Church-state separation and redistribution

John D. Huber [a,*], Piero Stanig [b,1]

[a] Department of Political Science, Columbia University. 7th floor IAB, 420 W 118th Street, New York, NY 10027, USA
[b] Department of Government, London School of Economics, Houghton Street, London WC2A 2AE, UK

ARTICLE INFO

ABSTRACT

We analyze how religion affects voting and redistribution. Our model directs attention away from the particular faith, belief or risk attitudes of religious individuals, and emphasizes instead how organized religion opens the door to standard group-based distributive politics. We argue that organized religion makes it possible for the rich and the religious poor to form electoral coalitions in favor of low taxes and limited redistribution. The losers are the secular poor. However, the material reward to the religious poor from supporting such electoral coalitions depends on the institutional context. As state financial support for religion increases, the ideological preferences of the religious poor become aligned with those of the secular poor in favor of parties that support high taxes. The analysis therefore shows that the redistributive preferences of religious individuals should vary with the institutional context, and that we can understand these preferences without assuming that religious individuals have specific core traits that differ from those of secular individuals.

© 2011 Elsevier B.V. All rights reserved.

1. Introduction

Recent studies emphasize that religion has an important influence on the politics of redistribution in democracies. A common premise in such studies is that religious individuals have specific traits that diminish their preferences for redistribution; thus the more religious individuals that exist in a society, the lower should be the level of redistribution. The preferences against redistribution may be due to the fact that religious individuals place greater emphasis on hard work and individualism (e.g., Benabou and Tirole, 2006), or because they feel insured by their faith against adverse life events, with this psychological insurance substituting for state insurance and thus leading to conservative economic values (e.g., Scheve and Stasavage, 2006; Dehejia et al., 2007).

This paper develops a theoretical argument about religion and redistribution that does not assume that religious individuals have specific psychological traits or dispositions that diminish their taste for redistribution. Instead, individuals differ in their taste for religion, which allows organized religion to shape redistribution through the networks it creates for standard *group-based* distributive politics. In many communities, religiously based social programs provide crucial resources for religious individuals, especially those individuals who have relatively low income. Such programs include soup kitchens and emergency shelters that benefit the genuinely downtrodden, but they also include many programs that benefit a wide range of lower

income individuals, such as various forms of counseling, medical care, substance abuse treatment, employment training, and housing assistance. Perhaps most importantly, private religious schools and day care centers are of crucial importance to members of religious organizations. In some societies, these social programs are heavily subsidized by the state while in others they are not. We explore how such religiously based social programs affect the political economy of redistribution, and how the effects of such programs on the political preferences of the religious poor are mediated by state financial support for religion.

The key assumption in our argument is that some lower-income individuals (whom we call "religious poor") receive social benefits from religious organizations and other lower-income individuals (whom we call "secular poor") do not. This narrow definition of "religious" – which makes no assumptions about the core values or traits of the religious individuals (other than that they will go to a religious organization to receive an economic benefit) – assumes that religious organizations will be biased in their provision of social services towards low-income individuals who are part of their religious community. Research has shown that those who access social services provided by churches are overwhelmingly religious, and that churches tend to cater to their own members (see e.g., Wuthnow, 2004; Livezey, 2000, p.20; Laudarji and Livezey, 2000; McRoberts, 2003). Some scholars in fact argue that religious organizations impose costs on religious participation precisely because they want to limit access to the benefits that religious organizations provide (e.g., Iannaccone, 1992; Berman, 2000).

There are a number of reasons that some individuals will not consume social benefits provided by religious organizations like

churches. One is information. Individuals who participate in a church or congregation are most likely to be aware of the church-operated social programs. Another is ideological. Research shows that social services provided by religious organizations have a strong religious orientation, are staffed by religious individuals, and have a commitment to a "holistic" approach to care that teaches and reinforces religious values (e.g., Dilulio, 2004; Sider and Unruh, 2004; Smith et al., 2006). Individuals who do not share these values may steer clear of church-provided programs to avoid being subjected to religious proselytizing. This may be particularly true in education, where non-religious parents (or parents of a different faith) may not send their children to the local religious school, even if it is heavily subsidized and higher in quality than public schools, because of the religious components of the curriculum. At the extreme, there are certainly some individuals with sufficiently negative attitudes toward religion that they will simply refuse to accept any aid from a church or other religious organization.

This assumption of unequal access by the poor to social services provided by religious entities leads to an argument about religion and redistribution that is based on the material self-interest of the religious poor. The religious poor prefer financial support provided by religious organizations to financial support provided directly by the state because support channeled through religious organizations is not shared with the secular poor. If the social programs operated by religious organizations are largely funded by charitable giving by the rich, the religious poor will support parties that advocate low taxes in order to increase the after-tax income that the rich can donate to the religious organization. Since the low taxes also benefit the rich, the losers in this exchange are the secular poor, who receive less redistribution from the government (because taxes are lower), and who do not receive the redistribution that occurs through religious organizations. In the model, then, the "poor" are not a homogenous group that is in competition with the rich. Instead, religion opens the possibility of dividing poor against poor, with the religious poor preferring lower taxes and less redistribution than the secular poor for reasons having nothing to do with the fundamental values or ideologies of these groups. Instead, the preferences of the religious poor for a smaller welfare state are instrumental to making the religious poor better off economically.

The degree to which the political preferences of the religious and secular poor diverge depends, however, on church-state separation, which in our model corresponds to the level of government financial support for church-based social programs. There is substantial variation in state financial support for religion among the world's democracies. In Europe, there is a strong tradition of operating state-funded social services through church organizations and local parishes, and in a number of countries, the funding for such activities is quite large (Dubeck and Overgaard, 2003). In Latin America, there is considerable variation in the role that the Catholic Church has played in providing social services (Gill, 1998). In the US, there is a strong tradition of church-state financial separation, although this began to erode slightly when President George W. Bush's created the White House Office of Faith-Based and Community Initiatives, which channels government tax revenues to religious organizations to operate social programs, primarily for low-income individuals.

State support for the religious organization affects the tax preferences of the religious poor in our model. The preferred tax rate of the religious poor balances the expected gain from higher taxes against the expected loss that higher taxes imply for charitable giving. As separation of church and state increases, fewer resources are transferred by the government to religious organizations that provide services to the religious poor. The value to the religious poor of tax revenues decreases because fewer tax dollars are shared exclusively among the religious poor. This makes it more desirable for the religious poor to keep taxes low to allow more charitable giving. Conversely, as state financial support for churches increases, with more tax dollars going to the religious organization, the religious poor

support higher taxes. The ideological preferences of the religious poor, then, vary with the institutional context, and in particular with the level of church-state separation.

The paper is organized as follows. Section 2 presents the formal model. Section 3 reports an empirical test of the model's implication that as state support for religion increases, voting behavior of the religious and secular poor should converge towards parties on the left. Section 4 discusses the implications of the model and explores whether the scale of church-based social programs could be sufficient to affect voting calculations of religious voters. Section 5 concludes.

2. The model

The model examines the interactions of two political parties and individuals from three groups: the rich, the religious poor, and the secular poor. The rich pay taxes and may make contributions to the religious poor through a religious organization. The poor have no income other than that which occurs through transfers. All poor agents can receive transfers from the government, and the religious poor can also receive transfers from the religious organization. Within each group, individual agents have identical preferences and adopt identical strategies.

Interactions occur in three stages. In the first stage, two parties announce the tax rate (t_k for party k) they will enact if elected to office. These announcements are credible, so if a party is elected, it enacts the tax rate it promised. In the second stage, individuals vote, determining the winning party, and thus the tax rate. In the third stage, the rich may make contributions to the religious organization, with the proceeds going to the religious poor.

Rich individuals have a pre-tax income of 1, and $\beta \in (0,1)$ is the proportion of rich individuals (so that $1-\beta$ is the proportion of poor individuals). To capture the idea that there are decreasing returns in government revenues with higher taxes (because, for example, individuals may work less or may work harder to evade taxes), and to ensure concavity in the agents' utility functions, we assume that if t_k is the tax rate promised by the winning party, government revenues are $\beta(t_k - \theta t_k^2)$, where $\theta > \frac{1}{2}$.

A parameter of central interest is financial separation of church and state. Let $\alpha \in [0,1]$ be the proportion of government revenue that is used for general redistribution to all of the poor, with the remaining $1-\alpha$ of government revenue given to the religious organization. Financial separation of church and state increases as α increases.

2.1. The voters' utility functions

The rich may receive "warm glow" utility from the contributions they make to the religious poor through the religious organization. To capture this, we assume the rich can use after-tax income to purchase "material goods," x, or to make charitable contributions, g, to the religious poor through the religious organization. The rich's utility is therefore given by

$$EU_R(x,g) = ln\left[(1+x)^{\phi}(1+g)^{\omega}\right].$$

We assume that the prices of g and x are both one, so after the election determines a tax rate, the rich maximize $ln((1+x)^{\phi}(1+g)^{\omega})$ subject to the constraint that $x+g=1-t$. The parameter $\omega>0$ describes the rich's level of religious-based altruism (with $\phi>0$ describing the value of material goods that the rich consume). One can interpret ω as the overall level of religious altruism among the rich.

We define the "religious poor" as individuals who have access to redistribution through the religious organization. The "secular poor," by contrast, are individuals who do not have access to the redistribution that occurs through the religious organization. The proportion of poor who are religious is $\delta \in (0,1)$.