanding for the role of the researcher will be revealed in Chapter 2 before the remaining section of this first Chapter reveals the structure of the thesis.

1.3 Structure of the thesis

The thesis follows the structure and course of action as displayed in Figure 3 below.

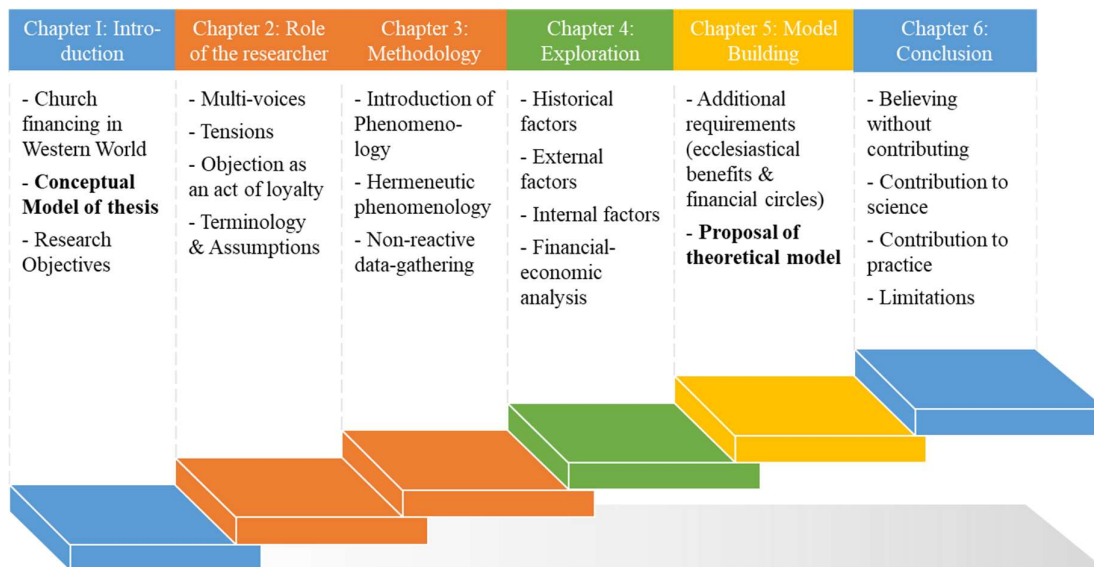


Figure 3: Process and Structure of the thesis (diagram compiled by the author).

Chapter 1 and Chapter 6 are building the Introduction and Conclusion of the thesis and are coloured in **blue** in the figure above. Thereof Chapter 1 most importantly puts church financing in Germany within the context of the Western World, reveals the conceptual model of this thesis that guides the entire research process and it presents the research objectives. Chapter 6 in turn, summarises the previous five chapters and puts it into a relationship with the thesis title, i.e. believing without contributing. Besides, it presents the contribution to science as well as practise.

Chapter 2 and Chapter 3 are building the methodological parts of the thesis and are coloured in **orange** in the figure above. Thereby Chapter 2 has a focus on me as I am contributing with the awareness of a certain set of values, my background as a church

member and finance professional and foreknowledge to the research process. These points are reflected in the concept of auto-ethnography, and this is revealed in sections on multi-voices and tensions in my research, my perception of objection as an act of loyalty as well as the clarification of used terminology and assumptions of the thesis. Thus, whereas Chapter 2 focuses on the author of the thesis as a person, Chapter 3, in turn, focuses on the research philosophy and puts the developed and applied methodology of this thesis into the context of the major research paradigms of the social sciences. This is done by introducing the research approach of phenomenology to the research design and by enhancing it by a hermeneutic interpretational feature. Above this, it is being explained why a non-reactive data-gathering approach is used in this thesis.

Chapter 4 is the analytical part of this thesis and is coloured in **green** in the figure above. It is where the various aspects, i.e. i) historical factors, ii) external factors, iii) internal factors and iv) financial, economic aspects, as identified within the conceptual model as revealed in Chapter 1 are being explored. This Chapter leads the way for Chapter 5 and is coloured in **yellow** in the figure above. It is where all this is being combined and enhanced by additional requirements that are necessary to build the theoretical model which is then presented at the end of Chapter 5. The latter is the main contribution of this thesis and reflects the latter part of the title of this thesis, i.e. (...) **developing a theoretical model for the system of church financing of the Roman Catholic Church in Germany**. The former part of the title of this thesis, which forms a question, i.e. **Believing without contributing?**, will be addressed at the first section in Chapter 6.

2 MY ROLE AS A RESEARCHER

This chapter reveals my thoughts and reflections, i.e. my personal methodology, about the auto-ethnographic elements as parts in my hermeneutic research logic written under the paradigm of phenomenology. Besides, it will define key terms and understandings of the research, and I will explain the underlying assumptions of my study. I include this section as I am aiming to use, and to create a methodology that allows me to incorporate my background and consequences of my experience as an additional data source. The reason for this is that I think that this is in light with Vatican II, cf. 4.4, where it is demanded that experts in secular aspects of the Church contribute to the debate about the maintenance of the Church in a meaningful and constructive way and that this lived experienced, i.e. that what happened to me in the course of this thesis might be of interest to others. As such, I consider my position here as unique and as a different perspective rather than being, e.g. an external business consultant who advises the Church on aspects of its secular experience. Thus, a consultant is not supposed to have an own subjective view on the subject matter and is expected to consider the hard facts and background in economic theory. In this sense, the adoption of parts of the auto-ethnographic stance allows to embed the researcher (me) in the research and as such into the interplay between the enquiry and my faith.

2.1 Auto-ethnography versus insider research

The abstract of this thesis reveals that I am including elements from auto-ethnography to strengthen my methodological approach. This is mainly to stress that I perceive auto-ethnography as a means for documenting self-observation and its consequences into the research. In other words, I am – by purpose – including personal feelings and experiences into the research process and I intend to reveal my struggles to the reader. In this context, I am also referring to Spry (2001, p. 706) noting that “[a]uto-ethnographic performance makes us acutely conscious of how we “I-witness” [quotation marks in Original] our own reality constructions.” It is this reality construction that I intend to include and reveal in my thesis.

Also, there are elements of auto-ethnography which I am not doing, and that is especially to write reports about myself to use that as research evidence for my thesis. In other words, I am using elements of auto-ethnography in order to work out the particular

methodological approach in my thesis. Thus, it is not an element of data gathering but an element of describing and outlining my underlying research philosophy to the reader.

However, a potential reader might still question whether I am actually undertaking auto-ethnography or whether I am positioning myself as an insider researcher. Thus, in order to give clarity about this I want to summarise my research position hereafter and I want to position it within the area of auto-ethnography and insider research.

2.1.1 Developing my position

M. Neumann (1996, p. 192) notes that “[e]thnographers trained in what now seem like obsolete notions of objective social science methods may find the idea of auto[-] ethnography a methodological approach for examining personal experience in a world in which the lines between fact and fiction often seem confusing, unclear, or unreliable.“ In other words, my self-awareness that certain parts of my hermeneutic interpretation might be perceived as subjective leads me to stress this potential bias at various points. Ultimately, this awareness leads to the fact that I am including this entire chapter 2 in my thesis.

However, in contrast to a pure auto-ethnographic study where I would have used my experience and insights as being a member of the Catholic Church, the difference here is that not the experience itself constitutes an additional data source but the consequence of the experience informs the additional data source. Thus, the enhancement, resulting from my experience, is the lens that I am wearing in the course of my hermeneutic interpretation. This lens forms an additional respectively enhanced data source.

In other words, whereas in pure auto-ethnography one uses its own experience as an additional or major data source, in my case the additional data source is informed by a specific lens that is being applied to the research phenomenon. Thus, the thesis on hand is not about the lived experience of a Catholic who studied finance and then decided to apply financial theory onto the Church. It is about the aim to develop a theoretical framework of church financing. The main source for that is literature from various disciplines as well as church reports and publications by the Church. Above that, this first and objective piece of evidence is being enhanced by using hermeneutic interpretation. Thus, my own background predominantly informs the hermeneutic interpretation. As this forms the second, and in parts subjective piece of evidence in an indirect way, the outcome of my

own experience constitutes and additional data sources. In that sense, I intended to create a methodology that allows me to incorporate my experience and background as an additional data source.

Another further view to this is that I perceive all data in light of Vatican II where it is demanded from all Catholics that experts in all secular aspects of the Church contribute to the debate. In other words, I not only designed my research approach to enhance the first piece of evidence by hermeneutic interpretation substantially, but as an insider researcher, i.e. being a member of the Catholic Church, I am also obliged to do so. All this is blended into my research methodology and it constitutes a meaningful research logic. As this logic was a process, which is a derivative of my own hermeneutic circle, I have invented the idea of the ‘hermeneutic phenomenological research logic’, that is displayed in the form of an upward-spiral Figure 9 on page 84. In this context I want to stress that the focus in my thesis on hand is on ‘the how’ and less about ‘the what’. Thus, the how is the social experience which is being put together by an individual which is in my case a hermeneutic interpretation. Later in the thesis, where the focus is on generating additional data for the body of my research, the focus then is on the what.

Above this M. Neumann (1996, p. 188) states that “[w]hile the term auto[-] ethnography suggests a meeting place for the inward and outward gazes of cultural observation, it carries different meanings and purposes among critics and researchers.“ Thus, the term ‘auto’ causes ambiguity because it can be translated either as ‘self’ or ‘autobiography’. Therefore, the term can include both, the aspect of self-observation and autobiographical ethnography (Reed-Danahay, 1997, p. 2). In my case, it is being used to incorporate the self-observation in my research that is done in sections the following five sections:

- **Multi-voices in my research** (section 2.2: here I am revealing that I perceive my method as ‘hermeneutic systematic interpretation of written documentation’ and that I include ‘my auto-ethnographic voice’. The latter in turn is subdivided into the epic part which is ‘my voice as a financier’ and the epic part which is ‘my voice as a Catholic’)

- **Tensions in my research** (section 2.3): here I am describing my struggles throughout the research journey to perceive the Church as a phenomenon for an investigation focused on financial aspects of the research subject)
- **Finance and the business school approach** (section 2.4: here I am describing my epistemological background which is an education in the business school with a strong focus on the methods of the financial discipline)
- **Propositions of financial research on church financing** (section 2.5: here I am stating that the business school approach entails certain assumptions that are always drawn upon in order to reduce complexity within financial research. However, those propositions are in parts diametrically opposed to what I find in engaging with the research object church financing)
- **Initial reflections and personal stance** (section 2.6: here I am *inter alia* explaining my stance and conviction that objection is an act of loyalty).

2.1.2 From the ethics of friendship to the ethics of membership

As it carries meaning for my research methodology I want to address aspects of the concept of insider research which is also being referred to as native or indigenous research at this stage. Thus, according to Kanuha (2000, p. 439) inside research is where “(...) scholars conduct studies with populations and communities and identity groups of which they are also members.“ This indeed is the case in my study as I am a member of the Catholic Church, i.e. the research object of my thesis. Although this Kanuha (2000, p. 439) notes that “(...) being both an insider with intimate knowledge of one’s study population and an outsider as researcher“ might be a “complex and inherent” challenge. About this it is more my struggle with my background rather than any intimate knowledge of the financing system of the RCCiG. Thus, my training as a financier, where I learnt to finance corporations and to apply certain patterns for that, was for a long time part of my struggle. Here I would like to refer to Spry (2001, p. 710) again noting that “[a]uto[-]ethnography can be defined as a self-narrative that critiques the situatedness of self with others in social contexts.” It is exactly this ‘situatedness’ of myself that I am trying to address with my methodological approach. Thereby my overall goal is to do my thinking and writing more reflexive. To go beyond this, I am also trying to avoid what Hockey (1993, p. 199)

mentions about insider research when he states that it might be a particular problem “(...) to offer a version of the world already filtered through the lens of” one’s discipline. Hence, at the beginning of my study, I did exactly that and I tried to offer a version of the world that I perceived only through the lens of my corporate finance background. In order to address this further I have included section 2.4 on ‘Finance and the business school approach’ in the following.

Above that and by going back to the idea of insider research, there remains one interesting part – the ethics of friendship when doing insider research. In this context Taylor (2011, p. 3) notes that “(...) there remain elements of insider research still underdeveloped, such as how one goes about negotiating previously established friendships and intimate relationships in this context.” I am referring to this because it is a certain kind of friendship that I am having with the Church that is not only because I used to be an employee of it but mainly because I am a member of the Church. It was exactly this struggle of my relationship, i.e. friendship with the Church, that made me to include the paragraph on the theme of “Objection as an act of loyalty“, cf. section 2.6.1. Here it was of help to me that I found evidence within Catholic theology that indeed it is an act of loyalty if one objects certain state of affairs. Having outlined this and incorporated this in my thesis, I felt that I am equipped to conduct an analytical and critical doctoral thesis. This in turn again fits to the elements of auto-ethnography that I am using as in this context M. Neumann (1996, p. 191) notes that “(...) auto[-]ethnography is an attempt to interpret the public and private dimensions of cultural experience and seek a critical distance and perspective on each.“ In this understanding with my etic voice I am referring to the public dimension of the system of church financing, and with my emic voice, I am referring to my private experience of the phenomenon. Regarding the latter, I am on purpose revealing my emic voice, i.e. private experience, as an integral part of the study.

However, in contrast to this M. Neumann (1996, p. 345) state that in auto-ethnography “[a]uthors present accounts of events, interactions and relationships in which they are intimately involved (...)“. Here I would have to argue that indeed, I am having a relationship with the Church, yet, I am not intimately involved in managing the financial aspects of the Church or dioceses. For my thesis, this means that it is my objective to auto-ethnographically reveal my lived experience of being a practising (and loyal) Catholic and former employee of the Church, i.e. 2003-2004, and being a finance professional (since 2004). Thus, as a Catholic I want that the Church will be preserved in all of its

manifestations, as a former employee of the Church I commiserate with the 180,000 current direct employees of the Church who from time to time have to fear job-cuttings due to shrinking financial resources. Above that, my academic background in finance and training as a (corporate) finance professional allows me to perceive the Church's financing system from a theoretical viewpoint. As a result, I will be able to propose a theoretical model of the RCCiG's financing system. This forms the auto-ethnographic element of my research methodology.

2.2 Multi-voices in my research

My thesis is built upon a logic that is derived from hermeneutic systematic interpretation of written documentation of the phenomenon of church financing as well as my specific background that I include with my auto-ethnographic voice. Of course, the two voices are informing each other and maintain a reciprocal relationship. Due to the latter, it is necessary to reveal my underlying understanding of the various voices that I am representing as the author of the study. In this context, Peshkin (1988, p. 21) notes that “[u]ntamed subjectivity mutes the emic voice” of a piece of research.²¹ In his article, Peshkin (1988, p. 17) endorses and even demands that the qualitative researcher be attentive to the involved subjectivity. In this understanding, the researcher should observe himself and identify the own subjectivity during the research process. Also, Peshkin (1988, p. 18) explains his understanding of “Subjective I’s” which is perceived by Nichol (2011, p. 25) as “the multi-voices of the researcher”. According to this understanding, I also identify two voices in my research.

First, there is my ‘voice as a financier’ that brings a rather etic position to the research process and allows specific business school observations of the phenomenon. Second, there is my ‘voice as a Catholic’ that is rather emic to my research process as it allows me to perceive and observe the state of affairs from within the phenomenon. About the latter, my emic voice, it is this position that combines my duties and experiences as practising Catholic and church member who is concerned about developments with aspects of the secular appearance of the Catholic Church. In this context, I am referring to the Code of Canon Law (lat. *Codex Iuris Canonici*, ‘CIC’), Can. 212, paragraph 3 where it speaks to all Catholics and says:

²¹ For the understanding of emic and etic in course of this research cf. Footnote 20 in section 1.2.4.

“According to the knowledge, competence, and prestige which they [C.B.: the congregants²²] possess, they have the right and even at times the duty to manifest to the sacred pastors their opinion on matters which pertain to the good of the Church and to make their opinion known to the rest of the Christian faithful, without prejudice to the integrity of faith and morals, with reverence toward their pastors, and attentive to common advantage and the dignity of persons.”

I take this as an invitation and due to my specific auto-ethnographic observations as my duty to contribute a scientific, financial analysis of the RCCiG’s financing system. Thus, the law of the Catholic Church itself is demanding layman like myself to take a critical position on the state of affairs and to contribute their knowledge for the good of the Church. I perceive this thesis therefore as an act of loyalty. This attitude is key to my emic voice.

On the other side, there is my etic voice that is characterised by my business school education and affiliation as well as my professional training and occupation in the financial industry. Thus, I not only grew up as a practising Catholic but also work in a global financial institution since 2004.

In this professional role, I *inter alia* experienced the global financial crisis 2007-2008 at first sight. At the time when Northern Rock, a British mortgage bank, experienced a bank run in September 2007 (Shin, 2009, pp. 101-103; Stuckler, Meissner, & King, 2008), I was working at Wall Street in 2007 and like many others did not imagine how devastating the global financial crisis would still become. It was at this time that I felt that finance took over an influential role in global economics and perhaps an even too strong role as the derivative markets exceeded by far the production of the real economy. The global financial system got out of control and was ruling over politics and the destiny of many. I felt that this must be wrong reflecting on my Christian values and I heartily agreed with Christian social teaching that money must serve and not rule over humanity. It was also at this time that Pope Benedict XVI addressed the problems in his encyclical letter “*Caritas in veritate*” which according to him might have led to that crisis (Pope Benedict XVI, 2009, pp. 20-28). In chapter 3 of his letter, the former Pope notes that “the market is not, and must not become, the place where the strong subdue the weak” (Pope Benedict XVI, 2009, pp. 22, No. 36). Thus, society and system which is based on self-interest and not on charity are developing in a wrong direction.

²² In the following, the term congregant shall function as a synonym for members of the Catholic Church. In addition, the term Catholic Church shall be the short form of Roman Catholic Church in Germany (RCCiG).

Above that, the effects of the crisis had impacts on me personally in my professional role. Thus, I realised that corporate finance as part of the investment banking industry and its culture might have a particular relationship to greed and a continuous strive for success that is in contrast to a healthy amount of ambition. On reflecting on this, I came to points where I struggled to execute tasks, as it felt morally wrong from the standpoint of my Christian values. It was also this time when in Spring 2008 I started my Master-Programme at the Frankfurt School of Finance & Management where I chose to take a course in ‘Corporate and Business Ethics’ in my 2nd Master-Semester (Sep. 2008 – Apr. 2009). As part of that course, I co-authored an unpublished research paper with the title “Is Greed Good? - The justification of greed in the financial industry” (Biermeier, Johannes, Pfeifer, & Weller, 2009). The paper distinguishes greed from ambition and deals with the ethical role of performance-related management compensation and its effects in the crises that started in 2008. Part of that paper was to examine how greed might have been a trigger for the financial crisis in 2008 what role greed might play in the financial industry. Also we put a Christian connection into it by referring to the Old Testament: Exodus 20:2-17 (The 10th commandment) and saying that “[f]rom Christianity and other religious beliefs it is enforced that greed is sinful, as we have to be thankful and grateful for what we have” and we argued that “(...) it can be stated that the unconditional strive for monetary advantage of a number of people involved in the financial industry eased the way for exaggerations, which in the end resulted in one of the worst economic situations ever” (Biermeier et al., 2009, p. 2). Above that we referred to Adam Smith who has “a completely different standpoint to the inherent human drive for better” (Biermeier et al., 2009, p. 4) when Adam Smith A. Smith (1976, p. 477) says that “[b]y pursuing his own interest [every individual, C.B.] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.” We conclude the paper by stating that “(...) after assessing the dilemmas associated with management compensation, as an example, the previous concept of greed must be exchanged for ambition as it incorporates the essential human motivation to desire and achieve better” (Biermeier et al., 2009, p. 13). Yet, the topic of greed and ambition accompanied me further, and in 2012 it finally led to a situation where I refused to pursue a particular project leading to a dispute with my line manager who attested me that ‘if I am too soft and weak for this industry I would better seek another profession’. While this was hurting, at first sight, it triggered the desire to get involved in academia in me and shortly after this, I signed up for a sabbatical to prepare

and pursue my academic career. Then from spring 2013 until fall 2014, I took courses in the principles of teaching and didactics and applied for various lecturing jobs. Finally, I received an offer from the public Rhine-Waal University of Applied Sciences in Kamp-Lintfort and among other things teach my students about moral behaviour and business ethics in large corporations.

By referring back to the financial crisis, this one did not only led sovereign states and private households into difficult financial situations but also affected the Church and church financing in Germany. These effects were especially visible with regard to the church tax. This is because the church tax which contributes more than $\frac{3}{4}$ to the annual budget (Mitschke-Collande, 2012, p. 90) was affected by the crisis twofold. First, from 2007 to 2008 the number of Catholic Church disaffiliations increased by 30% and remained at this level in 2009. In an interview with the German newspaper *Die Welt*, one of the leading German sociologists of religion, Detlef Pollack, attributes this behaviour to the motif to save the church tax in the context of the behaviour of household incomes during financially distressed times (Facijs, 2009, p. 8). This interpretation is also shared by the Catholic Church itself, c.f. (Arens, 2009). Second, the financial crisis led to an increased number of unemployed people who in turn do not have to pay church taxes, as they do not have a taxable income anymore. Moreover, and in addition to that, German politics reacted to stabilise the income of the population with additional tax exemptions that also lead to decreased church tax revenues (Kath.net, 2011; Petersen, 2015b, pp. 20-21). In summary, the church tax revenues decreased from €5.1bn in 2008 to €4.9bn in 2009 and were expected to decline further (Deutsche Bischofskonferenz, 2017f).

It was this trend that already captured my attention in an academic as well as personal interest and what followed even more increased my desire to engage with the topic of church financing. As a business school graduate and finance professional, I assumed right away that this would constitute another noticeable impact on the Church and subsequently on the financing system. Thus, I noticed in conversations and within the general atmosphere in my social network that this would trigger an even higher number of church disaffiliations.

In summary, it was this chain of events that in early 2011 motivated me to draft a first research proposal on the subject matter of church financing. Besides, it was also at that time, when I came across the doctoral thesis in theology contributed by Rut von Giesen (2009). This piece of work was written during the time of the global financial crisis and focuses on the role of economic thinking in the Catholic Church. However, this thesis

does not consider the financial crisis or its effects at all. Yet, it contains a section on church financing in Germany, and this constitutes my academic entry into the topic of church financing in Germany.

It was also at that time when I learned that there is not much financial literature on church financing and the debate – if at all – takes place in the theological and legal literature, but mainly in the media. Above that and from my business school background, I learned, that a typical model, which one finds in business school research and which would conceptualise the church's financing system, does also not exist. From my point of view, this must be the scholarly basis to argue in any kind of direction to have a common denominator.

In summary, the etic and the emic aspect of my research position creates an unique research situation that I perceive as a reciprocal relationship between the researcher (me) and the researched (the system of church financing). In this understanding, one is informing the other. Thus, whereas a traditional business school approach would most likely leave out the opportunity to include an additional emic perspective of the research object, here it is the research object itself, which speaks to a specific group of inquirers like myself to critically engage with the phenomenon and to contribute to the debate.

Hence, in the following, I will reflect on my two voices and display and juxtapose the different perspectives where necessary. In this sense, my voice provides a grounding in the ethical issues of finance and the meaning of church membership. Yet, this voice is not always fully articulated and hence there is the need for hermeneutic as well as auto-ethnographic exploration to uncover the issues. Thereby it is my goal to balance the positions out against each other and to find a (subjective) truth about the state of affairs. This truth shall be aligned with my epistemological position, which is built on the belief that I am constructing the real world through academic and non-academic written documentation. In so doing I believe that such, an important social phenomenon as church financing is with all its relevant aspects documented in the broad range of sources. However, the iteration of the two contrasting positions mentioned above and especially my corporate finance background in the context of the research object church creates tensions. I will reflect on this subsequently.

2.3 Tensions in my research

To approach the phenomenon of church financing as a financial scholar creates tensions. Especially my training as a corporate finance professional and my epistemological background in finance makes it at specific points challenging to perceive the phenomenon adequately. This is especially the case for a non-reflective perception of the Church as a corporation.²³ Such a view might come naturally when having a background like myself but it might be contested heavily by some scholars and by the Catholic Church itself (Spielberg, 2012, p. 254)²⁴.

As a personal reflection and as an emerging realisation during my study, I perceive it as economic dogmatism to perceive a thousand-years-old organisation solely as a corporation and to apply business management techniques to it. This argument is, e.g. supported by the economist Mertes (2000, p. 20) who notes that economics may support the Church to make decisions about resources, but that the goals and nature of the ecclesiastical being solely must be in the realm of the Church itself. In contrast to this, an economic dogmatism onto the research object church is, e.g. proclaimed by the economist Kosiol (1973, p. 63 et seq.) who notes that economics has to apply its techniques and perceptions to the entire human cultural world and therefore also churches, public authorities, hospitals, etc. must be examined with an economic perception. Thus, economics claims that the entire living space of human beings is subject to economic perceptions and that economic principles are applied to a variety of different life situations. Unfortunately, and if not reflected well upon this, indeed this then includes faith and church attendance. Although this faith is not a conventional good which can be bought in a supermarket it has a transcendental dimension which needs to be perceived with sensitivity (Thomé, 1998, p. 17).

²³ As the debate on church financing not only takes place in the academic arena it is important to consider the picture which is being created for the public by considering non-academic publications on church financing. Thus, non-academic articles frequently, and without any reflection about the nature of the Church, label the Church as a corporation and compare their situation to conventional corporations. Examples for this are the articles by Braun (2017), Joho (2011) or Hauck (2014). A frequently cited book on this topic is published by Brummer and Nethöfel (1997) where the authors perceive the Church as a multinational corporation. Another anti-cleric and church critical book on this is the publication by Schwarz (2005) who even labels the Church beyond the understanding of just a corporation but as an economic empire.

²⁴ The interview between the professor of Catholic theology Bernhard Spielberg and the economist and Catholic layman Thomas von Mitschke-Collande is a good example for a contested attitude of the perception as the Church as a corporation, cf. Spielberg (2012, p. 254 et seq.). In addition the article by the professor of Evangelical theology, Elisabeth Gräb-Schmidt includes also a fruitful discussion of why the assumption that the Church might be a corporation is a wrong perception from a theological point of view (Gräb-Schmidt, 1999).

Above that, Giesen (2009, p. 210) describes that normative authority, in fact, is a general dilemma when dealing with theology and business studies. Thus, theology on the one side offers comprehensive answers to economic aspects of the Church, but on the other side business studies often provides detailed and exact specifications and recommended actions (Giesen, 2009, p. 22). Those two different levels of detail are in opposition to each other. Thus, the concreteness of business studies implies a risk that scholars of business studies take the position of normative authorities within an application in the context of the Church (Mette, 2002, pp. 162-166). The reason for this, which one might perceive as a superficiality of theology, is the theological handling of the organisational structure of the institutionalised church. Thus, according to him, the fields of theology which develop the ecclesiology such as dogmatic theology or pastoral theology omit the economic aspects of the Church. As a result, within the theological disciplines, only canon law is considering some economic aspects of the Church. However, canon law is not regenerating the considered economic aspects into the ecclesiological models which were developed in dogmatic or pastoral theology (Mette, 2002, p. 158). Above that the nature of *incorporation* is that a business can act legally by assuming the status of a person, cf. e.g. (Rush & Ottley, 2006, pp. 198-213). In that sense 'being corporate' means to have a body. Thus, I argue that the Church cannot be seen in this way and the economic appropriation of 'the corpus' is not appropriate here. This argument is important as the church in Germany is incorporated, however it has an own legal form which is granted by the government, i.e. 'corporation under public law' and this necessary in order to be able to receive a privilege such as being allowed to collect a church tax based on the public tax lists. In other words, the approach of the topic of church financing from a financial viewpoint requires the assumption of an own specific quiddity of the Church. As such, it needs to be approached differently than economic theory suggests where, e.g. the profit motive is a central assumption. Hence, the Church, in contrast to corporations, does not have the aim of making profits etc. but in its understanding strives for the proclamation of the scripture, pastoral care and charity. However, the Church is indeed embedded in a secular environment and therefore in a legal as well as economic system, and within this environment, it has to manage its financial matters according to Christian values. Hence, despite the fact that I do not perceive the Church as a corporation, the basic economic principles of efficiency and effectiveness are also relevant for the Church (Suermann, 2012, pp. 18-20) and in addition are manifested in the Holy Scripture, cf. the parable of the talents (Haan, 2009, pp. 99-105).

In this understanding, a non-reflective perception of the Church by economists could imply that it is being assumed that this institution employs rational-acting managers and that it might be led by the profit motive. In this understanding, the Church is not 'managed' by a leadership style which is comparable to capital market-oriented corporations which are producing capital and industrial goods and hence, it is not straightforward to perceive the Church as a corporation (Manzeschke, 2009, p. 115). Thus, to perceive the Church as a corporation one would have to link the features of a market-oriented corporation to the Church. In this context the sociologist Helmut Voelzkow defines the capitalistic market and thus, the (capital) market-oriented corporation, *inter alia* with the following constitutive features (Voelzkow, 2001, p. 391): (i) private ownership of means of production, (ii) profit maximisation, (iii) competition for raw materials, workforce and products (iv) investment activity with the aim to accumulate an even higher amount of capital. This is in contrast to the Church as it (i) does not own means of production, (ii) does not seek profit maximisation, (iii) does not compete for raw materials, workforce and products and above all, (iv) does not invest in the capital markets in order to accumulate wealth. This does not reflect the self-perception of the Church which proclaims that it is the only mission of the Church to promise salvation and to spread the word and that the money must serve the material being of the Church. In this understanding, the Church is the result of a spiritual reason, which aims to achieve transcendental goals with the aid of the use of specific (financial) means (Gräb-Schmidt, 1999, pp. 72-74; Kordes, 2015, p. 166).

From the perspective of the congregant, there is another dimension to this. Thus, by the act of baptism, congregants join the community of the faithful and become a member of the Church. However, church members can also not be perceived as 'customers', who in a market-oriented understanding seek to buy the offered goods of capitalistic corporations, because, via the Holy Sacraments of baptism, confirmation, and marriage, they are themselves part of the Church as they are active members of the Church (Dietlein, 2015, p. 10; Famos, 2005, p. 12; Giesen, 2009, p. 164). Above that, out of the number of Catholic church members, there are 600,000 who work voluntarily for the Church. Thus, they are not only members but active parts of the ecclesiastical being (Deutsche Bischofskonferenz, 2015a, p. 41). Further on this, Benz (1993, p. 193) notes that it is the self-understanding of the Church itself, that the Church is a foundation that carries the oral tradition and the Scripture. It is this Church, which created the New Testament. However, this foundation is different from the institutional and secular understanding of a foundation as an established

institution or organisation (University of Oxford, 2012). Thus, the Church exists as the belief in salvation is promulgated since the early times of Christianity. It was Jesus Christ who endowed this faith into the world, and the preservation of this is the only reason for the Church to exist (Benz, 1993, p. 38; Dietlein, 2015, pp. 34-35). From my point of view and in light of my ethic reflection of this, the Church is only to that extend similar to a secular foundation as these institutions are also not re-inventing their mission over and over again, but that the mission of that institution was initiated by its founder. In addition to that and from my point of view in contrast to the understanding of a secular foundation, the Church was not only founded by a human being, but God founded it. In this context, Cardinal Müller (2017, p. 159) notes that the Holy Ghost is and was involved when the Church was founded, and it is also him who accompanies the Church on its way through history. Thus, it is precisely this, which makes the Church different to a corporation and a foundation. It is the Holy Ghost who is a significant part of the Church, and this distinguishes the Church from any secular form of an organisation.

Yet, despite the classification of a corporation or foundation, one frequently finds that the Church is perceived as a non-profit organisation ('NPO') commonly also referred to as charities. A charity such as Oxfam, UNICEF or Save the Children is defined by the University of Oxford (2012) as "an organi[s]ation set up to provide help and raise money for those in need". This is only one part of the Church, but it is not its *raison d'être* which beyond this is the mission and preaching of the Gospel. Yet, it might also be true that the Church does not entail the profit motive and as such could be perceived as a non-profit organisation, but this indeed would limit the organisational aspect of the Church to only a minor aspect of its existence. Thus, the focus of the Church is not only directed to charity and public welfare but its truth and *raison d'être* is found in categories such as salvation and forgiveness. This leads me to adopt the position that it seems inappropriate to conceive of the Church as a corporation, foundation or charity. It is an own unique organisational and institutional form which has the goal to spread the Christian mission, to give salvation and to offer pastoral care. However, I must acknowledge that the Church owns magnificent buildings and prestigious banks. Yet, I argue that these positions of wealth have a serving function for the just.

Still, the question remains whether there is a necessity to develop a theoretical model of church financing for the Catholic situation in Germany. Also, I want to explore whether this can be supported with insights and thinking from the academic discipline of

(corporate) finance and what I as a person with my specific background can contribute to that. These aspects are mirrored in the research questions below.

2.4 Finance and the business school approach

“Finance has evolved into a highly technical subject since the 1950s. Prior to that time it was largely institutionally oriented and a descriptive (in its broadest sense) subject.” (Ryan et al., 2002, p. 54). However, my research is not in line with this highly technical discipline that it has become nowadays and in which I have been educated, cf. the section on my experience noted above. Instead, my research is established in the old tradition of financial research where the institution was the focus of descriptive analyses and observations. It ties on this time when finance and business administration, in general, was more connected to the social sciences, as it indeed still until today is a part of the social sciences and not the natural sciences or mathematics in particular.

To make an academic connection of finance and the research object church and its subsystem church financing, I want to take a closer look at traditions of research in finance. In this context Ryan et al. (2002, p. 51) note that “the overall research framework in finance entails the development of theoretical models”. As finance is mainly concerned with mechanisms of the capital markets and issues of financial management, it is essential for me to reflect on this and to transfer this into the sphere of the Church. Until today, aspects of the church financing system in Germany have not been subject of any research in finance. I will hereafter reflect on implications resulting from this.

The Nobel Prize laureate in 1990 (Nobel Media AB, 1990) and one of the most important (corporate) finance academics in history, M. H. Miller (1999) published a well-received eyewitness account about the history of finance which has relevance for the thesis on hand. First, he notes, that finance itself is a relatively new field of and “in its modern form really dates only from the 1950s” (M. H. Miller, 1999, p. 95). In this context Ryan et al. (2002, p. 50) note that the research in the field of finance has mainly improved the understanding of issues of financial management and the functioning of the capital markets. Also, Ryan et al. note that frequent criticism on research in finance is directed to “the validity of the formal concept of rationality, which is embedded in much of the finance literature” (Ryan et al., 2002, p. 50).

This already has implications for my research as I am applying a finance perspective on an institution that is more than two-thousand years old and where finance has played a role since the very beginnings of Christianity (Lienemann, 1989a, p. 14). Thus, I want to emphasise the two different levels of epistemology that are met here in my thesis. On the one hand, there is a Christian theological epistemology that is concerned about the interpretation of the Church. On the other hand, and from my point of view on another, a serving epistemological level there is finance. In other words, finance has an ancillary function in an epistemological understanding as it only provides viewpoints and reasoning to perceive the very small part of church financing out of the bigger picture, which is the Church itself. Therefore, a business school perspective on the Church must keep this in mind and must not impose economic dogmatism²⁵ on the Church which is much more prominent to be ever perceived by any academic discipline. Such an economic dogmatism would be to unreflectively perceive the Church as a business or corporation.

Second, Miller differentiates between two main streams of “[t]he huge body of scholarly research in finance” (M. H. Miller, 1999, p. 95). He separates the scholarly research into i) a business school approach and ii) an economics department approach. According to him the business school approach entails that a decision-maker “is seen as maximiz[ing] some objective function, be it utility, expected return, or shareholder value, taking the prices of securities in the market as given”. In other words, the business school approach entails “how to make better decisions” (M. H. Miller, 1999, p. 96). In contrast to that, the economic department approach deals with “a world of micro optimiz[ers]” and deduces “from that how market prices (...) actually evolve” (M. H. Miller, 1999, p. 96). This differentiation leads Miller to contrast the research streams in micro and macro lines. Whereas the micro normative stream, i.e. the business school approach, researches the level of the decision-maker and the macro normative stream, i.e. the economic department approach, researches at a more abstract, macro level where the sum of the decision-makers is seen as a collective. In addition to that M. H. Miller (1999, p. 96) notes that both streams are “thoroughly positivist in that they try to be, or at least claim to be, concerned with testable hypotheses”. This leads him to argue that a standard finance article typically has two sections: (i) presentation of a model and (ii) “an empirical section showing that real-world data are consistent with the model”. This understanding of conducting research is

²⁵ I define economic dogmatism as the unreflective use of economic thinking in non-business-related contexts. Other scholars such as Mäki (2009); Stigler (1984) describe the same understanding as economic imperialism. However, I am using the word dogmatism, as I perceive it to be a better fit in a religious, ecclesiastical context.

deductive.²⁶ In contrast to that, in case of inductive reasoning, one begins “with specific observations and measures”, starts to “detect initial patterns and regularities”, continues to “formulate some tentative hypotheses” which one “can explore”, and it finally ends up with the development of “some general conclusions or theories” (Trochim, Donnelly, & Arora, 2015, p. 23). The latter one, i.e. inductive reasoning, is the approach that I am adopting in this thesis.

In case of my thesis, I start the work with inductive reasoning to derive the conceptual framework. Thus, in the course of the advancement of the research and because of the auto-ethnographic logic I am assigning a growing number of observations to the model. Thus, I provide my financial understanding, my experience and stance towards the Church and in that way apply an inductive research approach. In other words, I derive a profound theoretical understanding from the observed and examined empirical evidence.

The empirical evidence in my study is the written documentation of the financing system of the Catholic Church in Germany as a social phenomenon. Thereby I assume that by considering not only academic but also non-academic literature the phenomenon is fully captured in its social relevance within the written documentation. As a result, I intend to build a model, which in the end conceptualises all aspects that I have explored and interpreted in the course of the research coherently and holistically. This approach then allows starting a fresh, new research stream with a given model as a means of a starting point. This, of course, means that the model is not unalterable at all times. Instead, it must be contested and enhanced to become something like a common denominator in the research stream of church financing. To put it with Miller’s words, “[t]he aim of science is to explain a lot with a little” (M. H. Miller, 1999, p. 98) and models in finance can do so. Above that, these models must be abstract in contrast to the complex reality to be informative (Manzeschke, 2010, p. 134).

In addition to this, it is the cost of capital thinking that is a significant theme in corporate finance research. According to M. H. Miller (1999, p. 99) in this context, the micro normative, business school approach is concerned to find “the optimal cutoff rate for investment when the firm can finance the project with debt or equity or some combination of both”.

²⁶ Thus, a typical student of finance starts with the theory and works along with it to test it with empirical data. I have written my Master’s thesis in exactly this way and worked along the Modigliani-Miller model (where Merton H Miller contributes the ‘Miller’ to the name of the model) and tested my hypotheses with empirical data.

As a result of my analysis in the course of this thesis, a similar understanding of this can also be found in my findings. Yet, according to my interpretation, church financing is not concerned about the composition of debt and equity in an ideal mix but it is about the composition of the various instruments of church financing in light of their societal acceptance, i.e. the equilibrium with society. Thus, a church financing instrument such as donations does not come with costs such as interest rates, but it comes with a willingness of the congregants to donate to a church. In that understanding, there is no direct monetary cost involved, but it is the instrument's acceptance by a society that determines the yielding and therefore availability of a given instrument of church financing. Also it is not a project in corporate finance that needs to be considered in light of the composition of the financing instruments, but it needs to be contrasted against the ecclesiastical benefits (i.e. a perception of the 'output' of the Church which I explain in detail in section 5.2.2.1) that are being created by a church. In other words, in my research on church financing, I replace the cost of capital idea with an ecclesiastical benefit idea. The decision maker, therefore, needs to consider the associated ecclesiastical benefit of a given financing instrument to determine the nature of a desired church financing mix. I will also argue that secularisation has different impacts on the various ecclesiastical benefits. Common to all is that a higher secularisation leads to a lower aggregated utility of the types of ecclesiastical benefits.

2.5 Propositions of financial research on church financing

Ryan et al. (2002, p. 51) identify three propositions, which are included in most literature of finance: (1) the economic agents are rational actors (e.g. investors or the decision-makers), (2) the financial markets are perfectly competitive, (3) all information is freely and everywhere available. As my epistemological background lies within this field of research, I am reflecting on these propositions about my thesis on church financing.

From the findings of my research, propositions (1), (2) and (3) must not be included in a research framework of church financing. The reason is that first of all about (3), the most substantial part of the information in context with church financing is not freely available. Thus, finance assumes that all financial information is available at every time at no costs. Indeed this is a necessary reduction of complexity within finance research, but it cannot stay with church financing. This is important as my research indicates that specific financial information within the dioceses are not even available to

the Church itself and for example, many properties of the Church are not attributed with a secular price. In addition, there is often no necessity to have for example a price or value calculated for a church or cathedral²⁷. Only the secular parts of such possession would then have a value or price in a financial understanding, as they are determined within the secular sphere such as the standard land value. Thus, as (3) is not true, the (economic) agents within church financing cannot act rationally merely because they do not have all the information available. Above that, the decision-makers often do not have the necessary training to be qualified to judge upon aspects of the diocesan finances.²⁸ Consequently, I argue that also (1) – the rational acting – is in general not right for church financing.

With regard to (2), the perfect competitiveness of the financial market has a shallow role for church financing according to my study because at least for the situation in Germany the most crucial church financing instruments are not directly based on the mechanisms of the (global) financial markets. Instead, they are primarily based on their acceptance in society and whether they are in accordance with canon law. This proposition is essential for corporate finance as it allows assuming that the capital markets are efficient and prices for loans and bonds are a function of corporate risks and ratings. However, the RCCiG which is, according to the German legislation, allowed to be incorporated as a corporation under public law by default does not entail any risk comparable to a corporate risk as it cannot go bankrupt.

Above that finance considers aspects such as bankruptcy costs, taxes or information asymmetries as market imperfections and neglects them to reduce complexity (Ryan et al., 2002, p. 53) but they are essential to church financing in Germany. As stated above, the RCCiG cannot go bankrupt, and taxes play in two ways an entirely different role in the system of church financing than in corporate finance. First, churches that are constituted as ‘corporations under public law’ are tax exempt. As such they (i) do not have to pay value-added taxes or local business taxes,²⁹ cf. (Bundesministerium der Finanzen, 2016) and (ii)

²⁷ In this context (Schneider, Kulms, & Roehder, 2017, pp. 39-40) discuss the value of the Cathedral in Cologne and find that there is no clear answer to that in light of all common valuation methods in finance.

²⁸ A financial expert in the secular sphere frequently would be attested as being qualified by a degree in finance or economics or as a holder of the award as a Chartered Financial Analyst.

²⁹ The German law in section 52 of The Fiscal Code of Germany refers to those corporations under public law which has a ‘public-benefit purpose’ and specifies these grants in relation to religious organisations if these are according to section 54 of that code are “building, decorating and maintaining houses of worship and religious community centres, conducting religious services, training priests, providing religious teaching, conducting burials and safeguarding the remembrance of the dead, also administering church assets, remunerating members of the clergy, church officials and servants of the Church, and providing old-age and disability pensions for these persons and their dependants”.

taxes, in the form of the church tax, are their most important source of financing. Thus, the church tax accounts for up to 80% of the entire financing budget of the RCCiG.

Above that, information asymmetries are not imperfections but they are also essential characteristics of church financing. Thus, it must be accepted that a church member will never entirely have all information about the financial situation of his dioceses or church available. This is (1) because this information might not exist as it has been argued above and (2) about the RCCiG, the Church is reluctant to share financial information in general, not even within the Church. In other words, only a minimal number of people will have access to financial information of a particular church or dioceses and that information is only a fraction of what could be available in case of the perfect market assumption within finance where “information is freely available” to everybody at every moment at no costs (Ryan et al., 2002, p. 51).

I conclude already at this stage of the thesis that an original stream of research on church financing in Germany is necessary and the underlying assumptions and propositions of corporate finance cannot be adapted to research on church financing. Thus, corporate finance is mainly about capital structures and as such how a firm is being financed. It is the composition of debt and equity financing instruments within the balance sheet. Also, corporate finance is embedded within the global capital markets, and a corporation has access to these via financial institution (Breuer & Gürtler, 2008).³⁰

Church financing, in turn, is not about a capital structure and not primarily about access to global capital markets. In contrast, it is about the relationship of a given religious institution in a country with the society and the state. It is this relationship that allows collecting a contribution from the members in the form of, e.g. donations or church taxes. Thus, there are systems of church financing where a religious organisation is solely depending on the relationship to its members, i.e. the society as they are being financed only by voluntary donations. Also, there are systems of church financing where a religious organisation is only receiving its financial resources from the state. However, there are also church financing systems where the religious organisation primarily generates its financial means with the possession of own assets.³¹

³⁰ In this context, a simple economic model assumes that the relationship between a) corporations b) private households and c) financial institutions is that private households deposit their savings at financial institutions and financial institutions in turn grant loans to corporations. This is called financial intermediary.

³¹ Cf. section 1.3. above for an overview on church financing in the Western world.

Also whereas in corporate finance it is also the interplay between the income statement and the balance sheet, where a positive net income increases the equity and interest rates, in turn, are lowering corporate taxation and thus optimise the cost of capital, this is different in church financing. Thus, church funding is managed in accordance with a budget. The budget, in turn, is the overview of the financial resources available in a given period. Thus, again in contrast to corporate finance where the finances are managed to optimise the cost of capital, church financing is fundamentally different. From this point of view, at least for the situation in Germany, church financing is more comparable to the public sector than the corporate sector (Meuthen, 1993b, pp. 54-56).³²

2.6 Initial reflections and personal stance

As this business school thesis examines a slightly non-traditional research object of the financial scholar, which usually are corporations or financial markets, I see a need to reveal my understanding of the used terminology.

2.6.1 Objection as an act of loyalty

In an understanding according to the theologian Richard Heinzmann (1993, p. 91) it shall be noted that if this thesis raises critical issues of the Catholic Church and if I object to the current state of affairs then this happens not against Christianity or the Church but for the sake of Christianity, for the Church and of course in order to comply to the academic standards. Thus, as a church member it I perceive such a discourse as an act of loyalty, and as an academic, I perceive this as a scholarly necessity. Both are derived from my stance as outlined earlier in this thesis. Above that Heinzmann (1993, p. 114) notes that loyalty with the Church cannot mean that a congregant and member of the Church uncritically acquiesces to everything which happens in the Church or comes from Rome. In other words, faith plays out in some ways. Additionally, he notes that true loyalty shall be perceived as the objection to everything regarding the quiddity of the Church, which manifests as an aberration. Thus, even though church financing appears to be a sensitive topic the research design of this thesis aims to explore the state of affairs critically and to

³² Due to space restrictions and an expected low relevance of a further discussion on whether the Church could be perceived as a public institution this train of thought will not be pursued any further in this thesis. For a good overview on the idea of a para-public sector (Ger. *Parafiskus*) parallel to the governmental sector which could *inter alia* be the Church cf. Rinderer (1992, pp. 43-66).

derive normative implications. It involves a careful research design with a non-reactive data-gathering process.

In this context of a critical but loyal engagement with ecclesiastical topics, it must be noted that anticlerical publications as published by Horst Herrmann during the 1990s, cf. Herrmann (1990), do not help the Church as they provoke antagonism but not constructive change.³³ Horst Herrmann is an excellent example for both sides. His earlier publications, especially those during the 1970s had good intentions, were by scholarly standards and aimed to reform the Church.

2.6.2 Church and Christianity

As the term ‘Church’ is not as simple to describe I want to derive an understanding of Christianity first.³⁴ Thus, I want to perceive Christianity as the message that God through his son Jesus Christ granted salvation to the world (Kordes, 2015, p. 52). This salvation will not be taken back by God (Heinzmann, 1993, pp. 104-106).

As I have derived the relevance of an understanding for Christianity and therefore the origin of the Church I now want to reveal a deeper understanding of the term Church which goes beyond the perception of the community of Christians (Cardinal Kasper, 1989, pp. 280-289). In Catholic theology, the Church is perceived as the primal sacrament. This is connected to the above as it is the salvation which was granted by God that lies within the Church (Hempelmann, 1992, p. 183). Besides, the salvation of the individual cannot be conditioned on external factors such as the belonging to a specific church. The latter is also acknowledged by Vatican II, which grants religious freedom to everybody. Thus, via the acknowledgement of this, also the Catholic Church found back to the original understanding of the Christian Church. Thus, about my thesis, it is important to note that the formal membership in a Church is from a theological perspective not as relevant as the start of the membership by baptism (Heinzmann, 1993, pp. 104-106).³⁵

³³ This perception of Herrmann (1990) is also shared by Giesen (2009, p. 88) who labels this specific work of Herrmann as ‘polemic’ as he makes academically unproved claims.

³⁴ The use of the term ‘Church’ in this thesis shall be equivalent to the Catholic Church if not stated otherwise.

³⁵ However, when it comes to the financing of the Church then the formal membership becomes of pivotal importance. This is especially the case for the situation in Germany where only formal church members have to pay a church tax.

Despite this theological understanding of the term Church, there is a relevant thought about the Church as an institution, which has meaning for the thesis on hand. Thus, St. Thomas Aquinas (1225–74), the Italian philosopher, theologian, and Dominican friar, in his work *Summa Theologiae* already allocates a secondary, institutional function to the Church. This function is an addition to the prime function of the Church, i.e. *gratia spiritus sancti* which is the love of God for all human beings in the world (Heinzmann, 1993, pp. 107-113).

The prime function of the Church is frequently not taken into account by socio-economic ways of looking at the Church. Consequently, the different forms of interpretation might lead to communication problems with scholars from another academic background than theology. Hence, within this study it is necessary to differentiate between two meanings of the term church (Giesen, 2009, pp. 61-62):

- 1) the **institutional meaning**; according to popular opinion, the term is often just considered to be an institution with well-defined boundaries, which is responsible for the satisfaction of religious needs at clearly defined places. However, there is also
- 2) the **transcendent meaning**; this one is beyond the empirical and functional meaning. Here church describes a theological, transcendental dimension where the congregant can experience God's love. This particular experience of church as a community and room for faith can only be experienced by the faithful.

In summary, it is the primary, institutional function of the Church, which is being addressed as the phenomenon under investigation in this thesis. This manifestation is empirical and interweaved into to the secular real world. However, I consider it as crucial for an economic study to not to forget about the Church's transcendental manifestation and to be reflective about this relationship.³⁶

³⁶ In the following, I will refer to the first-mentioned perception of the term church if not stated otherwise. In addition, in accordance with the official translation of the German Constitution, the term 'religious society' (*Religionsgemeinschaft*) shall be the term used to describe the religious community of the church members, cf. Deutscher Bundestag (2012) despite the fact that other scholars prefer to use the term religious community, cf. e.g. Robbers (2013).

3 THE METHODOLOGICAL LOGIC OF THE STUDY

“Economics are a Quantum mechanics from the very beginning, full of Heisenberg principles (...)” (Boulding, 1985, p. 12). Thus, already more than 30 years ago and two decades before the financial crisis with all its mathematical models based on formulas found in physics disrupted global economics and politics, Boulding reminds economists that they might have forgotten the social science aspect of economic analysis. This social aspect of an economic perspective on the research object church is the focus of this study. For this perspective, the research design of this thesis requires a particular toolkit to make justified claims about the respective field of study. Besides, in qualitative research design with a sensitive topic like the one on hand, it is necessary to reveal the philosophical and methodological stance that is underlying the research to allow trustworthiness (Guba, 1981, pp. 79-82). In other words, research is a critical curiosity sustained by replicable methods (Alemann & Tönnesmann, 1995, p. 17), which will be revealed in this chapter.

3.1 Introduction to the research process

In the context of research in finance Ryan et al. (2002, p. 51) note that it is dominated by “the strong positivist tradition”. Besides, financial research is often based on published interviews. In contrast to this the approach in this thesis entails a hermeneutic phenomenological approach with “an empiricist perception of the literature with the belief that structures and meanings within a body of literature lie as empirical ‘facts’ and generali[s]ations which can be found” (Ryan et al., 2002, p. 186). Within this research design, the phenomenon is being approached with a hermeneutic systematic research logic, and this process starts with the postulation of a conceptual model that functions as the guiding framework to work with the phenomenon. Subsequently, the logic of the conceptual model is applied to the real world. As a means of complexity reduction and assumption of this thesis, the academic and non-academic literature will be perceived as the written documentation of the real-world appearance of the phenomenon. Ultimately, this process will reveal a synthesis in the form of a proposal of a theoretical model about the financing system of the RCCiG. Thus, on purpose hermeneutics and as such the interpretative paradigm are included in the research design. Therefore the role of the inquirer is the one of a literature analyst (as this process entails revealed experience) and to be an “interpreter who contributes meaning” to the phenomenon under investigation (Ryan et al., 2002, p. 186). Besides, with the process of hermeneutic uncovering, it is possible to

go beyond what has been written and to enhance the current body of knowledge with new observations and interpretations. In case of this thesis, the hermeneutic process is characterised by an auto-ethnographic perspective of the researcher.

3.2 Philosophy of the study and the question of methods

“Questions of method are secondary to questions of paradigm” (Guba & Lincoln, 1994, p. 105). What they mean is that the philosophy of a study, which involves the epistemological and ontological understanding of the researcher, is the key criterion for any robust research. Robust research, in turn, involves criteria of trustworthiness a term which was first described by Guba (1981, pp. 79-82) and which has been proposed to reflect the concept of reliability within qualitative research. Above that, within qualitative research, there is the methodological assumption and principle that the methods need to be adapted towards the specialities of the investigated research object, peculiarities of the research area and the needs of the informants (Lamnek, 2005, p. 92). Thus, it is necessary to find reflexive and occasionally sensitive methods to collect the data. Above that Lamnek and Krell (2010, p. 12) note that if one perceives the research process as a communicational relationship between the researcher and the research object, then subjectivity is not resulting from the standardisation of the methods, but from this adaption mentioned above of the methods onto the individual research object. Moreover, subjectivity results according to them from the understanding between the researcher and the research object and thereby the research object is transformed to the research subject. This is the unique circularity of qualitative research. This again supports the design of this thesis, which did not conduct empirical inquiries such as interviews or surveys. As stated earlier, the topic area is a sensitive one, and the institution under investigation appears to be reluctant in general to participate in empirical inquiries or to disclose comprehensive data about their financial situation (if they in fact even have it).

Thus, in qualitative research, the focus is more on the intelligible handling of the methods on hand, than the sophistication of the type of data collection and instrument of investigation. This leads to the fact that the primary emphasis of the research design lies in the individual proficiency of the qualitative social inquirer. Thus, a qualitative researcher must be sensitive, quick-responsive, and must be able to handle all situations (Lamnek, 2005, p. 92). In this understanding, the responsibility resides with the social researcher whether the applied method is fruitful or not.

In this understanding this section 3.2. will reveal the research approach of hermeneutic phenomenology in detail. Thereby two steps and corresponding sections have a summarising role. First, section 3.2.2.1.3 on the *Freie Variation* explains how the phenomenological view of church financing is done in light of the conceptual model as presented in chapter 1, section 1.5. Next, and this is the summary of my research approach, Figure 9 in section 3.2.3.4 will summarise the entire research process and illustrate the single steps in a complex diagram.

3.2.1 The phenomenological research approach of this thesis

3.2.1.1 Phenomenology within the qualitative paradigm

In the course of qualitative research, the research design emerges during the inquiry. In this process “a complex picture of the phenomenon” is being developed and “the context of the phenomenon” is discussed (Creswell & Plano-Clark, 2004, p. 7). This is different in comparison to quantitative research, where the inquirer investigates the independent variable and its relationship to the dependent variable in comparison to qualitative research where the focus is on the central phenomenon. Due to this academic dispute, the social sciences are often referred to as being soft. In this understanding soft does not intend to degrade this research approach but it is meant to criticise a potential “imprecision and lack of dependability” (Guba & Lincoln, 1994, p. 106). Moreover, it is often assumed that an increased degree of quantification in a given field of research is implying a more mature scientific approach (Guba & Lincoln, 1994, p. 105). A qualitative research approach such as the one on hand defends this argumentation with the building of trustworthiness to build the credibility of the study (Yin, 2015, p. 86). “[T]rustworthiness focuses on the context of data collection and the methods of generation of data rather than on its inherent ‘trustfulness’. This helps researchers to reflect in detail on how data is generated and on the relevance of that for the character of the data.” (Gibson & Brown, 2009, p. 59). It is this debate in the social sciences, which divides the research community in research paradigms. According to Easterby-Smith, Thorpe, and Lowe (1991) research in social sciences can be categorised into two research paradigms. They are (a) the positivistic approach and (b) the phenomenological approach. In this thesis (b) the phenomenological approach is being applied. In this context Maykut and Morehouse (2002, pp. 3-4) note that “positivism and phenomenology are the two overarching perspectives that shape our understanding of research”. Despite this, some might argue that a split between only those

two paradigms might be too narrow as phenomenological research can also include positivistic elements and positivistic approaches, in turn, could include qualitative elements. However, for the sake of this thesis, their differentiation is suitable as it helps to accentuate the features of phenomenology, which are applied here. The next section will deepen the understanding of this thesis on phenomenology.

3.2.1.2 The phenomenological research approach

Within the qualitative research philosophy, phenomenology is a meta-theoretical position (Lamnek, 2005, p. 48) and “can be traced back to early 20th-century philosophers such as Husserl, Sartre, and Merleau-Ponty” (Guest, Namey, & Mitchell, 2012, p. 10). Besides, “[p]henomenology does not come naturally to us as a way of understanding the world” (Scott-Baumann, 2011, p. 13) and in contrast to positivism, the phenomenological approach, which traces back to Edmund Husserl (D. W. Smith, 2016), focuses on meanings, tries to understand what is happening, looks at the totality of each situation and develops ideas through induction from data (Bennett, Glatter, & Levacic, 1994, p. 80). Accordingly, phenomenologists, when following their inductive research approach, are trying to build theories (Glaser & Strauss, 1967, pp. 101-105), which entails the development of meaning and understanding, rather than falsifying or testing hypotheses (Bennett et al., 1994, pp. 344-345). In addition to this and with relevance for this study, Perry, Riege, and Brown (1999, pp. 16-17) postulate that the inquiry of social scientific phenomena is best done from a non-positivistic paradigm such as phenomenology. Furthermore, it is the understanding of phenomenologists that the inquirer is part of what is observed and science is driven by human interest, whereas the positivistic inquirer assumes themselves to be outside of what is observed (Bennett et al., 1994, p. 80).

For the thesis on hand, the ideas and philosophy of Husserl are of importance. Thus, “Husserl was interested in attempting to make subjectivity objective” (Scott-Baumann, 2011, p. 18) and phenomenology can be used to investigate everything that exists in mind. In this sense, “[p]henomenological descriptions (...) are possible only by turning from things to their meaning, from what is to the nature of what is. This turning away can be accomplished only by a certain phenomenological reduction or [*E*]poché [italics in Original] that entails “bracketing” [emphasis in Original] or suspending what Husserl calls the “natural attitude” [emphasis in Original]. The natural attitude is the everyday assumption of the independent existence of what is perceived and thought

about.” (Schwandt, 2015, pp. 234-235). As such phenomenology is concerned with the capturing of the nature of a thing or as Heidegger (1963, p. 34) notes “*das, was sich zeigt, so wie es sich von ihm selbst her zeigt, von ihm selbst her sehen lassen*”, i.e. phenomenology tries to proceed to the thing itself [translation by the author]. Hence, it aims to capture phenomena as they are and not how they appear based on prejudices, appearance in the media and theories and, with a specific view to the thesis on hand, also not based on the academic and professional training. This requires that all precognition about a phenomenon must be eliminated, i.e. disabled, until the nature of the phenomenon becomes visible or if in case of hermeneutic phenomenology interpretation of the state of affairs that are based on one’s specific background shall allow enhancing the knowledge about a phenomenon. At the place of analysis and explanation comes the pure description of the essential structure and nature of the phenomenon. Husserl emphasises that the subject-matter of phenomenology is everything which has been in the consciousness as far as it is concerned with the world (Lamnek, 2005, pp. 49-50). Also in this context, (J. A. Smith, Flowers, & Larkin, 2009, p. 11) note that phenomenology is “a philosophical approach to the study of experience (...) in terms of the things that matter to us, and which constitute our lived world.” Transferred to the study on hand, this shall be perceived as the study of my auto-ethnographic hermeneutic experience of perceiving the financing system of the RCCiG as a thing that matters to me and which I perceive has meaning for constituting the real world. Due to the interpretative aspect of my research phenomenology needs to be connected to hermeneutics. This, the connection between hermeneutics and phenomenology, i.e. hermeneutic phenomenology, traces back to Martin Heidegger (Schwandt, 2015, p. 234) and section 3.2.2 will continue to bring the two ideas together.

3.2.2 Hermeneutic phenomenology

In the evolution of phenomenology different “forms of phenomenology have developed over time” (Grbich, 2012, p. 97). For the thesis on hand, the form of hermeneutic phenomenology suits best to reach the research goal and to fulfil the prerequisites that arrive with a study of church financing from a financial viewpoint. Thus, this approach allows to eidetically reduce the phenomenon to an essence which will be in the terminology of business studies a theoretical model (i.e. the phenomenological part) and it allows me to incorporate auto-ethnographic interpretation of the author which is

informed by the specific background and personal situation of the researcher (i.e. the hermeneutic part).

3.2.2.1 Part one: the phenomenological aspect

3.2.2.1.1 Husserlian eidetic reduction

Phenomenology assumes that it is possible to reduce a complex state of affairs to pure essence. This essence is the same for everybody. Thus, to recognise the true essence of an object, a change of attitude towards it is necessary. One has to abstain from any prejudice against the phenomenon. Husserl calls this act of withdrawing (Ger. *zurücknehmen*) *Epoché*. From the neutrality gained by this abstention, it is now possible to penetrate to the essence of a thing, i.e. to the thing itself. Now the acts of consciousness are the only objects of consideration. The existence of the object is now ‘transcended’. With this eidetic reduction, it is possible in creating a state that reveals how the world is constituted in consciousness. This also means that during the phenomenological reflection, everything that is not part of the essence (*Eidos*) must be blown out; the *Epoché* must now become universal. It is the same for everybody. Despite this, Husserl wanted to go even beyond this but failed in his ambitious attempt – however, his failure generated modern philosophy (Danzer, 2011a, pp. 7-11; Godina, 2012; Schwandt, 2015, pp. 234-235; J. A. Smith et al., 2009, p. 14).

Thus, and for the sake of this thesis, the intention is to not only perceive and financially analyse the financing system of the Church, as it would have been the case when a traditional positivist business school approach is applied, but to go beyond this, i.e. the thing in the phenomenological terminology, and come to a state where the nature of the system of church financing in Germany can be uncovered. Within phenomenology, this technique of reduction is called eidetic reduction which allows getting to the essence of a thing which is “the set of invariant properties lying underneath the subjective perception of individual manifestations of that type of object” (J. A. Smith et al., 2009, p. 14). Once this state is achieved in this thesis, then the meaning which will be derived from this eidetic reduction (Diemer, 1959, p. 243) can function as a support of decision making in practise. Despite this, it will help to foster the interdisciplinary research stream on church financing in Germany.

3.2.2.1.2 Phenomenology in this thesis

A phenomenological approach entails implications regarding the data collection. As stated above in this thesis, empirical inquiries such as interviews or surveys will not be conducted due to research-ethical and practical reasons. Instead, I have designed a research approach which draws upon ‘my auto-ethnographic hermeneutic systematic observation’. In an understanding according to Guest et al. (2012, p. 8) precisely these “normative perceptions are typically sought out”. Thereby I am applying an in-depth analysis of the existing body of research, which via the act of hermeneutic uncovering goes beyond what is in the written documentation yet. In other words, this act of translation extends the existing theoretical knowledge about the subject matter.

Husserl notes that complex realities are built on more simple realities. The latter in turn are again built out of even more simple realities (Lamnek, 2005, pp. 50-53). I imagine this in the form of the Russian Matryoshka doll where some wooden dolls of different decreasing sizes are placed into one another.³⁷ In this understanding, the endpoint and therefore essence of this reduction process is the phenomenon in its purest form. Accordingly, in Husserlian phenomenology, there are different stages of reduction. One stage of Husserl’s reductions is the *Freie Variation*, i.e. ‘free imaginative variation’ (J. A. Smith et al., 2009, p. 14), which has particular importance for this thesis. In this *Freie Variation*, one considers a phenomenon from different viewpoints such as its functionality or its genesis (Beyer, 2016; Husserl & Held, 1985; Kasmier, 2010)

3.2.2.1.3 *Freie Variation* & data collection implications

For Husserl, the *Freie Variation* constitutes one of the techniques to reduce the phenomenon eidetically and to reach a state “where one carefully considers different possible instances of” the phenomenon. This indeed involves to draw “on one’s experience (...), but will also involve imagining new examples, and checking the boundaries (...)” (J. A. Smith et al., 2009, p. 14). In that sense and relation to the thesis on hand thereby the question is being raised ‘what is it that constitutes the financing system of the RCCiG’ – by raising this question it is the goal to establish the essence of the phenomenon. Thereby the Husserlian object is belonging, which is manifested for the role

³⁷ According to the (University of Oxford, 2012) also named ‘Russian doll’ where “each of a set of brightly painted hollow wooden dolls of varying sizes” are “designed to fit inside each other”.

of church financing in Germany as church membership. Thus, I am applying the *Freie Variation* as a process of reduction, where different angles and viewpoints are utilised to fathom the phenomenon of church financing. The result of this will then allow to build up “a complete and integrated eidetic picture (or the general structure) of a particular phenomenon” (J. A. Smith et al., 2009, p. 200). In order to do so, I am examining church financing from various viewpoints. The logic for this is found in Fig. 2 and the analysis follows the logics of a historical, environmental (i.e. sociological), internal (i.e. theological) and financial economic viewpoint. These viewpoints can be documented by academic or non-academic literature. Thus, it is a juxtaposition between scholarly perception, popular public opinion and the perception of the Church itself. Thereby the four logics are the four perspectives of the elements of my phenomenological reduction in the course of the *Freie Variation*. Hence, the conceptual model is the guiding concept to be used to examine the various aspects and determinants of the system of church financing of the RCCiG. In that sense, the conceptual logics form the phenomenological viewpoints. Besides each of them is enhanced by my viewpoints based on my experience, cf. chapter two. Thereby the viewpoints are corresponding to the Logics as presented in Figure 2. Thus, (a) the historical factors of Logic 1 constitute the historical viewpoint, (b) the environmental (external) factors of Logic 2 constitute the sociological and legal viewpoints, (c) the internal factors of Logic 3 constitute the theological and canonical viewpoints and (d) the financial-economic factors of Logic 4 constitute the financial (economic) viewpoints.

3.2.2.2 Part two: the hermeneutic aspect

3.2.2.2.1 Texts about texts: a phenomenology of reading

After an understanding of qualitative research and phenomenology as my philosophical stance of the interpretative paradigm were revealed above, it is essential to illuminate the methodological role of texts in my thesis.

Heap (1977, p. 104) notes “that reading always involves something-read, our reflections must have a home-port, to which they can return from storms of abstraction”. In this understanding, texts in this thesis are more than just the data; they are (a) the written documentation of the social phenomenon church financing and (b) the homeport for the synthesis of this thesis.

Also as (c), and in an understanding according to Heap (1977, p. 105) I am basing an hermeneutic circle of interpretation as my hermeneutic phenomenological uncovering on the considered texts due to the fact that if one “had no typical foreknowledge of the document and its text” one “could not begin to read” it. Thereby, it is the reading, re-reading, re-re-reading and synthesis of the texts that allows making sense of the written documentation, to interpret and to eidetically reduce the phenomenon to its essence. For this, I as the inquirer am “expected and required to bring along a fair amount of interpretationally relevant baggage” (Heap, 1977, p. 106). My baggage is based on the fact that I am a Catholic, a Financier and also a German who has been socialised in the German culture.

In this context, it is also important to note that my analysis and exegesis of the texts as an act of interpretation is a “reflective activity of reading (as sense making)” which is in contrast to the sole “mechanical acts of reading” (Heap, 1977, p. 109). Thus, as the social sciences are a textual science, they are based on the symbolism of human products and the natural environment of the symbols-interpreting inquirer. In this context, Lamnek (2005, pp. 79-80) notes that texts as the documentation of this social reality have an essential meaning for their social scientific analysis. For my thesis texts also represent the data. In this understanding Soeffner (1982, p. 19) notes that social reality is documented in texts and that only via the analysis of the texts it is possible to fathom a subject area. Thus, texts are counting as protocols of sequences of interactions and interpretation. In turn, this indeed implies, that, what is not covered and included in texts, is intentionally not part of the social scientific analysis.

My research approach draws upon the existing written documentation and my hermeneutic interpretation of it. I do not consider it necessary to enhance the data with the collection of further empirical inquiries. This is due to ethical concerns involved with a meaningful attempt to do so, and because the body of written documentation already appears as rich. From my perspective, it is necessary at this point of the history of economic research on church financing to give order to the state of affairs and to derive a first common denominator for future avenues of research. Thus, the design of the search strategy involved in this thesis follows the idea of hermeneutic uncovering. This means that as soon as the entrance to the subject matter and literature was found via an exploration of the concealed topic of church financing started.

Above that, I want to perceive hermeneutics as the art of interpretation. In this context, Mayring (2008, pp. 27-28) notes that according to Schleiermacher, the aim of Hermeneutics indeed is to create a ‘theory of art’ (*Kunstlehre*) of interpretation, where *inter alia* texts are interpreted. Further to this, Alemann and Tönnemann (1995, pp. 50-56) refer to Hermeneutic as the science of understanding (*Lehre des Verstehens*) where *Verstehen*, is an intellectual process which can be described as realising (*Begreifen*), conceiving (*Erfassen*), and perceiving (*Erkennen*) of sense.

This logic is behind each of the four phenomenological viewpoints as presented in Figure 3 above. Thus, when one of the viewpoints is being dealt with they will first be realised and in that sense will be found by a (systematic) search approach, then they will be conceived which means that they will be reflected against my (prior) knowledge and then, they will be perceived which means that I will interpret them and write my understanding about the aspect down in a narrative. Thereby, it is an important quintessence of this reflection on texts in the context of this thesis is that I am assuming that the social reality of church financing is (fully) covered in the literature, however in parts hidden and uncovered. Therefore, the identified texts and their description and analysis of the social reality of church financing shall guide the extraction and analytical claims about the phenomenon. Normative additions to the perception of the phenomenon, which go beyond that which is extracted from the literature, are made in chapter 6.

3.2.2.2.2 Hermeneutic circularity and reflexivity

Reflexivity implies that it is possible to deduce meaning from an act and that the meaning, in turn, explains the act (Lamnek, 2005, p. 43). In other words, an understanding of a part is necessary to understand the context. This interplay between an understanding (and meaning) and the observed phenomenon is the hermeneutic circularity. Thus, the hermeneutic circle is a process, which is in a recurring, circular-proceeding motion. Within this circular movement are the single elements only understandable out of the overall context and the whole is only conceivable out of the single elements (Danzer, 2011b, pp. 147-149; Mantzavinos, 2016). Transferred to the topic on hand, e.g. at first sight, an outside spectator of the German church financing system might perceive the phenomenon of church taxes as inappropriate as taxes are perceived not as a financing instrument of a religious society. However, if one considers the history of church financing in Germany and thereby learns that the state introduced the church tax as a substitute for parts of a

compensation payment due to governmentally expropriated ecclesiastical property in the 19th century, then it might appear adequate again.

3.2.2.2.3 Heideggerian Hermeneutics: Hermeneutics as ontology

Hermeneutics used to be an interpretative instrument for biblical studies, but with the emergence of the German romanticism and idealism, it became a philosophical tradition (Ramberg & Gjesdal, 2014), which is now frequently used in qualitative research.

In the course of the emergence of philosophical hermeneutics and to derive an understanding of Heidegger's idea of hermeneutics, it is essential to view Friedrich Schleiermacher's work briefly. Thus, Schleiermacher "first manages to pull together the intellectual currents of the time to articulate a coherent conception of a universal hermeneutics, a hermeneutics that does not relate to one particular kind of textual material (such as the Bible or ancient texts), but to linguistic meaning in general" (Ramberg & Gjesdal, 2014).

After this, the German philosopher Dilthey further advanced philosophical hermeneutics with his differentiation of the *Erlebnis* (lived experience) and *Verstehen* (understanding) at the end of the 19th century. In this understanding, *Erlebnis* is considered the process of self-understanding whereas *Verstehen* is considered the process of understanding others. Dilthey also notes that action, a speech or a work of art cannot be treated as a thing – this initiated a dispute amongst the scholars at that time (Hufnagel, 1982, pp. 204-206). However, with his approach, Dilthey liberates "the methodology of the humanities from that of the natural sciences" (Ramberg & Gjesdal, 2014).

Then and ultimately, the most important work of philosophical hermeneutics in context of this thesis - "*Sein und Zeit*" - was published by Martin Heidegger. For this work, Heidegger was inspired by "his reading of Schleiermacher, Droysen, and Dilthey" (Ramberg & Gjesdal, 2014). "*Sein und Zeit*" when it was published in 1927, then "completely transformed the discipline of hermeneutics". Consequently, "in Heidegger's view, hermeneutics is not a matter of understanding linguistic communication. Nor is it about providing a methodological basis for the human sciences" (Ramberg & Gjesdal, 2014). In this understanding, Heidegger perceives hermeneutics as ontology as "it is about the most fundamental conditions of man's being in the world" (Ramberg & Gjesdal, 2014). Above that "Heidegger concluded that the human is the vehicle through which language speaks" (Scott-Baumann, 2011, p. 15).

In his great work, Heidegger neither uses the term *Mensch* (human being) nor that of *Bewusstsein* (consciousness); instead, he uses *Dasein*, but this expression means neither thinking nor human being/man. *Dasein* is the unique, unique relationship, which the *Seiende*, i.e. the man, maintains with the *Sein*, i.e. being. Also, even if the *Dasein* is not the human being, this term could never be used about any other *Seienden* (i.e. being) (Marten, 1982, p. 261).

The scholar of language and literature, Wolfgang Iser (1926-2007), cf. (Wagner, 2010), developed the theory of a dialogue between the reader and writer of a text. Iser's analyses centre on the interactions between a text and its reader (Rimon-Kenan, 2003).

Thus, I perceive hermeneutics as ontology where the meaning of a text is only opened up by the reader and not by the text itself. I consider it a dialogue between the author of written documentation and me as the reader and interpreter. Out of this understanding results in my perception that interpretation, loaded with a bundle of life experience, an own (academic and professional) background and an explorative goal, can create something qualitatively new.

In the context of the research phenomenon 'church financing' on hand, indeed certain parts of the synthesis existed before, but only this study in an attempt to integrate them and enrich them with adequate relationships and facts allows the emergence of a theoretical model about the state of affairs. In this understanding, interpretation is the basis for asserting and making normative judgements.

3.2.3 Operationalisation of my hermeneutic phenomenological research logic

Because of section 3.2.2. above, I am summarising my hermeneutic phenomenological as follows and divide it into the following steps:

1. The hermeneutic phenomenological logic allows collecting the relevant aspects and elements of the research object of church financing in Germany,
2. the fragments of the research object are investigated about redundancy and variability, and the data are collected purposive rather than exhaustive,
3. the remaining elements constitute the research object's essence and are invariant, i.e. in the Husserlian understanding they are assumed to be the same for everybody

(in my analogy this would be the same comprehensive Matryoshka doll which looks alike for everybody), and then

4. the essence can be transformed in the proposal of a theoretical model of the RCCiG's financing system.

As a result, the aim of phenomenology, which is a method of reduction, is the holistic understanding of the nature of a thing, i.e. the general and the invariant feature of a phenomenon. As such my design aims to eliminate elements which block and interfere with the view of the essential from a financial perspective.

Phenomenology is about “individual experiences, beliefs, and perceptions.” (Guest et al., 2012, p. 8) and aims at an understandable essence, cf. section 3.2.2.1.1. In this context, the first task of a Husserlian reduction is the recourse to observable phenomena, which are given by intuition and exist with absolute certainty. Written documentation or text in this context is “used as a proxy for human experience” (Guest et al., 2012, p. 8). In this understanding, I consider it as an empirical truth what I find in the course of my hermeneutic systematic logic. The thesis on hand utilises a hermeneutic systematic logic. The analytical and interpretative process is accompanied by a meta-narrative, which manifests as a hermeneutic systematic interpretation of the state of affairs.

This section reveals the logic of the hermeneutic systematic research design and explains the relationship between (I) my role as the researcher in the hermeneutic systematic logic, i.e. being the auto-ethnographic observer, (II) the iterative process of evidence gathering, and (III) creating new knowledge: a synthesis. The latter allows arriving at the point where a theoretical model of church financing of RCCiG is being proposed. The figure below displays this relationship and the subsequent sections will address each aspect in detail.

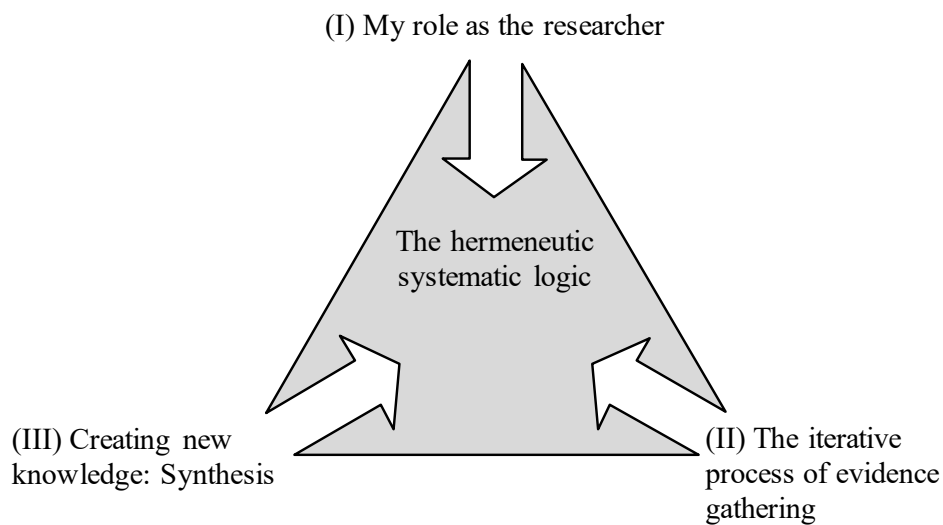


Figure 4: The hermeneutic systematic logic (diagram compiled by the author).

3.2.3.1 My role as the auto-ethnographic hermeneutic systematic observer

In chapter one, I have defined the research objectives and in that sense specified the questions which I intend to ask about the phenomenon. Besides, in section 3.2.2.1.2 I have introduced the term ‘auto-ethnographic hermeneutic systematic observation’ as a new method to apply the phenomenological research philosophy in my thesis. In the course of this research process, I am ‘triangulating’ between three types of evidence to address the research objectives, which constitutes the auto-ethnographic hermeneutic systematic research logic:

- the hermeneutic uncovering and interpretation of examined literature and written documentation from the various viewpoints of (a) history, (b) sociology, (c) theology, (d) legal studies and (e) economics throughout the research process,
- my two contemporary positions which are informed by my auto-ethnographic reflections, cf. chapter two, which are:
 - the emic and in this context my position of the researcher, i.e. my stance to the Church which includes that I am a Catholic Church member and former employee of the RCCiG, and
 - the etic and in this context my professional role of the researcher, i.e. that I am a bank employee and trained in corporate finance and that my academic background is finance, and

This iterative process allows me to take a view on the subject matter from different perspectives. In the course of a juxtaposition, this then allows to document and reflect on a respective discovery of new knowledge. Because of this, I will construct a body of evidence.

In order to give structure to this process and to ensure a ‘systematic’ process, it is necessary to draw upon the abundant literature on evidence-based systematic research. Russell et al. (2009, p. iii) note that, e.g. in healthcare research, systematic reviews are frequently being used “to develop (...) practice guidelines, set research agendas, and develop scientific consensus statements.” With my thesis on church financing, I have the same goals. Thus, I want to develop a scholarly statement on the financial perception of church financing in Germany, which I will present in the form of a theoretical model. In this way, the hermeneutic analysis becomes a meta-study in that it systematically collects all the data to come to a more secure view of the question. This will set the path for future finance research on church financing. Above that, and this closes the hermeneutic circle of my motivation as it addresses my stance to the Church, I intend to make normative statements on the observed state of affairs in my research that could function as guidelines for practise.

In the context of organising the analysis of diverse and large amounts of evidence, Russell et al. (2009, p. 5) propose that in cases where the question asked to the evidence is somewhat complex, “an analytic framework (evidence model) depicting the key questions being addressed to help appreciate their relationships” shall be constructed. I have presented this in chapter one as my conceptual model and have used it to connect it with the research objectives and will draw upon it during the research process.

3.2.3.2 Iterative research and evidence gathering process

This thesis follows an iterative search process during which it goes back and forth between various aspects of the phenomenon that are examined. In that sense, it forms a hermeneutic circularity that moves between pre-understanding and understanding, and parts and the whole (Alvesson & Sköldberg, 2009, pp. 97-105). The ultimate goal of this process is a phenomenological reduction in a Husserlian understanding (Beyer, 2016). It is the goal to arrive at a stage where the nature of the thing, i.e. the RCCiG’s system of church financing becomes obvious.

In this context, Bortz and Döring (2006) suggest that only rigorous work with the literature increases the chance to find innovative ideas and interesting causes for thought. Thus, it is the aim to discover hidden relationships in the evidence, to give structure to the empirical phenomenon and to reduce it to its essence to make normative statements about the state of affairs.

In this understanding, the thesis follows the following iterative process steps which start with the building of a body of established, published literature and includes searching bibliographic works as from this the inquirer “learns the titles of a number of relevant published books, articles” and if available also comprehensive literature reviews (Rosenthal, 1994, p. 87):

- Construction of a conceptual model to hermeneutically approach the phenomenon,
- Systematic collection³⁸ and selection of evidence which meets the inclusion criteria³⁹:
 - hermeneutic systematic review of relevant electronic databases (i.a. EBSCO Business Sources Complete, PsycInfo and EThOS⁴⁰, i.e. the e-theses online service by the British Library),
 - hermeneutic systematic review of the literature found in the German National Library,
 - hermeneutic systematic review of the library catalogues of the university libraries in Frankfurt, Düsseldorf and Cologne,
 - hermeneutic systematic review of citations and the bibliography in the initial body of literature,
 - hermeneutic hand search in the literature available at the university libraries.

³⁸ A number of documents and literature could be reviewed in the respective libraries. However, some publications had to be purchased in antique bookstores, as copies of the indexed literature was not available.

³⁹ At an early stage, I considered academic literature only, i.e. doctoral dissertations, conference proceeds, edited volumes, monographs and journal articles. However, as my reflection after sub-bullet point 5 hereafter reveals, I had to extend the evidence base by non-academic literature, i.e. newspaper articles, church reports, grey literature, websites, etc.

⁴⁰ Here, in course of the literature search one doctoral thesis from the UK was found dealing with the historical aspects of church financing in Scotland. However the thesis by Tierney (2014) is embargoed until 05 Feb 2019 and various attempts to contact the University and the author in order to get an insight into the thesis failed. Above that, the thesis is focused only on the situation in Scotland and considers the Scottish situation from 1772 to 1890.

- Reflection about the achievements of the research design: At an early stage of the research process I became aware of the fact the evidence base could not rely on academic literature alone to address the conceptual model adequately. This is because also publications by the Church itself include valuable insights into the financing system and that a topic where the public opinion about the system has an assumed huge impact on the system also needs to consider newspaper articles and polemic literature. However, the latter, i.e. the non-academic literature required a careful hermeneutic interpretation and awareness of whether the further evidence was valid or based upon speculation only. It was necessary to undertake this extension to make it a purposive search and rather than exhaustive search. The latter would in this context imply that evidence for the same argument or observation is found and selected over and over again. Purposive search in this context instead shall imply that once an argument was found and hermeneutically verified the collection continued in a further direction. This allows building a comprehensive evidence base. Due to this reflection, I extended the evidence collection by the following features:
 - hermeneutic systematic review of the catalogue of the diocesan library of the archdioceses of Cologne,
 - hermeneutic hand search in the literature available at the diocesan library,
 - hand search for newspaper articles, church documents and websites,
 - hand search for grey literature: Bortz and Döring (2006, p. 360) note that grey literature includes, e.g. unpublished theses, websites, flyers as well as lecture notes and research papers. Rosenthal (1994, p. 86) terms this type of evidence as fugitive literature and information (i.e. hard-to-find literature/information) and this type of evidence is often more current than established literature and helps to reveal further insight into the subject matter. Despite that, it “cannot be found through traditional, commonly used sources”. However, Rosenthal (1994, p. 87) states that inquirer starts an in-depth literary evidence collection “at an academic library (or other research library) that can provide the traditional sources for the published work” on the subject matter.

This last step of the hermeneutic hand search is followed by the,
- Appraisal and hermeneutic interpretation of the evidence.

- hermeneutic thematic synthesis of the evidence and presentation of the phenomenon in the form of a theoretical model.

The hermeneutic thematic synthesis of this phenomenological iterative research process is essential as it represents the original contribution to the theoretical knowledge of this thesis. Thus, it entails my triangulating meta-narrative which I applied throughout the research process and which is characterised and enhanced by my professional and academic background.

N. Miller and E. (1994, p. 461) note that “[a] causal interpretation of meta-analytic results depends on the design strategies used in primary studies, in conjunction with the procedures used in the meta-analysis”. Thus, it is essential to my study, which takes a meta-perspective on the documented evidence to consider the research design and approach of the scrutinised written documentation.

At this stage, it becomes apparent that the entire body of evidence on aspects of the RCCiG’s system of church financing is descriptive. Thus, as the bulk of the literature was written in the legal studies departments, it includes interpretation of the state of affairs in light of law, and as it was written in the religious studies or theology department, it includes observations and interpretations of state of affairs in light of Christianity and ecclesiology, i.e. a church theoretical understanding. Also in cases where it has been written from an economic or historical viewpoint, the evidence is descriptive and interpretative. Above that, the descriptive and non-analytical feature is almost entirely the case for all considered grey literature.

In other words, as all considered evidence is not built upon statistical data, it can be aggregated in the hermeneutic systematic process of this thesis. The result, which will be presented as a theoretical model then takes a meta-perspective on the discovered and analysed evidence.

Despite this, still, at specific points, my research is enhanced by empirical data and statistics if they are publicly available. These data then are collected from platforms such as the government, church websites, other relevant sources in the internet or third-party suppliers such as Statista (2012), a private statistical research institute based in Hamburg, German.

Whereas the above reveals an understanding of the hermeneutic systematic logic of the research process, the next part reveals an understanding for hermeneutic thematic synthesis. This is the last step in the proposed process of a hermeneutic systematic review and has pivotal importance for the result of the overall process.

Ultimately, I summarised the findings from this evidence-gathering process on A5 index cards. These display the extraction of the findings found in the written documentation. The figure below is a randomly chosen example of one of the index cards. It is one out four index cards on Marré and Jurina (2006).



Figure 5: Example of an index card (computer-scanned).

The index card is primarily written from top to bottom and starts on top with the beginning of the source and then works through the source in that order. Basic facts are documented with a pencil, and a first coding of the evidence with red, blue and green pens highlights essential findings of that particular study. Initial reflections and comments about the evidence are kept in square brackets.

This section reveals how I designed the process to gather, extract and document the evidence out of the body of written documentation. The next section addresses the process of synthesising the evidence and to derive a theoretical model from that.

3.2.3.3 Creating new knowledge: synthesising a theoretical model

In the process of evidence synthesis the findings from some qualitative studies are being integrated (Thomas & Harden, 2008, p. 45). In this understanding, it aims to combine “two or more items into a new whole” to generate new knowledge “which goes beyond the sum of its parts” (Garside, 2015, p. 5). Thereby it “involves some degree of conceptual innovation, or employment of concepts not found in the characteri[s]ation of the parts as a means of creating the whole” (Strike & Posner, 1983, p. 346). Above that, according to Garside (2015, p. 6), it can “create more powerful explanations” in comparison to the stage before, and it is possible to generate a “higher order conceptualisation”. In this context, Garside refers to Paterson, Thorne, Canam, and Jillings (2001, p. 111) who state that “the process may yield truths that are better, more socially relevant, or more complete than those from which we currently operate”. Thus, In my thesis I am aiming to combine, integrate and synthesise the evidence and ideas found in the current body of written documentation on church financing in Germany, which includes academic and non-academic literature, in order to form a theoretical model about the state of affairs; it forms the result and theoretical contribution of the study.

Thomas and Harden (2008, pp. 48-53) describe a three-step process of synthesising the evidence to build new knowledge: (i) coding text, (ii) developing descriptive themes and (iii) generating analytical themes.

I am taking their idea further and modifying it to meet the requirements of my study. Thus, in a modified three-step process I conduct the following:

- (i) The first step is the condensed extraction and transfer of the evidence which I found in the written documentation, which I recorded on A5 index cards, cf. section above, and an initial colour coding of the evidence in ‘Literature and Latte’s Scrivener (‘Scrivener’)⁴¹. Besides descriptive themes are developed in this state. In this step the work remains close to the primarily written documentation; the figure below illustrates this process step:

⁴¹ Scrivener “is primarily aimed at Higher Degree Research students who are required to write a long thesis or dissertation” (Kilham, 2015). Thus, I have chosen Scrivener as it is a “purpose-built writing software” tool which brings together all materials “relevant to constructing” and allows to keep “track of a big text” (Thomson & Kamler, 2016, p. 52).

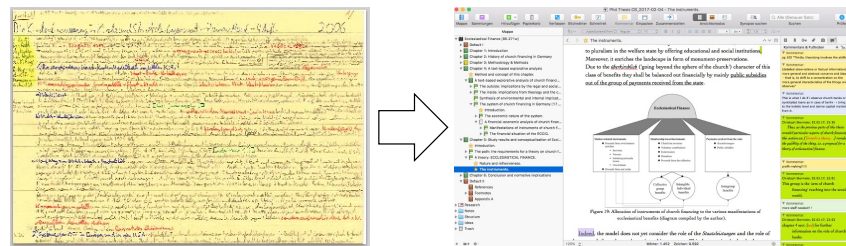


Figure 6: Transfer and coding of evidence and development of descriptive themes (diagram compiled by the author).

- (ii) This second step goes beyond the prior stage and already enhances the knowledge. Thus, it entails the development of analytical themes, formulation of key concepts and integration of the evidence into one another. I conducted this step solely in the programme Scrivener which is illustrated by the figure below:

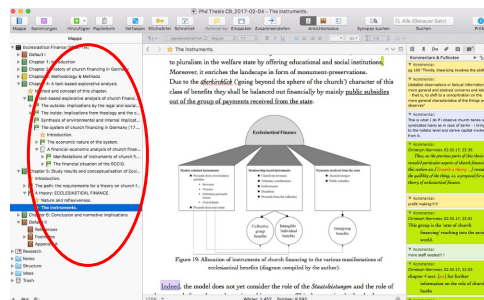


Figure 7: Development of analytical themes, formulation of key concepts and integration of findings (diagram compiled by the author).

- (iii) Ultimately, the hermeneutic interpretation and formulation of explanatory logics about the phenomenon represents original knowledge and reveals new interpretative constructs and explanations. In my hermeneutic systematic logic, I perceive this step as an act of translation. Also, the previous stage of knowledge is being enhanced by my meta-narrative, i.e. my stance on the Church as well as training and experience in finance. For this task, I have also used the functions of Scrivener to have a programme and place to handle a significant amount of text, thoughts, interpretations and conclusions. This again is illustrated in the figure below:

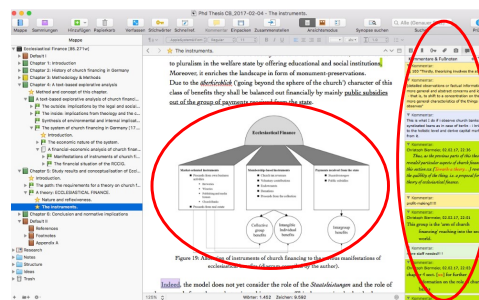


Figure 8: Hermeneutic interpretation and explanatory logics (diagram compiled by the author).

In the course of my study step (iii) is the most crucial one for the academic contribution of my thesis. It is precisely the going beyond the existing and obvious and the uncovering and hermeneutic interpretation. My synthesis reveals new knowledge of the state of affairs, which cannot be found anywhere else. This and the formulation of a theoretical model about the findings is my contribution to science.

This section reveals my understanding of synthesis and the path towards creating a theoretical model. The next section will conceptualise the process as a research method.

3.2.3.4 Conceptualisation of the hermeneutic phenomenological research logic into an own qualitative research method

The “[d]ata collected from qualitative methods are (...) textual and rich in meaning.” Besides, the “studies have specific aims, often underpinned by a particular philosophical (...) and these can be analysed in a number of ways” such as phenomenology. Above that “[q]ualitative data analysis generally involves inductive reasoning processes (...) to interpret and structure the data” or findings. (Ring, Ritchie, Mandava, & Jepson, 2011, p. 3).

The hermeneutic systematic logic, which I use in this thesis draws upon characteristics of a meta-analysis, systematic review, and meta-ethnography. Meta-analysis entails the characteristic of an exhaustive collection of evidence rather than an exhaustive review of the evidence as in a systematic review. The elements from a systematic review, in turn, allow bringing together disparate types of documents.

In this context, it is worthwhile to note that the idea of a systematic review had to be altered as the iterative process reveals that reliance only on the maximisation of sources of evidence does not allow addressing all aspects of the conceptual framework. Therefore, it is necessary to enhance the idea of the systematic review with the hermeneutic

interpretative feature to go beyond what is found in the evidence. By doing so, the paradigm of the systematic review was shifted from an exhaustive search towards a purposive search. Thus, the evidence base “(...) is purposive rather than exhaustive because the purpose is an interpretive explanation and not prediction” (Doyle, 2003, p. 326).

In this understanding, Thomas and Harden (2008, p. 47) note that the results of synthesis will not change, if only a limited number of sources is being considered. In other words, it is more important to identify the fundamental concepts and to put them into meaningful relationships with each other. As a result, a conceptual saturation shall be reached rather than an exhaustive saturation. This then allows me to consider hermeneutics and to bring in intellectual interpretation by my background to dismantle further hidden evidence and aspects of the phenomenon.

Ultimately, the synthesis shall end up with a firm position, which is based on (a) the evidence in the previous studies and (b) the auto-ethnographic hermeneutic logic of the research process. This firm position can then function as the basis for further research, and it can function for the practise.

Figure 9 below summarises my research approach with elements of the data collection (i.e. systematic review), data analysis (i.e. hermeneutic interpretation) and synthesis (i.e. eidetic reduction of the phenomenon, symbolised by an upward-spinning hermeneutic circle). Thereby the blue-coloured steps represent data collection and are numbered from D1-D7, the green-coloured steps represent phenomenological reduction and are numbered from P1-P2, and the orange-coloured steps represent hermeneutic interpretational work and are numbered from H1-H5.

Thereby H1-H4, i.e. the hermeneutic phenomenological analyses correspond to the conceptual model (cf. Figure 1) and aspects of the *Freie Variation*, i.e. the hermeneutic phenomenological view of the logics.

H5, the vertical line thereby takes a particular role as it represents the auto-ethnographic hermeneutic narrative of my thesis, which is based on my interpretative baggage, cf. above.

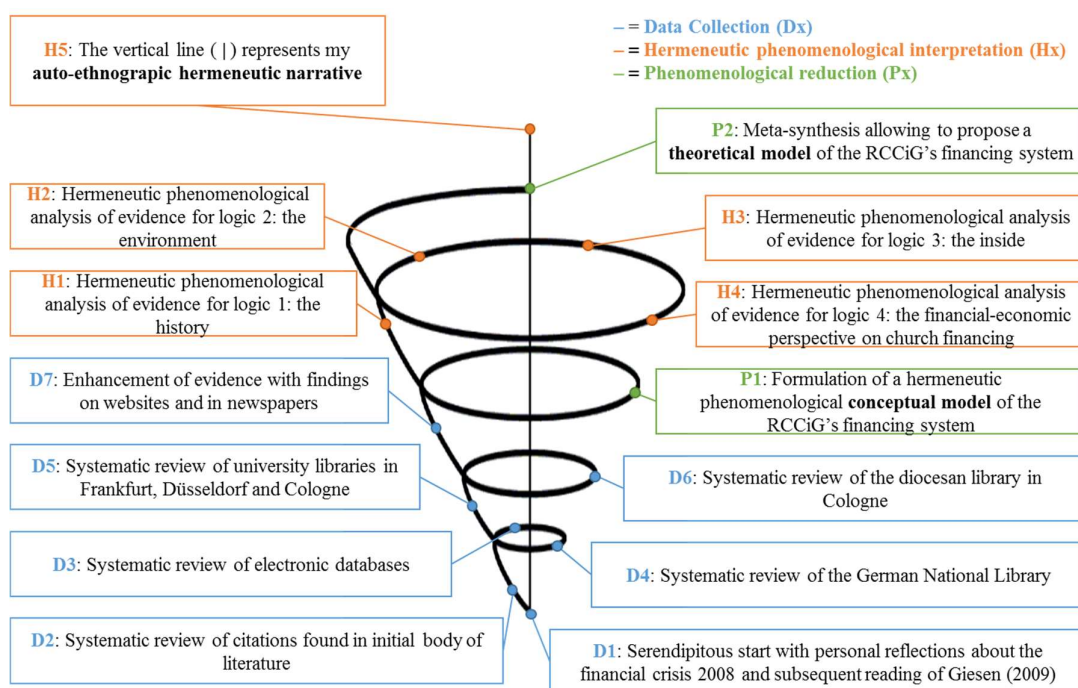


Figure 9: The hermeneutic phenomenological research logic (diagram compiled by the author).

The understanding of the figure starts at the bottom with the start of the research journey (D1), my reflections about the role of finance during the global financial crisis starting in 2007 and the subsequent adverse effects onto the system of church financing in Germany. I then found the academic entrance into the topic with the reading of the theological doctoral thesis by Rut von Giesen (2009).

This created the first body of evidence in the form of collected literature, which I then systematically reviewed, i.e. D2. After this, I systematically reviewed electronic databases (D3), before I systematically reviewed the catalogue and evidence in the German National Library (D4). After this, I took some more time to systematically review the catalogues and shelves of the University Libraries in Frankfurt am Main, Düsseldorf and Cologne (D5) before I also spent substantial time in the library of Germany's biggest dioceses in Cologne (D6). Ultimately, I enhanced the evidence with findings from church websites and social opinion making found in selected newspapers (D7).

Thus, according to Husserl, the phenomenon had to be understood thoroughly first in the course of my data collection and systematic review, before it can be reduced to its fundamental nature.

After this, I formulated the first phenomenological reduction in the form of P1, the introduction of my conceptual model on the RCCiG's financing system which I introduced

already above, in chapter one. This first synthesis allows the research to arrive already at a deeper level of understanding as it incorporates my meta-narrative, i.e. personal faith and professional and academic background into the research process.

This then functions as the guiding structure to hermeneutically analyse H1: the history, H2: the environment, H3: the inside and, H4: the financing system of the RCCiG under the umbrella of a phenomenological reduction of the RCCiG's system of church financing.

Thus, the last step then was to meta-synthesise everything, i.e. D1-D7 plus H1-H6 in the form of the proposition of a theoretical model. This is represented by P2, which is the highest stage that this hermeneutic circle reaches in my thesis. This result manifests an essential contribution to the evidence-based decision making in practice and enhances the theoretical knowledge about church financing in Germany from a financial perspective.

In this understanding, the addressees of my synthesis might seek the essences of it as only such a systematic model allows giving a comprehensive overview of all aspects of the subject matter of church financing. In other words, the addressees might not be able to search, examine and interpret all evidence on church financing by themselves due to time or cost constraints; thus, they could rely on the extract of this thesis, or they could conduct the same approach and synthesise the knowledge by themselves. In other words, my research approach allows replicability.

In summary, my research design combines a systematic approach to construct a hermeneutically interpretative response by also deploying a phenomenological awareness. The latter is inter alia the Church's inability to construct and maintain an equilibrated model of church financing and the Church's defensive communication of current state of affairs, especially regarding the church tax. The evidence for this is deduced mostly from the explorative analysis of a range of documentation selected according to clearly stated and justified criteria. Thus, I incorporated literature at a particular stage only, if it yielded further insights into the phenomenon. Thus, the additional consideration of non-academic literature was only done if it included aspects that previously were not included in the academic literature and if they manifest a missing puzzle piece. Ultimately, the author's own experience and relationship with the Church is utilised as an additional analytic lens. In addition to that, my idea of a hermeneutic systematic logic allows the incorporation of marginal phenomena into the evidence base. Thus, whereas a standard systematic review could at the most exhaustive level comes across phenomena that are not yet discussed

broadly in the literature, it is the explicit goal of a hermeneutic systematic review to incorporate and highlight even the smallest pieces of evidence right from the beginning. Thereby it is the purpose to enrich the perception of the phenomenon in the evidence base and to interweave the role of so far marginal phenomena into a holistic understanding of the state of affairs. In addition, in the course of the hermeneutic interpretive perception of marginal phenomena, these shall be given more prominent roles in the network of ideas.

3.2.4 Justification of a nonreactive data gathering approach

In comparison to the quantitative paradigm, qualitative research often implies reactive methods. Reactive means in this context that due to the contact between the researcher and the research subject, there is potentially an interference of the research process onto the researched phenomenon. Besides, in case of reactive research methods, the analysed documents are only being created for the sake of being analysed by that particular inquirer. In contrast to this, in case of nonreactive research methods, the written documentation is already there (Lamnek, 2005, p. 485).

Thus, and as stated above, my research design abstains from empirical inquiry such as interviews or questionnaires. Thus, it has already been argued that (a) a nonreactive data gathering approach suits the research goal best and (b) the RCCiG is very reluctant to engage in empirical enquiries.

The following reveals a brief view of examples for this reluctance also in Germany and derives a corresponding meaning for this thesis.

- (1) A recent example for a documented reluctance of the Catholic Church to participate in empirical inquiries such as a survey in a doctoral dissertation in the field of economics is presented by Oliver Foltin (2014) with his analysis of the asset management activities of the Church in Germany⁴². In the empirical part of his thesis, he sent questionnaires to all the 27 Catholic dioceses in Germany. As a result, 13 declined to participate in the inquiry, eight never responded, and only six answered the questions of interest. In contrast to the Catholic Church, the replies from the Evangelical Church reached a quota of 56,5% and allowed valid conclusions. Foltin based his analysis and

⁴² Ger. original title “*Methoden der Bewertung und Messung der Nachhaltigkeit von ethischen, sozialen und ökologischen Kapitalanlagen: Am Beispiel des Anlageverhaltens der Kirchen in Deutschland*”.

questionnaire on findings of Stefan Hochhuth (2003) who pioneered a study on ecclesiastical asset management more than a decade before him. Hochhuth made a similar experience as Foltin.

- (2) Thus, Hochhuth also experienced a reluctance of the RCCiG to engage in empirical enquiries in his study on asset management activities of the Church in Germany and Switzerland⁴³ where he *inter alia* sent out questionnaires to all 27 Catholic dioceses in Germany and only received four responses out of 27. Thus, he had to rely on the evidence found in the questionnaires sent out to the Evangelical Church which secured him a quota of 55% (Hochhuth, 2003, p. 15).

The most significant finding for my thesis about the experience of reluctance by the RCCiG is stated by Foltin (2014, p. 229) when he summarises that this reluctance by the RCCiG was almost in all cases justified with the aspect that the RCCiG does not furnish particularities of their financial situation. In addition to that Foltin (2014, p. 229) notes that he also experienced cases where personnel reasons were revealed that prohibited an engagement with such empirical inquiries. This constitutes a research-ethical dimension to the practical difficulty of empirical enquiries in the realm of the Catholic Church. Thus, the above demonstrates a stance of the reticence of the RCCiG regarding impulses from the outside onto the system.

At this point, the question remains whether the application of nonreactive data gathering methods in connection with financial aspects of the RCCiG might even be the method of choice if one considers recent academic contributions on a doctoral level in this field.

3.2.4.1 Examples of scholarly articles on financial aspects of the RCCiG with a nonreactive data gathering method

The following reveals three identified examples of German doctoral thesis on financial aspects of the Catholic Church in Germany, which also have used nonreactive methods to generate the data.

⁴³ Ger. original title: “*Ethisches Investment: “Wie ethisch ist die Anlagepolitik der Kirchen?”: eine Analyse der Anlagenstrategien der Kirchen in Deutschland und der Schweiz.*”

- (1) The doctoral thesis in theology of the former McKinsey business consultant Rut von Giesen (2009) on the role of theology and business administration in the Church with the RCCiG as the research object⁴⁴ has been written against the backdrop of the scarce financial resources of the RCCiG and the corresponding crisis in pastoral care due to a lack of financial resources. Giesen's thesis is not dedicated to church financing but uses the role of scarce financial resources to describe several other challenges in pastoral care, which could be mitigated, by the prudent use of techniques from business administration. Besides, instead of conducting an empirical inquiry, Giesen also relied on evidence found in the literature. Thus, she did not conduct interviews or sent out questionnaires to collect empirical data on aspects of church financing.

- (2) Besides, there is the doctoral thesis in economics of Jörg Meuthen (1993b) who analysed the instrument of the church tax from a financial perspective. Meuthen also did not conduct any empirical inquiry, and thus, he relied on a nonreactive data collection method, i.e. texts and theories.

- (3) Other than this, there is also the doctoral thesis in economics of Susann Kühn (2014) on church disaffiliation and the church tax from an institutional perspective, and for this, she analysed data which were gathered with a nonreactive method by using the German Taxpayer Panel provided by the German Federal Statistical Office.

None of these three authors is justifying their use of nonreactive methods in the methodological part of the thesis, and neither have they discussed the possibility of undertaking empirical inquiries. This leads me to conclude that they have done it due to practical reasons.⁴⁵ Besides, this perception is supported by the fact that the doctoral thesis in economics of Michael Vilain (2006) on the development of a theoretical model of the financing of non-profit organisations in Germany also relies on a nonreactive data-gathering approach. Vilain, who on purpose excludes the Church from his thesis (p. 27),

⁴⁴ Ger. original title “*Ökonomie der Kirche?: zum Verhältnis von theologischer und betriebswirtschaftlicher Rationalität in praktisch-theologischer Perspektive.*”

⁴⁵ Other than this it could be that they indeed perceive the situation similar to me but due to the fact that doctoral theses in Germany do not emphasise methodology and methods that much or often at all the genuine reasons for the decision for their research design will never be known.

similarly to the thesis on hand, also builds his analysis with the elements of synthesis and integration on the analysis of written documentation which he limits to academic literature (Vilain, 2006, p. 27).

I am referring to the data gathering methods of these examples, not to justify the preclusion of empirical inquiries but to demonstrate that a nonreactive data gathering method in case of an investigation of financial aspects of the RCCiG is a frequently used and also the widely accepted approach in this academic arena. However, I am aware of the fact that this is somewhat unusual for a business school theses written at a business school in the United Kingdom. Moreover, appears to be that this is not only the case for Germany. Thus, a reluctance of the Catholic Church to engage on empirical inquiries on their financial affairs was already experienced by the author of the first and only publication on the topic of church financing in the most prestigious peer-reviewed 'The Journal of Finance' submitted by Millican (1951) titled "The financial policies of churches". Millican also concludes that the Catholic Church tends to be reluctant to reveal data or to participate in empirical inquiries, and he (1951, p. 421) states that "The Roman Catholic Church directed us [i.e. the research team, C.B.] to a further source for data but to date no answer has been received." He then based his research on Christian religious denominations other than the Catholic Church.⁴⁶ In addition to this, I am referring to another US scholarly piece when I cite an academic article by the US professor of accounting Rodger Brannan (2013) with his article on financial disclosure and the Catholic Church in the USA, who also did not conduct surveys or interviews, but trusted a nonreactive website-search method where he reviewed the websites of the dioceses.

This scoping analysis above on the role of nonreactive data gathering approaches in the realm of my academic arena, as well as the experiences shared by Foltin (2014); Hochhuth (2003), allows me to conclude a reluctance of the RCCiG to engage in empirical inquiries about their financial affairs. Also, it appears to be that those who are in charge of managing the financing system of the RCCiG are reluctant to engage in critical academic reflections via questionnaires or interviews but this does not preclude that they are not interested in it. This might not only explain that there is academic literature on aspects of

⁴⁶ However, Millican (1951) also did not receive answers from the National Baptist Convention, U.S.A. and the Methodist Church. Indeed, he received answers from the Church of Jesus Christ of Latter-Day Saints, the First Church of Christ, the Orthodox Jewish Congregation of America, the Northern Baptist Convention, the Presbyterian Church in the United States, the Protestant Episcopal Church, the Southern Baptist Convention and the United Lutheran Church in America.

church financing in Germany but also allows to proclaim, in the course of deductive reasoning, which academics in the field of aspects of church financing in Germany rely on nonreactive data gathering methods. Notwithstanding those practical aspects of the difficulty to conduct empirical enquiries on financial aspects of the RCCiG, the questions remain whether there is also support for the sensitivity and as such research-ethical difficulty of this topic.

3.2.4.2 Evidence for the sensitivity of critical literature on church financing

In addition to the reticence of the Catholic Church in financial contexts, there are examples of far-reaching consequences resulting from a critical engagement with financial aspects of the Catholic Church for the particular authors who were employed by the Church. Such an employment relationship comes naturally in Germany when one is a professor of Catholic theology or a professor in general at a Catholic University such as the Catholic University of Eichstätt-Ingolstadt⁴⁷. The following examples further demonstrate and underpin the sensitivity of this field of study:

- (1) An example related to church financing is the most prominent case of the former Catholic priest and Professor of canon law Horst Herrmann with his critical publications on the instrument of church taxes and other aspects of the state church relationship in Germany, cf. (Herrmann, 1972c, 1990). As a result, he lost his professorship. Thus, Professor Herrmann was the first to publish a critical article on the practice of the church tax in Germany in the German theological journal “*Stimmen der Zeit*”, cf. Herrmann (1972c). Because all Professors of theology in Germany are paid by the government but are effectively employed by the respective denomination, they belong to, and whose doctrine they teach, the consequence for Professor Herrmann’s publication was a suspension. Despite the fact, that until today the exact circumstances of the suspension are not public, this case prompted a fear among church employees to criticise states of affairs in public (Der Spiegel, 1981, p.

⁴⁷ The Catholic University of Eichstätt-Ingolstadt in Bavaria is the only Catholic University in Germany nowadays. In context of the topic of this section, it is worthwhile to note that the University does not have any research centre which deals with aspects of church financing. Despite others, it only has research centres for business administration and theology. However, no interdisciplinary centre or faculty on financial aspects of the Church (The Catholic University of Eichstätt-Ingolstadt, 2017). The same is the case for the Catholic Universities of Applied Sciences in the various federal states who concentrate their academic courses on health and social care.

58; Katholisch.de, 2017; Mynarek, 2010, p. 227; Rhode, 2011, pp. 42-45; Süddeutsche Zeitung, 2017). In summary, Herrmann (1990, pp. 241-272) himself notes that ecclesiastically employed theologians and church employees are reluctant to publish anything which criticises current state of affairs as they fear sanctions. He states that he who seeks to be insulted must only demonstrate an interest in the finances of the Church – it stirs up a hornets’ nest (Herrmann, 1990, p. 16). Also, he notes that some in the Catholic Church even demand a separate *missio canonica* for those in the Catholic Church who wish to express their opinion in public (Herrmann, 1990, p. 270).⁴⁸

- (2) Another example for the sensitivity of the topic and the cautiousness of academics is the former Professor for canon law Hartmut Zapp. On 5 July 2007, Zapp went to his local registrar’s office to declare his disaffiliation from the Catholic Church. However, in the form for this, he put that he only wants to disaffiliate from the institutional manifestation of the Roman Catholic Church constituted as a corporation under public law. Zapp did all this knowing that he was already retired and nothing could happen to him vocationally anymore. Additionally, he went public with his plan to demonstrate parts of his previous research where he tried to criticise the church tax and the relationship between church and state in Germany. Legally his plan was not accepted in the course of several legal instances, but he reached an awareness in the media with his plan (2012; Hartmann, 2014; S. U. Neumann, 2012). Also, for the sake of this thesis one issue is in particular interesting of the Zapp-case, which is the fact that he did all this after his retirement when the vocational consequences for him could not be severe anymore.
- (3) Further prominent and frequently discussed, but not church financing-related examples for Catholic academics who have lost the right to teach are the cases of Professor Eugen Drewermann and Professor Hans Küng (2017). Both former Professors for Catholic theology have criticised aspects of the Church and

⁴⁸ At the time when Herrmann published his book there was a substantial debate in the Catholic Church in the German-speaking area about this aspect of the *missio* in connection with the *Kölner Erklärung* (cf. below) (1989; Rolfes, 1990, p. 207).

therefore were expelled from their professions (Beier, 2006; Die Deutschen Bischöfe, 1980; Nieentiedt, 1992; Rick, 1991; Solte, 2003; Walf, 1990).⁴⁹

- (4) Besides, there is a general difficulty with critical publications on theological topics in Germany: thus, on Epiphany 1989 more than 160 German Professors of Theology subscribed a position paper called the “*Kölner Erklärung*” (translated by the author: ‘declaration of Cologne’). Moreover, also about 17,000 German and 16,000 Dutch priests and laymen signed this declaration. On top of all this, also declarations with the same effect were signed in other European countries such as in Belgium, France, Spain and Italy and also overseas in Brazil and the USA (Heinzmann, 1993, p. 99). According to Heinzmann (1993, pp. 100-101), the contents of those declarations were already discussed earlier before within the community but were only then published in this statement. Three problematic issues were addressed in this declaration. First, the praxis of episcopal nomination was criticised, as according to the declaration, it does not recognise proposals by the local church. Second, the praxis of the delegation or refusal of the right to become a Professor of Theology under the ecclesiastical law (Lat. ‘*Nihil obstat*’) was criticised due to its centralistic procedure. Third, the authoritative competence of the Pope about practical theological issues such as the position of Rome on contraception was criticised. However and most importantly, the reaction in Rome regarding the *Kölner Erklärung* and the contained declaimed criticism was significant for the context and methodology for this thesis. Thus, according to Heinzmann (1993, p. 100), an authoritarian rebuke and severe sanctions followed against all signatories of the declaration. In addition, the church regime did not respond to the happenings with a factual statement, and a constructive debate or discussion about the mentioned points did not take place. Moreover, the signing of this document had severe consequences for many theologians as it has been noted that there were repeatedly difficulties and failures in appointments of Professors of Theology.⁵⁰

⁴⁹ For a general overview on the aspect of scholars being employed by the Church cf. Schüller (2017) or cf. Die Deutschen Bischöfe (1981), which is a publication by the Catholic Church itself.

⁵⁰ Besides, Heinzmann (1993, p. 115) refers to an occurrence in Vienna where in case of Alfons Auer, a highly respected theological academic and emeritus in moral theology from the University of Tübingen, an envisaged honorary doctorate was refused to be awarded due to Professor Auer’s signing of the declaration.

Thus, this topic of church financing must be seen in a broader context of critical engagements with state of affairs in the Catholic Church. As the finances are part of the very sensitive topics, it can be perceived as a ‘sword of Damocles’. On the one hand side for church employees in the financial administration there is the prevailing risk of losing the profession and on the other hand as an academic employed by the Catholic Church, i.e. canonists or theologians, there is the risk to lose the permission to teach if the Church decides that a publication, which must be a book, journal article, speech or lecture, is part of a formal complaint, cf. (Die Deutschen Bischöfe, 1981; Rhode, 2011).

In addition, and also in this context it is worthwhile to note that those who are potential interview partners or participants in a survey or questionnaire on the management of the financial system of the Church, are all employed by the Church and that those employment relationships are governed under an own ecclesiastical employment law and that those indeed must fear sanctions in case of critical public statements on the Church or if they revealed information that could be misinterpreted by the public or the research community.⁵¹

This entire section on the justification of a nonreactive data gathering approach leads me to conclude that based on (i) my own stance to the Church, (ii) the evident reluctance of the RCCiG to engage in empirical enquiries, (iii) the stance of possible interviewees or survey participants to the Church which could imply research-ethical difficulties, and (iv) the chosen research design which seeks to propose a theoretical model, I want to base my data gathering on a nonreactive method.

Moreover, it has been noted, that the honorary doctorate was explicitly not given due to his signature but also that it was offered to him that if he withdraws his signature, that they would honour him with the honorary doctorate. This further incident regarding this matter is according to Heinzmann (1993, p. 115) unsurpassable in terms of a lack of character when it comes to fact-based criticism within the RCCiG.

⁵¹ For the impact of the ecclesiastical labour law cf. the standard book for this published by the chairman of the ecclesiastical labour court in Hamburg Professor Gregor Thüsing (2006). Other than this, it is not the scope of this thesis to further analyse or to speculate about reasons for the evidentially reluctance of the Catholic Church or its representatives to participate in empirical inquiries as well as the handling of the Church regarding critical statements about state of affairs. Indeed, this fact shall be considered as an axiom of critical research in this field of study. Moreover, it shall stimulate the attempts to still create a suitable research design allowing to investigate the field and to originally contribute to the field.

4 EXPLORATION OF THE CONCEPTUAL FRAMEWORK: CHURCH FINANCING IN GERMANY

Chapter 1 introduced the conceptual framework of this thesis, which aims to guide the analysis and exploration of four identified logics that form a conceptual model of the church financing of the RCCiG. Thereby Logic 1 contains the historical factors and encompasses the relevant historical events and developments that have shaped the contemporary characteristics. Logic 2 comprises the external factors and includes the socio-economic and political as well as legal characteristics that have shaped the church financing system. Logic 3 embraces the internal factors that are the theological and canonical determinants with an impact on church financing. Above that, Logic 4 covers the financial-economic factors and considers the characteristics of the manifestations of church financing in Germany in detail. Consider page 29 for an overview of the above displayed in Figure 2.

However, before the subsequent sections 4.2 - 4.5 of this chapter will reveal the findings along the four logics: historical factors, external factors, internal factors and financial-economic factors, it is necessary to describe church financing in Germany as it appears today briefly.

4.1 The concept: church financing in Germany

As stated above in section 1.3, the situation of church financing in Germany is unique. The following reveals the German situation to develop the conceptual understanding, which is necessary to perceive the four logics within the framework.

The remainder of this section will reveal the manifestations of the instruments of church financing in Germany, will put the system into order with the 'inter-diocesan fiscal equalisation scheme' and reveal the development of an understanding about what is being financed with the church financing system. This will help us to give meaning to each instrument and is a necessary preparation for chapter 5 where the theoretical model will be developed.

4.1.1 Church financing: what is being financed

In the context of an analysis of church financing, it is essential to include a reflection on what is being financed. This indeed is ‘the mission of the Church’ with benefits for the individual congregant but also for the society as a whole. However, this mission requires resources that need to be financed; essentially these resources are the people and the buildings. Both resources imply the ‘ecclesiastical expenditure’.

The Church, just like any other organisation, needs financial means to defray their mission. Accordingly, Smekal (1989, pp. 121-123) argues that the costs are predominantly driven by i) the alimentionation of the clergymen and the remuneration of the secular employees. Also, there are ii) the material and construction costs which are only of subordinate importance in relative terms. However, these still represent a significant amount of expenditure in absolute numbers. This is because churches have manifold legal obligations about the maintenance of their buildings (Meyer, 1989, pp. 197-201). In addition, there are buildings cost-obligations stemming monument preservation laws and have high importance because most ecclesiastical buildings are listed as historic buildings.

Above this, since the late 18th century, clergymen and certain church officials have gained a status equivalent to public servants; thus, they are being remunerated in the same manner. This practise was established at the end of the 18th century and entails rather high personnel costs for the Church. This was standardised by the Prussian Civil Code in 1794 (Lienemann, 1989b). In the course of this, the service law and the remuneration law of the ecclesiastical service have been harmonised with the public service regulations, including the prohibition to strike. Consequently, ecclesiastical employees are paid as high as their secular counterparts in the public administrations (Lienemann, 1989c). This, in fact, leads to a more favourable recruiting basis for clergymen and established the financial independence of clergymen in Germany. Despite Germany, such remuneration schemes are unique, and besides Germany, they can only be found in some Swiss cantons and the Scandinavian countries. Lienemann (1989c) notes that it cannot be denied that the privileges of German and Swiss church employees are luxurious compared to their colleagues in developing countries. Eventually, this luxurious remuneration practise entails the ‘rather high ecclesiastical personnel costs’.

Also, Giesen (2009, p. 167) affirms that indeed personnel costs are the essential cost position of the Church. Also, she notes that these costs are fixed costs, which occur every month; this indeed will still be the case in the near future. As such, they are a burden to be considered in the ecclesiastical budget every year. Thus, these costs are not easily scalable as variable costs such as material costs. According to Giesen (2009, p. 52), personnel costs account for more than 60% of the ecclesiastical budget. In the context of material and building costs, Giesen (2009, p. 167) notes that it is also impossible to explicitly state the height of these costs because the ecclesiastical accounting practice does not consider depreciation and also does not annualise occurring costs. This means that in the year of a construction or renovation of a building, all costs are listed in the budget, but in the following years not.

In summary, the personnel costs are the by far the most significant cost position in ecclesiastical budgets, and this is a similarity to, e.g. universities or schools.⁵² However, they are not scalable, and despite appearing to be the most efficient cost-cutting measurement of the Church theoretically, this should always remain as a last resort. In other words, it must be the serving function of the system of church financing to provide the necessary financial resources to carry out the mission as determined by theological demand; the closing of facilities in order to save personnel costs must be avoided.

4.1.2 Perceiving the instruments within the system

To finance its ecclesiastical activity in Germany, the RCCiG cannot rely on voluntary donations. The proceeds from this rather ‘sacrificing act’, are not even covering 5% of the financial resources necessary to conduct pastoral work in the 11,222 parishes of the RCCiG (Feldhoff, 2004, pp. 16-17; Giesen, 2009, p. 51).⁵³ Instead, the leading financial source for the RCCiG is the church tax (Haering, 2015, p. 17). The church tax is levied from church members who are liable to pay personal income taxes (Erzbistum Paderborn, 2016a). In addition to the church tax on the personal income tax and its various

⁵² This argument is strengthened as in this context Rau (1989, p. 351) notes with a focus on the Evangelical Church, that approximately 80% of all funds available in the ecclesiastical budgets are required for personnel costs. The remaining 20% are bound to the fact that the Church has to build reserves and to maintain the buildings. In summary, the findings by Rau underline the fact, that ecclesiastical expenditure are mainly personnel costs.

⁵³ This is different for religious orders who finance themselves mainly with the labour of the friars and sisters and donations (Deutsche Bischofskonferenz, 2018c). However, this thesis focuses on the institutional church and not on religious orders.

other manifestations (such as the *Kirchgeld*), there is also the church tax on the asset tax (*Kirchensteuer auf Kapitalertragssteuer*) (Deutsche Bischofskonferenz, 2014). According to Haering (2015, p. 18), the church tax accounts currently for about 80% of the entire budget of the RCCiG and therefore is the primary source of ecclesiastical funding in Germany (Giesen, 2009, p. 51; Petersen, 2015b, p. 2). Thus, the system of church financing in Germany is a church tax-based one. This is unique in the context of large Western Countries and can only be found in some cantons of Switzerland and some Scandinavian countries, cf. section 1.3 above.

The following gives an overview of the current manifestations of church financing instruments in Germany:

- Church tax: As stated in the introduction here above the most important source of ecclesiastical funding are church taxes (Deutsche Bischofskonferenz, 2018c). According to (Robbers, 2010, p. 266) the church tax covers about 80% of the entire ecclesiastical budget. In 2016, the church tax revenues for the RCCiG account for €6.15bn (Deutsche Bischofskonferenz, 2017d, p. 59).
- Donations: The Catholic Church itself states in the form of its body the *Bischofskonferenz*⁵⁴ (2016)⁵⁵ that for 2014, the revenues from offertories, donations and voluntary contributions and inheritances amounted to €0.285bn. Hence, in comparison to the church tax, it becomes apparent that donations only take a minor part of the budget. In addition, inheritances and large-volume donations are often earmarked and can therefore only be used for a specific purpose such as the renovation of a church building. Also, collections during Mass are often also dedicated for specific purposes, e.g. for refugees⁵⁶ or crisis areas (*Gemeinsame*

⁵⁴ *Bischofskonferenz* = Conference of the German Bishops

⁵⁵ Unfortunately the website <http://www.dbk.de/themen/kirchenfinanzierung> is no longer available as the Bishops Conference has changed the layout and design of its website as of 1 February 2018 (Deutsche Bischofskonferenz, 2018a). However, a copy of the former website in form of a pdf was created in October 2017 in course of the drafting of this thesis that can be requested from the author. It is of importance for understanding church financing in Germany *inter alia* as it is the only published source, which quantifies the amount of donations received by the Catholic Church.

⁵⁶ For further information about refugee support and engagement of the Catholic Church in Germany cf. (Deutsche Bischofskonferenz, 2018b).

*Synode*⁵⁷ (1977, p. 209)). As stated in the introduction above, this position contributes to less than 5% of the ecclesiastical budget.⁵⁸

- Public funding, the *Staatsleistungen* and charges: The German state gives the public funds to the Church to support social welfare tasks, which the Church maintains on behalf of the state. Thus, the bulk part of this public financial support is related to the re-financing of specific areas of ecclesiastical work (Himmelsbacher, 2015, pp. 50-59). Giesen (2009, p. 51) estimates this position to account for 20-25% of the ecclesiastical budget. The Evangelical Church in Germany notes for its church for the fiscal year 2014 earnings from public funds and subsidies by third parties of about €1.95bn (or 19.6%) (Evangelische Kirche in Deutschland, 2014), which is in range of Giesen's estimation for the Catholic Church.
 - A particular societal importance and position that is fraught with tension in the context of public funds are the *Staatsleistungen*. These are reparation payments of the state for expropriations of the Church during the Napoleonic Secularisations in 1803, cf. section 4.2 below. The *Staatsleistungen* paid to the Catholic Church in Germany account for €0.212bn in 2015 (Kath.net, 2016; Katholisch.de, 2016). Accordingly, they represent not more than 3% of the overall ecclesiastical budget.
 - Also, this group also includes income from charges because they have the same character as the state subsidies, i.e. the direct compensation of occurring costs in the context of specific services rendered by the Church. Examples are fees for the placement of children in Catholic day-care facilities (Deutsche Bischofskonferenz, 2015a, pp. 58-59). However, Hammer (2002, p. 83) notes that the amounts received from this position

⁵⁷ *Gemeinsame Synode* = The Synod of Würzburg: "The Joint Synod of the Dioceses of the Federal Republic of Germany, also known as the Synod of Würzburg, which took place from 1971-1975, was convened by Cardinal Döpfner to reflect upon and to concretise the implications of the Second Vatican Council for the German Church. A close working relationship between the German bishops and their theologians had developed in the context of the Council" (Conway, 2010, p. 148).

⁵⁸ Own calculations indicate around 3.7%, cf. Figure 15.

are of no importance and vanishingly low; thus, they are not considered any further in this thesis.

- Revenues from ecclesiastical assets and business activity: These revenues include earnings from invested financial assets, income from real estate⁵⁹ and proceeds from ecclesiastical entrepreneurial activities. Depending on the diocese, this source of income amounts to about 5% and only in some dioceses to up to 10% of the ecclesiastical budget (Giesen, 2009, p. 90). In this context Hammer (2002, pp. 82-83) stresses that the relevance of this source is of minor importance in financing the RCCiG. The Evangelical Church lists revenues from own assets of about €0.75bn (or 7.6%) for 2014 (Evangelische Kirche in Deutschland, 2014) and Rau (1989, p. 339) notes that not only the revenues on own assets are decreasing more and more but also the own assets themselves are vanishing.

Figure 10 synthesises the above and gives a qualitative overview of the shares of the various instruments for the RCCiG. It reveals that indeed the church tax is the single most important source of income followed by the state subsidies (including charges but excluding the *Staatsleistungen*). Yields from donations, the *Staatsleistungen* and own assets & business activity only contribute to a very small portion of the budget with all contributing less than €0.5bn to the annual budget. Also, if one considers that the state subsidies, i.e. governmental payments for charitable work, are direct cost compensation payments for actual costs occurring in connection with the maintenance of welfare and educational institutions in Germany, then the importance of the church tax as the financing source becomes even stronger. In other words, if the green bubble of the illustration below dried out, then a substantial part of welfare could not be offered to the German society anymore. In summary, the church tax is also from a qualitative point of view the most critical source as it can be disposed of by the church regime according to their financial needs in the course of various aspects of pastoral care.

⁵⁹ Income from real estate is vanishingly low in Germany due to the fact that most real estates are sacred buildings such as the 24,500 church buildings and chapels which mainly consume maintenance costs rather than leading to income from rent. Thus, in a publication by the Catholic Church itself they state that in the time span 1996-2000 they have spent more than €2bn on maintenance costs on their buildings (Deutsche Bischofskonferenz, 2003, pp. 13-18).

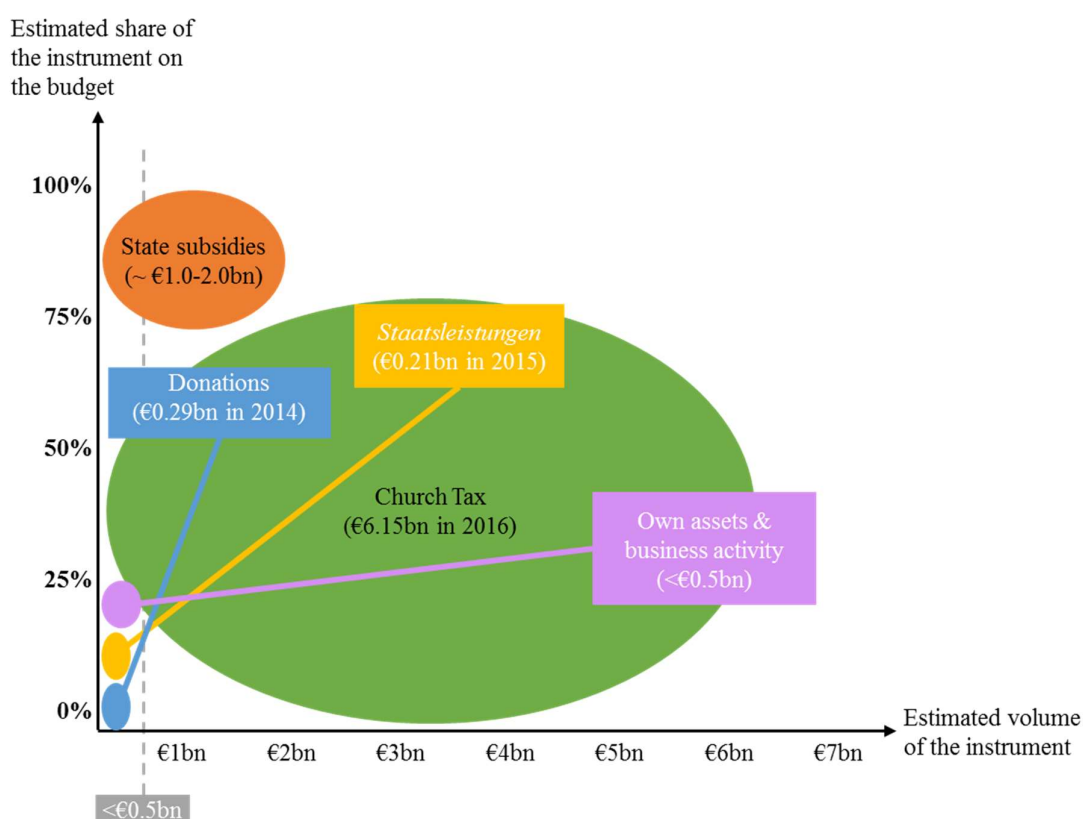


Figure 10: Shares of the instruments of church financing for the RCCiG (diagram compiled by the author).

Above that, the RCCiG has an ‘inter-diocesan fiscal equalisation scheme’ in place since 1972. This scheme is in place to balance out the diverse financial powers of the dioceses (Wendtner, 2000, pp. 486-393).⁶⁰ In addition to this revenue equalisation, the association of the German dioceses also overtook another task in 1977, which is the ‘inter-diocesan church tax clearing’. This clearing-procedure is necessary to correctly attribute the occurring church tax revenues to the home dioceses of a congregant. Thus, differences are occurring if a church taxpayer works in a different city than where he lives. In such cases, not the dioceses which is hosting the congregant’s workplace is the beneficiary of the church tax revenues, but instead the home dioceses, i.e. dioceses to which the city of residence of a congregant belongs (Giesen, 2009, pp. 80-81; Hessler, 1989, pp. 182-190; Wendtner, 2000, pp. 488-490).

⁶⁰ For further insight on fiscal equalisation schemes there is the very comprehensive article by Bauer (1989b, pp. 124-129).

In summary, a holistic perspective is possible even though the financial situation of the 27 dioceses is heterogeneous and each diocese has its budget. This view is possible as the overall ecclesiastic income is equalised and re-distributed where appropriate among the dioceses. These mechanisms allow proclaiming that it is valid to speak about ‘the church financing system of the RCCiG’ and to perceive it as one large and complex entity. In turn, this system of church financing in Germany is characterised by the major importance of the church tax. In addition to this, the payments received from the state are of importance as they defray the direct costs, which are occurring in the course of the Church’s attempt to maintain schools, hospitals, kindergartens, sheltered workshops, etc. on behalf of the state. The proceeds from own assets and business activity, the *Staatsleistungen*, charges and donations do not play a significant role.

The following sections will analyse the empirical findings in the literature according to the four logics of the conceptual model.

4.2 Logic 1: historical factors

4.2.1 Introduction

This section takes a focused look at the history of church financing in Germany. As part of the analysis in line with the conceptual framework, this investigation is necessary due to two reasons. First, the Church itself often uses its history to explain its contemporary appearance or to justify the change. Second, to derive a profound understanding of church financing in Germany, the subject matter can only be considered if the relevant history is known. This historical analysis must be limited to a meaningful timespan as logic 1 is only one logic out of four, and there are space limitations in this thesis and above that, this thesis is not a thesis in history. According to the relevant literature, a meaningful timespan begins with the *Reichsdeputationshauptschluss* in 1803, which triggered the relevant chain of events. Besides, the literature suggests that a system of church financing is reflexive and adapts towards environmental change over time (Hammer, 2002; Lienemann, 1989a; Mertes, 2000; Schwickerath, 1942). Thus, if one considers the history of church financing in Germany since the beginning of the 19th century until the mid-20th century, then a significant change appears about the composition of the various instruments of church financing. One observation is salient which is the vanishing of financing resources that depend on agriculture (Winfried Müller, 2000, pp. 67-81). The following sections on logic 1 shall provide evidence and support for this assumption. Also, the primary environmental factors shaping the system shall be illuminated.

In order to structure this section on logic 1 meaningfully, the material is split into two sections. The first being ‘the historical environment of the RCCiG’ and the second being ‘church financing in history’. Also within this split lies the assumption that certain aspects play a significant role in shaping the appearance of the church financing system. This, in turn, is because on a more abstract, i.e. macro perspective, there are general occurrences in the sphere of the environment of the subject matter, which shaped the history of the RCCiG. In turn, on a more micro perspective on the level of church financing, there are specific changes and developments that need to be worked out for the course of this thesis.

Above that, the analysis will focus on the situation in Germany respectively on the historical German territory. The reason for this is that the findings in the course of building

the conceptual model indicate that specific events such as the Napoleonic Secularisation, the Bismarck Era and foundation of the first German Republic were significant events in understanding the current situation.

Even though there is evidence that an important consideration of church financing is mandatory to profoundly analyse and perceive the contemporary state of affairs, still, the presentation of the aspects below is subjective and includes personal representation. The author is aware of this and reflexively considers this as it is part of the auto-ethnographic hermeneutic logic of this thesis.

4.2.2 PART I: An exploratory analysis of the historical environment of church financing

This first analysis of the history of church financing in Germany reveals an understanding of the historical environment and start with the situation at the turning point between the 18th and 19th century.

4.2.2.1 Decoupling of state and church in the 19th century

At the end of the 18th century, the Catholic Church in the Holy Roman Empire of the German Nation was feudally organised. It among other things consisted of 23 prince-bishoprics (Ger. *Fürstbistümer*), 44 prince-abbeyes (Ger. *Fürstabteien*) (Wolff, 2002, p. 122) and 18 Catholic Universities (Albrecht, 2017, p. 428). Thus, at the time of the turning point between the 18th and 19th century Catholicism played an essential part of the political and social life in the Empire and the Catholic milieu, a bourgeois middle-class, was well organised, and the church attendance on Sunday was ubiquitous. The Empire, in turn, maintained good relations with Rome (Schmiedl, 2002, pp. 87-106). However, it occurred that in the aftermath of the French Revolution, Napoleon seized the German territory and estates on the left bank of the Rhine River. This event, i.e. the Napoleonic Secularisation, triggered a chain of events that changed church financing until today (Hammer, 2002, pp. 3-40; Schatz, 1986, pp. 15-37). Hence, it all started with the expropriation of the secular principedoms in this territory. As a consequence and to compensate the secular princes, it implied that the empire, in turn, confiscated ecclesiastical estates from the Catholic Church to compensate the secular principedoms. In other words, “(...) the Catholic Church lost a great part of its wealth in Germany. Although the princes were ordered to compensate the Church for some of its losses, such compensation was made only reluctantly and was by no

means adequate” De Wall and Gestrich (2010, p. 154). All of this substantial transfer of territory and estates was decided and proclaimed in the *Reichsdeputationshauptschluss* in 1803 which according to de Wall and Gestrich (2010, p. 153) translates to the ‘Principal Decree of the Imperial Deputation’. It was this single event, which triggered a chain of developments with an effect on church financing, and some relics are still in place until today. This expropriation affected the property of the Catholic dioceses, the diocesan chapters, the ecclesiastical colleges and academies and the Catholic Universities.⁶¹ However, the parishes were allowed to keep their properties in connection with the benefice⁶² and were mainly excluded from the secularisations of their estates. The reason for this was that this property was considered directly attributable to be used for the pastoral care and as such was intended to be preserved (Giesen, 2009; Hammer, 2002; Kirmeier, 1991, pp. 23-27; Mitschke-Collande, 2012).⁶³ In this way, the happenings implied an adaption of the church financing system and thus, a move away from a feudal-based system towards a system based on ‘bourgeois’ outlooks. In other words, it changed from asset-based income, i.e. the proceeds of agricultural production etc., towards revenue-based income.

In the aftermath and three years after the *Reichsdeputationshauptschluss* in 1806 the Holy Roman Empire ended “which had lasted for nearly a thousand years” (De Wall & Gestrich, 2010, p. 153). About another decade later in 1815 the German Confederation (Ger. *Deutscher Bund*) “was established in place of the Holy Roman Empire” (Fulbrook, 2004, p. 100.). Its foundation was a result of the Congress of Vienna (Ger. *Wiener Kongress*) which was held in 1815 after Napoleon was driven from the field. As a result of this Congress, the relationship of state and church became more distinct, because for the first time countries emerged, which were significantly mixed with regard to their inhabitants’ religious denominations (Robbins, 2010, pp. 19-30). This, in turn, demanded

⁶¹ Fulbrook (2004, p. 97) states that in the course of the *Reichsdeputationshauptschluss* approximately “112 political units were abolished, including twenty archbishoprics and prince-bishoprics, forty abbeys and convents, and all except six of the free cities”.

⁶² A benefice is a particular kind of a possession of land or an estate. This in turn is leased and thereby generates income for the Church.

⁶³ Further political consequences from the Napoleonic Wars were the Peace of Pressburg (Ger. *Preßburger Frieden*) in 1805 and the Constitution of the Confederation of the Rhine (Ger. *Rheinbundakten*) in 1806. In the aftermath of these occurrences, liberalisation laws (Ger. *Liberalisierungsgesetze*) were constituted which lead to changes with regard to state and church in the German territory (De Wall & Gestrich, 2010, pp. 167-186; Rau, 1989, p. 336; Robbins, 2010, pp. 41-43).

ideological neutrality of the state to a higher degree (Schatz, 1986, pp. 41-44) and implied tensions between state and church.

From the church financing perspective in this thesis, it took than half a century until the next significant bundle of environmental change occurred. It was the foundation of the German Empire by Otto von Bismarck in 1871 and was a union of twenty-five German states under the reign of the Hohenzollern King of Prussia (Fulbrook, 2004; University of Oxford, 2012). Von Bismarck himself was a Protestant and perceived the Catholic milieu as a threat to the stability of the mixed confessional empire. These tensions resulted in the so-called *Kulturkampf* and rearrangement of the autonomy of the Catholic Church in Germany. *Kulturkampf* is a political phrase, which describes the “(...) conflict between the newly founded German Empire of 1870-1871 and the Roman-Catholic Church (...)”. Thus, the “(...) predominantly Protestant Prussia in the north of Germany (...)” intended “(...) to dominate the predominantly Roman-Catholic south of the Empire.” In this understanding, *Kulturkampf* was a conflict between two Christian confessions and took place from 1871 to 1887 in the German Empire (W. Huber, 1989; Nonn, 2015, pp. 36-37; Schwaiger, 1999, pp. 63-72). In the course of the conflict, von Bismarck passed “(...) a number of laws” with the intention “(...) to reduce the influence of the Catholic Church” in the Empire (Robbers, 2013, p. 43). For the focus of this thesis, it is important to note that as a result of the conflict in 1875 the Empire stopped paying public payments (later called the *Staatsleistungen*) to compensate the expropriation in the course of the Napoleonic Secularisation to the Catholic Church.

In summary, the *Reichsdeputationshauptschluss* and Napoleonic Secularisations at the beginning of the 19th century triggered a chain of events. Not only did the Holy Roman Empire perish, but also the successors of the Empire only existed briefly until the German Empire was founded by von Bismarck. Thus, whereas Catholicism played a significant and influential role in the Holy Roman Empire, the German Empire, which was characterised by Prussia and as such by Protestantism (Pollack, 2011, p. 9), perceived Catholicism, and its relationship and influence from Rome, as dangerous. This tension between state and church resulted in the *Kulturkampf*, which was a conflict between Chancellor Otto von Bismarck and the Catholic Church. Most notably this implied *inter alia* the stop of the payment of *Staatsleistungen* to the RCCiG during the *Kulturkampf*.

4.2.2.2 A changing society in the 19th century

The previous section revealed the political turmoil of the 19th century with an impact on aspects of church financing. In turn, not only the apparatus of the state but also the society itself was deeply affected by the occurrences. Thus, not only was a new academic discipline necessary to describe these effects, i.e. sociology, but this also had a significant impact on the Catholic Church, their congregants and thereby ultimately also church financing. In this context, the industrial revolution triggered processes of change in the society during the 19th century. Therefore, the bourgeois society started to take over the feudal society more and more. Also, the change of the society which was fostered by the industrialisation and urbanisation⁶⁴ in connection with further liberalisation movements of the government, lead to another form of secularisation. This is the sociological secularisation understood as the process of the alienation of the society from religion (Giesen, 2009, pp. 31-39; Hammer, 2002, pp. 206-212; Meulemann, 2015, pp. v-vii).⁶⁵

The change also reached the structures and being of the Church, which was modernised accordingly. This involved the appointing of further secular full-time personnel. Besides, there was a transition from decentralisation to centralisation with particular relevance for all administrative tasks (Gabriel, 1992, pp. 80-90; Hürten, 1986, p. 107) including the organisation of financial resources. Thus, earlier, during the time of pre-industrialisation, ecclesiastical tasks were strongly linked to materialistic facilitation. This means that the local church had a more prominent role in sourcing the relevant financial means and to administer these. As a result, the centralisation leads to the fact that priests were economically depending on the dioceses because they could not provide financially for themselves anymore as they were only left with the remainder of the benefice-assets (Rau, 1989, pp. 336-339).

As a result, the previously mentioned political turmoil, cf. section 4.1.2.1 and the societal developments in Western Europe during the 19th century brought much change. Thus, the population moved from the country to the cities and changed the society from a peasant state towards an industrialised state. Hence, previously the bulk of the population was working in agriculture and now went into occupations in mines or industrial companies. The sociological terms of urbanisation and industrialisation describe these

⁶⁴ Urbanisation in this context shall describe the migration movements in the 19th century, when parts of the German population moved towards emerging new major cities and areas, such as the Ruhr region.

⁶⁵ Despite the fact that the degree of the sociological secularisation at this time was still low but notable scholars like Karl Marx and later Max Weber started to perceive religion and its societal role from various perspectives (Rosa, Strecker, & Kottmann, 2007, pp. 19-20; Stark & Bainbridge, 1987, p. 11).

phenomena. In turn, all this had an impact on the church as urbanisation led to the building of new cities, new churches and parishes had to be founded to allow and promote religious life. Further to this, additional ecclesiastical employees had to be remunerated and to be recruited to stem this additional work.

4.2.2.3 The beginning of the 20th century

After the political and societal change in the 19th century, the 20th century also started with political turmoil and with a fast proceeding collapse of the German Empire. It started with the German Revolution of 1918-19 (Ger. *Novemberrevolution*) and creation of the Weimar Constitution. Thus, the *Novemberrevolution* ended the existence of the German Empire. This event not only also ended World War I but also led to the foundation of the Weimar Republic (1919-1933). This, in turn, brought changes to the German tax system and to the role of church and state. Hence, with regard to the personal income tax, the principle of the individual's capability to contribute was incorporated into the constitution of the Weimar Republic, which became effective in 1919. This had an impact on the Church via the church tax. Also the new constitution granted churches the right to be constituted as 'corporations under public-law' (Ger. *Körperschaft des öffentlichen Rechts*) which entails privileges such as the right to levy church taxes as an annex tax to the personal income tax (W. Huber, 1989, pp. 145-149; Luhmann, 1989, pp. 167-170). Hence the Church herewith adopted the principle of the capability of performance into its system of church financing (Kirchhof, 1986, pp. 25-28; Petersen, 2017, pp. 20-21). As a result, the church tax is an adequate solution of balancing generous support of religious freedom and religious and ideological neutrality of the state (Hammer, 2002, p. 203). This balance between support of religious institutions and ideological distance of the state towards religion and ideologies was one of the reasons that in 1949 most regulations from the Weimar Constitution regarding the relationship of state and church were without any amendment overtaken into the German Constitution. Thus, article 140 of the German Basic Law (*Grundgesetz*) refers to the 'church articles' of the Weimar Constitution (Hammer, 2002, pp. 71-74).

In summary, the 20th just like the 19th century contains a tremendous amount of socio-political change. There was a monarchy at the beginning, followed by the first German democracy and then by a devastating dictatorship lasting until the middle of the century. Only after the 'Third Reich' was beaten by the Allied Forces, there was the

breeding ground for the second democracy, which remains until today.⁶⁶ With regard to the Church, the remainder of this time implies that the ‘church articles’ 135-141 of the Weimar Constitution are valid until today. These articles among other things guarantee the possibility to collect church taxes (article 137 VI) and the receiving of the *Staatsleistungen* (article 138).

4.2.2.4 Synthesis of the historic environment: a changing church in a changing socio-political environment

The previous sections covered the historical period from the ending of the Holy Roman Empire at the beginning of the 19th century until the foundation of the Federal Republic of Germany in 1949. The following section synthesises the aspects that will be considered in the course of the reflexive perception of church financing in Germany for the remainder of this thesis.

In between the Holy Roman Empire and the Federal Republic, there were six other political systems in power in the territory, which is today known and constituted as the Federal Republic and as such the territory of the Catholic Church in Germany. These political systems included:

- the Holy Roman Empire (800-1806),
- the Confederation of the Rhine (1806-1813),
- the German Confederation (1815-1866),
- the North German Confederation (1867-1871),
- the German Empire (1871-1918),
- the Weimar Republic (1919-1933),
- the Third Reich (1933-1945), and
- the Federal Republic of Germany (1945-today).

For the context of this thesis, most of the significant change regarding the ecclesiastical environment and thereby the system of church financing took place in the time after the fall of the Holy Roman Empire, during the time of the German Empire and the Weimar Republic.

⁶⁶ However, a part of that democracy was ripped out from 1961 until 1990 in form of the socialistic German Democratic Republic (Hammer, 2002, pp. 74-77).

Above that, the single most important event regarding the state of affairs of the Catholic Church was the *Reichsdeputationshauptschluss* in 1803, which triggered a chain of events and processes all implying a profound change to the system of church financing. Thus, it brought “a major shift” of the relationship of state and church to Germany (Robbers, 2013). Also, this time frame started with an “abrogation of the [C]hurch’s secular sovereign powers” (Robbers, 2013, p. 43) and ended with a system which financially strongly depends on an initial ‘auxiliary construction’ in the form of the church tax. The aftermath of the Napoleonic Secularisations and the governmental expropriation weakened the financial basis of the Church substantially. Besides, the sociological phenomena of industrialisation and urbanisation, lead to a further fundamental change of the RCCiG’s environment. One result were the church articles in the Weimar Constitution allowing the Church to be constituted as a public corporation and granted the right to levy church taxes.

The considered phenomena in this synthesis such as the changing political systems and events such as the *Reichsdeputationshauptschluss* had a significant impact on the system of church financing. This impact is so substantial that the next section is going to reveal it in detail. In this understanding, the next part of this chapter analyses the effects of this on the system of church financing and the corresponding financing mix over time.

4.2.3 PART II: An exploratory analysis of church financing from 1803 until post-war Germany

The following part of this section on Logic I reveals the use of instruments of church financing in history. It aims to analyse how the church financing mix, i.e. composition of the various instruments changed over time.

4.2.3.1 Church financing before the Napoleonic Secularisation: the tithe and benefice

Church financing is needed to finance the rooms, i.e. church buildings and the people needed for liturgy and pastoral care, i.e. the clergy. In order to do so, the Church used to own substantial amounts of estates, which were used as building sites, monasteries⁶⁷ or farmland. In any form of use, the proceeds from the estates secured the remuneration of the clergy and maintenance of church buildings. This simple, historical system of church financing was mainly based on agriculture, and the means of exchange included despite money also natural goods (Petersen, 2017, pp. 5-9; Rau, 1989, pp. 336-339).

At the end of the 18th-century church financing was predominantly based on ecclesiastical assets and proceeds from the tithe. The proceeds of the tithe were divided into four parts: $\frac{1}{4}$ for the clergymen, $\frac{1}{4}$ for the maintenance of church buildings, $\frac{1}{4}$ for the supply of the poor and $\frac{1}{4}$ for the bishop (Hammer, 2002, p. 15).⁶⁸ As church financing was largely organised at the level of the local parish, the sources, which the priest could draw from, are called benefice (*Pfründe*). The benefice “(...) comprised the vicarage where he

⁶⁷ These monasteries not only produced a variety of agricultural products such as cheese but in fact, there is an old monastic brewing tradition in Germany. Thus, in the heydays of monastic breweries, which was in the 18th century, monks (and sometimes also nuns) brewed beer in about 350 monastic breweries, most of them in Bavaria. This tradition continues until today and despite the Catholic Church itself there are still 9 Catholic monasteries in Germany which are producing beer. In addition, the basic pattern for medieval monasteries was a plan devised by monks on the island of Reichenau around 820 AD. This plan shows how the monks imagined an ideal monastery with a church, cloister, dormitories, kitchens, washrooms, school and hospital. In the plan, which was probably not completely realized in any monastery, but often in parts, a total of three breweries are located. This shows the great importance of beer for the monks at that time and throughout the Middle Ages (Neuscheler, 2016). One of the reasons for this importance was that wine (which has a liturgical function in the Catholic Church) was still difficult to be cultivated in parts of Germany. Yet, the role of beer was even discussed in the year 817 at the Council of Aachen where the Catholic Church discussed a ban on the ‘pagan potion’ but they declared it as a healing potion and it was not abolished (Renz, 2014).

⁶⁸ In addition, the tithe implied the so-called ‘territorial principle’ implying that the Church comprises of a number of legally independent subunits. These subunits are arranged according to territories. This can be traced back to the time of Charlemagne. Thus, the ecclesiastical tithe made it necessary to divide the territory into meaningful sub-units in order to know which ecclesiastical district would be the beneficiary (Giesen, 2009, p. 59).

[CB: i.e. the priest] could live for free, fields which he could either work or let, tithes or other duties and possibly, in some part, even corvée labour from farmsteads belonging to the parish” (De Wall & Gestrich, 2010, p. 183).⁶⁹

Other than proceeds from the tithe and ecclesiastical assets such as the benefice, there were also charges (*Gebühren*), including stole fees⁷⁰ (*Stolgebühren*) in place, both for occasional services provided by the church.⁷¹ Those ancient forms of charges were mostly cash payments and had to be paid by public law as a compensation for the costs occurring during the occasional service. Frequently charges and stole fees were also paid in natural products. As the latter, they functioned directly as convenience goods for the clergy (Hammer, 2002, pp. 20-32; Janz, 1989, pp. 682-687).

In addition to the tithe and charges, at the turn of the century, there was still a high general commitment to support the Church voluntarily beyond the payments in the course of the tithe.⁷² However, donations and endowments often were not received in the favoured amount (Hammer, 2002, pp. 24-26).

Following the previous analysis on the historic environment, church financing at the end of the 18th century looked as different as the political system looked today and was in harmony with the socio-political system. Thus, as the society was still centred on agriculture, also the main instruments of church financing are oriented on this. Thus, the tithe and proceeds from assets were the main instruments, and both are based on agricultural proceeds. Donations and charges played a minor role and were supplementary.

4.2.3.2 Church financing after the Napoleonic Secularisation: abolition of the tithe and introduction of the *Staatsleistungen*

⁶⁹ In addition to the benefice for the priest, there was the so-called *Fabrica ecclesiae* which was a foundation (*Kirchenstiftung*) with an own benefice that secured the construction and maintenance of the church building (De Wall & Gestrich, 2010, p. 219).

⁷⁰ Stole fees covered occasional extra costs and were charged for ecclesiastical official acts such as a wedding or the communion. Besides, stole fees were due for receiving documents and certificates for instances such as birth, baptism and funeral.

⁷¹ At this time, Church and state still were one entity and thus the clergymen, despite being priests also had the function of today’s public servants or registrars. Hence, the expenses of this part of administrative being were covered directly in form of charges. However, these charges also cross-financed other ecclesiastical expenditure as they were charged as a lump sum.

⁷² Only this generousness made it possible to build the sizeable ecclesiastical buildings or to lavish the artistic decoration frequently found in church buildings at that time.

The Napoleonic Secularisation affected the Church in Germany in 1803, cf. above section 4.1.2.1. In the course of this Decree, predominantly the Catholic Church lost substantial parts of its ecclesiastical assets and the consequences for the Catholic Church were much stronger than on the Evangelical Church. This mainly affected the Church on the level of the bishoprics whereas the local church was in parts spared from the consequences. Thus, the lion's share of the Catholic chapters and Catholic monasteries were transferred into the possession of the secular principedoms. In return, the beneficiary principedoms were obliged to pay endowments (*Dotationen*) to the Catholic Church. These endowments were meant to compensate for the loss of the estates and assets that formerly secured the ecclesiastical income. These endowments became part of what is today known as the so-called *Staatsleistungen* (De Wall & Gestrich, 2010, p. 186; Rau, 1989, pp. 336-339; Smekal, 1989, pp. 121-126).

The decades after the Napoleonic Secularisation, and its resulting political occurrences, further created an environment of change for the system of church financing. Whereas the benefice at the level of the local church remained, for the time being, the movement in the course of the liberalisation laws of 1830 and 1831 repealed the tithe. In the course of its abolishment, the obligors had to pay a capitalised fee to the beneficiary, which was calculated by a capitalisation-rate and was linked to a time frame of about 20 years. However, the rate and time frame differed from state to state (Kotulla, 2016, p. 20; Scherle, 2011, p. 119). In addition to the tithe, also corvée labour (*Frondienste*) was abolished at this time; just like the tithe, it also was perceived as 'archaic' (Rau, 1989). However, corvée labour did not play an essential role in the overall mix of church financing instruments in any case (De Wall & Gestrich, 2010, pp. 183-184).

The yields from the benefice secured the material existence of the local church right after the Napoleonic Secularisation. However, this changed soon, and frequently the benefice was not able to finance the ecclesiastical being sufficiently anymore. In addition to this, the rapid population growth, the emergence of urban centres and large cities, together with the development of the social thinking at that time, lead to further financial challenges for the Church. In addition, the Church overtook further tasks in the course of expanding its missionary appearance in new fields and had to build new churches and ecclesiastical infrastructures in the metropolitan areas; these had also to be financed; this situation called for a new instrument. At the political level and for the environment of the

Church, the Napoleonic Secularisation brought significant change. This is reflected in the change of the composition of instruments of church financing. Thus, the abolition of the tithe and the loss of significant amounts of own assets and property, including secular commercial activities such as ecclesiastical breweries⁷³ (Robbers, 2013, p. 124), led to a situation where a substitute for the proceeds from an agricultural asset-based model of church financing was needed. A first rescue was that the state, which at that time still was in the process of decoupling from the Church, stepped in and guaranteed *Staatsleistungen* to the Church. These endowment payments secured parts of the remuneration of the clergy and maintenance costs of buildings (Aschoff, 2000, pp. 163-180; Hammer, 2002, pp. 30-77). In summary, these developments were the breeding ground for the emergence of the church tax.

4.2.3.3 Church financing before and during the *Kulturkampf*: the emergence of the church tax

The remaining ecclesiastical assets and the early forms of the *Staatsleistungen* were still insufficient for the increased financing volume due to the ongoing urbanisation, population growth and migration movements. This demand for further sources on the one side, but also the constitutional obligation to provide sufficient funds to the Church as a reparation payment due to the Napoleonic Secularisation on the other side, lead to an unexpected high financial burden for the state. This required a new source of ecclesiastical income. Thus, in the course of the 19th century, with a regionally diverging intensity, the ineluctable desire for a reorganisation of the system of church financing emerged. According to Hammer (2002), this desire had to be aligned with the structure of society and mode of life of the population. This in mind, it also had to be aligned regarding the performance ability, cf. above section 4.1.2.3, of each congregant within the post-agricultural, now industrial society (De Wall & Gestrich, 2010, p. 181; Hammer, 2002, p. 159).

⁷³ Examples for confiscated ecclesiastic breweries are in this context e.g. the former episcopal Brewery *Bischofshof* in Regensburg (Mittelbayerische Zeitung, 2011), the former brewery of the prince-bishop *Fürstliches Bräuhaus Beilngries* in Beilngries (Stadt Eichstätt, 2017), the *Kaiserdome Brauerei* in Bamberg (Angerstein, 2016), the brewery *Augustiner Bräu* in Munich which from 1328-1589 supplied the Wittelsbach dukes with their strong beer until the dukes had their own brewhouse the newly established Hofbräuhaus (Augustiner Bräu Wagner KG, 2017) or the Brewery *Klosterbrauerei Kemnath* in Kemnath (Klosterbrauerei Kemnath). Above that, it is recorded that as early as the 7th century, the first monks on German soil produced their own beer and that at the latest from the High Middle Ages, every monastery had to have its own brewery. This is one of the reasons that beer has such a high relevance with regard to the Catholic being in Germany (Katholisch.de, 2015).

In 1875, in connection with further liberal ideas, the ongoing *Kulturkampf* and the movements of ‘separating church and state’, the governmental successor of the Holy Roman Empire and the German Confederation, the German Empire, partly released itself from the commitments to pay reparations to the Church and stopped paying the *Staatsleistungen*. This was the time that a nation-wide introduction of the church tax was inevitable (E. R. Huber & Huber, 1976, pp. 610-612; Hürten, 1986, pp. 136-145; Robbers, 2013, p. 43; Schatz, 1986, pp. 128-142; Scholz, 2016, pp. 183-195).

As a result, the church tax shifted the burden of financing the Church away from the state towards the members of the church.⁷⁴ In this view, it might appear to be that the emergence of the church tax was an instant innovation that solved a financing issue. However, this process was not a single process of reformation or official legislative act, but it was instead a gradual development in the 19th century. Above that, the church tax was configured to be subsidiary at that time. Therefore, the Church was only allowed to collect church taxes to the extent that no alternative resources were available to meet the necessary required financial resources. Hence, the church tax was meant to cover only the missing part of the ecclesiastical budget, which could not be covered by the remaining financial resources such as donations and yield from the remaining own assets. In this understanding, the initial design of the church tax was not meant to have an ultimate financing source available, but it was most importantly needed to secure the remuneration of the clergy and maintenance of the church buildings (Hammer, 2002, pp. 3-30; W. Huber, 1989, pp. 132-136; Rau, 1989, pp. 336-345).

In summary, the church tax emerged as an ideal instrument to finance the expansion of the Church’s presence at a time where financial resources were scarce. Thus, the emergence of the church tax increased the autonomy of the Church right in a time where state and church were still decoupling from each other. Within this situation, the church tax with its initial subsidiary character could year by year fill the necessary budgetary gaps and flexibly financed the expansion of the Church’s mission and building

⁷⁴ Despite the fact that some member states had already introduced the church tax decades earlier, the Kingdom of Prussia was the last member state of the Empire which formally introduced the church tax in 1905 (Campenhausen, 1996, pp. 257-258; W. Huber, 1989, pp. 137-140). The precursors of the church tax were introduced in member states of the German Confederation due to individual reasons and at different times (Hammer, 2002). Indeed the most prominent reason was the above mentioned need for a new resource to finance the Church but it was also grounded in a fact inherent to the aftermath of the Congress of Vienna. Thus, mixed-confessional states were created which then pledged for ideological and religious neutrality. A church tax appeared to be an ideal instrument to maintain this neutrality, to yield sufficient resources and to pass on the burden to the members (Giesen, 2009).

of new parishes caused by the effects from industrialisation and urbanisation. The introduction of the church tax not only was a response to address the growing financial needs, but it also reflects the change of the type of income, which the congregants increasingly received, i.e. salaries and wages. Above all, it was and still is very yielding. Above that, after the *Kulturkampf* had been overcome the state continued to pay *Staatsleistungen* to the Church again.

4.2.3.4 Church financing at the beginning of the 20th century

Already before the outbreak of World War I, the church tax was established as a central pillar of church financing and contributed already about 1/3 to the ecclesiastical budget and successfully replaced the proceeds from the tithe. Own assets, government subsidies and the *Staatsleistungen* comprised the rest (W. Huber, 1989; Luhmann, 1989). Donations and charges were continuing to be of minor importance (Hammer, 2002, p. 24). Church financing at that time appeared to be in balance again until another political event had an impact on the system. Thus, the *Novemberrevolution*, cf. section 4.1.2.3, endangered the financial basis of the Church. Hence, in the course of the post-war governmental attempts to separate state and church, also governmental subsidies were aimed to be discontinued; this included the repeated stop of the payments of the *Staatsleistungen*. In addition to that, the ecclesiastical right for taxation was aimed to be discontinued. These severe imminences were conceived as material threats to the material basis of the Church by the church regimes of both Christian churches in Germany. Therefore, during the first months after the war, they put all the efforts to secure those privileges that they successfully achieved. Because of both, the right for taxation as well as to receive *Staatsleistungen* became part of the constitution in the legal successor of the German Empire (Giesen, 2009; Hammer, 2002; W. Huber, 1989).

In summary, the beginnings of the 20th century were a difficult time for the instruments of church financing. The church tax was not yet guaranteed constitutionally, and the secularisation and liberalisation trends endangered the receipt of public subsidies and the *Staatsleistungen*. However, about the cost side, the Church already was part of the welfare state, which had been established during the Bismarck Era and steadily increased its welfare offerings such as hospitals, poor relief and the running of confessional schools. This not only entailed a broader presence in the society and the Church, even more, became a significant part of social life, but from a financial perspective, it also increased

the burden of an increasing number of employees that had to be remunerated. In turn, the remuneration of the ecclesiastical personnel had to be financed. In this view, this time was just like the turning of the 18th to the 19th century an exciting time for research on church financing in Germany. Thus, this time was also especially interesting from a financing perspective, as in 1919 a group of 34 Catholic priests founded the first Catholic church bank in Germany (LIGA Bank, n.d.) due to the turmoil resulting from the post-war years as well as the expansion of the ecclesiastical activities. They did find it to have a place to store savings and to support each other financially.⁷⁵

4.2.3.5 Church financing in the Weimar Republic

At the end of the German Empire and beginning of the Weimar Republic, the church tax became so crucial that it was constitutionally secured in the Weimar Constitution. In addition to this also the *Staatsleistungen* were constitutionally guaranteed in the Weimar Constitution. Such reliable base was also necessary due to a further loss of monetary assets due to the hyperinflation at that time. This inflation only spared assets which were invested in real goods such as land or estates (Aschoff, 2000, pp. 163-195; Giesen, 2009, p. 91; Marré & Jurina, 2006, pp. 52-61).

Despite being constitutionally guaranteed, two important things about the church tax were altered in the Weimar Republic:

- First, the possibility to disaffiliate from church had to be introduced, which was previously not possible and church membership mandatory. Only with this new official act, it was possible to be exempt from the obligation to pay church taxes.
- Second, the *Kirchgeld* was added as a lump-sum tax to the construct of the church tax. This was to receive a contribution from spouses, who do not have their income but who in turn have a spouse, who receives a taxable income but is not a member of the Church. The *Kirchgeld* is a unitary amount, which is

⁷⁵ In the later part of this thesis this theme of founding an own bank will be followed up and the question will be raised and answered here whether to perceive church banks as part of church financing and perhaps also as an additional pillar of church financing. Similar to the situation in Bavaria there was a need to finance the mission of the Church which led to a foundation of a church bank in the diocese Münster after World War II when the reconstruction of the war-ravaged diocese of Münster is far from complete and the parishes urgently need loans to finance the numerous churches, kindergartens, parsonages and hospitals (Darlehnskasse Münster, 2011, p. 7).

paid independently from the height of the tax amount of that spouse with an income.

Besides, the General Fiscal Law in 1919 leads to the regulation of the governmental support involved during the collection of the church taxes. This implies that since 1922 the Church pays a compensation fee to the government to compensate for the additional administrative costs associated with the church tax collection. This amount started to be 5% of the church tax revenues and is regulated in the constitution of the respective federal state (Campenhausen, 1996, pp. 325-336; Giesen, 2009, p. 88; W. Huber, 1989, p. 150).

In summary, the foundation of the Weimar Republic constitutionally guaranteed the right to levy a membership-based tax from the congregants. Also, the Weimar Constitution guaranteed the regular payment of the *Staatsleistungen*. Thus, the Church in this first democratic republic in Germany reached reliable security to defray the costs involved with their still rapidly growing presence and to be able to care for the society due to poverty and mass unemployment in the aftermath of the war.

4.2.3.6 Church financing embedded in anti-clerical regimes

Anti-clerical regimes characterised the 20th century in Germany. The following reveals the consequences from the regime of the National Socialists in Germany and the regime of the Socialists in the German Democratic Republic.

During the regime of the National Socialists most of the solid structures of ecclesiastical being, including the system of church financing, which was established in the Weimar Republic, cf. above, were stable. However, the regime tried to weaken the Church and intended to abolish the right of levying church taxes and intended to cancel the payment of the *Staatsleistungen* because they perceived the Church as a competition to their fascist ideology (Hammer, 2002, pp. 63-71; W. Huber, 1989, p. 153; Hürten, 1986, pp. 209-242).

In 1949 when the German Democratic Republic ('GDR') was founded 91% of all inhabitants belonged to either one of the two big Christian Churches and only 5.9% were un-denominational (Storch, 2003, pp. 231-239). However, also the regime of the GDR

perceived religion as competition for their ideology and therefore intended to weaken religion within the secular society. The answer to that was rigorous governmental neutrality and therefore a strict separation of state and church (Smekal, 1989). Thus, the regime abolished the constitutional articles that grant religious communities special rights such as the right to levy church taxes (C. Fuchs, 1999, pp. 152-153; Giesen, 2009, p. 87). In addition, the GDR completely released itself from any financial responsibility such as the *Staatsleistungen* and degraded religious societies to the status of clubs (C. Fuchs, 1999, pp. 155-160; Giesen, 2009; T. Hoffmann & Kehrer, 1995). This included that religious denominations lost their status of being public corporations. All this made religious denominations dependant on voluntary membership fees and contributions (Hammer, 2002, pp. 76-77; Meier, 2005, pp. 34-36; Schlieff, 2000, pp. 295-301).

In the end, all above-mentioned financial sanctions in the GDR weakened the role of the Church in the East significantly, and the role of religiosity in the society decreased to a minimum. Thus, in 1990 at the time of reunification, 70% of all inhabitants in the former GDR were non-denominational, whereas in West Germany only 10% of all inhabitants were non-denominational (Storch, 2003).

The two examples above regarding the National Socialist regime and the GDR reveal the importance of the relationship of state and church about church financing. Thus, many of the German church financing instruments are only working as they are acknowledged and accepted by the government. A theoretical model of church financing needs to consider this.

4.2.3.7 Church financing in the 1950s, the welfare state and the *Wirtschaftswunder*

In the time between 1945 and 1960, the most critical legal preconditions for the system of church financing were in parts newly created and secured. Due to the great fiscal emergency in post-war Germany, which was provoking sorrow, a grand general review of the system of church financing was not conducted. Instead, the practise of church financing which was used in the Weimar Republic was put in motion again. Due to this, this time can be perceived as a phase of consolidation and Lienemann-Perrin (1989, pp. 419-421) states that in post-war Germany due to the unexpected high growth of the ecclesiastical earnings which were based on the economic growth frequently labelled as the German *Wirtschaftswunder*, a large-scale criticism on the system of church financing in Germany

was triggered, in particular this debate criticised the construct of the church tax (Lienemann-Perrin, 1989, pp. 419-425). Despite having put the system from the time of the Weimar Republic in motion again, shortly after the foundation of the Federal Republic, additional sources were needed to cover the costs occurring in the context of the Church's attempt to overtake further tasks on behalf of the government in the social sector. Thus, due to the extension of the social welfare state, earmarked governmental subsidies were introduced on a broad scale. These were granted to the Church as a compensation payment for the adoption of social tasks on behalf of the welfare state (W. Huber, 1989).⁷⁶

In summary, the Church participated from the very first beginning from the design of the church tax and its annexation to the personal income tax. This made it possible that the church tax directly participated from the *Wirtschaftswunder* (Luhmann, 1989). Thus, as the *Wirtschaftswunder* implied growing incomes and salaries and low rates of unemployment and prevailing high rates of church membership at that time, the church tax was very yielding. Besides, Rau (1989) notes that the church tax revenues continually grew not only due to favourable economic developments but also because the Church kept the church tax-rate steady, i.e. 8 or 9% (depending on the federal state). In other words, the Church did not decide to reduce the tax rate to arrive at a certain level of church tax revenues but kept it unaltered and thus could expect increasing revenues over time.

Besides, there was criticism on the financial affairs of the Church in the years between 1969 and 1972. The cause for the intense discussion was not only one particular reason but also a bundle of substantial causes that evolved in the overall economic and political climate. Thus, *inter alia* the change of power between the Social Democratic Party (*SPD*) and the Free Democratic Party (*FDP*) in 1969, as well as the student protests against the Vietnam War, and the imperialism of Western Countries fostered the discussions. In sum, the public debate led to a crisis of legitimation for the system of church financing as the social role of the Church was contrasted against the global political situation. A rich-appearing church was there something to be worthwhile to be critiqued by the media and hence, by the public. Besides these discussions regarding the legitimation of

⁷⁶ Also in course of post-World War II rebuilding something interesting from a financial perspective happened in Austria. Thus, in order to rebuild the destroyed ecclesiastical buildings in Austria, the Catholic Church could not finance this with the Austrian *Kirchenbeitrag* ('Church Contribution Fee') as it did not yield sufficient revenues and the ecclesiastical assets were confiscated by the National Socialists during World War II. However, the Austrian church utilised the instrument of bond issuance to finance the rebuilding of the ecclesiastical buildings (Frauenberger, 1962).

the system of church financing in the 1960s and early 1970s were happening under the illusion that the earnings of the church grew constantly. The main argumentation for this was the corresponding ongoing increase of the personal income tax revenues at that time. Thus, due to the link of the church tax to the income tax that is the basis of assessment of the church tax, also the church tax revenues increased. Accordingly, the church tax revenues increased by almost 13% from 1960-1966, and if one considers the time from 1953-1978, the revenues increased more than twelvefold. In addition, there was another church financing-related aspect that fostered the discussion. Thus, the constitutional aim for 'welfare and social security in Germany' and the overtaking of social welfare tasks by the Church, this led to a substantial increase of state subsidies to the church and also led to a situation where more ecclesiastical personnel was hired in order to handle those tasks. Moreover, the government increased additionally the public subsidies that were granted for necessary construction works of church buildings, the expansion of educational work, the opening and maintenance of ecclesiastical academies and the ecclesiastical monument preservation. In summary, the bundle of a creation of a negative broad public image regarding the church tax and the ongoing, increasing earnings of the church was accompanied by a trend of an increased number of distanced church members. This resulted in a wave of people disaffiliating from the Church at the beginning of the 1970s (Lienemann-Perrin, 1989, pp. 425-443). It was the first time in history that the numbers of Catholic Church members decreased. Before 1970, the number of congregants was still increasing due to the population growth and reached high in 1969 with 28.3m. A year later, in 1970 the number already decreased to 27.2m, and in 1980 this number decreased to 26.7m (Eicken & Schmitz-Veltin, 2010, p. 589; Statista, 2018, p. 8). In addition to this, it was this time when Horst Herrmann presented his first church-critical articles and among other things suggested the abolition of the church tax (Herrmann, 1972a, 1972b, 1972c).

In summary, the foundation of the Federal Republic brought new stability to the system of church financing. Thus, the 'church-financing paragraphs' of the Weimar Constitution were incorporated into the *Grundgesetz* and secured the right to taxation and a continuation of receiving *Staatsleistungen*. Thereby the church financing system was based on the pillars again which already existed before 1933, i.e. the church tax, public subsidies (including the *Staatsleistungen*) and proceeds from donations and own assets.

The next section bases a construction of a history-based analytical framework of church financing in Germany on the above.

4.2.4 Hermeneutic thematic synthesis: construction of a history-based analytical framework of church financing in Germany

The time from 1803 until the 1950s entailed a significant change of the system of church financing in Germany. Whereas the tithe was an adequate instrument to capture agricultural proceeds at the beginning of the 19th century, the church tax emerged as an ideal instrument to capture the congregants' proceeds in connection with the industrialisation. Thus, the system reacted reflexively to its environment and adapted towards outside change.

4.2.4.1 A condensed analysis and interpretation of the considered literature

The following reveals a synthesis of the findings in the literature. Table 1 below, gives an overview of all identified element of

- a) the change of the historical environment of church financing

and puts it temporally in a relationship with

- b) the change of the church financing system itself.

The table must be read as follows. First, it is split between the change of the environment (on the top) and the change regarding the instruments of church financing (in the lower part). Then, read from left to right, the most abstract elements of change of the environment and the instruments are revealed. After that, again read from left to right, the consequences from the more abstract element of change are split down further and further. Ultimately, the uttermost right-hand side reveals the elements of change in the most granular form. Thereby, this table only considers the eight most yielding citations that contributed to the synthesis in this chapter.

THE HISTORY OF CHURCH FINANCING					
Relevant authors: [H1] Frauenberg (1962), [H2] Giesen (2009), [H3] Hammer (2002), [H4] Huber (1989), [H5] Luhmann (1989), [H6] Mitschke-Collande (2012), [H7] Rau (1989), [H8] Smekal (1989)					
Analytical focus	Level 1: identified elements of change of the analytical focus	Level 2: identified elements of change resulting from level 1 elements	Level 3: identified elements of change resulting from level 2 elements	Level 4: identified elements of change resulting from level 3 elements	
The historic environment of the Church [H2], [H3], [H4], [H5], [H6], [H7]	Political change	The Napoleonic Secularisation [H2], [H3], [H6], [H7]	The <i>Reichsdeputationshauptschluss</i> [H2], [H3], [H6]	The expropriation of the Church [H2], [H3], [H6]	
		The Congress of Vienna [H2]	Mixed-confessional countries [H2]	Growing ideological neutrality of the state [H2]	
		Foundation of the German Empire [-]	The Catholic milieu in the German Empire [H2]	The <i>Kulturkampf</i> [H4]	
	Sociological change	The end of World War I/ the <i>Novemberrevolution</i> [H4]	The Weimar Constitution [H2], [H3], [H5]	The 'church articles' [H3]	Guarantee of <i>Staatsleistungen</i> and the church taxes [H2], [H3]
		Change of society [H2]	From agriculture towards industrialisation and urbanisation [H2], [H3]	The industrial, bourgeois society [H2]	The sociological secularisation [H2], [H3]
Church financing in history [H1], [H2], [H3], [H4], [H5], [H6], [H7], [H8]	The loss of ecclesiastical assets; vanishing of agricultural instruments; emergence of public payments (<i>Staatsleistungen</i>)	Church financing before the Napoleonic Secularisation [H3], [H7]	Church Financing based on agriculture [H7]	The benefice [H7]	Some ecclesiastical assets remain at the level of the local parish [H7]
			The tithe [H3]		
			Charges and stole fees [H3], [H7]		
		Donations [H3]			
		Church financing after the Napoleonic Secularisation [H3], [H6], [H7], [H8]	Beginning of the <i>Staatsleistungen</i> [H6], [H7], [H8]		Insufficient financial means [H3]
	Abolishment of the tithe [H7]				
	The emergence of the church tax as an instrument adapted towards the industrialised society	Church financing before and during the <i>Kulturkampf</i> [H2], [H3], [H4], [H7], [H8]	Early forms of church taxes [H2], [H3], [H4]	Emergence of the church tax [H3], [H4], [H7], [H8]	
			Urbanisation & financing needs [H3]		
		Church financing at the beginning of the 20 th century [H3], [H4], [H5]	The emergence of the first church bank [-]		
			A change of the mix of church financing [H4]	The initial subsidiary character of the church tax [H4]	Establishment of church tax [H3], [H4], [H5]
	Church financing in the Weimar Republic [H2], [H3], [H4]	Church financing as part of the Constitution [H2], [H3]	Guarantee of the <i>Staatsleistungen</i> and the church tax [H2], [H3]		
		Creation of modern church tax [H3], [H4]	Introduction of a <i>Kirchgeld</i> [H4]		
			Collection of church tax by the government [H4]		
	Church financing in anti-clerical systems [H3], [H4], [H5], [H8]	Church financing in the regime of the National Socialists [H3], [H4], [H5]			
		Church financing in the GDR [H2], [H8]*			
The rebuilding of destroyed ecclesiastical buildings in Austria [H1]		Revenues from the <i>Kirchenbeitrag</i> insufficient [H1]	Issuance of church bonds in Austria [H1]		
The success of the church tax	Church financing in the 1950s [H1], [H4], [H5]	The <i>Wirtschaftswunder</i> [-]		Growing church tax revenues [H5]	
		The emergence of the welfare state [H4]	Increased financial requirements [H4]	Extension of public support in the form of direct subsidies [H4]	

Table 1: An analytical overview of the insights of logic 1: historical factors (table compiled by the author).

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The findings displayed in Table 1 above centre around the historic environment of church financing. This table provides a significant development in the study of church financing as it brings the existing literature into focus and clarifies the historical development of this question. At this stage, I intend to integrate these main findings into the conceptual model as presented on page 29, which is display in Figure 11 below.

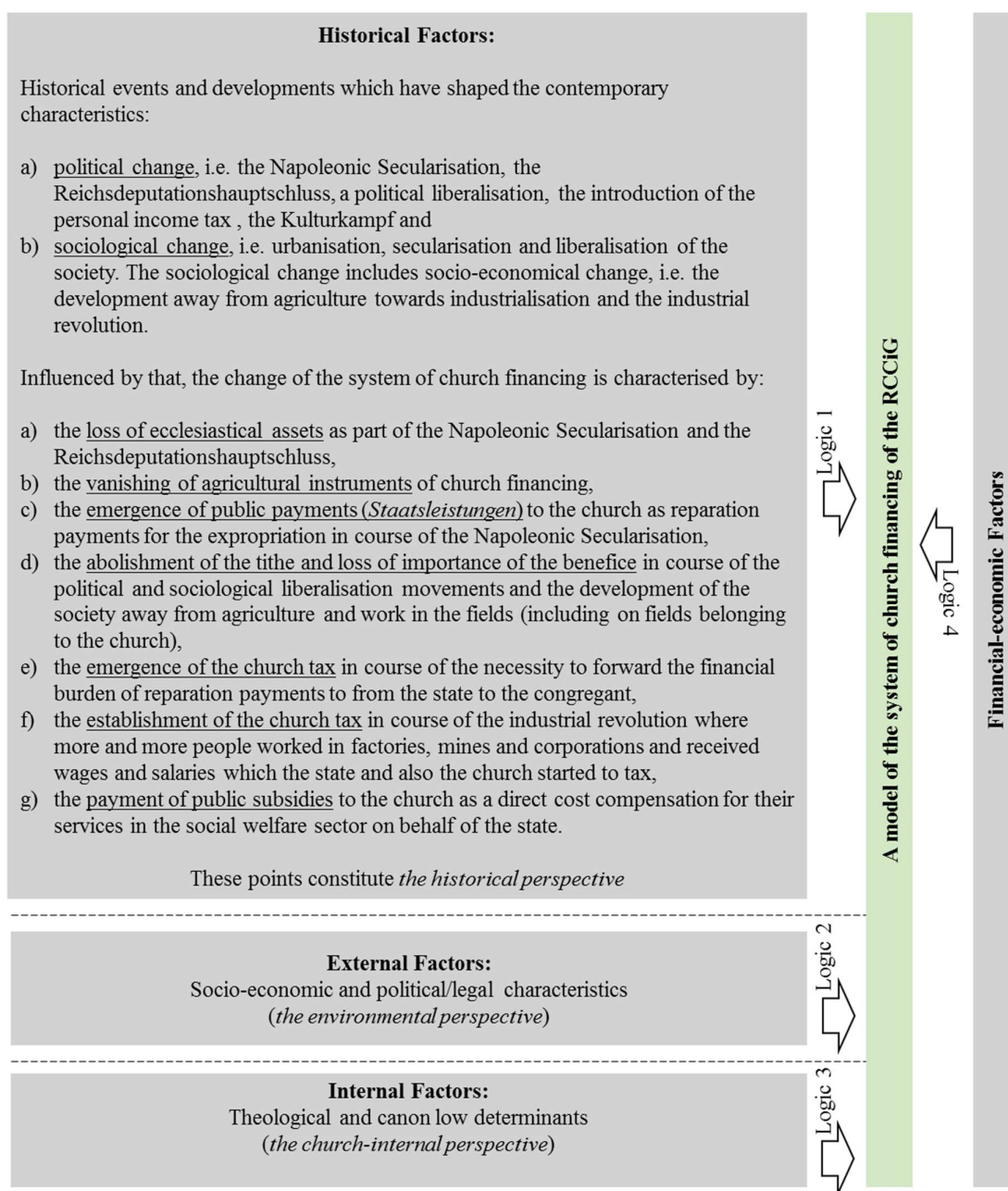


Figure 11: The historical factors within the conceptual model of church financing (Logic 1) (diagram compiled by the author).

In summary, the findings of this section as displayed in the comprehensive Table 1 and Figure 11 above include that the change of the instruments of church financing was accompanied by a significant change of the environment within the considered time span. Thus not only the relationship of state and church but also the structure of the society changed, i.e. the sociological change with the corresponding phenomena industrialisation, urbanisation and the degree of secularisation (Kruse, 2012; Pollack, 2011, pp. 1-10). In addition, the political system changed significantly over time (Clark, 2008). Thus, it changed, indeed with some detours in the form of fascism and socialism, from a monarchical to a democratic system. All this indeed is to a certain degree reflected in the composition of the instruments of church financing.

The most significant example for this development is the change of the society from a feudal, agricultural society, with the tithe and benefice as a primary source of church financing, towards an industrialised society with the church tax as the primary source of church financing. Besides, it is noteworthy that the *Wirtschaftswunder* facilitated the expansion of the ecclesiastical presence in the society because the ever-increasing revenues from the church tax had to be spent year by year.⁷⁷ On the other side, the German government and the German constitution encouraged the overtaking of social welfare functions by the Church in the German society to secure pluralism. This development, in turn, led to the situation that the Church grew significantly, both regarding the range of activities offered and the number of ecclesiastical employees. Nowadays, at times where financial resources are starting to become scarce, this is not only a financial burden but also a social responsibility as the two Churches represent the second largest employer after the government. In addition, one result of this time is the expansion of the church tax system and establishment as the backbone of the system. However, this reliable source came for the price of a strong dependence on the efficiency of the national income tax and thereby the economic development of Germany. This dependence was most of the times favourable since the 1950s, but in case of a recession and cases of mass unemployment, it is doomed to create large gaps in the ecclesiastical budgets. This indeed not only entails a threat of not being able to remunerate all employees anymore⁷⁸ but also

⁷⁷ This is due to the subsidiarity principle that implies that additional funds, which were generated and could not be allocated to running costs, have to be spent into ecclesiastical work. This is in contrast to corporations who could save access earnings in their equity.

⁷⁸ In this context, it is necessary to note that the existing assets of the dioceses are mainly pension reserves and thus, they are earmarked to be used for the pension payments of the ecclesiastical personnel. The urgency if this precarious relationship of a dependence of the church tax is also acknowledged by the Church itself (Erzbistum Paderborn, 2016b, pp. 12-36).

to face a situation where the means are not sufficient to undertake urgent maintenances on church buildings.

The following framework further synthesises the above in an attempt to construct a history-based analytical framework of church financing in Germany.

4.2.4.2 A history-based analytical framework: an adaptive model of church financing

The previous analysis and interpretation of the literature revealed evidence that the change of the historic environment of church financing had a significant impact on the system. The following will recap the main findings to then frame the cognisance into a history-based analytical framework of church financing in Germany.

The analysis above allows the conclusion that the system of church financing in Germany is reflexive and responsive towards the change of its environment. Especially sociological parameters, e.g. industrialisation, urbanisation and secularisation, but also significant political changes, e.g. the assumption of power by anti-clerical regimes, have a significant impact on the system. Thus, the political change from the beginning of the 19th century until the 1950s led to a constitutional guarantee of the church tax and the *Staatsleistungen*.

In addition to this, the change of the society from a feudal society towards an urbanised, industrialised, salary-receiving society led to the phenomenon that church financing instruments, which were based on agriculture almost entirely, vanished over time. In turn, this development allowed the emergence of an instrument such as the church tax that participates in the salaries and wages of the congregants. Figure 12 summarises the analyses and interpretations of Logic I in the form of a history-based analytical framework of church financing in Germany.

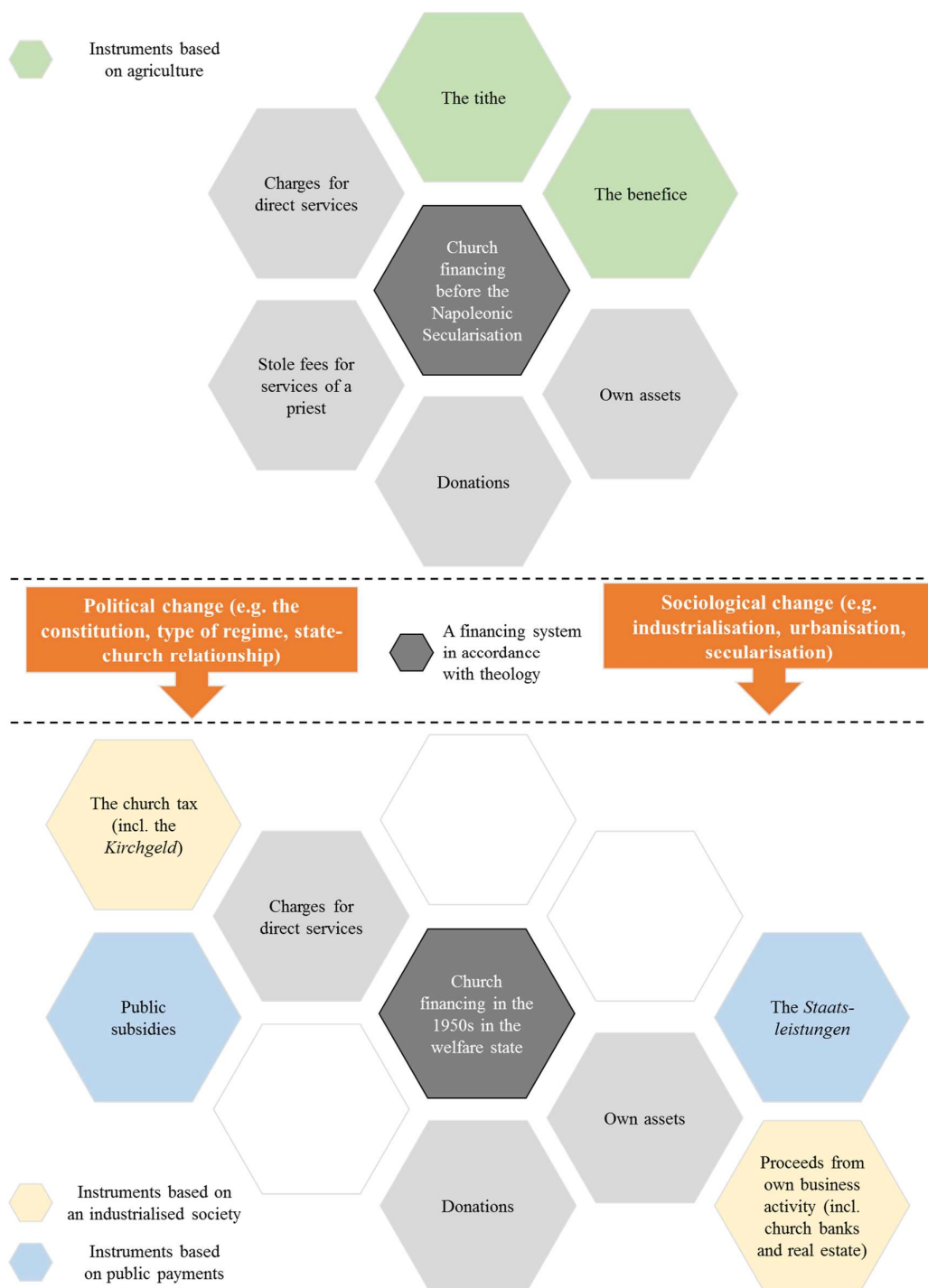


Figure 12: A history-based analytical framework of church financing in Germany (diagram compiled by the author).

The history-based analytical framework displayed in Figure 12 above, reveals the change in the system of church financing in the time from 1803 until the 1950s. Thereby it also synthesises the main findings as displayed in the lower part of Table 1.

Thus, the analytical framework:

1) illustrates the instruments that were in practise at the beginning of the 19th century before the Napoleonic Secularisation (top part of Figure 12). The instruments of church financing at that time were:

- The tithe,
- The benefice,
- Own assets (other than the ones belonging to the benefice)
- Donations
- Stole fees for occasional services of a priest, and
- Charges for direct services.

In the course of the change that appeared outside of the Church and thereby on the outside of the system of church financing, the yields from the tithe, benefice and stole fees vanished. In addition, the own assets decreased significantly. All this was mainly driven by political change with new state-church relationships, changing legal situations of aspects of church financing and sociological change. The sociological change is manifested in the phenomena of industrialisation, urbanisation and secularisation.

2) Besides, in the lower part, it illustrates the instruments of church financing as they appeared after the change in the 1950s. The instruments then appear as follows:

- The remaining parts of own assets,
- Donations,
- Charges for direct services,
- The *Staatsleistungen*,
- Public subsidies,
- Proceeds from own business activity (incl. church banks), and
- The church tax (incl. the *Kirchgeld*).

As a result, the first three sources remained, notwithstanding that the own assets decreased substantially in the course of time. Those three are enriched by the

Staatsleistungen which are reparation payments in the course of the Napoleonic Secularisation and loss of a substantial amount of own assets, the church tax as an answer to the increasing need of financial resources in the 19th century and an expansion of the ecclesiastical activities into the social welfare sector. Also, there are public subsidies which are received as a cost compensation for the overtaking of governmental tasks in the welfare sector and proceeds from own business activity which includes yields from church banks and real estate activities.

The church tax emerged to be the most important financial resource and captures the income of workers in the industrialised society. It therefore gradually replaced the tithe and yields from the benefice, which formerly best fitted into the agricultural, feudal society.

4.2.4.3 Thematic synthesis of logic 1: Learning from the past

This conclusion of this section on logic 1 will, in combination with the previous parts of section 4.1.4, put the findings into the greater context of this thesis and prepares the theoretical path to the investigations on logic 2, 3 and 4.

In summary, this section reveals that the system of church financing in a retrospective analysis is shaped by the environment in which it finds itself. This environment, for the most part, is framed by the socio-economic environment, i.e. society's stance towards religion and the degree of secularisation as well as the prevailing economic system. Thus, if induced by, e.g. industrialisation, a society changes from a peasant state to a market-oriented society then also this must be reflected in the change of the system of church financing. However, also the political system which in this consideration either is a rather church-friendly or somewhat anti-clerical one has a significant impact on the system in imminent change. Besides, the analysis shows that the system of church financing is in a constant dialogue with state and society. Thus, political events are reflected in it as well as the degree of secularisation.

Also, a history-based explanation of the contemporary state of affairs is a very ecclesiastical and theological way of explaining matters of fact. Here, it retrospectively allows framing the change and the identified corresponding reactions of the system into a history-based model.

Whereas in this section on logic one revealed an explanation for the past which also clarifies the current situation, it is now the aim to analyse the contemporary state of affairs. So far, there is the only evidence that a system of church financing depends on societal acceptance. In other words, the prevailing system needs to be accepted by the society as the congregants otherwise can ‘boycott’ the Church and its financing system by disaffiliation.

4.3 Logic 2: external factors – implications of the legal and social environment

This section analyses logic 2 of the conceptual model, which are the external factors of church financing in Germany. As stated in the previous section on logic 1 above, a retrospective analysis of the history of church financing in Germany indicates that external and internal factors are determining the reflexive reaction of the system. As such, a) the political and legal (i.e. the state-church relationship, legislation, etc.) and b) the sociological (i.e. degree of secularisation, industrialisation, economic system etc.) environment appear to be **major external factors**.

In turn, the Church’s internal factors such as a) Christian theology and b) ecclesiology appear to be a **major internal factor** as they set the boundaries of all possibilities to determine the model. They will be analysed in the subsequent section 4.4, which examines the corresponding logic 3 of the conceptual model. Before this section 4.3 will start with the analysis of the significant external factors section 4.3.1 aims to bridge the historical context with current external factors.

4.3.1 Part I: An exploratory analysis of the political and legal environment

This part of the environmental analysis of church financing focuses on the state-church relationship and implications from politics and the legislation. Despite the fact that the Church has its constitution, i.e. canon law, the Church is not entirely independent from the respective social and national order in a country. For example, the state determines how a church is perceived juristically. Above all, the political and legal environment in which the Church is embedded predetermines which instruments of church financing are possible, e.g. church taxes as in the case for Germany and as such this environment sets a tone for the society.

4.3.1.1 Secular law and state and church in Germany

The following reveals aspects of the state-church relationship in Germany. This relationship implies the stance of the state towards religion and the parts of the German constitution, the *Grundgesetz*, with impact on church financing.

Above all, the *Grundgesetz* article 140 in conjunction with article 137 I of the Weimar Constitution (*WRV*) states that “there shall be no state church” (Deutscher Bundestag, 2012, p. 133). According to Robbers (2010, p. 87), this is due to the governmental decree of religious and ideological neutrality.

The most critical secular source of law about church financing in Germany is the *Grundgesetz* that incorporates the ‘church articles’ from the Weimar Constitution (Campenhausen, 1996, p. 100). In particular article 140 of the *Grundgesetz* refers to articles 136 (freedom of religion), 137 (ecclesiastical autonomy), 138 (the *Staatsleistungen*), 139 (the Sunday as a resting day) and 141 (pastoral care in public institutions such as hospitals and jails) of the Weimar Constitution of 1919 (Giesen, 2009, p. 84; Hammer, 2002, pp. 44-60; Niemeier, 1989, pp. 213-216).

According to article 137 VIII, all aspects, which are not regulated in the *Grundgesetz*, must be regulated in the constitutions of the 16 *Bundesländer*. Most importantly, the constitutions of the *Bundesländer* regulate the church tax rate, i.e. 8 or 9% of the income tax amount and the compensation fee that the Church has to pay to the state for the collection of the church tax (Campenhausen, 1996, pp. 49-55).

The design of a specific model of church financing in a country strongly depends on the relationship between state and church. In general, one differentiates between two opposite positions (Hammer, 2002, pp. 90-94; Marré, 1991, pp. 13-17):

- a) governments **with an identification** with the Church, such as the Vatican and
- b) states **with a non-identification** with church and religion, such as the USA or France.

This relationship also depends on the understanding of the term ‘state’ as defined in the constitution and whether a constitution states the relationship of state and church (Marré & Jurina, 2006, pp. 13-44).

In this context, the *Grundgesetz* defines explicitly that there is no state church in Germany (Robbers, 2010, p. 135). Rau (1989, p. 345) states that this irretrievable separation of state and church was guaranteed in 1919 in the constitution of the Weimar Republic, which now is an integrated part in the *Grundgesetz*.

Above that, Robbers (2013, p. 135) notes that religious societies “(...) can have the special status of a corporation under public law”. This is regulated in article 137 V of the *WRV* in conjunction with article 140 of the *Grundgesetz* where it says that “[r]eligious societies shall remain corporations under public law in insofar as they have enjoyed that status in the past.” (Deutscher Bundestag, 2012, p. 133).⁷⁹ “Unlike most other public law corporations, religious communities with this status are not integrated into the state structure. They retain their complete independence, even as public corporations” (Robbers, 2010, p. 135). This article also implies that the German conference of bishops, i.e. the highest organisational assembly of the Catholic Church in Germany, also is a corporation under public law.

In summary, one can note that even though the *Grundgesetz* states that “there shall be not stated church” (Deutscher Bundestag, 2012, p. 133) the relationship and mutual support of the two sides is intense. Thus, the German state needs the Church to satisfy the welfare rule, and on the side of the Church, it needs security that the rising costs are being covered by not only church taxes and other sources of income but via direct cost compensation. In sum, there is a deeply rooted interconnectedness between church and state that grew over centuries. The next section reveals this even further with implications from the welfare state rule.

4.3.1.2 State subsidies as a result of the welfare state

The following reveals implications from the ‘decree of the welfare state’ in context of church and state relations in Germany. Thus, “[i]n Article, 20, paragraph 1, and Article 28, paragraph 1 of the *Grundgesetz* [italics in Original] (constitutional law), the so-called *Sozialstaatsgebot* [italics in Original] (welfare state rule) defines the Federal Republic as a ‘social and federal’ (...) state.” (Schmid, 2012, p. 67). This decree authorises and obliges

⁷⁹ “Religious societies shall remain corporations under public law insofar as they have enjoyed that status in the past. Other religious societies shall be granted the same rights upon application, if their constitution and the number of their members give assurance of their permanency. If two or more religious societies established under public law unite into a single organisation, it too shall be a corporation under public law.” (Deutscher Bundestag, 2012, p. 133).

the German government to overtake functions in the social welfare sector (V. Neumann, 1989, pp. 273-275). Hence, the principle of subsidiarity is of the utmost importance in the German context because it states that aid should be provided as close as possible to the people. Above that, this aid should not only be provided by the government, if possible but by other social groups within the framework of the pluralistic state (Leis-Peters, 2010, p. 97). Thereby the Catholic Church with its institutions is the single most important provider of these services (Kühn, 2014, pp. 8-9).

Historically the decree and corresponding social security regulations in Germany were introduced in the German Empire during the Bismarck era. At that time, they were necessary from a governmental point of view to capture trends resulting from sociological phenomena such as urbanisation and industrialisation. Thus, more and more people lived in cities and worked in factories and mines. Proper social security secured the stability of that system and the development of various social security offerings in Germany steadily expanded since then. In other words, the decree is “an insurance for employees” (Schmid, 2012, p. 66). However, the decree as a normative objective does not state that the state only shall carry out its necessities. Hence, the government has the choice to utilise non-governmental charity and welfare organisations. This leaves room for delegation to institutions such as the Church who are addressing this with their maintenance of charity organisations (V. Neumann, 1989, pp. 273-282).

By this decree, the time-proven cooperation of state and the voluntary welfare sector emerged; today the Church with its institutions carries out the bulk of that work. This is because the sphere of social work in Germany has for centuries been the tradition of the Church (V. Neumann, 1989, p. 274). In this context, it is worthwhile to note, that this part of ecclesiastical, social work is an area, which the Church was already doing at times when the state did not even consider measures like that, e.g. the rehabilitation of disabled persons or elderly care. Due to the fact that the government is financing the voluntary welfare sector almost completely, it therefore expects, that the welfare organisations use those entrusted financial means in an economical and appropriate way (V. Neumann, 1989, p. 275).

In summary, it shall be noted, that the Church carries out welfare work on behalf of the state and receives financial compensation for this. In that sense, they care the constitutional aim for welfare and social security in Germany. This explains the relevance of state subsidies (other than the *Staatsleistungen*) which are new financial resources of the

Church, which they receive since the 1950s. In addition, the financial subsidies indeed do not cover all expenses connected to the work as the Church also utilises its bureaucratic machinery in order to administer the welfare. In sum, within a consideration of church financing, the ecclesiastical welfare is mainly financed with direct public subsidies.

4.3.1.3 A view on church membership in Germany

In a church financing system such as the German, i.e. a church tax-based one, it is necessary to have an understanding how a congregant can disaffiliate from the Church in order to not be a subject of the tax anymore. In the context of church membership, the government is obligated to be neutral with regard to ideological and religious views. This is important in the context of the prohibition of the state to force all citizens to be part of a church. Thus, church membership can only be a voluntary act in Germany, and with regard to the membership in the Church, theologically baptism is required (Meyer, 1989, pp. 173-181; Niemeier, 1989, pp. 225-230). Besides this, no other contractual declaration of the membership is necessary in order to legally become part of the religious society (Robbers, 2013, pp. 134-142). Further to this Robbers (2013, p. 136) states that the [C]hurch "(...) keeps its membership register and informs the state authorities if necessary". In addition, Niemeier (1989, p. 230) states that only natural persons can become a member of a church; this excludes juristic persons such as a corporation. This also implies that a juristic person such as a corporation cannot be subject to a church tax in Germany. Church disaffiliation, which has to be declared in front of a registrar, releases the congregant from the liability to have to pay church taxes (Niemeier, 1989, pp. 234-239). Further to this, the official church disaffiliation itself might be a breach of canon law, but it never dissolves the meaning of baptism (L. Müller, 2014, pp. 193-212).

4.3.1.4 A legal focus on the church tax

The church tax was already introduced above in a constitutional, legal context. However, and despite the fact that the government is providing its fiscal administration to collect the church tax on behalf of the Church (Niemeier, 1989, pp. 211-249) the following will go into further detail of the legal configuration of the church tax.

The *Grundgesetz* refers to article 137 section 6 of the *WRV* stating (Deutscher Bundestag, 2012, p. 134):

“(6) Religious societies that are corporations under public law shall be entitled to levy taxes on the basis of the civil taxation lists in accordance with Land law.”

Thus, the right to levy church taxes is only a governmentally delegated right and not an ecclesiastical right itself. In addition, the definition of the church tax is based on the definition of taxes in section 3 of the fiscal code of Germany (*Abgabenordnung*). There it says in section 3, “Taxes, ancillary tax payments” (Bundesministerium der Finanzen, 2016):

“Taxes shall mean payments of money, other than payments made in consideration of the performance of a particular activity (...)”

Hence, church taxes are not subject to service in return and thus, do not automatically lead to the right of receiving sacraments or such; they are a membership fee (Niemeier, 1989, pp. 211-249).

The configuration and thus regulation of the church tax differs in the *Bundesländer*. Thus, the church tax rate is in general 9%, but in four states, i.e. Baden-Wuerttemberg, Bavaria, Bremen and Hamburg, it is 8%. In addition to this, the legal situation allows a maximum amount of a 10% church tax rate; however, an increase to 10% was never considered so far. Also, the amount of church taxes due in a given fiscal period is tax-deductible at the level of the taxpayer (Meyer, 1989, p. 189; Niemeier, 1989, pp. 211-249).

Currently, there are five different manifestations of the church tax in place in Germany (Petersen, 2015b, pp. 31-46):

- 1) a church tax based on the personal income taxes, i.e. ‘the church tax’,
- 2) a church tax on capital gains,
- 3) a church tax as a surcharge to the tax on land and buildings (*Kirchengrundsteuer*),
- 4) the *Kirchgeld* (translated by the author: ‘church money’), and
- 5) the *besonderes Kirchgeld* (translated by the author: ‘special church money’).

In practice, only the first two forms are of relevance for the overall volume of church tax revenues. The revenues from the *Kirchengrundsteuer* are ‘inconsiderable’ and the contribution of the *Kirchgeld* in both forms also vanishingly low. Also, all three forms,

i.e. *Kirchen Grundsteuer*, *Kirchgeld* and *besonderes Kirchgeld* are only collected regionally and not levied in every diocese (Hammer, 2002, pp. 473-474; Petersen, 2015b, pp. 31-46).

Also, the *Kirchgeld* is considered as part of the church tax, but is an own construction of the Church and not annexed to any other tax, such as the income tax. The idea behind the *Kirchgeld* is to receive a financial contribution from a congregant without an income, but who is married to an employed spouse who is not a member of the Church. For the calculation of the *Kirchgeld*, the income of the spouse is allocated to a cluster with a specific fix amount that increases with every cluster. The *besonderes Kirchgeld* is a *Kirchgeld* levied in cases of different religious denominations of the spouses (Giloy, 2004, pp. 165-184; Niemeier, 1989, pp. 211-249; Petersen, 2015b, pp. 41-44), e.g. one is Catholic, and one is Evangelical.

In summary, from a legal point of view the church tax is a) constitutionally guaranteed and b) interweaved into the taxation system in Germany.

4.3.2 Part II: An exploratory analysis of the societal and sociological environment

This part of the environmental analysis of church financing focuses on the societal and sociological environment. Before the remainder of this section reveals those aspects, it is necessary to get an understanding of sociology in a more general context and its stance towards religion including the concept of secularisation.

In Western Europe at the end of the 19th century, the structure, functioning and perception of society changed substantially. Thus, not only the industrial sector emerged, i.e. manifested in the term of industrialisation. Also, many people left the country and settled in cities, i.e. manifested in the term of urbanisation. These developments and their consequences were subject of reflections written by scholars such as Max Weber, Émile Durkheimer and Georg Simmel. They captured this time of radical societal change in the emerging discipline of sociology. Within their works, they realised and noted that the structure of society was not unalterable for all times. Instead, they recognised momenta, such as the above-mentioned industrialisation and urbanisation; according to their perception, these momenta entailed change (Rosa et al., 2007, pp. 15-28). Consequently,

these fundamental changes of society had an impact on the Church and therefore also onto church financing.

The sociological term secularisation (Ger. *Säkularisierung*) is a product of the history of the Church in the 19th century (Pott, 2002, pp. 11-12). Because secularisation is also a phenomenon, which is thematised in sociology, it can be perceived as a connecting point between sociology and religion. Thus, the Church has to cope with the consequences of this radical social change and sociologists try to explain phenomena regarding the society itself with this term. Most importantly secularisation describes the process of a degree of alienation from the society and the Church; i.e. the role of the Church in daily life (Pollack, 2012, pp. 21-28).

As stated above, a core pillar of a model of church financing must be that the instruments and set-up of the system reflect the perception of religion and theological requirements of the society; this must be in balance with the needs of the Church. Thus, if there is an equilibrium between society and ecclesiastical needs the system of church financing can function effectively. In other words, whereas financing of market-oriented corporations to a large extent depends externally on the functioning of the capital markets, a system of church financing considerably depends on the acceptance of the Church and the instruments of church financing in the society.

The following is divided into the fields: i) insights from **sociology and sociology of religion**, deriving the *raison d'être* for church and religion, ii) a societal view on **religion and religiosity in Germany**, revealing the perception of religion in the German society, iii) **believing without belonging & believing in belonging**, investigating perspectives by Grace Davie and Abby Day, and iv) **journalistic opinion making**, which reveals insights from an analysis that reviewed critical newspaper publications on church financing in Germany.

4.3.2.1 The raison d'être of the Church from a sociological viewpoint

The following reveals insights from sociology with an impact on church financing. Whereas this might only appear indirectly, i.e. if the secularisation leads to lower numbers of church members, which in turn reduces the basis for the church tax, this might appear directly if church attendance is decreasing which in turn involves lower revenues from the offertory.

Religion for society is according to Stark and Bainbridge (1987, p. 12) important as “religion is a major factor in human life”. Besides, they state that it “can be expected to remain so for the foreseeable future”. Also, they note that even though there is a “widespread conviction among social scientists that religion is rapidly headed for oblivion” (Stark & Bainbridge, 1987, p. 11), religiosity never went down on an aggregate basis. For the context of this thesis, this can be underpinned with statistical data collected on Germany by the research institute ‘Infratest dimap’. Thus, the data with a representative group of 1,000 people indicate that in 2011 still, 58% of all Germans believe in God, 90% perceive Christian values such as charity and mercifulness as essential, and still, 33% of the Germans think that it is important to go to church on religious holidays. Also, the data indicate that 90% of all Germans regard Christian values such as charity and mercifulness as necessary for their personal life (Statista, 2012, pp. 13-23; 2018, pp. 17-25). This is in line with findings by sociologist of religion Grace Davie for Britain who states that “[n]ominal belief in God persists, so too does a relatively friendly attitude towards the churches”. However, she states, “not only is practice minimal, so too is religious knowledge” (Davie, 1990, p. 460). Above that, it is worthwhile to note that Voas and Crockett (2005, p. 12) note that “the underlying principle is that faith may change shape but does not fade away.”

In addition to this comes the fact that more than ever, time is scarce resources and individuals in our modern society who often have a very high time awareness, more and more perceive the Church as just one out of many ‘leisure time and amusement providers’. Accordingly, the Church competes with the continuously growing ‘leisure industry’. In this context, for example, the erstwhile common church attendance on a Sunday compete, e.g. with an invitation to brunch, the attendance of a matinée in a theatre or the view of a football game (Giesen, 2009, pp. 44-47).

Besides, the closeness to a religious congregation of an individual is significantly created by the parental home. This leads Giesen (2009, pp. 37-38) to state that the tendency to opt out of church increases if the parental homes of the person have no close relationship to religious life. Also, if the idea to opt out of church is formed, the probability to baptise one's children becomes very low (MDG/Institut für Demoskopie Allensbach, 2003, p. 36; Nellessen-Schumacher, 1978, pp. 131-139).

After putting the religious socialisation into the spotlight of this exploration of sociological aspects of religion the question remains what it is that makes religion preservable and presumably valuable for society. Here the concept of religious commodities could help to allow an entrance to a train of thought on preservation. To start this line of argumentation, it is worthwhile to perceive religion as a good, as a household commodity. As such, it comes with costs when being produced and can be labelled religious commodity. The term commodity which has been introduced by the sociologist Iannaccone (1992, p. 124) to the debate indeed "startles some and offends others, but it serves to identify religion as an object of choice, an object that exists because people produce it". Further Iannaccone (1992, p. 125) describes the nature of religious commodities as not physical "like cars or computers that can be manufactured, packaged and sold in stores. Nor are they services like haircuts or banking that we have others do for us." Instead, religious commodities are goods and services, which are produced by families and individuals for their consumption. As the individuals choose to 'consume' religion, they also accept that their consumption comes with costs. These, in turn, would only be accepted by the 'consumers' if it is true that religion is an integral part of social life. If one accepts this line of argumentation, then it is worthwhile to preserve religion as a benefit for the society.

However, Davie (2011, p. 167) notes that the ongoing development of a "reduction in church activity in Western Europe forms part of a profound change in the nature of social life (...)" and yet, "churches have a continuing existence in Europe" so do they in Germany. However, "the sociological debate" on these state of affairs intensifies and "(...) the emergence of a society in which secular rationalism becomes the overriding norm" (Davie, 2011, p. 167).

4.3.2.2 Religiosity and church membership in Germany

The following reveals further insights of religiosity and church membership in Germany. In this context, Davie (2011, p. 165) notes that there is a “mismatch between different measurements of religiousness”. Therefore, this study will express the applied measurements of religiousness and will base the measurement of religiousness in case of the situation in Germany on a) church membership, b) trust in the Catholic Church, c) the belief in God and d) church attendance. Those dimensions are inspired by Davie (2011, pp. 165-166) who notes that “institutional commitment (in the form of religious membership or regular practise) both reflects and confirms religious belief in its orthodox forms”. Thus, she continues to state that “[t]he believing Christian attends church to express his or her belief and to receive affirmation that this is the right thing to do” (Davie, 2011, p. 166).

In 2016, about 60% of all 82m Germans were a member of the Christian Church. Out of those, 23.6m Germans belong to the Catholic Church and 21.9m belong to the Evangelical Church. In other words, Catholics in Germany are representing about 29% of all Germans. Before the Reunification, they represented about 43% of all Germans. In a global context, the German Catholics only account for about 2% of all 1.3bn Catholics (Deutsche Bischofskonferenz, 2017c)⁸⁰.

Besides, the regional difference regarding the Catholic share of the population in Germany is significant. Thus today, the North of Germany is predominantly characterised by Protestantism, Catholicism largely characterises the South and West, and the East, due to the political system until 1990, is characterised by a high percentage of non-denominational people. This means for the East, depending on the region, a Catholic share of the population only between 3% and 9%, whereas this is in the northern states slightly higher, i.e. 6-17%. The most ‘Catholic region’ in Germany is the south, i.e. Bavaria with 51% Catholics (Deutsche Bischofskonferenz, 2017c).

Above the geographical heterogeneity, it is worthwhile to consider the rate of church goings on Sundays of the Catholics. Thus, in 1950 more than 50% of all German Catholics went to church on Sundays. Thus, in

⁸⁰ Unfortunately the cited website <http://www.dbk.de:80/katholische-kirche/katholische-kirche-deutschland> is no longer available as the Bishops Conference has changed the layout and design of its website as of 1 February 2018 (Deutsche Bischofskonferenz, 2018a). However, a copy of the former website in form of a pdf was created in October 2017 in course of the drafting of this thesis that can be requested from the author.

- 1960 this number was 46.1%, in
- 1975 this number was 32,6%, in
- 1990 this number was 21,9%, and in
- 2002 this number decreased to 15.2%.⁸¹

Moreover, this development intensifies if one considers the age structure of those who are still attending the Holy Mass. Therefore, with regard to people older than 60, 21% are going to church every Sunday, and additional 20% almost every Sunday, but in the age group of people between 16-29, only 5% are going to church on every Sunday, and another 7% almost every Sunday (MDG/Institut für Demoskopie Allensbach, 2003, pp. 3-25). Giesen (2009, p. 34) interprets this with the fact that from a sociological perspective, elderly people are in general feeling more affiliated to the Church. In addition, Church has a higher value in that phase of life.⁸² This is also an observation that is shared with Grace Davie (1990, p. 457) who states that “[o]lder people have always been more religious than the young” and that there is a “strong correlation between age and religious commitment”. Above that it is worthwhile to mention that Davie (2011, p. 166) notes that “repeated exposure to the institution and its teaching necessarily informs, not to say disciplines, belief.”

According to the publication *Perspektive Deutschland* (‘Perspective on Germany’) which is the biggest demographic and sociological survey ever conducted in Germany during the years 2001-2006, with about 1,300,000 participants (Faßbender & Kluge, 2006b, p. 8), 45% of all Germans do not trust the Catholic Church.⁸³ This mistrust is according to Giesen (2009, p. 40) attributable to various components; for the context of this thesis the following arguments are worthwhile to consider:

⁸¹ For 2010, this number decreased again, only 10% go to church every Sunday, and only another 14% go to church almost every Sunday. Besides, also 34% never go to church and another 31% only here and then (11% did not give an answer in that representative poll amongst 5,266 Catholics) (MDG/Institut für Demoskopie Allensbach, 2010).

⁸² In addition to church attendance, another phenomenon to be observed is the number of Catholic weddings. This number also decreased rapidly since the 1990s. Thus, in 1990, the number of Catholic weddings was 116,332 and within 15 years, the number decreased to 49,900 in 2005 (2016: 43,610). In addition, in the same period, the number of baptisms decreased; however, not as much as the number of weddings. Accordingly, in 1990 the number of baptisms amounted to 293,390 and decreased to 171,531 in 2016 (Deutsche Bischofskonferenz, 2017a, p. 2; Giesen, 2009, pp. 38-40).

⁸³ Only the German Bundestag and the German political parties receive even less trust among the institutions in Germany (Faßbender & Kluge, 2006a, p. 31).

- 37% of all Germans state that the Church is non-transparent and
- 21% indicate that the Catholic Church does not operate economically.

Despite this lack of trust in the Catholic Church within the German society, the decline of the percentage of Catholics in Germany is not only due to social change, i.e. secularisation, but also due to unfavourable demographic developments. Thus, today more Catholics are buried every year than those who are baptised (Deutsche Bischofskonferenz, 2017c). This in combination with the secularisation⁸⁴, which implies an alienation of the society from the Church in general and that it is not self-evident to belong to a church for contemporary Germans. The Church in the 21st century is challenged by far-reaching social change.

The number of people who are opting out of the Church has increased rapidly since World War II. In a representative public opinion poll conducted by the *Allensbach Institute for public opinion polls* in 1993, people were interviewed who recently disaffiliated from the Church for their spontaneous justification for this. The interviewed people referred to the payment of church taxes in 44% of all cases, followed by the argument of criticism regarding the behaviour of the Church or representatives of the Church (Institut für Demoskopie Allensbach, 1993, pp. 4-26).⁸⁵ In this context, Giesen (2009, p. 36) accentuates that ‘the argument church tax’ is never mentioned unaccompanied by other reasons and instead comes along with at least one further reason. Thus, the reasons, which motivate persons to decide to leave the Church, are most of the time personal reflections and reconsiderations rather than individual bad experiences with the Church as an institution or with a representative of the Church. This argumentation which the financial aspect is rarely the sole reason to disaffiliate is supported by Smekal (1989, pp. 131-138) who also notes that people who secede from church have alienated from religious areas already much earlier.

Furthermore, according to another study by the *Allensbach Institute for public opinion polls* those who are disaffiliating are mostly young persons. Besides, the critical phase for executing the disaffiliation is the time before the 30th birthday (Institut für

⁸⁴ Sternberg (1994) lists inter alia the decreasing number of churchgoings, the abolition of graces prior to meals, the omission of religious symbols from homes and public institutions, and a decreasing role of religious traditions as manifestations of secularisation.

⁸⁵ Further to this, the study lists ‘insufficient interest in the Church and its activities’ and ‘the attitude of the Church regarding certain positions’ as popular reasons to justify the disaffiliation (Institut für Demoskopie Allensbach, 1993, p. 22).

Demoskopie Allensbach, 1992, pp. 6-8; MDG/Institut für Demoskopie Allensbach, 2010, p. 20). In this context Grace Davie (1990, p. 462) brings an interesting thought to the debate when she says that “[i]f we widen the definition of religion to include questions about the meaning of life, the purpose of mankind’s existence, the future of the planet and man’s responsibilities to his fellow man and to the Earth itself, we may find a very different pattern of “religious” [quotation marks in Original] behaviour among the young. Later in her train of thought, she suggests the “rather tentative conclusion: religion and religious values are not so much disappearing among young people as being redirected”. However, as in Germany church financing is firmly connected with church membership, which in turn requires baptism, this train of thought does not help to develop a model of church financing in Germany any further at this moment. It could imply that the Church still has a prominent place indeed in society albeit its core offerings such as worship, the Holy Mass and the promise of salvation are decreasing in meaning. Thus, one can empirically observe shrinking numbers of church members due to the demographic development, a decreasing number of baptisms and an increasing number of church disaffiliations. Also, a poll conducted among 1,000 Catholics revealed that about 14% of all members frequently think about disaffiliation from church (Bücker, 2005, p. 87). Above that those who indeed are opting out and who are disaffiliating from the Church are tending to be more males than females and that the seceding congregants tend towards a higher education than the average and also an above average income (Ebertz, 2003, p. 21). This leads to the conclusion that the financial aspect might trigger the disaffiliation, but that an emotional separation from the Church occurs much earlier. Thus, the actual motivation to effectively execute the secession only is triggered by considerations to gain also a financial advantage (Bier, 2006, pp. 348-352; Demel, 1996, pp. 471-511; Zapp, 2006, pp. 673-707). This argumentation goes along with the fact that also in the above-mentioned poll, 62% stated that they do not see any advantage of their church membership any more (Institut für Demoskopie Allensbach, 1993, pp. 21-25) and (Bücker, 2005, p. 87) notes that the church tax is not the only argument to disaffiliate, but it is the one with a very high meaning.

Despite the relationship of church membership and the obligation to pay church taxes in Germany, the phenomenon of *Kasualienfrömmigkeit* (occasional services devoutness) is worthwhile to consider in the context of the study on hand. Thus this form of devoutness embraces the ecclesiastical events of baptism, wedding and burial (Schick,

2010, pp. 8-9). These three sacraments are still valued by congregants even if they are less religious and devotional (Bücker, 2005, p. 100; Ebertz, 2003, pp. 36-77). Thus, still, 30% of all congregants who consider quitting their membership still think that the celebration of religious festivals on the occasion of birth, wedding and death is still relevant for them (Institut für Demoskopie Allensbach, 1993, pp. 42-52). The theologians Först (2010, pp. 17-88) call this behaviour *Kasualienfrömmigkeit* (from ‘occasional services’ (*Kasualien*) and ‘devoutness’ (*Frömmigkeit*)). In this context Engelbrecht (2010, pp. 89-124) found that for many Catholics this loose band of being devout is indeed only due to the occasional services; it is their only connection left to the Church. In this context, O. Fuchs (2010, p. 157) notes that ‘occasional devout congregants’ indeed pay church taxes every month, and that they use the ecclesiastical services to a meager degree. According to him, the Church should be thankful to have this kind of support as in turn to the Church itself; the congregants have low expectations of the institution church. This is a line of argumentation which is also supported by Först and Kügler (2010, p. 11). Due to this, it is worthwhile to consider what kind of benefits are being produced and offered by the Catholic Church, cf. section 5.2.2.1. Above that this phenomenon is not only being observed in Germany but also for instance for Britain by Grace Davie (1990, p. 457) who states that there is a “relatively large latent membership of the Church of England (...)” which is characterised by the fact that the people get involved with the Church at birth, marriage and death “to mark the turning points in life”. In another, later publication she also states about “occasional offices” as she terms it, that “[i]ndividual families and communities regularly pause for thought at critical moments in their existence, frequently marking these with some form of liturgy” (Davie, 2011, p. 171). In summary, this leads to the conclusion that there is a “continuing role of the churches in the life-cycles of European people” (Davie, 2011, p. 171) and that this is an important point to be reflected within a model of church financing in Germany and therefore for the context of this thesis.

Above that, the challenge for the Church in modernity is the change of values of the contemporary materialistic society (Rau, 1989, p. 339). Ultimately, the shift of values and decreased degree of religiosity will be charged to the debit of the Church’s earnings side, as currently, the church tax is the primary source of church financing.

Also, the conviction that congregants often still assign a high value to the sacraments, leads to the fact that many congregants stay in the Church as members and pay

church taxes, but often do not attend any service and perhaps disaffiliate from the Church at a later stage where the church tax is not the trigger but the reason to disaffiliate.

In this context, it is worthwhile to take a look on the relationship of believing, i.e. in the sense of participating in ecclesiastical offerings such as the Mass or occasional services and membership. Thus, the next section will reveal well-perceived views by Abby Day and Grace Davie on the relationship between membership, i.e. belonging and the belief.

4.3.2.3 From believing without belonging and believing in belonging towards believing without contributing

According to Cardinal Timothy Dolan, the Archbishop of New York, the Roman Catholic Church “faces a serious challenge from the rising number of people who believe in God but no longer see any need for a church (...)” (Heneghan, 2014). This is described by sociologists of religion as ‘believing without belonging’ and reflects the growing number of people who say they are “spiritual but not religious” (Hedstrom, 2016, pp. 256-257). The understanding of the concept of ‘believing without belonging’ has been developed by Grace Davie in the 1990s (Davie, 1990, p. 455; 1994, pp. 93-116). In her corresponding works Davie (1990, pp. 455-469) and Davie (1994), she explores the role of religion in contemporary Britain. Thereby she found a profound mismatch between believing of the people and the belonging in the form of church goings and the religious practice of the people. Thus, she states that “[b]elieving (...) persists while belonging continues to decline (...) (Davie, 1990, p. 455) and that “[r]eligious membership becomes a question of being rather than doing” which leads to the observation that “a large majority of people in contemporary Britain continue to believe but have ceased to belong to their religious institutions in any meaningful sense” (Davie, 1990, p. 457). Besides, she notes that there “is the gradual mutation from a “culture of obligation” [quotation marks in Original] to a “culture of consumption” [quotation marks in Original] (...)” (Davie, 2011, p. 165).

These findings and also her general train of thought is interesting and of relevance to this thesis in general but also in particular *inter alia* due to the findings she made in her later research on some Scandinavian countries⁸⁶ where she found quite the opposite to the

⁸⁶ In this context Davie (2011, p. 165) notes that Sweden is “one of the most secular” countries in the world.

above, i.e. ‘belonging without believing’ (Davie, 2006, pp. 21-37). In this context she is curious to find out why the Nordic populations continue their “membership of and support for their churches (...)” while they do not “attend their churches with any frequency” (Davie, 2011, p. 169). Above that, and about twenty years after Grace Davie’s ‘believing without belonging’ idea, Abbie Day further developed aspects of the work of Davie in her doctoral thesis on ‘believing in belonging’ where she analyses anthropological and sociological understandings of belief. For this she uses “[t]he concept of ‘performative belief’ [which, C.B.] helps explain how otherwise non-religious people can bring into being a Christian identity related to social belongings”. To develop her “holistic, organic, multidimensional analytical framework” she explores the “often dismissed as ‘nominal’ religious affiliations” and claims that this category “is far from an empty” one but instead it is a category full of meaning (Day, 2011, p. i). Ultimately, she proposes a framework that emphasises social belonging and prioritises this belonging over religious believing. Besides and as a main finding Day moves away from the comparisons of ‘religious versus secular’ and ‘believing versus non-believing’, instead, she develops a broader understanding of belief which she terms ‘believing in belonging’, and she argues that many of her interview partners regard social belonging as more important as belief. Further on, she develops (Day, 2011, pp. 47-73). This leads her to develop the belief orientations ‘anthropocentric’ and ‘theocentric’ (Day, 2011, pp. 156-158). Thus, anthropocentric believers are referencing their belief “in reference to their human relationships” which means that they do not believe in a religious understanding and that they centre their life “not to gods”. In contrast to this, the theocentric believers, “like the anthropocentrics” maintain “strong human relationships” but this group does not centre their lives to these relationships but to god (Day, 2011, p. 157). Above that “[w]hile noting that the [C]hurch provided a strong sense of community” the participants in Day’s study “sourced the ‘true’ source of love and comfort as coming from God, not from the community or its members” (Day, 2011, p. 168). This *inter alia* brings Day (2011, p. 168) to the boundaries of belonging which then is a “process of affiliation and disaffiliation”.

It is this point of Day that has relevance for church financing, especially for Germany as membership is connected to the church tax, i.e. a membership fee in Germany. Thus, whereas there are people who believe in God turn away from the Church, i.e. they disaffiliate and hence do not pay church taxes anymore there are also people who do not take the religious belief that serious but still believe in belonging into the Church

community. Alternatively, putting the same point in slightly different terms, those who make use of the core competence of the Church, i.e. faith, can have this without belonging to a church. This is a phenomenon, which I want to term **believing without contributing** in the remainder of this thesis. Thus, this group prefers to not being part of the official church membership group anymore, and therefore they do not contribute on a regular basis as manifested by the system of the church tax. However, this does not mean that they do not contribute at all anymore as they could still donate here and then when visiting a church; yet, the body of research and statistics on this in Germany indicates that donations to the Church do not have any meaning for the situation of the RCCiG, and there is no measurable effect that donations go up whereas church membership decline (Deutsche Bischofskonferenz, 2016; Feldhoff, 1989, pp. 28-29; Hammer, 2002, p. 81; Marré, 1991, p. 35). It appears to be that more and more are not willing to support the Church materially, which leads me to conclude the phrase ‘believing without contributing’. In parts, this assumption is in line with research conducted by (Kühn, 2014, pp. 296-297) who states that “[c]hurch members are considerably more likely to make a donation than non-members”.

In summary, I have to adjust both Davie’s and Day’s contributions to the specific situation of church financing in Germany. Thus, I am stressing the assumption that ‘a growing number of people in contemporary Germany disaffiliate from the Church to stop contributing to the Church, but at the same time they continue to believe in God’. This assumption is substantiated by the latest research. Hence, for the situation in Germany, there is a connection between the church tax and church disaffiliation, but the church tax is instead a trigger than the actual cause of the disaffiliation. The main reasons for leaving the Church are alienation and a lack of commitment. Thereby it is the quality of pastoral care in the local churches that is crucial for many church members. Here it is the experience, especially in connection with very personal services such as a baptism, marriage or funerals are an essential criterion for many church members. Thus, many congregants are running a cost-benefit calculation and if positive experiences in the first communion of children involve severe disappointments this has a negative impact on their balance and lead to the act of disaffiliation as a result (Etscheid-Stams, Laudage-Kleeberg, & Rünker, 2018, pp. 38-51; Riegel, Kröck, & Faix, 2018, pp. 128-135). In other words, there is currently still a number of church members who continue to belong, and thus, they are also contributing; however, they are reducing their belief in being occasional services devout,

i.e. they only use their church membership to celebrate turning points in their lives such as birth (Christian baptism), marriage (Christian wedding) and death (Christian burial).

For church financing in Germany, this implies that there is a situation to be described as believing without contributing and this, in turn, leads to a state of affairs where alternative views on the system of church financing are required.

4.3.3 Hermeneutic thematic synthesis on the external factors

This section synthesises both, the external, environmental analysis and the internal, theological analysis and their implications for the system of church financing in Germany. Thereby it must be stated that the legal structures, which appear today, are the result of complex power relationships. Thus, the manifestations are results of an interplay of the religious ideas of both, the Church and the state, combined with the secular interests of the Church such as the need for a material existence (Lienemann, 1989a, pp. 14-29). Above that and in context of societal criticism on the Church and its system of church financing, it becomes apparent that indeed the Church and church financing are part of the public debate. Consequently, the system of church financing is in constant tension with the social environment and thus, acceptance of the society. Also, it can be stated that the privileges of the Church within the German state generally secure a stable financial basis for their material existence. This state of affairs developed during the last two centuries. Besides, from the time of the foundation of the Federal Republic until today church financing in Germany frequently became subject of the social debate. Moreover, political situations and in times also the journalistic opinion-making of the leading media corporations led to a state of affair where the public engages evermore in the discussions about the contemporariness of the church tax, any state subsidies which often includes also – although it is wrong as it is not a subsidy a compensation fee – the *Staatsleistungen*, and the state-church relationship in Germany. This along with a critical stance in the cause of the ‘Causa Limburg’ or the child abuse scandal transforms church financing into a burning glass of the public opinion of the Church.

This situation already forms a valid entry for a thesis on church financing. Thus, in a ‘believing without contributing society’ where parts of the society still believe in God and regard occasional services such as baptism, marriage and an ecclesiastical burial as essential for their life new forms of church financing are necessary and collective

instruments such as the church tax will not alone secure the income of the ecclesiastical personnel.

The main points of the analysis of logic 2 and its synthesis are displayed in Figure 13 below, and thereby the results are being integrated into the conceptual model.

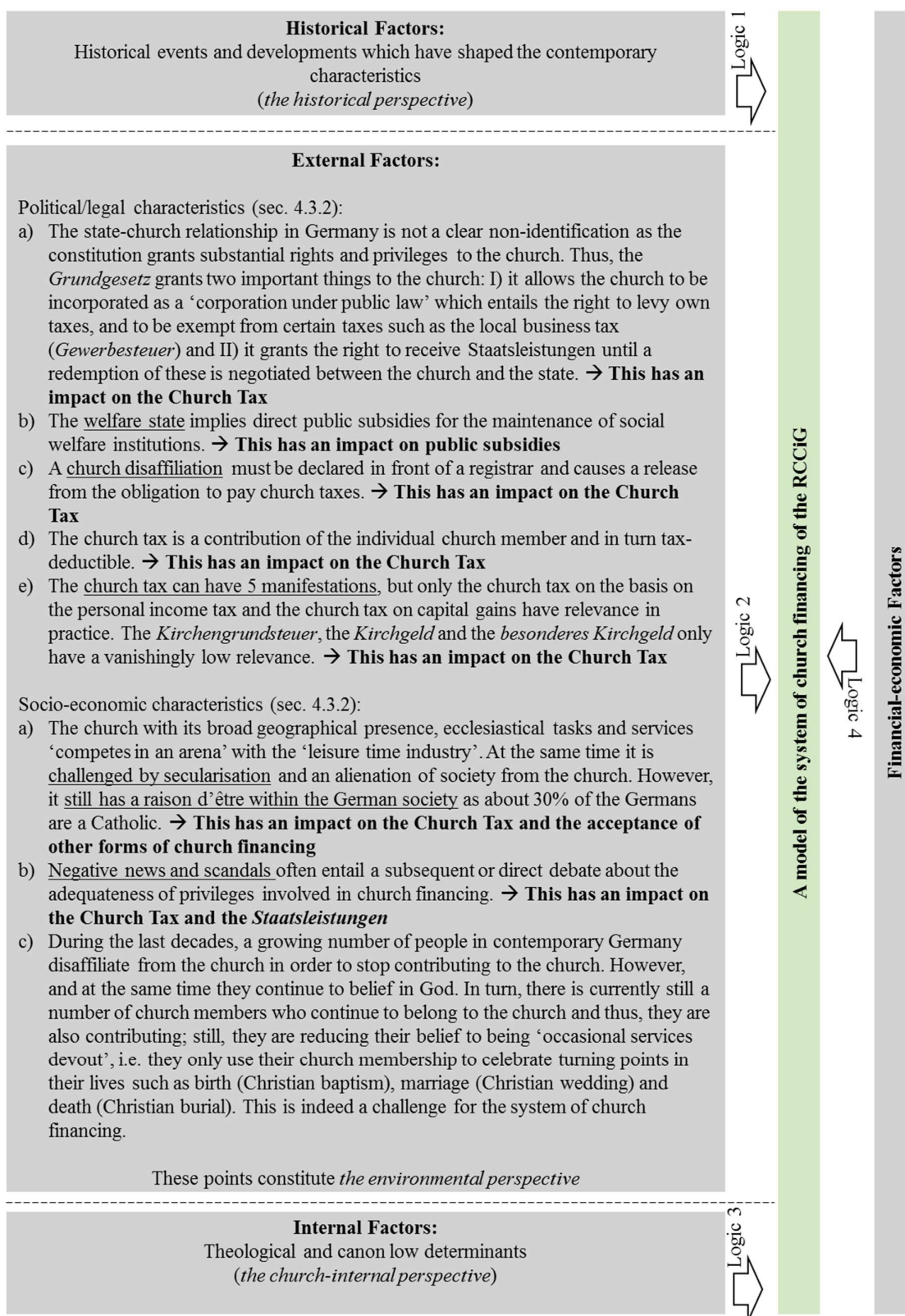


Figure 13: The external factors within the conceptual model of church financing (Logic 2) (diagram compiled by the author).

The next section reveals insights from internal, theological preconditions for church financing.

4.4 Logic 3: internal factors – implications from canon law and theology

This section analyses logic 3 of the conceptual model, which are the internal factors resulting from canon law and theological thought. Again, as stated in the section on logic 1 above, a retrospective analysis of the history of church financing in Germany indicates that external and internal factors are determining reflexive reactions of the system of church financing. Whereas the section here above revealed the insights from **major external factors**, the focus will be hereafter on the Church's internal factors such as a) Christian theology, incl. Canon law and b) ecclesiology appear to be a **major internal factor** as they set the boundaries of the universe of instruments of church financing used at all. To approach the various internal factors, this section is split into the part I on implications resulting from canon law and the dogmatic constitution of the Catholic Church and part II on findings from ecclesiology and practical theology.

4.4.1 Part I: An exploratory analysis of canon law, Vatican II and ecclesiology

4.4.1.1 Implications from canon law

The law for the Catholic Church, which is valid for the global Catholic Church is the *Codex Iuris Canonici*, i.e. canon law, which was bindingly passed in 1983 ('*CIC 1983*') (Hammer, 2002, pp. 135-136). The following reveals aspects of the law with relevance for church financing. Most importantly article 222 paragraph 16 of the *CIC 1983* states for all congregants globally that they shall have to support the Church materially. In other words, the Church, in turn, has the right to receive financial support. This is also regulated in article 1260 of the *CIC 1983* (Marré & Jurina, 2006, pp. 9-12). In this context also the *Gemeinsame Synode* (1977, pp. 209-210) states that each congregant has to give an adequate proportion of his earnings to the Church. They specify that this obligation should be 'noticeable'. Noticeable in turn, would be 'substantial' from a financial perspective. The *Gemeinsame Synode* justifies this with the fact, that to abolish poverty everyone has to give up some of his goods. They further argue that the obligation of each member of the community to carry this financial burden is an act of solidarity.

Accordingly, those who are staying in this social bond voluntary cannot oppose to their social duty; the duty is derived from their membership. Thus, according to the theologian Giesen (2009, p. 88) from a theological and canonical perspective, the church tax is thoroughly legitimate. In the context of the above-mentioned article 222, a tax is indeed also acceptable as financial support. This perception is still valid after considering article 1263 of the *CIC 1983*, where it says that a tax shall only be used as an exception (Lat. *casu gravis neecessitatis*). Thus, the regulation for Germany with the construct of a church tax is an exception and therefore referred to as the ‘*clausula teutonica*’ (G. Fischer, 2005, pp. 89-92; Haering, 2014, pp. 71-88; Meier, 2005, p. 39).

In addition to this, the *CIC* regulates supra-diocesan unions; in case of Germany the German conference of bishops. At this highest level of aggregation of the institutionalised church, there are these conferences, and they are formed within each respective jurisdiction, e.g. the German conference of bishops. This Conference of Bishops is explicitly mentioned in article 447 of the *CIC 1983* as a union of all bishops of one jurisdiction to form a deliberating and decision-making council (Schwendenwein, 2003, pp. 308-319).⁸⁷

4.4.1.2 Implications from Vatican II and the dogmatic constitution of the Church

In the aftermath of World War II, it becomes apparent how much the Church drifted away from the modern society. Precisely this was one of the reasons that Pope John XXIII convoked the Second Vatican Council (Vatican II). Vatican II, which took place in Rome from 1962-65, was initiated as a papal reflection of the radical societal changes in the Western World in modernity. Noteworthy, the Theologian Karl Rahner, who is considered the *Spiritus Rector* for the council, came from Germany. Thus, Rahner also brought the western European situation of radical societal change into the debates during the council. During the reflection of modernity within the Church, the council made numerous reforms such as abandoning the universal Latin liturgy and acknowledging ecumenism. As such, Vatican II was the most significant event in the Catholic Church in the 20th century; it was a benchmark and starting point for a new representation of the self-understanding of the

⁸⁷ Above this, the *CIC* determines that according to article 492 of the *CIC 1983* the finance and property administration must comprise of at least three economically and legally trained members. Further, and according to article 493, these institutions are required to prepare the ecclesiastical budgets and to approve the annual financial statements of the dioceses. In addition to this, article 494 requires that the bishop is responsible for appointing a finance officer who is taking care of the financial management of the dioceses (Giesen, 2009, pp. 74-75).

Church in the modern society. Thus, until Vatican II, the Church limited itself to a ‘static and hierarchical self-perception’ (Giesen, 2009, pp. 98-100; Hünemann, 2006, pp. 5-101; Pope Paul VI. (Vatican II), 1965a, 1965b; Schatz, 1986, pp. 296-326).⁸⁸

Further to this change of the Church’s self-perception Kehl (1993, pp. 568-573) states that with Vatican II, the ‘apologetic-defensive’ attitude of the Catholic Church against modernity was relinquished. Thus, the Catholic Church started an opening up towards the contemporary society. This new relationship of the Church with the acknowledgement of the contemporary environment is manifested in the pastoral constitution of the Church *Gaudium et Spes* (Suermann, 2012, pp. 29-30). Therefore, in paragraph 4 and as part of the introductory statement, which is explaining the situation of men in the modern world, the constitution says that “(...) the Church has always had the duty of scrutini[s]ing the signs of the times and of interpreting them in the light of the Gospel. (...)” (Pope Paul VI. (Vatican II), 1965b).

In summary and with regard to church financing, Vatican II states that although the Church needs financial resources to fulfil its mission, financial means must not be used for a glorification of the Church (Pulte, 2015, pp. 127-152). Thus, the necessary and available funds must serve. This in connection with the hint of *Gaudium et Spes* that the Church must interpret “the signs of the times”, cf. above shall be interpreted as the basis for an understanding that also church financing must be considered within its contemporary, modern environment. This environment includes the market-oriented economic system and a secularised society. This is necessary to perceive real-world phenomena. Thus, modernity, in turn, brought new phenomena with it, which are part of the contemporary system of church financing. One example at the beginning of the 20th century was the foundation of the first Catholic church bank in Bavaria. In addition, the Catholic Church in Austria issued the first ‘church bond’ in history. Both examples existed already before Vatican II and can be perceived as signs of modernity within the system and only can be perceived if one considers the real world environment.

⁸⁸ One important product of Vatican II is the dogmatic constitution of the Church “*Lumen Gentium*” (‘LG’). For the context of this thesis, LG implies a specific regional responsibility with regard to aspects of the material being of a diocese in form of the particular bishop. This includes the requirement to guarantee an adequate provision of financial funds for every parish church in the diocese. If this is not the case then there might be the requirement to arrange the financial support or to even merge parishes (Giesen, 2009, pp. 98-113).

All this becomes even more specific by considering the *CIC 1983*. Hence, in order to have those funds available it is required by canon law that every congregant contributes financially to the Church; ideally this is done voluntarily, and until less than two centuries ago, it used to be the tenth part of any agricultural proceed of a congregant, i.e. the tithe (Grichting, 2007, pp. 581-645). Nowadays, there is no such thing as a tithe anymore, and the Church either relies on donations, contribution fees (such as in Austria⁸⁹) or a church tax (such as in Germany⁹⁰).

4.4.1.3 Ecclesiology: a theological understanding of the Church

Despite the fact that according to theologians ‘the Church’ is the mediating figure between god and human beings, at a higher level, Christianity in turn, is not only about ‘the Church’ but also more. Thus, the Church itself is not reflecting salvation and does not carry meaning in itself. The quiddity of the Church however is, to mediate and to interpret the signs, which were given by Jesus Christ. In other words, church intrinsically is a highly complex construction in which the spiritual and the empirical interlock (Heinzmann, 1993, pp. 106-107). For the context of this study, above it had already been formulated that the Church has this spiritual and an empirical, institutional dimension indeed and in the thesis, on hand, the financing of the latter is the phenomenon under investigation. Thus, and for the context of this thesis, the concrete reality of the Church is its institutional appearance. A theological perception for this can be found in ecclesiology (Kehl, 2001, pp. 23-37). However, the question regarding a theory of ‘the Church’ was of secondary importance in early Christian times. Thus, the Church was in its beginnings a space for the experience of faith and not an object of theological reflection (Heinrich, 2001, p. 124). However, Giesen (2009, pp. 93-95) states that to build a profound understanding of the relationship between theology and elements of economics, it is necessary to perceive the theological concept of the Church, which is derived within the theological discipline of ecclesiology. Thus, ecclesiology is the theological doctrine of the quiddity of the Church. Ecclesiology, which is based on documents and tradition, is part of the Church since its very beginnings and part of theological reflection. Besides, and with relevance for the thesis on hand, ecclesiology received a particular attention in the 20th century. Thus, at this time the Church, as a reaction to the upheavals of the modern era, started to re-consider itself. In

⁸⁹ In his habilitation thesis Martin (Grichting, 2007, pp. 99-136) gives a comprehensive overview on the specific developments in Austria.

⁹⁰ Grichting (2007, pp. 281-372) gives a comprehensive overview on the specific developments in Germany.

other words, the Church perceives itself as a topic herself (Kehl, 2001, pp. 23-37). As such, also church financing becomes an own topic for the Church.

4.4.2 Part II: An exploratory analysis of ecclesiology and practical theology

This part of the analysis reveals further church internal implications for a system of church financing. In this context, the subsequent sections explore and analyse *inter alia* the view of the Catholic Church on church financing in Germany, implications from the fact that pastoral care is costing money and the accusation that the Church is wealthy and insight on the view that the regional appearance of the Catholic Church in Germany.

4.4.2.1 Pastoral care is costing money: the RCCiG on church financing

The following reveals insights from statements and publications of the Catholic Church itself about church financing. It is essential to include a reflection on the church-internal view on church financing as it reveals the perception of the decision-making body on church finance, i.e. the bishop and his diocesan financial council in conjunction with the diocesan finance officer. However, this thesis considers church financing on an aggregate church-internal level, i.e. the German conference of bishops.⁹¹ The following reveals a perception of the church-internal understanding and perception of the relationship between church and money.

In order to undertake ecclesiastical work, the Catholic theologian Thomas Suermann (2012, p. 18) states that resources, such as material, rooms and premises and labour, are necessary. If one compares different dioceses, the availability or limitedness of financial resources are even distinguishing features. Above all, financial constraints should not primarily guide the decision-making in the Church. In this context, Hans Rotter (1989, pp. 201-212) also notes that too much of ‘accumulated wealth’ has always been fateful to the Church. Thus, in situations of greater wealth, the Church endangered its mission because reasonable doubt could suggest that the primary purpose of the Church is the accumulation of wealth and not the preaching of the gospel. Rotter summarises this and stresses that solidarity with the poor and an adequate distance to material wealth is the

⁹¹ In this context, it is worthwhile to note that the conference also publishes information with regard to church financing. Thus, they maintain an own section of their official website dedicated to church financing, i.e. <https://www.dbk.de/themen/kirche-und-geld>, or they publish proceeds of their synods such as “*Kirche - Staat - Gesellschaft*” with an entire section on church financing (Gemeinsame Synode, 1977, pp. 185-214).

most critical feature of the relationship of church and money from a theological perspective. However, the theologian and former provost of the dome in Cologne, Feldhoff (2004, pp. 16-21) also notes that indeed pastoral care is costing money and that it just does not work without money; this has always been the case and will be the case for the foreseeable future. Thus, the German bishops altogether declared in a joint declaration that the Church could only embrace its salvation task, which is to offer worship, pastoral care, education, charity and mission if it has sufficient financial means available (Erklärung der Diözesanbischöfe, 1970, pp. 158-159).

In general, the RCCiG justifies the current system around the church tax as a proven concept. Thus, the synod of all German bishops, i.e. *Gemeinsame Synode*, notes in the above-mentioned publication from 1977, that the church tax is a righteous and reasonable instrument of church financing. Thus, they *inter alia* emphasise that from a fairness point of view, the church tax is ideal as it is in accordance with the ability-to-pay principle (Gemeinsame Synode, 1977, pp. 208-211). This perception is shared by the Catholic theologian, and priest Rotter (1989, pp. 201-212) is in line with this. In addition, he notes that from the perspective of Christian theology indeed voluntary donations would be the ideal instrument as they better reflect the character of the Church. However, he also stresses that church taxes are the most convenient instrument of church financing. Thus and again in favour of the church tax, he argues, that even though voluntary donations bring some advantages with them, such as the voluntariness, they entail disadvantages such as a very low fruitfulness when imposed in a tax-minded country like Germany. Thus, it would be complicated to recalibrate the German society and thus, the system towards a donation-minded society. Also according to him if one compares church taxes with the voluntary-system in the United States, then it seems impossible to create such a donating culture in Germany.

In the context of the collection of the church tax by the state on behalf of the Church, the *Gemeinsame Synode* (1977, p. 210) notes that this is by far the most economical method which is available. Thus, they argue that the creation of an own church tax administration would imply by far higher administrative costs. As a result, they argue against a possible debate on an abolition of the church tax. Hence, they note that abolishment of the church tax would dispossess the Church from something, which has more advantages than any other church financing instrument. Therefore, the current system

allows broad freedom and independence, which is favourable for the Church. In this context, the *Gemeinsame Synode* (1977, p. 211) note that important areas of ecclesiastical work, especially social-charitable and cultural work, could not be carried out any further if the earnings from the church tax vanished. According to them especially those ecclesiastical activities would be affected, which are of use to the entire society and not only for the benefit of the individual congregant.⁹² Also, they stress that in a case of a forced reduction of ecclesiastical offerings, the government could reach a monopoly position in that field, which is not in light of the pluralistic understanding of the constitution and which might be to the disadvantage of society. Besides, the *Gemeinsame Synode* (1977, p. 209) states that at first sight, a system as found in North America appears to be the ideal system of church financing. Thus, such a voluntary system, which is based on donations and collections, seems desirable as the congregant decides free on the purpose and volume of his donation. In comparison, the German system that is church tax-centred could be labelled as enforcement-based. However, the *Gemeinsame Synode* (1977, p. 209) notes that this comparison between enforcement in contrast to voluntariness is only an alternative at first sight. Thus, they argue that in reality, both systems contain elements of voluntariness and both are free of enforcement. They mitigate the enforcement argument by noting that the church tax in its practise indeed depends on the willingness of the congregant also to be a member of the Church. Additionally, they (1977, p. 209) state that the North American system of donation and collection has the particular disadvantage of a potential dependency on a few, financially strong congregants. Besides, they argue, donations are often being given project-assigned. Due to this, they conclude that this could lead to a lack of financial resources for ‘rather unattractive’ church projects. Moreover, they note that church members frequently tend to support only their parish that implies an advantage for financially strong parishes over financially weak ones. Ultimately, this ‘steeple policy’ might lead to negligence of supra-regional tasks of the Church. In line with this, Rotter (1989, pp. 201-212) stresses that the US clergy most likely spends a significant amount of their time and energy on the motivation of their church members to donate. He concludes that in a system like the German one, this energy can be better allocated towards

⁹² According to the proposed theoretical model in this thesis, this assertion would have to be challenged. Thus, it is exactly this, i.e. the benefits for the society of a whole, which needs to be financed by the state. In other words, it must not be the church tax to a large extent that is used for such work. The church tax shall be used for the maintenance of the needed ecclesiastical buildings and the remuneration of the ecclesiastical personnel. Ultimately, the church tax is therefore meant to allow pastoral care.

pastoral care, which is, *en passant*, the profession in which a clergy received his education during the time that he spent in the seminary. Above that, the former Vicar General of the diocese of Cologne Feldhoff (1989, pp. 17-38) fears that a situation such as in the United States could even provoke to disregard pastoral care to the favour of more commercial activities at the level of the local church and hence, the local priest.

In addition to this and in a context of church financing-systems that are based only on public financing the *Gemeinsame Synode* (1977, p. 208) notes that this entails the disadvantage of a high degree of dependence of church and state. Currently, such a system can still be found Belgium (Erzbistum Paderborn, 2016a).⁹³ Above that, the *Gemeinsame Synode* (1977, p. 208) emphasise that the precondition for a system based on yields on assets is the possession of a substantial amount of assets. Also, they note that the administration and management of those assets requires a considerable amount of personnel and entails the risk of an accusation of being a ‘rich church’. Yet, and in contrast to fearing the risk of being a rich church, Suermann (2012, p. 18) states that if departments of dioceses are closed or merged, the reason for this is most of the time scarce financial resources. This leads him to the argument that even though pastoral-theological aspects are primarily guiding ecclesiastical work, the influence of financial constraints on decision-making cannot be ignored. Also in this context, the Catholic theologian M. Fischer (2012, p. 113) emphasises the economic importance again regarding ecclesiastic work by stating that in most dioceses, material and financial constraints are dominating the decision-making. This has not always been the case, and therefore, ideally, theologians and the clergy are leading the decisions according to ethical and theological matters. Today, however, ‘managers’ or ‘financial experts’ appear to have overtaken the decision-making leadership team in all significant areas of the Church’s organisation and decide over the theologians and the clergy. Thus, economic constraints lead to a situation in which the ethical and theological arguments are being reduced to insignificance. This is a very unfavourable situation for the Church, especially for the clergy and theologians.

Further to this, Feldhoff (2004) argues that financial concerns are supposed to never determine of what is essential and what is unimportant in the context of

⁹³ At the time when the *Gemeinsame Synode* (1977, p. 208) published its document they mentioned ‘parts of Scandinavia’ as an example for such state-based systems. However, this example is not as valid anymore (cf. section 1.3) as countries such as Sweden, Finland and Denmark have developed towards church tax-systems in the meantime; hence, the example of Belgium which was mentioned by the Catholic diocese of Paderborn in this context was added to the thesis.

ecclesiastical decision-making. He further argues that in some cases financial constraints even transform spiritual, theological or social arguments to caricatures. This could lead to a state of affairs where theological reflections might lose all influence in ecclesiastical organisations.

In the course of reviewing the here above used publications which were published by the Catholic Church which includes the official website of the Catholic Church in Germany, it becomes apparent that the Church favours the current state of affairs about church financing. Indeed the fruitful church tax in combination with the *Staatsleistungen* and further funds out of the public budget allow a broad presence of the Church in Germany. In addition, the Church itself notes that it does not possess sufficient assets to defray all costs from that and thus, being able to rely on this type of source to remunerate its personnel.

Above that, it is important to note that the Church itself stresses that a change towards a donation-based system such as being in place in the United States is very difficult as Germany is a 'tax-affine society'. Due to this, it appears reasonable to note that the Church emphasises that a relying on donations or the small returns from own assets could bear the risk of having not all of the necessary financial needs available. Also, the fundraising necessary to collect the needed amount of donations would then become much more important and would consume time and energy of the clergy. In Germany, they have the privilege to focus on pastoral care and not fundraising; for the latter, they are also not trained and educated.

Ultimately, it appears that theological argumentation has lost a degree of relevance in the context of the allocation of the scarce resources of money. Besides, it is the explicit demand of the Church to have a functioning church financing system in place that balances out the problem of being accused of being rich and which provides the necessary financial means to carry out pastoral care without out limitation. For this, the *Gemeinsame Synode* (1977, pp. 212-213) outlines the features of an ideal model of a system of church financing which shall be coined by joint responsibility, critical reflection and active support by all church members.

4.4.2.2 The regional appearance of the RCCiG and its inter-diocesan fiscal equalisation scheme

The diocesan structure in Germany reflects the history of Catholicism in Germany and has a few implications for church financing. Most importantly, it is the inter-diocesan fiscal equalisation scheme, which guarantees the support of all dioceses amongst each other. It is *inter alia* this feature that allows me in this thesis to perceive church financing in Germany as one holistic system.

In Germany there are currently seven ecclesiastical provinces (Giesen, 2009, p. 81):

- Bamberg,
- Berlin,
- Hamburg,
- Freiburg,
- Cologne,
- Munich-Freising and
- Paderborn

which summarise as the corresponding 7 German archdioceses:

- Bamberg with the dioceses Würzburg, Speyer and Eichstätt,
- Berlin with the dioceses Dresden-Meißen and Görlitz,
- Hamburg with the dioceses Osnabrück and Hildesheim,
- Freiburg with the dioceses Mainz and Rottenburg-Stuttgart,
- Cologne with the dioceses Aachen, Essen, Limburg, Münster and Trier,
- Munich-Freising with the dioceses Augsburg, Passau and Regensburg and
- Paderborn with the dioceses Erfurt, Fulda and Magdeburg.

The landscape of the dioceses in Germany mostly have territorial borders which to a considerable extent are reflecting the implications of and decisions made at the Congress of Vienna in 1815. Only the diocese in Görlitz and the creation of an archdiocese in Hamburg are proceedings of the 20th century. Thus, the smallest German diocese in Görlitz was created in the course of the agreements (*Ostverträge*) made between West Germany and the Eastern bloc countries in the early 1970s where *inter alia* the German-Polish

border was declared. The diocese of Görlitz is a small territory in Germany and was part of the former diocese of Breslau, which now belongs to the Catholic Church in Poland. In addition to Görlitz, one more change about the episcopal landscape in Germany happened after the German unification in 1990. Thus, this last change occurred when parts of the ecclesiastical territory in East Germany were merged into the bishopric in Osnabrück and this diocese together with the diocese Hildesheim and Hamburg is since then the new archdiocese of Hamburg (Gatz, 2000b, pp. 29-40; Giesen, 2009, pp. 81-82).

The fact that the regions in Germany have different shares of Catholic populations, cf. above, has implications for church financing. Thus, dioceses in regions with a higher density of Catholics often also have higher church tax revenues. This makes a burden sharing amongst the 27 German dioceses necessary. Already in 1970, shortly after Vatican II, the German bishops declared that a fiscal equalisation scheme should be introduced (Erklärung der Diözesanbischöfe, 1970, pp. 158-159). The so-called *Interdiözesaner Finanzausgleich* ('inter-diocesan fiscal equalisation scheme') was introduced in 1972 and is administered by the operational arm of the conference of the bishops, i.e. the *VDD*. In this equalisation scheme, dioceses with 'per capita church tax revenues' above 95% of the German average are donor dioceses, and those, which have 'per capita church tax revenues' below 85% of the German average are recipient dioceses. The equalisation amount is homogeneously calculated with a church tax rate of 8%. Dioceses with a deficit below 75% of the 'per capita church tax revenues' are adequately compensated, and deficits in-between 75-85% are compensated with two-thirds. In addition, if a recipient diocese despite its church tax revenues has above-average revenues from the *Staatsleistungen* or public subsidies, then its equalisation amount is adjusted accordingly. Moreover, if a recipient diocese has a church tax rate of 9% then the equalisation amount is adjusted to the receipt as if the diocese had an 8% church tax rate (Giesen, 2009, p. 80; Hammer, 2002, pp. 85-86; Hessler, 1989, pp. 167-192; Wendtner, 2000, pp. 486-497).

The fact that the regions in Germany have different shares of Catholic populations has implications for church financing. Thus, dioceses in regions with a higher density of Catholics often have higher church tax revenues available. This makes a 'burden-sharing' amongst the 27 German dioceses necessary and allows in context of this thesis to perceive the system of church financing in Germany from a holistic view.

4.4.3 Hermeneutic thematic synthesis on the internal implications

For an extended period, the Church did not perceive itself as an own topic, and therefore it was difficult to perceive the embeddedness of church financing into the real world with all its manifestations. However, Vatican II promoted that the Church should open up towards modernity and in the council's central document, the dogmatic constitution *Lumen Gentium*, the Church is perceived as 'the community in faith', which is indisputably embedded in the modern society; this includes the material world.

The impact from the analysis of the inside, i.e. theological implications from within the Church shall be summarised in Figure 14 below:

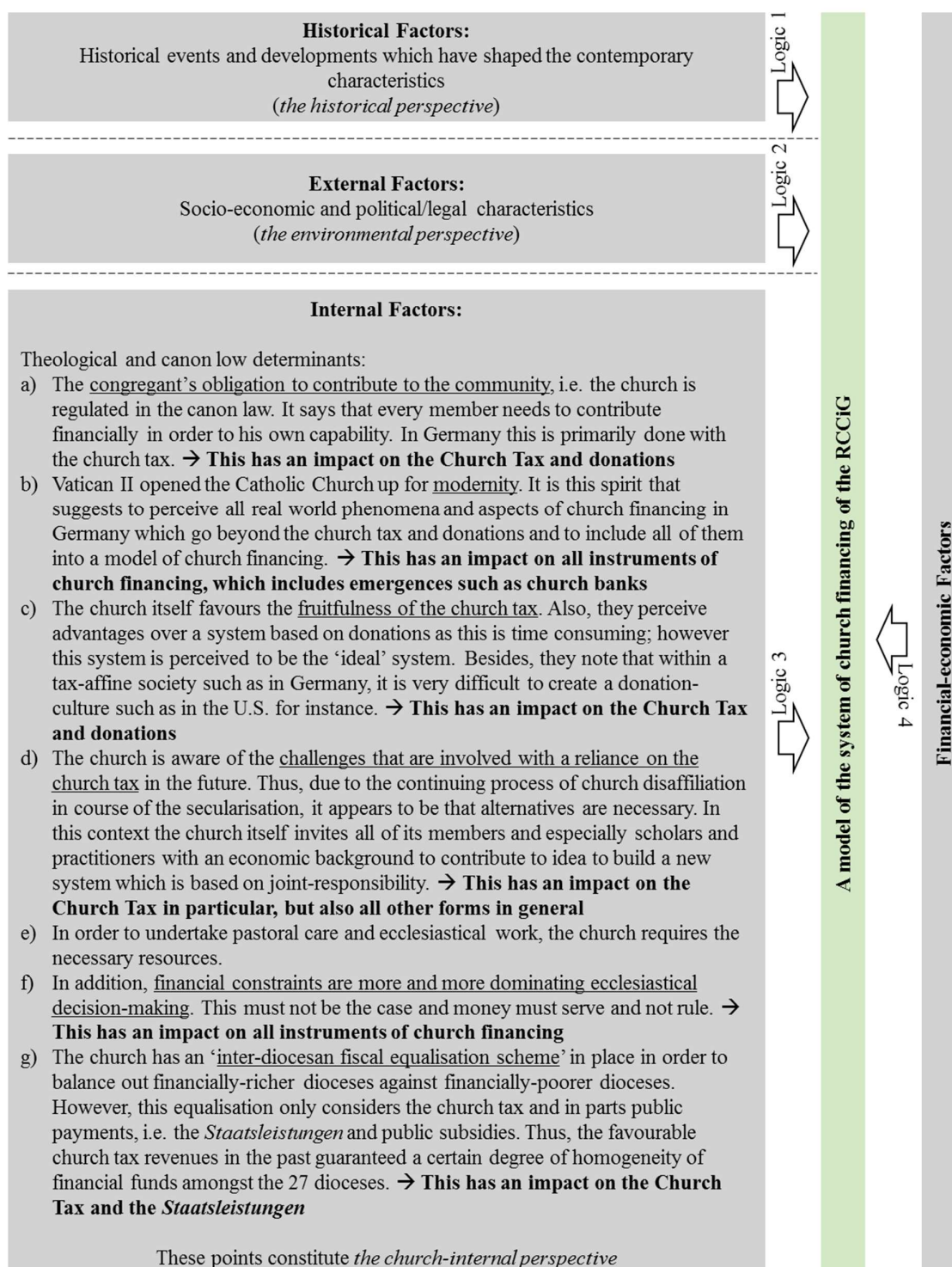


Figure 14: The internal factors within the conceptual model of church financing (Logic 3) (diagram compiled by the author).

In summary, the analysis of the theological-church-internal view on church financing revealed a concrete, practical entrance to the subject matter. It makes it possible

to connect a holistic financial view on the state of affairs but also to bridge the findings into real practical observations. Most importantly, these findings suggest that the existing system indisputable is embedded in the modern society with all its manifestations. In combination with the awareness that financial economics shall have a serving function to the Church and theology, this allows me to bring my secular, financial, economic background.

In light of the external and internal analysis of church financing in Germany here above, the next section on logic 4 will reveal a financial-economic analysis of the system's instruments and the current state of affairs.

4.5 Logic 4: a financial-economic analysis of church financing

In chapter 1, the conceptual framework has been introduced aiming to guide the analysis and exploration of four logics. Together with the previous section in this chapter on the environment and church-internal preconditions of church financing in Germany, the subsequent analysis builds the financial, economic analysis of the thesis on hand. In conjunction with the syntheses on logic 1, 2 and 3, this part on logic 4 will then result in the presentation of a model that will represent the eidetic reduction of the phenomenon. For this, in the following, there will be the presentation of an analysis of the system of church financing itself. Again, this is done by interpreting the existing body of literature.

4.5.1 Part I: Manifestations of instruments of church financing in Germany

The following will reveal analysis of the instruments of contemporary church financing in Germany. Thereby it is intended that the section on the church tax is the most comprehensive one. This is because a) the church tax has a particular relevance in Germany and b) from a finance perspective the church tax is not as easy to explain and to be perceived as, e.g. donations. Also, the analysis of church banks as a potential sixth source of church financing takes up a more significant part of this section. This is due to the fact that a) they have never been perceived as an instrument of church financing in the literature before, b) literature on church banks, in general, is very scarce which requires a lot of explanation and c) its interconnectedness with the other sources until now has never been considered in a systematic analysis.

4.5.1.1 First source: The church tax

This section aims to fathom out the complexity and manifestation of the church tax in Germany. In addition, it aims to reveal the financial efficiency of the construct of the church tax, which is the integral part of church financing in Germany since the time of the Weimar Republic when it became part of the constitution.

4.5.1.1.1 A membership contribution fee

In Christianity, baptism functions as the means of acknowledgement of belonging to the Church. In addition to this, the situation in Germany leads to the fact that if a congregant has a taxable income, i.e. is gainfully employed, then he is liable to pay church taxes. Thus, the church tax is a surcharge tax to the personal income tax. The church tax is being withheld directly when the personal income tax is forwarded to the tax office (Giesen, 2009, pp. 88-89; Petersen, 2015a, p. 17). The church tax is levied as a percentage of the congregant's income tax, and the rate of assessment (*Hebesatz*) differs between the *Bundesländer*, i.e. 8 or 9%, but it must be the same throughout a state and not more than 10% (Meyer, 1989, p. 189; Petersen, 2015a, pp. 35-37)⁹⁴.

Bauer (1989a, pp. 355-412) defines church taxes as a fee, which is 'a compulsory contribution of each church member' in order to cover the financial requirements of that church. This transaction is without a direct benefit for the church member. Instead, the revenues from the church tax are necessary in order to cover the ecclesiastical budget and to defray all running costs, especially personnel and maintenance costs. In this context, Luhmann (1989, pp. 155-172) states that especially due to this independence from an allocable counter-performance, makes it of superior importance for the Church as it can be used in order to defray all costs. Yet, this transaction between the taxpayer, i.e. the congregant and the tax-beneficiary, i.e. the Church, is without a direct counter-performance for the congregant. Hereby the orientation of the church tax on the congregant's personal income tax as the basis for assessment fulfils the idea of a concept which is based on the individual 'performance capability' of the congregant (Kirchhof, 2004, pp. 11-26). This concept is part of the governmental design of the income tax and thereby also incorporated in the church tax (Meuthen, 1994, pp. 191-203). From a moral and theological viewpoint, Rotter (1989, pp. 201-212) affirms and acclaims the incorporation of the performance

⁹⁴ Corporations are not subject to church taxes because they cannot be a church member (Hammer, 2004) as they cannot be baptised.

capability concept into the church tax as being fair and good. This leads Kleinmann (1989, pp. 919-949) to state that the church tax has the character of an ‘individual personal contribution’.

In summary, the church tax is perceived as a valid way of a membership contribution fee at the level of the congregant, this view is shared by the academics (cf. here above) and by the Church itself (cf. Part II of the analysis of Logic 3 above). However, whereas the *Kirchgeld* is technically a minimum church membership fee (cf. Part I of the analysis of Logic 2 above), the cutback possibility in case of very large church tax liabilities is the opposite, i.e. a maximum church membership fee. All this raises the question of justice amongst the church members and their individual contribution. In this context, Giesen (2009, p. 51) notes that only about 20-25% of all Catholics in Germany contribute any kind of a church tax. All others (a) either have a personal income, which is below the income threshold and there is not a *Kirchgeld* in place; or, they have income from sources that are not subject of any kind of a church tax (e.g. the consume of their assets); or, (b) they are unemployed, not working, or pensioners and do not have to pay church taxes.

4.5.1.1.2 Relevance of the church tax

The following will reveal the importance of the church tax in Germany. Thus, Robbers (2013, p. 266) notes that “[a]pproximately 80% of the entire church budget is covered by the church tax (...)”. Since its introduction, both, the importance and accordingly also the volume increased gradually to €6.15bn in 2016 (Deutsche Bischofskonferenz, 2017d, p. 59). This development is linked to personal income tax. The personal income tax, in turn, is governmentally designed to capture and redistribute the country’s economic growth. Thus, due to the favourable economic development in the past, the revenues grew substantially. However, the relationship between the church tax and the personal income tax implies a strong dependency on the economic development as the revenues of the personal income tax depending on the labour market and growth of the salaries and wages (Bareis, 1989, pp. 33-107).

Yet, despite the fact that the church tax volume increased during the last decades the church tax initially was equipped with a subsidiary character. Hence, due to the subsidiary character of the church tax, the Church is theoretically only allowed to collect

church taxes to that extent, which is necessary in order to balance out the budget. Thus, the initial design was to fill up the budget if all other financial resources were exploited. However, in practise, there has never been a year since the introduction of the church tax when all other resources were sufficient in order to cover all costs (Ebers, 1930, p. 408; Hammer, 2002, p. 55). Ultimately, the subsidiary character does not have relevance in practise; in turn, the church tax is the central pillar of the system of church financing in Germany.

The above-mentioned appearance, which could suggest that the church tax is a solid basis of income becomes more and more fragile. Still, the RCCiG participated well with the tax on the overall increase of income of the economy until the mid-1990s, but at the end of the 1990s, the church tax revenues started to decrease for the first time. This development at that time was due to various disadvantageous factors. First, on the macroeconomic level, the decline of the economic growth played a role, and this was accompanied by a reduction of personal income tax revenues stemming from tax reforms. Second, the number of church members decreases steadily and more and more only elderly people remain as church members who do not pay church taxes. This means that the population of congregants, which pay income taxes in the age between 20 and 60 years is steadily continuing to shrink. This indicates that a reduction of the church tax revenues is anticipated. Moreover, the younger population, which in future could pay a more significant portion of the church tax with presumably increasing salaries is precisely that group, which does not attach much importance towards church membership. In other words, this means that the process, which is related to the society as a whole, hits the Church disproportionately hard. Hence, the shrinkage of the population and its increasing average age. This situation is fateful because an outnumbering from the numerically shrinking younger generation is impossible (Giesen, 2009, pp. 49-53; Mitschke-Collande, 2012, pp. 89-94; Petersen, 2007, pp. 715-760; 2015b, pp. 28-30).

In summary, the relevance and volume of the church tax increased over time, and today the church tax is the most critical source of church financing in Germany. However, the current volume of revenues is under pressure, and the system is fragile. If one considers this on absolute numbers and directs the view to the price-adjusted development of the church tax since 1990, it is indeed shrinking year on year already. Thus, the price-adjusted

volume of the RCCiG decreased from its peak in 1992 in the aftermath of the German unification until 2008 by 25% (Suermann, 2012, pp. 17-18).⁹⁵

4.5.1.1.3 Collection of the church tax

In theory, the church tax collection would be the task of an ecclesiastical tax administration. However, according to canon law, it is also possible to transfer this administration to public authorities in exchange for a corresponding fee. This fee is meant as a compensation for the additional administration costs, which occur during the church tax collection in the governmental financial administration. The collection fee differs between the *Bundesländer*, between 2-4% that is adequate compensation for the associated additional administrative costs (Bauer, 1989a, pp. 355-412; Meyer, 1989, pp. 173-210; Petersen, 2015a, p. 196; Smekal, 1989, pp. 121-130). In addition, Petersen (2015a, pp. 195-197) notes that the fee is by far smaller than the costs involved for the maintenance of an own church tax administration. Thus, in context of the maintenance of an own tax administration Marré and Jurina (2006, p. 81) argue that the building and maintenance of an own church tax administration would involve costs more than five times bigger than the current setup. Kleinmann (1989, pp. 919-949) also argues that the establishment and maintenance of an own administration entail additional costs estimated to be about 20-25% of the church tax revenues. Thus, if the current 2-4% is compared to 20-25%, this is not only in relative numbers a considerable difference but also in absolute terms as it easily amounts to more than €1bn. In this context Austria can function as a practical example for this estimation, as the Church in Austria cannot use the service of a governmental collection of their equivalent to the church tax, i.e. the *Kirchenbeitrag*, and the own collection consumes about 20% of their *Kirchenbeitrag*-revenues (Hartmann, 2014, pp. 31-68).⁹⁶

⁹⁵ The financial director of the Evangelical Church in Germany Jens Petersen (2015b, pp. 28-29) underpins this also with concrete calculations for parts of the Evangelical Church and notes that it decreased from 1990 to 2013 by as much as 28% or 0.9% per annum.

⁹⁶ The employer of the congregant collects the church tax and the employer is obliged to transfer the church tax to the fiscal authority. In contrast to the government, the employers do not receive any compensation for this obligation. In the context of the freedom of religion, this in fact does not contradict this constitutionally granted freedom, because the employer, just as in case of the personal income tax and social security contribution, acts on behalf of the government and not for the Church (Campenhausen, 1996, p. 266; Petersen, 2015b, pp. 192-193; Suhrbier-Hahn, 1999, pp. 95-97; Giesen, 2009 #2056).

In case of an income tax and thus church tax liability of a congregant, the income tax and the church tax are enforceable by legal means. This is the main difference to the Austrian *Kirchenbeitrag* that in case of a 'tardy payer' is treated as a contribution fee to a club and must be enforced via civil litigation. Here the enforceable character in Germany could be justified by the strong dependence of the Church on the church tax. Thus, the revenues are needed to pay all running costs, especially the salaries of the hundreds of employees. In other words, the goal of a balanced budget is only achievable if an enforceable instrument is being relied on (W. Huber, 1989, pp. 130-131; Kirchhof, 2004, pp. 11-26; Meyer, 1989, pp. 173-210).

Besides, at first glance, this construct could imply that the state might be the beneficiary of the church tax as it collects it on behalf of the Church. However, the ultimate beneficiary of the church tax is not the state but in fact the Church. Thus, over the years, the Church and the state have established a fruitful collaboration and the Church has a reasonably priced partner in the form of the state. The state, in turn, has the benefit that with a little extra effort it can use its apparatus to collect another tax on behalf of a third party that is adequately compensated. Nevertheless, in today's time one could argue that the price which the Church pays, i.e. 2-4% is too high and that in times of a rapid development of electronic data processing the higher end of the range, i.e. 4% of the church tax revenues, is not reasonable anymore (Hartmann, 2014, pp. 31-68). However, church and state remain separate in Germany but maintain a strong relationship with each other. Hence, if the Church perhaps pays for the collection a little bit too much, one could consider all other situations where the Church benefits from the support of the government. Thus, the church tax is a joint affair of state and church and is based on a partnership between both parties. This close collaboration entails institutional implications, which are revealed below.

4.5.1.1.4 Institutional implications from the church tax

As stated above, religious societies have the possibility to be incorporated as corporations under public law. This privilege enables the Church to levy a church tax. The church tax is collected by the government on behalf of the Church and receives a compensation fee for this service. However, this collaboration entails that the church tax can be perceived with a dual character. On the one hand, it strengthens the dependency on

the government due to the governmental collection of the Church, but at the same time, it increases the autonomy of the Church as it has a fruitful and relatively stable source of income available. In other words, autonomy and dependency are merged within the construct in an elegant way. Additionally and as discussed above, the Church could decrease its dependency on the government if it built its own tax administration. However, this would come with a higher price, and it would still require receiving the public tax lists. Yet, the latter is constitutionally guaranteed (Feldhoff, 1994, pp. 180-190; W. Huber, 1989, p. 132; Meuthen, 1994, pp. 191-203; Rau, 1989, pp. 335-354).

In addition to the collaboration regarding the church tax collection, due to the surcharge character of the church tax, each change of the personal income tax due to political reasons, also has an impact for the church tax. Thus, the political aim of taxation is not necessarily congruent with the ecclesiastical aim. Hence, the Church uses the church tax for financing their mission whereas the government uses the income tax as an instrument of fiscal policy. Thus, the church tax participates on all motives, constraints and problems, which are involved with personal income tax and its corresponding political debate (Kleinmann, 1989, pp. 919-949; Luhmann, 1989, pp. 155-172). Yet, this relationship can be perceived as a point of frequent criticism on the church tax itself. Thus, one could argue that the connectedness of the church tax to government fiscal policy is not in line with the constitutional requirement of a separation of state and church. Hence, it is the personal income tax which frequently is amended by the government in order to incorporate new aspects of the political debate. Thereby it is the political intention to alter aspects of the redistribution of wealth. As such, the personal income tax is used to address aspects of family, social, wealth, economic, business and environmental policymaking. As stated above and in contrast to this, the Church only intends to finance their mission with the church tax. Therefore, church taxes have a membership function, which is in sharp contrast to the personal income tax, which the character of a solidarity function. Accordingly, fiscal policy could challenge the church tax's ethical and normative justification (Bauer, 1989a, pp. 355-412; Meyer, 1989, pp. 173-210). Yet, the Church is aware of this peculiarity. Thus, in light of the impact of fiscal policy the Church in conjunction with the state reacted upon this in parts by modifying the accessoriness of the church tax in parts. The first part of this reaction is additional allowances for children. Therefore, until 1975, the church tax was levied precisely based on its assessment tax, i.e. the income tax. However, since then, when a grand tax reform took place, the basis of

assessment for the church tax is a modified personal income tax, which includes additional tax exemptions for each child. This is regulated in paragraph 51a of the German Income Tax Act (*EstG, i.e. Einkommensteuergesetz*). With the inclusion of this ‘child benefit’, the Church reached to equip the construct of the church tax with the ecclesiastical important aspect of its picture of the Christian family. The second aspect is corrections with regard to income from dividend payments, which are marginal and of no further practical relevance (Bauer, 1989a, pp. 355-412; Luhmann, 1989, pp. 155-172; Meyer, 1989, pp. 173-210; Petersen, 2015b, pp. 123-126).⁹⁷

In addition to the consequences involved with fiscal policy, there is another problem involved in context with the surcharge character of the church tax. This is the progressive taxation that is part of the German system of income taxation. Hence, the individual amount as well as the percentage of taxes due increases with a higher income. Thus, the more a person earns, the more will each additional earned Euro be taxed. This, in turn, leads to an increased average tax rate. Consequently, the ‘progression-feature’ also is embedded in the church tax. Therefore, the church taxes due for a congregant are on a progressive scale. This progression feature is again a reflection of policy making as it entails the political idea of justice in the context of direct taxation as this mirrors again the performance capability of an individual. In light of this, the Church reacted also on this and grants the right to the congregant to cutback his church tax liability if it exceeds a certain amount. Additionally, this feature of the church tax makes it to a certain extent linear again (Bareis, 1989, pp. 33-107; Kühn, 2014, pp. 363-380; Petersen, 2015a, pp. 139-143; Smekal, 1989, pp. 121-130).

In summary due to the surcharge character of the church tax, its revenues also include specific governmental policymaking. In other words, a non-reflective adoption of all aspects of the personal income tax could lead to situations where politics are supported which are not in accordance with the social thought of the Church. This is the reason why the Church in conjunction with the legislator incorporated paragraph 51a into the Income Tax Act in order to better reflect the perception of the Christian family. Despite this connectedness to fiscal policy, the church tax is also strongly depending on the macroeconomic environment. An analysis of these factors is presented below.

⁹⁷ Cf. Petersen (2015b, pp. 126-133) for further information on the second aspect.

4.5.1.1.5 Macroeconomic implications on the church tax

The volume of the annual church tax revenues depends on three main factors a) the demographic development in conjunction with the development of church membership, including degree of secularisation, b) the economic development, and thus, impact of the governmental economic policy, and c) the development of the income tax system and changes resulting from fiscal policy in conjunction with the Church's reaction upon this (Bareis, 1989, pp. 33-107; Diefenbacher, 1989, pp. 859-879; Giesen, 2009, pp. 48-60; Kleinmann, 1989, pp. 919-949; Kühn, 2014, pp. 64-67; Lienemann, 1989c, pp. 945-971).

Point (c) is already addressed in detail above. Therefore, the remainder of this section focalises on point (a) and (b). Thus, with regard to (a), the number of church leavers per year is not mitigated by higher incomes of those who stay affiliated with the Church. According to an interview with the former financial director of the Archdioceses Cologne, Hermann-Josef Schon this implies for example that in case of Germany's biggest dioceses in Cologne, each per cent of additional church leavers results in a decreasing financial power of one per cent (Lawecki, 2007). In this context, Giesen (2009, p. 33) notes that the turning point for Catholic Church in Germany as a whole regarding the 'baptism-burial ratio' was already reached in 1972. Thus, since 1972, more Catholics get buried than new congregants get baptised. In addition, the impact of secularisation has an impact on church membership as more and more people disaffiliate from the Church. Also in the context of church membership, there are two macro-economic large-scale endangerments. These are a) mass unemployment and b) a wave of church disaffiliation. In the context of the latter, the decreasing number of gainfully employed persons, which are paying the church tax is the most critical factor for the stability of the ecclesiastical budgets in the long-term perspective. Besides, the structural deformation of the population pyramid in Germany, i.e. demographics also is unfavourable for the church tax revenues. This is because retired persons mostly are not paying income taxes and therefore not church taxes anymore (Diefenbacher, 1989, pp. 859-879).

With regard to (b) the macroeconomics and the basis of assessment Bareis (1989, pp. 33-107) goes further into detail. In this context, he connects the macroeconomic factors with aspects of the income and church tax tariff. He lists twelve factors determining the annual church tax revenues:

1. Development of the population,
2. Overall economic development,
3. National income, i.e. especially wages, salaries and prices,
4. Amount of gainfully employed persons,
5. Amount of subjects of the income tax,
6. Basis for assessment of income tax, i.e. the individual income,
7. Tariff of the income tax,
8. Revenue of the income tax,
9. Amount of subjects of the church tax,
10. Basis for assessment of church tax, i.e. the income tax,
11. Tariff of the church tax,
12. Revenues from the church tax.

Indeed not all of the listed factors are ascertainable and quantifiable. However, Bareis (1989, pp. 34-37) emphasises that the church tax revenues especially depend on the number of gainfully employed persons. This is due to the accessoriness of the church tax on the income tax. This in mind, he says that the basis of assessment of the income tax, i.e. earnings respectively income, are mainly depending on the overall economic development of an economy. Thus, a high degree of employment and also high wages and salaries lead to a higher basis for assessment of the income tax. In turn, a higher amount of income tax revenues leads via the church tax tariff to higher church tax revenues. In the context of the macroeconomic relationships involved with the church tax, state and church have different ways of influencing this construct with their interconnectedness. Thus, the state with his economic policy determines, directly and indirectly, the economic development and the income tax tariff. Thus, in parts, also the state has an impact on the church tax revenues (Bareis, 1989, pp. 34-37). In this context, however, Kirchhof (1996, pp. 53-82) notes that the government must consider the interests of the Church and cannot alter the income tax into directions which would 'dry out the church tax revenues'. The Church, in turn, determines, although with limitations, the configuration of the basis for assessment of the church tax. Thus, the Church can alter the tariff, which currently is 8 or 9%, and it can organise a modification of the basis of assessment such as the modifications already done in paragraph 51a of the Income Tax Act.

In summary, the development of the church tax revenues in the past was favourable in terms of the nominal revenues as all determining factors were mostly in favour of the Church. However, this construct appears fragile and (mass) unemployment, (mass) church disaffiliation, or a sluggish or shrinking economy could indeed happen at any time. Besides, there is the issue of inflation, which in turn has an impact on the price-adjusted church tax revenues. Especially the continuing church disaffiliation is permanently weakening the base for the church tax revenues and scholars are uncertain for how long the favourable economic development is capable of compensating this. Thus, e.g. (Mitschke-Collande, 2012, pp. 89-94) assumes that in the next decade this will turn against the Church and thus, church tax revenues.

4.5.1.2 Second source: voluntary contributions and donations

This section analyses the relevance of voluntary contributions and donations in context of church financing in Germany.

Donations and voluntary contributions can be summarised as ‘bounties of any kind’ that are given to the Church. These can be in cash or non-cash, i.e. material goods, fortunes and inheritances but also unpaid voluntary work. Besides, all those, except the unpaid voluntary work, can be given posthumously or during the congregant’s life. In the following ‘voluntary contributions’ shall be the collective term for all of those manifestations and shall also include the surrender of foundations to the Church (Marré & Jurina, 2006, pp. 17-21; Meyer, 1989, pp. 173-210). In 2014, proceeds from voluntary contributions amounted to €0.285bn (Deutsche Bischofskonferenz, 2016). If one puts this into the relationship with the church tax revenues in 2014 of €5.7bn in 2014 (Deutsche Bischofskonferenz, 2015a), then these proceeds contribute only a very small proportion on the financing mix. Thus, the voluntary contributions to the RCCiG are that small in Germany, which they can be considered as insignificant and do not allow basing the entire system on them. However, they have a symbolic and theological meaning that is by far greater than the absolute number (Feldhoff, 2004, pp. 16-17; Giesen, 2009, p. 51). In addition, there is no recurring and reliable, published amount of how much proceeds are being generated with the offertories during Mass only and it is an exemption that the

Deutsche Bischofskonferenz published numbers on their website in 2015 at all.⁹⁸ In this context, Meyer (1989, pp. 174-177) notes that many people could not even say how much they have donated in during, before or after a mass and also not during a given period. Also, they are not allowed to deduct it from the income taxes as they do not have a donation receipt; thus there are no statistics about this number available. In addition, not every donor wants to be known for this ‘sacrificing act’ and thus might prefer to stay anonymous.

Donations to the Church or other welfare organisations or political parties are tax deductible at the level of the congregant if a donation receipt is available. According to Meyer (1989, p. 175), this is an indirect support of the Church in the course of the governmental donation facilitation. This view of indirect governmental support is shared by Giesen (2009, p. 91); Marré and Jurina (2006, pp. 17-21).

In summary, voluntary contributions are insufficient to defray all required ecclesiastical financial resources, as they are unforeseeable and insecure. Reliance on them would carry the risk of possibly being unable to pay all personnel costs in due time. Consequently, the defrayal of all costs must be imposed and enforceable with charges that are foreseeable and secure, which is practically done in the form of the church tax.⁹⁹

4.5.1.3 Third source: subsidies and payments by the state.

This section analyses payments by the state to the Church, which includes direct payments as well as state subsidies granted. Due to the particular relevance and different legal basis, the so-called *Staatsleistungen* are revealed in more detail in the next section. In the following, the *Staatsleistungen* will only appear briefly in order to put them into the broader context of payments by the German state to the Church.

⁹⁸ As stated above already, unfortunately the website <http://www.dbk.de/themen/kirchenfinanzierung> is no longer available as the Bishops Conference has changed the layout and design of its website as of 1 February 2018 (Deutsche Bischofskonferenz, 2018a). However, a copy of the former website in form of a pdf was created in October 2017 in course of the drafting of this thesis, which can be requested from the author. It is of importance for understanding church financing in Germany *inter alia* as it is the only published source, which quantifies the amount of donations received by the Catholic Church as also already stated above.

⁹⁹ In addition to this, section 6.3.2 reveals a line of argumentation how this position could be increased from a financial perspective.

4.5.1.3.1 Overview of the various manifestations of governmental financial support of the Church

There are six manifestations of governmental financial support received by the Church (Giesen, 2009, p. 51; Marré & Jurina, 2006, pp. 34-39; Robbers, 2013, p. 247):

- 1) The *Staatsleistungen* are payments by the German state that are based on historical legal titles in connection with the expropriation of the Church during the Napoleonic Secularisation. These payments are causally and constitutionally legitimate (Robbers, 2013, pp. 255-256) and mainly include i) the salary of the bishops and employees of the diocesan chapter and ii) the maintenance and refurbishment of declared ecclesiastical buildings (Hartmann, 2014, pp. 31-68).

- 2) Indirect state support via tax deductions can be found in the form of the tax treatment of donations given to the Church as well as the payments in the form of the church tax to the Church. Thus both, donations with a donation receipt and the church tax, are tax deductible at the level of the congregant. With regard to the actual inclusion or exclusion into the listing of financial support to the Church in a register like the one on hand, there is a dispute amongst different scholars. Thus, Giesen (2009, p. 51), Marré and Jurina (2006, pp. 34-39) and Egner (1956, pp. 634-637) consider it indeed as state support. On the contrary, there is the position of scholars such as Bauer (1989a, pp. 355-412) arguing that this is not governmental support as it is effective at the level of the congregant.¹⁰⁰

- 3) Direct sponsorship and subsidy of ecclesiastical facilities is a support that is, e.g. granted to the ecclesiastical academies (*Bildungshäuser*), schools, kindergartens, day-care centres, sheltered workshops, hospices and other social facilities in order to cover large parts of the running costs of those facilities. Thus, with regard to the receipt of those funds, there is always a corresponding cost position at the respective facility. This implies that the funds are earmarked and assigned only for a specific purpose. In addition, this sponsorship is available to every provider in these fields.

¹⁰⁰ In context of this debate Giesen (2009, pp. 91-92) notes that the research field on ‘indirect state support’ is desideratum in the literature and no academic article or publication has in detail dealt with it yet; this is still valid today.

- 4) State support for the exercise of ecclesiastical tasks in the area of social welfare is the support that includes the subsidisation of counselling centres, such as drug-counselling services or expert advice on pregnancy, and welfare centres such as mainly mobile nursing services.

- 5) State support for religious education and pastoral care in governmental institutions: includes the remuneration of teachers of Catholic religious education in public schools, the provision of theological schools and faculties as part of state universities and the payment of pastoral care in governmental institutions (*Anstaltsseelsorge*) such as prisons, hospitals and in the military.

- 6) Other state support is granted for specific and often one-off tasks or events and the overall volume is vanishingly low. A prominent example would be the financial support of the Catholic World Youth Day in Cologne in 2005 which cost in total about €100m and which was subsidised by public funds with €15m (Steinkuhl, 2005). Another example are the so-called ‘church days’ which are also subsidised with public funds (Stange, 2014). Thus, according to Kröger (2014) between 2001 and 2014 the Church received about €25m of public funds for 7 church days which are hosted every two years in a different German city.

In summary, position (3) and (4) are closely interconnected. In fact, point (3) relates to the facilities itself and point (4) relates to the subsidisation of the specific social service. Also, position (5) can be seen as a direct subsidy of a specific service rendered by the Church, and the same is true for position (6). Thus, in the remainder of this thesis all four positions, i.e. (3)-(6) are perceived as one labelled direct public payments. In addition, with regard to position (2) indirect state support, I follow the view of Bauer (1989a, pp. 355-412) and perceive this position, not as a source of financing. This leaves a differentiation only between a) the *Staatsleistungen*, cf. next section and b) direct payments by the state to the Church. The latter will be examined in further detail in the section on the ‘fourth source’, cf. below.

4.5.1.3.2 Direct payments by the state as the reimbursement of costs

Payments by the state are granted to the Church due to the execution of tasks of the Church on behalf of the state, to the welfare of the state or in the course of the political aim of a pluralistic society. The latter aims to prevent, that neither the government nor another provider has a monopoly on any kind of a social task. Due to this ‘acting on behalf of the state’ and the constitutional guarantee of pluralism, these payments are not exclusively granted to the Church but are available to every other qualified provider (Hartmann, 2014, pp. 31-68; Marré & Jurina, 2006, pp. 34-39). In addition, further direct payments by the state are received by the Church due to their role as Germany’s most important monument preserver on an aggregate level (Bauer, 1989a, pp. 355-412; Deutsche Bischofskonferenz, 2016).

These payments emphasise the position of the German state as a cultural, social and plural state and the Church is perceived as an integral contributor to this diversity. In this context Petersen (2015b, p. 207) also notes that in Germany, it is well-recognised that the Church is contributing to a substantial degree to the cultural, social and ethical building of values of the society.

Despite the church tax, the topic of payments by the state to the Church is of substantial public interest and therefore frequently addressed in non-academic literature and newspaper articles. Thus, Frerk (2002) published a book about ‘the financing situation and wealth of the Church in Germany’, and despite his criticism on the church tax, he especially criticises the payments by the state to the Church and the *Staatsleistungen* in particular. According to Giesen (2009, p. 91) Frerk ‘polemically analyses’ the state subsidies to the Church, and lacks to bring it into historical and systematic order. This criticism of polemic of Frerk is supported by Feldhoff (2005, pp. 190-194) who additionally labels Frerk’s publication as ‘jejune’. Despite the church tax, public funding and the *Staatsleistungen*, Frerk also criticises the tax deductibility of the church tax and perceives them as government subsidies to the Church, cf. Frerk (2002, p. 267).

Whereas the *Staatsleistungen* which are also payments by the state to the Church, cf. next section, are frequently adversely discussed in the media, “[t]here are quite a number of religious activities that are sponsored directly or indirectly by public funds” (Robbers, 2013, p. 273). Examples of activities that are sponsored by the state are

ecclesiastical kindergartens, schools and other social welfare institutions. As such the state perceives this activity of the Church as preferable and worthy of sponsorship. With this sponsoring, the state intends to enlarge the types of providers for social and educational institutions and this contributes to pluralism, which is explicitly desired by German politics. Additionally, and in other words, only these direct public payments and subsidies make large parts of this manifestation of ecclesiastical other than pastoral care work even possible. As stated above, the *Staatsleistungen* require an own investigation which follows next.

4.5.1.4 Fourth source: the *Staatsleistungen*

The so-called *Staatsleistungen* are particular payments from the state to the Church which are rooted in legal titles due to expropriations at the beginning of the 19th century (Petersen, 2015a, p. 207). ‘Payments by the state’, cf. previous section, in turn, are payments and subsidies that are granted for specific performances of the Church conducted on behalf of the welfare state such as the maintenance of hospitals, kindergartens and schools.

The *Staatsleistungen* are granted mainly for the maintenance of church buildings and contributions to the remuneration of the clergy. Robbers (2013, p. 265) notes that “[a]s a result of repeated expropriation of church property in the past, the churches in Germany now have only a relatively small amount of property.” Thus, as stated above in the section on Logic 1, the *Reichsdeputationshauptschluss* in 1803 guaranteed compensation payments to the Church. This is regulated in the German constitution. In this context Robbers (2013, p. 265) notes that the particular paragraph in the constitution also “envisages the ending of those payments”, but that an ending and a form of a redemption payment has not been negotiated between the Church, i.e. the Holy See and the German state. Hence, as until now the replacement did not take place and is also not foreseeable the *Staatsleistungen* are still granted year by year; in fact, they are paid by the respective *Bundesland* in which a diocese is domiciled (Hartmann, 2014, pp. 31-68; Petersen, 2015b, p. 207). In 2013, the *Staatsleistungen* for the Catholic Church amounted to €0.202bn (Hartmann, 2014, pp. 31-68) and in 2015 they amounted to €0.212bn (Katholisch.de, 2016).

Despite their relatively small share of the overall ecclesiastical budget, the *Staatsleistungen* are frequently part of public debates, and according to Hartmann (2014,

pp. 31-68), there is a de facto moral pressure on the Church to decline the right to receive the *Staatsleistungen* year after year. Thus, Hartmann (2014, pp. 31-68) notes that in recent times especially the incident with the former bishop of Limburg, Franz-Peter Tebartz-van Elst, resulted in a range of articles and voices that demand the discontinuation of the *Staatsleistungen*.

In summary, the debate on the *Staatsleistungen* frequently is mixed into the general debate about the state church relationship in Germany, and the essential and reasonable payments by the state, cf. previous section, are being criticised. In light of this, it might be worthwhile to consider abolishing the *Staatsleistungen* once and for all in order to have a public focus on payments by the state which really matter.

4.5.1.5 Fifth source: yields on assets and own business activity

Proceeds from own assets and business activity used to be the most important source of financing; however, it vanished to a peripheral matter. The following will reveal the relevant aspects.

4.5.1.5.1 Overview on yields on assets and own business activity

Before the political upheavals in 1789 in the course of the French Revolution, and in particular before the Napoleonic Secularisation, the Catholic Church in Germany, and in Habsburg-Austria, possessed sufficient own assets, in particular land and estates. It was enough to finance the Church self-sustainingly with the yields on their own assets. However, in the course of the secularisations in 1803, the Catholic Church lost their financial independence largely and this was, in particular, the case in the non-Habsburg area, i.e. contemporary Germany. However, new forms within this group of income emerged and a few remained. Thus, the contemporary manifestations of this source of income are revenues from (Giesen, 2009, p. 90; Hartmann, 2014, pp. 31-68; Marré, 1991, pp. 17-29; Smekal, 1989, pp. 121-130):¹⁰¹

¹⁰¹ Until recently, a consideration of the above positions would also have included the former Catholic publishing house and bookseller Weltbild Verlag including the former Catholic toyshop Kidoh, which was a subsidiary company of the Weltbild Verlag. However, in 2014, the Weltbild Verlag filed insolvency (Reuters Staff, 2014) and in course of the procedure for declaring bankruptcy it was purchased by the secular, family-equity investor Droege Group (Giersberg, 2016; Handelsblatt online, 2014) and it is not a Catholic publishing house anymore.

- a) yields on invested financial assets, e.g. dividend payments ,capital gains and interest payments,
- b) income from rent and leases, e.g. renting of social housing or leasing of agricultural land as well as parking lots, and
- c) earnings from own entrepreneurial activity, such as the maintenance of (i) breweries (e.g. the diocese of Regensburg regarding the brewery *Bischofshof* (Bistum Regensburg, n.d.)¹⁰², (ii) wineries (e.g. the diocese of Limburg with their *Bischöfliches Weingut Rüdesheim* (Bischöfliches Weingut Rüdesheim, n.d.)), (iii) media companies (e.g. the website *www.Katholisch.de* which is a news portal dedicated to news in the Church and society (Katholisch.de, 2018)), (iv) television & video production (e.g. the website *www.Kirche.tv* which *inter alia* produces youtube videos (*www.kirche.tv*, 2018) or the TV production firm of the diocese of Augsburg *uv media production* (Sankt Ulrich Verlag GmbH, 2018)), (v) broadcasting agency (e.g. the *Katholischen Nachrichten-Agentur KNA* which is a shared agency of all German dioceses (KNA, 2016)) and (vi) the five church banks (cf. section 4.5.1.6.3 for an overview).¹⁰³

There is no publication of a size of income from both, yields on assets and own business activity of the Church (Foltin, 2014, pp. 215-292). Thus, it is not possible to put this source of income into the relationship with the overall budget with exact numbers. However, there is qualitative evidence that the revenues are very narrow (Stoll, 2001, p. 29) and that they are not sufficient to provide for the funding in an adequate volume. Thus Lienemann (1989c, pp. 968-969) states that the ecclesiastical assets are not usable as an independent source of financing as they are comparatively little in terms of their volume. Therefore, this form of financing has according to him almost no practical relevance. Yet, in the course of the research one reliable source with an estimation on this for the RCCiG can be found in Giesen (2009, pp. 89-91). As stated above, there she states that depending on the dioceses, this source of income amounts to 5-10% of the diocesan budget and for the entire budget of the RCCiG, she estimates that it does not account for more than 5%.

¹⁰² The brewery of the diocese Regensburg in turn also runs the second oldest brewery in the world which is the *Klosterbrauerei Weltenburg* in Regensburg (Klosterbrauerei Weltenburg GmbH, n.d.).

¹⁰³ It is especially this group of entrepreneurial activity that frequently raises the public interest. Thus, in a different context and without a focus on these activities the Berlin-based newspaper *Der Tagesspiegel* e.g. uses the possession of own breweries and church banks in order to stress their argument that the Church must be 'really rich' (*Der Tagesspiegel*, 2013).

4.5.1.5.2 The historical background for the possession of own business activities

When it comes to the possession of own business activities, there is often a long-lasting history behind the possession. Thus, it could be due to practical reasons or an act of necessity, or it could be due to a donation.

- Wineries, for instance, are in possession of the RCCiG precisely due to those two reasons. First, due to quality issues regarding the required quality necessary for the altar wine. Thus, as wine is an element of the Eucharist and part of “the ritual of the Latin Christian [C]hurch”, where it symbolises the blood of Christ, it needs to have a specific quality and was a necessity of the Christian Church “almost everywhere” (Unger, 2013, p. 74). The quality demand is even regulated in a memorandum of the German conference of the bishops, i.e. the *Messweinverordnung* (Arens, n.d.). However, the *Messweinverordnung* was abolished in 2014 due to the fact that the German government regulated the quality demand for wine which is sold in Germany sufficiently (Ackermann, 2014). Second, there are vineyards and wineries in possession of the Church due to donations. As such, one of the biggest Catholic vineyards is in possession of the dioceses of Limburg due to a generous donation of congregants “for the sake of the good of the Church” (Bischöfliches Weingut Rüdesheim, n.d.).
- Breweries, in turn, are in possession of the Church for various reasons: (i) in order ‘to feed’ the master builder and the other builders of the cathedrals in former times.¹⁰⁴ As such, the former diocesan breweries are often domiciled close to the cathedral. Another reason was (ii) also a practical one as the proceeds from the brewery were sometimes used in order to finance the education of the clergy (Brauerei Hacklberg, n.d.) or (iii) due to the reason that the prince-bishop felt that the city needs to have an own beer (Würzburger Hofbräu GmbH, n.d.). Besides, it has been recorded that the Church founded monasteries, which then produced beer and maintained a monastery pharmacy in order to secure the well-being of the population (Klosterbräu Seemannshausen, n.d.). In addition, often the drinking

¹⁰⁴ In this context, it is worthwhile to note that the construction of a large ecclesiastical building could take centuries and even if a part was finished, by the time that the next part was finished the other part had to be maintained again. Thus, and this is comparable to construction work in Germany today, beer was a good drink for energy and motivation for the construction workers. This is *inter alia* the reason that the bishop of Regensburg maintained his own episcopal brewery (Mittelbayerische Zeitung, 2011).

water in the cities was of bad quality and not safe to drink so that beer and wine were perceived as being safe.¹⁰⁵ Other than this, it was there in order to have a product available that can be used during Lent¹⁰⁶ as it was perceived as liquid bread (Montresor & Smetacek, 2013, p. 463; Phillips, 2016, p. 50; Scherb, 2009).¹⁰⁷ Thus, there is the Latin saying *Liquida non frangunt jejuneum*, i.e. liquid does not break the Lent (Der Spiegel, 1959), and therefore beer was a popular way to get the necessary nutrients during the Lent (Rainsborough, 2014, pp. 4-9; Unger, 2013, p. 30). Above that, the example of the purchase of a new organ for the Cathedral in Regensburg shows how the ecclesiastical breweries can help to finance other ecclesiastical projects. Thus, in 2004 the brewery *Bischofshof* in Regensburg contributed the amount of EUR 14,400 to the diocesan budget which allowed the start of the project of that new organ (Bistum Regensburg, 2004).

- The possession of media companies such as a broadcasting service and a television production company can be explained by the attempt of the Church to open up towards modernity and to have their finger on the pulse of the time. Also according to KNA (2016) in a time where church-related and religious knowledge decreases in the society, the Catholic broadcasting service KNA takes on an important explanation function. Thus, the news coverage and reporting facilitates the more differentiated access to church-related topics for other editorial offices.

Previously it has been noted that the Church does not have the profit motive. In general, this is still valid, but in case of inclusion of the above-mentioned manifestations of

¹⁰⁵ In this context it is interesting to note that Saint Arnulf was not only the Bishop of Metz (today France), but that he is also the patron saint of beer brewers. Thus, there is the legend that there was a serious illness raging in the region of Metz, which probably resulted from polluted drinking water. In that legend it says that Saint Arnulf recognized at that point that this danger could be prevented from both, boiled water as well as water that has been used for brewing. Thus, he blessed a beer kettle and threw a cross into it. Further in that legend it says that the people drank henceforth only from this cauldron and the wave of illness ebbed away (Katholisch.de, 2015).

¹⁰⁶ In an interview with the internet portal of the RCCiG, i.e. *www.Katholisch.de*, the Professor of Catholic Theology Bernhard Uhde of the University of Freiburg notes that e.g. monks and the clergy not only used to go to Lent only before Easter, but also before Christmas and they both had to struggle with the restrictions as e.g. the monks were obliged to do heavy physical work. As such they were glad to be able to strengthen themselves in this way. Besides, there is also the Bavarian saying: 'Two beers are as good as a roll, only then you have not drunk anything' (Katholisch.de, 2014).

¹⁰⁷ Above this there is e.g. with regard to the monastery *Kloster Kreuzberg* another reason why the monasteries maintain an own brewer, which was intended to provide pilgrims who are coming to that monastery (as it is one of the most visited pilgrimage places in Germany) with a free 'trail consumption'. For this they had even introduced a voluntary to be paid 'beer money' (Katholisch.de, 2015).

ecclesiastical being, there is at least in parts a profit motive. However, the profits are used for the good of the Church and cross-finance the ecclesiastical being. Also, from a financial economic viewpoint, indeed there are i) proceeds from own assets, such as income from real-estate or capital market investments, and ii) proceeds from own business activities, as stated above, but there appears to be another phenomenon which is not yet incorporated into textual perception of the state of affairs of church financing, i.e. the church banks. Thus, the next section of this analysis will explore and analyse church banks in light of church financing in Germany.

4.5.1.6 A sixth source? Exploration of the role of church banks within a system of church financing

This section fathoms out the role of church banks within the system of church financing in Germany.

4.5.1.6.1 Identification of the theological *raison d'être* and mission of church banks

A first-time spectator of church financing in Germany might wonder that there is a church tax in Germany. However, the same spectator might even wonder more, when getting to know that there are even church banks in Germany. The following will reveal a *raison d'être* of church banks from a synthesis of theological viewpoints.

When the Darlehnskasse Münster, the church bank of the Diocese Münster was celebrating its 10th anniversary in 1971, Heinrich Tenhumberg, the bishop of Münster at that time, stated that the modern society is not imaginable without money. In this context, the bishop noted that the money of the Church must be utilised for the service on humanity (Darlehnskasse Münster, 2011, p. 13). Thus, according to Suermann de Nocker (2015, p. 1), the mission of church banks shall be found in a theological context. Therefore and in this “theological context”, church banks are providers for the service on humanity. In this understanding, their *raison d'être* is primary not the generation of profits, but the best possible support of their private and institutional customers and ecclesiastical owners. Besides, in 1968 and hence, shortly after Vatican II, Pope Paul VI noted, that ‘he is pleased to notice that the RCCiG uses all possibilities which are available in order to minimise poverty in the world’ when he was introduced to the Catholic church bank in Münster and

learned about the existence of Catholic church banks in Germany (Darlehnskasse Münster, 2011, p. 4).

In 2004, the argumentation of the theological relevancy and also a theological justification of the existence of church banks was also pursued by Cardinal Lehmann, the former Bishop of Mainz and former chairman of the German conference of bishops. Thus, Cardinal Lehmann notes with regard to the *Steyley Bank*, the monastery bank of the Confraternity of the monks of ‘the Society of the Divine Word’ (Ger. *Steyley Missionare*), that the Church is via church banks also visible in the financial sector and that Christian acting also in context of financial investments can be different from conventional, capitalistic acting. In contrast to the non-for profit character of church banks, Cardinal Lehmann attributes ‘the profit maximisation’ as the key motive to conventional, secular banking institutions. In contrast, the monastery bank focalises on ethical investments and maximisation of the effect of their mission (Steyley Bank, 2004, p. 2).

Ten years later, the current chairman of the German conference of bishops, Cardinal Marx, notes that it is a clear sign of Christian solidarity that many customers of the *Steyley Bank* voluntarily abdicate the receipt of a part of the interest payments for their investments in favour of projects of the mission of the monks. Besides, Marx notes that their clients are not aiming to primarily maximise their profits, but their priority is to act for the good of the love of the neighbour. According to the Cardinal, this demonstrates in a particular way “a Christian-oriented dealing with money matters” (Steyley Bank, 2014, pp. 6-7).

In summary, the theologian Suermann de Nocker (2015, pp. 1-2) notes that church banks, other than their secular counterparts, have a different mission which is to serve the Christian mission, rather than profit maximisation and the establishment of a competitive alternative banking stream. In that way, it is also their cooperative spirit, which combines solidarity and economic prudence in an efficient way.¹⁰⁸

¹⁰⁸ In this context it is worthwhile to note that Suermann de Nocker (2015, p. 35) notes that at the beginning of this millennium, the board of directors of church banks still included full-time priests who carried out the supervisory role, however, on a voluntary basis. However, since recently, there are less volunteers in these boards anymore and a professionalisation took place at this place of ecclesiastical financial acting. Thus, only two other supervisory boards of church banks are still lead by a priest, i.e. the Pax Bank and the Liga Bank.

4.5.1.6.2 The cooperative spirit

All five Catholic church banks are part of the cooperative banking sector in Germany.¹⁰⁹ In this context Hemel (2015, pp. II-III) points out, that cooperative banks emerged from the idea of self-help and that they follow democratic principles. Thus, every associate of the cooperative has precisely one vote. In case of a Catholic church bank, the associates are statutory corporations such as the dioceses. In several statements, Pope Francis considers cooperative banks in general, as an important contribution to humanitarian, economic activities. Thus according to the Holy Father, cooperative banks vanquished the financial crisis with their own funds and not at other people's expense. By doing so, these financial institutions followed the Catholic social teaching and realised the principle of subsidiarity in the form of their self-responsibility (DKM, 2015, p. 6; Radio Vatikan, 2015). Besides, all church banks are indirectly non-profit banks as their owners, i.e. cooperative-associates are themselves institutions without a profit motive. This leads Suermann de Nocker (2015, pp. 1-2) to stress that the 'non-profit character' is indeed also predetermined by the theological reflection of church banks. Thus, even if economic decisions are determining the daily business and operations of these banks, the strategic decisions of the banks, as well as their general existence, are derived from theological reflections and argumentation. This reveals a broad *raison d'être* for church banks, i.e. a way of promoting Christian values and to provide financial services in accordance with Christian ethics to the customers of the church banks. Thus, the motif of church banks is not to pursue profit maximisation, but to support humanity. Their guiding understanding is that if one is not able to do achieve something, then many do. This is the reason why they operate as cooperative banks. However, there is another, rather simple reason why church banks exist. Just as bishop Tenhumberg noted, modern society and its economy are based on money as the means of exchange. In this spirit it was 34 priests in Regensburg in the second decade of the 20th century which founded the first Catholic church bank in Germany (LIGA Bank, n.d.); they did it simply during the turmoil of that time, and they wanted to help each other out with regard to their ecclesiastical financial affairs.

¹⁰⁹ An exception is the Steyler Bank which belongs to a religious order and operates as a limited company (Steyler Bank, 2004). However, monasterial banks are not any further subject of this thesis.

4.5.1.6.3 Overview of Catholic church banks

As stated in the previous section, Catholics founded the first church bank in Germany, and the history of church banks traces back more than 100 years ago and in Germany and Austria, i.e. the German-speaking geographical area, there are currently 14 banks where the majority owner is an ecclesiastical institution or monastery. Those banks are called church banks (*Kirchenbanken*). In the sphere of the RCCiG, there are five banks in existence. These include:

- the *LIGA Bank eG* from Regensburg (Bavaria),
- the *Darlehnskasse Münster eG* from Münster (North Rhine-Westphalia),
- the *Bank für Kirche und Caritas eG* from Paderborn (North Rhine-Westphalia),
- the *Bank im Bistum Essen eG* from Essen (North Rhine-Westphalia) and
- the *PAX-Bank eG* from Cologne (North Rhine-Westphalia).

Other than those five church banks, which directly belong to dioceses, there are also two Catholic monastery banks in Germany. Thus, the Confraternity of the monks ‘Society of the Divine Word’ (*Steyler Missionare*) operate the *Steyler Bank GmbH* in St. Augustine (North Rhine-Westphalia) and the Franciscan Order (*Franziskanerorden*) operate not an own, separate bank, but a branch of a bank, which is the *Bank für Orden und Mission*. It is a branch and an agency of the secular *VR Bank Untertaunus eG*. This branch of that bank provides all members of the Franciscan Order in Europe with banking services (Foltin, 2014, pp. 144-154; Suermann de Nocker, 2015, p. 7).¹¹⁰

The above revealed that four of the five Catholic church banks are residing in North Rhine-Westphalia and one in Bavaria. This picture reflects the Catholic presence in the particular regions. Thus, the South and West of Germany are indeed characterised by Catholicism that can be seen when considering the percentages of Catholics in the particular region or the traditions, which are present in these areas such as the carnival which is present all over the North-Rhine Westphalia, the Rhineland in general and also in the South of Germany.

¹¹⁰ The following will focus on Catholic church banks and will only consider monasterial banks if it strengthens the argument.

4.5.1.6.4 Institutional appearance of the Catholic church banks

The following reveals the institutional appearance of Catholic church banks in Germany. This includes a view on their clients and geographical coverage. In this understanding, the Catholic Church Banks primary serve institutional clients in the sphere of ecclesiastical and social welfare institutions as well as all church employees. The latter most importantly benefit from the service of their salary accounts with the church banks. Some banks, such as the *Bank im Bistum Essen eG* also offer their services to clients who are not employees of the Church, yet they demand a positive attitude towards Catholicism. The Catholic church banks primarily operate regionally and thus:

- the *LIGA Bank* serves clients in the south of Germany and Austria,
- the *PAX-Bank* serves clients in the Rhineland as well as the Berlin area,
- the *Darlehnskasse Münster* serves clients in Northwest Germany and
- the *Bank im Bistum Essen* and the *Bank für Kirche und Caritas* mainly serve clients locally within the diocese of their owners.

When it comes to trans-regional matters, all the church banks are in a state of a ‘latent competition amongst each other’. In this context, Suermann de Nocker (2015, p. 6) also states that many parishes have accounts with local savings banks or other, secular cooperative banks. This is because in cases members of the parish council work in these institutions or have other historical, good relationships to these institutions (Darlehnskasse Münster, 2011, pp. 7-28; Foltin, 2014, pp. 144-154; LIGA Bank, n.d.; Suermann de Nocker, 2015, pp. 7-11).

In summary, most church banks offer their services only to employees of the Church or to ecclesiastical institutions. Thus, they exclude all other congregants, and additionally, this keeps away non-confessional or disaffiliated persons from the Church in a broad sense, even if they might be interested in ethical investments. The question remains whether this practise appears to appropriate. Thus, if the church banks opened up towards everybody interested in Christian, ethical banking, then this is a chance for church banks to ‘mediate salvation’ and to attract people for Christian values in a very important aspect of secular life. In addition, it appears to be that not all financial concerns of the RCCiG are handled by the five church banks. In this context, Suermann de Nocker (2015, p. 11) notes

that some ecclesiastical institutions might even prefer working with secular banks, as perhaps their service appears to be better and their conditions might be more favourable. Indeed, also this is very questionable. Thus, if one acknowledges that indeed a person in charge of power within the Church shall operate economically, then it appears to be questionable to act economically only due to more favourable conditions. In other words, if the Catholic Church is perceived as one community, then indeed it is for the benefit of the Church if also their church banks handle as much as possible of the financial service matters of the Church.

4.5.1.6.5 Economical raison d'être & church financing innovations

Whereas the first section in this part on church banks focused on the theological raison d'être, the following reveals an understanding for the economic raison d'être of church banks. It includes a brief view of the products and services of church banks in general; however, the products and services are not any further part of this thesis due to space limitations.¹¹¹

With regard to the economic function of church banks, Suermann de Nocker (2015, pp. 1-2) notes that the church banks carry out an import support function for the Church. Thus, church banks are the backbone for the financing of charitable engagements, and most of the church banks function as the principal bank (*Hausbank*) for the dioceses. In addition to this, and regarding the offered products of church banks, church banks indeed operate in an area of tension between economics and theology. Thus, in their daily business, they fulfil the economic goal to provide the ecclesiastical institutions and their retail clients, which are frequently the employees of the Church, with investment solutions and loans, both according to Catholic social teaching. In case of investments, it is, therefore, the goal to provide ethical, attractive and sustainable investment opportunities. However, church banks also compete with their secular counterparts, and they are interwoven into the boon and bane of the (global) financial market. Their distinguishing feature must be the obeying of Christian values and Christian social teaching.

¹¹¹ An analysis and systematic reflection on the products and services of church banks, including analyses such as ethical investments etc., must be subject of separate academic discourses; for this Foltin (2014) offers a good overview on ethical investment management in ecclesiastical contexts and also briefly reviews the role of church banks.

Above that, church banks in Germany offer church financing innovations. Thus, the *PAX Bank* in Cologne is the first Catholic church bank which offers a crowd-funding platform. The idea behind www.wo2oder3.de is that there are many small projects within the Church that are not realisable due to a lack of the necessary financial resources. Examples for those small projects are, e.g. the refurbishment of a church-flag or a new swing-set for a kindergarten. The platform, therefore, intends to organise micro-financing for those projects and provides a remedy for this. The platform is free of charge for both sides, i.e. the project and the investor respectively donor, and the only thought is that the donor receives a little present after the realisation of the project (PAX Bank, 2015). Thus, whereas in former times such projects would have been tried to be financed by collecting donations, such small purposes are now also realisable with this platform.¹¹²

Concluding and in light of financial analysis, but also in light of promoting Christian values, it appears to be unfavourable that church banks mostly only offer their services to affiliated ecclesiastical institutions or employees of the Church. There is much to be said for an expansion of the services to everybody who interested in ethical banking services and above that, there is also room for the generation of further proceeds contributing to the system of church financing from this form of ecclesiastical being. Church banks are a bridge into the secular, market-oriented society and should be used as such.

4.5.1.6.6 Synthesis on church banks in light of church financing in Germany

This part of this thesis is titled ‘A sixth source?’. In light of this, the above reveals an explorative analysis of evidence on church banks in light of the system of church financing. The below, shall answer this question and synthesise the relevance for church financing in Germany.

First, attention shall be drawn to Pope Francis again who reveals a Catholic Social teaching understanding of banks. Thus, the Holy Father postulates a more humanitarian way of economic thinking and acting. He especially emphasises cooperatives as an ideal legal form of a financial institution. This is according to the Holy Father, as in such

¹¹² The topic of ecclesiastical crowd-funding has been a topic which the author presented in a separate paper at a research conference in Philadelphia, USA in June 2018, cf. 1.2.1. The basis for this presentation was the theoretical model, which is presented as the result of this thesis at the end of chapter 5.

institutions ‘there is not the capital ruling the people, but humankind is ruling over the capital’. In this understanding, it is the goal of economic acting to support the weak parts of society. Ultimately, the Pope proposes that cooperative banks shall be the nucleus and originator of a network of cooperation and they shall economically support a humanisation of the global economic acting (DKM, 2015, pp. 6-9; Radio Vatikan, 2015). In other words, the church banks in Germany have a pivotal role in the modern society and are indeed the bridge into the secular world.

Next, it is necessary to combine the theological and economic *raison d’être*. Further to the above, church banks are able to help to mediate between the *homo oeconomicus* and the *homo cooperativus*. Thus, there is this societal tension between the both; on the one side, there is the first-mentioned advantage seeking, purposive-rational acting human being, and on the other side there is the latter, the sense- and social-affiliation seeking human being. As church banks operate in the intersection of the arena of the two, they can promote the Church’s values and perhaps reach that the *homo oeconomicus* at least starts to think that there is more than just profit maximisation. In addition to this, church banks are indeed not part of the ecclesiastical being in order to fill the cash register of the Church, but that they have a pastoral and ethical mission. Thus, they promote Christian values by providing ethical banking services, and *en passant*, they reach to cross-finance the mission. Economically and theologically, this is a win-win situation for both sides. In other words, church banks are the “burning lens” between ecclesiastical financial affairs, the material equipment of the Church and the civil society (Hemel, 2013, pp. 103-166; 2015, pp. I-II; Suermann de Nocker, 2015, pp. 1-2).

Thus and indeed, the role of the church banks is to serve the Christian mission, rather than the establishment of a competitive alternative banking system. Therefore, by promoting Christian values in the form of ethical banking services and ethical handling of money matters, they reach to offer financing services to ecclesiastical building projects, and with their proceeds, they are contributing to the overall financing mix of the Church. Above that the church banks help to redistribute financial assets amongst the RCCiG as it grants loans to those Catholic institutions that are in need and offers a secure place to those institutions of the Church that have a surplus in funds.¹¹³ As such church banks are not an

¹¹³ It is this idea of a redistributing role of the church banks within the system of church financing in Germany that is going to be discussed in further detail in the later parts of this thesis, cf. section 5.2.2.2.

own source of church financing but they are part of the fifth source; however, due to their redistributing function they are more than a source and constitute an integral part of a holistic perception of the system of church financing in Germany.

However, currently, church banks offer according to their websites products for a) private clients, i.e. savings accounts, money market investments, mutual funds and mortgages, b) institutional clients, i.e. project financing, investment management and management of pensions and c) foundations, i.e. investment management. These are in essence all the tasks and services fulfilled by the German savings banks who also offer the basic financial services to their public stakeholders and the public (Klein, 2003, pp. 29-49). This indeed is only a small range of activities in light of a larger purpose, which could be found within the system of church financing. One example are church bonds which were pioneered by the former Austrian Catholic bank Schelhammer & Schattera in the 1950s (Bankhaus Schelhammer & Schattera, 2007). Thus, a church bond is not only a potentially interesting investment product for ethical investors but also an excellent way to finance large-scale ecclesiastical projects such as the refurbishment of a church or construction of a new hospital. In addition to that, a church bond could help to bridge financing gaps in years with an abrupt absence of expected church tax revenues and therefore could secure the payment of the ecclesiastical personnel and essential maintenance costs. Another example is crowd-funding which also is already offered by one of the Catholic church banks. This is a very modern form of financing small-scale investment projects such as a new 'jungle gym' for a kindergarten. Such a platform can be installed without substantial effort, but indeed has a huge impact. In summary, these are only two examples, which should be integrated into the range of products and services of all church banks as they contribute substantially to the stability and evolvement of the system of church financing.

The next chapter will go beyond this analysis of church financing in Germany and will present a path towards the building of a theoretical model of church financing in Germany. Yet, before this will follow, the next section will briefly take a view on the current financing situation of the RCCiG.

4.5.2 Part II: Synthesis of the financial situation of the RCCiG

This section investigates the current financial situation of the RCCiG. It focuses on the earnings side and connects it with expenditures when necessary.

4.5.2.1 The contemporary financing mix of the RCCiG

The following aims to construct the contemporary church financing mix of the RCCiG with the means of a hermeneutic estimation. Thus, the findings of this thesis are being synthesised and interpreted in order to derive an approximation of the current state of affairs. Hence, if one considers the information included above, then the composition of the financing instruments of the RCCiG can be summarised as displayed in the box on the right-hand side of the conceptual model in Figure 15 below.

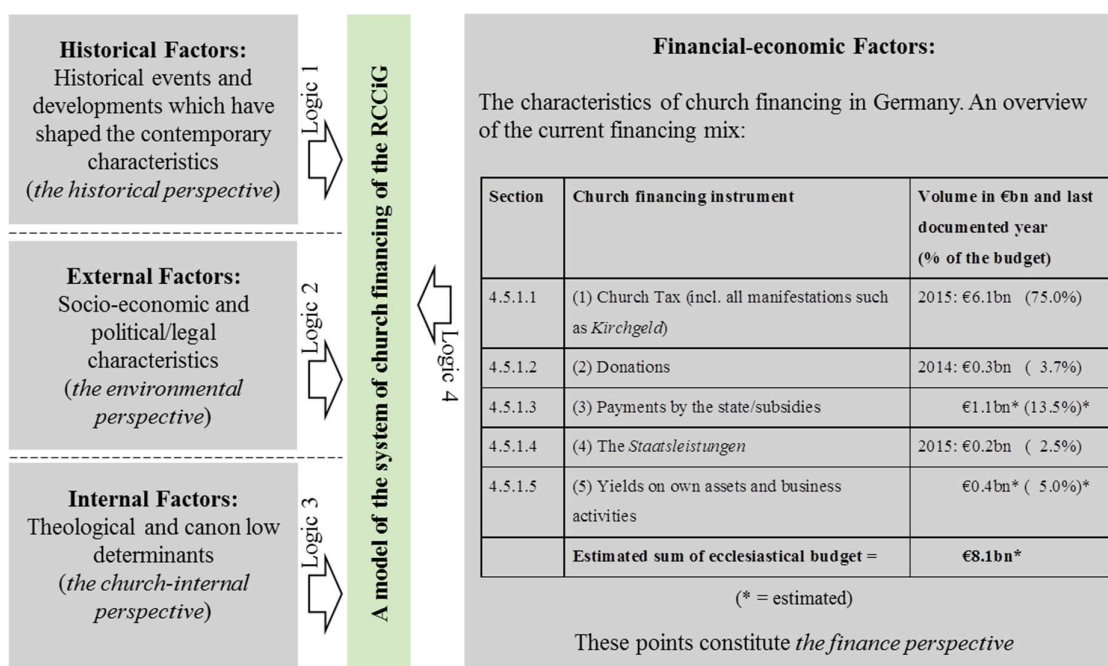


Figure 15: The financial, economic factors within the conceptual model of church financing (Logic 4) (diagram compiled by the author).

This picture seems reasonable if one considers the situation in 2014/2015. Thus, in an approach where he set the church tax revenues of 2011 (€4.9bn) to 75% the economic expert and former consultant of the Conference of the German Bishops Thomas von Mitschke-Collande (2012, pp. 89-90) derives an estimated budget of €6.5bn - €7.0bn for the RCCiG for the time 2010/2011. If one considers that the church tax increased from 2011 to 2015 (€6.1bn) by more than €1.0bn my estimation of currently €8.1bn fits into that

train of thought. In addition, if one considers the individual elements of the current budget, this appears realistic. Thus for the situation in Germany a number of sources state that (1) the church tax contributes between 75-80% of the entire ecclesiastical budget (Giesen, 2009, p. 90; Haering, 2014, pp. 71-73; 2015, p. 17; Hartmann, 2014, pp. 31-32; Marré & Jurina, 2006, p. 62; Mitschke-Collande, 2012, p. 90). Therefore, they are here set to 75%, which implies an estimated ecclesiastical budget of €8.1bn for 2015.¹¹⁴ The displayed values for (2) donations and (4) the *Staatsleistungen* are published, and Giesen notes that (5) the yields on own assets business activity are approximately 5% of the budget; this allows to derive a volume of c. €0.4bn for this instrument. Ultimately, the amount of the (3) payments by the state/subsidies is then a residual value, as all five positions need to add up to €8.1bn and Giesen estimates this position to be as high as 20-25% including the proceeds from the *Staatsleistungen*. Thus, it allows deriving this position to be as high as about €1.1bn. This is less than anticipated by Giesen but seems to be reasonable if one considers all other positions. Especially if one estimates the overall volume on the basis of the church tax contributing 75% rather than 80%; in a calculation with the latter the overall volume would only be as high as €7.6bn, and then the payments by the state would only be €0.6bn plus €0.2bn *Staatsleistungen* which then only accounts for 10.5%, which indeed is by far smaller than all considered references suggest. However, such a picture has never been published in any academic or other reliable source and can therefore not be verified. Yet, it can function as a proxy for the further analysis of this thesis.

In summary, the derivation of a financing mix here above and the previous exploration and analysis of church financing in Germany reveals that the budget of the Catholic Church in Germany is predominantly financed by the church tax; this is in line with the own perception of the Church. Another important source is payments by the state. In turn, the controversially discussed *Staatsleistungen* only contribute to a small extension to the mix. In addition, many authors have discussed the role of donations in Germany and conclude that a substantial increase is hardly achievable. However, there are voices which argue that a dedicated fundraising strategy could help to increase the revenues from this position, cf. (Vellguth, 2007, 2016). Yet, still the exploration and analysis above do not

¹¹⁴ Own calculations on the contribution of the church tax to the ecclesiastical budget yield a weighted average of exactly 75% for the fiscal year 2013 (calculation based on the websites of the dioceses and the overviews given by (Stolz, 2013; Stolz & Würfel, 2013).

substantiate this, and an increase in donations or fundraising strategies will continue to be excluded from this thesis and functions as a recommended area of further research.

Ultimately, there remains one unappreciated and rather untapped source of income which are the revenues from own business activities. Within the concept of this thesis, this position shall also include the church banks in general but also revenues from church bank activities in particular. It has been stated above that a further extension of this kind of ecclesiastical business activity could indeed be of benefit for i) the Church, ii) for the congregants and iii) society in the course of increasing demand for ethical investment opportunities. Before this is explored further, the next section briefly reveals consequences of pressure on the expenditure side of the Church.

4.5.2.2 The expenditure: cost reduction and closure

Economic constraints in the dioceses affect both, the structures and methods of working and thereby ultimately also the overall mission, message and appearance of the Church. The following reveals current pressures on the expenditure side.

In general, financial resources of the dioceses are scarce, and in recent years, all of the dioceses are increasing their saving efforts. Those cost reduction efforts manifest mainly as the closure of institutions, reductions of organisational and administration structures, and the termination of services. All this implies a significant impact on the work of the Church, mainly in terms of the overall content and its mission. Thus, lately, more and more considerations in the bishoprics are made in light of planning with the least resources. This *inter alia* leads to the fact that it is frequently tried to transfer a certain amount of the necessary ecclesiastical work from full-time employees to volunteers in order to secure financial resources. Ultimately, the conversations within the Church are getting controversial when cost-cutting measures are implying a change of the mission. Thus, for some, it is a 'strange external prophecy' and hence, 'the sell-out of Christian identity' and in the end idolatry. However, others perceive chances from the conversation to operate more efficiently, and thus, to save resources; they perceive it as a chance of a redesign of the mission. Above that, savings should not be the permanent topic within the Church, because it can destroy the drive of an organisation and this is especially the truth for an organisation such as the Catholic Church that aims to convey hope. It is therefore recommended that the Church, which is framed into an environment of change and cost savings, should be aware that this entails the risk that it paralyses the Church for decades. This paralysis could decrease motivation, enthusiasm and creativity within the Church. It is then a vicious circle as this perhaps alienates the congregants even further from the Church and leads to further church disaffiliation, which then weakens the financial basis of the RCCiG (Feldhoff, 2004, pp. 16-20; Giesen, 2009, pp. 55-57; Halfar, Borger, & Schuck, 2007, pp. 59-62; Orth, 2003, pp. 341-345; Suermann, 2012, pp. 19-20). Thus, according to (Suermann, 2012, pp. 17-18) there is a common agreement within the RCCiG that in the course of decreasing financial means, also a reduced number of services can be financed and ultimately be offered. This implies that the institutional appearance of the Church gets smaller and smaller. Despite the fact that such a development would imply cost savings, it is not the subject of this thesis to any further extension as a reduction of services which has an impact on the overall appearance and mission of the Church clearly belongs into the

theological stance; I do not want to arrogate on this any further as the stance of this thesis is that economics can only have a serving function for the Church. Thus, the following chapter aims to reveal potentially unhidden opportunities for more stability of the church financing system to perhaps preserve even a bit more.

5 HERMENEUTIC THEMATIC SYNTHESIS: THE CONCEPTUALISATION OF A MODEL OF CHURCH FINANCING IN GERMANY

5.1 Introduction

The process of building theory is occasionally a long-winded process, and often it takes decades to arrive at a level where one can call a theoretical framework an integrated theory (Bortz & Döring, 2006, pp. 355-373). The following does not aim to propose a theory but to formulate a theoretical model of church financing in Germany. I argue that such a model is a valuable contribution to the theoretical knowledge on church financing as the Catholic system of church financing in Germany includes elements of all existing manifestations of church financing in the Western World (Kiderlein, 1996, pp. 37-38; Marré, 1991, pp. 13-17; Marré & Jurina, 2006, pp. 18-29; Petersen, 2015b, pp. 205-208). This is in line with the argument that also “religious communities rely on more than one form of financing” (Kühn, 2014, p. 59).

5.2 The requirements for a theoretical model on church financing

This section shall a) summarise study results that frame the development of a model of church financing and b) enhance the current evidence base by further elements, which are necessary in order to have a profound basis for this attempt.

5.2.1 Study results that frame a model of church financing

The following reveals the study results of this thesis that are at the same time parts of evidence for the development of the theoretical model.

5.2.1.1 *A priori* conditions

The first element of a model of church financing is the awareness of specific conditions that shape it from the outside and the inside. On purpose, the following will reveal insights from Logic 3 on the internal factors first as theological reasoning is the most important prerequisite if economic thought is sought to be accepted by theological reflection.

5.2.1.1.1 A priori condition I on the importance of theological justification derived from the findings of Logic 3

The most important thing for a financial economist engaging with the research object church is to reflect upon the quiddity of the Church. Thus, as an economist, it is easy to impose the ‘economic dogmatism’ into the Church. This unreflectively and immediately could imply that the Church could be perceived as a corporation. However, from a theological perspective, the Church cannot be perceived as such, cf. section 2.2 above.

In addition to this, economic thinking is characterised by the motif of profit maximisation, the understanding of effectiveness (‘to do the right thing’) and efficiency (‘to do the thing right’). Yet, in contrast to corporations where every decision is based on an economic justification, it requires more than just an economic justification when dealing with decision making in the Church; decisions within the Church always require a theological justification before anything else can be considered. Yet it is embarrassing for the Church that there first must be a shortage of money in order to start a reflection in the Church regarding the availability of financial resources (Zulehner, 2005, p. 18). Also in this context, and it further strengthens the argument, that there is tension between economic thinking and theological reflection, Suermann (2012, p. 19) refers to Dargel (2002, p. 272) who notes that in the Church nothing changes until financial resources are not available anymore. Ultimately, the notable German theologian Karrer (2006) summarises in the context of this thesis that no synod and no pastoral-plan changes the Church to that extent as financial constraints. Above all, the theological view on church financing of all those, i.e. Zulehner, Suermann, Dargel and Karrer is that church financing only has a serving function in order to materially ground the mission. In other words, even if the Church itself notices that there is a need for action – financial economics still must accept their epistemological role, which is not on the same level as theology. This makes finance an ancillary discipline that serves the theological logic.

5.2.1.1.2 A priori condition II on the external and legal environment derived from the findings of Logic 2

The system of church financing of the RCCiG is framed into a legal environment, which is constituted of:

- a. external laws, i.e. most importantly the *Grundgesetz*,

- b. mutual agreements, i.e. the concordats between the Holy See, the Federal Republic of Germany and the 16 *Bundesländer*, and
- c. church-internal laws and constitutions, i.e. the canon law *Codex Iuris Canonici* ('*CIC*'), and the documents of the Second Vatican Council ('Vatican II').

The analyses on Logic 2 reveal that a system of church financing must simultaneously comply with that entire prerequisite. In turn, the *Grundgesetz* guarantees the continuance of the right of the Church to levy church taxes and to receive the *Staatsleistungen* until they are redeemed.

Besides, a consideration of church financing must also start with the socio-economic environment of a church and its historical development. Thus, in history and today, Christianity fulfils its assignment in context of different material and social conditions and is historically grown into its environment. In this understanding, the external socio-economic environment frames the circumstances for the Church to exist materially; however, the Church is not creating the environment, it is there. Yet, to a certain degree the Church influences the environment, e.g. via its values, and in turn, the environment influences the Church, e.g. via its economic and political system. This implies a reciprocal relationship between the Church and its environment. Above that, it appears to be that during modernity, and especially in recent times, the environment is becoming more and more decisive for the Church; it is slipping into a mode where it can only react upon change, rather shape the change. In this environment, religious societies need reliable and predictable material resources and structures, and legal forms, which need to be provided by the political as well as socio-economic environment. Indeed, within this system, the Church cannot behave differently than predetermined within the given structures. In the context of the system of church financing, this implies that a system in a given country depends on socio-economical preconditions, i.e. the degree of secularisation and the economic system as well as the historical development of the system. This, in turn, implies, that in cases of a change of the preconditions and structures, the system of church financing has to adapt.

In sum, church financing is framed into its socio-economic and legal environment, and there is, and also was not any room for manoeuvres in terms of structures separating the system from its environment; this feature must be the burning lens, which derives the reflexive feature of a theoretical model of church financing.

5.2.1.2 Reflexivity

A system of church financing must be accepted by the society, as the altering of a church financing system can be perceived as a reflection of social change. Thus, the responsible factors which are frequently listed as being a reason to cause financial constraints in church financing are related to social change, especially the secularisation. Secularisation is referred to as a societal decreasing meaning of religion and the trend that a religious membership has less meaning for more and more people. This leads to less personal connections to the Church, low levels of trust in the institutional church and a steady number of church disaffiliations. Consequently, the effects lead to shrinking church tax revenues in case of Germany.

The analyses in chapter four imply that the system of church financing in Germany reflexively adapted itself towards such environmental changes during the last two centuries. Currently, environmental pressure stems from a) the **sociological change**, i.e. the change of the society towards a 'leisure society', and the above-mentioned secularisation, and b) the **demographic change**, i.e. in this context the percentage of retired people, who do not pay church taxes, increases steadily and in the younger cohorts fewer people are baptised. This indeed requires a reaction and adaption of the system. However, the observation and analysis of the past again, indicates, that the adaption processes appear with certain time lags. In other words, financial constraints occur first and only then initiate a reflexive reaction of the system. This leads to the situation that the system continually is reacting to environmental change, but does not shape the environment in an anticipating mode.

Above that, since the beginning of the 19th century, the mix of sources of income of the Church changed significantly. Thus, the sources of revenues changed from agricultural instruments, i.e. benefice-assets and the tithe, which were the primary source of church financing at the turn of the 18th to the 19th century, to industrialisation-based instruments, which are based on the monetary income of the congregant such as the church tax. This development is not only the reflection of a changing society but also a reflection of historical and political developments such as the *Reichsdeputationshauptschluss*, which expropriated the Church from buildings, land and assets in a large scale due to the Napoleonic secularisations in Germany.

In summary, reflexivity is a critical element of a system of church financing. Thus, the specific design of a church financing system is emerging within a historical process is the work and the agreement of people. As such, this process is the work of social interaction. In addition, it reflects the self-understanding of a congregation within a specific time-period and thereunder the relationship with the state and hence the country's prevailing governmental system. Moreover, a system of church financing reflects the attitude of the congregants, i.e. the entire society, towards the Church. In other words, a system of church financing is the result of a societal development process, and most importantly it must be accepted by the congregants. Therefore, a system of church financing is, therefore, a societal reflection, and as sociological factors change over time, as the society is also reflexive, church financing also is required to react upon this change.

5.2.1.3 Proofs of severity

Since the turn of the millennium, various dioceses in Germany such as the ones in Essen, Osnabrück, Mainz, Berlin, Aachen and Cologne, received advisory services from management consultancy firms such as McKinsey & Company, Droege & Company, and BPG-Unternehmensberatung in diocesan financial and managerial contexts (Giesen, 2009, pp. 14-29; Mitschke-Collande, 2012, pp. 11-14; Suermann, 2012, pp. 149-168). The engagement indeed could be perceived as an indicator that the severity of the financial perturbation stemming from the current membership-based financing model is more significant than yet captured and presented by the current body of literature. Thus, in many cases, the external consultants were engaged in order to analyse the organisation and financial issues raised within the specific dioceses. However, often the severe financial problems were the main aspect of an engagement. Here, the case of the Archdioceses of Berlin, which almost became insolvent due to an unexpected decline in anticipated church tax revenues in 2003, is a warning for the future. Yet, the diocese could only be bailed-out by a solidarity loan granted with reduced rates of interest by the other financially strong German dioceses. In addition, as mentioned above, also the archdioceses Berlin received advisory services from McKinsey & Company (Giesen, 2009, pp. 13-14; Mitschke-Collande, 2012, pp. 92-93; Suermann, 2012, pp. 241-251). In the following it is my attempt to synthesise two severities, which are underpinning the current financial situation: a) the current situation and b) the possible future situation.

5.2.1.3.1 Severity I: contemporary church tax revenues under pressure

The Catholic Theologian (Suermann, 2012, pp. 17-18) presents the exact situation in his doctoral thesis with regard to church taxes in Germany. Thus, the church tax revenues increased (price-adjusted) from EUR 1.9bn in the 1960s to EUR 5.0bn until the turn of the millennium. Thus, due to its fruitfulness at first sight and efficient way of collection in the past, theologians and the Church (Feldhoff, 1994, pp. 180-190; Gemeinsame Synode, 1977, pp. 185-214; Pulte, 2015, pp. 127-152; Rotter, 1989, pp. 201-212) frequently perceive the church tax as an ideal instrument of church financing in Germany mainly in context of the necessity to secure the remuneration of 180,000 direct employees and to allow the pastoral care in the 10,280 parishes in Germany (Deutsche Bischofskonferenz, 2017d, pp. 7-41).

However, if one considers the price-adjusted development of the church tax volume since 1990, it is shrinking year by a year already. Therefore, the price-adjusted volume of the RCCiG decreased from its peak in 1992 in the aftermath of the German unification until 2008 by 25% (Mitschke-Collande, 2012, pp. 89-94; Petersen, 2015a, pp. 28-30; Suermann, 2012, pp. 17-18). This trend of decreasing revenues is going to continue due to high rates of church disaffiliations *inter alia* caused by the child abuse scandal in 2010, fostered by the ‘Causa Limburg’ in 2013, cf. above, and recently with a modification in the collection-mode of the church tax on capital gains at the beginning of 2015 (Domradio, 2016; Uhle, 2015). Thus, the contemporary church tax revenues are under pressure. This is not only due to the unfavourable publicity but also due to unfavourable demographics, cf. above. Yet, this is only the current situation; the next section aims to take a perspective on future developments.

5.2.1.3.2 Severity II: future church tax revenues possibly under pressure

According to an analysis conducted by the economist and former consultant of the German conference of bishops Thomas von Mitschke-Collande (2012, p. 93) the potential deficit in the ecclesiastical budgets of the RCCiG resulting from lost church tax revenues, could become as high as 25-30% in 10 years from now. His underlying analysis extrapolates the church disaffiliation rates with the number of Catholic church members in 2002, i.e. 26.5mn, to the year 2025.¹¹⁵ This situation leads to the necessity to examine

¹¹⁵ Thereby the analysis anticipates a decline of the church members by 15-30% to about 21.0-23.0mn congregants in 2025. Then, this anticipated number of congregants was put into a context with the church tax revenues and this resulted in the expected funding gap of 25-30%. Indeed this also includes the beginning of

whether other sources are extendible. However, the analysis in chapter 4 reveals that a) **the *Staatsleistungen*** are not extendable as they are based on historical titles and indeed already now are subject of frequent public criticism and b) **the payments and subsidies by the state** are granted due to direct cost compensations; thus, also these instruments cannot be extended in order to additional means available to defray the budget. In addition to that, also donations can also not bridge potential funding gaps. However and notwithstanding that a substantial or complete reliance on voluntary donations would be the ideal form of church financing from an economic and theological point of view, this is currently not realistic in Germany.

Thus, due to the above-mentioned difficulties involved with i) the church tax, ii) the debate on public subsidies and especially the *Staatsleistungen* and iii) a very small share of the ecclesiastical budget contributed by donations, alternative ways of church financing have to be considered. In other words, the system of church financing needs to react upon a changed social environment. Additionally, and in line with the statement of Pope Paul VI in 1968 with regard to the existence of church banks in Germany, when the Holy Father noticed that he is happy that the Catholic Church in Germany uses all possibilities available in order to minimise poverty in the world (Darlehnskasse Münster, 2011, p. 4), there must be a self-evidence that the RCCiG further opens up for innovative and alternative instruments of church financing. Yet, at the same time, the real existing, empirical phenomenon of church banks are also an additional opportunity for the RCCiG to convey Christian values and to be an example for the society, rather an observer of society. Church banks should be perceived as an ideal bridge into the secular world, cf. section 4.5.1.6.5.

5.2.2 Structural enhancements of the current evidence

In order to build a model of church financing in Germany two more theoretical constructs. First, I will introduce and subsequently integrate an understanding of the concept of interest-group theory. Second, I will adopt the concept of financial circles in context of church financing for developing the model.

5.2.2.1 Integrating the concept of ecclesiastical benefits to the model

the mass retirement of the baby boomer generation starting in 2020 (Deutsche Rentenversicherung Bund, 2013, p. 63).

Modern finance assumes that financial systems cannot be described without considering their task; this includes a view on the related expenditure (Smekal, 1989, p. 126). This thinking shall also be applied to a system of church financing although in a reflective way and not with regard to a cost-centred view but rather a benefit creation-centred view. Above that, the five dimensions of religion as proposed by (Glock & Stark, 1966) were introduced to the course of this thesis. Out of those, the ritual dimension is covering (i) church membership and (ii) financial support for churches (Glock & Stark, 1966, p. 73). However and from my point of view, this perspective is not yet enough for the sake of this research project as this perspective limits a church financial view only to the relation of the individual and the Church. Thus, when in section 1.1.4 also the concept of secularisation was introduced to the body of research it also implies a relationship between the society and the Church. For this, it is important to enhance the focus of the thesis by a train of thought that considers the benefits, which are being produced by a church for various interest groups such as the believing individual, the non-believing individual and the (secularised) society. Despite this, section 2.6.2 introduced a differentiation between the institutional and the transcendental appearance of the Church. For the sake of deriving a ‘what is being financed’ in this thesis, one could without great effort argue that this is, of course, the institutional appearance as they transcendental might only be a result out of the institutional one. However, also this differentiation alone is from my point of view not yet sufficient to capture church financing. Thus, in following this train of thought, the remainder of this section develops an understanding of different benefits that are created by the Church which in turn serve different interest groups of the Church. Thereby this concept shall combine and enhance the two approaches of the Glock and Stark (1966) dimensions of religion as well as the two appearances of the Church.

The task of the church financing system is to equip the Church with the necessary financial means in order to promote the mission. In turn, they must be accepted by the congregants who enjoy the benefits. Besides, the related expenditure shall be described as personnel and material costs in essence. The combination of this expenditure, i.e. funding of the material existence of the Church, and the Church’s task, i.e. its mission, generate benefits for the good of various interest groups.¹¹⁶ Instead, in this thesis it is perceived on a

¹¹⁶ Yet, an analysis of the expenditure positions of the Church is not any further part of this thesis. The reason for this is that recommendations of cost-cutting measures are by far stronger than on the funding side, and in fact directly interweaved with theological reflection. Thus, the two major expenditures i) personnel costs and ii) maintenance costs both entail theological relevance. Hence, cost reduction regarding the personnel directly

rather abstract level, as primarily ‘personnel and material costs’ which are necessary to create the religious benefits for the various interest groups of the Church. At this stage of the thesis, it is the aim to connect the benefits with the various instruments of church financing. Ultimately, this also shall allow normative statements on the composition of the church financing mix, but most importantly, it is a decisive feature for the use or not use of a certain instrument. The following ideas are initially based on Smekal (1989, pp. 126-130), Smekal (1981, pp. 12-15) and (Smekal, 1969, pp. 158-179) but were enhanced by own interpretation made during the drafting of this thesis.

In order to make a connection between the material existence of the Church and thus, its funding resources and its expenditures the above-mentioned idea of benefits, which the Church generates, shall be introduced. Thereby I propose a shift from a cost and expenditure view towards a benefit- and what-is-being-financed view. In this construct church financing equips the Church with the necessary financial means, the Church, in turn, promotes its mission, conducts pastoral care and lives its Christian values, and all this creates benefits for the various interest groups of the Church, cf. Figure 16 below.

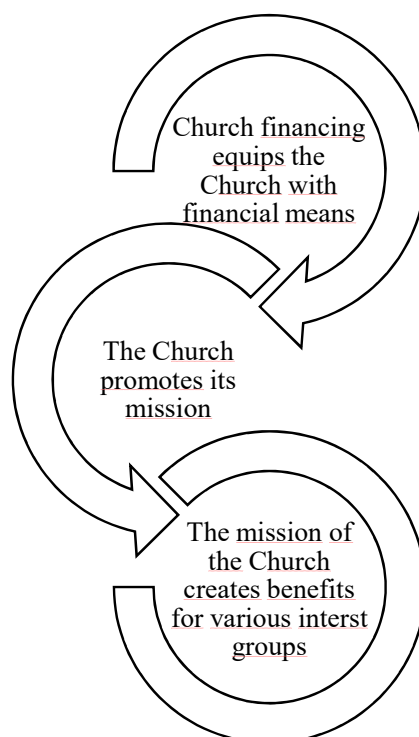


Figure 16: The process of benefits creation (diagram compiled by the author).

change the appearance of the contemporary church and savings regarding maintenance costs endanger the supply of all physical resources needed in order to conduct pastoral care.

Thereby the last part of the process, i.e. the ecclesiastical benefits, can be allocated to three different interest groups, which are revealed in the following:

1. **Intangible individual benefits** are religious benefits in a narrower sense such as the receipt of the sacrament. These benefits are attributable to the individual, but it is not possible to derive the value of the individual benefit. These benefits are dispensed in religious contexts. Thus, every congregant who is religious can enjoy this benefit. However, with regard to the individual utility and value, this can vary between infinite or very small. From the perspective of this thesis, this first group of an ecclesiastical benefit can be perceived in an understanding according to Glock and Stark (1966) as the 'experiential dimension' of religion as they are referring to the individual experience of the congregant.

Due to the fact that an evaluation of the perception of such a benefit would be subjective indeed, a financing solution based on group solidarity is recommended here. Hence, the costs must be split among all members via adequate means. In order to make this fair and equal for every individual, the instrument should follow the ability to pay principle, which entails per se a fair and equal distribution of the burden. Eventually, this requires a financing instrument that entails an apportionment to the level of the individual: **for the system of church financing in Germany this is best reflected by the church tax.**

2. **Collective group benefits** entail the provision of organisational and material infrastructure. This includes the ecclesiastical buildings and these benefits are, in contrast to the first group above, not attributable to the individual and therefore represent a group-infrastructure. Yet, for these, it is possible to derive the specific costs as each maintenance measure comes with a price being paid to the contractor. However, a detailed allocation to the individual is also impossible. Therefore, the ecclesiastical infrastructure, i.e. the organisational and material being of the Church, conveys use and therefore constitutes a benefit for the entire group of the church members. Accordingly, also a collective financing instrument with apportionment to everybody or an instrument which entails the contribution of everyone is recommended here: **in context of the system of church financing in Germany again, the church tax appears to be the ideal instrument.**

3. **Benefits for society as a whole** are benefits that are for the good of the society as a whole. By following Smekal (1989, pp. 128-130) this category shall be split into two sub-categories:

- a) an enhancement of the group of people's, and the individual's cultural standard, i.e. pre-emptive benefits for society as a whole and
- b) educational-, social- and monument preservation-benefits, i.e. material benefits for society as a whole.

In the context of two manifestations of this group of benefits, they shall also be considered individually by deriving the adequate means of financing instrument for them.¹¹⁷

First, regarding the pre-emptive benefits for society as a whole, it shall be argued that if religious societies did not exist and hence, these benefits would not exist, then the society could perhaps be impoverished culturally and socially. In other words, also the state is benefitting from the socially and morally stabilising effect of religion. Thus, these benefits are of value and utility for everybody, even if they are not part of a particular religious society. Consequently, in order to compensate for these pre-emptive benefits, direct public compensation shall be suggested. This can be a direct payment to the Church or indirect qualitative support such as legal protective clauses (e.g. special rights regarding the incorporation of the religious institution) or support with regard to the collection and sourcing of the financial means. Both of these financing forms for this sub-group exist in reality. Thus, the Church i) receives public subsidies and ii) has the privilege to be constituted as a corporation under public law, i.e. a certain form of a legal protective clause and is also supported by the government regarding the collection of the church tax.

Second, regarding the material benefits for society as a whole, such as the maintenance of educational- and social institutions as well as all kinds of monument preservation projects, a direct cost compensation by the state is suggested. In Germany, this is done with the public subsidies. In fact, as this is not

¹¹⁷ In this context it is worthwhile to note that also the German Government is mentioning this kind of benefit (Ger. *Zweck*) when it states in section 52 of The Fiscal Code of Germany that an institution such as the Church serve "public-benefit purposes if its activity is dedicated to the altruistic advancement of the general public in material, spiritual or moral respects" (Bundesministerium der Finanzen, 2016).

only something which is carried out by the Church, also another provider of education- and social institutions and also all other monument preservers, receive public subsidies for that. In this context also the view of Grace Davie (2011, p. 171) can be considered when she states that “[m]any (...) feel strongly about the church buildings present in their locality, but only protest (make their feelings explicit) when a building is threatened with closure. The *status quo* (italics in Original) is simply taken for granted until disturbed when it becomes an issue of considerable importance.” Thus, church buildings in Western Europe are to an extent considered as a common good and differentiating feature of the landscapes. In other words, also people who do not belong to a church or believe in God perceive church buildings as an enrichment of the towns. Hence, “European populations continue to see such churches [i.e. historical churches, C.B.] as public utilities maintained for the common good” (Davie, 2011, p. 172).

In summary, this enhancement of my evidence base suggests having various financing instruments in place if one finds a situation such as the one in Germany. Hence, the first and the second group of benefits shall be financed with own ecclesiastical instruments such as an on the solidarity-based financial instrument as the church tax (or *Kirchenbeitrag* in Austria). In opposite to this sphere, which needs to be financed arbitrary, the third category of benefits shall be financed directly by the state via allowances, subsidies, and cost contributions or indirectly via the support of the state. For the situation in Germany, this part of my thesis presents strong arguments for the two key pillars of the current church financing system, i.e. the church tax and state support, but also leaves room to derive normative implications of how the other existing sources contribute to the financing mix of the RCCiG.

5.2.2.2 Financial circles in context of church financing

Chapter four reveals a systematic analysis of the environment and instruments of church financing in Germany which was synthesised to a most abstract level at the beginning of this section. The previous section integrated an understanding for various ecclesiastical benefits that are being produced by the RCCiG to the framework. At this stage, it is the intention to take a closer look at the various financial circles, which are involved in the context of church financing in Germany. Thus, once the money enters the

financing system in the form of any one of the presented instruments, i.e. the church tax or state support, it is being routed into various channels within the system that ultimately arrive at the financing of any one of the benefits.

According to the literature, financial circles in ecclesiastical contexts can be divided into three different ones, i.e. the church-financing, functional-financial and generations-financial circle, cf. Foltin (2014, pp. 217-218) and Begrich (2008, pp. 5-9). Yet, this basic understanding is being enhanced and modified for the purpose of the development of a theoretical model of church financing in Germany, which *inter alia* also intends to incorporate the role of church banks into the model. Thus, as an example and in addition to the financial circles represented in the literature, cf. above, I propose to include a fourth and a fifth financial circle into the consideration, i.e. the ‘inter-diocesan fiscal equalisation scheme’ and the ‘inter-diocesan clearing’. Therefore, the financial circles in context of this thesis shall be perceived as follows:

- a) The church-financing circle¹¹⁸ is the circle which entails all financial funds, such as, e.g. the church tax and payments by the state, that are available for a church district, i.e. the diocese and which are entering the system from the outside. These funds are administered and distributed within the diocese by the episcopal financial administrations.
- b) The functional-financial circle is the circle that reflects the relationship between the church banks as well as to a certain degree also to other, secular banks, and the episcopal ecclesiastical financial administrations. This circle is a transactional financial circle as in theory, it does not create additional financial funds, which are sources from the outside, such as obtaining of proceeds from church taxes.
- c) The generations-financial circle is the circle, which manages the funds that are required for the Church’s pension scheme. The role of this circle is excluded from the remainder of this thesis as an ecclesiastical asset, and pension management

¹¹⁸ Foltin (2014, p. 217) terms this circle *Gemeindefinanzkreislauf*. However, from my point of view the German term ‘*Gemeinde*’, i.e. parish, does not entail all aspects of church financing and is limited to a very narrow aspect of church financing, i.e. the financial matters of the local parish. Hence, this thesis perceives church financing on a more abstract, more holistic level and in German it would therefore be termed as *Kirchenfinanzkreislauf*, i.e. church-financing circle.

constitutes an own research avenue that requires an own grounding in the literature and own model.

- d) The inter-diocesan fiscal equalisation scheme shall be perceived as a financial circle, which balances out the proceeds of wealthier dioceses against needy dioceses. Thus, this circle implies a distribution of the financial means available to the Catholic Church in Germany according to the needs of the 27 member dioceses. Indeed, this requires a holistic perception of the aggregate of all proceeds generated by all forms of the church financing instruments.
- e) The inter-diocesan clearing shall be perceived as the fair distribution of church tax revenues according to the residency of the congregant. The clearing is necessary as the church tax is withheld by the employer and then forwarded to the nearest tax office; indeed, this is frequently not the tax office at the residency of the congregant.

Despite the fact that five different financial circles are being introduced to an understanding of church financing in Germany, the remainder of this thesis will mainly draw upon the church-financing circle. This is because it is precisely this circle where the proceeds from the church financing instruments are entering the system from the outside and where they are aggregated and administered. In summary, it is this circle that provides the necessary financial means for pastoral care and the material existence of the Church. Above that, the inter-diocesan fiscal equalisation scheme also must be an essential part of church financing in Germany as it is the instrument that guarantees the fundament of solidarity between all 27 dioceses from a practical perspective, and the possibility to perceive church financing in Germany as an own holistic research phenomenon from an academic perspective.

5.3 A model of church financing in Germany

5.3.1 Objective, nature, reflexivity and the historical path

The following Table reveals the objectives and intended nature and reflexive components of the proposal of a model of church financing in Germany.

Feature	Description
<i>The objective of the system</i>	The objective of a system of church financing shall be the adequate provision of all necessary financial means which are needed to conduct ecclesiastical work as desired by theological thought and pastoral needs. Also, it must reflect the composition of ecclesiastical benefits provided and demanded in that country.
<i>Nature of the system</i>	<p>The economic paradigm of a model of church financing must be the attempt to achieve an implied impact-equilibrium. This means that not the profit motive is guiding the decision-making and financing mix, but the motif to generate the highest impact possible with regard to the mission of the Catholic Church. As a result, this implies an ‘impact-equilibrium’ between a) the financial stability on the one hand, and b) the ability to carry out the Church’s mission, on the other hand, cf. Figure 17.</p> <div data-bbox="746 1323 1305 1579" style="text-align: center;"> <p>The diagram illustrates a balance scale representing the 'impact-equilibrium'. The left pan is higher and labeled 'Impact: ability to carry out the church's mission'. The right pan is lower and labeled 'Self-maintenance: Financial Stability'. A horizontal beam connects the two pans, indicating a balance between the two concepts.</p> </div> <p>Figure 17: The ‘impact-equilibrium’ (diagram compiled by the author).</p>
<i>Reflexivity</i>	The section on Logic 2 in chapter 4 reveals the necessary reflexivity of a system of church financing regarding its socio-economic environment. As such, the system is embedded into the real world, which currently entails the socio-economic forces of (a) secularisation, (b) demographic change, and (c) economic

growth that influence the overall stability of the system. This relationship is displayed in Figure 18 below.

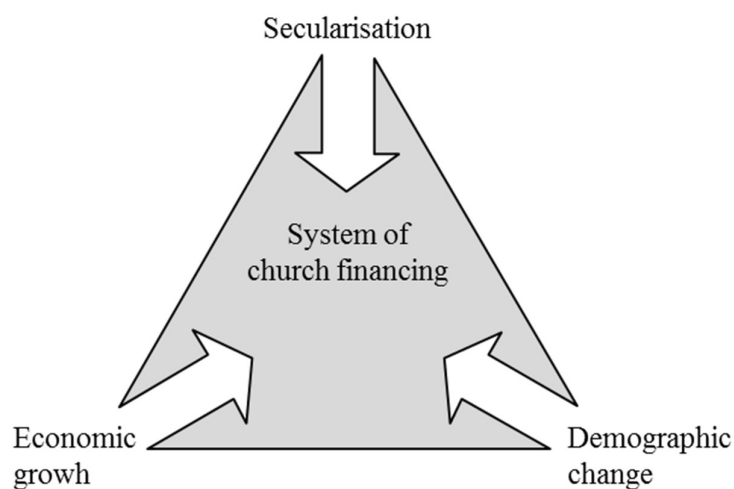


Figure 18: Contemporary reflexivity of the system (diagram compiled by the author).

Thus, (a) the secularisation, i.e. alienation of the people from the Church and (b) the demographic change, i.e. ageing of the population are factors, which adversely affect the proceeds from the church tax which currently still is the primary source of church financing in Germany. The church tax is only levied from church members who are working and have a taxable income. Thus, as more and more people are disaffiliating from the Church, these indeed pay no church taxes any more, and due to the fact that the population gets older this implies that the share of retired people who most of the time do not pay church tax represent a higher share of the population. In other words, both factors reduce the overall number of church taxpayers and the system will most likely not work as efficient as today, in the future. This is also the starting point for the role of (c) the economic growth. Therefore, the current economic growth that is favourable for the system of church financing, still mitigates the effects from (a) and (b), however, at the moment when the economic growth slows down this will not be the case anymore. In addition, the effects from (c) could even be intensified if also

	<p>the economic growth rapidly slowed down or even stopped. Consequently, this could imply (mass) unemployment which even further intensifies a potential perturbation of the system.</p>
<p><i>Historic path</i></p>	<p>In addition to the above, i.e. the environment, a system of church financing must also always be perceived with its history. Thus, the contemporary system of church financing is a product of the historic reflexivity of the system. In the 19th century, for instance, the sociological forces (a) the industrialisation, i.e. more and more people worked in factories and not on farms as well as (b) the urbanisation, i.e. the movement of the population from the country to the cities, influenced the system. Therefore, the people received salaries and wages as they worked in factories and agriculture-based instruments of church financing were not adequate anymore and lost their importance; the system came into a situation where it had to react. Thus, the tithe and benefice, which used to finance the Church for centuries were disused. In connection with (c) the political events, this was the breeding ground for the church tax. The (c) political events, in turn, were such developments as the aftermath of the <i>Reichsdeputationshauptschluss</i> in 1803, where (1) liberalisation, and (2) state-church separation and (3) church expropriation took place. Besides, there was the change from an Empire, to another Empire, to a first Democracy, to a Dictatorship and then to the modern Democracy. All those events also influenced the system of church financing as the different types of states also implied different state-church relationships.</p> <p>Figure 19 summaries the historical reflexivity of the system.</p>

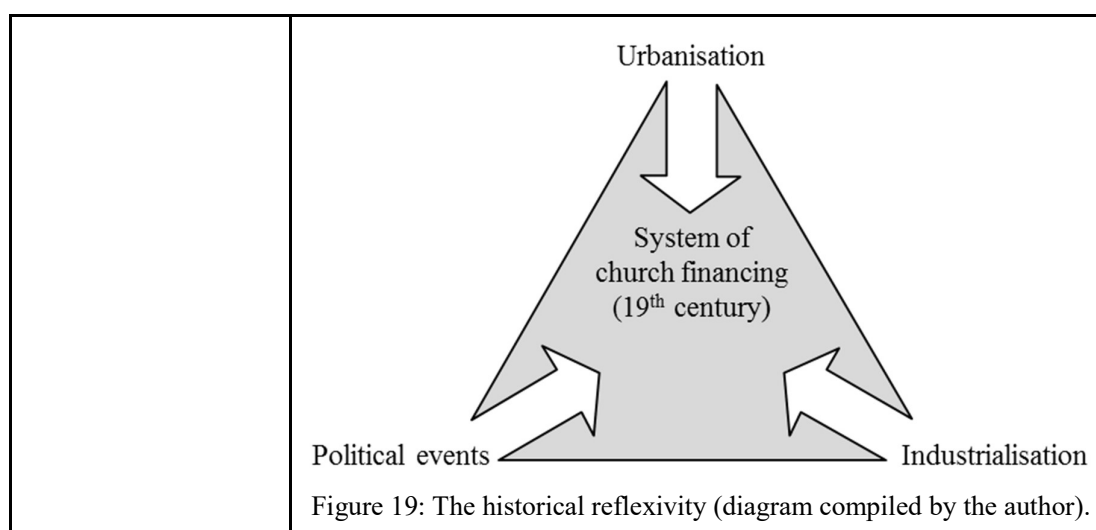


Table 2: Overview of the analysis of the social environment (table compiled by the author).

In summary, a system of church financing must always have its impact-equilibrium where the need to finance the mission and therefore the ecclesiastical benefits, is balanced out against the provision of all necessary financial means. In order to guarantee this equilibrium, it is necessary that the system adapts towards political and socio-economic change, i.e. maintains its reflexivity, and ultimately, that it is aware of its historical path and development.

The next section reveals the orchestration of the instruments of church financing in relation to the benefits, which are created by the Church for various interest groups.

5.3.2 Proposal of a model of church financing of the RCCiG

The following is the final synthesis of the analysis of this thesis. Here it is aimed “to move from the concrete and particular” towards a more holistic, general concern and idea on an abstract level (Layder, 1998, p. 100) and to derive a theoretical model of church financing of the RCCiG. For this, the conceptual framework as presented in chapter one will be enhanced with the findings of the analysis of the four Logics and the findings of section 5.2 Figure 20 below displays this. Hence, the four logics are now located on top of the green box labelled “A model of the system of church financing of the Roman Catholic Church in Germany” and below that are the three major groups of findings displayed that have according to the analysis of the thesis an impact on the system. The first box in yellow displays the six sources of church financing in Germany, the next box in orange displays the three different groups of benefits, which are being created by the RCCiG and

the third box in blue contains the two major groups of ecclesiastical expenditure. The latter are not part of any further discussion in this thesis as changes on them have a direct theological impact. Hence, cuts of the personnel costs limit the maintenance of the current set up of the presence and activities of the RCCiG and cuts in maintenance and building costs mostly has an impact on sacral buildings which are also a key theological pillar of the current set up of the RCCiG. Due to this, the remainder of the building of a theoretical model of church financing in Germany will focus mainly on the instruments of church financing and will put them into a meaningful relationship with the ecclesiastical benefits of the RCCiG. It is this step, i.e. the connection of each financing instrument with the concept of ecclesiastical benefits which in the end gives meaning to the model and should allow to express normative implications from a theoretical viewpoint and it should be able to enhance the practical debate within the Church as church financing thereby must be seen from a broader and not only financed-centred perspective.

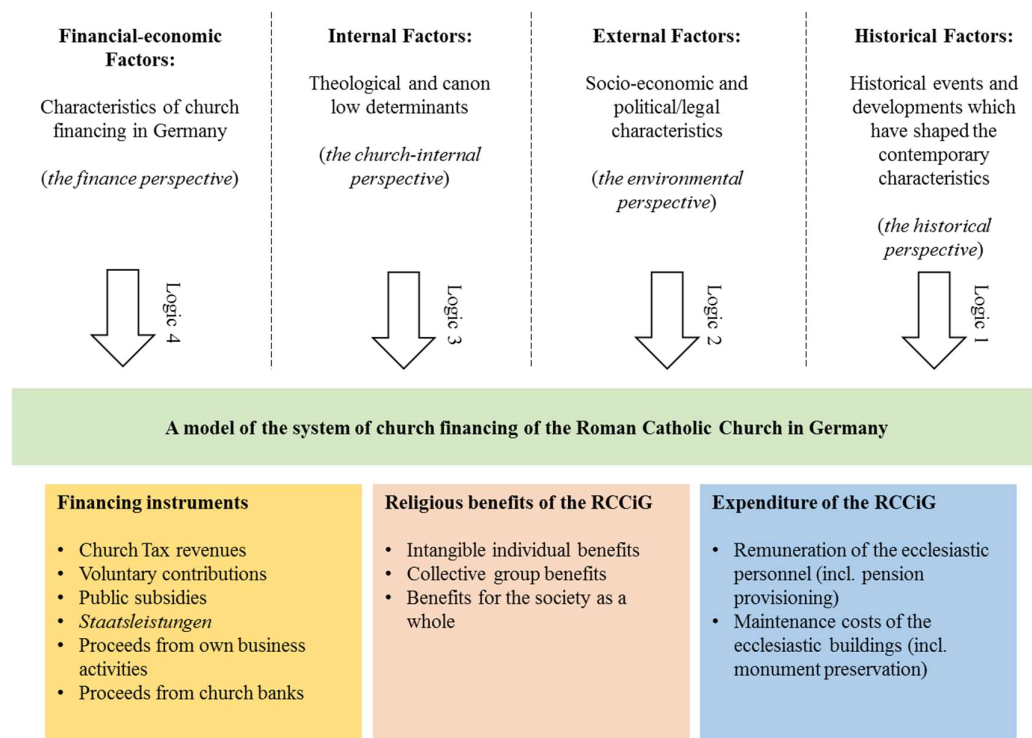


Figure 20: Enhancement of the conceptual model with findings in the course of the thesis (diagram compiled by the author).

At this stage it is necessary to categorise the individual church financing instruments, i.e. the yellow box of the Figure above. Hence, I propose to cluster them into

three groups. The groups are heterogeneous with regard to their nature, i.e. i) market-oriented, ii) membership-oriented and iii) payments received from the state. Figure 21 below displays the three groups and reveals the allocation of the 6 sources of church financing of the RCCiG. Thereby the allocation of the instruments to the three groups shall be explained as follows:

- **Market-oriented instruments:** The category of market-oriented instruments includes all forms which are depending on products and services offered by the Church or it's institutions to the public, i.e. market. This means that the recipient of that service, who does not necessarily need to be a church member, receives a real-world secular good or service. It includes proceeds from own-business activities such as the maintenance of breweries, wineries, publishing or media houses, revenues from real estate and the income from the five Catholic church banks in Germany. In this category, the RCCiG fully appears in the secular world, i.e. the market-oriented society, and competes with other providers of the same product or service in the respective area.
This category is less affected by the 'sociological forces' secularisation and demographic change. In turn, it is more affected by the general economic growth cycle.
- **Membership-based instruments:** The category of membership-based instruments includes all forms, which are depending on the community and number of Catholic church members. This includes the church tax and voluntary contributions¹¹⁹ (including inheritances, endowments, donations, and proceeds from the collection). These levies due, do not feature a direct service or product in return. They instead feature the transcendental, spiritual experience of being a part of the community. In addition to the church tax and voluntary contributions, this category also includes charges and stole fees despite the fact that their role is vanishingly low in context of church finance in Germany. The reason for this is that both, charges or stole fees will only be due for a church member in case that the congregant requires a specific service for himself such as a marriage certificate or the request for a requiem.

¹¹⁹ Cf. section 4.5.1.2 for a detailed explanation of the term voluntary contributions.

This category is much affected by the ‘sociological forces’ of secularisation and the demographic change as revealed above. Thus, secularisation implies that the number of congregants shrinks as more and more members disaffiliate from the Church. In addition, as secularisation affects largely the younger cohorts of the population, this leads to a situation where congregants not even pay their first church taxes before they already disaffiliate from the Church. In sum, secularisation implies that fewer people are there to contribute to the church tax revenues or proceeds from voluntary contributions.¹²⁰ Besides, the demographic change in connection with secularisation leads to the fact that the elderly are overrepresented in the group of congregants. Hence, because retired congregants often do not pay church taxes, this also has a direct impact on the church tax revenues.

- **Payments received from the state:** The category of payments received from the state differentiates between (a) the *Staatsleistungen* and (b) public subsidies. However, both groups are paid by the state. The first group of this category are (a) the *Staatsleistungen*, which are public entitlements received by the Church. These are granted to the Church as a historical compensation and means of reparation because in 1803 the Catholic Church was expropriated in the course of the Napoleonic Secularisations. Thus, the secular landlords lost their estates, which were on the left bank of the Rhine river, to Napoleon and the secular landlords, in turn, were compensated with predominantly Catholic properties and estates. In turn, the Catholic Church a) received one-off reparations, which vanished almost entirely due to several currency reforms and a hyperinflation at the beginning of 19th century, and b) receives annual reparations payments, the so-called *Staatsleistungen* until today. The second group of payments received from the state are (b) subsidies and compensation payments for actual costs in the course of services, which the Church is providing on behalf of the state or for the good of pluralism within the welfare state. This means that also other providers could offer this service and then received the same compensation payments. Despite the fact that indeed the Church is competing in this field of ecclesiastical activity with other secular providers, this

¹²⁰ In fact, one can also argue that also here the economic cycle can affect this group substantially especially due to the link of the church tax to wages and salaries and the overall level of employment in the society. However, the research in this thesis shows that it is mainly affected by the question of contributing and belonging.

activity does not yield any proceeds to be used for the financing of the mission and pastoral care. Explicitly, public payments are therefore not part of the first category of church financing, i.e. they are not considered as being market-oriented instruments.

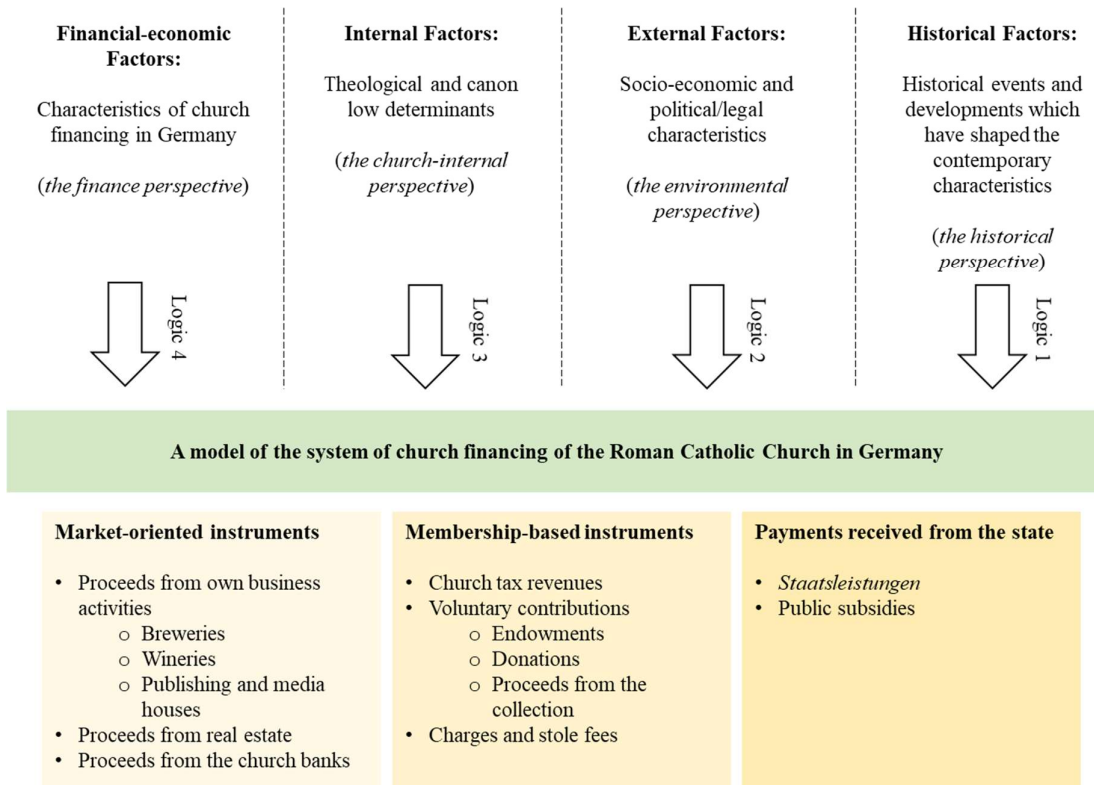


Figure 21: Three groups of instruments within ecclesiastical finance (diagram compiled by the author).

At this point, it is necessary to go further and to give meaning to the groups of instruments as well as individual sources. Hence, the groups of instruments of church financing shall be perceived in the context of ecclesiastical benefits. For that, it is necessary to perceive, that the system of church financing intends to balance out the sources of the system, i.e. ecclesiastical income and the requirements of the system, i.e. ecclesiastical expenditure, cf. Figure 22 below. The Figure purposely is not a balance sheet but a scale because the goal of church financing is an out-balancing in the actual meaning of the word balance.

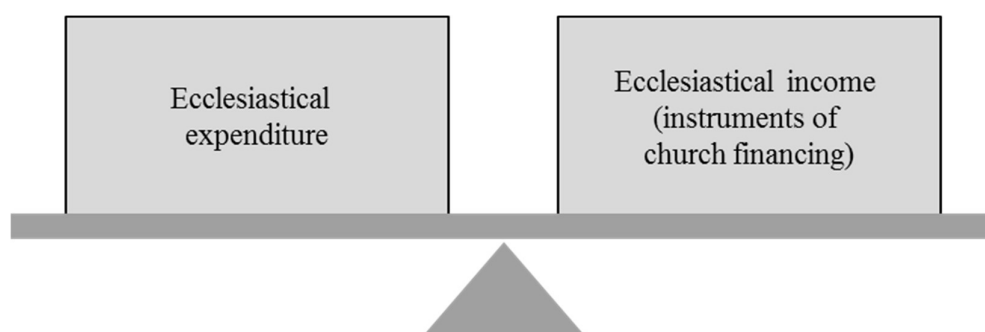


Figure 22: The balance between ecclesiastical expenditure and income (diagram compiled by the author).

Thereby, ecclesiastical expenditure necessarily occurs in the process of producing and providing the ecclesiastical benefits for the various interest groups of which the principal cost positions are the personnel costs. Figure 23 below integrates the three forms of the ecclesiastical benefits that were introduced in section 5.2 above into the development of the theoretical model of the RCCiG. In the course of this step, it is necessary to derive a matching between the instruments of church financing and the ecclesiastical benefits. Thus, the three groups of benefits shall be financed as follows:

- **Financing of intangible individual benefits:** The group of intangible individual benefits includes the reception of the Sacraments, the participation in the Holy Mass, and all other forms of transcendental experiences/benefits provided by the Catholic Church. Due to the individual character, mainly membership-based instruments of church financing shall balance it out financially.
- **Financing of collective group benefits:** Collective group benefits include the organisational and material infrastructure of the RCCiG, e.g. the church buildings and facilities. Due to the group character, they are benefits for the good of the entire community of Catholic church members and shall be balanced out financially by mainly membership-based instruments of church financing.
- **Financing of benefits for society as a whole:** Benefits for society as a whole, are benefits, which are for the good of the entire society and are not limited to the Catholic congregants. Thus, this group contributes to positive social change and as such to an enhancement of the society's cultural standard. Besides, it contributes to

pluralism in the welfare state by offering educational and social institutions. Moreover, it enriches the landscape in the form of monument-preservations. Due to the *überkirchlich* ('going beyond the sphere of the Church') character of this class of benefits, they shall be balanced out financially by mainly public subsidies out of the group of payments received from the state.

Indeed, the model as displayed in Figure 21 above still does not yet consider the role of the *Staatsleistungen* and the role of the proceeds from the market-oriented instruments in an adequate way. This does not imply that both are obsolete nor does it imply that they are immaterial due to a lack of considerable size. In fact, both sources are contributing to the provision of all three benefits; they are cross-financing the other instruments with a direct function. Thus, the *Staatsleistungen* comprise of i) endowments to secure the remuneration of the clergy and ii) endowments to secure the maintenance of the church buildings. As such, they provide for the necessary means to have the requirements to produce all three kinds of benefits. The market-oriented instruments carry out a similar function. In dioceses where they generate substantial surplus funds, they also secure the necessary means to have the requirements to produce all three kinds of benefits. In other words, both, the proceeds from the market-oriented instruments and the *Staatsleistungen* stabilise the entire system. Figure 23 below summarises all this and displays the cross-financing function of both, the *Staatsleistungen* and the proceeds from the group of the market-oriented instruments which is illustrated by the arrows which additionally lead all the of the manifestations of the benefits.

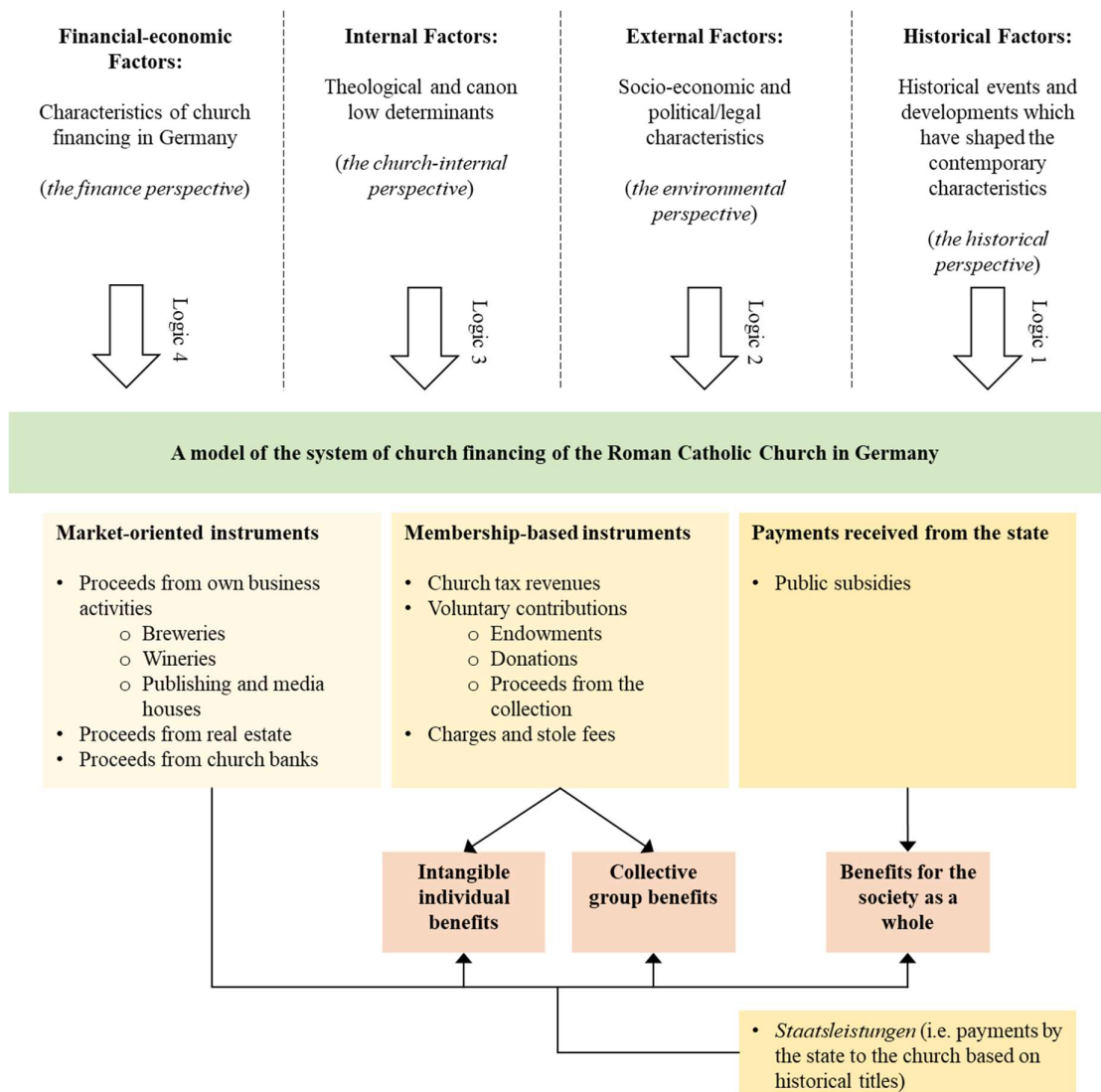


Figure 23: Integration of ecclesiastical benefits into the model of church financing of the RCCiG (diagram compiled by the author).

In a last step, also the understanding of financial circles, cf. section 5.2.2.2, will be integrated into the theoretical model in order to highlight the incoming of financial cash flows from the Church’s environment into its own system. This is displayed in Figure 24 and constitutes the proposal of a theoretical model of church financing of the RCCiG.

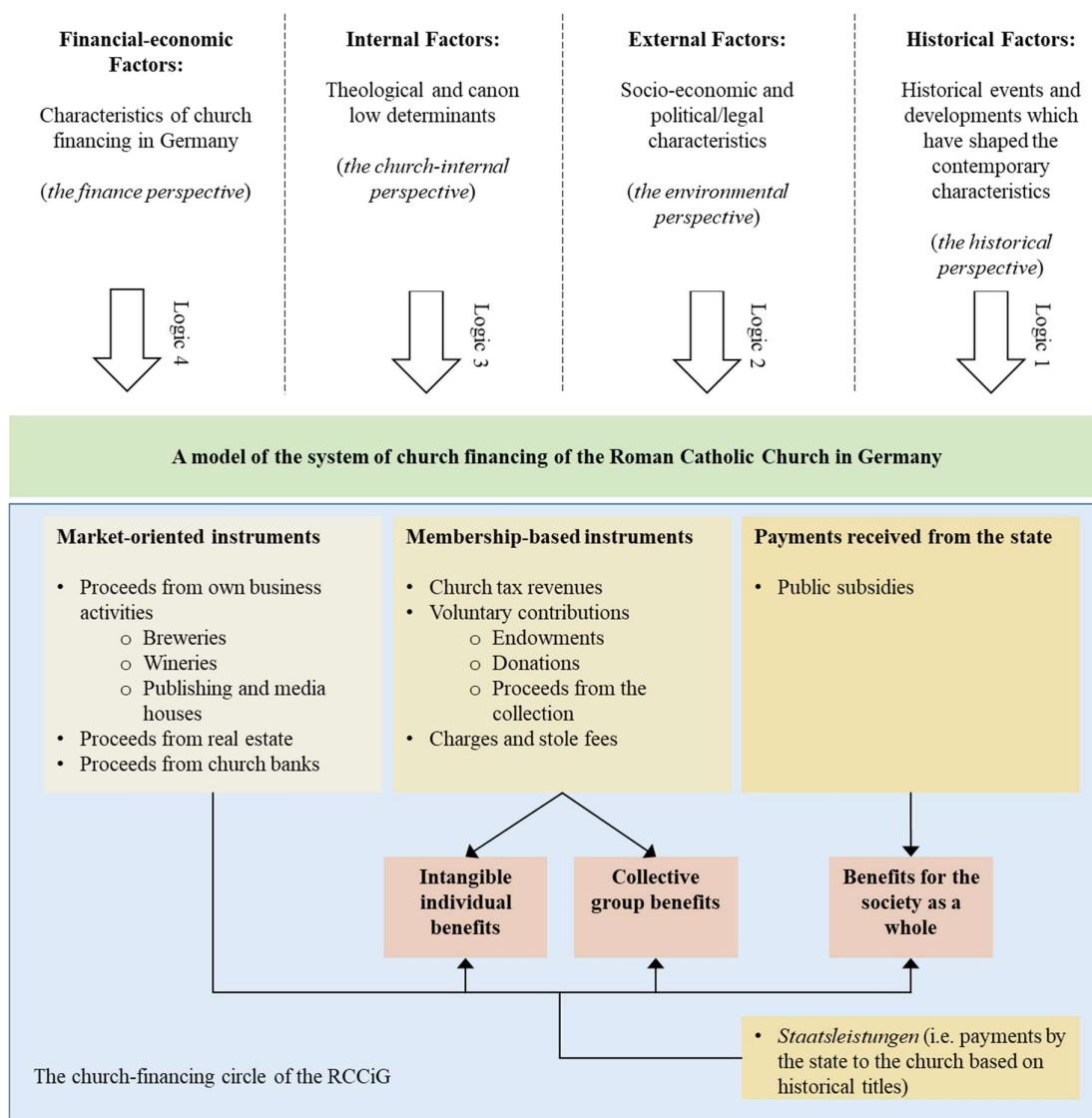


Figure 24: A theoretical model of the church-financing circle of the RCCiG (diagram compiled by the author).

In summary, this chapter reveals the theoretical model of church financing in Germany that is displayed in Figure 24, and it includes all instruments of church financing that are in existence in Germany and gives meaning and role to them as they are linked to a certain purpose in the form of the ecclesiastical benefits. It is now this proposal of the theoretical model, which allows me to make further, normative statements on states of affairs on the situation of the RCCiG.

6 CONCLUSION

Abby Day (2011) explains the relationship that he who does not belong to a church not necessarily also does not belief. Instead, she finds that in modern Britain more and more people believe in God but are not belonging to a church or are visiting a church. In the course of drafting this thesis, I have made the same observation for modern Germany, cf. sections 4.3.2.2 and 4.3.2.3. Above that, belonging implies membership or non-membership in Germany. From a financing perspective this relationship of ‘believing’ and ‘being a church member’ (i.e. belonging) has a distinct meaning in the German context as only church members have to pay a church tax. Because the church tax contributes approximately 80% of the ecclesiastical budget I am proposing the theme ‘believing without contributing’ to describe the relationship of believing and belonging in the German context; this holistic finding constitutes an addition to Grace Davie’s (1990) ‘believing without belonging’ and Abby Day’s (2011) ‘believing in belonging’. Therefore, the question in the beginning of the thesis’ title shall be confirmed with an exclamation mark and summarise church financing in Germany in three words.

Until now a substantial number of the German people believe in God, are part of the RCCiG and they pay their church tax duty; for the time being this situation can be described as contributing and believing system. However, due to secularisation and adverse demographic developments, i.e. the eldering of the society, the system slowly transforms into a believing without contributing system. Thus, still large numbers of the society believe in God but also a substantial number of people does not want to be affiliated to a church and hence, also does not want to pay a church tax. Also, as retired people in Germany do not have to pay income taxes, they are also not subject of the church tax. Consequently, they also do not contribute in a meaningful way. It is this situation, i.e. (i) the effects from secularisation and (ii) the demographic change, which characterise this system of believing without contributing. It is this situation which is essential to perceive church financing in Germany and which needs to be reflected in the theoretical model of church financing of the RCCiG.

The remainder of this conclusion explains the current situation of church financing in Germany in light of the above-mentioned theme in section 6.1, integrates the research’s findings into body of literature in section 6.1.3, reveals normative statements on the

instruments of church financing in Germany in section 6.3 and summarises the study's limitations in section 6.4.

6.1 Believing without contributing: church financing in Germany

Before the remainder of this section addresses the findings of the current situation of church financing in Germany, in light of the proposed theme in this thesis, i.e. believing without contributing in section 6.1.2, it is necessary to summarise the study's findings on believing, belonging (disaffiliating) and contributing in section 6.1.1; hence, the practical consequences for an individual if it disaffiliates and the study's findings on the relationship of belonging and contribution.

6.1.1 Believing, belonging and contributing

Whereas it is possible to believe without contributing as this is a transcendental act that does not require any secular foundation such as membership the relationship of belonging (i.e. participation in church life, church attendance, ecclesiastical marriage, baptism of children, funeral rites, etc.) and contributing is a bit more complex in Germany. Thus, the practical consequence for a disaffiliating individual in Germany from a financial perspective is that it does not have to pay church taxes anymore, cf. section 4.3.1.3. This consequence is a legal consequence and results from the relationship of church and state in Germany and the right of the Church to collect a church tax from its members. Beyond that, further practical consequence are as follows. Given that a disaffiliating person became a church member in the course of his or her baptism, the religious affiliation is not altered. Hence, that person might still perceive himself as a Christian or Catholic as baptism is irrevocable in Catholicism. However, that disaffiliated person is not allowed to receive a Sacrament anymore such as marriage (in case that none of the spouses is a church member), the baptism of children (in case that none of the parents is a church member); or funeral rites and they are also prohibited from attending the Mass to receive the Holy Communion, cf. Erzdiözese München und Freising (2018). Therefore, although the affiliation to the Church may remain in form of being a believer, participation is dependent on contribution.

Still, the question remains whether an individual can belong, i.e. participate in church life, without contributing. In case that one perceives belonging as being part of the

community than the answer to that question for the situation in Germany would be No – one cannot participate in church life without contributing. Yet, and as it becomes clear that the question of believing without contributing for the situation in Germany is quite complex, and is frequently a topic for the media and public, it has been regulated by the Church nowadays. Thus, whoever disaffiliates from the Church in its institutional appearance, which is the corporation under public law (cf. section 4.3.1.1), may not participate in church life anymore. One trigger for this clearly regulated procedure is relating to the case of Professor Hartmut Zapp, i.e. the ‘Zapp-case’ (cf. section 3.2.4.2). Thus, the German Federal Administrative Court declared the Church’s all-or-nothing-principle to be valid in the last resort in 2012, cf. BVerwG (2012)¹²¹. This declaration brought the dispute of Professor Zapp and the Catholic Church to an end, which started in 2007, when the Professor insisted on remaining faithful and an active member of the Catholic Church, even if he does not pay church taxes anymore. Despite the above mentioned court declaration, the Church itself also reacted on this with an official declaration and decision of the Bishops’ Conference and since September 2012 all those who wish to disaffiliate from the Church are invited to a conversation with their local pastor to clarify the issues (Langendörfer, 2012).

In contrast to the aforementioned, where the complex relationship of believing and contributing indicates an adverse effect on the church tax revenues, there is still a phenomenon observed during this study, which in addition to the prosperous economic development of Germany during the last decades, also ensures a certain amount of church tax revenues. It is the phenomenon of ‘occasional services devoutness’¹²² and it implies that the Holy Sacraments are still valued by congregants, even if they are less religious and devotional. In other words, congregants continue to stay affiliated as church members because they value the opportunity to participate in church life such as wedding, children’s baptism or burial, when they require it. Thus, as long as the value that a church member attributes to its membership is higher than its church tax contribution this phenomenon has a positive effect on church financing from a financial perspective. However, from a theological perspective this appraisal must be different.

¹²¹ <https://www.bverwg.de/260912U6C7.12.0>.

¹²² In fact, this is a term which does not exist in the Oxford dictionary, cf. University of Oxford (2012) and it has been translated by the author from the German term *Kasualienfrömmigkeit* to English, cf. section 4.3.2.2.

In addition to this, there is also no such thing as a ‘church membership card’ or ‘check-in at the entry of a Church’ in the context of visiting a Mass or receiving the Holy Communion. In addition, I argue that church buildings in Germany are public buildings and that every person who is interested in visiting a Church can do so. Furthermore, if this person uses this ‘being in a Church’ as a means to be in contact with God, they may do so. Additionally, Catholic institutions such as elderly care facilities, kindergartens, schools and hospitals are also not to be supposed to be officially closed off to the disaffiliated. This is, as stated in section 4.5.1.3.1 (No. 3), because such social institutions are not financed primarily by church taxes, but predominantly by public funds and, as such, from the perspective of the model proposed in this thesis, they constitute a ‘benefit for the society as a whole’ (cf. section 5.2.2.1 (No. 3)). Given this, there must also not be a prioritisation of contributing church members over disaffiliated persons or non-members.

In light of the above, I argue in summary that for the situation in Germany, one cannot belong without contributing,¹²³ but the system leaves room for the individual to believe without contributing.

6.1.2 The situation of church financing in Germany

Countries with church taxes are scarce in the world, cf. section 1.1.3, and can only be found in Germany, parts of Switzerland, Denmark, Finland, Sweden (Kühn, 2014, pp. 61-62; Marré, 1991, pp. 17-29; Marré & Jurina, 2006) and Iceland (Kühle, 2011, pp. 205–213). Lyytikäinen and Santavirta (2013, pp. 1175-1193) label such church financing systems as “pay to play systems” because a congregant has to pay a kind of a membership fee in order to be part of the community. The financial problem in context of the Church in Germany is again, that if less people want to be part of the community, even if they continue to believe, than less people are paying to play which brings instability to the system. From a theological perspective this economical view might be misleading as, according to canon law, a Catholic cannot disaffiliate from the Church in a theological sense, as baptism is irrevocable. In this understanding, once a person is baptised it stays part of the Catholic community no matter of declaring the act of becoming disaffiliated

¹²³ The only exception to this is if one does not receive a taxable income, which is the case for children and teenager, unemployed people and those retired people that do not receive any other substantial income as their pension. In this case, one does not have to contribute in the form of church taxes. However, those persons can still decide to contribute voluntarily either with donations or with engaging themselves in the Church as voluntary workers.

from the institution. However, For a church financing system such as the German tax-based one, this relationship of ‘paying and playing’, i.e. believing, belonging and contributing, cf. section 6.1.1 above, has a direct impact on the size of the ecclesiastical income. Thus, a congregant who still believes but who decides to disaffiliate from the Church does not pay church taxes anymore. This constitutes a tripartite-relationship with the elements of (1) believing, (2) belonging and (3) contributing. Whereas in a state-finance-based system (1) and (2) are less influential on the ecclesiastical budget, this is different in a membership-based system like the German one. Therefore, a discontinuation of (2) belonging, i.e. church disaffiliation, leads to a stop of (3) contributing (i.e. taxes or fees) even if the individual continues to (1) believe. This relationship is particularly problematic as studies show that younger people in Germany continue to belief but discontinue to give church membership meaning in their life (Giesen, 2009, pp. 41-48). In contrast, older people tend to give more meaning to religion but once they are retired, they do not have to pay church taxes anymore. Financially speaking both trends are not supportive to stabilise the financial viability of the Church. Again, it is this dependency on gainfully employed church membership that has been proposed to be perceived as believing without contributing in this thesis.

Above this, the research has also shown that the people in Germany are decreasing their trust in the Church as an institution. Reasons for that are *inter alia* topics about church financing that were in the media during the last 15 years. Thus, there was the near insolvency of the Archdiocese of Berlin (Erzbistum Berlin, 2009; Förner, 2004), the child abuse scandal (Bohl & KNA, 2015; Deutsche Bischofskonferenz, 2017h), the debate on the *Staatsleistungen* (Kath.net, 2016; Liebl, 2014; Säkulare Grüne, 2013), the *Causa Limburg* (Die Welt, 2015; Oltermann, 2013; The Vatican, 2013), the debate on the Church tax on capital gains (Bundesministerium der Finanzen, 2015; Deutsche Bischofskonferenz, 2014) and recently also a news coverage regarding a €5.5bn gap in the Catholic Pension Fund (Kirchliche Zusatzversorgungskasse des Verbandes der Diözesen Deutschlands, 2016). Thus, it can be stated that modifications and alternations of the system of church financing such as the modification of the income tax law or the church tax on capital gains not only entail persistent media interest in the system, but that most importantly criticism on the Church itself often directly opens up the discussion regarding church financing in Germany. It is what makes this topic a sensitive topic, and it is this, which also fosters a trend of believing without contribution. In other words, more and more people disaffiliate

from the Church and do not pay church taxes anymore while they still believe in God and regard Christian tradition as very important for their life, cf. also section 4.3.2.2.

In addition, despite the fact the church tax revenues were increasing year by year since 2010 reaching €6.43bn in 2017, the construct of the church tax does not lead to a genuine financial power for the Church in itself but only imposes a derivative financial power being based on the economic well-being of Germany. The reason for this relates to the fact that the church tax replicates all, especially economic and socio-political, measures of governmental fiscal policy (Smekal, 1989, pp. 121-141). This relationship, in turn, leads to the fact that the interest of the Church is a rather broad basis of assessment in connection with a rather low tax rate. This is in order to guarantee fairness among the congregants. Furthermore, a broader basis of assessment is more favourable because it mitigates potential effects stemming from the individual tax deductions due to tax-exempt amounts of the individual. However, the Church also intends to grant additional tax-exemptions to families and that is the reason that there is paragraph 51a of the German Income Tax Act in place, which grants families with children extra exemptions in course of determining their church tax duty, cf. section 4.5.1.1.4.

The course of drafting this thesis has raised some suggestions of how to modernise the construct of the church tax; especially regarding a higher acceptance amongst the congregants. However, the research has also shown that the church tax cannot be abolished. Thus, when the theologian Lienemann (1989c, pp. 945-971) concludes, that indeed one could consider the abolishment of the historically grown¹²⁴, juristically well-founded and economically efficient church tax, then this would probably lead to the end of the traditional character of the Church in Germany. Also in favour of the church tax is the mitigating factor that the Church is not being dependent on large single donors. Accordingly, this leads to a democratisation of the Church's financial affairs (Feldhoff, 1989, pp. 5-6; 1993, pp. 27-60; 1994, pp. 180-190). In line with my research, Meuthen (1993a, pp. 145-184; 1993b) affirms that the church tax is a most efficient church financing instrument and for the situation in Germany without an alternative. Additionally, the favourable economic development of the Federal Republic after the Reunification

¹²⁴ By looking back in the history of church financing in Germany, the introduction of the labour-oriented church tax in the 19th century was a prudent and reflexive act in order to capture the incomes of the congregants that more and more received salaries and wages and not the yields of proceedings from the production of agricultural goods.

never put the Church into a situation where it severely suffered from the economic dependency on the church tax. Though, it is not sure how this will develop in the future, and economists forecast that ‘the German economic growth story’ will end in 2030 at the latest, caused mainly by the above mentioned continuing demographic change (Böhmer, 2014, pp. 31-48). Mitschke-Collande (2012, pp. 89-94) for instance forecasts that the RCCiG’s membership base will decrease substantially due to continuing disaffiliation and an unfavourable baptism-to-burial ratio, which then in combination with potential lower economic growth will most certainly result in declining church tax revenues. This outlines a state of affairs where the financial viability of the Church is not guaranteed anymore.

6.1.3 Financial viability: the anticipation of a critical point

Before section 6.2 reveals the thesis’ contribution to science and section 6.3 the thesis contribution to practise, i.e. makes normative statements on the current affairs of church financing in Germany, this section summarises the study’s findings on the question of whether there is going to be a critical point when the future of the RCCiG as it appears today might not be financially viable.

In general, I argue that two critical sociological trends are leading towards such a critical point: (i) the demographic development of Germany and (ii) the continuing trend of secularisation of the German society. This has an impact on church membership, and via the church tax is directly connected to the Church’s income. Or to put it in the words of the previous section 6.1.2, younger people are more likely to disaffiliate from the Church than older people, but younger people are the future of the Church, and older people will retire at a certain point. Again, this has an adverse impact on the Church’s financial situation. These trends are working for years already, and since about the beginning of the millennium, it is being stressed that this might lead to a critical point for the Church at some time. However, so far all negative impact onto the system of church financing could be mitigated by other, external favourable developments. This is most importantly the favourable economic development of Germany during the last decades that in turn has led to high incomes of the German population and thereby to an even increased level of church tax contribution at the individual level; all this whilst the overall number of church members decreased significantly.

Altogether, this contains three elements that all together work towards the critical point, i.e. despite the two above-mentioned sociological trends of (i) demographics, and (ii) secularisation, also (iii) the future economic development of Germany. The literature

offers forecasts for all elements, but from my point of view, only one already is without any doubt going to come, and that is the retirement of the baby boomer generation starting in 2020 as part of (i) the future demographic development. This fact alone could mark the beginning of the critical point as large numbers of church members will not have to pay church taxes anymore. This development is also a current theme in the German public and media and not only focuses on the overall societal effects resulting from that but also brings it into connection with church financing. Thus, for example the influential broadcasting show ‘*Die Tagesschau*’ supports the argumentation above by stating that (translation by the author) “the big churches lose more and more members and soon, this could make a real financial impact – such as when the baby boomers retire from working life and will contribute fewer church taxes”, cf. tagesschau.de (2018b). Hence, a large part of the church tax revenues currently is received from the baby boomers who were born between 1955 and 1969 on.¹²⁵

In addition to this, the elements of (ii) secularisation and (iii) the economic development of course also play a pivotal role. Thus, the continuing effect of church members disaffiliating from the Church, as one consequence of secularisation, even more increases the effects from demographics. This along with negative news about the Church, cf. also the previous section 6.1.2, most importantly the investigations in context with the child abuse scandal, facilitate the downside effects and explain to a large extent the high numbers of church disaffiliations during this decade, cf. Die Zeit (2018). Thus, in 2010 when the child abuse scandal in Germany became public, it has led to a rapid additional increase of church disaffiliations of 40% only in that year (tagesschau.de, 2018a). Also, the Church itself acknowledges this and directly addresses congregants that are willing to disaffiliate due to the child abuse scandal. For example, the archdioceses Munich and Freising explains the consequences of church disaffiliation to the contemplating congregant, but most importantly they leave the door open and stress that a re-entry is possible at all times (Erzdiözese München und Freising, 2018).

As a consequence, for the situation in Germany that there is a relationship between the Church’s membership base and its income. Hence, if one is able to predict the membership development, one can predict the future income situation of the RCCiG.

¹²⁵ *Nota bene*, the chance in this situation lies in the fact, which is going to be discussed in the section on the future role of donations in section 6.3.2 as there might be a potential in the acquisition of more donations from those who are retired but stay affiliated with the Church.

However, I want to stress that this also depends on what kind of members are leaving. Thus, currently, there is the observation that frequently young people are disaffiliating when they receive their first taxable incomes. From a short-term financial perspective, this might not be as critical as the anticipated situation of the baby-boomers not paying church taxes anymore, as the latter have a higher taxable income on average. Still, from a long-term financial perspective, this is a devastating trend, as it does not secure the future membership base. In summary, these trends combined even facilitate the creation of a critical point.

All this is displayed in Figure 25 below, which shows three lines of development. The **blue one** on top represents the number of baptisms & other entries, the **orange line** in the middle represents disaffiliations and the **green line** in the lower part represents Catholic. Statistically, the aggregate of those numbers leads to a situation where the number of Catholics in Germany will continue to shrink.¹²⁶ As stated above this has severe financial implications for the RCCiG due to their dependency on the church tax.

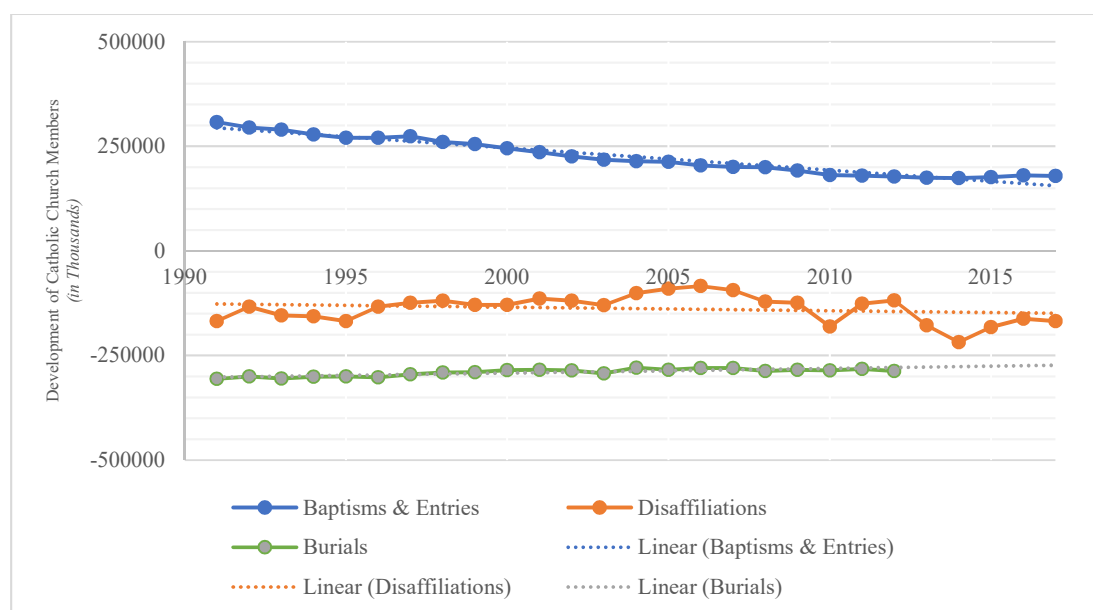


Figure 25: Development of Catholic church membership (diagram compiled by the author; based on (Eicken & Schmitz-Veltin, 2010, p. 587) and (Deutsche Bischofskonferenz, 2017a, 2017b, 2017e, 2017g).¹²⁷

¹²⁶ In the diagram this is supported statistically in form of a linear trend line which is displayed by three small dotted lines in **blue** (Baptism & Entries), **orange** (Disaffiliations) and **green** (Burials), cf. Bourier (2018, pp. 159-172) for further information on trend lines and Matthäus and Schulze (2011, pp. 150-153) for a specific tutorial on how to incorporate linear trend lines in Microsoft Excel.

¹²⁷ *Nota bene*, due to a change in the German Data protection act the numbers of Catholic burials are not being published anymore since 2013.

In one translates this forecast into the connected financial effects of the dioceses in Germany, than the effects from all those developments could lead to a deficit in the ecclesiastical budgets of 25-30% towards the end of the next decade (Mitschke-Collande, 2012, p. 93).¹²⁸ Although this citation is from 2012, this line of argumentation can be confirmed nowadays. Thus, in the latest update of his legal handbook on the church tax in Germany (Petersen, 2017, p. v) notes that new data confirm the impact of socio-demographic development on church membership and the resulting capacity of the churches. Besides, he stresses that a formerly made statement by him that in the medium term the membership stock will fall by one third and the financial power by half, is no longer unlikely.

Practically however, I argue that many of the above mentioned effects will not be visible at once. The reason for this lies within the RCCiG's system of church financing which also features a functional-financial circle in the form of the five Catholic church banks, cf. section 5.2.2.2. In addition, there is also the 'inter-diocesan fiscal equalisation scheme' in place, cf. sections 4.1.2 and 5.2.2.2. From a financial perspective both aspects of the RCCiG financing system, lead to the effect that the proceeds and possessions of the 27 dioceses are being balanced out against each other. Most importantly and from my perspective as a member of the Catholic Church, they represent cooperation and solidarity in accordance with Catholic social teaching. However, to stress the severity and anticipation of a critical point, I want to refer to the case of the Archdioceses Berlin again, which almost went insolvent in 2003 and where 440 employees of the Archdioceses lost their jobs, cf. section 1.1.1. Hence, this was already an example where a critical point for one German dioceses had been reached and if the other dioceses did not bail out their peer, the archdioceses would have been no longer financially viable. In this context, I also want to refer to the fact again that more and more dioceses are engaging management consultancy firms such as McKinsey & Company to receive advice regarding saving potentials and optimisation of their financial affairs; so did the archdioceses Berlin as well. However, what consultants are not doing is to give advice regarding the ecclesiastical personnel. In addition, they avoid to answer questions such as the future orientation of pastoral work or the prioritisation of tasks within a diocese in general, cf. Mitschke-

¹²⁸ For his econometric models von Mitschke-Collande used all his experience, which he made during the time he had been a consultant of McKinsey & Company and when he was consulting the Catholic Church in Germany, cf. also section 5.2.1.3.2.

Collande (2003, pp. 341-342). This of course must be a theological task and must be handled by the Church itself. Yet, the conclusion of this thesis allows me to make a statement on this. Thus, if the Church feels at a certain point that it cannot offer all of its ecclesiastical services anymore then indeed it might consider a focus on specific activities. From my point of view, there is no theological justification that the Church in Germany has to employ 180,000 employees and that it runs hospitals, schools, and kindergartens. So, if that day comes at a given time then indeed the RCCiG could, e.g. learn from the Church in Africa who from a macro perspective does a great job in using their limited financial possibilities as they are able to offer a good range of ecclesiastical goods to their congregants. I can express this as I met very remarkable people from the Catholic Church in Africa and listened to presentations and panel discussions of them at the 2nd International Festival of Creativity in Church Management at the Villanova School of Business in Philadelphia in 2018. In turn, they also were impressed to learn about the situation in Germany which of course is different, but we agreed that somehow both face the situation of handling scarce financial resources – although under different headlines. A concrete practical path for the RCCiG to prepare for such a situation will be discussed in section 6.3.2 and is being recommended by me to be subject of further research in section 6.4, which is the possibility of increasing voluntary work in the RCCiG.

6.2 Contribution to science

This section integrates the process and outcomes of this thesis into the existing theory and body of literature and thereby reveals its original contribution to science.

6.2.1 The closed gap in the literature

The main contribution of this thesis is the proposal of a theoretical model of church financing of the RCCiG. The following will incorporate this achievement into the current body of literature.

Hessler and Strauß (1990, pp. 1-5) note that it must be indeed the wish of every financial economist to perceive an important institution such as the Church in parts within their research. In parts however, as they note, because the financial aspects of the Church are very comprehensive and it is impossible to consider all aspects in a single monograph. One has to concentrate on one of the aspects and they, for instance, limit their analysis

regionally¹²⁹ and reduce it to managerial aspects. I cannot speak for all financial economists, but I share the opinion of Hessler and Strauß and it is my wish to perceive one part of the financial being of the Church in my research and to enrich the academic discourse.

In the understanding of Hessler and Strauß (1990, pp. 1-5) my thesis contributes to the aspect of external financial means coming into the financing system of the Church. In this understanding, my work can be perceived as a missing puzzle in the attempt to create a comprehensive academic view on the economics of the Church. This comprehensive view encompasses the following aspects:

- i. **ecclesiastical accounting** as it has been proposed in the doctoral thesis by Leimkühler (2004) with a proposal of an approach for ecclesiastical accounting in the RCCiG,
- ii. **ecclesiastical financial management**, i.e. the allocation of financial means to the various hierarchical levels and ecclesiastical budgeting, as proposed by Hessler and Strauß (1990)¹³⁰,
- iii. **ecclesiastical controlling** as proposed in the doctoral thesis by Mertes (2000) with a proposal of ecclesiastical controlling in the RCCiG,
- iv. **ecclesiastical asset and investment management** as proposed in the doctoral thesis by Foltin (2014) where he analysed ecclesiastical asset and investment management techniques and proposes some practical suggestions, and
- v. **church financing**, i.e. a holistic-academic view on the system of church financing and its instruments integrated into a model of church financing in Germany.¹³¹

¹²⁹ Hessler and Strauß (1990) focus on the Evangelical Church in the Rhineland and the Catholic Church in the Rhineland that they do by considering the Archdioceses of Cologne.

¹³⁰ From the point of my thesis, their study is limited to the functional-financial circle, i.e. the transactional one; they do not consider the generation of (additional) proceeds, which in turn is the main contribution of my thesis.

¹³¹ In the words of Hessler and Strauß (1990, p. 3) this would entail the “*Finanzmittelströme (...) zwischen Kirche und “Umwelt”, d. h. Einnahmeströme von der Umwelt in das Finanzgebilde “Kirche” (...)*“

In this logic this thesis contributes to (v) and therefore forms an integral part of the identified areas of research on financial aspects of the Church according to Hessler and Strauß (1990, pp. 1-5). It even goes beyond this and gives meaning to the various instruments in light of a derived understanding of ecclesiastical benefits. This study completes the set of various material aspects of the ecclesiastical being. As such it represents an original contribution to science.

6.2.2 Originality

Whereas the previous section revealed the closed gap in the literature of the proceeds of this thesis, the following aims to address the aspect of originality. In this context, i.e. contribution to knowledge, I am referring to the University of Cambridge (2014, p. 2) which lists four alternatives to meet the criterion of a significant contribution: (1) the discovery of new knowledge, (2) the connection of previously unrelated facts (3) the development of new theory, or (4) the revision of older views.

With the proceeds of my thesis, I am able to contribute to criteria (1), (2), and (4) as:

- (1) My research discovers and develops two forms of new knowledge: i) the presentation of a novel conceptual model, cf. Figure 2 on page 29, in order to systematically explore the interconnectedness of the relevant aspects and ii) the proposal of a theoretical model of the system of church financing of the RCCiG, cf. Figure 24 on page 224, as the result of the research which allows to further ignite both the scholarly and the practical debate on aspects of the state of affairs.
- (2) My research contributes to two significant fields of previously unconnected and unrelated facts: i) the relationship between the system of church financing and a) the external environment and b) the internal characteristics of the system, within one theoretical model, ii) the relationship between the instruments of church financing and the idea of ecclesiastical benefits.

(translated by the author: 'Financial cash flows between the Church and its "environment", i.e. Cash flows from the environment into the financial system of the Church'.

- (3) My research does not propose a new theory. However, it contributes a theoretical model that can be perceived as part of the theoretical knowledge on the research object.
- (4) My research considers and reviews prior views on the phenomenon. With regard to that, it is in particular unique for a business school thesis to have reviewed and considered systematically identified literature on the situation in Germany, which date back until the beginning of the 20th century. Thus, not only has that literature been written in a different time, which had to be uncovered with regard to a different socio-economic and political environment, it also marks the beginning of the very slow developing interdisciplinary stream of social scientific research on church financing in Germany.

6.3 Contribution to practise in light of the theoretical model of church financing in Germany (Figure 24)

During the research journey, specific state of affairs became apparent which provoked normative thoughts on practical aspects of church financing in Germany in me, which I intend to reveal now. In doing so, I base my assertions and comments on the above presented theoretical model, cf. Figure 24. In addition, this section represents the recommended areas of further research on the overall topic.

6.3.1 The church tax: no abolishment but a need for a reformation

The church tax cannot be abolished because it is the backbone of church financing in Germany. However, there is a need for reformation of the instrument in order to increase the fairness and therefore societal acceptance of it. Thus, only a productive and efficient church tax, as the primary source of church financing in Germany out of the group of membership-based instruments of church financing in Germany, allows the RCCiG to offer its broad range of services and pastoral care, and to maintain its prominent role in the German welfare state and society. Ultimately, it secures the remuneration of 180,000 direct church employees. This is illustrated in Figure 26 below which is based on the theoretical model as presented in Figure 24 above.

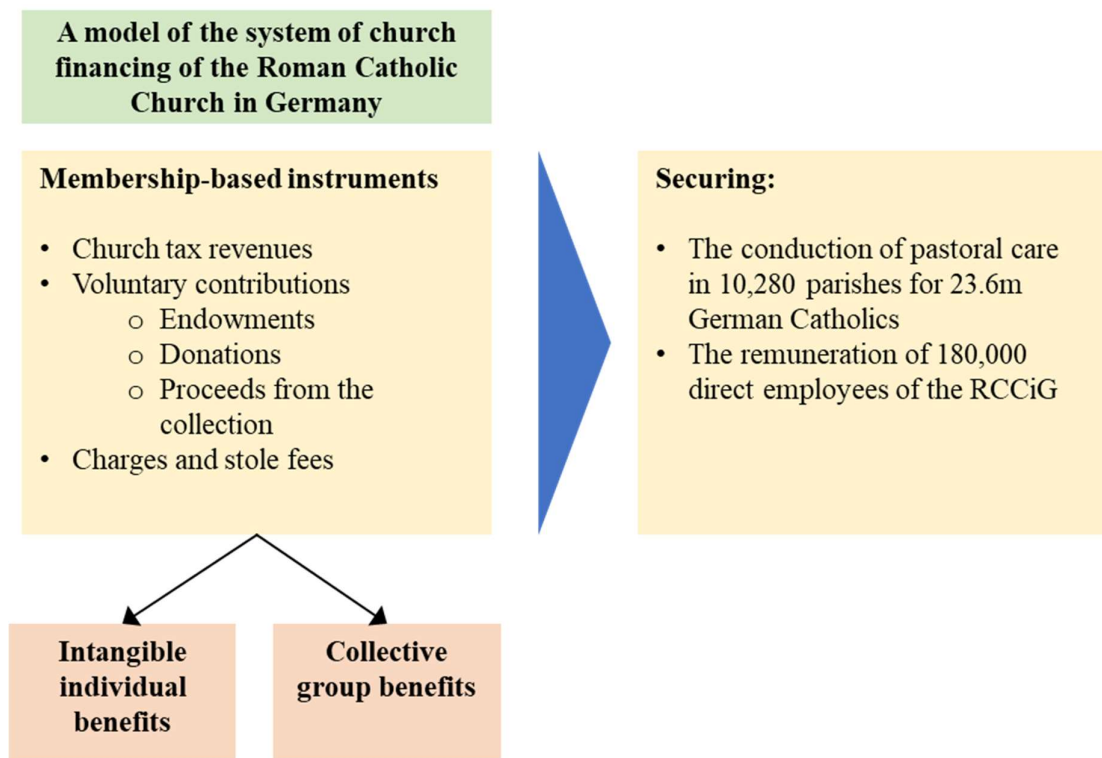


Figure 26: The importance of membership-based instruments for church financing in Germany (diagram compiled by the author).

The debate about the church tax however, must be directed to the fact of a currently disproportionate taxation of middle incomes. Hence, due to the annexation of the church tax to the personal income tax, not every member of the Church is subject to this membership charge. Thus, church members who do not have to pay personal income taxes also do not have to pay church taxes and in theoretically would not contribute to the Church financially at all. Giesen (2009, p. 51) approximates that in case of the Catholic Church only 20-25% of all church members pay church taxes which leads to a debate on tax justice, cf. the detailed analysis of the church tax (in-)justice in the doctoral thesis of Rainald Meier (2005, pp. 99-151). Meier (2005) concludes that the church tax only in parts fulfils the requirements of tax equity. Also Smekal (1989) states that middle incomes are being taxed on a disproportionate level due to the configuration of the church tax system. This is due to the possibility of (i) a cutback in case of high incomes and (ii) the above mentioned absence of tax liability in case of small incomes. Yet, there is a *Kirchgeld* in existence, which has to be paid by everybody who is not income tax-, and as such church tax-liable, but it only exists in some German regions (Petersen, 2015b, pp. 41-43). It is this situation where I, as a church member and practising Catholic, recommend the

introduction of a general *Kirchgeld* in all German regions. Thus, the *Kirchgeld*, as a form of a minimum church tax, is fair, and as it is not in existence in all dioceses it is something which scholars frequently suggest in order to create more tax justice, cf. *inter alia* Kleinmann (1989, pp. 919-949); Seer (2004, pp. 185-191); Smekal (1989, pp. 121-130). Additionally, it is in conformity with canon law which demands a contribution by every congregant; due to this it is also proposed by theologians, cf. Lienemann (1989c, pp. 945-971); Rotter (1989, pp. 201-212).

In particular, I propose the modification to the system that the *Kirchgeld* due shall be paid by all non-church tax-paying congregants with any kind of an income. Also, I follow Kleinmann (1989, p. 943) who suggests that this form of a basic membership fee is payable by every congregant who turned 18, i.e. the legal age in Germany. Besides, this fee would be understood as the lower limit of any other membership contribution such as the church tax. In summary, the introduction of a general *Kirchgeld* in all dioceses would help to make the system fairer and equal and emphasis must be on the request of canon law again that every congregant has to contribute. It could also help to signal that the Church is indeed not rich in general, but that it needs the membership contribution from each of its members as an act of solidarity. It is then also this feature that could then secure the character of a believing and contributing system rather than the continuation of the development towards a believing without contributing system. This proposal is reflected in Figure 27 below.

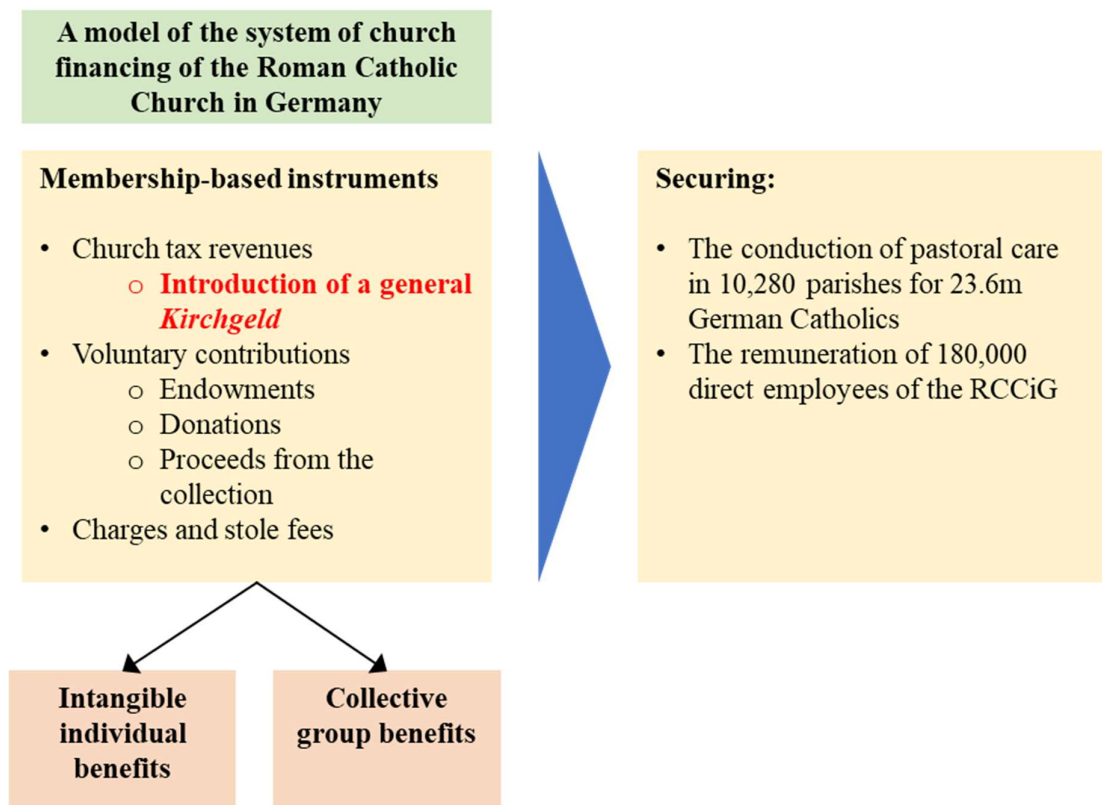


Figure 27: Proposal of the introduction of a general *Kirchgeld* (i.e. church money) for every congregant (diagram compiled by the author).

6.3.2 A view on voluntary contributions and donations

According to Klaus Vellguth (2007, p. 5) (translation by the author):

“[t]he declining trend of church tax revenues is forcing the Church in Germany to think about possible alternative sources of funding. Besides, some bishoprics have already declared themselves as being in need of restructuring and in most dioceses in Germany, the discussion about potential savings currently dominates pastoral planning.”

About a decade later Vellguth (2016, p. 421) also notes (translation by the author) that

“[i]n addition to church tax revenues as an important source of income, the churches in Germany will among other things depend on donations to finance their diverse tasks and their highly differentiated organisational structure. The willingness to donate to church affairs or the concerns of religious communities has remained stable in Germany (since the beginning of the statistical survey on the German donation market) over the past 20 years. Nevertheless, a continued secularisation in

the future will lead to a dramatic loss of revenue for the churches and church organisations in Germany. In the face of these social changes, churches and church organisations face the challenge of implementing appropriate fundraising measures to offset financial deficits.”

Both, statements by Klaus Vellguth, who pioneered the introduction of the concept of fundraising for the context of church financing in Germany with his doctoral thesis in theology and further publications, shall be the starting point to make normative statements on an increased role of voluntary contributions to the RCCiG.

At first glance, it becomes apparent that voluntary giving in the form of the collection during Mass is even part of the liturgy, i.e. the way in which public religious worship is practised (Lukassek, 2015). However, it must be noted that the collection only plays a symbolic role in the context of church financing in Germany. Therefore, if one intends to investigate an increasing role of voluntary contributions, one shall not refer to the collection during the Mass, as nowadays it is by far not as important anymore as it used to be in the beginnings of Christianity. Consequently, I am arguing that pure donations during Mass will most likely not increase as long as there is a church tax in place. However, if one enhances the understanding of donating in that dimension that one combines it with a purpose, i.e. investing funds in a meaningful way and one accepts to give away a particular part of the revenues to that institution, then this thinking might be altered in parts. Hence, it can be assumed that that individual might not only perceive it to have given to the institution Church, where the individual does not precisely know what the specific funds are being used for, but they give it to a specific ecclesiastical institution, i.e. a church bank, or crowd-funding project with the purpose of letting the funds work for a specific purpose.

Therefore, if one extends the understanding for donations and includes instruments such as crowd-funding, then there are further arguments to strengthen the future role of voluntary contributions. Here I am proposing church banks to be perceived as platforms for crowd-funding and I see potential that a systematic way of increasing aspects of voluntary contributions is worthwhile to be pursued in future research and practise. For that, I want to stress that based on my exploration, it is essential that the donator experiences a direct impact that is being generated with his contribution. From my thesis' point of view, this is especially the case in Germany where one finds a 'tax-affine society',

cf. section 4.4.2.1, and where the payment of a tax to an authority is culturally sometimes perceived as a flat-rate (membership) fee, cf. footnote 16.

In this context, I am referring to section 6.1.2 above, where I note that church financing systems such as the German one are sometimes labelled as ‘pay to play systems’. This explains that congregants have to pay membership fees in order to participate in church life and to be part of the community. Hence, from my point of view, it is this cultural aspect of the German church financing system, which makes argumentations in favour of donations so difficult. This is especially due to the fact if the ‘payment to play’ is being perceived to be a flat-rate contribution fee. In the course of researching the German terms for church tax and flat-rate, i.e. [“Kirchensteuer” + “Flatrate”], I came across an interview with an Evangelical priest stating the following (translation of the author):

“[i]f I make a cell phone contract, but only call twice a month, I do not book a flat-rate. The church tax is a flat rate. I can use all the offers, but most do not care about everything”.

This is slightly a different understanding of what I am arguing, but it hits the essence. Thus, if one translates this to my argument, then those who are in the Church, i.e. being a church member, perhaps in parts feel as if they are simply a contributing member with a flat-rate tariff and hence, their contribution is capped at the given church tax amount which they are willing to contribute each year. In this context, I also found a twitter tweet¹³² where a Twitter-member on 7th January 2017 is stating the following question to the Twitter community (translation by the author): “[h]ow is it actually with the church tax. Is this a flat-rate and I can pray as much as I want or is Jesus throttling my volume?”. Of course, this is perhaps meant to be more of a joke, but it triggered a discussion on Twitter and also is in line with my argumentation.

In a situation where the church tax in parts leads towards a state of affairs where church membership is being perceived as a flat-rate membership the question remains what are further arguments in favour of increasing voluntary contributions. At this point I want to refer to Klaus Vellguth again who pioneered the aspect of fundraising in context of voluntary giving in the RCCiG and summarises the term fundraising as the systematic and continuous raising of funds or capital. Thus, his works constitute theological analyses of

¹³² Cf. <https://twitter.com/MentalMimicry/status/817756715898781696>

the possibilities that are resulting from fundraising and their potential future role. His argumentation is deeply rooted in a corresponding Bible analysis. Thereby he focuses on the Pauline collection as an early form of donation advertising and the role of alms in the New Testament. By definition, it is proposed that fundraising is understood as comprehensive fundraising (i.e. finance and supplies, rights and information, labour and services), with a focus on attracting financial resources. In addition to this, he states that fundraising in Germany often overlooks the possibility of soliciting donations in addition to money and time donations (Vellguth, 2007, p. 31). Also, in this context and for the unique situation in Germany Vellguth (2007, p. 25) cites Paul Kirchhof noting that in a state of affairs where the role of the church tax would be decreased (translation by the author): “the avaricious congregants would withdraw themselves as financiers of the Church, which would shift the burden more towards the generous and selfless. Also, the widow would continue to give her mite, but the rich little of its abundance” Kirchhof (2002, pp. 172-179).

On the potential of the future role of donations, Vellguth (2007, p. 430) notes the following (translation by the author):

“[t]he analysis of the German donations market shows that church fundraising can take place in a donation friendly and for the last twenty years ‘stable’ environment. First, one could assume that the sources of income for church fundraisers will continue to be available in that historical form in the future. However, a look at the expected collection development in Germany as well as the membership figures of the Church as well as the development of the number of worshippers shows that this stability will no longer exist in the future”.

In summary Vellguth (2016, p. 452) concludes about the Pauline collection as an early form of donation advertising, that this still contains valid characteristics of fundraising today. These include the voluntary nature of the measures, the function of personal contact, the importance of transparency and control, the structure of the letter, which is calling for donations, the importance of the organisation of help and the aspect of the political relevance of every single donation. As a practical conclusion, he argues that currently, most fundraising activities in the Church refer to an immediate or first donation. Thus, the opportunities offered by the instrument of relationship fundraising, which is derived from the field of marketing, are not being taken advantage of. According to him, this integrated fundraising approach is based on the insight that economically efficient fundraising is only

possible within the framework of a longer-term donor-relationship. In this understanding relationship fundraising was developed in social marketing and can be regarded as a fundraising-specific variant of customer relationship management. Thus, it aims to systematically build and intensify customer relations with the help of strategically oriented communication measures (Vellguth, 2007, pp. 311-316).

For the context of this conclusion, this along with my findings entails two main messages. First, there is room of future research of combining insights from marketing, i.e. customer relationship management, with elements of finance to come up with new chances of enabling instruments of church financing. However, Vellguth lacks to give an outlook on how relevant the attempts of such an approach could seriously become in the financing mix of a diocese. Nevertheless, he emphasises that the general findings indicate possible unfavourable conditions to promote donations. Here I am referring to his quotation of the German professor of state law Paul Kirchhof (2002) again who noted that the decrease of the church tax and an increase of donations would entail the risk that a lot of people stay away to the act of supporting the Church financially.

Second, another more sophisticated approach, rather than merely circling the offertory bag during the Holy Mass, could lead to an increasing role of voluntary contributions to the Church. Thus, I am recommending the instrument of crowd-funding here as church financing in the 21st century is different than it was a century ago. Thus, the environment has changed significantly in Western Europe, i.e. the leading phenomena are not industrialisation and urbanisation anymore, but secularisation and digitalisation and decision-makers within the Church need to adapt towards the new environment. Here, crowd-funding can be additional support for the financing system of the Catholic Church. It not only allows to utilise social media in a new fashion for the sake of the mission, but it also entails a community character, cf. Biermeier (forthcoming).

Figure 28 below displays how both, crowd-funding and the idea of relationship fundraising, can be integrated into a model of church financing in Germany. However, both instruments require further research.

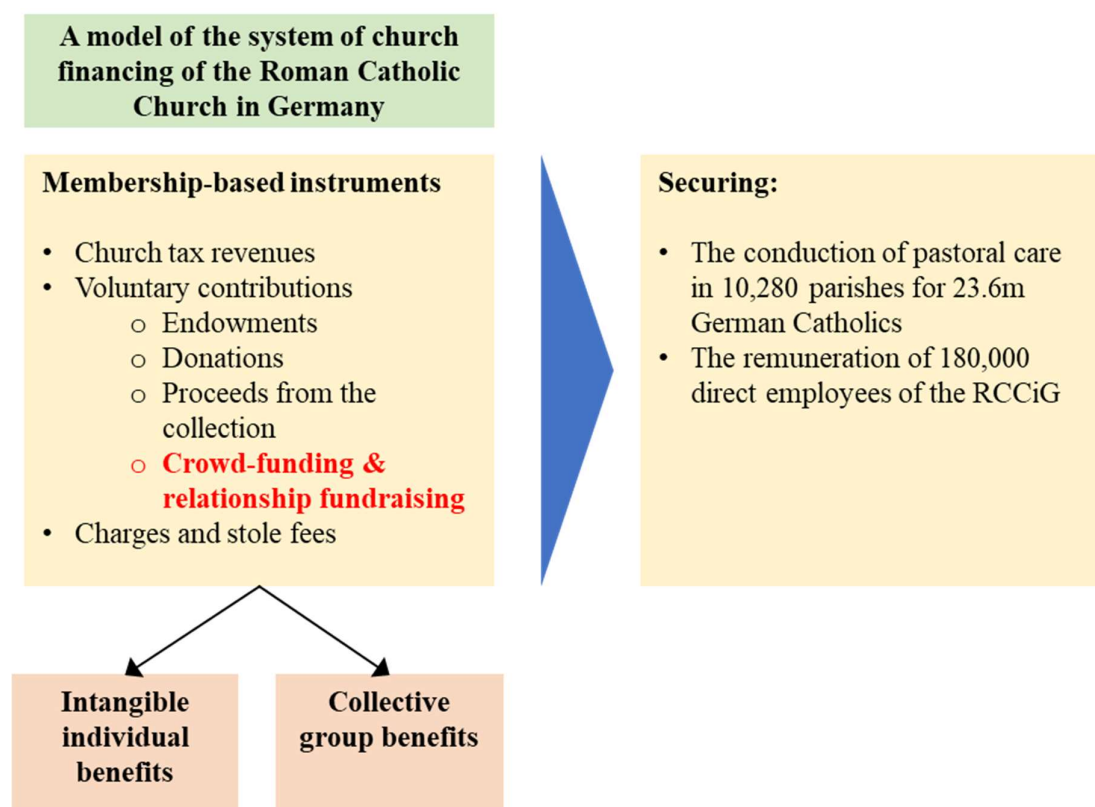


Figure 28: Proposal of a systematic integration of crowd-funding and relationship fundraising in a model of church financing in Germany (diagram compiled by the author).

However, in the near future crowd-funding and relationship fundraising will probably not solve all problems involved in financing the RCCiG, but it can only form a new relationship of donators with the Church, and it especially can give acknowledgement to those who realise charitable projects within the Church. It is this last point, which I also would like to emphasise again. Thus, those who already do great work within the Church, i.e. 600,000 voluntary people for the RCCiG alone, often do not receive enough attention. Hence, if one finds a way to appreciate their work more and display the good things they are doing e.g. in course of crowd-funding or relationship fundraising campaigns, I am convinced that people who directly see that might be more positive minded to donate or ‘crowd-fund’ to the Church in comparison to today where many things are not transparent to a potential donor. In turn, also those voluntary workers are donating to the Church, which is labour and time. Thus, if one widens the understanding for donations, also to the donation of (voluntary) work opens up even more paths to pursue. As according to Deutsche Bischofskonferenz (2017d, p. 42) 600,000 people are supporting the work of the

Catholic Church voluntarily, it can be assumed that this is a concept worthwhile to be subject of future research, cf. section 6.4¹³³.

Above all, the arguments in favour of donations are that the Church will be depending on sourcing new ways of financing its mission and the increase of donations might be a feasible way. Besides, currently, voluntary given is concentrated on short-term fund generation rather than the strategic thinking about long-term relationships with donors. From my point of view here, again, crowd-funding is an ideal instrument to begin with and this is in line with findings in the literature. Thus, for example, it is known that persons who belong to a religious denomination donate proportionately more frequently than non-denominational ones, since in Christianity and Islam, especially the almsgiving in the Catholic Church or the *Zakat* in Islamic religious communities, the support of the poor forms part of religious practice and the religious community (Bekkers & Wiepking, 2011, 2012). Beyond this, Borgloh (2008, p. iii) summarises the situation of donation in Germany in her following citation:

“Economic approaches explain charitable contributions by assuming that donors are interested in the provision of certain public goods by the respective charity. Indeed, many individuals donate money or time to non-profit organizations. This is especially true for the US which are often perceived as having a highly developed culture of giving. Accordingly, much empirical research on the phenomenon of private charitable contributions in the US exists. For countries with a strong tradition of an extensive welfare state and tax-financed provision of public goods by the public sector, far less is known. Due to the different institutional background, it cannot be taken for granted that the results which have been derived for the US are valid for countries with larger welfare states”.

For the context of my thesis this allows to stress two things: First, the role of donations for e.g. the Church in Germany needs more research as the German culture is – as I perceive it – a tax-affine society or as Borgloh (2008) puts it is a country with “an extensive welfare state and tax-financed provision of public goods by the public sector”, cf. above. Hence if one tries to strengthen the financing of the Church substantially with

¹³³ This thesis only considers this aspect in section 6.4 “Limitation of the study” where I outline the idea of an increase of voluntary work and its value despite the concept of using sabbaticals, job-sharing and part-time jobs to overcome potential financial deficits in the future. Also, and from a financial perspective, it would be necessary to quantify the value of all voluntary work that is being done for the Church as this will then allow to make an extension of the proposed theoretical model.

donations this aspect needs to be considered as it implies that not all techniques that are working for traditional donation-based countries such as the US or the UK are adaptable for the situation in Germany. Second, however, in Germany “donations are tax deductible up to an amount of 5 % of overall income” (Kühn, 2014, p. 232) and here I argue that this closes the circle to being a tax-affine society. Thus, I suggest that if the Church can combine both, (a) transparency of where the money is used together with the generation of a direct impact by the donor and (b) the attractiveness that this donation, i.e. investment into the Church, is also co-sponsored by the state, as the individual can deduct that amount from his taxable income, then donation indeed could play a more substantial role in financing the Church in the future.

6.3.3 Recommendation of a redemption of the *Staatsleistungen*

Within the theoretical model of church financing, cf. Figure 24 above, the *Staatsleistungen* are perceived as being paid annually by the state, but they have the same effect on the ecclesiastical benefits as the market-oriented instruments which is a cross-financing function. Thus, they are used in order to finance all three types of ecclesiastical benefits and are not attributed to one specific kind of benefit. This is illustrated in Figure 29 below.

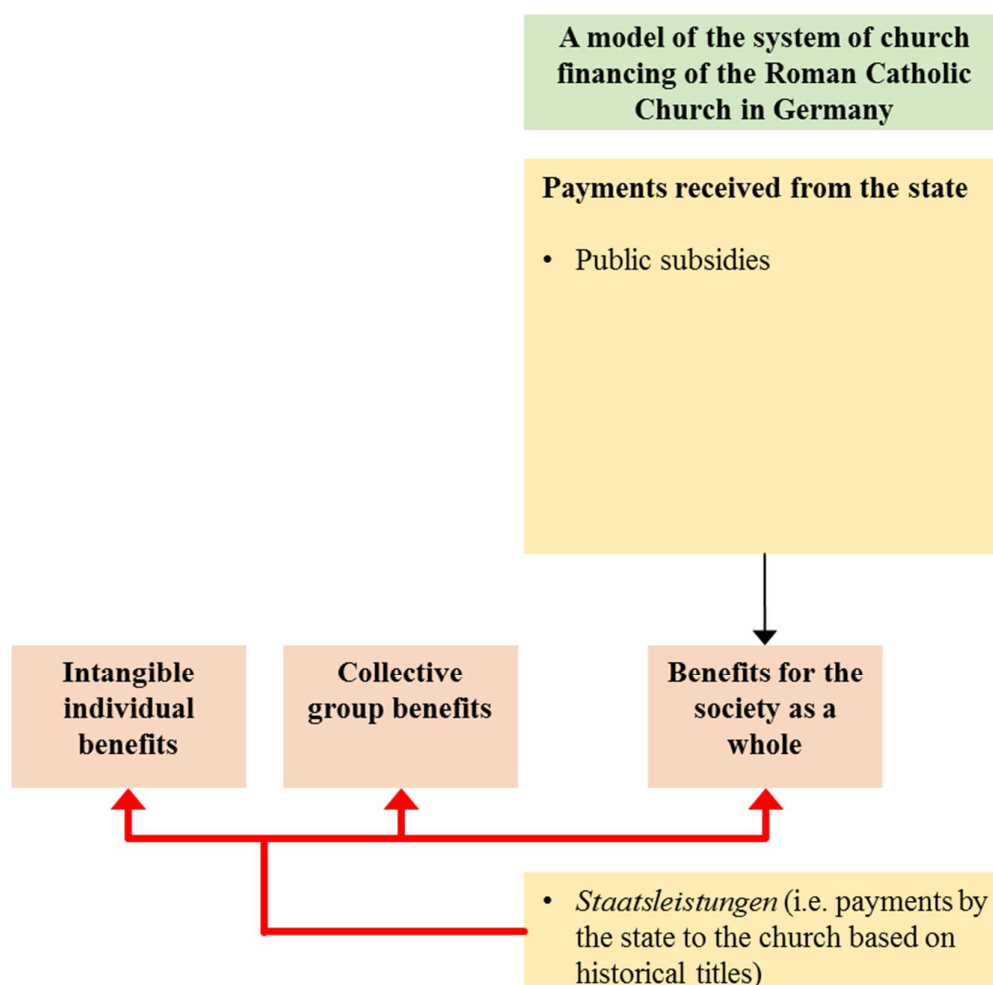


Figure 29: The cross-financing function of the *Staatsleistungen* for church financing in Germany (diagram compiled by the author).

Historically, the *Staatsleistungen* date back to the Napoleonic Secularisation in 1803 and reflect the obligation of the state to pay reparation payments to church. However, as already stated in the introduction of this thesis, cf. section 1.1, there are frequent public

debates regarding abolishment of the *Staatsleistungen*. Some aspects appear to be worthwhile to be considered as there is e.g. the question of an abolition of the *Staatsleistungen*. In this context, the *Grundgesetz* refers to article 138 section 1 of the *WRV* where it says that the Church continues to receive the *Staatsleistungen*, but also that they shall be abolished in the form of a redemption (Deutscher Bundestag, 2012).¹³⁴ In this context, the Green Party presented a bill to the *Bundestag* in 2012 in order to abolish them once and for all (Bündnis 90/Die Grünen, 2017, p. 120; Liebl, 2014, pp. 107-127). The bill proposed that the Church received a one-off non-recurrent compensation payment amounting to the tenfold amount at the point in time when the law gets effective. However, this political attempt resulted in no change of the *Grundgesetz* and did not trigger negotiations between the Church, including the Holy See, as it would require a concordat between the Vatican and the *Bundesländer*, and the state in order to find an agreement. In this context, the Catholic Church itself notes on their website that they ‘will not block a solution which is equilibrated and fair’ (Deutsche Bischofskonferenz, 2018d).¹³⁵

In light of the analyses in this thesis, I suggest to start the above-mentioned possibilities for negotiating the situation in order to find an agreement to abolish the *Staatsleistungen*. This is due to two reasons: (i) the absolute amount of *Staatsleistungen* is relatively small and amounts to less than 5% of the entire volume of the church tax revenues or about 2.5% of the entire budget, and (ii) the *Staatsleistungen* are a frequent topic of public and political debates, and an abolishment could help to promote a more positive attitude in the society regarding church financing in general and the church tax and public subsidies in particular. In other words, even though they are comparatively small in the ecclesiastical budget, they are large enough to provoke debates frequently.

By considering the €0.212bn *Staatsleistungen* in 2015 granted to the Catholic Church (Katholisch.de, 2016), a one-off payment could amount to €2.12bn if one followed the suggestion of a tenfold amount. Alternatively, one could use the financial mathematical approach of a perpetual annuity. So, if one took the €0.202bn *Staatsleistungen* in 2013, and

¹³⁴ “(1) Rights of religious societies to public subsidies on the basis of a law, contract or special grant shall be redeemed by legislation of the Länder. The principles governing such redemption shall be established by the Reich.

(2) Property rights and other rights of religious societies or associations in their institutions, foundations, and other assets intended for purposes of worship, education or charity shall be guaranteed.” (Deutscher Bundestag, 2012, p. 134).

¹³⁵ Ger. original “Die Kirche wird sich einer weitergehenden Lösung nicht verschließen, wenn diese ausgewogen ist“.

an interest rate of 5% as the basis for a calculation of the redemption payment (Hartmann, 2014), then a one-off payment of €4.04bn would be necessary. If one undertakes the same calculation with the above-mentioned latest publication of the overall number of Catholic *Staatsleistungen* in 2015, then the one-off payment would be €4.24bn.¹³⁶ Either way would allocate a substantial asset base to the Church, which it then had to invest and work with in order to cross-finance all three manifestations of ecclesiastical benefits. This idea is illustrated in the Figure below and is based on the theoretical model as presented in Figure 24 above.

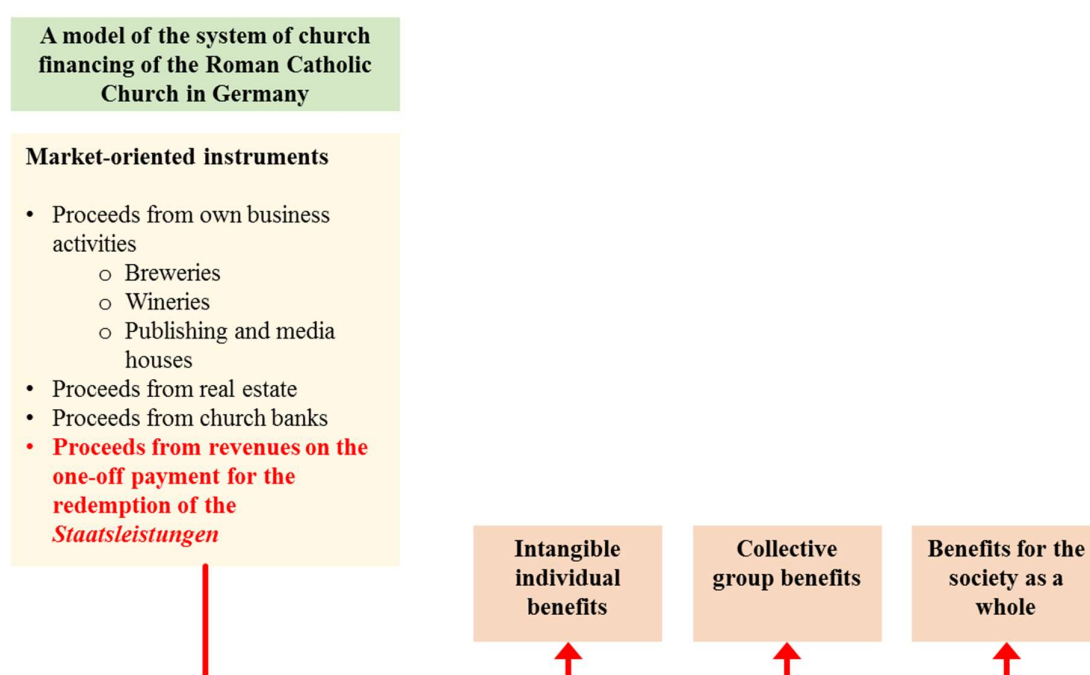


Figure 30: The proceeds from a redemption of the *Staatsleistungen* as a new market-oriented instrument (diagram compiled by the author).

In summary and light of the frequent social debates on the *Staatsleistungen* and the relatively small amount they defray to the overall budget, it appears prudent to redeem

¹³⁶ According to Fabozzi (2006, p. 45) in cases of annuities which “will last forever” one has to use “[t]he formula for a perpetual annuity” which is

$$PV = A/i$$

where

PV = Present Value

A = Amount of the annuity (in EUR)

i = Interest rate (in decimal form).

This implies for the present value of the *Staatsleistungen*:

$$PV (2015) = \text{EUR } 0.212\text{bn}/0.05 = \underline{\text{EUR } 4.240\text{bn}}$$

$$PV (2013) = \text{EUR } 0.202\text{bn}/0.05 = \underline{\text{EUR } 4.04\text{bn}}$$

them. From a financing perspective, there is also room for negotiations as the calculations above revealed and as indicated above, the Church itself states that they are open for it.

6.3.4 Retention of state subsidies and direct public cost compensation

In light of the public attention received by the *Staatsleistungen*, the genuine form of public payments to the Church is frequently lumped together with this and thereby receives unnecessary criticism. Thus, these payments that amount to approximately €1bn each year, cf. section 5.2.2.1, are indeed necessary in order to finance the material benefits for the society as a whole, which are offered by the Church within the social welfare sector.

However, my research has shown that public subsidies, in connection with the government's church tax collection on behalf of the Church, frequently generate mistrust in parts of the society. This is due to the reason that all tax-paying inhabitants of Germany, even those with a distanced or negative relationship to the Church, contribute to the amount of public funding received by the Church as the tax revenues of the state finance it. Due to this, some individuals perceive this to be indirectly obliged to contribute financially to the Church.

Despite this, I am strongly recommending a continuation of state subsidies as the activities, which are being financed with those funds are for the welfare of society. They are not only for the congregants. According to my theoretical model of church financing in Germany, cf. Figure 24; they are purely financing benefits for the society as a whole. My model suggests here that compensation of those costs should indeed be paid directly by the state in the form of government grants to the institution that renders the service. Also, it can be understood this way, that the government is accepting and honouring the ideological belief of the Church in the way that the Church fulfils public services on behalf of it. Indeed, this implies a close connection and reciprocal support between State and Church, which, however, is only explainable from the perspective of the historical development. This line of argumentation is *inter alia* supported by Nachtkamp (1989, pp. 101-120) in a dedicated essay on this. All this is illustrated in Figure 31 below.

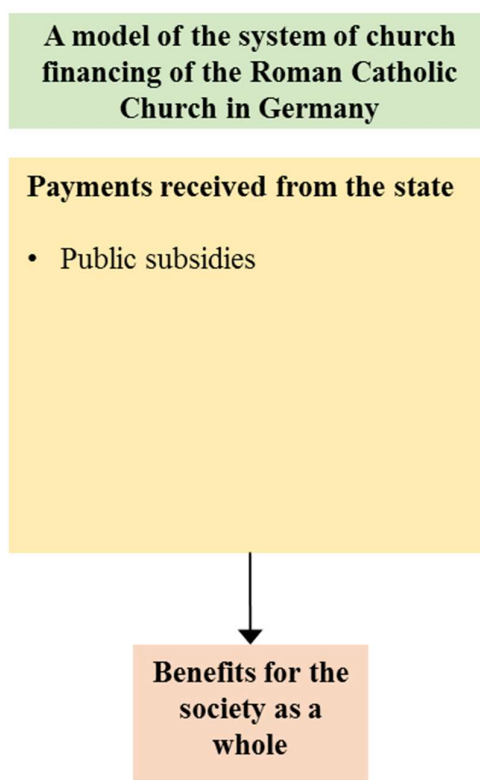


Figure 31: The vital role of public subsidies, i.e. direct cost compensation by the state, for the creation of benefits for the society as a whole (diagram compiled by the author).

Notwithstanding, it might be true that the reception of state subsidies might makes the Church vulnerable, but from a church-internal view the Church then must consider that the rendering of such services on behalf of the State helps to spread the word, promotes Christian values and guarantees pluralism in the welfare society. Also, the Church took the chance and created more transparency on this, and the financial reports available on the websites of the dioceses frequently endorse the payments, which they receive from the state and also highlight what they are doing with it.¹³⁷

In summary, and in line with the proposal of my theoretical model, the direct financing by the state, i.e. public subsidies, is the adequate financing instrument for this area of ecclesiastical work.

¹³⁷ Cf. Deutsche Bischofskonferenz (2015a) where they highlight the Church's care for refugees, the maintenance of 9,370 Catholic kindergartens offering care for almost 600,000 children and that they currently maintain 905 Catholic schools where they teach 360,000 pupils.

6.3.5 The need for increased proprietorial financing

In his article on reformation concepts of systems of church financing, Lienemann (1989c, pp. 945-971) proposes an increase of the diversification of the ecclesiastical income. Therefore, he suggests a reduction of the portion of church taxes in favour of independent proprietorial financing. According to Lienemann (1989c, pp. 966-971), this could be reached via (a) an increase of voluntary contributions, i.e. donations and (b) the facilitation of accumulation of more substantial sources of proprietorial assets which then, in turn, should yield adequate rates of return. Both paths are typical for systems of church financing outside of Germany and these systems are also historically grown and ultimately lead to fundraising- and donation-based models such as in the USA. In light of this Lienemann also notes that both paths might lead towards firm boundaries in Germany and are most likely not realisable, cf. Lienemann (1989c, pp. 968-971).

Certainly, it would be ideal if the Church could according to (a) increase revenues from voluntary contributions significantly. However, the findings of Lienemann are congruent with my findings, and suggest that (a) the share of the Church on the donation market cannot be increased further and there is no evidence how the donation behaviour could develop in case of a reduction or even abolishment of the church tax rate. From my point of view the only possible advancement of voluntary contributions are proceedings from crowd-funding and relationship-fundraising as discussed in section 6.3.2 above. Also (b), the building of proprietorial assets beyond the current level is imposing problems. Thus, if the Church wanted to yield sufficient rates of return, it would have to consider and accept the rules of the market-based society, which functions under capitalistic conditions. From an economic, theological and political perspective this could lead to the argumentation that still, the church tax is the most suitable instrument. However, my research suggests novel aspects, and this shall be thought further hereafter.

Despite this, (b) an increase of proprietorial financing remains. In light of my findings this seems to be practicable due to the following reasons: (i) the intended and above-mentioned redemption of the *Staatsleistungen* could function as a starting point to build yields on assets as there would be an one-off payment involved. This could then make it as a starting point for an additional pillar within the group of market-oriented instruments of church financing. Also (ii) a responsible management of these potential and the existing ecclesiastical assets does not only yield additional revenues for the ecclesiastical budget, but it can also function as a form of promoting Christian values if the

funds are being ethically-well invested according to Christian values. Beyond this (iii) the Church possesses five own banks which grant direct access to the financial markets and therefore form an arm into the secular, civil society. As such, their role and function within the system of church financing in Germany could be extended. Therefore, points (i) and (ii) are somewhat vague as they are based on an actual redemption of the *Staatsleistungen* and the currently comparatively low volume of own assets. In other words, a point in time where both points together form a meaningful amount of funds is out of the scope of this thesis.

Thus, before the next section 6.3.6 will focus on (iii) the church banks it is necessary to formulate a potential greater meaning of proprietorial financing instruments in light of the anticipation of declining membership-based ecclesiastical proceeds. This is based on the idea that the group of market-oriented instruments, as they are scalable with the techniques of financial economics, could overtake a greater supporting function in the attempt to maintain the equilibrium of the entire system they could thereby cross-subsidising all three groups of the ecclesiastical benefits. The summary of this idea is highlighted in form of **red arrows** in Figure 32 below.

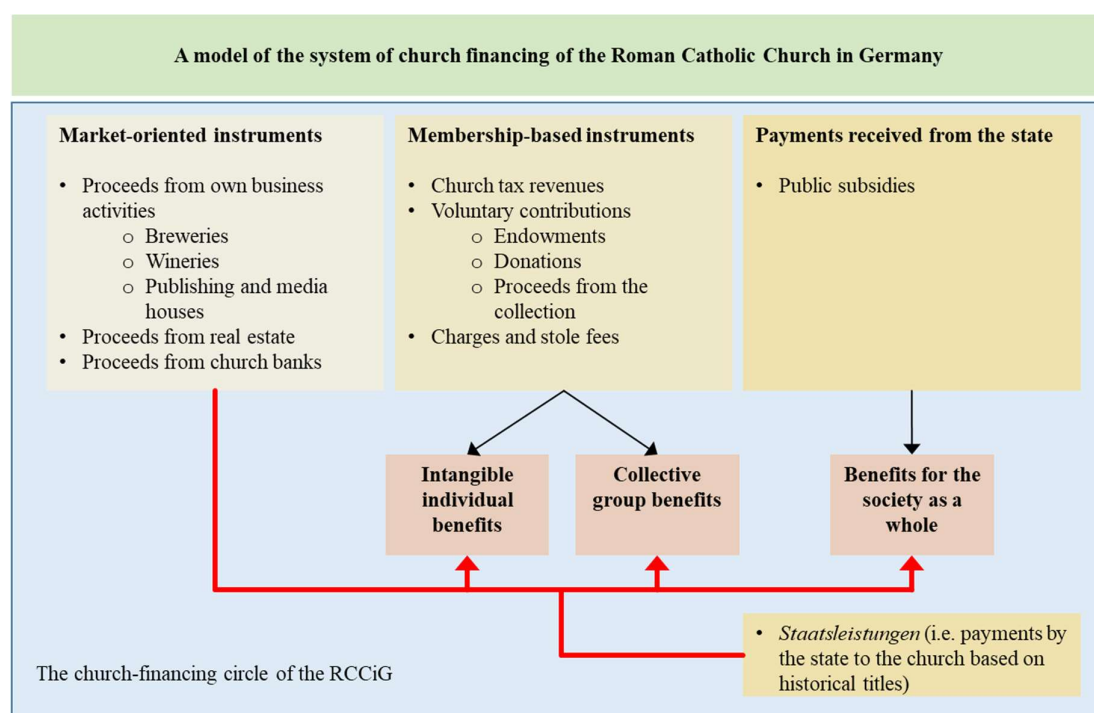


Figure 32: The cross-financing function of the market-oriented instruments of church financing (diagram compiled by the author).

6.3.6 Increasing the role of church banks

Despite the fact that none of the examined publications suggests to use proceedings from church banks in order to subsidise the ecclesiastical budget, I exactly do so here at this stage. I do so not only because I am having a background in banking, but also in order to reveal further future paths of research in the direction of proprietorial financing instruments in general, and church banks in particular. In this understanding, I argue that a prudent use of the church banks within the system of church financing (i) allows to redistribute existing funds within the Church in the form of low-interest loans, ii) could generate additional, ethically well-founded revenues. The latter could subsidise the ecclesiastical budget, and (iii) it can be perceived as an additional and modern form of promoting Christian values. This, in turn, secures the attempts of the Church to minimise poverty in the world. In this context, it is interesting to note that the Archbishop of Canterbury, i.e. the primate of the worldwide Anglican Church, proposed the foundation of a cooperative bank in England in order to address the usury conditions of some banking providers in the United Kingdom (Doward, 2014). Again, this can also be perceived as a Christian attempt to minimise poverty in the world.

However, if it will be the decision to include church banks not only in theory, as proposed here, but also in practise into the system of church financing in a more prominent way, then the Church (i) should transparently state that the proceeds from the church banks are used to finance the mission of the Church and (ii) it should use debt financing instruments such as (syndicated) church loans, cf. in section 6.3.6.2 below, only for material projects which imply a future income of that project in order to allow a redemption of the debt financing instrument in the future. Thus, it would be misguided if debt financing was used in order to pay the remuneration of the ecclesiastical employees; if debt financing is being used for cases of severe financial need it must always be a means of last resort.

In summary, it can be concluded that indeed there is evidence that church banks are more than just a temporary appearance in the modern, market-oriented society, but that they are indeed a modern manifestation of promoting Christian social teaching. The following three sub-section are going to reveal further details in light of this understanding.

6.3.6.1 The potential scale of an increased role of the church banks

The question remains to which extent church banks are a viable growth option in order to contribute substantially to the system of church financing in Germany.

In order to be able to make a statement on this I want to start to compare the combined volume of the balance sheets of the five Catholic church banks which amounts to €23bn (own calculation based on BVR (2018)) to the entire banking sector. In fact, this only represents 0.3% of the entire banking sector in Germany, which amounts to €7,836bn (BVR, 2018). However, if we consider the field of cooperative banks in Germany the picture turns. Thus, for 2017, all five Catholic church banks are listed among the 60 biggest cooperative banks out of 913 cooperative banks in Germany with regard to their balance sheet, i.e. ranked as:

- No. 19 (i.e. LIGA Bank Regensburg: €5.59bn)¹³⁸,
- No. 24 (i.e. BKC Paderborn: €4.98bn)¹³⁹,
- No. 25 (i.e. BiB Essen: €4.96bn)¹⁴⁰,
- No. 29 (i.e. DKM Münster: €4.34bn)¹⁴¹ and
- No. 59 (i.e. PAX Bank Cologne: €2.81bn)¹⁴².

Above that and if we focus on church banks from a church financing perspective, it becomes apparent that all of those five church banks together are granting loans to Catholic institutions of €9.29bn; this is one and a half times more than the current annual church tax revenues which were €6.43bn in 2017.

From a church financing perspective, this indeed represents a substantial part of church financing. Yet, their role is not the one of a major income source but their role is to redistribute existing funds within the Church to those institutions, parishes or dioceses, which are in need for a credit facility. This argumentation is reflecting the idea of the church banks to maintain the functional-financial circle of church financing which is defined above in section 5.2.2.2 as a transactional financial circle because it does not create additional financial funds.

¹³⁸ Cf. LIGA Bank (2018).

¹³⁹ Cf. Bank für Kirche und Caritas (2018).

¹⁴⁰ Cf. BIB Bank im Bistum Essen (2018).

¹⁴¹ Cf. DKM (2018).

¹⁴² Cf. PAX Bank (2018).

This does not mean that they are not creating any income for the Church which indeed could be either in the form of a balance sheet surplus or a payment of a dividend to the cooperative's members (e.g. the PAX Bank paid in 2017 a 4.5% dividend to its members which amounts to €1mn, cf. PAX Bank (2018, p. 47)). Yet, it needs to be emphasised that the church banks are not aiming to make revenues with their credit and loan business as they are committed to grant low-interest loans. In this context the BKC Paderborn is stating (translation by the author): "(...) it is the banks' statutory mandate to provide for the economic development of its members by providing low-interest loans" (Bank für Kirche und Caritas, 2018, p. 5). Thus, as the members are predominantly institutions of the Church itself (i.e. charitable institutions, parishes or dioceses) their provisioning of credit facilities of €9.29bn can be perceived as a substantial contribution to provide for the economic development of its members.

In addition, it should be expressed again, that the church banks are in fact in parts competitive against each other and when it comes to the wider sector then indeed, they are committed to offering low-interest rate loans for their specific client group, which are institutions of the church. Therefore, they are competitive and attractive for the institutions of the Catholic Church and as they are with regard to their regional appearance also overlapping in some parts of Germany, cf. section 4.5.1.6.4, this allows a favourable situation out of the potential clients. In other words, what they are not intending is to be competitive against the entire banking sector as they are not willing to grant low-interest loans to secular corporate clients. Yet, there is a field where they indeed should be willing to be competitive against the entire sector, which is the ethical investment market. In this arena, they are naturally fulfilling the requirements for a decent credibility in this field.

In addition to this however, I argue and that beyond the church bank's current important role there is still more room to serve the church financing system which is the church bank's role as a market-oriented instrument of church financing (cf. section 5.3.2. where this idea has been introduced to this thesis). Thus, in 2017 all five church banks produced a balance sheet surplus of €0.013bn¹⁴³ (own calculation based on the banks annual reports for 2017 (Bank für Kirche und Caritas, 2018; BIB Bank im Bistum Essen, 2018; DKM, 2018; LIGA Bank, 2018; PAX Bank, 2018), which is in line with the mission of the banks and there is not the profit motif the ambition, but the creation of a sustainable alternative banking system dedicated to serve the Church. Yet, if one looks at another

¹⁴³ From a financing perspective this is also strengthening their equity base.

cooperative bank, which has a focus on sustainable and ethical banking than the church banks indeed could learn something from it. It is the ecological GLS Bank in Bochum, Germany. On their website¹⁴⁴ they have a section, which says, which translates as ‘Where does my money work?’ (Ger. “*Wo wirkt mein Geld?*”) and the interested person or client learns that the money works in six social and ecological fields (i.e. Renewable Energy, Nutrition, Sustainable Economy, Housing, Education & Culture and Social & Health). Besides they have a section on their website which translates as “Loans - who, where, how much?” (Ger. “*Kredite - wer, wo, wie viel?*”), and the interested person can download a list of all financing activities during a given quarter of a year. I find that this creates trustworthiness and the church banks could learn from it in that way that, they should make it more transparent what they are supporting with their activities. Ideally, this then helps to further grow the banks possibilities to support even more aspects of the Church as more clients are willing to prefer a church bank over a conventional bank in order dedicate funds towards the financing system of the Church. In context to this, there is another aspect that the church banks could learn from which is that the GLS Bank proactively states that one can donate to the bank if one e.g. receives a dividend or other yield as a return on the investment.

Above that, the question remains whether there is any evidence that the church banks themselves have a dedicated strategy in order to strengthen their role in the system of church financing. In order to address this first, we would have to consider their current mission again, which is to grant low-interest loans to its ecclesiastical clients. As such, they are not stressing a strategy for business growth per se. However, they are referring to the opportunities that the current economic situation in Germany offers to them and how they are intending to make use of this. In this context e.g. the Bank für Kirche und Caritas (2018, p. 31) is stating that (translation by the author): “the prospects for the economy, employment, consumption and investment are extremely favourable in Germany. Therefore, positive economic development will continue in the next two years. We expect the gross domestic product to grow by 2.3% in 2018 and by 1.9% in 2019. Because of continued moderate inflation and calm economic development in Southern Europe, the European Central Bank will continue its low-interest rate policy. Thus, the securities purchase programs are expected to expire in the forecast period, with the result of a slight

¹⁴⁴ Cf. <https://www.gls.de/privatkunden/wo-wirkt-mein-geld>.

increase in interest rates, which will not lower the credit demand. As a result, we expect customer lending business to grow by 6% for the next two years.” In addition, they note that they also expect the investment volume of their clients to grow in 2018 and 2019 by 3% each year. Also, the BIB Bank im Bistum Essen (2018, p. 41) is stating that for their lending business they assume growth rates of 5.6% in 2018 and 4.4% in 2019.¹⁴⁵ The important aspect with regard to the topic of the thesis on hand here is, that the church banks are willing to utilise the favourable economic outlook and that they intend to grow their lending business.

Beyond this and with regard to a potential scale of an increased role of the church banks I also suggest the following:

- (1) Financing projects of the RCCiG shall be financed entirely by the five church banks if possible. Not only is this in turn precisely that kind of investment that an ethical investor intends to invest in, i.e. the prosperity of the Church, but this also guarantees that the proceeds of debt financing activities remain within the system of church financing. As such, the *a priori* transactional-financial circle is thereby utilised as a supplier for additional means for the ecclesiastical financial circle as the costs of capital remain in the system. In this understanding, it is just not purposeful and suitable if Catholic institutions maintain relationships with secular banks just because the interest rates are more favourable or someone working in that bank is active in the Church.
- (2) The case of the archdioceses of Berlin shows that a bail out by a (syndicated) loan granted by the other dioceses¹⁴⁶ worked out well. Therefore, I recommend that in situations of a severe risk of insolvency of one of the dioceses, which, e.g. could result from an abrupt stop of the receipt of church taxes, this form of church financing shall be used in the future. I suggest that the administration of

¹⁴⁵ Other than this the scoping analysis in course of the research on hand, no other such statement in any of the primary sources could be found such as that the church banks’ mission is to become part of the system of church financing in that sense that they substantially increase their contribution to the income of the Church.

¹⁴⁶ I perceive this as a syndicated loan that has been granted by a group of creditors to a single debtor. With the background of my professional training, i.e. corporate finance and the specialisation on syndicated loan financings, this instrument indeed was the adequate instrument, which could have been used. This is because it was economical and cost-effective.

such an instrument could be done by one of the church banks in cooperation with the Association of German dioceses, i.e. the VDD, cf. 4.4.2.2.

In summary, I propose a prudent use of the church banks out of a church financing perspective. Thus, in line with this, I am arguing that the Church could decide to become a serious provider of ethical investment opportunities, which is a growing sector in Germany. What must happen in order to make this a viable additional growth path is that the church banks clearly express it. Thus, if one clearly states that the revenues generated from these ventures are in turn used for the good of the Church. So, what I am suggesting here is that donators in general and the donators in Germany in particular are probably more willing to engage in the act of giving something to the Church if it is coupled with a service in return. This could either be, e.g. the forwarding of any percentage of the profits on a specific investment vehicle or it could be in the form of a crowd-funding campaign where the voluntary contribution of the individual matters to reach the overall goal of realising a given social project. Hence, I see potential that as a form of a manifestation of the market-oriented instruments of church financing there is room for at least a beginning of a new understanding of the serving function of church banks to the church financing system in Germany.

However, it must be noted that this path might also not be the solution for all challenges lying within the system of church financing in Germany. Here I would like to refer to e.g. the BKC Paderborn, which states in their annual report that the biggest burden for them is not the customer business, but the increasing demands of banking regulation. Hence, they note that challenges, which they as a church bank are facing, are less related to the quantitative requirements for equity and liquidity in which they are doing quite well, but the burden is the passing of new laws and regulations that have to be implemented by the bank in the daily banking business (Bank für Kirche und Caritas, 2018, p. 31). However, this is a challenge that the entire banking sector is facing, and despite the fact that the church banks can learn and adapt here from the secular banks, I argue that the digitalisation is offering chances that might be able to mitigate some of the problems occurring from regulation.

In conclusion, I want to stress that for this part of my research on the role of church banks future research is necessary. My presentation on the idea of ecclesiastical crowd-funding and with engagement at the 2nd International Festival of Creativity in Church Management at the Villanova School of Business in Philadelphia in 2018, allowed me to

test already how such thinking is appealing to the community of practitioners within the Catholic Church; this worked out quite well. Yet, there are more aspects about the role of church banks and in the next section; I want to propose another idea on this, which has substantial potential to be subject of further research. In this context, I also want to note that also, the Evangelical Church in Germany is operating church banks and similar considerations that I am having for the Catholic Church could be translated to the system of church financing of the Evangelical Church in Germany.

6.3.6.2 Untapped potential in the field of ethically-sustainable investments

In addition to the above, where I *inter alia* explain the role of church banks to grant loans, I also suggest to perceive church banks as being able to cater the growing trend of the German investors to invest in ethical investment solutions, cf. Foltin (2014, pp. 111-214); Handelsblatt online (2015); Pennekamp (2011, p. 20). Thus, the five Catholic church banks¹⁴⁷ fulfil the requirements for a natural credibility in this arena (Deutsche Bischofskonferenz, 2010, 2015b; Emunds, 2010) and in this context Deutsche Bischofskonferenz (2015b, p. 7) notes that “[t]he topic of ethical investment has a long way to go before reaching the status in Germany that would be desirable from the viewpoint of Christian responsibility.” Also, the Deutsche Bischofskonferenz (2015b, p. 37) itself notes that “[f]inancial service-providers which specialise in ethically-sustainable investment include the church banks (...)”.¹⁴⁸

6.3.6.3 Proposal of the deposit base theory to be subject of further research on the role of church banks within a system of church financing

From a financing perspective, there is another aspect about church banks that could include potential, which is the deposit base theory (Ger. *Bodensatztheorie*). Generally, this is an important aspect of how banks operate in general. Thus, this theory assumes “(...) that callable deposits were not withdrawn at once, but were available to the banks for a

¹⁴⁷ The Deutsche Bischofskonferenz (2015b) lists all Catholic church banks in Germany in the appendix of their publication “Making ethically-sustainable investments: A guide for persons in financially-responsible positions in Catholic institutions in Germany”.

¹⁴⁸ In addition, the Catholic Church and the Evangelical Church recently demonstrated ecumenical Christianity when they published together a book on ethical-sustainable money investments, cf. Bassler and Wulsdorf (2016). Ger. title in Original: “*Ethisch-nachhaltige Geldanlage: Die Positionen der evangelischen und katholischen Kirche - Eine Synopse*”. Above that despite the already introduced doctoral thesis by Foltin (2014) the doctoral thesis of Krall (2009) gives a comprehensive overview on ethical investments in context of the Catholic Church.

longer period (...)” (Holl & Schertler, 2016, p. 4). Hence, a bank can work with this deposit base to do e.g. lending business or to invest it on the capital markets.

To translate this into a practical example, I would like to use the example of all 180,000 direct employees of the Church, cf. (Deutsche Bischofskonferenz, 2017d, p. 41), who also all receive a salary from the Church. If we assume that all have their checking and savings account with either one of the church banks than one could argue that there is a certain amount that stays more or less stable. Therefore, if we assume a median saving¹⁴⁹ of a German person of 60,400€, cf. (Deutsche Bundesbank, 2016, p. 34), then we could extrapolate a cumulative saving of €108.72bn of all direct church employees. If we consider that an average German person has cash savings in a checking account of 4,300€ and fixed deposits in savings accounts of 29,400€, this is an assumed combined savings amount of all direct church employees of €6.1bn that the church banks could work with. Hence, this is about the size of the annual church tax income of the Catholic Church in Germany by only considering the savings of the direct employees of the Church.

In summary, this feature amongst the more general aspects of the role of church banks within a system of church financing in Germany must be subject to further research.

6.4 Limitation of the study

The goal of this thesis was to bring in order and new perspectives in a rather untapped field of interdisciplinary research. My thesis is written from a business school perspective whilst acknowledging the unique character of the Church which is neither (i) a corporation nor (ii) a charity; it is something on its own and exists longer than any corporation or any secular charity organisation. This perception entails a specific view on the state of affairs, and its path was pursued in order to derive at a stage where a theoretical model can be proposed. Yet, other views are possible and indeed are necessary for a fruitful academic debate.

The main limitation in my thesis is the focus on the financing instruments, which only allowed a rather holistic, high-level consideration of the expenditure side. I leave the

¹⁴⁹ I am referring to the median here as there is quite an adverse distribution of savings in the German population, cf. Deutsche Bundesbank (2016).

spending side, i.e. personnel and building costs, on an abstract level. However, I justify my approach, as I perceive ecclesiastical expenditure as something deeply interweaved with theology as any comment on the spending side has despite an economical also a direct theological impact. If for instance one argues that ecclesiastical personnel should be reduced in order to save financial resources, then in turn, one could argue that these reductions probably affect the secular employees of the Church and that thereby the limited number of theologians and clergy must overtake more and more administrative tasks which prevent them from conducting the core task of the Church, i.e. pastoral care. Thus, such a decision can only be made in light of a theological justification.

Practically my research came across evidence that the expenditure side is by far dominated by personnel costs as they require between 65-80% of the ecclesiastical budget. In addition, my analyses revealed, that this position entails long-term and statutory obligations, which have to be paid by law. Two ideas stood out that could help to aim at a reduction of this cost position without endangering the spreading of the mission.

- **Sabbaticals, job-sharing and part-time jobs.** In a situation where financing of ecclesiastical activities is difficult Diefenbacher (1989, pp. 873-875) recommends promoting sabbaticals and job sharing initiatives in order to save financial means. From today's perspective, this indeed could not only be a cost-saving initiative but also state of the art human resource management if one considers the labour market where employees are more and more asking for job-sharing, part-time employment and sabbaticals (Klimpel & Schütte, 2006, pp. 47-93; Peplinski, 2007, pp. 245-256; Rost, 2007, pp. 45-60; Sabath, 2014, pp. 215-226; Schobert, 2007, pp. 19-44). Promotion of such human resources-related initiatives could lead to higher satisfaction of the ecclesiastical employees and could at the same time save money.
- **The increase voluntary work in the Church.** An increase of the integration of voluntary workers into all kinds of ecclesiastical tasks could also help to secure financial resources. Thus, already three decades ago Bauer (1989a, pp. 355-412) perceived voluntary work as a source of financing as he describes it as a form of voluntary contribution to the Church. Despite the fact that voluntary work, in general, is a field of increasing interest within the social sciences (Wehner, Güntert, Neufeind, & Mieg, 2015, pp. 3-22), according to Statista (2017b) currently 14% of all voluntary workers in Germany are working for the Church, i.e. Catholic and

Evangelical Church and their institutions. If one considers that according to Statista (2017a) 14 million people are working voluntary, then almost 2 million people are already working for the Church. Yet, if one considers that there are 24 million Catholics in Germany, then there is still room for improvement of the share of voluntary workers in the Catholic Church. In addition, Emmerich (2012, pp. 219-232) notes that there is a positive relationship between voluntary work and religiosity. Thus, voluntary work promotes interpersonal contacts, and it creates a feeling of inclusion. Also, the Catholic Church itself is already addressing the issue of a change in the field of voluntary work initiatives and publications (Keul, 2012, pp. 7-10). Thus, the Catholic Church in Germany intends to give more importance to voluntary work and aims to include it more structurally into ecclesiastical work. In addition, the Church aims to support voluntary work with dedicated full-time personnel, financial resources and training programmes. Indeed, the Catholic Church perceives this not only in context and in the exegesis of Vatican II, where the role of the lay is emphasised for the Church in modernity, but the Church also realises the possibilities, which are involved regarding cost-reducing measures.

Both identified fields are human resources-related measures and can create a benefit for the Church and the ecclesiastical employees. I encourage that the role of work-life balance related measures and voluntary work receives further research. Thus, it is necessary to find out whether these measures could save financial resources and to reflect it theologically against the Church's mission. At this point, theologians are required to contemplate further on this.

6.5 Concluding remark

As the primary outcome, this thesis proposes a theoretical model of church financing of the RCCiG, cf. Figure 24 on page 224. However, those who think that a couple of business and financial management tricks can help to create miracles in order to have an ecclesiastical budget balanced out again are wrong (Rüdesheim, 2004, p. 234; Suermann, 2012, p. 20). Yet, this thesis aimed to reveal evidence that a humble, financial economic analysis of the state of affairs is able to contribute to the stability of the system of church financing in Germany. If this attempt succeeded than indeed this could strengthen the Church as it can have a stronger focus on theological aspects again. Thus, from the perspective of the intersection of the economic and theological scholarship, especially practical theology, the study has generated a first attempt to capture the phenomenon of church financing holistically from a financial, economic point of view. This means that the relationship of components of church financing, as well as the influencing factors from the outside and the inside, are integrated into a single model.

By having reviewed and analysed a vast of theological literature, areas of tension became apparent. In fact, it appears that money matters in the context of decision-making in the Church are a sensitive topic. Moreover, they are perceived as startling news since the shrinking of financial resources have been proclaimed and realised by church authorities. In this context, Brannan (2013, p. 7) notes that “[i]t is necessary to have funds to conduct church business, but they often don’t get priority attention unless they run short”. In this understanding, it shall be pointed out that ideally, implications from theology are the dominating and most crucial element within ecclesiastical decision-making. In this understanding, financial considerations should only have a supporting function in the process of making right decisions, i.e. to allow the optimal virtue of the mission. In other words, financial considerations should only increase trustworthiness, solidity and quality of ecclesiastical decision-making. In this line of thought, the developments of the system of church financing during the past decades are rather unhealthy as it brings finance more and more into a position of being decisive. As such, it is perceived as a disturbing factor rather than a serving and supporting factor. Currently, the continuing economic growth in Germany is able to mitigate parts of the adverse effects from the partial loss of church tax revenues. However, recent observations with again significant increased numbers of church disaffiliations due to the modification of the church tax on capital gains and

ongoing investigation with regard to child abuse, allow the proclamation that this situation is severely under pressure. Ultimately, if the Church realises that theological decisions are made upon material and financial constraints, it becomes apparent that it is necessary and essential to seriously deal with the financial and economic aspects of the Church. In order to address this, the thesis on hand intended to contribute to the church-internal debate and revealed a contribution to theory which allows to make normative statements on various aspects of church financing in Germany.

In order to combine the essence of what I have discussed in this thesis, i.e. the interdisciplinary debate of theology and economics, in particular the role of financial aspects in light of practical theological reflection, I propose the establishment of an institute of church administration and financing within one of the Catholic academic facilities in Germany. A good starting point could be the Catholic University Eichstätt-Ingolstadt, which also runs one of the leading Business Schools in Germany (Katholische Universität Eichstätt-Ingolstadt, 2013). Besides, the maintenance of such an institution would not be entirely new to Germany. Therefore, from 1936 until the end of World War II, there was an episcopal institute for ecclesiastical administration and finance in place in the former German Archdioceses of Breslau, today Poland. This institute not only produced notable publications on church financing, from the perspective of this thesis, such as the theological doctoral thesis of Schwickerath (1942), but also can be perceived from today's viewpoint as a former think tank for aspects of the administration and financing of the RCCiG. Practically, this idea is also confirmed by my invitation and visit to the "2nd International Festival of Creativity in Church Management" at the Villanova School of Business in June 2018. It is a Catholic University in Villanova, Pennsylvania, USA, which is run by the Order of Saint Augustine, and the University runs a "Center for Church Management". This centre was established in 2004 in order "to serve the Catholic Church in the United States through education and research" and as such "[i]t offers educational programs and conducts research in the areas of administration, professional financial management, and human resource management as they apply to the Catholic Church and its institutions" (Villanova University, 2018). Currently, their research proceedings are not addressing the particular challenges involved in church financing in Europe such as in Germany. Thus, despite the fact that they conduct research on financial management, it is focused on the level of the Parish and centred on donations as this is typical for the majority of church financing in the USA, cf. section 1.1.3. However, and not only with the

hosting of the above mentioned conference, they are encouraging practitioners and academics in this field from all over the world to exchange and debate on the overall topic of ‘managerial’, in my understanding administrative, aspects of the Church.

Fostered by my research presentation “An innovative form of church financing: ecclesiastical crowd-funding” (Biermeier, forthcoming), which is based on the theoretical model which I have developed in this thesis, I had the chance to exchange with academics and practitioners in the interdisciplinary field of economics and the Church from all over the world. The feedbacks that I have received were extraordinary positive and the colleagues were all keen and very interested in the outcome of my thesis. One of the conference presenters was the leading German Professor in the intersection of economics and theology, Thomas Suermann de Nocker from the FOM University of Applied Sciences for Economics and Management in Essen, Germany. He not only frequently publishes articles on this field and wrote his doctoral thesis on Consultancy Services for the Catholic Church in Germany, cf. Suermann (2012), but he is currently also an advisor to various German dioceses. The Professor attended my research presentation and was very enthusiastic and positive about my thesis and my theoretical model of church financing of the RCCiG.

Thus, just prior to the final submission of this thesis I received encouragement for my proposed model from leading academics in this research field and people who know the practical aspects of the RCCiG very well. All this is positive although the decision makers in the RCCiG declined to engage in empirical inquiries in previous attempts; this is consistent with my findings since the beginning of my research journey in 2012. In summary, I perceive it in that sense, that the need and interest is strongly there, but the reluctance for empirical engagement is also there. I am confident to bridge this situation with the outcome and publication of my thesis. Thus, in light of (i) the evidence found in this thesis, (ii) the complexity of church financing in Germany and (iii) in order to further promote the scholarly debate on this topic, I very much look forward to engage with further research within this interdisciplinary debate that literally just has started. For this the guiding principle shall always be “[m]oney must serve, not rule!” (Pope Francis, 2013, pp. 49, No. 58).

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