

## FINANCING RELIGIOUS SERVICES IN THEORY AND PRACTICE

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### Abstract

Financing religious services in Turkey generates a lot of social, economic and political problems, such as unfair treatment of non Muslims and non Sunni sects of Islam, misrepresentation in political decision making process, over allocation of budget funds to only one dominating sect. In addition to these, serious fiscal exploitation problems of unrecognized sects and denominations occur. Although, Turkey is a secular country according to her constitution, however state and the religion is not separated in practice, due to central government budgetary support of religious services. In addition to that, religious services are provided only to the Sunni majority, excluding Christians, Jews and Alevis which is biggest minority sect in Turkey. Although these non Sunni groups and Alevis pay compulsory taxes to finance the religious services, but they are not provided any services. For this reason, I employ a research methods of public economy that can be used to determine the nature of religious services. Then I refer to equity and efficiency principles of public economy as developed by Richard Musgrave. Since religious services are individually satisfied a different technique of funding must be applied. But, religious services are considered as a socialized merit good by the government and thus it is publicly provided in Turkey and in Sunni dominated countries. Although, the European Human Rights Court considered this practice is a human right violation, however a fair funding method have not been accepted yet. To prove that religious services are private good rather than being pure public or merit good, I examine the different funding systems in European and Anglo-Saxon countries. All practices in Western World shows that, although countries are employing different financing techniques, however they considered religious services as private good. Because to improve the secularism they separate the religion and state holding a neutral position among various sects and religions. For this reason state is not supposed to intervene in religion and doesn't allow religion involve in state affairs. I think that this kind of understanding of secularism is the precondition of sustainable democracy. For this reason, this paper aims at introducing a proper method of financing religious services, complying with the efficiency and equity principles of the main goals of the public economy. Thus, I examine the effects of religion finance as practiced in Turkey on efficiency and equity grounds of public economy and introduce two methods applied in European Union. I conclude that, the best financing religious services must be based on the voluntary charitable contributions, like in European countries and as practiced by the Alevis in Turkey, in order to cope with all the existing financing and political and legal problems in Turkey.

**Keywords :** publicly provided private goods, Presidency of Religious Affairs, Muslim denominations, Fiscal Exploitations, Church taxes, voluntary contributions

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### 1. Introduction

In order to finance religious services in Turkey, more than the size of the budgets of 12 ministries and governmental agencies are allocated to the Presidency of Religious Affairs (PRA). Over allocation of scarce public funds appropriated to this administrations distorts the efficiency in resource allocation goal of public economy (Gianaris, 2010: 117). Since faith is personal belief rather than being public want and thus it is not a kind of public good, it should be provided by private sector calling for privatization in the form of denationalization of religious services. However, due to exploitation of the society by religion finance, it is considered as public need

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and for this reason it is provided by the state in Muslim countries opposing to Christian practice. The aim of this paper is to explain why this financing system distorts the efficiency in resource allocation and fairness in income distribution goals of the public economy. For this reason, I use the methods mostly employed by public economics and public choice theories based on externalities. Economic analysis of religious finance also calls for employing basic principles of the public financing such as earmarked taxes instead of ability to pay taxation. In lines with earmarking taxation to be employed in financing religious services, this paper includes following subtitles: Models of State Financing of Religious Services and their relevance to democracy; Financing techniques used in Europe (France and Germany); and Turkish Religious system.

## **2. Models of State financing of Religious Services**

There are 5 models applied in different countries to fund religion services, namely Theocratic, Absolute Secular, Separation of state and religion, Established Church and Recognized Religious Models. The first two model are considered non democratic because and violate human rights. The others are considered democratic, however two of them opposes to the principle of separation of state and religion.

### **2.1. Non Democratic Models**

#### **2.1.1. Theocratic Model**

According to this model there is only one officially recognized religion and the other religions are forbidden. Under theocratic model, the ruler of a country is a representative of the dominating religion and the state's constitution is based on religious law as in Sharia Law in Saudi Arabia and former Islamic Republic of Iran during the Chumenistic (Humeyni) administration. This kind of theocratic religious funding of the religious services are considered nondemocratic, because it causes deprivation of freedom of religion. Christians, Jews, an Zoroastrians are the most significant religious minorities where the dominating Shia majority comprise 93 percent of the population in Iran. Although Christians, Jews and Zoroastrians are recognized in former Constitution as official minorities, however the revolutionary movement don't treat them equally. For this reason, most of the Jews emigrated in great numbers after revolution.

#### **2.1.2. Absolute Secular Model**

In this model all religions are forbidden and only atheism is supported by the state, as it was in former communist regimes. Since, the constitution forbids religion, freedom of religion is completely deprived.

## **2.2. Modern financing Models of Religion Funding**

A modern theory of state rejects both Theocratic and Absolute Secular Models. A democratic state must preserve freedom of religion, maintain religious activities and faith of believers or to worship. On the other hand state must ensure the freedom from religious or not to fulfil any religious commandments calling for secular state. There are 3 models of religious finance have been developed in modern Western states. These are Separation of State and Religious Model, Established Church, and Recognized Religious Models as discussed below.

### **2.2.1. Separation of State and Religion Model**

In this model there is a distinction between state and the religion. The nature of religion is that, it is secular, non religious and state has no preference for any religion. This means that state doesn't interfere in religious organisations and not to let the religion interfere in the matters of the state. This doesn't necessarily mean that state's approach is against religion. However, separation result in favourable attitude towards religion in the USA, or less favourable attitude in in the case of France, India and today's Russia. Whereas, it is expressed as neutral in Austria, Ireland and Spain.

### **2.2.2. Established Church Model**

According to this model, state gives priority only to one religion (or church) and supports it. The difference between this model and the Theocratic Model is that, Established Church Model recognizes other religions and non believers. But, Theocratic Model recognizes only one sect ignoring other religions and denominations. Although, Established Church Model recognizes all religions, sects and non believers, but it prefers to fund only a dominating one as an established church. Examples include the Anglican Church is the Church of England in UK, The Anglo-Lutheran Churches in Finland, The Eastern Orthodox Church of Christ in Greece and in Bulgaria.

### **2.2.3 Recognized Religious Model**

In this model state does not recognize only one religion or sect as a state church. But, state holds a neutral position to all recognized religions. Accordingly, all religions and churches are treated equally in funding religious services, maintenance of worships and and financing. All religions are recognized as special corporations according to this model. State does not interfere in the internal matters of religions. For instance, state doesn't involve in appointment of the priests. Examples includes Germany and and Hungary where all the religions such as Catholics, Protestants, The Anglican, The Jewish and Muslim sects are treated equally in funding.

## **3. Financing Religious Services in European Secular States**

Almost in all Muslim countries religious services are financed by means of general budget revenues based on ability to pay taxation. Whereas, in Christian countries, due to separation of religion and state, churches are financed by their registered members, based on earmarked taxes. On the other hand, religious services are financed on voluntary basis in Christian countries, whereas it is compulsory in Muslim countries which reduces the quality of the democracy. There are two main financing techniques employed in European Union countries; the one is used in France and the other one in Germany (Şener, 2017: 69-73).

### **3.1. French Financing system of Churches**

This system, successfully separates the state and the church from each other, in line with the basic principles of secularism. Thus, churches are mainly financed by their registered members and they raise money through by their business activities such as selling their booklets, post cards, CDs, slides and gifts, classical music concerts and charities. Nevertheless, only few monumental

cathedrals and historical churches are financed by the state or municipalities. For instance, SacreCaure, Notre Dame and Saint Chappelle in Paris are considered national monuments and therefore are financed and restored by governmental agencies.

### **3.1.1. Catholic Churches**

All the churches around France, excluding cathedrals and national churches, employ a different financing techniques based on self-financing, charitable contributions and commercial activities (Aronson, 1985: 385-87). They are administered by their local church associations. They also operate priest schools. They receive incomes from Vatican and regional churches, donations and charities from their members. These revenues are spent on salaries of the priests and general expenditures. Their business income and earnings from schools are tax exempted.

### **3.1.2. Mosque Finance in France**

There are around 7 million Muslim people, most of them are from Northern Africa, are living in France. Due to high rate of birth and immigration, numbers of the Muslims are increasing year by year. Opposing to financial principles of secularism mosques are supported by government. French government funds mosques, not to allow Saudi Arabia get involved in its finance. But, state financing Muslim mosques is heavily opposed by French tax payers, thinking of this practice violates the secularism.

## **3.2. The German Model of Religious Finance**

A different financial system known as German Model, is also being applied in all the Scandinavian countries as well. In this system, government does not provide religious services, but involves in collecting church tax which is about 1% of the income tax due. The system is based on the principles of benefits taxation of public economy. The church tax, as a kind of an earmarking is paid by the registered members of the various sects and denominations. Government collects the church tax and distributes it proportionately among the three sects respectively. Church tax is compulsory on members of the churches, but not applied on the taxpayers who withdraw from the membership. Thus, it helps to ensure freedom of religion among the citizens and solves the fiscal exploitation problem.

## **4. Financing Religious Services in Turkey**

The religious services are financed too many governmental agencies, state ministries, and the people as well. As being a state agency The Presidency of Religious Affairs (PRA) was established to finance all type of religious institutions and mosques. Ministry of education finances all the priest (Muslim imams) schools. Besides these, people finances religious services conducted by mosques on voluntary contributions charities.

#### 4.1. Presidency of Religious Affairs

Although, Turkey is a secular country according to its constitutional law, however religious services are completely funded from the state budget. On the other hand, budgets appropriations made to Presidency of Religious Affairs (PRA) exceeds the total of the more than 12 ministries and public agencies (x). Over allocation of the public revenues to Religious Affairs, violates the freedom of religion, causing fiscal exploitation problem, and result in undersupply of other public services. As in many Islamic countries, Turkey has non-Muslim Christians and non-Sunni Muslim minority groups such as Turkish Alevi-Bektashis (Turkish Turkmens), Shias (Iranian), Syrian Alleviates (Nasuriyans) and Caferis (Azeris) who face serious financial problems in providing their religious services. Among these non Sunni groups only Caferis accept mosques as their worship place.

Presidency of Religious Affairs only finances Sunni Muslims excluding and disregarding all other sects and denominations. This is because of the fact that, the state doesn't recognize non-Sunni denominations as official ones, except Sunnis. Thus, A governmental agency in charge of religious services financing only Sunni majority sect gives rise to economic, social, political and human right violation problems. On the other hand, each year appropriations made to this administration is increasing dramatically exceeding 10 billion Turkish liras in 2018 budget. This financial model applied in a secular state like in Turkey, resulted in support of only Sunni Muslim sect, excluding other Muslim and non-Muslim sects, violating the democratic principles of secularism. Although the Alevi, Shias and Christian minorities are paying compulsory taxes to finance the religious affairs involuntarily, however they are not benefiting from the services provided by the PRA. This unfair treatment of citizens is called "fiscal exploitation" of the minorities in the theory of public choice. For this reason, the aim of this paper is to develop a proper financing model compatible with the principles of public economy and complying with the standards of European Union (EU). For this reason, I highly support one of the both systems. Because, French system alike the Alevi's financing system is compatible with secularism. On the other hand, the German model that reflects efficiency considerations based on earmarked or benefit taxation (Herber, 1971: 73-76).

#### 4.2. Budget of CEM Foundation

Since they are not recognized by the ruling governments as a separate sect, Alevi established an educational foundation to carry out their religious expenditures and services. Thus, a foundation of Center for Republican Education and Culture Foundation (Cumhuriyetçi Eğitim ve Kültürel Merkezi Vakfı, or CEM) was established in order to train their priests, called Dede or imam who are in charge of conducting their religious ceremonies and worships, without any governmental fund and funds.

It is estimated that 20 percent of the Muslims living in Turkey are Alevi, who are liberal Muslims, corresponding to Christian Protestants. They practice their religious worships at Cemevis (meeting house) rather than at mosques. Like in France, Alevi finance their religious services through their voluntary contributions, charities and donations without state support.

The following table based on the report prepared by certified audit and submitted to general assemble, releases the revenues and expenditures of the CEM Foundation as of 2019 (Annual Report, March, 2019).

<b>Revenues</b>	<b>2.390.656 tl</b>
Donations and voluntary contributions	2.284.747
Rental incomes	48.000
Others	57.908
<b>Expenditures</b>	<b>2.420.266 tl</b>
Cultura	9.566
Educational	91.518
Social expenses	33.071
Others	1.755.159
General expenses	226.954

Compared to PRA's budget which amounts to more than 10.5 billion Turkish Liras, the budget of CEM foundation is more than 43.700 times smaller than that of government funded PRA budget.

This sort of religious finance based on voluntary contributions does not lead inefficiency problem of resource allocation because need for religious faith is personal rather than collective need. Since, Alevi sect is not legally recognized by the governments, thus they are not given any budgetary appropriations. In addition to that, they implicitly finance the budget of Presidency of Religious Affairs through the income tax and consumption taxes that they have to pay, but they don't get any service from this administration. In addition to that, they are supposed to pay for the service that they don't want, causing a kind of fiscal exploitation. This problem can only be solved by not financing the religious services through government budget as in secular European countries.

### 4.3. Church and Synagogues Finance

The French type of financing model is being employed by the Christian and Jewish minorities in Turkey. As in the case of Cemevis, appropriations are not made from the central government budget to finance Churches and Synagogues, in spite of the fact that their members are paying compulsory taxes. For this reason, they are also subject to fiscal exploitation problem as Alevi as well. They are financed on self financing method, through charities raised by the church attendants and the contributions made by the businessmen.

## 5. Problems of State Finance of Religion in Turkey

### 5.1. Over allocation problem to the budget of Directorate of Religious Affairs

Ministries in Turkey on average received a budget increase of the 16 % for the year 2019, while the budget of Presidency of Religious Affairs (İlahiyat Başkanlığı) is doubled. As the poverty rate gradually increase across the country, state allocates a huge share to the Presidency of Religious Affairs (PRA). Government increased the allocations to PRA at 34.4 % in 2019. With this increase the share allocated to PRA from the state budget will be 10,5 billion Turkish Liras. 81% of this budget is allocated to the staffing expenditures.

## 5.2. Social and Economic Problems

State finance of religious services poses serious economic, social and political problems in Turkey.

Firstly, opposing to Western practice, all taxpayers implicitly pay religion taxes (in terms of hidden tax) on a compulsory basis. Thus, atheists, Christians, Alevies and many secular Sunni taxpayers pay income and consumption taxes involuntarily. Since, a certain part of it used to finance religious services, but they do not benefit from these services that generates fiscal exploitation problems. In fact, the Presidency of Religious Affairs provides religious services only to Muslims belonging to the Sunni sect. This means that more than a half of the population pays implicitly religious taxes on a compulsory basis, but does not demand any religious services. Thus, this practice violates efficiency in resource allocation, leading to fiscal exploitation problem of the minorities.

Secondly, conservative governments support religious institutions in exchange of vote trading during the elections. This violates the equal competition conditions between the political parties in elections, that causes exploitation of religion, and reduces the quality of the democracy.

Thirdly, freedom of religion is violated because ruling religion-oriented parties do not consider the largest minority of Alevis as being a Muslim sect. Thus, the places of their worship, known as Cemevis, is not legally recognized. For this reason, they finance their religious affairs through their own resources on a voluntary contribution basis.

## 6. Taxation of Religious Services in Western Countries

Since donation based organizations are not subject to tax, so does the churches are usually exempted from the tax. However, they pay tax on their income earned from their business income. In order to be exempted from taxes worshipers must have following qualification.

A distinct legal existence

A recognized creed and form of worship

A distinct religious history

Not only the Christian churches but also temples, mosques, synagogues, and conventions are tax exempted. Churches never pay taxes on their faith related incomes. However, they pay tax on their business incomes such as thrifts shops income earned from volunteer works. Since churches are considered public charities, they are exempted from paying federal, state and local taxes on their religious activities in the USA.

Church members in Germany are required by tax law to pay church tax to fund church expenses. Church taxes are collected by the government and returned to the respected sects proportionately in line with their number of the church members. Under German Law, anyone who was baptized as a child is automatically becomes a member of church and thus obliged to pay church tax as a taxpayer, regardless of their beliefs or whether they attend to church services. But the only way to be exempted from paying church taxes is to make a formal renouncing their withdrawal from the membership of the church. It is estimated that about 400 000 German taxpayers officially filled declarations to leave the protestant and catholic churches after the increase in church tax.

**In Muslim countries**, religious services are financed through ability to pay taxes rather than earmarked taxes. This is because of the fact that, religious services are considered as socialized or merit goods opposing to Christian understanding and practice.

**In France**, religious services are not considered public goods in this country, and for this reason it is not funded by the state.

**In Germany**, government also doesn't finance religious services from its state budget, but collects the church taxes, and returns the tax revenues to Catholics, Protestants and orthodox sects in proportion to their church members. This means that religious services are not accepted as a public good in Germany, even though church taxes are collected by the state.

## 7. Democracy and the Religion Finance

There are many differences of religious financing systems in theory and practice. It is clear that theoretical funding of religious services through state budget is not considered as democratic. Because, it doesn't allow freedom of religion, calling for everybody has no choice to believe any other religion rather than the one the state imposed. Absolute secular system also is not considered democratic, because there is no freedom of religion since religion is forbidden.

German and French Systems of financing religious services are the most democratic models, since state is neutral with respect to all religions and sects. State doesn't interfere in religion and doesn't allow religion to interfere with governmental activities. Thus, state can treat all recognized religions, sects and denominations equally. Equal treatment of different religions enable the freedom of religion which is compatible with the principles of secularism.

The Anglo-Saxon system, one applied in England and the other in the USA, seems to be more complicated. Established Church System in UK is democratic since it recognizes all the religions. It is also undemocratic because it funds only established the Anglican Church, but not the other religions and atheists. On the other hand state and religion is not perfectly separated as in the following instances;

- King or the Queen is the head of Anglican Church
- In order to rule the country, they must be Anglican
- Church organizes formal state ceremonies
- Also coronation ceremony of the monarch
- Conducts requiem ceremonies
- King sits in House of Lords as "Lords Spirituals"

Funding religious services in the USA also seems to be democratic, since it treats all the religions, sects and dominations equally, because they all are recognized. However, it is not democratic because anti religious groups are considered marginal, making the USA more religious state as compared to European countries. On the other hand, following practices in the USA are found contrary to secularism;



- Formal national holidays are based on religion
- On Good Friday flags are lowered in memory of Christ's Crucifixion
- "The God We Trust" is written on Dollars
- Judges, congress members prey saying "So help me God"
- Priests and Rabies serve in the army
- Church are exempted from taxation

Turkish financing system of religion is not considered democratic; firstly, only Sunni sect of Islam is recognized one, thus it doesn't recognize other Muslim minority sects and denominations. Secondly, although state and religion are separated according to Constitution, however Presidency of Religious Affairs serves as a governmental agency. Thirdly, government supports financially only Sunni Muslims but not greatest minority group of Alevis and Christian denominations even though they pay compulsory taxes to finance the PRA. However, some of the Christian minority denominations are recognized in accordance of Lausanne Agreement, but they don't benefit from the state funds allocated to PRA.

## 8. Alternative Financing Model

The biggest Muslim minority sect, Alevis employ an alternative religious financing model, alike the French system. They form the 20 per cent of Turkish population, which is the greatest Muslim minority in Turkey. However, they are not recognized by the leading Sunni majority, for this reason their existence is officially denied. Thus, their worship called Cemevi (meeting house) is not also recognized. They obliged to accept Sunni worship or mosques to get government funding. Opposing to conservative Sunni tradition, they form secular structure of Turkish Republic. Although they are Assoc.d with the Syrian Nusayries and Iranian Shias by the public, but there is no similarities among them, because Turkish Alevis are liberal Muslims.

Alevis argue that they pay compulsory taxes to state, but they don't get any religious services from the Presidency of Religious Affairs, resulting in very serious constitutional problem. In addition to that, Alevis' children are given compulsory religious courses at middle and high schools, even though they don't want to take. The European Human Rights Court decided that, this practice is unconstitutional. However, discriminatory practices are not changed. Beside this, from the budget of Ministry of Education important appropriations are made to priest teaching schools and nothing allocated to the teaching courses of Alevi clerks (dedes).

Although the secular governments don't recognize Alevism as an independent and legitimate sect, however their number of the Cemevis increased from 300 to 900 after 2013. Despite many censure from European Court of Human Rights, Governments in Turkey refused to accept Cemevis as official worship. Government claim that Cemevi is not a place of worship, but it is center for cultural activities and mosques are the only worship that all Muslims are supposed to go. Alevis don't accept this claim saying that it is against freedom of religion.

## 9. Conclusion

This paper concludes that appropriate financing of religious services calls for funding must based on voluntary payments rather than compulsory taxation. Because, earmarking or benefit taxes reflecting private wants are the best instruments faith related religious services. Our theoretical findings calls for religious services must be provided in line with the benefit or earmarked taxes rather than ability to pay taxes. Because, the faith is personal need rather than public wants. Both German and French financing models are designed in line with the benefit taxation which is compatible with theoretical grounds. As to taxation of business incomes generated by religious activities are concerned, faith based income earned are tax exempted. For this reason, voluntary contributions in all European countries and the USA are not taxed. However, all kind of business income of the churches are taxed. Although religious schools are supported as like the public schools by the governments in Anglo-Saxon countries, however priests are trained by the churches in European countries. Opposing to worldwide practice, religious schools are financed by the Ministry of Education in Turkey. In addition to these, denominations and many different religious orders are funded in exchange for political support with their votes. Thus, financing religious services in Turkey doesn't comply with the equity and efficiency conditions of public economy. Because, compulsory taxes used to finance religious services result in fiscal exploitation of minorities, political misrepresentation, and decrease in laicism. All these problem can be solved by accepting the financing system applied by Alevis which is alike to French system. By doing so, misallocation problem of existing system can be easily solved and government will enable to produce welfare increasing public expenditures. On the other hand, religion of finance based on the voluntary contribution of the citizens will improve the quality of democracy and it will solve the problems stemming from political decision making process in Turkey.

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