

# Politics, Religion, and the Evolution of the Welfare State

Malake Fourati\*    Gabriele Gratton<sup>†</sup>    Federico Masera<sup>‡</sup>

## 1 Introduction

Religious organizations have profound effects on the cultural and economic development of societies.<sup>1</sup> Religious organizations contribute to the definition of social norms, values, and beliefs (McCleary and Barro, 2006) and offer a platform to coordinate collective action (Clark, 2004a; Iannaccone, 1992; Norenzayan, 2013). Understanding the role of religious organizations—how they operate and what underpins their success—is then likely to offer important insights into both the political and economic development of countries. In the past decade, a burgeoning literature aimed at addressing these questions has stemmed from a key observation: religious organizations often provide substitutes for state welfare, redistributing resources through the provision of public goods, such as healthcare and education, or directly as alms. In this chapter we review this literature. Our focus is on recent contributions that study the origin of popular support for religious organizations, how this may translate into political power, and its long term effects on the development and state institutions that provide welfare to citizens.

The observation that religious organizations provide public goods and redistribution has long historical roots. Throughout the middle ages, the Catholic Church directly controlled significant portions of the economic production in Europe and mobilized even greater resources through the collection of donations. In modern times, Christian organizations throughout the Western world operate hospitals and schools, often with the

---

\*University of Geneva, maleke.fourati@unige.ch.

<sup>†</sup>UNSW Business School, UNSW Sydney, g.gratton@unsw.edu.au.

<sup>‡</sup>UNSW Business School, UNSW Sydney, f.masera@unsw.edu.au

<sup>1</sup>The idea of a causal link between religious beliefs and organizations and economic development dates back at least to Weber, 2013[1905].

explicit objective to help the poor.<sup>2</sup> In the Middle East, Islamic charities—a central economic institution of Islam—by limiting the scope of the state, may be among the causes of the slow pattern of economic development of the region (Kuran, 2004, 2012, 2013).

In the 21st Century, two types of religious organizations have caught the attention of scholars and commentators. The first type, which we label *religious parties* aim to gain power through popular support in democracies and directly control policies within the state institutions, from the imposition of traditional law to the size and level of decentralization of the state. Examples are the parties in the Arab Spring countries that inspire themselves to the experience of the Muslim Brotherhood in Egypt. The second type, which we label *religious rebels*, are organizations that offer themselves as alternatives to the order provided by state institutions. Perhaps the most well-known examples are the Taliban in Afghanistan and the Islamic State in Syria. While most religious organizations who seek political power may distribute among a continuum within these two extremes, this distinction is analytically convenient and is useful to group the literature we review in this chapter.

Our focus is on three main topics. In Section 2 we review a series of studies which emphasize the political offering of religious parties and study what generates their popular support. One key insight from this literature is that religious parties, promoting a view of society in which charities should provide for the welfare of the poor, rather than state institutions, attract the support of vast parts of the population that may benefit from such economic policies. This insight offers a perspective into which conditions are more favorable for the rise of religious parties, the short term consequences of their access to power, and the long term effects of the presence of religious parties on the development of state institutions.

In Section 3 we focus on a distinct literature aimed at understanding popular support for religious rebels. Among the major insights from this literature is that religious rebels are most likely to gain popular support—and therefore political power—when the state is weak and especially when it fails to deliver the public goods it promises. As greater support for religious rebels further reduces state capacity, religious rebels may induce a vicious cycle on the state institutions and even cause their total collapse.

The literature we review in Sections 2 and 3 emphasizes the economic incentives that lead to support for religious parties and rebels. Obviously, religious organizations also promote values and norms that conform to the principle of their religion, and offer teachings and indoctrination into the religion. As a result, there exists a two-way relation

---

<sup>2</sup>Grim and Grim (2016) estimate that in the U.S., Christian healthcare, higher education, and charities alone represent a 300 billion US dollars per year business.

between religious organizations and the religious culture of a country. In one direction, a more religious population is more likely to support religious parties and rebels; in the other direction, more successful religious organizations are more likely to shape beliefs among its supporters, thus affecting the religiosity of the population. In Section 4 we review the literature that studies the co-evolution of religiosity and religious organizations. Because more successful religious organizations may hinder the development of state institutions, and because more developed state institutions reduce popular support for religious parties and rebels, the co-evolution of religiosity and religious organizations also determines a co-evolution of religiosity and state institutions—in particular, the development of a welfare state.

The relationship we study between the success of religious organizations and the evolution of the state is driven by forces generated by the substitutability of the goods and services they provide. In the developing world, religious organizations compete for the production of almost all public goods, including education, health and social insurance, and the provision of dispute resolution mechanisms—in some countries, up to 90% of all disputes are judged by informal resolution mechanisms that are often religious (Wojkowska, 2007). Examples of the extensive reach of religious organizations have been described for several countries, including Tanzania (Jennings, 2014), Nigeria (Aremu, 2015), Congo (Leinweber, 2011), Egypt (Phillips, 2011), Lebanon (Flanigan and Abdel-Samad, 2009), Indonesia (Chen, 2010) and Syria (Caris and Reynolds, 2014). Auriol, Delissaint, Fourati, Miquel-Florensa, and Seabright (2019) and Auriol, Lassebie, Panin, Raiber, and Seabright (2020) provide experimental evidence that churches are popularly conceived as a source of insurance (either real or perceived) that can substitute the type of social insurance usually provided by the state. The substitutability of religious and state-provided services has been extensively documented and discussed also in developed countries, including the U.S. (e.g., Hungerman, 2005; Gruber and Hungerman, 2007; Dehejia, DeLeire, and Luttmer, 2007).

The reader will easily notice that the focus of this review is on a political supply-side view of religious organizations. In this view, religious organizations, motivated by both ideological and economic objectives, supply political platforms and welfare that generates popular support for the organizations. This supply-side view of religious parties is not novel, and reflects the long-held view in political science, summarized by Brocker and Künkler (2013), that religious parties are “more influence-seekers and message-seekers than vote-seekers or office-seekers.” Naturally, this view is at best partial: some degree of popular support for ideological and economic objectives is at the origin of the creation of many religious organizations. Particularly important in the context of the literature

we review, religious beliefs may be driving individual preferences for redistribution. Religious individuals may prefer less redistribution because they place emphasis on hard work and individualism (Bénabou and Tirole, 2006), or because they may believe they are “insured” against bad outcomes (Scheve and Stasavage, 2006). In the Islamic world, scholars such as Davis and Robinson (2006) have highlighted how Muslim orthodoxy supports income redistribution based on both moral and theological grounds. In all these cases, religious beliefs may drive the initial demand for religious organizations as well as their political platform. In parallel, religious values, through their effect on individual attitudes towards production and markets, affect economic development in multiple ways: Barro and McCleary (2003) show how beliefs in hell and heaven have a positive association with growth, while church attendance has an opposite effect; Guiso, Sapienza, and Zingales (2003) find that, on average, religious beliefs are associated with economic attitudes that are conducive to higher per capita income and growth; finally, Bénabou, Ticchi, and Vindigni (2015) show that religiosity and innovation are significantly and negatively related. As religious beliefs affect economic development, they are also likely to indirectly affect popular demand for differing economic policies and the work of charitable organizations. For example, Fourati (2018) shows experimentally that triggering feelings of envy and grievances against social injustice causes Tunisian subjects to donate more to religious charities rather than to secular charities.<sup>3</sup>

## 2 Popular support for religious parties

Religious organizations are likely to affect economic policy through lobbying and coordinating the political actions of their members and affiliates. The most direct way in which religion organizations may affect policy is through religious parties. In many democracies, parties have explicitly or implicitly claimed to be the expression of a religion. In the aftermath of World War II, Christian Democracies dominated the political scene of many Western European countries. In the past decade, the role played by religious parties has received renewed attention, partly because of the rise of Islamist parties in the Arab Spring countries. These parties are directly controlled or inspired by Egypt’s Muslim Brotherhood—a transnational Sunni Islamist organization. In seeking to explain support for religious parties and political Islam in particular, early studies pointed to either prefer-

---

<sup>3</sup>Campante and Chor (2012) argue that the protest movement of the Arab Spring was fueled by the mismatch between educational investments and economic opportunities; relative deprivation (and in particular frustrated aspirations) may have spurred the increase in religiosity in recent decades in Egypt (Binzel and Carvalho, 2017). Both these phenomena may be linked to the enduring success of the Muslim Brotherhood and a persistent demand for organizations that provide public goods outside of state institutions.

ences (religiosity and anti-Western sentiments) (Garcia-Rivero and Kotzé, 2007; Jamal and Tessler, 2008; Robbins, 2009; Tessler, 2010) or the clientelism of charitable organizations associated with religious parties (Cammatt and Luong, 2014; Flanigan, 2008; Ottaway and Hamzawy, 2007). These explanations suggest that support for traditional values and religious parties comes from poorer voters, as they are often both more religious and more likely to depend on charitable organizations (Huber and Stanig, 2011; Chen and Lind, 2015). Yet this prediction is not supported by electoral results. From Egypt to Morocco, scholars have been puzzled by the fact that electoral support for Islamic parties comes from wealthier districts (Elsayyad and Hanafy, 2014; Pellicer and Wegner, 2014).<sup>4</sup>

A newer line of research stems from the observation that religious parties, especially in the Muslim world, are the political arm of a religious charitable organization (Berman, 2009; Clark, 2004b; Levitt, 2008). Huber and Stanig (2011) put forward the view that because poor, religious voters have access to religious welfare through charities, they may prefer lower redistribution at the state level. If religious parties are an expression of such voters, then their platform is likely to be one of low state redistribution, therefore potentially attracting the vote of richer voters. This logic is reminiscent of the literature on electoral competition when voters differ both in their income and their ideological preferences (Lindbeck and Weibull, 1987).<sup>5</sup> In particular, Krasa and Polborn (2014) study spillovers from exogenously given ideological platforms into economic platforms (see also Krasa and Polborn, 2012; Xefteris, 2017). In their model, a party's ideological position exogenously determines its comparative advantages in the provision of public goods at different tax levels. In the context we are discussing, this implies that a religious party affiliated to a charity organization is less organized for the delivery of public goods such as education and healthcare within state institutions. Instead, a secular party which does not have a charity affiliation has a relative advantage in the organization of public good provisions within state organizations. In equilibrium, the more (ideologically) conservative religious party runs on more economically conservative platforms. Therefore, according to this theory, religious parties may attract the vote of sufficiently religious rich voters. The result is driven by the assumption that religious and secular parties have ac-

---

<sup>4</sup>Elsayyad and Hanafy (2014) match data from the 2011-2012 Egyptian elections results with the 2006 census. At constituency level, controlling for education, higher poverty level is associated with a lower vote share for Islamic parties (the Freedom and Justice party and Al-Nour party). Pellicer and Wegner (2014) rely on the Moroccan 2004 census and 2002 and 2007 electoral data. At the municipality level, there is a positive association between literacy rate and support for the Islamic party, the Justice and Development party (PJD). In the 2007 election (but not in 2002 election) the PJD was more successful in richer districts. Fourati et al. (2019) exploit the 2011 Tunisian election and the 2004 census. Support for the Islamic party, Ennahdha, is greater in richer districts.

<sup>5</sup>Aragonès, Castanheira, and Giani (2015) and Dragu and Fan (2016) study how parties may strategically select which dimensions are most salient during a campaign.

cess to different technologies and this generates a tradeoff for voters: voting for a more conservative party also implies voting for lower redistribution. Importantly, the tradeoff is generated by the parties' supply of platforms to voters with the same income but differing ideologies have bliss points at identical tax rates.

Fourati, Gratton, and Grosjean (2019) propose a model in which religious and secular parties have access to the same technology but propose differing policies. In their model, the religious party *and* more religious voters derive utility from the production of religious goods by the charity (or directly from the charity's budget). Since the charity is funded by donations, both more religious voters and the religious party have a preference for lower taxes. This creates a tradeoff between ideological and economic preferences which is absent in Krasa and Polborn (2014).

More precisely, Fourati et al. (2019) study a model of electoral competition between two parties: *secular* and *religious*. They model the religious party as the political branch of a religious charitable organization (Berman, 2009; Clark, 2004b; Levitt, 2008), reflecting the typical structure of religious charities and parties in the Islamic world. In practice, their assumptions about the functioning of the religious party and the charity are molded into stylized facts about the functioning of the Tunisian party *Ennahdha*. In the model, both the state and the charity provide welfare to the poor, but they differ in their ability to redistribute across regions, in the way they can fund their operations, and in the composition of the goods they provide—only secular or a combination of secular and religious goods. First, the activities of religious charities are more local, and they are more limited in their ability to redistribute income and wealth at the national level. Second, religious charities rely on donations as opposed to the imposition of taxes. Third, religious charities also provide religious goods, such as teachings, prayers, and the advice of a priest or an imam. Both the secular and the religious party cater to the median voter, but the religious party also cares about the charity's budget, for example because it cares about the production of religious goods. Fourati et al. (2019) also assume that, if elected, the religious party imposes lifestyle restrictions that disproportionately affect the richer voters.

Fourati et al. (2019) take a simple stylized view of how religiosity affects preferences in their model: more religious voters benefit more from the production of religious public good. Their stylized model offers powerful predictions about the distribution of political support for the religious party. In equilibrium, the religious party chooses lower state taxes, as they reduce disposable income that is otherwise available for donations to the charity. Poor voters prefer the secular party, as it offers greater redistribution. Meanwhile, the richest voters also vote for the secular party because they are more affected by the lifestyle restrictions. Between these two groups, an intermediate "middle class" supports

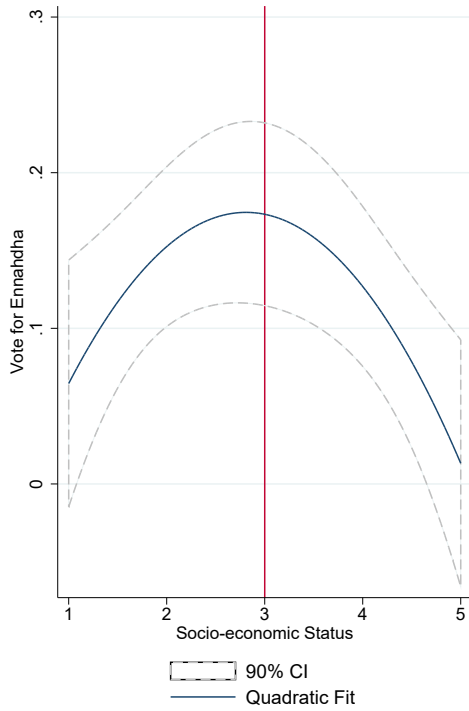
the religious party. In addition, the secular party's policies generate more inter-regional redistribution, which is preferred by voters in the poorer districts. The religious party is thus supported by a greater share of the voters in the richer districts. Their model also offers a way to think about the interaction between religiosity, economics, and politics. In particular, as the population becomes more religious, the "middle class" that prefers the religious party becomes broader, including more poor and more rich voters. But this does not necessarily lead to a victory of the religious party. On the contrary, as the electoral base of the religious party extends, the platform of the secular party become economically more similar to the one of the religious party. Therefore, if the cost of the restrictions imposed by the religious party are sufficiently large, more voters that were voting for the religious party for economic reasons may switch to the secular party.

Fourati et al. (2019) argue that the equilibrium platform of the religious party in their model is consistent with Ennahdha's economic program, as reviewed by Achcar (2013), Feuer (2012), and Marks (2012). More importantly, they test their predictions about popular support for the religious party on individual-level data on voting in the 2011 Tunisian elections. They establish that individual and district-level economic conditions played a role consistent with their predictions and were a major driver of the outcome of the election. The effect of income on the probability of voting for Ennahdha is positive for poorer voters, but negative for the richest ones. Controlling for individual religiosity, a small increase in socio-economic status for the poorest voters, such as the ownership of one additional domestic asset (e.g., a refrigerator), increases the probability of voting for the Islamic party Ennahdha by more than 8 percentage points. Furthermore, living in a district richer than the median district increases the probability of voting for Ennahdha by a further 16 percentage points. As a comparison, a voter who prays every single day is 19 percentage points more likely to vote for Ennahdha than one who never prays. Fourati et al. (2019) test for alternative explanations for the systematic pattern between wealth and support for Islamic parties that they document. While they find that some of these explanations contribute to the distribution of the vote for Ennahdha in our sample, Fourati et al. (2019) conclude that they appear to only barely affect the relationship between wealth and vote for Ennahdha.

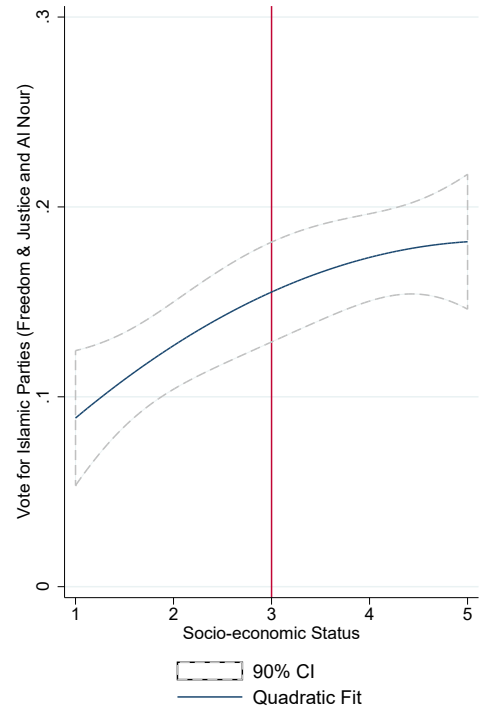
The empirical literature we discuss in this section focuses on within-country variations in the support of religious parties. This focus has the positive effect of somewhat attenuating some of the endogeneity issues with these studies. However, the same focus also raises concerns about the external validity of the results. Fourati et al. (2019) compare their findings from Tunisia to voting patterns in other free democratic elections across the Muslim world. They focus on two key elections in which a new religious party for the

Figure 1: Socioeconomic status and votes for religious parties.

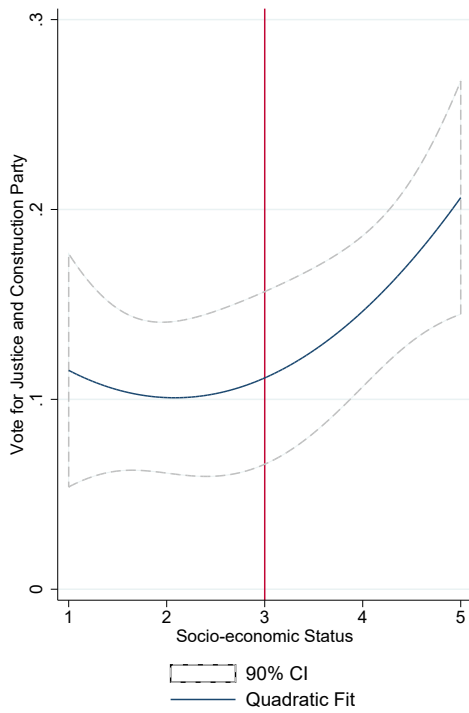
(a) Tunisia.



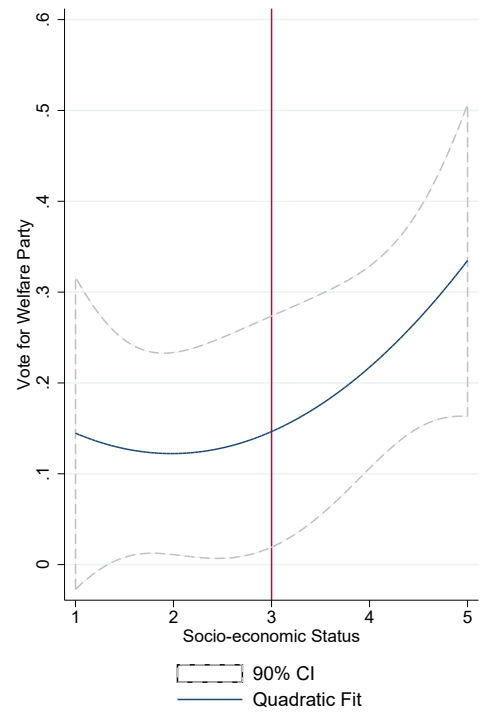
(b) Egypt.



(c) Lybia.



(d) Turkey.



Note: individual votes for Islamic parties as a function of socio-economic status using data from the WVS. Tunisia: Ennahdha, 2011; Egypt: Freedom and Justice Party and Al Nour, 2012; Lybia: Justice and Construction Party, 2012; Turkey: Welfare Party, 1995.



first time rises to a significant position of power, as in the case of Ennahdha in Tunisia: the 2012 presidential election in Egypt and the 1995 legislative elections in Turkey. In this section, we also include the 2012 election in Libya, also a key and (mostly) free election with a well-defined Islamic party. Following Fourati et al. (2019), we use individual data from the World Values Survey (WVS). The WVS captures political preferences with a question about voting intentions “if there were a national election tomorrow.” Unfortunately, WVS data cannot be used to directly test the predictions by Fourati et al. (2019) at the same level of detail for two reasons. First, WVS data provide different level of administrative aggregation across countries, which in most cases constrains the analysis to exploit solely individual-level variation; second, they rely on self-reported socioeconomic status, instead of a direct measure of wealth. However, as shown in Figure 1, the general pattern by which religious parties are not supported by poor voters, but rather from a largely wealthy middle-class, appears to be confirmed across the four elections.

### **3 Popular support for religious rebels**

Section 2 discussed how religious organizations may affect the functioning of the state when they operate within the state institutions. Yet, religious organizations may affect policy and state institutions also through more violent actions. For example, religious organization may try to intimidate legislators into adopting policies or they may establish a parallel state with the ultimate goal of replacing the formal state monopoly on the use of violence.

For such tactics to be effective, religious organizations need the support of the local population (Stewart, 2018). Popular support is necessary for three reasons. First, overthrowing the formal state requires the organization to recruit individuals willing to put their property and lives in danger. Second, violent actions, as well as maintaining an alternative to the formal state, need funding that normally comes from voluntary donations of citizens or the taxation of locals. Taxation is difficult to be maintained in the long-run without some level of support towards the religious organization. Third, religious organizations that wish to coordinate collective action need to collect information from the local population for planning effective actions against the formal state and at the same time hide information from the formal state. Both processes are facilitated by local popular support.

Because religious organizations and the state provide similar public goods, one channel through which religious organizations can rally support is by convincing the local population that the state is a less able or efficient provider. When the formal state fails to

provide the needed goods and services, the local population is more likely to support the religious organization. In this case the local population may be willing to accept a certain level of violence if directed at the goal of hurting the formal state (Grynkewich, 2008; Atzili, 2010). This theory is in line with some recurrent features of successful competitors of the state. As reviewed by Felbab-Brown et al. (2017), goods and services provided by these organizations tend to resemble what a well-functioning state would do. Furthermore, these violent competitors of the state often thrive where and when the state is weaker, often filling the void left by the state.

Examples of religious organizations that follow these features are perhaps most visible in Muslim majority countries. In Lebanon, Hezbollah runs and maintains a large number of public service programs resembling those of most formal states (Flanigan and Abdel-Samad, 2009; Grynkewich, 2008). Hezbollah is responsible for building and maintaining water delivery systems in areas of Beirut underserved by the local official authorities. They also run a large number of medical clinics, dental clinics, and hospitals providing healthcare to low-income families at close to no cost. The Hezbollah's educational unit provides a cheap alternative to the low-quality Lebanese public school system. Hezbollah also maintains what can be described as a welfare system offering financial assistance to poor families that have been affected by the war with Israel.<sup>6</sup>

Lebanon is not the only Muslim-majority country with religious rebels competing with the state. In the West Bank and Gaza, at least 10% of Palestinians use social services provided by Hamas (Szekely, 2015). As highlighted by Szekely (2015), the provision of these services by Hamas "serves as advertising for the kind of state the militant group will build if it takes power." This motivation appears to be shared by similar organizations in other Muslim-majority countries: in Somalia Al-Shabaab has seen success in places where the state is almost non-existent (Menkhaus and Shapiro, 2010); the Islamic State in Syria and Iraq had the initial objective of overthrowing the failing local states and create an Islamic Caliphate (Hashim, 2014); in rural Afghanistan the failed formal state had been, over decades, practically substituted by a state run by local religious leaders (Barfield et al., 2006).

Masera and Yousaf (2020) tests this theory by studying the competition between the Pakistani Taliban and the Pakistani state. The Taliban have a long history of providing for the local population when the state fails to do so effectively. The Taliban have for a long time provided security and a parallel court system that at its peak in 2006 was spread to all the Federally Administered Tribal Areas. Another common area of competition is the

---

<sup>6</sup>For example, the Hezbollah Martyrs Foundation has delivered between 300 and 400 millions US dollars in compensation to the victims of the conflict.

provision of educational services. The Taliban's *madrasahs* system reaches parts of the country under-provided or even untouched by the public school system.

Masera and Yousaf (2020) focus on a specific type of public good: natural disaster relief, including the provision of food and medicine immediately after a natural disaster and the subsequent reconstruction efforts. Studying natural disaster relief in Pakistan provides a unique opportunity to understand the effects of the competition between the state and a rebel group. First, because once controlling for the underlying likelihood of a natural disaster the timing and place of natural disasters is random. Second, the ability to provide the needed relief by the Pakistani state has changed dramatically during the last 20 years. Before 2007 Pakistan was always receiving generous international aid donations especially due to the friendly relationship it had with the US. After the 2008 change in presidency both in Pakistan and US, the relationship between the two countries quickly deteriorated. This change in the international standing of Pakistan came with a decrease in the amount of aid received in case of a natural disaster.

Two important natural disasters happened around this period. The 2005 Kashmir Earthquake and the 2010 Pakistan Floods. In response to the 2005 natural disaster, Pakistan received substantial international aid. As a consequence, the Pakistani state was able to effectively provide relief, outperforming the Taliban. In comparison, international aid was small after the 2010 floods, leaving the Pakistani state unable to provide even the most basic of relief. The Taliban used this opportunity to show how effective they are with respect to the Pakistani state and helped many of the communities affected by the floods.

The authors study how popular support for the Taliban differently changed after a natural disaster between places affected and unaffected by the natural disaster. In order to measure support for the Taliban the authors use the electoral returns of the Muttahida Majlis-e-Amal party—an Islamist political alliance with a close relationship to the Pakistani Taliban and the only way for Pakistani citizen to express support for the Taliban when at the polls. After the 2005 disaster the Pakistani state clearly outperformed the Taliban in the distribution of disaster relief. Consistently with the theory we discuss in this section, popular support for the Taliban sharply decreased after the natural disasters in the places affected by the disaster when compared with those unaffected. To the contrary, after the 2010 disaster the Taliban had a chance to show their superior ability to provide the much needed relief. In the next elections the support for the Taliban substantially increased in the areas affected by the disaster when compared to areas of Pakistan left unaffected.

Overall, this shows how religious rebels can use the provision of goods and services

to gain local popular support. This tactic is particularly effective in times and areas where the state is highly ineffective or non-existent.

## 4 The co-evolution of religiosity and the welfare state

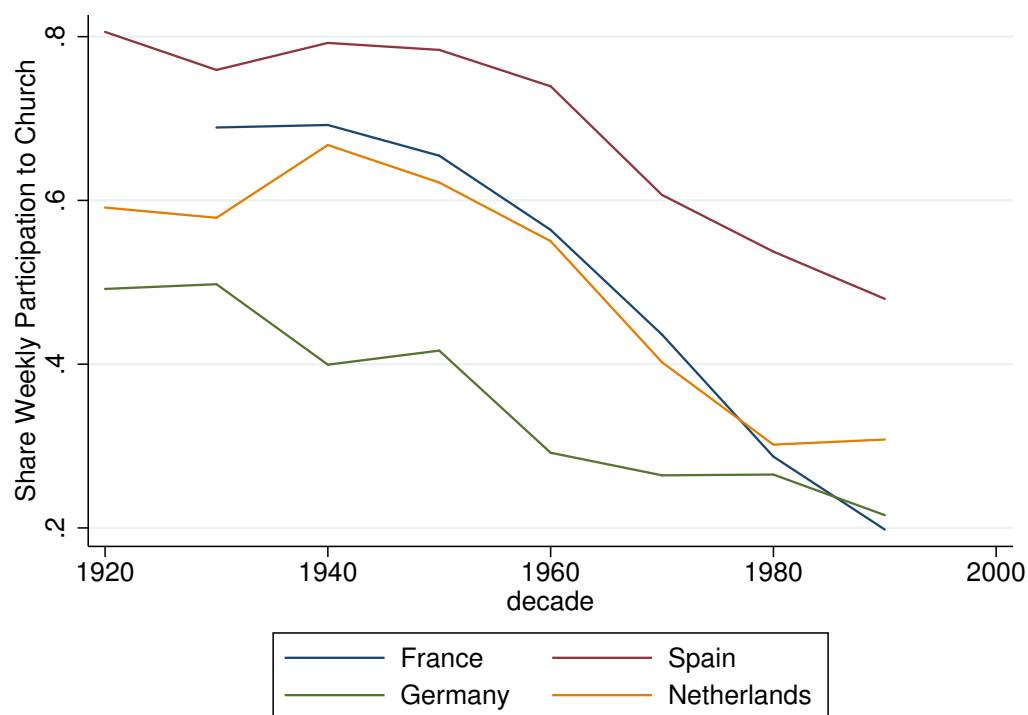
The arguments we reviewed in Sections 2 and 3 point to two potential effects of the competition between state and religious organizations on individual preferences and behavior. First, because the public goods produced by the two organizations are not identical and religious individuals prefer the ones produced by the organization (see Section 2 and references therein), religious individuals prefer a smaller role of the state. Second, as state capacity grows and state institutions become more efficient in the provision of public goods and services, individuals have less incentives to actively participate in and support the activities of the religious organization. In sum, these effects pertain to how religiosity affects political preferences and the development of the state welfare.

In this section we explore how political competition and the evolution of the welfare state may be related to the development of individual religiosity. In particular, we highlight potential channels through which the competition between the state and religious organizations may shape religious participation and, in the long run, religiosity.

The evolution of the welfare state and religious participation in Western Europe suggests that there may be a long-term connection between the two. Figure 2 uses retrospective questions from the International Social Survey Programme to calculate the share of the population that participated in church activities at least once a week when young. The figure shows a remarkable decrease in church participation starting in the 1950s and 60s, around the same time as the expansion of the modern welfare state.

To understand this phenomenon we borrow from the literature on intergenerational cultural transmission (Bisin and Verdier, 2011). Within this theoretical framework, cultural norms are transmitted within the family, especially when parents find these norms advantageous. Thus, individual religiosity is likely to be an increasing function of the individual's parents religiosity, especially when parents see religiosity and church participation as an advantage for their children. On top of this force, Francis and Brown 1991 and Francis 1993 highlight the importance of childhood church participation and church attendance to the development of individual religiosity. Thus, individual religiosity is likely to be an increasing function of childhood church participation. The crucial connection we wish to highlight here is that church participation, and the social advantages that may derive from it, are a decreasing function of the ability of the state to provide public goods. For example, in a society in which church participation may be the only way to

Figure 2: Church participation in Western Europe



receive primary education, parents may induce their children to participate in the church activities, therefore passing to them a social norm of religiosity. This incentive diminishes when public schooling becomes available.

To empirically explore this connection we use retrospective questions from the International Social Survey Programme regarding whether an individual was raised religiously or had parents that attended church when he was a child. We then study how these two forms of exposure to religiosity during childhood can predict church participation as an adult. Table 1 presents the results of this analysis. As expected, both being raised religious (Columns 1) and attending church during childhood (Column 2) are positively correlated with adult church participation.

We then use information from OurWorldinData to explore whether the percentage of GDP devoted to social expenditure by the formal state when an individual was a child affects the individual's adult church participation. According to the theory presented in the previous paragraphs we should expect the size of social expenditure during childhood to have a negative effect on church participation today because parents are less likely to transmit religious values either at home or within the church community. This intuition is confirmed in Columns (3) and (4). Results are robust to controlling for the GDP of the

Table 1: Intergenerational Transmission of Religiosity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Part.	Part.	Part.	Part.	Part.	Part.	Part.	Part.	Part.	Part.
Raised Religious	0.156*** (0.0118)		0.137*** (0.0133)		0.135*** (0.0129)		0.147*** (0.0113)		0.144*** (0.0107)	
Parents Attended Church		0.234*** (0.0131)		0.221*** (0.0125)		0.215*** (0.0112)		0.214*** (0.0122)		0.208*** (0.0107)
Social Expenditure			-0.0663*** (0.00644)	-0.0585*** (0.00554)	-0.0583*** (0.0115)	-0.0525*** (0.0102)	-0.00986*** (0.00368)	-0.0376*** (0.00412)	-0.00321 (0.0103)	-0.0343*** (0.00962)
Raised R. X Social Exp.							-0.0655*** (0.00611)		-0.0663*** (0.00662)	
Parents Att. X Social Exp.								-0.0587*** (0.00637)		-0.0551*** (0.00674)
Observations	57141	56973	57141	56973	57141	56973	57141	56973	57141	56973
GDP	No	No	No	No	Yes	Yes	No	No	Yes	Yes
Decade Cohort FE	No	No	No	No	Yes	Yes	No	No	Yes	Yes

*Note:* The table reports the estimated coefficients and clustered standard errors (in brackets). Clustering is performed at the country or region level depending on the availability of the information. The dependent variable in all specification is a dummy equal to 1 if the individual considers himself very religious or extremely religious. Countries included in the analysis are Australia, Austria, Belgium, Chile, Czech Republic, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Latvia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey and the United States.

country when the individual was a child as well as decade fixed effects.

Finally, we explore whether the correlation between the size of social expenditure as a child and church participation as an adult depends on the exposure to religious norms as a child. We expect particularly high levels of social expenditure as a child to negatively affect church participation as an adult for individuals coming from religious families. These results are confirmed in Columns (7) to (10) which show how intergenerational transmission of religious values is particularly weak when social spending is larger during childhood.

While Sections 2 and 3 provide theories for why religious individuals most likely prefer a small state, the results in Table 1 show that the size of the state influences the religiosity of future generations. Masera (2020) combines these two forces to study the dynamics between religiosity and the size of the state. The key variable driving these dynamics is the ability of the state to provide for the needs of the citizens. As the state become more able voters will delegate more responsibilities to the state. This reduces the incentives to participate in religious organizations. Given the intergenerational transmission highlighted previously this will lead to a weakening of the religious values of the next generation. Voters will therefore be even more willing to delegate responsibilities to the secular state, reinforcing the initial effects of the increase in the ability of the state. Masera (2020) shows that this can give rise to two possible long-run equilibria. One with a low share of religious individuals and in which an efficient state provides most or all public goods; and another with a large share of religious individuals and in which an inefficient state is relegated to the margins and religious organizations provide most public goods.

This section highlights that the intergenerational transmission of religious values is likely influenced by the size of the state. As a consequence, the competition between religious organizations and the state may have long-run effects on religious norms.

## 5 Conclusions and directions for future research

We reviewed the literature drawing connections between the evolution of state welfare and religiosity. In particular, we highlighted three streams of literature: first, a literature that studies the popular support for religious organizations seeking to gain political influence within the democratic process—religious *parties*; second, a literature that studies the popular support for religious organizations seeking to gain political influence outside the state—religious *rebels*; third, a literature that connects the development of the welfare state to the decrease of popular support for religious organizations and church participation, eventually reducing individual religiosity through intergenerational cultural transmission.

Obviously, the distinction between religious parties and rebels is often arbitrary, as most organizations may exhibit characteristics of both models. Perhaps more importantly, most of these organizations are created with the same broad set of goals: promoting the production of religious public goods, realizing redistribution through charitable giving, and advocating and seeking to influence the political process promoting values that are important to the members of the organizations. Some of these organizations develop into political parties that contribute to the development of the state welfare in ways that the organization's members find more suitable to their religious values. This is by and large the development of Christian democracies throughout Western Europe in the post-WWII period. Some instead develop into rebel organizations who seek to substitute themselves for the state. What determines how religious organizations develop is an open question and one of great importance in the understanding of the co-evolution of state institutions and religiosity.

Political scientists and commentators alike are tempted to attribute the different patterns of developments of religious organizations to the deep values of the religion they represent. This viewpoint has spurred heated debates about the viability of an Islamic democracy akin to Europe's Christian democracies. While officially rejecting the label, both Turkish and Tunisian politicians have been put forward as representative of such an Islamic-democratic movement. Is there a sense in which democratic institutions in the Muslim world should be designed differently than in the West? Is there anything specific in Western European constitutions that led Christian organizations to be parties rather

than rebels? The scope and limitations of such comparisons are of great importance if we are to better understand how democratic institutions should be designed to be robust to the formation of religious rebels around the world.

The literature we reviewed also makes the claim that state capacity and individual religiosity co-evolve. As religious organizations often promote values that are important for collective actions—anti-individualism, social responsibility, etc—one may wonder whether state capacity may in time reduce if these values become less important for the individuals in the society.

## References

- Achcar, G. (2013). *The People Want: A Radical Exploration of the Arab Uprising*. Univ of California Press.
- Aragonès, E., M. Castanheira, and M. Giani (2015). Electoral competition through issue selection. *American Journal of Political Science* 59(1), 71–90.
- Aremu, F. A. (2015). Faith-based universities in nigeria and the consequences for citizenship. *Africa Today* 62(1), 3–28.
- Atzili, B. (2010). State weakness and vacuum of power in lebanon. *Studies in Conflict & Terrorism* 33(8), 757–782.
- Auriol, E., D. Delissaint, M. Fourati, J. Miquel-Florensa, and P. Seabright (2019). Betting on the lord: Lotteries and religiosity in haiti.
- Auriol, E., J. Lassebie, A. Panin, E. Raiber, and P. Seabright (2020). God insures those who pay? formal insurance and religious offerings in ghana. *Quarterly Journal of Economics*.
- Barfield, T. J., N. Nojumi, and J. A. Thier (2006). *The clash of two goods: State and non-state dispute resolution in Afghanistan*.
- Barro, R. J. and R. M. McCleary (2003). Religion and economic growth across countries. *American Sociological Review* 68(5), pp. 760–781.
- Bénabou, R., D. Ticchi, and A. Vindigni (2015). Religion and innovation. *American Economic Review P&P*.
- Bénabou, R. and J. Tirole (2006). Belief in a just world and redistributive politics. *The Quarterly journal of economics* 121(2), 699–746.



- Berman, E. (2009). *Radical, Religious, and Violent: The New Economics of Terrorism*. MIT Press, Cambridge, MA.
- Binzel, C. and J.-P. Carvalho (2017). Education, social mobility and religious movements: The islamic revival in egypt. *The Economic Journal* 127(607), 2553–2580.
- Bisin, A. and T. Verdier (2011). The economics of cultural transmission and socialization. In *Handbook of social economics*, Volume 1, pp. 339–416. Elsevier.
- Brocker, M. and M. Künkler (2013). Religious parties: Revisiting the inclusion-moderation hypothesis—introduction. *Party Politics* 19(2), 171–186.
- Cammett, M. and P. J. Luong (2014). Is there an islamist political advantage? *Annual Review of Political Science (Palo Alto, Calif.)* 17, 187.
- Campante, F. R. and D. Chor (2012, May). Why was the arab world poised for revolution? schooling, economic opportunities, and the arab spring. *Journal of Economic Perspectives* 26(2), 167–88.
- Caris, C. C. and S. Reynolds (2014). Isis governance in syria. *Middle East Security Report* 22, 4–41.
- Chen, D. L. (2010). Club goods and group identity: Evidence from islamic resurgence during the indonesian financial crisis. *Journal of political Economy* 118(2), 300–354.
- Chen, D. L. and J. T. Lind (2015). The Political Economy of Beliefs: Why fiscal and social conservatives/liberals come hand-in-hand. Technical report, NBER. [http://nber.org/dlchen/papers/The\\_Political\\_Economy\\_of\\_Beliefs.pdf](http://nber.org/dlchen/papers/The_Political_Economy_of_Beliefs.pdf).
- Clark, J. (2004a). Social movement theory and patron-clientelism: Islamic social institutions and the middle class in egypt, jordan, and yemen. *Comparative Political Studies* 37(8), 941–968.
- Clark, J. A. (2004b). *Islam, charity, and activism: Middle-class networks and social welfare in Egypt, Jordan, and Yemen*. Indiana University Press.
- Davis, N. J. and R. V. Robinson (2006). The egalitarian face of islamic orthodoxy: Support for islamic law and economic justice in seven muslim-majority nations. *American Sociological Review* 71(2), 167–190.
- Dehejia, R., T. DeLeire, and E. F. Luttmer (2007). Insuring consumption and happiness through religious organizations. *Journal of public Economics* 91(1-2), 259–279.

- Dragu, T. and X. Fan (2016). An agenda-setting theory of electoral competition. *The Journal of Politics* 78(4), 1170–1183.
- Elsayyad, M. and S. Hanafy (2014). Voting islamist or voting secular? an empirical analysis of voting outcomes in egypt's 'arab spring'. *Public Choice* 160(1-2), 109–130.
- Felbab-Brown, V., H. Trinkunas, and S. Hamid (2017). *Militants, criminals, and warlords: The challenge of local governance in an age of disorder*. Brookings Institution Press.
- Feuer, S. J. (2012). Islam and democracy in practice: Tunisia's ennahdha nine months. *Middle East Brief* 66, 1–8.
- Flanigan, S. T. (2008). Nonprofit service provision by insurgent organizations: the cases of hizballah and the tamil tigers. *Studies in Conflict & Terrorism* 31(6), 499–519.
- Flanigan, S. T. and M. Abdel-Samad (2009). Hezbollah's social jihad: Nonprofits as resistance organizations. *Middle East Policy* 16(2), 122–137.
- Fourati, M. (2018). Envy and the islamic revival: Experimental evidence from tunisia. *Journal of Comparative Economics* 46(4), 1194–1214.
- Fourati, M., G. Gratton, and P. Grosjean (2019). Render unto caesar: Taxes, charity, and political islam. *European Economic Review* 119, 114–146.
- Francis, L. J. (1993). Parental influence and adolescent religiosity: A study of church attendance and attitude toward christianity among adolescents 11 to 12 and 15 to 16 years old. *The International Journal for the Psychology of Religion* 3(4), 241–253.
- Francis, L. J. and L. B. Brown (1991). The influence of home, church and school on prayer among sixteen-year-old adolescents in england. *Review of religious research*, 112–122.
- Garcia-Rivero, C. and H. Kotzé (2007). Electoral support for islamic parties in the middle east and north africa. *Party Politics* 13(5), 611–636.
- Grim, B. J. and M. E. Grim (2016). The socio-economic contribution of religion to american society: An empirical analysis. *Interdisciplinary Journal of Research on Religion* 12.
- Gruber, J. and D. M. Hungerman (2007). Faith-based charity and crowd-out during the great depression. *Journal of Public Economics* 91(5-6), 1043–1069.
- Grynkewich, A. G. (2008). Welfare as warfare: How violent non-state groups use social services to attack the state. *Studies in Conflict & Terrorism* 31(4), 350–370.

- Guiso, L., P. Sapienza, and L. Zingales (2003). People's opium? religion and economic attitudes. *Journal of monetary economics* 50(1), 225–282.
- Hashim, A. S. (2014). The islamic state: From al-qaeda affiliate to caliphate. *Middle East Policy* 21(4), 69–83.
- Huber, J. D. and P. Stanig (2011). Church-state separation and redistribution. *Journal of Public Economics* 95(7), 828–836.
- Hungerman, D. M. (2005). Are church and state substitutes? evidence from the 1996 welfare reform. *Journal of Public Economics* 89(11-12), 2245–2267.
- Iannaccone, L. R. (1992). Sacrifice and stigma: reducing free-riding in cults, communes, and other collectives. *Journal of Political Economy* 100(2), 271–291.
- Jamal, A. A. and M. A. Tessler (2008). Attitudes in the arab world. *Journal of Democracy* 19(1), 97–110.
- Jennings, M. (2014). Bridging the local and the global: Faith-based organisations and the emergence of the non-state provider sector in tanzania.
- Krasa, S. and M. Polborn (2014). Social ideology and taxes in a differentiated candidates framework. *American Economic Review* 104(1), 308–22.
- Krasa, S. and M. K. Polborn (2012). Political competition between differentiated candidates. *Games and Economic Behavior* 76(1), 249–271.
- Kuran, T. (2004, Summer). Why the Middle East is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation. *Journal of Economic Perspectives* 18(3), 71–90.
- Kuran, T. (2012). The Economic Roots of Political Underdevelopment in the Middle East: A Historical Perspective. *Southern Economic Journal* 78(4), 1086–1095.
- Kuran, T. (2013). The political consequences of Islam's economic legacy. *Philosophy and Social Criticism* 39(4-5), 395–405.
- Leinweber, A. E. (2011). *Faith based organizations and public goods in Africa: Islamic associations in the education sector of the Democratic Republic of Congo*. University of Florida.
- Levitt, M. (2008). *Hamas: Politics, Charity, and Terrorism in the Service of Jihad*. Yale University Press.

- Lindbeck, A. and J. W. Weibull (1987). Balanced-budget redistribution as the outcome of political competition. *Public choice* 52(3), 273–297.
- Marks, M. (2012). Speaking on the unspeakable: Blasphemy and the tunisian constitution. *Carnegie Endowment For International Peace Sada Analysis*, 2012.
- Masera, F. (2020). State, religiosity and church participation. *Unpublished manuscript*.
- Masera, F. and H. Yousaf (2020). Filling the void: Evidence from two natural disasters on the determinants of taliban support. *Unpublished manuscript*.
- McCleary, R. M. and R. J. Barro (2006). Religion and political economy in an international panel. *Journal for the Scientific study of religion* 45(2), 149–175.
- Menkhaus, K. and J. N. Shapiro (2010). Non-state actors and failed states: Lessons from al-qa’ida’s experiences in the horn of africa. *Ungoverned Spaces: Alternatives to State Authority in an Era of Softened Sovereignty*, 77–94.
- Norenzayan, A. (2013). *Big Gods: How Religion Transformed Cooperation and Conflict*. Princeton University Press.
- Ottaway, M. and A. Hamzawy (2007). *Fighting on two fronts: Secular parties in the Arab world*. Carnegie Endowment.
- Pellicer, M. and E. Wegner (2014). Socio-economic voter profile and motives for islamist support in morocco. *Party Politics* 20(1), 116–133.
- Phillips, D. L. (2011). *From bullets to ballots: violent Muslim movements in transition*, Volume 1. Transaction Publishers.
- Robbins, M. D. (2009). What accounts for popular support for islamist parties in the arab world? evidence from the arab barometer. *Harvard University Working Paper*. <http://www.belfercenter.org/sites/default/files/legacy/files/Robbins-Support%20for%20Islamist%20Parties.pdf>.
- Scheve, K. and D. Stasavage (2006). Religion and preferences for social insurance. *Quarterly Journal of Political Science* 1(3), 255–286.
- Stewart, M. A. (2018). Civil war as state-making: Strategic governance in civil war. *International Organization* 72(1), 205–226.
- Szekely, O. (2015). Doing well by doing good: Understanding hamas’s social services as political advertising. *Studies in Conflict & Terrorism* 38(4), 275–292.

Tessler, M. (2010). Religion, religiosity and the place of islam in political life: insights from the arab barometer surveys. *Middle East Law and Governance* 2(2), 221–252.

Weber, M. (2013). *The Protestant Ethic and the Spirit of Capitalism*. Routledge.

Wojkowska, E. (2007). Doing justice: How informal justice systems can contribute.

Xefferis, D. (2017). Multidimensional electoral competition between differentiated candidates. *Games and Economic Behavior* 105, 112–121.