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## RELIGION, WELFARE POLITICS, AND CHURCH-STATE SEPARATION

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How moral and religious beliefs interact with market forces is a subject of much debate. Can economic incentives explain why people believe what they believe? Some of our other work has looked at the impact of economic forces on religious intensity<sup>1</sup> and at how incentives influence the impact of certain moral beliefs on gender-based violence.<sup>2</sup> This essay uses market forces to explain why fiscal and social conservatism and fiscal and social liberalism come hand-in-hand. Religious intensity as social insurance provides a simple explanation. The religious right may be against welfare because it competes against their constituency.

We use this hypothesis to help solve three puzzles: (1) Why fiscal and social conservatism align together in most countries is puzzling, since the fiscal libertarianism espoused by the Republican Party would seem to be an equally good fit with a libertarian position on issues of personal choice, such as abortion. (2) Why fiscal and social conservatism did not align together in the past, such as the Social Gospel movement, or in some European countries today, presents another puzzle. Separation between church and state is key. The welfare state is not competitive against religious groups when part of the government budget can be distributed for religious groups. (3) Why some countries separated church and state and sustain high church-state separation, high religiosity, and a low welfare state, while other countries did not separate church and state and sustain low church-state separation, low religiosity, and a high welfare state presents the final puzzle.

Today, some argue that depending on the welfare state is the same as worshiping the government as if it were God. For example:

Americans of today view their government in the same way as Christians view their God: they worship and adore the state, and they render their lives and fortunes to it.<sup>3</sup>

The Bible opposes big human government. Human government has a limited role—it is not the solution to every problem we face. Human government

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<sup>1</sup>Daniel Chen, “Club Goods and Group Identity: Evidence from Islamic Resurgence during the Indonesian Financial Crisis,” University of Chicago working paper, 2005. Idem, “Islamic Resurgence and Social Violence during the Indonesian Financial Crisis,” University of Chicago working paper, 2005.

<sup>2</sup>Daniel Chen, “Gender Violence and the Price of Virginity: Theory and Evidence of Incomplete Marriage Contracts,” University of Chicago working paper, 2005.

<sup>3</sup>Jacob Hornberger, “Serfs on the Plantation, Part 4,” *Freedom Daily* (Fairfax, VA) (September, 1993), p. 1.

tries to replace God when it attempts to solve every human problem. It is idolatry (worship of a false god) to look to government to solve all our problems (i.e., poverty, health care, education, etc.).<sup>4</sup>

However, this has not always been the case. In fact, from “abolition to woman suffrage to civil rights, the leaders of America’s most successful liberal crusades have turned to the Bible to justify their causes, but the history of the religious left seems to stop in 1968, the starting point of a decades-long trend by which Democrats have become the secular party and the Republicans the religious party.”<sup>5</sup>

This leads to the main puzzle—Why do fiscal and social conservatives and liberals come hand-in-hand in the times and places that they do? A large quantity of political science literature documents this pattern in congressional roll-call voting in the United States.<sup>6</sup> While a number of papers also document the same pattern across countries, no obvious theory explains why political alliances align along one diagonal versus another in a matrix of fiscal and social attitudes.

Scheve and Stasavage<sup>7</sup> have argued that theories involving denominational differences, altruism, differences in the making of inferences, issue-bundling, and spurious correlation are insufficient. A recent article theorizes why religion is salient in politics but not why Republicans and Democrats divide along religious issues the way they do.<sup>8</sup> Some social psychologists have argued that uncertainty aversion explains why fiscal and social conservatism come together.<sup>9</sup> Uncertainty aversion is consistent with a preference for insurance. The preference for insurance is the main economic hypothesis underlying the theory. The economic literature provides both theory<sup>10</sup> and evidence<sup>11</sup> of religious insurance, but what evidence is there that welfare may compete against the constituency of the

<sup>4</sup>Phil Fernandes, Eric Purcell, Kurt Rinear, and Rorri Wiesinger, *God, Government, and the Road to Tyranny* (Longwood, FL: Xulon Press, 2003), p. 20.

<sup>5</sup>Ryan Lizza, “God’s Politics: The Religious Left,” *New York Times Sunday Book Review*, February 6, 2005.

<sup>6</sup>See, e.g., Philip Converse, “The Nature of Belief Systems in Mass Publics,” in David E. Apter, ed., *Ideology and Discontent* (New York and London: Free Press, 1964), pp. 260–261; Keith Poole and Howard Rosenthal, “Patterns of Congressional Voting,” *American Journal of Political Science*, vol. 35, no. 1 (1991), pp. 228–278; and idem, *Congress: A Political-Economic Theory of Roll Call Voting* (New York and Oxford: Oxford University Press, 1997).

<sup>7</sup>Kenneth Scheve and David Stasavage, “Religion and Preferences for Social Insurance,” working paper, 2005.

<sup>8</sup>Edward Glaeser, Giacomo Ponzetto, and Jesse Shapiro, “Strategic Extremism: Why Republicans and Democrats Divide on Religious Values,” *Quarterly Journal of Economics* 120 (November, 2005): 1283–1330.

<sup>9</sup>John T. Jost, J. Glaser, A. W. Kruglanski, and F. J. Sulloway, “Political Conservatism as Motivated Social Cognition,” *Psychological Bulletin*, vol. 129, no. 3 (2003), pp. 339–375.

<sup>10</sup>Laurence Iannaccone, “Sacrifice and Stigma: Reducing Free-riding in Cults, Communes, and Other Collectives,” *Journal of Political Economy*, vol. 100, no. 2 (1992), pp. 271–291. Eli Berman, “Sect, Subsidy, and Sacrifice: An Economist’s View of Ultra-Orthodox Jews,” *Quarterly Journal of Economics* 65 (August, 2000): 905–953.

<sup>11</sup>See Rajeev Dehejia, Thomas DeLeire, and Erzo Luttmer, “Insuring Consumption and Happiness through Religious Organizations,” *Journal of Public Economics*, vol. 91, no. 2 (2007), pp. 259–279; Andrew Clark and Orsolya Lelkes, “Deliver Us from Evil: Religion as Insurance,” Paris-Jourdan Sciences Economiques working paper, 2005; Chen, “Club Goods”; and idem, “Islamic Resurgence.”

religious right? A growing amount of literature finds that government welfare crowds out church participation and charitable provision; that is, government welfare crowds out church participation and charitable provision,<sup>12</sup> with a similar decline in charitable provision by other private groups.<sup>13</sup>

Four empirical regularities can be explained by this theory: (1) Fiscal and social conservatism/liberalism come hand-in-hand at the individual level within countries, not just congressionally or between countries. (2) Religious groups with greater in-group charitable giving are more opposed to the welfare state and more socially conservative. (3) The alliance reverses (social conservatives become fiscal liberals) for members of a state church. (4) This reversal is unlikely to be driven by omitted environmental variables: Increases in church-state separation precede increases in the alliance between fiscal and social conservatism.

We use this framework to provide a novel explanation for religious history. As credit markets develop, elites gain access to alternative forms of social insurance and prefer to opt out of both religious and government insurance. They increase church-state separation, to turn previously pro-welfare religious groups against welfare, creating a constituency for lower taxes. Credit availability reduces the effect of economic shocks on religious intensity.<sup>14</sup> Glaeser and Scheinkman have argued that this may be a reason for religious usury restrictions;<sup>15</sup> less-developed countries tend to be more theocratic.

But, since credit markets have developed in many countries, why would not all these countries separate church and state? This incentive to increase church-state separation exists only if religious voters exceed nonreligious voters, whose tax preferences shift in the opposite direction. Contrary to common belief, separation of church and state was not read into the U.S. Constitution until the early twentieth century.<sup>16</sup> If nonreligious constituencies are large enough, elites prefer less church-state separation, so as to curb the secular left.

If we allow religiosity to decrease with the size of the welfare state, multiple possibilities arise wherein some countries sustain high religiosity, high church-state separation, and a low welfare state, and *vice versa*. Countries with high ini-

<sup>12</sup>See, e.g., Jon Gruber and Daniel Hungerman, "Charitable Church Giving and the Rise of the Welfare State," National Bureau of Economic Research Working Paper, 2005; Daniel Hungerman, "Are Church and State Substitutes? Evidence from the 1996 Welfare Reform," *Journal of Public Economics*, vol. 89, no. 12 (2005), pp. 2245–2267; Anthony Gill and E. Lundsgaarde, "State Welfare Spending and Religiosity: A Cross-National Analysis," *Rationality and Society*, vol. 16, no. 4 (2004), pp. 399–436. Ram A. Cnaan, Stephanie C. Boddie, et al., *The Invisible Caring Hand: American Congregations and the Provision of Welfare* (New York and London: New York University Press, 2002).

<sup>13</sup>See David T. Beito, *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890–1967* (Chapel Hill, NC: UNC Press, 2000); and Jason Kaufman, *For The Common Good? American Civic Life and the Golden Age of Fraternity* (New York and Oxford: Oxford University Press, 2005).

<sup>14</sup>Chen, "Club Goods"; and idem, "Islamic Resurgence."

<sup>15</sup>Edward L. Glaeser and José Scheinkman, "Neither a Borrower nor a Lender Be: An Economic Analysis of Interest Restrictions and Usury Laws," *Journal of Law and Economics* 41 (April, 1998): 1–36.

<sup>16</sup>See Noah Feldman, *Divided By God: America's Church-State Problem—And What We Should Do about It* (New York: Farrar, Straus and Giroux, 2005), p. 21; and Philip Hamburger, *Separation of Church and State* (Cambridge, MA: Harvard University Press, 2002), pp. 9–10.

tial religious population increase church-state separation and shrink the welfare state, which induces marginal members who are seeking insurance to become more religious, creating a positive feedback. At the other end of the spectrum, countries starting with low initial religious population decrease church-state separation to shrink the welfare state, but now the marginal member becomes more religious, which creates a negative feedback.

Let us provide some empirical evidence. Figure 1 shows how welfare attitudes and fundamentalism vary with religious attendance in the U.S. General Social Survey. As religious attendance moves from “never attend” to “several times a week,” support for welfare declines, and fundamentalism increases, where fundamentalism is coded as “religious fundamentalist” (2), “moderate” (1), or “liberal” (0). Among those three categories, thirty-three percent of Americans are identified as fundamentalist in the General Social Survey.

*Figure 1: Welfare Attitudes and Fundamentalism*

As for evidence of religious insurance, studies have found that in the U.S. thirty-five percent of income losses are smoothed through religious groups.<sup>17</sup> In Indonesia over seventy percent of income losses within a village were smoothed for villagers through religious institutions during the Indonesian financial crisis.<sup>18</sup> In Europe religious activity insures happiness against such shocks resulting from adverse life events.<sup>19</sup>

#### *Evidence*

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<sup>17</sup>Dehejia, DeLeire, and Luttmer, “Insuring Consumption.”

<sup>18</sup>Chen, “Club Goods.”

<sup>19</sup>Clark and Lelkes, “Deliver Us from Evil.”

The data are drawn from several sources. In the U.S. General Social Survey, the main question on welfare is asked as follows: “We are faced with many problems in this country, none of which can be solved easily or inexpensively. Are we spending too much money, too little money, or about the right amount on welfare?” There are nine religious-attendance categories, from “never attend” to “several times a week.” In the World Values Survey, the only question we used on welfare is asked as follows: “Do you think what the government is doing for poverty in this country is about right, too much, or too little?” There are seven religious categories from “less than once a year” to “several times a week.” Data on church-state separation come from the Barro-McCleary dataset, which defines church-state separation as “if the constitution designates an official state church and restricts or prohibits other forms of religion,” or “if the government merely systematically favors a specific religion through subsidies and tax collection or through teaching of religion in public school.”<sup>20</sup> The Center on Philanthropy Panel Study provides data on how much of charitable giving is contributed to religion. Changes in church-state separation within the U.S. are measured using Supreme Court decisions on church-state separation.

*Table 1: Fiscal and Social Attitudes in the U.S.*

(pro-welfare)	(1)	(2)	(3)
Church attendance	-0.0083*** (0.0008)		-0.0076*** (0.0010)
Social conservatism		-0.0358*** (0.0078)	-0.0183*** (0.0080)
N	22,395	22,489	22,329

(\*\*\*indicates that the coefficients are significant at the 1% level; \*\* for the 5% level; and \* for the 10% level for this table and the tables below.)

Do fiscal and social conservatism and liberalism work hand-in-hand at the individual level? Column 1 of Table 1 shows that the statistical relationship between welfare attitudes and religious attendance as displayed in Figure 1 remains when we control for additional factors, including year, race, gender, income, age, age-squared, completed schooling, and regional fixed effects. The estimate should be interpreted as the effect on the probability of being pro-welfare as individuals increase one level of church attendance. For instance, the probability that a person who attends church several times a week is pro-welfare is on average 0.0083 lower than one who attends every week, keeping all other factors the same. Column 2 considers a measure of social conservatism, which is an index of support for prayer in public schools, for making abortion illegal, for the idea that women should stay at home, for holding that premarital sex is always wrong, and for fundamentalism, while Column 3 studies the effect of both church attendance and social conservatism. How should we interpret this coeffi-

<sup>20</sup>Robert J. Barro and Rachel M. McCleary, “Which Countries Have State Religions?” *Quarterly Journal of Economics* 120 (November, 2005): 1331–1370.

cient? It suggests that moving eight categories of religious attendance would decrease welfare support by 6.1 percentage points, out of a baseline of twenty percent of survey respondents who support more welfare.

Figure 2 repeats the same exercise in Column 1 of Table 1 for each country in the World Values Survey for which data are available. In most countries there is a negative relationship between religious attendance and welfare attitudes.

*Figure 2: Welfare Attitudes and Religious Beliefs across the World*

Are those with higher religious attendance actually receiving more mutual insurance? Table 2 looks at the data available within the General Social Survey to supplement the literature described above. The interpretation of the numbers is as in Table 1. The survey asks, “If you were ill, how much would people in your congregation help you out?” Those who attend more often are significantly more likely to receive a great deal of help from their congregations. Column 2 shows that members of more conservative denominations are also more likely to receive help from their congregations.

The fraction of charitable giving that is contributed to religion is generally increasing with conservatism of denomination (Mormons, 91%; Evangelical Protestants, 82%; Mainline Protestants, 62%; Catholics, 51%; other, 50%; Jewish, 40%; none, 40%). This relationship remains when looking at the fraction of income that goes to religion. Figure 3 shows how groups with higher fractions of in-group charitable giving tend to be more socially and fiscally conservative.

*Table 2: Social Insurance and Religion*

Congregation helps a great deal if you are ill:	(1)	(2)
Church attendance	0.0864*** (0.0105)	
Evangelical Protestant		0.3385* (0.1996)
Mainline Protestant		0.2745 (0.1899)
Catholic		0.0565 (0.1726)
Other religion		0.4930*** (0.1262)
Jewish		-0.1165 (0.1648)
N	720	586

*Figure 3: Fiscal and Social Attitudes by Denomination in the U.S.*

Next we turn to the evidence across the world. Column 1 of Table 3 shows that the basic pattern in the U.S. is found around the world. Church attendance is a negative predictor of welfare support. Column 3 shows that being a member of the state church not only significantly reduces the relationship but also reverses it. This column tests whether church attendance continues negatively to predict welfare support when individuals are members of a state church by using attendance, a dummy for whether an individual belongs to the state church, and the product of church attendance and the dummy. The first coefficient of -0.0108 suggests one category of religious attendance reduces welfare support by 1% for those who do not belong to a state church, but adding the second coefficient and

the first, 0.0271 and -0.0108, suggests that, if one belongs to the state church, one category of religious attendance increases welfare support by 1.6%.

*Table 3: Fiscal and Social Attitudes and Church-State Separation Worldwide*

Pro-welfare	(1)	(2)	(3)	(4)
Church attendance	-0.0087*** (0.0034)	-0.0091*** (0.0027)	-0.108*** (0.0025)	-0.0081** (0.0037)
Attendance * has state church		0.0007 (0.0085)		
Has state church		0.2359*** (0.0526)		
Attendance * belongs to state church			0.0271** (0.0121)	0.0296** (0.0120)
Belongs to state church			-0.0540 (0.0505)	-0.0513 (0.0543)
Attendance * % of country is own religion				-0.0065 (0.0073)
% of country is own religion				-0.0178 (0.0376)
N	52,989	52,989	44,664	44,664

Figure 4, like Figure 1, displays welfare support by religious category but displays the relationship for those who belong to a state church and those who do not. The heavier line shows that welfare support declines with religious attendance, for those who do not belong to the state church. The lighter line shows that, if one belongs to the state church, support for welfare increases with religious attendance. The countries in the data without a state church are Australia,

*Figure 4: Welfare Attitudes and Church-State Separation across the World*

ico, Nigeria, Russia, South Korea, Sweden, Taiwan, Turkey, the U.S.A., West Germany, and Uruguay. Those that do have a state church are Argentina, Armenia, Azerbaijan, Belarus, Bulgaria, Finland, Georgia, Moldova, Norway, Peru, Spain, Ukraine, and Venezuela.

Now we turn to the puzzle of why the Social Gospel movement shifted to the religious right. Figure 5 shows a much-commented-upon result that religiosity has increasingly predicted Republican voting; however, this has not always been the case, for the relationship between religious attendance and Republican voting was actually declining before 1976.

*Figure 5: Trends in the Association between Church Attendance and Republican Voting*

With regard to church-state separation in the U.S., legal scholars Feldman and Hamburger both cite the wave of Catholic immigration in the nineteenth century. Protestant Bible reading in public schools triggered Catholic parents to send their children to private Catholic schools and then to argue that they were being doubly penalized by paying taxes for Protestant public schools and tuition for their own private schools. In response there was a proposal to ban government funding of religious institutions in the 1870's. Before the welfare state, government support for the poor was distributed largely through religious organizations. The secular movement promoting separation of church and state did not begin until the 1920's.

Data on Supreme Court decisions are drawn from Hall and Alley.<sup>21</sup> These

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<sup>21</sup>Kermit L. Hall, ed., *The Oxford Guide to United States Supreme Court Decisions* (New York: Oxford University Press, 1999); Robert S. Alley, *The Supreme Court on Church and State* (New

include banning religious instruction in public schools (1948), prayer and Bible recitation in public schools (1962, 1963), direct government assistance to religious schools (1971), tax deductions and reimbursements for children in religious schools (1973), display of the Ten Commandments (1980), equal treatment of creation science and evolution (1981), and graduation prayer (1992).

Figure 6 examines the relationship between changes in how strongly religious attendance predicts Republican voting and changes in church-state separation. A strong relationship exists, statistically significant at the 6% level, albeit this should be taken with a grain of salt because of few data points. However, to explain a shift in the coefficient between church attendance and Republican voting of 0.16, the difference between 0.01 in 1976 to 0.17 in 1992 would require only 4.8 Supreme Court decisions.

*Figure 6: Church-State Separation and Right-Wing Voting in the U.S.*

#### Church-State Separation Change

So, why did the Social Gospel movement become the religious right? In the absence of church-state separation, religious insurance groups were motivated to expand the welfare state, as it allowed them to attain greater participation by others, which expanded their budgets. However, as credit markets developed, elites desired less social insurance. In countries with high religiosity, such as the U.S., elites increased church-state separation, thereby creating the religious

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York: Oxford University Press, 1988); Robert S. Alley, ed., *The Constitution and Religion: Leading Supreme Court Cases on Church and State* (Amherst, NY: Prometheus Books, 1998).

right, which wanted less welfare. Why did church-state separation arise in the U.S. but not in many European countries? In many European countries with low initial religiosity, elites never increased church-state separation to curb the appetite of the secular left.

This model of multiple equilibria suggests that temporary shifts in credit availability or religious intensity could induce shifts from one equilibrium to another. Understanding the dynamics of credit-market access, theocracy, and fundamentalism in developing and war-torn reconstructing countries requires a better understanding of the underlying mechanisms.

Let us conclude with one counter-intuitive story. Economic sanctions can actually increase theocratic tendencies. If elites are restricted from international capital markets and so have less alternative social insurance, then the story works in reverse, so that they prefer more government-cum-religious insurance. They have less incentive to separate church and state.

**Figure 1: Welfare Attitudes and Fundamentalism**

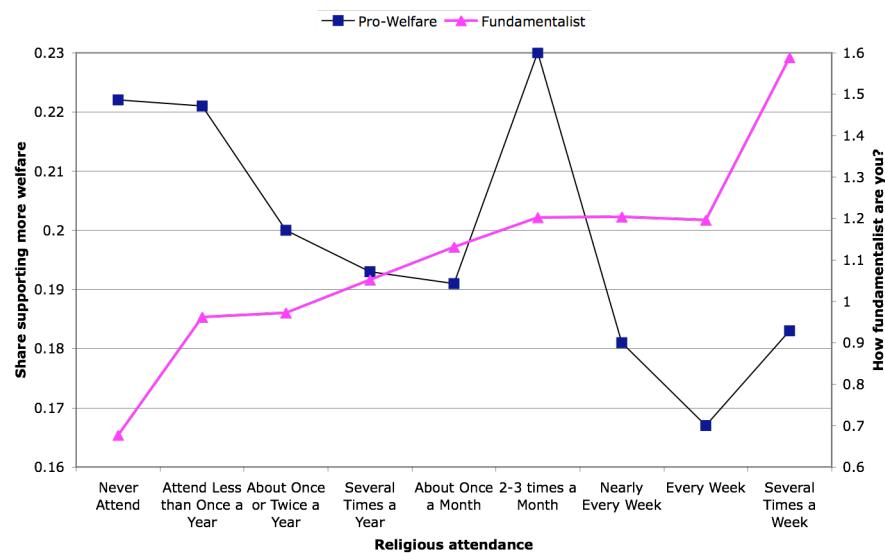


Figure 2: Welfare Attitudes and Religious Beliefs across the World

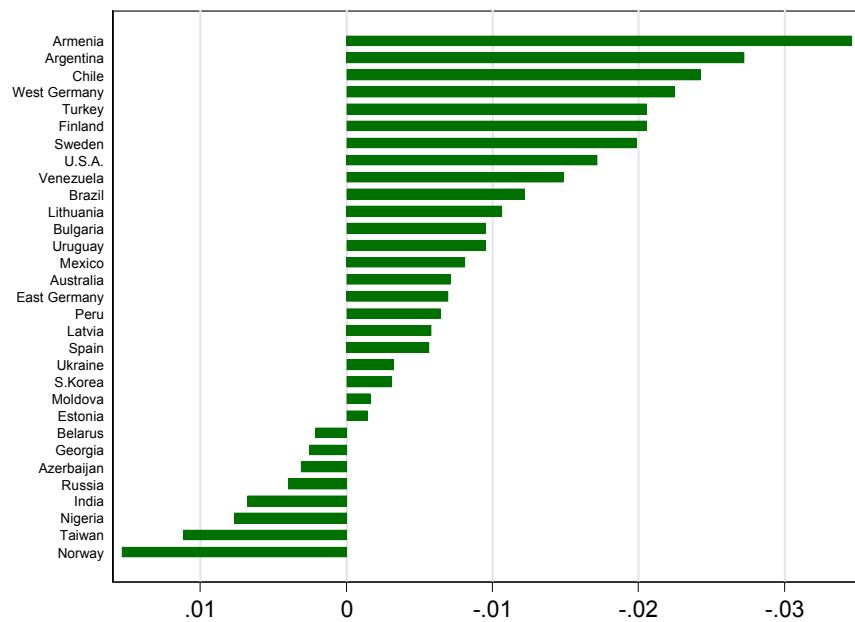
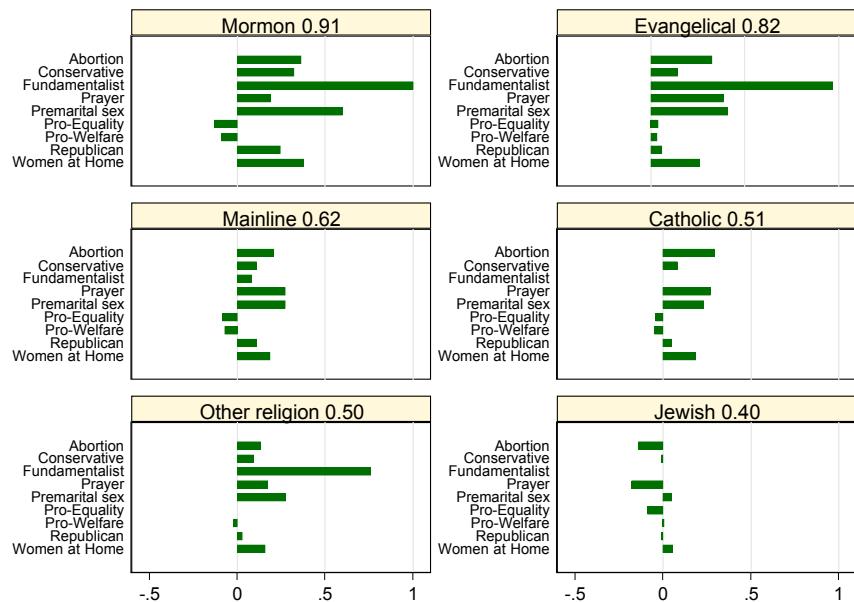
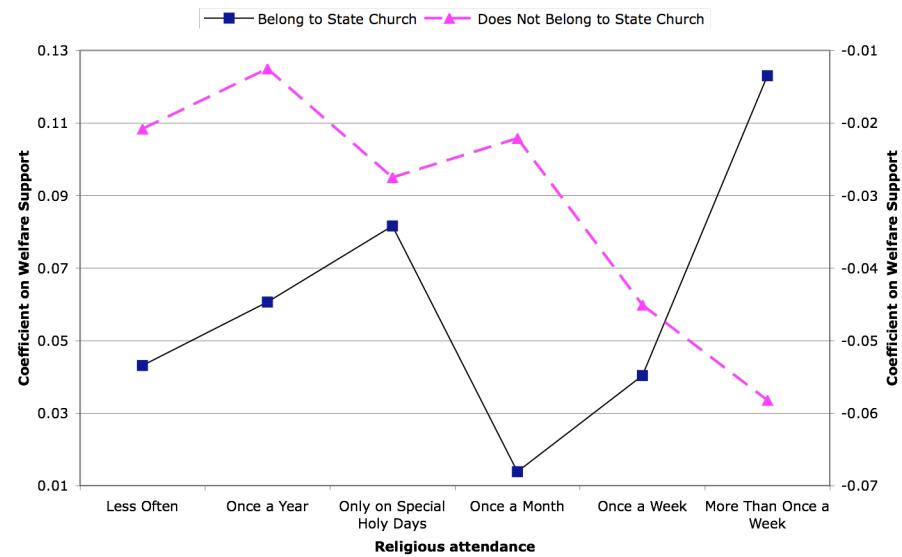


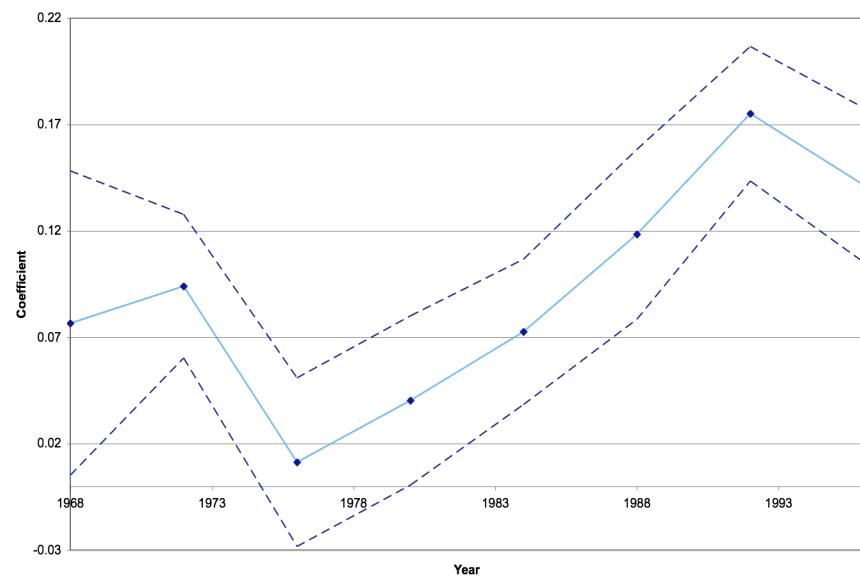
Figure 3: Fiscal and Social Attitudes by Denomination in the U.S.



**Figure 4: Welfare Attitudes and Church-State Separation Across the World**



**Figure 5: Trends in the Association between Church Attendance and Republican Voting**



**Figure 6: Church-State Separation and Right-Wing Voting in the US**

