Twitter Thread by Jared Rubin

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Excited we finally have a draft of this paper, which attempts to provide a 'unifying theory' of the long economic divergence between the Middle East & Western Europe

As we see it, there are 3 recent theories that hit on important aspects of the divergence...

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> New CEPR Discussion Paper - DP15802
> Culture, Institutions & the Long Divergence@albertobisin @nyuniversity, Jared Rubin @jaredcrubin @ChapmanU, Avner Seror @SerorAvner @amseaixmars @univamu, Thierry Verdier @PSEinfohttps://t.co/lhs6AJb7jE#CEPR_DE, #CEPR_EH, #CEPR_ITRE pic.twitter.com/FtMzAELljJ
>
> — CEPR (@cepr_org) February 14, 2021

One set of theories focus on the legitimating power of Islam (Rubin, @prof_ahmetkuru, Platteau). This gave religious clerics greater power, which pulled political resources away form those encouraging economic development

But these theories leave some questions unanswered...
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Religious legitimacy is only effective if people
care what religious authorities dictate. Given the economic consequences, why do people remain religious, and thereby render religious legitimacy effective? Is religiosity a cause or a consequence of institutional arrangements?

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Another set of theories focus on the religious proscriptions of Islam, particular those associated with Islamic law (@timurkuran). These laws were appropriate for the setting they formed but had unforeseeable consequences and failed to change as economic circumstances changed

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There are unaddressed questions here, too

Muslim rulers must have understood that Islamic law carried proscriptions that hampered economic development. Why, then, did they continue to use Islamic institutions (like courts) that promoted inefficiencies?

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A third set of theories focuses on constraint on executive power. Blaydes & Chaney argue that slave soldiers gave Muslim rulers enough power that they had less incentive to delegate power to local elites, who could more effectively provide revenue but wanted rights in return

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A question arises here, too

if Muslim rulers were sufficiently powerful, why
should they have been afraid to delegate authority to (non-religious) elites? A ruler with a monopoly on violence should not fear such elites and could increase tax revenue by delegating power

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Our model attempts to unify these theories, in the process resolving these issues and addressing others in the process

Our model focuses on the *joint* dynamics of culture and institutions

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Culture (religious or not) is transmitted intergenerationally, and investment in religious infrastructure is chosen by rulers

The strength of religious legitimacy is a function of both the 'legitimating technology' of the clerics and the fraction of society that is religious

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In this straight-forward setup, it becomes clear that two equilibria emerge in which culture and institutions *reinforce each other*

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In the 'religious equilibrium', rulers provide clerics w religious infrastructure (enjoyed by all who are religious), clerics legitimate, & the religious expend resources to transmit religious values to children

This is more likely to emerge when legitimating tech is strong

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This helps resolve one puzzle. In the equilibrium where clerics play a key role in politics, it is in parents interest to transmit religious values, which makes religious legitimacy all the more potent, and so on

This is true *in spite of* the negative economic consequences

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This also helps address why rulers continued to use Islamic institutions (like courts) that promoted inefficiencies

Since this equilibrium was self-reinforcing, laws and institutions that were at one time beneficial persisted even after they hampered economic activity

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We then consider when a ruler will yield political power (and a share of tax revenue) to other elites in return for greater overall tax revenue

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It follows from the base model that a ruler will only want to decentralize political power when they have little religious legitimacy

In this case, decentralization reinforces a 'secular' equilibrium in which clerics have little power and people are not very religious

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This helps explain why Muslim rulers, even with their slave soldiers, did not simply decentralize some power in return for tax revenue. Doing so would have undermined the equilibrium where (highly effective) religious legitimacy was important

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In short, we bring in insights from three major recent sets of theories of 'the long divergence' and show how they interact with each other

This is by no means meant to supersede any of the theories; indeed, it builds on them!

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