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Religious Identity, Public Goods and Centralization: Evidence from Russian and Israeli Cities

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Religious Identity, Public Goods and Centralization: Evidence from Russian and Israeli Cities

Working Paper No. 2013-14

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Religious Identity, Public Goods and Centralization: Evidence from Russian and Israeli Cities

Theocharis Grigoriadis and Benno Torgler*

Abstract: In this paper, we analyze the effects of religious identity – defined both as personal identification with a religious tradition and institutional ideas on the provision of public goods – on attitudes toward central government. We explore whether citizens belonging to collectivist rather than individualist religious denominations are more likely to evaluate their central government positively. Moreover, we explore whether adherence to collectivist norms of economic and political organization leads to a positive evaluation of central government. Surveys were conducted in Russia and Israel as these countries provide a mosaic of three major world religions – Judaism, Eastern Orthodoxy and Sunni Islam. The information gathered also allows us to study whether attitudes towards religious institutions such as the Russian Orthodox Church, the Chief Rabbinate in Jerusalem, the Jerusalem Islamic Waqf, and the Greek-Orthodox Patriarchate of Jerusalem in Israel are able to predict positive attitudes toward centralized forms of governance. We find strong support for the proposition that collectivist norms and an institutional religious identity enhance positive attitudes towards central government.

Keywords: Religious identity, public goods, collectivism, individualism, local government, centralization, Russia, Israel

JEL: P16, P17, P21, P35, P51, P52, Z12

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I. INTRODUCTION

Because the provision of public goods is a key state function, it is crucial that governments understand citizen perceptions of its adequacy, perceptions that are all influenced by religious affiliation, but differently according to denomination. In particular, the effects of religion on individual welfare preferences have implications for intergovernmental relations and hence perceptions of centralization (Greif 1994). Protestantism and Judaism on the one hand are defined as individualist religions; that is, they prioritize individual profit over collective welfare, leading individuals to designate the market rather than the state as the main source of their personal rents. Islam, Roman Catholicism and Eastern Orthodoxy, on the other hand, are defined as collectivist religions: the material interests of the community are normatively more significant than those of individuals, so the state becomes the main source of personal rents.[1] Citizens are more likely to evaluate central governments positively, if their religion is collectivist because their preferred level of local public goods is higher and thus more likely to be provided by a centrally financed local government. Conversely, citizens are more inclined to evaluate central governments negatively, if their religion is individualist, because their preferred level of local public goods is lower and hence more likely to be delivered by the local government without transfers from the administrative center.

Religious affiliation alone, however, cannot sufficiently explain why religion makes some citizens to like or dislike central government more than others. Rather, this variation is the result of religious *identity*, defined here in terms of both institutional ideas on the provision of public goods (institutional religious identity) and personal identification with a distinct religious tradition (personal religious identity). Whereas institutional religious identity implies that individuals view their religion through the lenses of its respective

[1] The relation between collectivist religions and community, on the one hand, and individualist religions and personal beliefs, on the other, is further analyzed in Cohen and Hill (2007).

institutions – whether church, rabbinate, or waqf - personal religious identity suggests that a community is an aggregation of individual interests.

The more strongly citizens identify with a collectivist religion, the more local public goods they are going to demand from the central government, which they treat as *sine qua non* components for community stability and cohesion. Conversely, the more strongly citizens identify with an individualist religion, the fewer local public goods they are likely to demand from the central government because they see individual responsibility and personal work as conditions for community cohesion. Religious identity is therefore important for governance, because it motivates citizens to favor or oppose dependence on local public goods and thereby shapes their beliefs about a stronger or a weaker central government. Whereas institutional religious identity tends to favor larger and more centralized governments, personal religious identity leads to smaller and more decentralized governments.

Based on the aforementioned observations, we make two assumptions: (i) what matters is whether public goods provision meets the preferences of its recipients, and (ii) recipient preferences are significantly shaped by religious identity. We empirically test these conjectures using survey data on citizen perceptions of the delivery of local public goods collected in multifunctional centers that provide state and municipal services (MFCs) in the cities of Lipetsk, Krasnodar, and Sochi in Russia and in the city administrations of Netanya and Nazareth in Israel. These survey data encompass two types of administrative systems: those in which local governments are internally accountable to the center (Russia) and those in which local governments are externally accountable to citizens (Israel). We therefore expect our data to also effectively capture the differences between local governments whose political mandate and financial stability rely completely on central government approval and support, and local governments that are directly elected by the people and enjoy a higher degree of financial autonomy from the central administration. In the Russian case, we treat satisfaction with local public goods as

indirect approval of the central government; in the Israeli case, we see it as predictive of disapproval.

Our selection of Russia and Israel is particularly valuable in that it provides a mosaic of three major world religions – Judaism, Eastern Orthodoxy, and Sunni Islam, thereby allowing us to capture the linkages between religious identity, public goods preferences, and intergovernmental relations across two different administrative systems with varying degrees of centralization. The Russian cities in which we collected data are primarily Eastern Orthodox and thus a very good venue for testing the effects of Russian Orthodoxy on centralization. In Israel, on the other hand, we leverage Israel's multiconfessional nature to test whether different religions generate different attitudes toward the central government within the same state. We also account for variation within Eastern Orthodoxy by including Russian Orthodox respondents in the Russian cities sampled and Greek Orthodox respondents in Nazareth.

Our conceptual framework assumes that communities are better venues than markets or states for tracing the religious roots of public administration and public goods provision. Bowles and Gintis (2002), for example, argue that communities are much better at enforcing norms because trust, mutual support, and ongoing social relationships correct for informational asymmetries that can lead to market failures and free-riding in central bureaucracies. If free-riding is punished more and altruism is rewarded more in communities because of information revelation, then the same condition will hold for the delivery of public goods by local administrations. It is thus more efficient to study the effects of religious identity on centralization at the local level.

The strength of the paper is to provide new theoretical and empirical findings on the study of religion and economics. First, our findings complement the literature on religious collectives as economic systems and provide further insights into the relation between religious identity, religiosity, and economic behavior. Second, our analysis introduces religion into the study of local public goods and intergovernmental relations by

treating centralization and decentralization as bureaucratic best responses to individual preferences for public goods, which are shaped by religious identity. Finally, by examining the relation between local public goods and religious identity in Russia and Israel, our investigation provides a conceptual foundation for a comparative study of intergovernmental relations under different types of religious norms and economic systems.[2]

The paper is structured as follows. Section II outlines our theoretical framework on religion, public goods, and centralization. Section III describes the data collected in Lipetsk, Krasnodar, and Sochi (Russia) and Netanya and Nazareth (Israel). Section IV outlines our empirical strategy, Section V reports our results, and Section VI presents our conclusions. A structured discussion on the politics of intergovernmental relations and the effects of religious identity on local bureaucracies in Russia and Israel is provided in the Appendix.

II. THEORY

The theory of club goods (see, e.g., Gilles and Scotchmer 1997) is extremely useful for understanding the relation between religious identity and local public goods; it allows decentralization to be linked to the efficient delivery of common pool resources by any religious collective.[3] If the religious collective is treated as a club and the goods that it offers to its members as club goods, then administrations can be also modeled as *quasi-clubs* that derive authority from the religious tradition shared by the majority. For example, Berman (2000) argues that the structure of the ultra-Orthodox kibbutz is very explicit about the use of observance and dietary prohibitions on the *haredim* as extreme-form taxes on secular activity outside the collective. Accordingly, the opportunity cost of

[2] For a discussion on governance and reform in Russian and Israeli cities, see the Appendix.
[3] Their theory of club goods suggests that the provision of local public goods is efficient under the condition that citizens preserve the opportunity to conclude labor contracts in neighboring localities. Such is certainly the case for Israeli *kibbutzim* but not for Eastern Orthodox monasteries and Muslim *tariqas*.

secular life decreases, and members of ultra-Orthodox communities socialize with other members and produce positive externalities for their collectives, such as higher fertility rates. If local public goods are treated as club goods shaped by religious identity, then the distinction between contractual and hierarchical public goods reflects the individualism-collectivism divide in intergovernmental relations.[4]

From this perspective, contractual and hierarchical public goods are bureaucratic best responses to citizens and corner equilibrium solutions for collectivist and individualist local governments, respectively. Multiple intersections of religion and centralization lead to different equilibrium solutions that systematize the types of local governments and explain how religious identity leads to different levels of public goods provision in centralized and decentralized states.

TABLE 1: RELIGION AND CENTRALIZATION

	Type of religion	
Centralization	Collectivist	Individualist
External accountability	Solidary public goods	Contractual public goods
Hierarchical bargaining	Competitive public goods	Complementary public goods
Informal autonomy	Complementary public goods	Competitive public goods
Internal accountability	Hierarchical public goods	Solidary public goods

In collectivist local administrations $t^{C}_{Hierarchical} \geq t^{C}_{Complementary} \geq t^{C}_{Competitive} \geq t^{C}_{Solidary}$, whereas in individualist local administrations $t^{I}_{Contractual} \leq t^{I}_{Complementary} \leq t^{I}_{Competitive} \leq t^{I}_{Solidary}$. Hence, as these inequalities of local public goods thresholds indicate, citizens of an individualist society are better off with an independent local government, while citizens living in a collectivist society may be better off with a vertically monitored local government. A collectivist local government that is accountable to a central government (internal accountability) is also likely to deliver hierarchical public goods because its mandate depends completely on

[4] In their study on public goods provision in rural India, Banerjee and Somanathan (2007) argue that if one compared to other minority groups such as Muslims or Christians, Scheduled Castes received more public goods in 1991 than in 1971.[4] They contend that independence from the politics of the Congress Party and the emergence of local representative institutions increased this provision to Scheduled Castes, which explains the relative asymmetries with respect to Scheduled Tribes. They also argue that compared to British or local landlord domination in rural India, social salience has a positive effect on public goods distribution.

intergovernmental transfers from the federal center, with which it must bargain for financing for its mandate to deliver competitive public goods. Its bargaining policy space is thus constrained by its financial dependence and the threshold needed to meet very high expectations, so that it must seek external resources to preserve its mandate and stay in power. The existence of complementary public goods as an equilibrium solution hence implies that under informal autonomy, collectivist local bureaucrats are inclined to deliver public goods that do not violate the monitoring rules imposed by the central government so as not to risk a reduction in intergovernmental transfers to their budget.

This typology suggests that religious identity shapes preferences for the provision of public goods. Furthermore, people belonging to individualist religions (Protestantism, Judaism) are less inclined to demand more public goods compared to people belonging to collectivist religions (Eastern Orthodoxy, Roman Catholicism, Islam). It is argued that collectivist religions induce a higher demand for public goods to citizens, relative to the market wage. The distribution of social welfare to the poor by religious institutions occurs on the basis of central planning in collectivist religions and market efficiency in individualist religions. Hence, the poor in individualist religions are less dependent on social welfare provision by religious institutions compared to the poor in collectivist religions; their opportunity cost of unemployment is much higher. The hierarchical structure of the Eastern Orthodox or the Roman Catholic monastery induces higher free-riding and persistent inequality, which is not the case in the Jewish kibbutz or the Protestant parish. The provision of public goods by local governments is a good proxy that operationalizes this dichotomy. Centrally financed public goods provided by local governments reflect the effects of collectivist institutional legacies on intergovernmental relations. A similar observation holds for the effects of individualist institutional legacies on the provision of locally financed public goods. Thus, religion shapes citizen preferences for public goods (high in collectivism, low in individualism) that define the tenure horizon of politicians. This is why intergovernmental relations are balanced in individualism and

biased toward central control in collectivism: collectivist central governments cannot risk their perspective by granting autonomy to local governments. The reason is that they face a higher relative threshold set by citizens. On the contrary, individualist central governments face a lower threshold for the delivery of public goods and thus they can afford local government autonomy without jeopardizing their own survival in office.

On the other hand, an individualist local government that is accountable to citizens (external accountability) is likely to deliver contractual public goods in order to stay in power because citizens can replace an externally accountable local government through elections or demonstrations. As a result, individualist local bureaucrats with informal autonomy from the central government are more incentivized to deliver beyond what their mandate requires because there is no formal monitoring mechanism to inflict a costly punishment for excessive spending. They are thus likely to compete with the central government in the provision of local public goods. Individualist local bureaucrats under hierarchical bargaining are also likely to reduce the volume of local public goods directed to citizens at the expense of the central budget and thus deliver complementary public goods.

In general, hierarchical bargaining favors the collectivist local bureaucrat, whereas informal autonomy favors the individualist local bureaucrat that must meet a high public goods threshold. The first equilibrium is exemplified by the European Union integration paradigm in which EU regions obtain further competencies at the expense of their respective nation states. The second equilibrium is typified by Russia's bureaucratic capacity during the 1990's transition period when the federal center was co-opted by regional leaders and private business groups. Local bureaucracies' provision during this era of public goods complementary to those offered by the federal government may also be explainable by religion. Under Putin, local governments combine a collectivist religion (Eastern Orthodoxy) with internal accountability in the administration to deliver hierarchical public goods. Israeli local governments, in contrast, because they enjoy

informal autonomy from the central administration, adopt an intermediate equilibrium solution that combines complementary public goods for Sunni Muslim and Christian (Greek-Orthodox and Eastern Catholic) local governments with competitive public goods for Jewish local governments.

The least desirable equilibrium solution for either individualist or collectivist local governments and their citizens is solidary public goods, which in societies dominated by individualist religion represent the most extreme form of underfulfillment in the delivery of contractual public goods. In these societies, such delivery failure is seen as both morally reprehensible and a reducer of optimal wages. In societies dominated by a collectivist religion, in contrast, although the provision of solidary public goods is also seen as underfulfillment of hierarchical public goods, it is assumed to indicate a lack of hierarchical coordination that entails welfare losses for citizens.

Overall, therefore, contractual public goods incentivize citizens to higher levels of labor effort, while hierarchical public goods lead to less labor effort and thus lower market wages. That is, citizens work less not only because the local administration delivers more with respect to their initial endowment but because the marginal rate of substitution between hierarchical public goods and private endowment is lower: $MRS_{cw} \geq MRS_{hw} \Rightarrow \frac{MU_c}{MU_w} \geq \frac{MU_h}{MU_w}$,

where MU_c is the marginal utility of contractual public goods, MU_h is the marginal utility of hierarchical public goods, and MU_w is the marginal utility of market wage. As a result, an individualist minority in a collectivist society receives a lower than expected wage and more than expected public goods, whereas a collectivist minority in an individualist society receives a higher than expected wage and less than expected public goods. This observation justifies the definition of local administration as a *quasi-club* in that the administration provides public goods after observing the religious norms that influence

the majority. Although minorities are not formally excluded, they are certainly not taken into account when local bureaucrats decide on their best response.

The above observations can be formulated as the following proposition:

Proposition 1

Citizens perceive collectivist local administrations as effective if $t_i^C \in \left[t_{Canonical}^C, t_{Complementary}^C - \varepsilon\right)$ and ineffective if $t_i^C \in \left[t_{Competitive}^C + \varepsilon, t_{Solidary}^C\right]$.

Corollary 1

Citizens perceive individualist local administrations as effective if $t_i^I \in \left[t_{Contractual}^I, t_{Competitive}^I + \varepsilon\right]$ and ineffective if $t_i^I \in \left(t_{Complementary}^I - \varepsilon, t_{Solidary}^I\right]$.

Proof: If a collectivist local administration delivers less than $t_{Complementary}^C - \varepsilon$ so that $\sigma^C < t_{Complementary}^C - \varepsilon$ and $\sigma^C \in \left[t_{Competitive}^C + \varepsilon, t_{Solidary}^C\right]$, where σ^C is the public good delivered by a collectivist local administration, then $\frac{MU_c}{MU_w} < \frac{MU_h}{MU_w}$ and the people will demand that the current hierarchy be dissolved and replaced with an independent local government that provides contractual public goods. Similarly, if an individualist local administration provides more than $t_{Competitive}^I + \varepsilon$ so that $\sigma^I \geq t_{Competitive}^I + \varepsilon$ and $\sigma^I \in (t_{Complementary}^I - \varepsilon, t_{Solidary}^I]$, where σ^I the public good delivered by an individualist local administration, then $\lim_{\sigma^I \to t_{Solidary}^I} \frac{MU_c}{MU_w} = 1$ and the people will demand the replacement of an independent local government with another that is more market driven. It also follows that when a collectivist hierarchy that delivers more than is expected is replaced with a more efficient hierarchy that delivers less, decentralization incentives will prevail. On the other hand, in an individualist context, ineffective local governments are always replaced with other independent local governments, meaning that decentralization is always a much more stable institutional equilibrium than centralization.

Based on the above assumptions, we formulate a corresponding set of hypotheses. First, we assume that under collectivist religions, religious identity has positive effects on attitudes toward centralization because dependence on hierarchical rather than contractual public goods makes citizens more willing to express a positive view of their central government. At the same time, the low opportunity cost of centralized social welfare in collectivist economies results in the absence of a thriving private sector and thus preserves the hierarchical relationship between citizens and the state. We express this assumption as our first hypothesis:

Hypothesis 1

Citizens who identify strongly with collectivist rather than individualist religions are likely to evaluate their central government positively.

Corollary 1

Citizens that prefer centralized distribution of social welfare are more likely to evaluate their central government positively.

The next hypothesis implies that citizens who are more likely to have collectivist normative beliefs and thus abide by their central government's decisions. It also suggests that pressure for the delivery of hierarchical public goods undermines local governments' capacity to bargain with the center and thus minimizes informal autonomy in financial management at the local level. Hence, in collectivist, as opposed to individualist, societies, local governments are always seen as extensions of the central government, which suggests the following hypothesis:

Hypothesis 2

Citizens with collectivist rather than individualist norms are likely to evaluate their central government positively.

The distinction between individual identity and collective ideas about the provision of public goods is important for understanding the effects of religious identity on centralization in individualist versus collectivist societies. Whereas faith in Protestantism

and Roman Catholicism is synonymous with isolation, legalized punishment in case of deviation, and personal freedom that precludes state intervention into such private affairs as family, income, and career development; faith in Eastern Orthodoxy and Islam is inherently defined by communal life and its institutions. These institutions, although more centralized in Eastern Orthodoxy and more decentralized in Islam, constitute the core of religious life for all individuals no matter whether or not they attend church or mosque. In individualist religions, faith is private, so citizens with individualist normative beliefs treat government as an obstacle to their self-fulfillment. In collectivist religions, however, faith is public, so citizens with collectivist normative beliefs regard it as a complement, leading to the following assumption:

Hypothesis 3

Institutional religious identity matters positively for citizen perceptions of centralization.

Corollary 3

Personal religious identity has negative effects on citizen perceptions of centralization.

Religious institutions constitute prototypes for the production of social welfare norms intended for the protection of the poor. A positive evaluation of the social welfare activity of religious institutions suggests a higher dependence from public goods and a lower socio-economic status. Citizens that favor religion as a set of institutions advancing the central coordination of charity are more inclined to rely on the institutional capacity of the central government. The logic is similar with that on the effects of religion on intergovernmental relations. Approval of the centralizing authority of religious institutions in the provision of charity to the poor implies a positive attitude toward the provision of centrally financed public goods by local governments. In collectivist religions religious institutions matter more for charity purposes than in individualist religions. On the contrary, personal religious identity is linked with market institutions in the delivery of social welfare and thus a lower threshold of local public goods provided by independent and thus externally accountable local governments.

III. DATA

The data was collected during the 2010–2011 academic year by distributing survey questionnaires to citizens visiting the multifunctional centers that provide state and municipal services in the cities of Lipetsk, Krasnodar, and Sochi in Russia, and in the city governments of Netanya and Nazareth in Israel. We excluded citizens under 18, as well as nonresidents of each city. Although participation was voluntary, approximately one third of randomly approached respondents agreed to fill out our questionnaire. In Russia, however, many elderly people were unable to fill out our questionnaire because of bad health or illiteracy. Moreover, because men were usually at work during the opening hours of local administrations (or if present, were in a bad mood), women ended up comprising the majority of our Russian respondents. In Israel, the questionnaires were distributed primarily at the tax and water departments of the Netanya and Nazareth municipal governments, which were the only two departments in either city administration that had continuous opening hours for the public. The representativeness of our sample has definitely been affected by the introduction of electronic governance into service distribution.

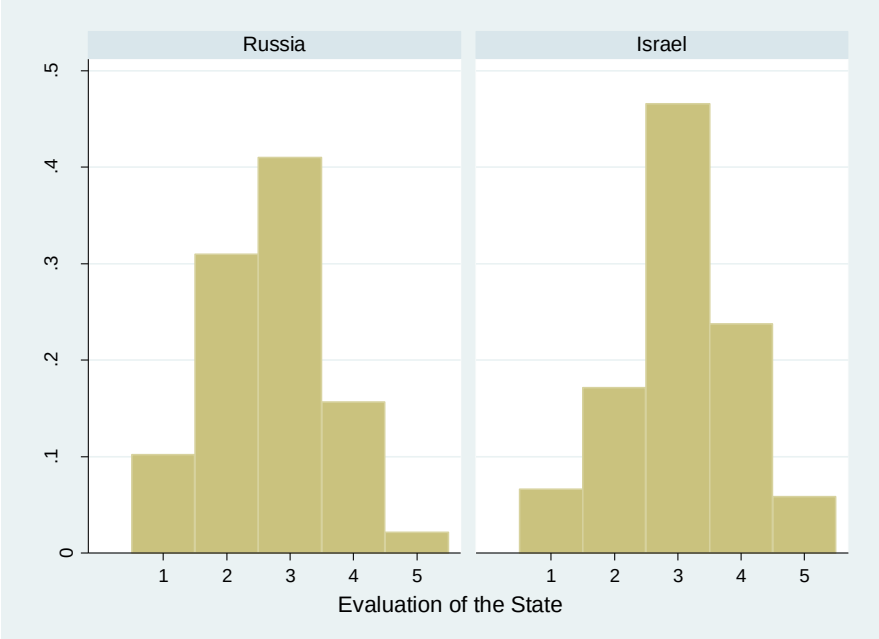
The choice of Lipetsk, Krasnodar, and Sochi as Russian fieldwork sites provides useful quantitative evidence for the relation between the Russian Orthodox lower middle class and its administrative state. Similarly, the choice of Netanya and Nazareth as representative sites for the upwardly financially mobile Jewish sector and the moderate Arab sector, respectively, is likely to offer valuable insights into the influence of religious traditions on local government evaluation in a multiconfessional state that has been plagued by religious conflict since its very establishment.

1. Dependent Variable

Our dependent variable is a measure of how people evaluate the government, phrased as follows: How do you evaluate the overall activity of state agencies of all levels? (5=very

positive, 4=positive, 3=neutrally, 2=negatively, 1=very negatively). The question was posed this way to overcome possible self-censorship obstacles when asking Russian citizens directly for their opinions of the federal government. *Figure 1* reports the distribution of the answers. The Russians seemed to be less happy with political authority. In *Table 2* we report differences between the cities comparing only the mean value. People in Sochi are most resentful toward the state while people in Netanya have the most appreciation for their state agencies. On the other hand, Israeli respondents overall have less appreciation for their local governments[5] than do the Russian respondents. The Jewish-Arab difference is of course crucial in that respect.

FIGURE 1: DISTRIBUTION OF OUR DEPENDENT VARIABLE



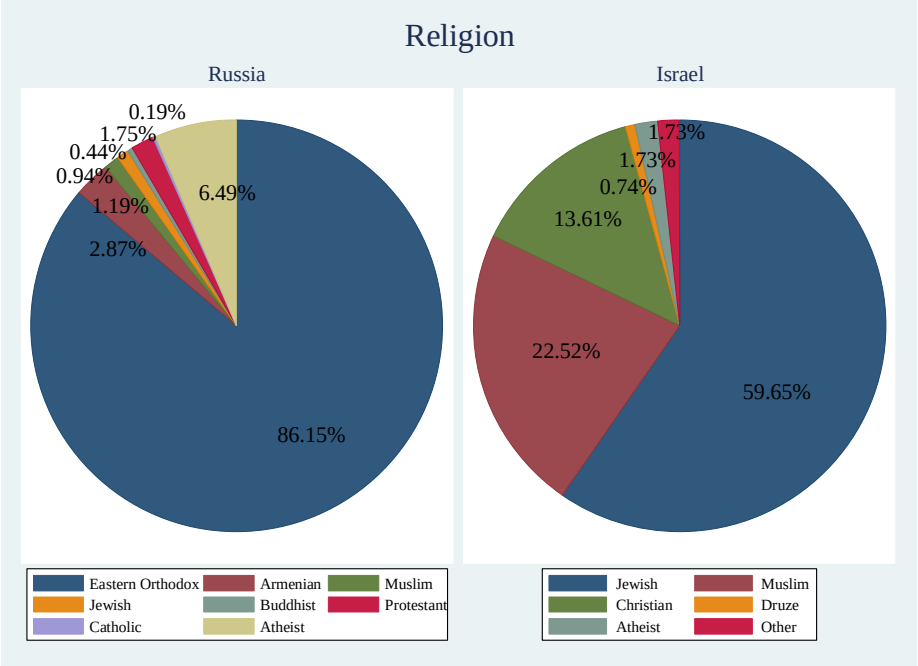
[5] How do you evaluate the provision of services by the local government? (5=very positive, 4=positive, 3=neutral, 2=negatively, 1=very negatively).

2. *Key Independent Variables*

    1. Religious Denomination

Whereas the majority of our Russian our respondents are Eastern Orthodox, in Israel, the Jewish majority is complemented by a significant share of Muslims and Christians, primarily Roman Catholic and Eastern Orthodox (see *Figure 2*). The Eastern Orthodox respondents in Russia attach greater significance to their religious affiliation than do the Jewish, Muslim, and Christian respondents from Israel. Two other religious groups in Russia that feel very strongly about their religious tradition are Armenians and Jews. The Jewish respondents in Israel constitute the most religiously conscious group in our sample, with a monotonically decreasing level of religious consciousness for Muslims and Christians. In Netanya, Oriental Jews outnumber European Jews by a small margin, whereas in Nazareth, Sunni Arabs are the clear majority. It is also worth noting that the number of Nazarene respondents identifying themselves as Israeli Arabs slightly exceeds those identifying themselves as Palestinians, and Christians appear to defend their Israeli identity much more consistently than their Muslim counterparts, who seem split between their Israeli citizenship and the Palestinian perspective.

FIGURE 2: RELIGIOUS DENOMINATION



Based on this information we develop a dummy variable for collectivist denomination. The following denominations appear in this category (Orthodox, Muslim, Druze, Armenian, and Catholic). Protestant and Jewish are classified as individualist (value 0).[6] To avoid too many missing values we classify atheists also as individualist. Islam and Eastern Orthodoxy are classified as collectivist religions because their respective theological traditions prioritize equality and social justice over personal freedom and material success.[7] Protestantism is defined as an individualist religion because it treats social welfare as an extension of civil rights and individual self-determination. What distinguishes Protestantism from Roman Catholicism is the merit-based individual path to self-fulfillment in the former versus the contractual reciprocity required for public goods

[6] We dropped 3 individuals in Netanya who were classified only as Christians instead differentiating between Protestants and Catholics.

[7] It is the distribution of resources in religious collectives and the individual steps required toward salvation that make theological traditions important for political economy. For example, whereas Eastern Orthodoxy stresses commitment to internal hierarchies as key to individual happiness, Islam focuses on the development of community networks.

provision in the latter. In Judaism, commitment to collective welfare is constrained by individual responsibility for violation of religious norms (Abramitzky 2008). In fact, the differences in the sectarian organization of Pharisees and Essenes suggest that historically Judaism has been both a moral critic of the state (Pharisees) and a Platonic collective that teaches abstinence from individual property (Essenes). The modern Israeli kibbutz embodies the tradeoff between these ancient Judaic traditions; that is, a lack of private property and provision of social insurance that matches the opportunity cost of market wage (Abramitzky 2008).

2. Collectivist Norms

To substantiate the Weberian hypothesis on the effect of normative beliefs on the evaluation of government, our survey included a multi-response question about governance:

> What should be the main task of the federal, regional, and local administration?
>
> Social aid and well-being of the people.
> Protection and implementation of civil rights (property, fair trial, freedom of speech, freedom of association, etc.).
> Market and trade regulation.
> Development and reinforcement of the state.

We assume the following ordering from collectivism to individualism: development and reinforcement of the state (2) > social aid (1) > market and trade regulation (-1) > civil rights (-2). As this was a multiple-response question we have weighted them in line with the values in parentheses. When developing the index, these values were added for those individuals who provided multiple answers. In the Russian and Middle East context the term 'regulation' is perceived to be similar to neoliberalism or free market economy, hence we checked the results by re-weighting market and trade regulation as (-2) and civil rights (-1). These results are not reported but they are consistent with the outcomes shown. The

statistical significance hardly changes in the estimations and the marginal effects are even slightly larger.

3. Institutional Religious Identity

Religious institutions matter for social welfare activity because one of the primary goals of any religious tradition is to alleviate human suffering among its members, especially to relieve the poverty and illness that characterize both advanced and developing societies. Based on our respondents' religious affiliations, we identify four major religious institutions: the Russian Orthodox Church, the Chief Rabbinate of Jerusalem, the Jerusalem Islamic Waqf, and the Greek-Orthodox Church of Jerusalem. Among the Russian respondents, the Russian Orthodox Church scores highest, whereas among the Israeli respondents, the Jerusalem Islamic Waqf is relatively more popular than the Chief Rabbinate or the Orthodox Patriarchate. In terms of our distinction between hierarchical and contractual public goods, the Russian Orthodox Church and the Jerusalem Islamic Waqf are much more likely to meet the demands of a collectivist society than the Greek-Orthodox Church of Jerusalem or the Chief Rabbinate of Jerusalem.

4. Importance of Religious Identification

To better explore our hypotheses we also control for the degree of religious identification with the following variable: How important is religious identification for you? (4=very important, 3=important, 2=not so important, 1=not important at all).

5. Social Welfare and Centralization

The following questions have been used to measure citizens' preference for centralized distribution of social welfare:

When you receive social protection and labor/employment services, would you prefer to go directly to the state agency or to an intermediary such as the MFC?[8]

Only to the state agency.
Only to the intermediary.
It is faster with the state agency.
It is faster with the intermediary.
No difference.

Whom would you like to provide social welfare and education services, the central government or the local government?[9]

Only the central government.
Only the local government.
It is faster with the central government.
It is faster with the local government.
No difference.

For this, we coded answers a and c as 1 and the rest as 0. Interestingly, Russians indicated a stronger preference than Israelis for centralized social welfare.

3. *Control Variables*

1. Local Government and Central Control

To measure satisfaction with the MFCs in Russia, the following question was asked: *How do you evaluate the overall work quality of the MFC?* For Israel the question was: *How do you evaluate the overall work quality of the local government?*[10] As Table 2 suggests, Russian respondents seem much more satisfied with the provision of administrative services at MFCs than are Israelis with the effectiveness of their local governments. It seems that Russian MFCs, unlike local governments in Israel, act more as complementary rather than competitive institutions to the central government. This finding could intuitively be interpreted to mean that Russians see MFCs as a welcome break from Soviet bureaucratic inefficiencies, including rampant corruption and delays in the delivery of public goods.

[8] Question asked in Russia.
[9] Question asked in Israel.
[10] In both cases: 5=very positive, 4=positively, 3=neutrally, 2=negatively, 1=very negatively.

Russian respondents seem far more satisfied with the current situation and the presence of MFCs in their cities, showing no nostalgia for their encounters with federal and regional administrative agencies. A preference for central control thus seems to substitute for a preference for administrative services by subnational institutions. Israelis, however, manifest a higher level of distrust toward their local governments because they have to live with the consequences of informal autonomy; that is, more cronyism, understaffed service desks, and central intervention into local economic policy. The conditions of institutional reform in Russia also contrast starkly with Israel's institutional stagnation because it is far harder to reform local governments in democracies than in dictatorships. Hence, Israeli respondents evaluate their central government as having more competent bureaucrats and providing better and more personalized treatment than localized governments.

TABLE 2: PROPORTION OF VARIABLES CONSIDERED

	Russia	Israel	Lipetsk	Krasnodar	Sochi	Netanya	Nazareth
Dependent Variable							
Evaluation of Central Government	**2.686**	**3.051**	**2.882**	**2.592**	**2.453**	**3.121**	**2.924**
Religion							
Collectivist Norms	-0.275	-0.124	-0.046	-0.335	-0.59	-0.063	-0.241
Religious Identification	2.901	3.078	2.977	2.841	2.846	3.202	2.861
Governance							
Local Government Support	3.963	3.259	4.052	3.805	4.005	3.462	2.891
Preference for Centralized Social Welfare	0.477	0.388	0.409	0.56	0.492	0.361	0.434
Sex							
Women	0.678	0.430	0.679	0.645	0.717	0.455	0.382
Men	0.322	0.570	0.321	0.355	0.283	0.545	0.618
Age							
Under 20	0.036	0.009	0.055	0.026	0.014	0	0.025
20-24	0.174	0.041	0.259	0.11	0.11	0.043	0.038
25-29	0.186	0.129	0.184	0.168	0.21	0.14	0.108
30-39	0.252	0.282	0.232	0.266	0.27	0.253	0.335
40-49	0.164	0.214	0.14	0.178	0.189	0.193	0.253

50-59	0.132	0.194	0.1	0.168	0.141	0.203	0.177
60 and above	0.056	0.131	0.029	0.084	0.067	0.167	0.063
Education							
Incomplete high school	0.015	0.041	0.024	0.011	0.007	0.023	0.076
High school	0.062	0.242	0.08	0.06	0.031	0.203	0.318
Technical college	0.102	0.052	0.146	0.084	0.05	0.063	0.032
Secondary special	0.193	0.155	0.28	0.128	0.129	0.146	0.172
Incomplete higher (3 or 4 years) education	0.095	0.107	0.123	0.069	0.081	0.126	0.07
Higher education	0.533	0.402	0.347	0.648	0.702	0.439	0.331
Employment status							
Civil servant (also military)	0.132	0.147	0.132	0.128	0.136	0.137	0.166
Entrepreneur	0.138	0.138	0.044	0.214	0.198	0.103	0.205
No. of observations	**1695**	**459**	**723**	**552**	**420**	**301**	**158**

Table 2 reveals no surprises regarding the socioeconomic profile of our Russian and Israeli samples. Education level follows a similar pattern, with Russians enjoying much higher rates of higher education than Israelis. Nevertheless, in our Israeli sample, the monthly income distribution is much more balanced than in the Russian sample (see Figures A1 and A2 in the Appendix). Income inequality is higher in Russia than in Israel (Gini coefficient for Israel is 0.358 while for Russia = 0.447). Lipetsk is poorer than Krasnodar or Sochi. The same observation holds for Nazareth with respect to Netanya. It is also interesting that although in the three Russian cities and Netanya, women outbalance men in response rates (roughly two thirds vs. one third in all four cases), in Nazareth, the inverse is true. Russian respondents are also much younger than Israeli respondents, probably because Russians have always been more expressive about their views, even under socialism.

IV. EMPIRICAL RESULTS

We test our hypotheses using an ordered probit model. The Russian questionnaire includes questions regarding government at all levels, rather than focusing on central

government only (as in the Israeli survey). However, the use of the Russian word *vlast* clearly indicates that the federal government and its performance are the main issues at stake. In addition to the variables introduced in the previous section we also include city dummies to control for unobserved characteristics at the city level. First, we take the entire data set to explore most of the hypotheses. Table 3 lists the output of six different regressions that sequentially increase the number of independent variables as a robustness check of our key variables. We first start with simple specifications that control only for collectivist religions (specification 1) or collectivist norms (specification 2). City dummies are added simply as a control. Next, we add both variables jointly into specification (3). As these factors might be driven by religious identification we control for that variable in the next set of regressions (4-6). In specification (5) we control for age, gender, and education level. Finally, in specification (6) we also test corollary 1: that is, whether citizens who prefer centralized distribution of social welfare are also more likely to evaluate their central government positively (when controlling for local governance support and employment status). The results in Table 3 indicate that the coefficient of the variable COLLECTIVIST RELIGION is always statistically significant. The marginal effects reported in Table A1 in the Appendix indicate that being a member of a collectivist religion increases the probability of evaluating the central government positively or very positively by around 5 percentage points and very positively by 1 percentage points. Similarly, the coefficient for COLLECTIVIST NORMS is also statistically significant in all specifications. An increase in the index by one unit increases ceteris paribus the probability of providing a positive evaluation of the central government by around 1 percentage points. These results provide strong support for the proposition that citizens who identify strongly with collectivist rather than individualist religions are likely to evaluate their central government positively even after controlling for collectivist norms. In addition, citizens with more collectivist rather than individualist norms are also more likely to evaluate the government positively. We also observe that citizens who prefer

centralized distribution of social welfare are more likely to evaluate their government positively, which is consistent with corollary 1 and reports a marginal effect of 2.4 percentage points. It is worth noting that administrative modernization at the local level increases positive views of the federal center, as does a strong preference for the public character of local government. In all estimations, local government evaluation is statistically significant at the 1 percent level. Moreover, not surprisingly, civil servants show the strongest support for the central government.

TABLE 3: RELIGION, NORMS AND GOVERNMENT EVALUATION

Dependent Variable: Evaluation of the Government						
	(1)	(2)	(3)	(4)	(5)	(6)
Religion and Norms						
Collectivist Religion	0.192**		0.187**	0.193**	0.172*	0.201**
	(0.08)		(0.08)	(0.09)	(0.09)	(0.10)
Collectivist Norms		0.039**	0.038**	0.042***	0.040**	0.034*
		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Religious Identification				0.013	0.011	-0.017
				(0.03)	(0.03)	(0.03)
Governance						
Preference for Centralized Social Welfare						0.110**
						(0.05)
Local Government Support						0.399***
						(0.04)
Employment status						
Entrepreneur						-0.003
						(0.08)
Civil Servant (including the military)						0.151**
						(0.07)
Age and Gender						
25-29					-0.073	-0.079
					(0.08)	(0.09)
30-39					-0.187**	-0.170**
					(0.08)	(0.08)
40-49					-0.092	-0.093
					(0.09)	(0.09)
50-59					-0.113	-0.140
					(0.09)	(0.10)
60 and over					-0.124	-0.159
					(0.11)	(0.12)
Male					-0.028	-0.018
					(0.05)	(0.06)

Education Level						
High School (10-11 years)					0.099	0.123
					(0.09)	(0.09)
Technical College					0.149**	0.152**
					(0.07)	(0.08)
Secondary Special					0.146	0.146
					(0.09)	(0.10)
Incomplete Higher (3-4 years)					0.134	0.163*
					(0.09)	(0.10)
Higher					0.260	0.381*
					(0.20)	(0.21)
City	Yes	Yes	Yes	Yes	Yes	Yes
Observations	*1,967*	*1,967*	*1,967*	*1,897*	*1,885*	*1,689*
Pseudo R-squared	*0.0224*	*0.0223*	*0.0234*	*0.0244*	*0.0280*	*0.0589*
Prob > chi2	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*

Notes: Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Reference group: age under 20 and 20-24, incomplete high school (9 years and less)

TABLE 4: INSTITUTIONAL IDENTITY AND GOVERNMENT EVALUATION

Dependent Variable: Evaluation of Central Government				
	(7)	(8)	(9)	(10)
Religious Identity				
Russian Orthodox Church	0.268***			
	(0.05)			
Chief Rabbinate of Jerusalem		0.242***		
		(0.09)		
Jerusalem Islamic Waqf			0.107	
			(0.13)	
Greek-Orthodox Church of Jerusalem				0.553***
				(0.19)
Religious Identification	-0.180***	0.069	0.047	-0.070
	(0.05)	(0.12)	(0.17)	(0.26)
Governance				
Centralized Social Welfare	0.096	0.134	0.287	0.583
	(0.07)	(0.21)	(0.31)	(0.60)
Local Government Evaluation	0.2780***	0.902***	0.261**	0.493**
	(0.05)	(0.15)	(0.19)	(0.23)
Employment status				
Entrepreneur	0.020	-0.099	-0.475	-0.465
	(0.11)	(0.31)	(0.38)	(0.69)
Civil Servant (including the military)	0.091	0.280	0.346	-0.816
	(0.09)	(0.25)	(0.38)	(0.65)
Age and Gender				

25-29	-0.131	-0.110	-0.110	0.824
	(0.11)	(0.34)	(0.34)	(0.99)
30-39	-0.231**	-0.201	-1.007	0.703
	(0.10)	(0.32)	(0.44)	(1.01)
40-49	-0.213*	0.018	1.085	0.433
	(0.11)	(0.31)	(0.42)	(1.00)
50-59	-0.156	-0.342	-1.146	0.374
	(0.13)	(0.32)	(0.58)	(1.11)
60 and over	-0.069	-0.368	-1.352	
	(0.17)	(0.36)	(0.98)	
Male	-0.076	0.488**	-0.521	-0.490
	(0.08)	(0.19)	(0.36)	(0.53)
Education Level				
High School (10-11 years)	-0.038	0.289	0.522	0.326
	(0.12)	(0.24)	(0.46)	(0.71)
Technical College	0.080	-0.148	0.286	-0.160
	(0.09)	(0.34)	(0.38)	(0.70)
Secondary Special	0.027	0.702***	0.146	
	(0.12)	(0.19)	(0.55)	
Incomplete Higher (3-4 years)	0.261*	0.040	0.531	-0.337
	(0.13)	(0.22)	(0.42)	(0.51)
Higher	0.335	0.840	0.0002	1.09
	(0.28)	(0.10)	(0.59)	(1.09)
Income	1.64e-06	-7.40e-06	0.0001**	-7.6e-05
	(0.00)	(0.00)	(0.00)	(0.00)
Lipetsk	0.503***			
	(0.09)			
Krasnodar	0.212**			
	(0.09)			
Observations	1,104	180	69	35
Pseudo R-squared	0.0519	0.2301	0.1228	0.2511
Prob > chi2	0.000	0.000	0.000	0.000

Notes: Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Reference group: age under 20 and 20-24, incomplete high school (9 years and less)

Specification (8) looks at Judaism. It outlines certain similarities between Russian Orthodoxy and Judaism when the Chief Rabbinate of Jerusalem is the dominant religious institution fulfilling collective ideas about the provision of public goods. Again the coefficient is positive and statistically significant at the 1 percent level. The quantitative effects are quite large. An one scale increase from the mean in the positive evaluation of

the Chief Rabbinate of Jerusalem's social activity produces a 7.7 percentage point increase in a positive evaluation of the activity of the central government. There is no competition between central and local government in Israel, thus preferences for local or central governments emerge as complementary. The higher the coefficient for local government evaluation, the more likely that Israeli Jewish citizen evaluations of the central government will be positive. In the Jewish sector of Israel, and more specifically in the sample collected from the city of Netanya, the government tasks of protecting and implementing civil rights and ensuring citizens' social well-being are more important in shaping the positive evaluation of central government than are the tasks of regulating market and trade or developing and reinforcing the state. In contrast with the results from Russia, here we find that males are more in favor of the central government with a marginal effect for evaluating the state positively at 15.1 percentage points.

Sunni Islam is the focus of specification (9). Our results indicate that a positive evaluation of the Jerusalem Islamic Waqf social welfare activity has a positive effect on citizen perceptions of the central government. However, the coefficient is no longer statistically significant. Another interesting observation is that in Nazareth, positive evaluation of local government is more likely to generate positive attitudes toward the central administrative state of Israel in which Arabs have no particular say. Hence, Arab Muslims in Nazareth may treat good local governance as a positive signal by the Israeli Jewish central government of its intention not to undermine their autonomy but rather to advance self-government in the largest city of the Arab sector. Under conditions of informal autonomy, the Jewish sector views local public goods as both competitive and complementary to central public goods, whereas the Arab sector sees them as complementary only.

Next, we look at Arab Christians (Greek Orthodoxy and Eastern Catholicism) in specification (10). The Greek-Orthodox Patriarchate of Jerusalem, the most ancient Christian institution in Israel, has a major influence both on Israeli politics and the welfare

of Arab Christians, so the positive evaluation of its social welfare activity by Nazarene respondents is a powerful predictor of centralization. The marginal effects are quite large. A one unit increase from the mean in the positive evaluation of the Greek-Orthodox Patriarchate of Jerusalem's social activity produces an 11 percentage point increase in the probability of a positive evaluation of the activity of the state. In line with each of the previous specifications in Table 4, a positive evaluation of the local government has positive externalities with respect to how people evaluate the central government.

VI. CONCLUSIONS

The division of local public goods into contractual and hierarchical implies that religious identity matters for intergovernmental relations and individual preferences for public goods. We therefore examine the influence of religious identity on citizen preferences by investigating the countries of Russia and Israel, two states with very different religious traditions but a similar administrative structure. While in Russia the provision of local public goods is hierarchical, being monitored by both regional and federal authorities, in Israel, local governments enjoy informal autonomy from the center. Hence, in the face of local government efforts to claim higher levels of spending autonomy, local public goods in the Israeli Jewish sector are competitive, whereas those in the Israeli Arab (Muslim and Christian) sector are complementary because of local government efforts to acquire more extensive administrative boundaries.

By administering survey questionnaires in the multifunctional centers providing state and municipal services in Lipetsk, Krasnodar, and Sochi and in local governments in Netanya and Nazareth, we were able to provide valuable new insights into the relationship between religious identity and centralization in societies with Russian Orthodox, Jewish, Muslim, and Arab Christian (Greek-Orthodox and Eastern Catholic) populations.

In collectivist religions, personal identification with a religious identity involving a distinct religious tradition increases central government support. Collectivist norms are also positively correlated with a higher support for the central government. Moreover, positive evaluations of the social welfare mission of the Russian Orthodox Church in Russia and the Chief Rabbinate of Jerusalem, Jerusalem Islamic Waqf, and Greek-Orthodox Patriarchate of Jerusalem in Israel predict positive attitudes toward centralized forms of governance. There is no difference between collectivism and individualism in institutional religious identity. All these dominant religious institutions with their social activities fulfill a key role in communicating and dealing with collective ideas about public goods provision.

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APPENDIX

Governance and Reform in Russian and Israeli Cities

Local administrations in Protestant and Catholic societies are likely to deliver public goods based on social contracts with citizens, which mirror the legalized core of sin and charity that defines Roman Catholic and, even more so, Protestant theology in its Lutheran and Calvinist branches. Local administrations in Muslim and Orthodox societies, on the other hand, treat public goods provision as a guarantee of collective welfare and social justice, meaning that administrative effectiveness in collective religions, rather than signaling government ability to abide by prior obligations, is a manifestation of government commitment to fight poverty and alleviate inequality. Failure to stand by this commitment constitutes the core sin for the Orthodox and Muslim collectives and by extension, for the political communities shaped by their normative principles. The Israeli administrative state combines elements of both contractual and hierarchical public goods, placing Judaism at the midpoint of the collectivism-individualism continuum.

Russia

Local governments in Russia have passed through multiple phases in their financial dependence from Moscow. Blanchard and Shleifer (2000), for example, in a highly accurate analysis, outline the perils for public administration and intergovernmental relations generated by Russia's dysfunctional democracy during the 1990s. They also identify asymmetries in bilateral bargaining between the federal center and Russia's many regions, as well as the differential leverage of regional governors on intergovernmental transfers, which at that time were formally decided by Moscow (Filippov and Shvetsova 1999). In fact, the authors blame Russian local governments' failure to facilitate new firm growth and foster the economy in the same manner as their Chinese counterparts on corruption and rent-seeking by local government officials, combined with deficient central government oversight.

Zhuravskaya (2000) further proposes that revenue-sharing agreements with regional governments offset any positive effects of Russian local governments' revenue accumulation and thus prevented the creation of a self-sufficient revenue base at the local level. This observation underscores how essential fiscal incentives to local governments are for private sector development and economic growth in the Russian regions: if localities do not have the formal and institutional capacity to collect their own money, they cannot provide public goods efficiently. Yet in the 1990s, the creation of a third layer of government in the Russian Federation was expected to reduce widespread corruption at the regional level, with additional decentralization thought to be the most effective choice for an economic system plagued by highly centralized institutions and deficient tax collection. In reality, imperfect central monitoring of regional budgets facilitated the emergence of informal fiscal autonomy at the subnational level at the expense of social welfare, business, and investment climate and revenue accumulation, particularly for the central government (Litwack 2000). In Russia, as Litwack (2000) observes, the standard tradeoff between central control and decentralization does not hold true, meaning that the benefits from decentralized budgetary management must be combined with a set of centralized distributive policies against poverty and inequality. Yet decentralization can only be effective if central control is complementary to regional tax autonomy and offsets the welfare effects of private sector developments in the regions with more social policy for the weaker income strata of the society.

The ongoing administrative reforms in the Russian regions, designed by the federal government and implemented by regional administrations with partial financial support from the

World Bank, have resulted in both the transfer of federal competencies to regional authorities and competency transfers in the inverse direction (i.e., from regional to federal administrative agencies[11]), all based on bilateral written agreements that are binding for both sides. At the same time, the transfer of tax collecting competencies from the federal to regional governments, or from regional to city or district administrations, has created a series of multiple principal-agent relationships across all levels of Russia's federative structure. This multiplicity is particularly evident in the area of social policy where the pension fund remains part of the federal administration but the responsibility for providing special assistance to war veterans and other special groups lies with regional governments, who then use federal budgetary means to deliver goods through their own administrative channels.

Russian regional governments, however, are obliged to apprise the federal government of their progress toward the goals underlying the functions of subnational government institutions, such as local economic development, preservation of constitutional order, rule of law, and unity of state power.[12] Moreover, federal institutions can take up competencies of the regional administration for a temporary period of time in the following cases: (i) natural catastrophe or other emergency situation, (ii) indebtedness of the regional budget, or (iii) provision of illegal subsidies extracted from the federal budget as part of a competency transfer agreement that grants federal powers to a regional administration.[13] Hence, contrary to what might be expected from a normal federal system, the federal government in Russia is entitled to monitor and evaluate the performance of regional governments rather than the other way around. At the same time, the obligation of regional governments to report to the Russian President on budgetary implementation and policy targets achieved is highly analogous to the report obligations of managers to planners under the Soviet system of incentives – both old and new – and central planning. The main difference between the 1990's era and today is that under Putin, the central planning of the federal government has been reduced to public administration and excludes small

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[11] State Duma of the Russian Federation. "On General Principles for the Organization of Legislative and Executive State Organs of the Russian Federation Subjects", *Federal Law* No. 184, October 6, 1999: Article 26.8 (in Russian).
[12] Ibid: Articles 26.3.2 and 1. Article 26.3.2 was introduced as an addition to the original text by *Federal Law* No. 284, December 29, 2006 (in Russian).
[13] Ibid: Article 26.9.1.

and medium production units and larger conglomerates. The implementation of this centralized monitoring system, which originates at the federal level, assumes that the federal government is much more efficient in resource extraction than its regional, let alone local, counterparts.

In Russia, however, the emergence of local government institutions in Russia was not meant to constrain the mandate of the federal government and reduce its control, a practice followed by EU institutions through the principle of subsidiarity. On the contrary, the federal government in Russia has taken serious steps toward the modernization of regional and local administrations in order to compensate the welfare losses induced by the centralization of all major political and economic competencies. This conditionality tradeoff between centralization and decentralization is reflected in recent legal initiatives that have come into force as formal laws. These latter include budgetary and informational statutes that grant citizens further access to data or additional individual and social rights as a mechanism for checking on their local governments.[14] At the same time, such detailed enumerations of local government functions and the rights of citizens at the local level – including declaration by referendum, law-making proposals, accountability of city council members, regularity of elections, budgetary discipline, and other institutions of collective action – in no way constitute elements of decentralization.[15] Rather, they are intended to correct or minimize the informational inefficiencies that once hampered central control in Russia both under central planning and during the early transition.

In this manner, modernization as partial decentralization has improved the quality of public goods delivered while increasing the monitoring capacity and set of competencies transferred to Moscow. Most particularly, separating regional and local politics from competitive pressures on public budgeting has neutralized subnational political competition in favor of the federal center. Because a substantial portion of regional and local competencies are federal competencies delegated to those authorities, the ease with which the center can empower or weaken a regional governor or mayor is self-evident, and federal subsidies to regional and local budgets serve as a key instrument in Russian intergovernmental relations.[16]

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[14] State Duma of the Russian Federation. "On Granting Informational Access to the Activity of State and Local Organs", *Federal Law* No. 8, February 9, 2009 (in Russian).
[15] State Duma of the Russian Federation. "On General Organizational Principles of Local Self-Government in the Russian Federation", *Federal Law* No. 131, October 6, 2003 (in Russian).
[16] Ibid: Article 18.2.

The most recent law on local self-government continues the same logic of administrative development in Russian intergovernmental relations.[17] First, the same system of subsidies that preserves regional government dependence on Moscow also holds for the budgets of local governments, which are reliant on subsidies from the regional center.[18] Second, although the provision of state and municipal services may occur formally at the local level, the management and financing of this transformation takes place purely on the regional level and is effected through federal budgetary means. Indeed, the emergence of municipal services as a distinct category in public goods provision not only signals the hierarchical expansion of the Russian government but confirms that higher transparency at lower levels of government increases the federal center's monitoring capacity.

These municipal, as well as state, services are provided at multifunctional centers (MFCs) designed as autonomous administrative units that interconnect public agencies at all levels of government responsible for delivering services to citizens. These centers, whose reach is constantly expanding beyond major Russian cities like Moscow, St. Petersburg, Novosibirsk, and Kazan,[19] deliver myriad services, ranging from electronic governance (e.g., the introduction of advanced informational systems into pension delivery and social assistance) to unemployment bonuses to the certification of environmentally friendly businesses.

In the newly centralized Russian state, therefore, local government has emerged as a new but overly constrained actor. On the one hand, it has (often significant) political visibility in the system of Russian intergovernmental relations and receives immense budgetary support from federal and regional authorities. On the other, the mayor or district head can easily be replaced in the case of public mismanagement or administrative failures whose origins actually lie in pathologies of central planning far beyond this official's reach. In that sense, local government heads, who fulfill most of the mandates related to their citizenry and receive budgetary support for that purpose, are accountable to both their regional and federal counterparts.

At present, MFCs in the 35 Russian regions number about 50, but this figure is constantly growing, with 79 percent of the costs of center creation and maintenance coming from regional

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[17] State Duma of the Russian Federation. "On the Delivery Organization of State and Municipal Services", *Federal Law* No. 210, July 27, 2010 (in Russian).
[18] Ibid: Article 2.1. Also see Articles 71–72 of the Constitution of the Russian Federation.
[19] Ibid: Articles 2 and 3.

budgets and only 21 percent from the federal budget.[20] As a result, the responsiveness of local administration to citizen demands has increased, and the introduction of private sector practices through the single-window system is raising the operational standards for an administrative state historically considered archaic, ineffective, and distant from its citizens' direct needs. In fact, MFCs have established a significant precedent on how local governments should work, with reduction in transaction and budgetary costs for regional and city administrations, minimization of low-level administrative corruption, and efficient pooling of financial resources from all levels of government exemplifying the attainment of administrative reform.[21] The reinforcement of city governments in the provision of public goods is also positive for citizens living in villages or remote areas who traditionally never enjoyed the same access to public goods and social services as urban residents, particularly during Soviet times.

Although social welfare services constitute a major percentage of the services delivered in MFCs, the common distinction noted in the MFCs visited for this research was that some are specialized for social welfare services and others for land privatization and business licensing. Obviously, in cities like Lipetsk or Tomsk, where the population is at or below the national average living standard, social welfare provision is a first priority; whereas in Krasnodar or Sochi, which have a thriving middle class, land privatization, infrastructural development, and licensing of new SMEs are the primary MFC focus.

The administrative reforms in Russian regions take place under conditions of internal accountability, making local government leaders highly disposable. That is, with or without the regional administration's consent, the federal center can replace these officials for failure to deliver required public goods and social services. Within this context, openness and transparency are used more as internal accountability checks and less as efficiency-maximizing constraints on the utilities of local and regional administrations. Hence, the federal government is both initial instigator and ultimate beneficiary of this modernization process while holding local and regional administrations accountable for negative evaluations. The Russian administrative state has thus

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[20] Ibid.

[21] Regional and city bureaucrats interviewed in Lipetsk, Krasnodar, and Sochi constantly emphasized that administrative reform signals Russia's shift toward the group of advanced national economies.

found an efficient equilibrium that includes positive elements of decentralization in a centralized government.

Israel

The administrative division of Israel into districts and local governments has been influenced by the religious and ethnic conflicts that have been key to its emergence throughout the 20th century. Intergovernmental transfers take two forms: (i) earmarked grants used to finance the fulfillment of delegated competencies from the center to the localities, and (ii) general grants sent by the Ministry of the Interior (Brender 2003). Brender (2003) focuses on the former by examining whether Israeli voters in local elections take into account a mayor's fiscal performance in deciding whether or not to support a candidate. He concludes that fiscal performance had no effect on voters' choices in the 1989 and 1993 elections but played a significant role in the 1998 election for three reasons: (i) the influence of the national parties diminished between 1993 and 1998 as the quality of public goods and social services became more important, (ii) the accounting standards imposed on localities by the Ministry of the Interior reduced information asymmetries between the mayor and the electorate, and (iii) rises in property taxes served as a powerful indicator of a mayor's poor fiscal performance.

The development of local authorities in Israel is largely the outcome of centralized planning and governmental intentionality toward redistribution and immigrant absorption (Spielermann and Habib 1976). Not only is positive responsiveness to public goods and social services conditioned by high-level human resources and the introduction of private sector norms into local governments (Vigoda-Gadot, 2000), but socioeconomic gaps between Jewish and Arab communities, Orthodox and secular Jews, or Ashkenazi and Sephardic Jews provide the basis for institutional and economic partitions within the set of Israeli local governments (Razin 2004). It is thus ethnic and religious divisions that make the study of local governments in Israel so important. Whereas local governments are the only institutions in which Arab citizens can assume leadership and head a community, the central government of Israel allows little policy discretion at the local level (Smooha 1980). Rather, the Ministry of the Interior maintains its monitoring mandate over local budgets, as well as elections for mayors, counselors, and the current administration (Galnoor 2011). Indeed, Galnoor (2011) argues that even local services like education, employment, or social

welfare are in practice regulated by the capital in Jerusalem and that intensive privatization policies and tactical outsourcing to private organizations for public goods provisions reveal the national government's intention to constrain local authorities. This distrust of local institutions has most certainly been aggravated by the ongoing conflict that has undermined many efforts for further consolidation of subnational self-government (Galnoor 2011).

Nevertheless, the introduction of nation-wide municipal elections in 1975 facilitated the emergence of a *strong mayoral* system in which formal centralization is offset by informal decentralization practices, which, although they meet local authorities' demands for more policy discretion and independence from central government, also tend to generate higher budget deficits (Dery 1998). The resulting conflict between the central government's political incentives and the local governments' policy implementation incentives has led to an intermediate equilibrium (Dery 1998): the national center decides on the set of mayoral candidates and the funding available for the mayor's completion of official tasks, and the local authority chooses a spending policy that maximizes the mayor's reelection probability and meets the majority threshold.

Since the early 1980s, local identity has been further consolidated by the inclusion of Arab citizens in the local political process, the emergence of Arab mayors, and the political mobilization of the Arab population in the Islamic Movement, Progressive List for Peace, and Democratic Party (Rouhana and Ghanem 1998). Unlike Jewish local governments, whose political officials reflect the power of national parties and the socioeconomic profile of their voters, Arab local authorities continue to be defined by religious (Muslim vs. Christian), kinship, and family ties, which contributes to the political underdevelopment of the Arab sector and undermines elected officials' incentives for economic and political modernization at the community level (Rouhana and Ghanem 1998). Yet local government autonomy is certainly more important for Arabs than for Jews, more important for Christians than for Muslims within the Arab cluster, and more important for Mizrahi or Orthodox Jews than for secular Ashkenazi Jews within the Jewish cluster.

Overall, the poor financial performance of local governments can be interpreted in two ways: a policy discretion failure that reveals the managerial incompetence of the mayor and local bureaucracy or a central coordination failure stemming from insufficient intergovernmental transfers and overlapping mandates between ministries in central government (Carmeli and Cohen 2001). In Israel, unlike Russia, where local governments function primarily as service

outlets for the federal and regional governments and are held accountable for the shortcomings of their administrative apparatus, monitoring structures have been less efficient and local governments have been shaped more by ethnic divisions, political competition, family, and interest groups.[22] Likewise, whereas in Russia, the higher level of centralization facilitates local public goods provision by enabling regional and federal authorities to replace incompetent local bureaucrats, in Israel, individual preferences for more public goods are compensated by local government independence and direct replacement by citizens. At the same time, religion influences both citizen demand for public goods and the perceived effectiveness of local governments in the provision of public goods. Nevertheless, whereas Russian Orthodoxy, Greek Orthodoxy, Eastern Catholicism, and Sunni Islam all lead to individual preferences for more public goods and local governments that are fully monitored by the center, Judaism generates only a moderate demand for public goods and the informal autonomy of local governments from the center.

[22] This political economy explanation refers to what Yiftachel (1997) terms *fractured regions*.

FIGURES

FIGURES A1: INCOME DISTRIBUTION

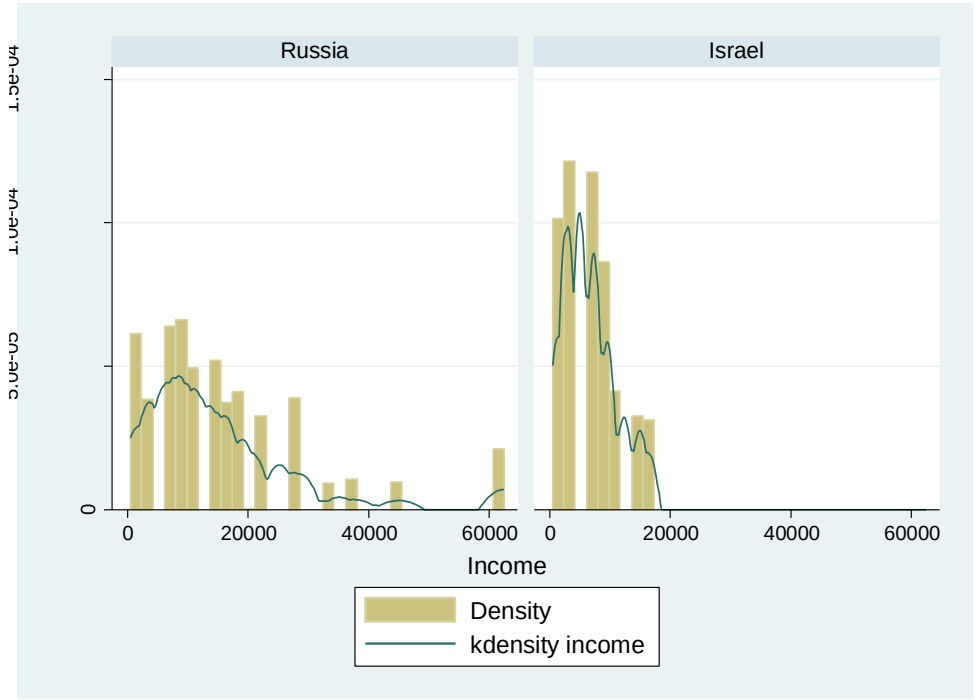

Figure A2: Lorenz Curve

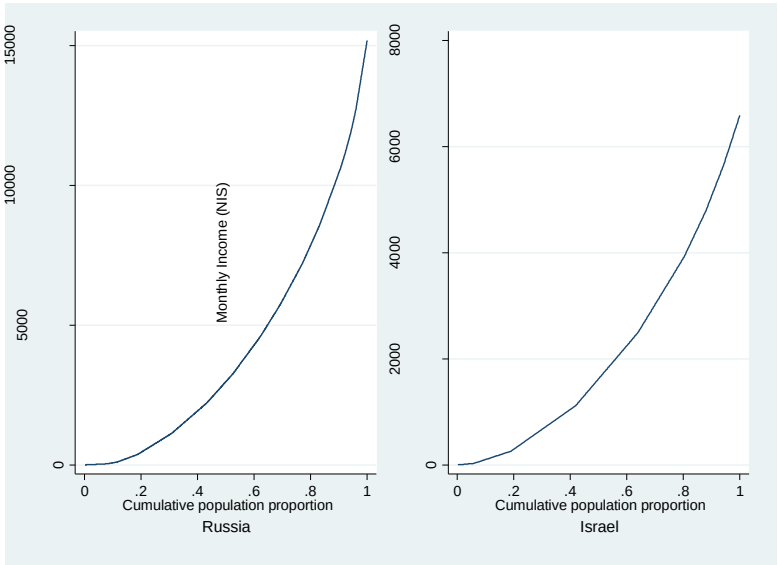

TABLE A1: MARGINAL EFFECTS FOR SPECIFICATIONS 3 TO 6 IN TABLE 3

	(3)					(4)					(5)					(6)				
Outcome	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Collectivist Religion	-0.032	-0.04	0.022	0.039	0.01	-0.033	-0.041	0.024	0.04	0.01	-0.029	-0.037	0.021	0.036	0.009	-0.031	-0.045	0.026	0.042	0.008
Collectivist Norms	-0.006	-0.008	0.004	0.008	0.002	-0.007	-0.009	0.004	0.009	0.002	-0.006	-0.009	0.004	0.009	0.002	-0.005	-0.008	0.004	0.007	0.002
Religious Importance						-0.002	-0.003	0.001	0.003	0.001	-0.002	-0.002	0.001	0.002	0.001	0.002	0.004	-0.002	-0.004	-0.001
Centralized Social Welfare																-0.016	-0.025	0.012	0.024	0.005
Local Government Evaluation																-0.058	-0.092	0.045	0.087	0.018
Entrepreneur																0.000	0.001	-0.000	-0.001	0
Civil Servant (including the military)																-0.02	-0.035	0.014	0.034	0.008
25-29											0.012	0.016	-0.008	-0.016	-0.004	0.012	0.018	-0.01	-0.017	-0.003
30-39											0.031	0.04	-0.023	-0.039	-0.01	0.026	0.038	-0.021	-0.036	-0.007
40-49											0.015	0.02	-0.011	-0.019	-0.005	0.014	0.021	-0.011	-0.02	-0.004
50-59											0.019	0.024	-0.014	-0.024	-0.006	0.022	0.032	-0.018	-0.029	-0.006
60 and over											0.021	0.027	-0.016	-0.026	-0.006	0.025	0.035	-0.022	-0.033	-0.006
Male											0.004	0.006	-0.003	-0.006	-0.002	0.003	0.004	-0.002	-0.004	-0.001
High School (10-11 years)											-0.015	-0.022	0.009	0.022	0.006	-0.017	-0.029	0.011	0.028	0.006
Technical College											-0.022	-0.033	0.013	0.033	0.009	-0.02	-0.035	0.014	0.034	0.008
Secondary Special											-0.021	-0.033	0.012	0.032	0.009	-0.019	-0.034	0.013	0.033	0.007
Incomplete Higher (3-4 years)											-0.02	-0.03	0.012	0.03	0.008	-0.021	-0.038	0.014	0.037	0.008
Higher											-0.034	-0.059	0.015	0.059	0.018	-0.042	-0.089	0.015	0.091	0.025
Lipetsk	0.013	0.018	-0.009	-0.018	-0.005	0.01	0.014	-0.007	-0.014	-0.004	0.015	0.021	-0.011	-0.02	-0.005	0.082	0.111	-0.069	-0.104	-0.02
Krasnodar	0.071	0.081	-0.053	-0.08	-0.019	0.069	0.079	-0.052	-0.078	-0.018	0.064	0.075	-0.049	-0.073	-0.017	0.131	0.142	-0.117	-0.133	-0.023
Sochi	0.108	0.105	-0.084	-0.105	-0.024	0.104	0.103	-0.082	-0.102	-0.022	0.096	0.099	-0.077	-0.097	-0.021	0.193	0.162	-0.172	-0.157	-0.026
Netanya	-0.048	-0.081	0.019	0.083	0.028	-0.052	-0.09	0.019	0.093	0.031	-0.052	-0.093	0.019	0.095	0.031	-0.035	-0.067	0.02	0.066	0.016