

Forbidden Fruits: The Political Economy of Science, Religion, and Growth

ROLAND BÉNABOU

Princeton University, NBER, CEPR, IZA, BREAD, and briq

DAVIDE TICCHI

Marche Polytechnic University

and

ANDREA VINDIGNI

University of Genova and IZA

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We study the co-evolution of religion, science, and politics. We first uncover, in international and U.S. data, a robust negative relationship between religiosity and patents per capita. The model then combines: (1) scientific discoveries that raise productivity but sometimes erode religious beliefs; (2) a government that allows innovations to diffuse, or blocks them; (3) religious institutions that can invest in doctrinal reform. Three long-term outcomes emerge. The “Western-European Secularization” regime has declining religiosity, unimpeded science, and high taxes and transfers. The “Theocratic” regime involves knowledge stagnation, unquestioned dogma, and high religious-public-goods spending. The “American” regime combines scientific progress and stable religiosity through doctrinal adaptations, with low taxes and some fiscal-legal advantages for religious activities. Rising income inequality can, however, empower a Religious-Right alliance that starts blocking belief-eroding ideas.

Key words: Science, Discovery, Innovation, Progress, Knowledge, Religion, Secularization, Tolerance, Religious right, Theocracy, Politics, Populism, Denialism, Inequality, Redistribution.

JEL Codes: E02, H11, H41, O3, O43, P16, Z12

“For an economy to create the technical advances that enabled it to make the huge leap of modern growth, it needed a culture of innovation, one in which new and sometimes radical ideas were respected and encouraged, heterodoxy and contestability were valued, and novelty tested, compared, and diffused if found to be superior by some criteria to what was there before.” (Mokyr, 2012, p. 39).

“To keep ourselves right in all things, we ought to hold fast to this principle: What I see as white I will believe to be black if the hierarchical church thus determines it.”

(Ignatius de Loyola, founder of the Jesuit order – Spiritual Exercises (1522–1524), 13th Rule).

The editor in charge of this paper was Thomas Chaney.

“All that stuff I was taught about evolution and embryology and the big bang theory, all that is lies straight from the pit of Hell... It’s lies to try to keep me and all the folks who were taught that from understanding that they need a savior... You see, there are a lot of scientific data that I’ve found out as a scientist that actually show that this is really a young Earth. I don’t believe that the earth’s but about 9,000 years old. I believe it was created in six days as we know them. That’s what the Bible says.”

Rep. Paul Broun (R-Ga.), member of the House Committee on Science, Space, and Technology, 2012.

1. INTRODUCTION

Throughout history, there have been periodic clashes between scientific discoveries and religious doctrines, and even today such conflicts remain important in a number of countries. In such cases the arbiter is often the State, which can allow the diffusion of the new knowledge, or on the contrary try to repress and contain it to protect religious beliefs. Its choice depends in particular on whether its power base and class interests lie more with the secular or religious segments of the population, and thus on the general level of religiosity as well as the distribution of productive abilities among agents. There is therefore a two-way interaction between the dynamics of scientific knowledge and those of religious beliefs, which broad evidence suggests can lead to very different long-term outcomes across countries.

As further motivation for the economic importance of the issue, we carry out a simple empirical exercise, with rather striking results: across countries as well as across U.S. states, there is a clear negative relationship between religiosity and innovation (patents per capita). This finding is quite robust, and in particular unaffected by controlling for the standard variables used in the literature to explain patenting and technological innovation.

To shed light on the workings of the science-religion-politics nexus, we develop a model with three key features: (i) the recurrent arrival of scientific discoveries that, if widely diffused and implemented, generate productivity gains but sometimes also erode valued religious beliefs, by contradicting important aspects of the doctrine; (ii) a government that can allow such ideas and innovations to spread, or spend resources to censor them and impede their diffusion. Through fiscal policy or laws regulating conduct, it also arbitrates between secular public goods and religious (belief-complementary) ones; (iii) a “Church” or religious sector that can, at a cost, undertake an adaptation of the doctrine—reinterpretation, reformation, entry of new cults, etc.—that renders it more compatible with the new knowledge, thereby also alleviating the need for blocking by the State.

The game then unfolds as follows. Each generation, living for two periods, is composed of (up to) four social classes, corresponding to the religious/secular and rich/poor divides. At both stages of life they compete for power, which may involve forming strategic (coalition-proof) alliances with others. The candidate or leader of the group that emerges victorious governs the State, implementing his preferred policy. In the first period (youth), policy choice is over the control of knowledge, namely whether to set up a repressive and/or propaganda apparatus that will block belief-eroding discoveries emanating from the sciences. This decision is forward-looking, taking into account the Church’s repairing strategy, and how an erosion of religiosity would affect subsequent political outcomes. In the second period (old age), more short-run policies are chosen: these may be fiscal, such as public spending and its allocation between secular public goods (or transfers) and subsidies (or tax exemptions) for religious activities, or social, such as the conformity of society’s laws to religious views. After each generation dies, a new one inherits its predecessor’s final stocks of scientific and religious capital.

We characterize the outcome of these strategic interactions and the resulting dynamics of scientific knowledge, TFP, and religious beliefs. We show in particular the emergence of three basins of attraction: (1) a “Western-European” or “*Secularization*” regime, with unimpeded scientific progress, declining religiosity, a passive Church and high levels of secular spending; (2) a “*Theocratic*” regime with knowledge stagnation, persistently extreme religiosity, a Church that makes no effort to adapt since beliefs are protected by the State, and a very high subsidization of the religious sector; (3) in-between these two, an “*American*” regime that generally combines scientific progress with stable, intermediate religiosity: the State does not block new knowledge but still implements fiscal or legal policies benefiting religion, and conversely religious institutions find it worthwhile to invest in doctrinal repair.

Using a simple quantitative version of the model as a five-state Markov process, we then study the medium-run (25 years) transitions between these (*religiosity, innovation*) states, and the resulting long-run distribution. The latter is trimodal, reflecting the above three main regimes. A country starting in the “American” mode has probabilities of 17% and 20% per generation of transitioning in the secular or theocratic direction, respectively. These include probabilities of 8% and 5% of moving to the “strongly secular” state, where religiosity erodes unrepaired, or the “strongly theocratic” one, where threatening scientific ideas are blocked. Both have a high persistence (80%), making them the other modes of the distribution.

Finally, we analyse how income inequality interacts with the religious/secular divide, and how this affects equilibrium dynamics. In the “American” regime, rising inequality fosters the emergence of a *Religious-Right coalition* between religious rich and religious poor, which then starts blocking belief-eroding ideas. Inequality is thus harmful to knowledge and growth, by inducing obscurantist, anti-science attitudes and policies.

1.1. *Related literature*

Within the literature on the political economy of growth, the most closely related papers are those in which governments resist the adoption of technological innovations, due to pressure from vested economic interests (Krusell and Ríos-Rull, 1996; Parente and Prescott, 1999; Restuccia, 2004; Bellettini and Ottaviano, 2005; Acemoglu and Robinson, 2006; Bridgman *et al.*, 2007). Through the “adaptation” work of the Church, the article also relates to those in which new technologies diffuse only slowly because they require costly learning (Chari and Hopenhayn, 1991; Caselli, 1999). Unlike previous work we focus on fundamental science rather than specific devices, and on religious beliefs as a *coevolving* form of (social) capital, occasionally threatened by new discoveries. Our study thereby relates to historical work on scientific-economic progress and religion, such as (Koyré, 1957; Mokyr, 1998, 2004; Landes, 1998; Greif, 2005; Chaney, 2011, 2016; Deming, 2010; Saleh, 2016; Rubin, 2017; Kuru, 2019).

Our work also contributes to the literature on distributional politics and institutional persistence (*e.g.* Bénabou, 1996, 2000; Acemoglu and Robinson, 2008; Persson and Tabellini, 2009; Acemoglu *et al.*, 2011). We focus on a very different source of endogenous persistence, however, namely a population’s religiosity. In this respect, the paper relates to work on the dynamics of political beliefs and culture (*e.g.* North, 1990; Greif, 1994; Piketty, 1995; Bisin and Verdier, 2000; Alesina and Angeletos, 2005; Bénabou and Tirole, 2006; Tabellini, 2008, 2010; Bénabou, 2008; Doepke and Zilibotti, 2008; Saint-Paul, 2010; Ticchi *et al.*, 2013; Alesina and Giuliano, 2015; Guiso *et al.*, 2016).

Finally, the article belongs to the literature on the economic determinants and consequences of religiosity, pioneered by Weber (1905). Modern contributions include Barro and McCleary (2003) and Guiso *et al.* (2003), both linking religious beliefs to growth-related attitudes, at the country and individual levels respectively; on the theoretical side, see Levy and Razin (2012, 2014).

Cavalcanti *et al.* (2007), Glaeser and Sacerdote (2008), Becker and Woessmann (2009), Kuran (2011), and Botticini and Eckstein (2012) examine the relationships between religion and human or physical capital accumulation. Iannaccone *et al.* (1997), Swatos and Christiano (1999), and Berger *et al.* (2008) debate the “secularization hypothesis” (as societies modernize, they will become less religious), with emphasis on the U.S. versus Western Europe contrast. Roemer (1998), Scheve and Stasavage (2006), and Huber and Stanig (2011) examine how (exogenous) religiosity affects redistribution.

Sections 2 and 3 present *motivating evidence*, including our empirical findings. Section 4 develops the basic model, which Sections 5 and 6 solve for equilibrium behaviours and the co-evolution of religiosity and knowledge. Section 7 combines belief and income differences, studying how inequality shapes political coalitions and science policies. Section 8 concludes. Main proofs are in Appendix B, additional ones and extensions in Online Appendices C to F.

2. HISTORICAL AND CONTEMPORARY EXAMPLES

Table 1 summarizes important instances of conflicts between religion and science, often initially arbitrated in favour of dogma by the ruling powers, and sometimes resolved through doctrinal adaptations. They serve to concretely demonstrate the notions of “blocking” and “repairing” central to the model, which in turn will be used to shed light on some of this evidence.

• **Historical cases.** Appendix A discusses these instances in more detail. While some are broadly known (Galileo’s trial, Darwinism), others much less so, both for the Christian World (bans on Aristotle’s “heretical” works, infinitesimal calculus, and atomism; opposition to Newtonism and to technical education) and in the Muslim one (centuries-long ban on printing, opposition to “foreign” knowledge). Also less known is how such blocking delayed the Industrial Revolution in more intensely Catholic areas of Europe, and how the attitudes that took hold in the Muslim world in the 11th century are still apparent in very low rates of publishing, translation and innovation.¹ The [Muslim World Science Initiative Report \(2015\)](#) thus compared O.I.C. countries to others with similar levels of GDP per capita. While noting some recent “takeoffs” such as Malaysia and Jordan, its main assessment was that “overall, we find the Muslim world to be lagging behind on most, if not all, indicators of scientific output and productivity.”

• **Science, religion, and politics today.** Table 1 also shows that these issues are neither obsolete, nor specific to any religion. The U.S. is a striking case of a rich and technologically advanced country where creationism is taught in 15–20% of schools, many textbooks promote climate-change skepticism, and a powerful alliance of religious conservatives and small-government interests—the “*Religious Right*”—has exerted growing political influence, impacting research in the Life and Earth sciences. Upon his election, owed importantly to this constituency, President George W. Bush severely restricted federal funding for embryonic stem-cell research, invoking in explicitly religious terms the sacredness of all human life. In his second term, his first veto struck down the Stem Cell Research Enhancement Act.² Religious conservatives were again critical in the election of President Trump and Vice President Pence (81% of White Evangelicals voted for the ticket), both of whom have often expressed counter-scientific attitudes about climate change, evolution, vaccines, and viruses. Their administration’s first (2018) budget request to

1. Hoodbhoy (2007) reports that the top 46 countries in the Organization of Islamic Cooperation (O.I.C.) combined produced 1.17% of world scientific literature, versus 1.48% for Spain. In the 1970’s, the total number of books translated into Arabic was one-fifth that for modern Greek (United Nations, 2002 *Arab Human Development Report*). In the 1980’s, over a five-year period, only 4.4 books per million inhabitants were translated in the Arab world, versus 519 for Hungary and 920 for Spain (Diner, 2009).

2. Only eight years later, a long time in modern research, were the restrictions lifted by President Obama.

TABLE 1
Knowledge blocking, doctrinal repair, and consequences

Context	Blocking	Repairing	Consequences	References
Establishment (380 A.D.) and consolidation of Christianity as official religion of Roman Empire	Hellenistic traditions of free inquiry and debate in science and philosophy increasingly repressed. Knowledge made subservient to dogma	Late Middle Ages, Renaissance	“Long Sleep of Reason” in the Western World: intellectual and scientific stagnation	Freeman (2005)
Europe, 12th Century	Aristotle’s “lost works”: (Physics, On the Soul, On Generation and Corruption, Metaphysics, Meteorology, On the Heavens): banned, penalty of excommunication	13-14th Century, “Aquinian Synthesis” of faith and reason. Becomes new Church dogma		Deming (2010)
Europe, 15th Century	Copernican revolution, heliocentrism, atomism, infinitesimals...: banned as heretical. Inquisition trials of scientists (Galileo, Bruno), self-censorship by others (Descartes)	Enlightenment (18th century). Church allows heliocentrism to be taught in 1822, concedes it in 1992	Decline of innovation in Catholic lands. Shift of Scientific Revolution to Northern Europe, Protestant countries	Trevor-Roper (1967), Gusdorf (1969), Landes (1998), Young (2009), Mokyr (2016)
Europe, 17th-19th Century	Newtonism, Scientific Revolution, “mechanical” laws of nature, technical education in primary schools, vaccines: opposed by Catholic Church	Newtonism accepted relatively quickly by Church of England	Long-lasting delays in technology adoption, especially for Industrial Revolution (France, Italy, Spain)	Jacob and Stewart (2004) Vidal-Robert (2014), Squicciarini (2020)
Consolidation of Islam following its conquests, starting in 11th Century, “Sunni Revival”	Printing: banned soon after Gutenberg’s invention, upon penalty of death (1515). Constantinople observatory destroyed soon after completion (1580)	Significant printing starts only in early 19th century (part of defensive modernization)	Earlier Islamic “Golden Age” gives place to centuries of stagnation. Falling behind the West	Lewis (2003), Deming (2010), Chaney (2011), McClellan and Dorn (2006), Rubin (2017)
Muslim World, 16th–21st Centuries	Darwinism, Human Evolution: teaching forbidden in many US states until 1960’s, creationism taught today in 15-20% of US Muslim countries	Allowed as “possible” by Catholic Church in 1950. Tennessee’s 1925 Butler Act repealed in 1967	Extremely low rates of book publication, translation, scientific productivity, innovation	U.N. Arab Development Report (2002), Hoodbhoy (2007), Diner (2009), Muslim World Science Initiative (2015)
Worldwide, modern era	Contemporary US is notable	Scientific illiteracy. Restrictions on research on stem cell research. Public funds for Creation Museum, “creation science” teaching		NSF Survey (2014), GSS (2006), Sherkat (2011)
Countries with avowedly conservative religious leaders (U.S., Brazil, Turkey, Russia)	Scientific denialism: climate change, epidemiological risks, antivax. Promotion of alternative pseudo-sciences	Unresolved	Major cuts in Earth and Life Sciences. Policy dismissal of expertise: climate, sea levels, Covid-19	Mooney (2005), Science News (2017), Columbia University “Silencing Science Tracker”

Congress featured unprecedented cuts to Federal funding for science: basic research would decline by 13%, with cuts of 22% to the NIH, 11% to NSF, and 22% to NOAA's Office of Oceanic and Atmospheric Research.³ In each year since, it sought to cut the CDC's budget by 10–20% in real terms, and dismantled its Global Health Program for epidemic surveillance. During the Covid-19 pandemic, it repeatedly dismissed the advice of leading epidemiologists, and several of the scientists themselves—as memorably epitomized by the White House spokesperson's words in July 2020: “*The science should not stand in the way of this*”.

Religion–politics–science dynamics are even more powerful at the local level. In 2011, Kentucky allocated over \$40 million in tax incentives for an expansion of the Creation Museum, with a theme park designed to demonstrate the literal truth of the story of Noah's ark. In 2012, a North Carolina law banned its state agencies from basing coastal policies on scientific predictions concerning rising sea levels. As of 2020, fourteen states allow creationism to be taught in schools receiving public funds, eight still ban or limit human stem-cell research, twenty grant religious exemptions from school-required vaccinations, and fifteen allowed religious gatherings to continue, with no size restriction, during the pandemic. In each instance, there is a high correlation with the ranking of most religious states, and we will formally document such a pattern for technological innovation. Another noteworthy pattern is that the rise of the Religious-Right coalition coincided with a sharp and lasting *rise in US income inequality*, especially since the 80's.⁴ Explaining this “coincidence” is another important motivation of our paper.

3. INNOVATION AND RELIGIOSITY ACROSS COUNTRIES AND STATES

To further demonstrate that the interplay of religiosity and innovation is not “just” a historical question, we use international and U.S. data to examine their relationship, both unconditionally and with multiple controls. To our knowledge, these are novel analyses and findings.⁵

3.1. *Cross-country patterns*

• **Data.** We focus on three main measures of religiosity from the World Values Survey (WVS: 1980, 1990, 1995, 2000, 2005, 2010), supplemented by the European Values Study (EVS: 1980, 1990, 2000, 2010): *Religious Person*, *Belief in God*, and *Church Attendance*.⁶ All variables are scaled to [0,1], corresponding to the shares of people who consider themselves religious, believe in God, and attend services at least once a week. To measure innovation, we use (log-) patents per capita. The patent counts, from the World Intellectual Property Organization (WIPO), are total

3. The House spending panel narrowly rejected some of these proposals, approving instead nominal freezes (NSF) or minimal increases (NIH); see [Science News \(2017\)](#).

4. On the rising influence in American politics of the alliance between religious-fundamentalist and anti-government forces, see [Mooney \(2005\)](#), [Phillips \(2006\)](#), [Gelman \(2010\)](#), [Wuthnow \(2011\)](#), [Kruse \(2015\)](#), and [Stewart \(2020\)](#).

5. First, we focus on a specific channel—innovation—whereas [Barro and McCleary \(2003\)](#) studied overall growth. Second, their results vary across measures of religiosity: the association is positive for beliefs in Heaven and Hell, negative for Church attendance. Third, studies using individual data find the reverse pattern. In [Guiso et al. \(2003\)](#), Church attendance is positively associated with trust, trustworthiness and other “societal attitudes... conducive to higher productivity and growth.” In [Glaeser and Sacerdote \(2008\)](#), it is positively associated with human capital, whereas supernatural beliefs and beliefs in the literal truth of the Bible have a strong negative association. Our results are entirely robust to which measure of religiosity is used, and this invariance holds equally across countries, U.S. states, and individual attitudes ([Bénabou et al., 2015](#)).

6. These correspond, respectively, to the questions: (1) “Independently of whether you go to church or not, would you say you are: a religious person, not a religious person, a convinced atheist?”; (2) “Do you believe in God?”; (3) “Apart from weddings, funerals and christenings, about how often do you attend religious services these days?” See the [Supplementary Data Appendix G](#).

patent applications filed in a country by its residents. They are measured in the same six years as the religion data, as are the control variables described further below.

• **Results.** Figure 1a displays the scatterplot between the share of “Religious Person” and the level of innovation, while Columns 1–3 of Table 2 report the regression estimates using all three measures of religiosity: a *strong negative relationship* is clearly apparent in all cases.

We next include as controls a religious-freedom index, plus the main variables used in empirical work on innovation: (1) (log) GDP per capita; (2) (log) population; (3) intellectual property protection; (4) years of tertiary schooling; (5) net foreign direct investment as a share of GDP.⁷ Columns 4–6 of Table 2 report the regressions for all three measures of religiosity, and Figure 1b displays the main result using the first one (the others are in Appendix F), by plotting the residuals of innovation versus religiosity from regressing each on the set of control variables. The strong negative relationship found in the raw data is clearly confirmed.

• **Robustness.** Columns 7–9 add in year fixed effects and Columns 10–12 dummy variables for a country’s predominant religion, namely that (if any) professed by more than half of the population. A number of further robustness checks (see Appendix F) also leave the key findings unchanged, such as: (1) using two other measures of religiosity from the WVS/EVS, namely the country averages of *Importance of Religion*, and *God Very Important*; (2) using total patents per capita, namely those filed in a country by both residents and foreigners; (3) including dummies for current and formerly Communist countries, as well their interactions with religiosity measures;⁸ (4) controlling for the population shares of major religions, rather than which one is dominant. *Across the board*, religiosity is significantly and negatively associated with innovation per capita.⁹

3.2. The U.S.

We now carry out a similar investigation across U.S. states, thus keeping constant many historical and institutional factors that vary across countries.

• **Data.** We use three measures of religiosity, constructed from the 2008 Religious Landscape Survey conducted by the Pew Forum on Religion and Public Life: *Importance of Religion*, *Belief in God*, and *Church Attendance*.¹⁰ Innovation is again measured by (log) patents per capita, defined as the ratio between total patents submitted by State residents to the U.S. Patent and Trademark Office and the State’s population, both in 2007.

• **Results.** A *strong negative relationship* is again evident, both in scatterplots like Figure 2a (Appendix F provides the others) and in the regressions reported in Columns 1–3 of Table 3, for all three measures of religiosity. As in the cross-country analysis, we next control for: (1) the (log) Gross State Product per capita; (2) the (log) population of the State; (3) tertiary education, measured here by the share of population over 25 with at least a Bachelor’s degree; (4) FDI inflows as a share of GSP. The results are reported in Columns 4–9 of Table 3, with the main findings

7. The religious-freedom index is taken from Norris and Inglehart (2011), the index of patent protection from Park (2008), the average years of tertiary schooling from Barro and Lee (2013), while the GDP, the population and the net foreign direct investment all come from the World Development Indicators (WDI).

8. In never-Communist countries, the estimated effect of religiosity on innovation is always significantly negative; in ever-Communist ones, it is always insignificant. See Appendix F, Figures F5a,b and Table F3.

9. These findings were recently confirmed by Osiri *et al.* (2019), using: (1) the Global Innovation Index, which includes not only patents but a combination of 79 input and output variables relating to innovation for 141 countries; (2) a superset of our five religiosity variables from the WVS; (3) alternative controls.

10. Fractions answering: (i) “very important,” when asked “How important is religion in your life?”; (ii) “Yes”, when asked “Do you believe in God or a universal spirit?”; (iii) “at least once a week,” when asked “Aside from weddings and funerals, how often do you attend religious services?” See Data Appendix G.

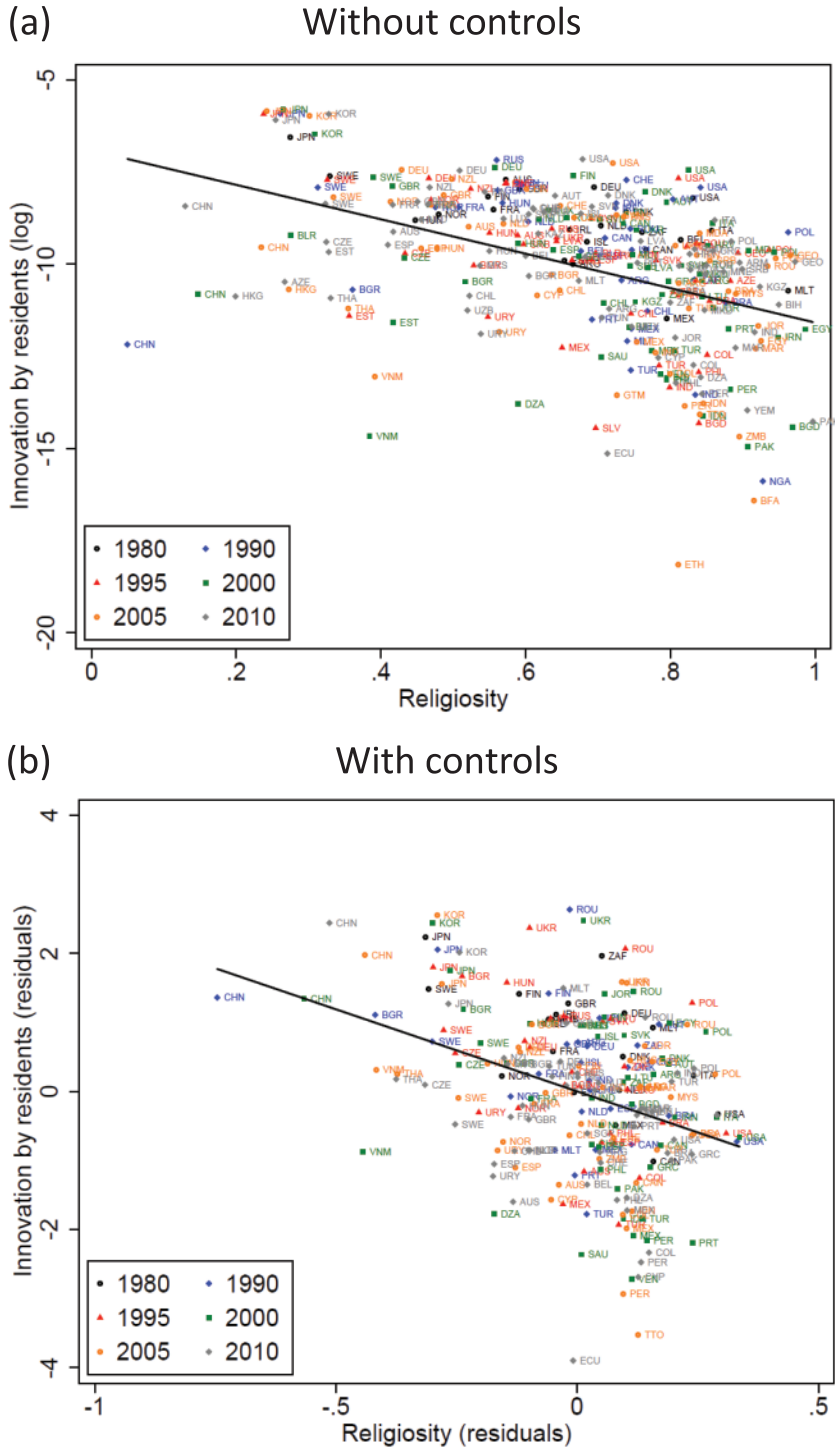


FIGURE 1
Religiosity and innovation across countries

TABLE 2
Religiosity and innovation: cross-country estimates

Dep. var.: Residents' patents per capita (log)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Religiosity	-4.668*** (1.103)			-2.377*** (0.573)	-2.493*** (0.728)	-2.305*** (0.717)	-2.280*** (0.597)	-2.319*** (0.742)	-1.917*** (0.684)	-1.871*** (0.656)	-1.826*** (0.679)	-1.129 (0.798)
Belief in God		-5.309*** (1.307)										
Church attendance			-5.468*** (0.962)									
Religious freedom				0.005 (0.009)	0.015* (0.009)	0.015 (0.01)	-0.005 (0.009)	0.005 (0.009)	0.004 (0.009)	-0.003 (0.012)	0.008 (0.011)	-0.001 (0.013)
GDP per capita (log)				1.082*** (0.171)	1.143*** (0.177)	1.056*** (0.16)	0.754*** (0.182)	0.853*** (0.184)	0.771*** (0.154)	0.875*** (0.187)	0.986*** (0.18)	0.867*** (0.18)
Population (log)				0.128 (0.077)	0.107 (0.077)	0.188** (0.086)	0.068 (0.076)	0.052 (0.075)	0.129 (0.083)	0.103 (0.081)	0.081 (0.069)	0.121 (0.083)
Protection intellectual property				0.105 (0.12)	0.034 (0.124)	0.044 (0.123)	0.608*** (0.173)	0.474*** (0.159)	0.535*** (0.151)	0.536*** (0.177)	0.406*** (0.15)	0.541*** (0.161)
Tertiary education (years)				0.930** (0.457)	0.813* (0.436)	0.806* (0.427)	1.309*** (0.435)	1.171*** (0.409)	1.187*** (0.447)	0.850* (0.455)	0.581 (0.382)	0.844* (0.491)
Foreign direct investment				-0.019* (0.01)	-0.020* (0.012)	-0.014 (0.012)	-0.010 (0.009)	-0.011 (0.010)	-0.005 (0.011)	-0.009 (0.01)	-0.011 (0.012)	-0.006 (0.011)
Protestant (pred.)										-0.068 (0.286)	-0.089 (0.322)	-0.275 (0.314)
Catholic (pred.)										-0.451 (0.282)	-0.515* (0.271)	-0.689** (0.295)
Muslim (pred.)										-0.414 (0.536)	-0.495 (0.542)	-0.642 (0.588)
Orthodox (pred.)										0.589 (0.546)	0.73 (0.545)	0.179 (0.545)
Year fixed effects							YES	YES	YES	YES	YES	YES
Constant	-6.916*** (0.786)	-5.611*** (1.095)	-8.590*** (0.273)	-21.956*** (2.231)	-22.191*** (2.41)	-24.198*** (2.253)	-17.769*** (2.414)	-18.479*** (2.496)	-20.335*** (2.235)	-19.391*** (2.734)	-20.291*** (2.678)	-21.591*** (2.585)
Observations	278	220	281	221	172	224	221	172	224	220	171	222
Adjusted R ²	0.198	0.234	0.324	0.698	0.72	0.69	0.743	0.757	0.728	0.756	0.777	0.739

Notes: OLS estimates. Standard errors (in parentheses) are clustered by country. *Significant at 10%; **significant at 5%; ***significant at 1%.

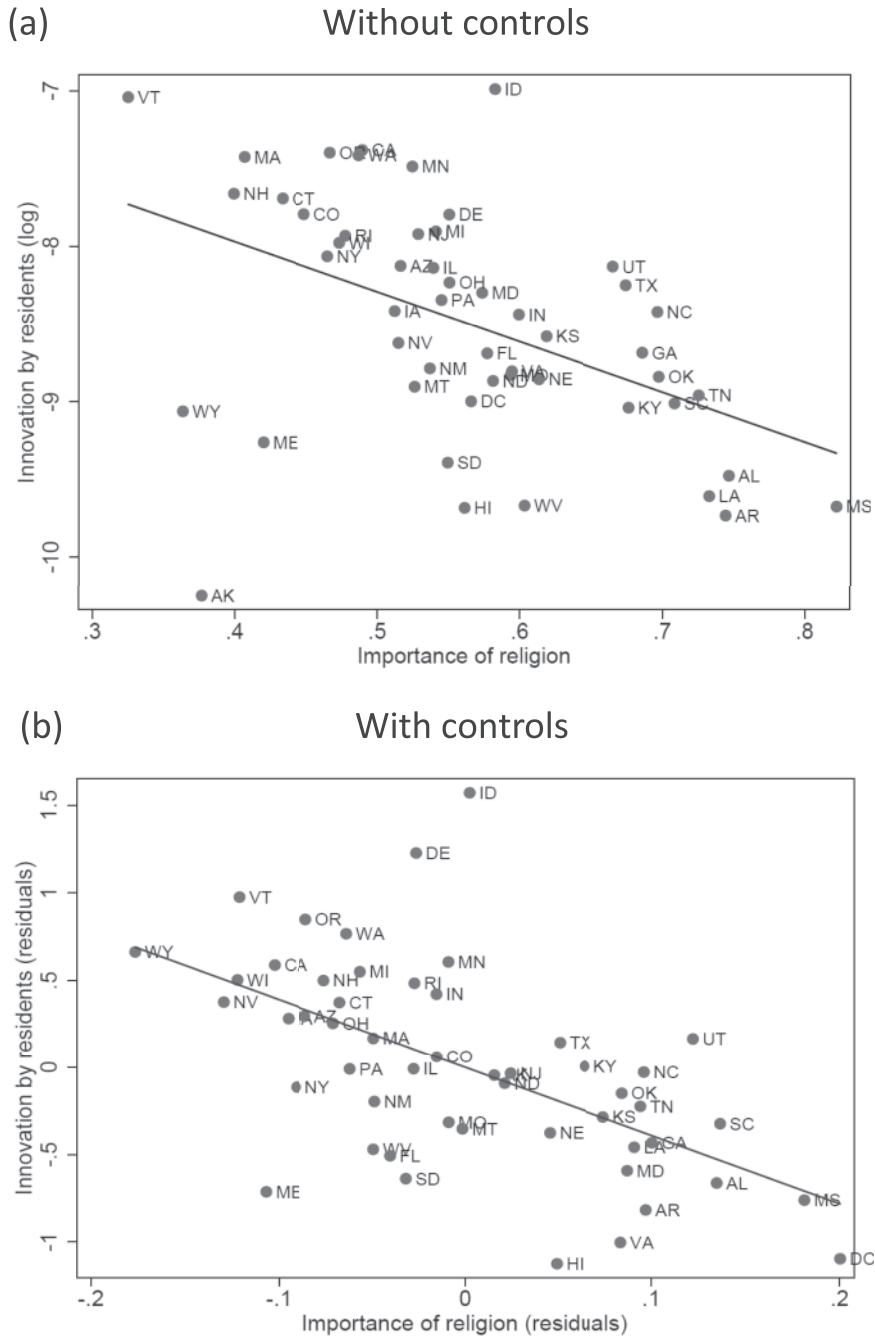


FIGURE 2

Religiosity and innovation across U.S. states

TABLE 3
Religiosity and innovation in the U.S.: cross-state estimates

Dep. var.:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Patents per capita (log)									
Importance of religion	-3.226*** (1.057)			-3.015*** (0.787)			-3.913*** (0.625)		
Belief in God		-12.977*** (3.287)			-8.688** (3.536)			-10.290*** (3.385)	
Church attendance			-2.737** (1.289)			-2.373** (1.111)			-3.181*** (1.067)
GSP per capita (log)				-1.125* (0.588)	-1.061 (0.663)	-1.222* (0.617)	-0.477 (0.489)	-0.569 (0.673)	-0.709 (0.618)
Population (log)				0.260*** (0.078)	0.199** (0.09)	0.237*** (0.085)	0.218*** (0.079)	0.154 (0.094)	0.200** (0.089)
Tertiary education				0.074*** (0.025)	0.078** (0.032)	0.086*** (0.026)	0.035* (0.021)	0.05 (0.032)	0.054** (0.024)
Foreign direct investment							-3.017*** (0.574)	-2.232*** (0.733)	-2.545*** (0.619)
Constant	-6.681*** (0.647)	3.718 (3.128)	-7.422*** (0.55)	-0.551 (5.907)	6.065 (7.258)	-0.227 (6.42)	-5.075 (5.267)	3.886 (7.887)	-3.803 (6.559)
Observations	51	51	51	51	51	51	51	51	51
Adjusted R^2	0.198	0.206	0.101	0.463	0.396	0.386	0.567	0.451	0.456

Notes: OLS estimates. Robust standard errors in parentheses. *Significant at 10%; **significant at 5%; ***significant at 1%.

illustrated in Figure 2b by a scatterplot of the components of innovation and religiosity that are orthogonal to all four control variables. *In all cases*, the strong negative relationship displayed in the raw data is again confirmed. Innovation, unconditional, or conditional, is especially low in the “Bible Belt” states, but the negative association holds *throughout the sample*.

3.3. Remarks

Even with controls, we make no claim of causal identification. First, this would require instrumental variables. Second, our model itself will have causality running both ways.¹¹ Our simple empirics are meant instead to bring to light a *striking fact*, calling for a formal analysis of how innovation and religiosity *coevolve*. Given the historical and modern evidence, the model will first explain how the interplay of science, religion and politics leads societies toward different, recognizable, *long-term* regimes. Second, it will generate, at *almost any* horizon, a negative cross-sectional relationship like that found in the data. Third, and with a *contemporary* focus, it will link rising income inequality to regime-specific shifts in the politics of science.

4. THE MODEL

4.1. Agents and government

• **Preferences and endowments.** The economy is populated by non-overlapping generations of agents living for two periods: youth (t even) and old age ($t+1$ odd). Each generation is formed

11. Using plague outbreaks as an instrument for being a historically more religious area of France, Squicciarini (2020) substantiates the “blocking” causal channel for delayed development during the Industrial Revolution. Using Granger tests on panel data for Church attendance and income per capita (not innovation) from sixteen countries between 1930 and 1990, Herzer and Strulik (2017) find long-run causality running in both directions.

by a continuum of risk-neutral individuals $i \in [0, 1]$, with preferences

$$U_t^i = \mathbb{E}_t [c_t^i + (c_{t+1}^i + \beta^i b_{t+1} G_{t+1})(a_{t+1}/a_t) \mid a_t, b_t], \quad (1)$$

where (c_t^i, c_{t+1}^i) denote agent i 's consumption levels and $\beta^i b_{t+1} G_{t+1}$ the utility which he derives from organized religion. A fraction $1-r$ of agents are “secular”, $\beta^i=0$, whereas $\beta^i=1$ for “religious” individuals, who are in the majority, $r > 1/2$. While the distribution of types is fixed, the *intensity* of religious agents' beliefs during their lifetimes, (b_t, b_{t+1}) , will be endogenous. In old age (for simplicity), beliefs are complementary with a “religious public good” G_{t+1} such as temples, priests, or/and religion-based regulations of social mores.

All real magnitudes such as $c_t^i, c_{t+1}^i, G_{t+1}$, are measured relative to contemporary TFP, denoted a_t in period t , hence the last term in (1). The expectation is taken over next period's levels of TFP and religiosity, which will depend on the occurrence, nature, and implementation of scientific discoveries. In particular, we will model faith not as a probability distribution over some state of the (after)world, but as a durable stock of “religious capital” b_t that may be eroded by certain shocks, and augmented by others.¹²

Until Section 7, we abstract from (re)distributional conflict, focusing solely on secular-religious interactions. Thus all agents have the same income, normalized to the economy's total factor productivity in each period of their life. For any linear income tax rate τ , government revenues (per unit of TFP) will be denoted as $R(\tau)$, and assumed to satisfy standard properties.

Assumption 1. $R(\tau)$ is \mathcal{C}^3 and strictly concave, with $R(0)=0$, $R'(0)=1$, and $R'(\hat{\tau})=0$, where $\hat{\tau} < 1$ is the revenue-maximizing tax rate.

• **Public goods.** During old age ($t+1$), agents potentially value two types of public goods.

1. *Religion-complementary public goods or/and laws.* We refer to G_{t+1} as “religious public goods” for short, but depending on time and place they take a wide variety of forms:

(a) Historically, and still today in many countries (most Muslim nations, Russia, Greece), the government pays directly for priests' salaries, the building and upkeep of temples, and substantially subsidizes religious schools.

(b) Even with Church-State separation, significant tax exemptions are often granted to the religious sector and its subsidiary activities, as in Italy and the U.S.¹³

(c) The decisions at stake may not be fiscal ones but involve the *conformity of society's laws* to religious precepts: mandatory prayers and rituals, restrictions on working certain days, on women's activities, contraception, prohibited types of behaviours and consumptions, etc.

The case where G_{t+1} is directly financed from government revenues is somewhat simpler analytically, so we will focus the exposition on it. We emphasize, however, that the other channels are equivalent to (a), leading to fully parallel results. This is clear for (b), and shown for (c) in

12. For explicit models of religious beliefs as subjective probabilities thus providing microfoundations for b , see Bénabou and Tirole (2006, 2011) and Levy and Razin (2012, 2014).

13. In the U.S., religious organizations are increasingly engaging in commercial ventures (mega-churches, “health-care sharing organizations,” investment funds). Cragun *et al.*'s (2012) conservative estimate of religious “tax expenditures” (excluding exemptions of local income, sales and property taxes, and all charitable deductions for religious giving) was 82 billion dollars for the U.S. in fiscal year 2012. Although a small fraction of total federal spending, this exceeds by 50% the combined budgets of the NSF, NIH, and NASA that year (7, 31, and 19 billion, respectively), and exactly equals the total Federal budget for R&D spending.

Appendix C, where an index $\bar{\tau}_{t+1} \leq 1$ measures the severity of religion-based societal or “moral” restrictions, and $G_{t+1} = b_{t+1}R(\bar{\tau}_{t+1})$ their value to religious agent.¹⁴

(2) *Secular public goods.* The second type of public good, denoted T_{t+1} , is valued equally by those with $\beta^i = 1$ and $\beta^i = 0$: infrastructure, safety, basic education, etc. Alternatively, T_{t+1} may represent public transfers, as in Section 7 where it will be demanded by the poor but not by the rich, thus introducing a second dimension of political conflict. A unit of T_{t+1} is worth $\nu > 1$ units of private good, so the net consumption levels of generation t are

$$c_t^i = 1 - \tau_t \text{ and } c_{t+1}^i = 1 - \tau_{t+1} + \nu T_{t+1}.$$

• **Government budget constraints.** During youth (period t), the State’s only decision, $\chi_t \in \{0, 1\}$, is whether to invest resources in a control apparatus designed to impede the diffusion of ideas deemed dangerous to the faith. The incentives and technology for such blocking are described below. Denoting by φ_t the direct resource cost required to set up a repressive apparatus, the government’s budget constraints at t and $t + 1$ are, respectively,

$$\chi_t \varphi_t \leq R(\tau_t) \text{ and } T_{t+1} + G_{t+1} \leq R(\tau_{t+1}). \quad (2)$$

4.2. Discoveries, productivity growth, and blocking

• **Innovations.** Scientific discoveries occur, with some exogenous Poisson arrival rate λ , during the first subperiod in the life-cycle of each generation.¹⁵ If allowed to disseminate widely each produces, in the second subperiod, advances in practical knowledge and technology that raise TFP from a_t to $a_{t+1} = (1 + \gamma)a_t$. Some new discoveries, however, also contradict professed doctrines and sacred texts’ statements about the natural world (origins of the universe, of mankind, abilities of women, foundations of moral behaviour), thereby undermining the faith of religious agents.¹⁶ We thus distinguish between two main types of discoveries:

- A fraction p_N of them are *belief-neutral (BN)*: these have no impact on b_t .
- A fraction $p_R = 1 - p_N$ are *belief-eroding (BR)*: if they diffuse widely in the population, they reduce the stock of religious capital from b_t to $b_{t+1} = (1 - \delta)b_t$.

While religiosity may benefit from certain applied innovations (*e.g.* televised evangelism), one is hard-pressed to think of major findings from science that had such an effect. Increases in religiosity arise instead from disasters like earthquakes, floods, plagues, or famines, or from colonization and missionary expeditions.¹⁷ We shall therefore introduce belief-enhancing shocks only later on, as events affecting b that may occur *between* rather than *within* generations, independently of scientific discoveries and policies. For the moment, we abstract from them.

14. All that matters is that secular and religious agents have divergent preferences over G_{t+1} . On intergroup conflict over the mix of public goods, see [Alesina et al. \(1999\)](#), [Luttmer \(2001\)](#), and [Alesina and La Ferrara \(2005\)](#); on religious restrictions to individual choices, see [Esteban et al. \(2018\)](#).

15. One could also endogenize λ , but since the diffusion and implementation of ideas will already be endogenous, this would add no further insight. Also, in many historical cases the “impious” ideas originated abroad.

16. The model extends to other ideologies wielding political power (*e.g.* Communism, Nazism), and scientific ideas undermining factual claims of the doctrine. Religion is, however, the most widespread and long-lasting class of valued beliefs, and unique in how its foundational texts bundle positive claims about the workings of the universe with normative claims about the right ways to live and die, both set down “for all eternity.” This is especially true for “revealed” religions, but for others as well, such as Hinduism.

17. For evidence see, *e.g.*, [Chaney \(2013\)](#), [Belloc et al. \(2016\)](#), and [Sinding Bentzen \(2019\)](#).

• **Blocking.** If allowed to disseminate, a *BR* discovery will reduce the utility $b_{t+1}G_{t+1}$ of religious agents, through both its direct erosion of faith and an ensuing reduction in G_{t+1} . If this loss more than offsets the gains to be reaped through higher productivity, a government acting on behalf of religious agents may want to censor or restrict access to the new knowledge. We assume that such blocking can be targeted at *BR* innovations and is then fully effective, so that beliefs and TFP both remain unchanged: $a_{t+1} = a_t$ and $b_{t+1} = b_t$.

To stand ready to quash threatening ideas or impede their diffusion, the State must set up, *in advance*, a repressive or knowledge-garbling apparatus. Past and current examples include the Catholic Inquisition, Islamic religious police, censorship of school lessons and textbooks (or banning printing outright), and the subsidization of a doctrine-friendly pseudoscience: creationism, climate-change denial, anti-vaccination movements, etc.¹⁸ The normalized resource cost φ_t required is assumed to depend only on society's level of knowledge and TFP: $\varphi_t = \varphi(a_t)$, where $\varphi: \mathbb{R}_+ \rightarrow \mathbb{R}_+$ is strictly increasing, with $\bar{\varphi} \equiv \lim_{a \rightarrow +\infty} \varphi(a) < R(\hat{\tau})$ so that repression remains feasible at any level of a . The monotonicity reflects the fact that new knowledge is harder to contain or counteract in a society that is intellectually and technologically more sophisticated.¹⁹ In contrast, the independence of φ_t from b captures the idea that the costs of impeding the flow of free information—censoring, threatening scientists, controlling the press, etc.—are largely unrelated to its contents and the beliefs it might impact.²⁰

4.3. *The church or religious sector*

Besides citizens and the government, there is also a small (zero-measure) set of agents who produce no income but may engage in another type of work. Whenever a belief-eroding discovery diffuses, this player, referred to as the Church or religious sector, can endeavour to “repair” the damage done to the faith. This may occur through internal reform, such as working out a reinterpretation of doctrine more compatible with the new scientific facts. It can also take the form of a major Reformation or schism, or the creation of new sects by faith entrepreneurs. For simplicity, we treat organized religion as a single actor, with utility

$$U_t^C = b_{t+1}G_{t+1} - \rho_t \eta b_t. \quad (3)$$

The Church thus cares primarily about the strength of beliefs b_{t+1} and the provision of complementary goods and services, G_{t+1} , which together generate benefits $b_{t+1}G_{t+1}$ for the faithful. These preferences can indifferently (for our purposes) represent a religious sector that internalizes the spiritual welfare of its brethren or one that *appropriates rents from it*, say by being the main conduit for the delivery or consumption of G_{t+1} .

The second term in (3) reflects the decision $\rho_t \in \{0, 1\}$ of whether to undertake *doctrinal-repair* work, at a cost (per unit of TFP) of ηb_t , where: (1) b_t captures the fact that a larger

18. We assume that the repressive apparatus (or state-subsidized information-garbling, pseudo-science sector) insulates not only religious citizens, but also any government that blocks on their behalf, from learning or properly assimilating *BR* discoveries—e.g., the book is burnt, or confined to an inaccessible Index. One can also reformulate the model's timing so that, instead of its own religious beliefs and scientific knowledge, each generation now molds *those of its children*, internalizing their material and spiritual utility (as in Bisin and Verdier, 2000; Bénabou and Tirole, 2006; or Doepke and Zilibotti, 2008). See Appendix E.1.

19. For instance, the dissemination of information became faster and less controllable with the availability of the printing press, radio, TV, telephones and faxes, the internet, etc.

20. The assumption also serves as a neutral benchmark in which two offsetting effects cancel out: (1) more “explosive” information may be harder to block *per se*; (2) more devout citizens may be more willing to cooperate with politico-religious authorities. More generally, φ should not increase too fast with b .

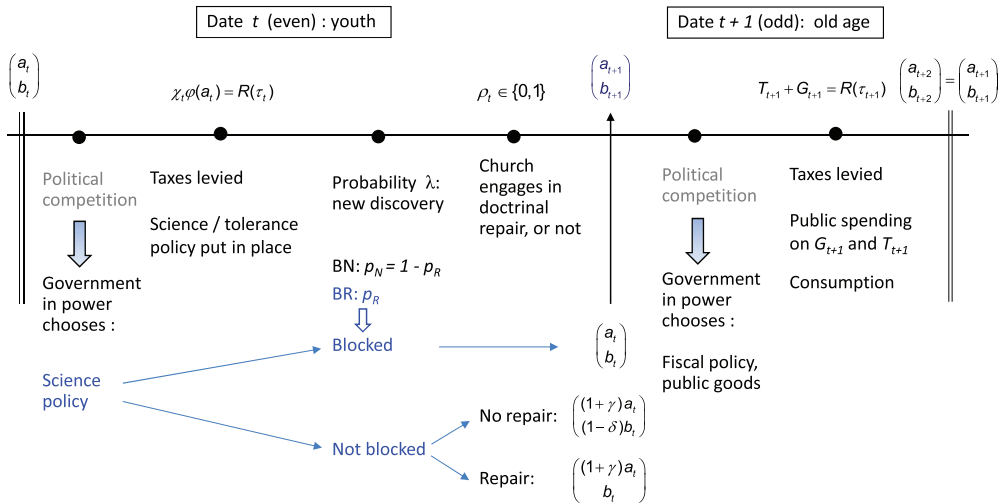


FIGURE 3
Timing of actions and events

stock of religious capital (*e.g.* more devout beliefs) is more expensive to adapt and reform; (2) η parametrizes the difficulty for heterodox interpretations or new sects to emerge, and for people to switch affiliation. A strictly enforced *state religion* thus corresponds to high η , a *competitive religious sector* to a low one (Iannaccone *et al.*, 1997; Swatos and Christiano, 1999). Doctrinal revisions are only possible once the new discovery diffuses, as they must be appropriately tailored to it; for simplicity, we assume here that their effect is to exactly offset the initial or threatened erosion, so that $b_{t+1} = b_t$ instead of falling to $(1 - \delta)b_t$.²¹

• **Church and state.** In most countries, the religious and state sectors are clearly separate actors. Historically, there was substantial overlap (Catholic Church, Ottoman Empire) but also periodic conflicts. Our model thus treats the two as having different objectives (a fortiori in Section 7, where secular agents will sometimes be in power), and access to different instruments. Thus, doctrinal repair is less inimical to innovation than blocking, but this is not internalized by the Church. Conversely, its cost is borne as effort by priests, monks, etc., which does not enter the government’s budget constraint.²²

4.4. *Timeline*

The timing of events is illustrated in Figure 3. The “political competition” module will become fully relevant when income differences are introduced in Section 7, generating a game of strategic coalitions between four groups vying for power: rich/poor, secular/religious. Until then politics are kept very simple, to focus on the core *science-doctrine tradeoff*: religious agents, being more powerful than secular ones ($r > 1/2$), control the State, whether through the sword or the ballot.²³ Thus, in every period they set policy to maximize (1), with $\beta^i = 1$.

21. All results are unchanged if repair succeeds only with probability $q \in (1/(1 + \gamma), 1)$; see Appendix B.

22. Appendix E.2 shows that our main results are robust to a merging of Church and State, as would occur if they could compensate each other with lump-sum transfers and maximize their overall utility.

23. Importantly, the political system need not be democratic: group sizes are to be understood as *power-weighted*, and outcomes may be determined through conflict (*e.g.* the larger military force wins) rather than voting.

• **First period (t even):**

1. The government decides whether to invest in the capacity to block: $\chi_t \in \{0, 1\}$, at cost $\chi_t \varphi(a_t)$, requiring taxes to be set at the level τ_t such that $R(\tau_t) = \chi_t \varphi(a_t)$.
2. With probability λ , a new discovery occurs. If it is belief-neutral or if there is no blocking of belief-eroding ideas, it diffuses and becomes embodied in new technologies, so that $a_{t+1} = (1 + \gamma)a_t$. If repressed, it withers, so $a_{t+1} = a_t$.
3. If a *BR* discovery occurred and the State allowed it to diffuse, the Church decides whether to repair the resulting damage to religious capital, at a cost of ηb_t . If it does, then $b_{t+1} = b_t$, otherwise beliefs erode to $b_{t+1} = (1 - \delta)b_t$.

• **Second period ($t + 1$ odd):**

1. Given the realized values of (a_{t+1}, b_{t+1}) , the government chooses fiscal and spending policies, $(\tau_{t+1}, T_{t+1}, G_{t+1})$, subject to its budget constraint. Consumptions take place.
2. A new generation inherits the stocks of knowledge and religious capital, $(a_{t+2}, b_{t+2}) = (a_{t+1}, b_{t+1})$, then plays the same two-stage game, starting in (even) period $t + 2$.

• **Equilibrium.** Absent individual-level links across generations such as altruism or bequests, each cohort's horizon is limited to its two-period lifespan. The model's subgame-perfect equilibria (SPE) therefore correspond to sequences of SPE's of the basic game played within each generation, linked through the evolution of the aggregate state variables (a_t, b_t) .

5. POLITICAL EQUILIBRIUM

5.1. Fiscal policy (second subperiod)

Given its constituents' beliefs b , the government sets taxes and spending (or exemptions) as

$$\max_{\tau, G} \{1 - \tau + \nu[R(\tau) - G] + bG \mid 0 \leq \tau \leq \hat{\tau}, 0 \leq G \leq R(\tau)\}. \quad (4)$$

When beliefs are weak, $b < \nu$, secular public goods are valued more than religious ones, so $G = 0$ and all revenue is spent on $T = R(\tau)$. Therefore, agents' utility is $1 - \tau + \nu R(\tau)$, and the optimality condition uniquely yields $\tau = \tau^*(\nu)$, where

$$\tau^*(x) \equiv (R')^{-1}(1/x) \quad (5)$$

defines a strictly increasing function $\tau^*: \mathbb{R}_+ \mapsto [0, \hat{\tau}]$. When beliefs are strong enough, $b \geq \nu$, $T = 0$ and all revenues are spent instead on $G = R(\tau)$. Religious individuals' utility is then $1 - \tau + bR(\tau)$, with $\tau = \tau^*(b)$; see Figure 4a.²⁴

Proposition 1. *The policy mix implemented in the second period is the following:*

- (1) If $b < \nu$, then $(\tau, T, G) = (\tau^*(\nu), R(\tau^*(\nu)), 0)$, with $\tau^*(\nu)$ and $R(\tau^*(\nu))$ increasing in ν .
- (2) If $b \geq \nu$, then $(\tau, T, G) = (\tau^*(b), 0, R(\tau^*(b)))$, with $\tau^*(b)$ and $R(\tau^*(b))$ increasing in b until $\tau^*(b)$ reaches $\hat{\tau}$, then constant afterwards.

24. When $b = \nu$, we break indifference in favour of G . Note that when $\nu < b$ religious agents are indistinguishable from secular ones, so one can interpret b as affecting both the *extensive* and *intensive* margins of religiosity.

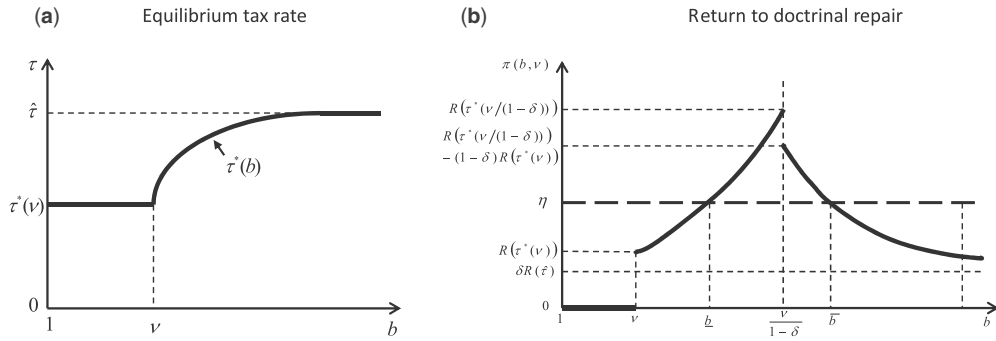


FIGURE 4
Effects of religiosity on taxation and doctrinal repair

For any b and v , we shall denote second-period equilibrium provision of G as

$$G(b, v) \equiv \begin{cases} 0 & \text{if } b < v \\ R(\tau^*(b)) & \text{if } b \geq v. \end{cases} \tag{6}$$

5.2. Church’s doctrinal-repair strategy

Following a BR innovation, the Church will want to prevent or offset the erosion of b to $(1 - \delta)b$ if $bG(b, v) - \eta b \geq (1 - \delta)bG((1 - \delta)b, v)$. Normalizing by b , the net payoff from repair,

$$\pi(b, v) \equiv G(b, v) - (1 - \delta)G((1 - \delta)b, v) \tag{7}$$

must exceed the cost η . It is clear from Figure 4a that π is highest in the intermediate range where b strongly affects public policy. In contrast, it is zero for $b \leq v$, and small when b is high enough that some depreciation can occur without much impact on G . Formally, we show (Appendix B, Lemma B.1) that $\pi(\cdot, v)$ is single-peaked and varies as depicted in Figure 4b. The following condition then ensures that the repairing region, $\pi(b, v) > \eta$, is non-empty.

Assumption 2. $\delta R(\hat{\tau}) < \eta < R(\tau^*(v/(1 - \delta))) - (1 - \delta)R(\tau^*(v))$.²⁵

We can now fully characterize the equilibrium behaviour of the religious sector.

Proposition 2. *There exist a unique \underline{b} and \bar{b} , with $v \leq \underline{b} < v/(1 - \delta) < \bar{b}$, such that the Church engages in doctrinal adaptation following belief-eroding innovations (not blocked by the State) if and only if b lies in $[\underline{b}, \bar{b}]$.*

Intuitively, when religious capital is below \underline{b} it is not worth repairing (relative to the cost η). Conversely, when it exceeds \bar{b} there is enough of it (and therefore also enough demand for G) that the Church can afford to let it depreciate somewhat.

25. The interval in which η must lie is always nonempty, as the function $R(\tau^*(b)) - (1 - \delta)R(\tau^*((1 - \delta)b))$ is decreasing (see Lemma B.1). The discontinuity in π at its peak reflects the fact that, as $b' = b(1 - \delta)$ falls below v , agents will switch to secular public goods, so G' and hence $b'G'$ will jump down to zero.

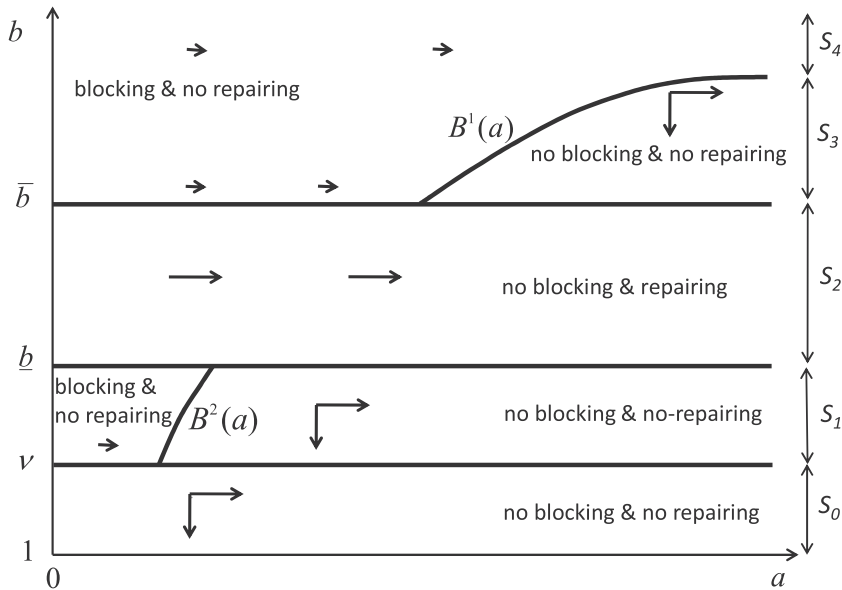


FIGURE 5

Dynamics with absorbing states

Notes: The length of the horizontal arrows denotes the economy's average rate of innovation and growth. The five key ranges are: S_0 = Strongly Secular, S_1 = Mildly Secular, S_2 = Adaptive-U.S., S_3 = Mildly Theocratic, and S_4 = Strongly Theocratic; among these, the even-numbered ones are absorbing.

5.3. State policy toward science (first subperiod)

In period t , the State decides whether to invest in a knowledge-repressing apparatus, trading off the direct cost and potential foregone TFP gains against the option value of preserving religious capital. There are two cases in which it will never do so. First, when $b \leq v$, even religious agents prefer secular public goods: they set $G=0$, so $bG=0$ and nothing will change if b falls to $(1-\delta)b$. Second, when $b \in [\underline{b}, \bar{b}]$, the Church can be expected to engage in doctrinal adaptation, so the State will strategically “take a pass” and let the priesthood do the work.

Knowledge policy can thus be analysed only in the two *no-repair regions*, $b > \bar{b}$ and $v \leq b < \bar{b}$. As illustrated in Figure 5, in each case blocking will occur when (a_t, b_t) lies above an upward-sloping locus $B(a)$ in the state space, meaning that society is *sufficiently religious, relative to its state of scientific and technical development*.

To derive this blocking locus, it will be useful to define, for all $u \geq 0$,

$$V(u) \equiv 1 - \tau^*(u) + uR(\tau^*(u)), \quad (8)$$

corresponding to religious agents' old-age utility when the government provides a public good which they value at u per unit relative to the numeraire, and does so by setting the tax rate at the corresponding optimal level $\tau^*(u)$. In equilibrium, $u = \max\{b, v\}$ by Proposition 1.

• Case $b > \bar{b}$: no repairing, continued provision of religious public goods

Recall that blocking BR discoveries requires an ex ante investment of $\varphi(a)$, which must be financed by a tax rate of $\tau = R^{-1}(\varphi(a))$. Beliefs will then be protected from erosion, and the expected intertemporal utility of religious agents equal to

$$V^B(a, b) = 1 - R^{-1}(\varphi(a)) + [1 - \lambda + \lambda p_R + \lambda(1 - p_R)(1 + \gamma)]V(b), \quad (9)$$

where $V(b)$ is their second-period utility when no new idea is implemented, either because none occurred (probability $1 - \lambda$) or it was of the BR type and thus blocked (probability λp_R). If a BN innovation occurs it sails through, raising TFP and utility by $1 + \gamma$.

If the government foregoes blocking, BR innovations will also diffuse and raise living standards, but at the same time erode b to $b' \equiv (1 - \delta)b > v$. Even though the Church does not repair, religious capital remains high enough that $G(b') > 0$ is chosen over secular spending. The expected intertemporal utility of religious agents is then

$$V^{NB}(a, b) = 1 + [1 - \lambda + \lambda(1 - p_R)(1 + \gamma)]V(b) + \lambda p_R(1 + \gamma)V(b'). \tag{10}$$

The government opts for blocking when $V^B \geq V^{NB}$, namely

$$R^{-1}(\varphi(a)) \leq \lambda p_R [V(b) - (1 + \gamma)V(b')] \equiv \Delta^1(b). \tag{11}$$

The left-hand side is the direct cost of the repressive investment, which is increasing in current TFP a . The right-hand side is the net expected return: with probability λp_R a BR innovation occurs, in which case beliefs are protected from erosion but productivity gains are foregone.

In Appendix B, we show that wherever $\Delta^1(b) \geq 0$, it is strictly increasing in b . Therefore, the State will block if and only if (a, b) lies above the upward-sloping locus $b = B^1(a)$, where $B^1 \equiv (\Delta^1)^{-1} \circ R^{-1} \circ \varphi$. Note that, as a becomes large, $\varphi(a)$ tends to $\bar{\varphi} < R(\hat{\tau})$, implying that $B^1(a)$ merges with the horizontal asymptote $\Delta^1(b) = R(\bar{\varphi})$, as illustrated in Figure 5.

• **Case $v \leq b < \underline{b}$: no repairing, nor provision of religious public goods**

In this case $b' = (1 - \delta)b < v$, so an unblocked, unrepaired BR discovery damages beliefs sufficiently that religious agents now prefer secular public spending: $G = 0$ and $T = R(\tau^*(v))$. Thus, while the value of blocking remains given by (9), the value of not blocking is

$$V^{NB}(a, b) = 1 + [1 - \lambda + \lambda(1 - p_R)(1 + \gamma)]V(b) + \lambda p_R(1 + \gamma)V(v). \tag{12}$$

The condition $V^{NB} \leq V^B$ therefore becomes

$$R^{-1}(\varphi(a)) \leq \lambda p_R [V(b) - (1 + \gamma)V(v)] \equiv \Delta^2(b). \tag{13}$$

In Appendix B, we show that wherever $\Delta^2(b) \geq 0$ it is strictly increasing, hence so is $B^2 \equiv (\Delta^2)^{-1} \circ R^{-1} \circ \varphi$. Combining this result with the previous one, we have (see Figure 5):

Proposition 3. *Let $B(a) \equiv B^1(a) \cup B^2(a)$. The State blocks BR discoveries if and only if $b \in [v, \underline{b}] \cup [\bar{b}, +\infty)$ and (a, b) lies above the upward-sloping locus $b = B(a)$.*

6. DYNAMICS OF SCIENTIFIC PROGRESS AND RELIGIOSITY

6.1. Formal analysis

We have derived the law of motion of (a_t, b_t) within each generation. Between successive ones, the young inherit the final stocks of knowledge and religiosity of the old: $(a_{t+2}, b_{t+2}) = (a_{t+1}, b_{t+1})$; later on, we will add stochastic shocks. Let us define the *Strongly Secular*, *Mildly Secular*, *Adaptive-US*, *Mildly Theocratic*, and *Strongly Theocratic* belief ranges as, respectively,

$$S_0 \equiv [0, v], S_1 = [v, \underline{b}], S_2 = [\underline{b}, \bar{b}], S_3 = [\bar{b}, B^1(\infty)], S_4 = [B^1(\infty), \infty). \tag{14}$$

Together with the locus $B(a)$, these determine the system's phase diagram: see Figure 5. Three key attracting regions clearly emerge from the model's equilibrium dynamics.

1. “*Secularization*”: *no long-run blocking, no repair*. Countries with beliefs in the lowest range, S_0 , can be thought of as corresponding to much of modern Western Europe. In such *Strongly Secular* places, knowledge grows unimpeded at rate $\mathbb{E}_t[\Delta a_t/a_t] = \lambda\gamma$, while religiosity erodes at rate $\mathbb{E}_t[\Delta b_t/b_t] = -\lambda p_R \delta$, asymptoting toward 0. Fiscal and legal policies, moreover, provide no substantial religion-specific benefits ($G=0, T=R(v)$). Countries in the *Mildly Secular* tier S_1 , in contrast, do provide such benefits ($G=R(b), T=0$); plausible examples today might be Greece or Poland. On the other hand, they do not block new knowledge, except at low levels of development: the growth in a_t occurring through *belief-neutral* discoveries brings them relatively quickly to the right of the $b=B^2(a)$ locus, and from there on both a_t and b_t evolve just as in the S_0 range, which the system will eventually transition into.
2. “*Adaptive Coexistence*”: *no blocking, but repair*. In the intermediate range S_2 , discoveries are again unimpeded, so $\mathbb{E}_t[\Delta a_t/a_t] = \lambda\gamma$, but when they undermine religious tenets this is resolved through doctrinal evolution; thus, $\Delta b_t=0$. This *Adaptive* regime, which otherwise shares with the *Mildly Secular* one the presence of some religiously-oriented subsidies and/or regulations, corresponds best to the U.S., in ordinary times.
3. “*Theocratic*” *region: protracted blocking*. For sufficiently high religiosity, $b \in S_3 \cup S_4$, blocking will always occur initially, and whether a country eventually escapes obscurantism or remains forever mired in it hinges on how extreme its initial beliefs are. *Mildly Theocratic* countries, $b \in S_3$, will ultimately cross the blocking locus once they become sufficiently advanced through *belief-neutral* discoveries. This may take a long time, however, proceeding at the low rate $\mathbb{E}_t[\Delta a_t/a_t] = \lambda(1-p_R)\gamma$ toward a “receding” $b=B^1(a)$ boundary. From there on, beliefs will first decay at the rate $\mathbb{E}_t[\Delta b_t/b_t] = -\lambda p_R \delta$ until the system falls into the repairing region S_2 , where it will then remain. Note also that, while catching up in terms of growth rates, these countries’ *levels* of knowledge and TFP, a_t , will remain permanently below those of countries that never blocked, or stopped doing so earlier. The *Strongly Theocratic* regime, in contrast, is fully absorbing: countries starting in S_4 (e.g. Medieval Europe, Ancient China, Ottoman Empire, some Islamic countries still today) will experience rigid beliefs and knowledge stagnation, $\Delta b_t=0$ and $\mathbb{E}_t[\Delta a_t/a_t] = \lambda(1-p_R)\gamma$ indefinitely, absent changes in parameters or the environment (which we consider below).

Denoting by μ_t the cross-sectional distribution of countries’ beliefs at time t , we have:

Proposition 4 (deterministic steady-states) *For any initial distribution μ_0 , religiosity in the long run is distributed over three absorbing states: Complete Secularization, with mass $\mu_\infty(\{0\}) = \mu_0(S_0) + \mu_0(S_1)$; Coexistence, with mass $\mu_\infty(S_2) = \mu_0(S_2) + \mu_0(S_3)$, and Strong Theocracy, with mass $\mu_\infty(S_4) = \mu_0(S_4)$.*

These results make clear how the forces at work in the model, simultaneously arising from and modulating scientific progress, generate three long-run *basins of attraction* with intuitive properties. Of course, non-ergodic dynamics, while useful expositionally, are unrealistic. In reality, a host of shocks unrelated to scientific advances also affect religious beliefs: natural disasters, invasions, power struggles, and splits within the Church or between countries allied with different denominations, etc. These will cause recurrent transitions between the different regimes, which we now incorporate into the analysis.

• Ergodic system and long-run distribution

Having modelled scientific progress, belief erosion and doctrinal repair as arising (or not) endogenously *within* each generation, we represent other types of events as exogenous shocks to the transmission of beliefs *between* generations. At the start of every even period, let $a_{t+2} =$

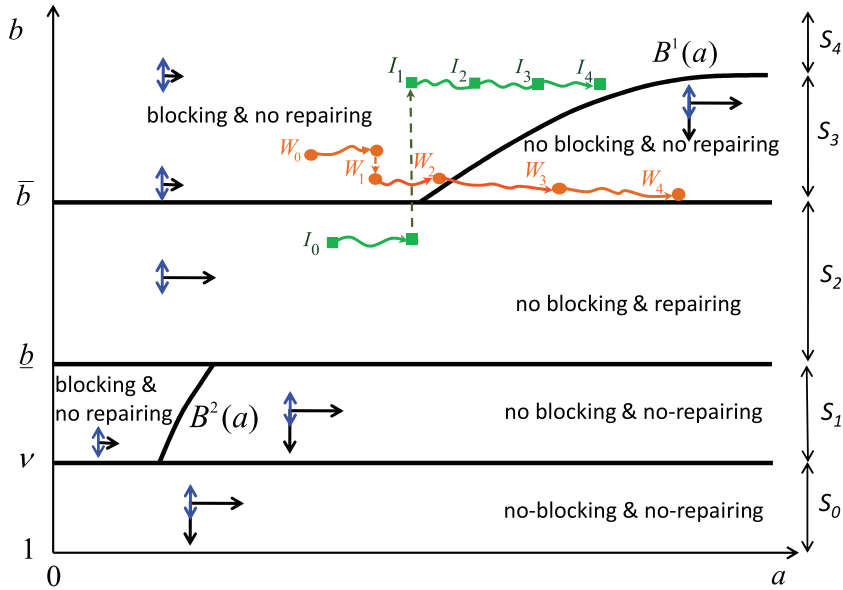


FIGURE 6
Ergodic dynamics

Notes: The length of the horizontal arrows denotes the economy’s average rate of innovation. With shocks to religiosity, figured by the vertical blue arrows, the system is ergodic over the five regimes: S_0 = Strongly Secular, S_1 = Mildly Secular, S_2 = Adaptive-U.S., S_3 = Mildly Theocratic, and S_4 = Strongly Theocratic. The paths I_t and W_t are the “historical” ones discussed in the text for the Islamic and Western worlds.

a_{t+1} as before, but b_{t+2} now take values $(1 + \zeta)b_{t+1}$, b_{t+1} and $(1 - \zeta)b_{t+1}$, with respective probabilities ϕ , $1 - \phi - \psi$, and ψ . Figure 6 illustrates the dynamics of this stochastic system, suggesting that it will now be ergodic but maintain strong “attracting” basins corresponding to its lower, intermediate and upper regions. To make this point more formal and concrete, we provide a simple quantitative operationalization of the model.

We focus here on economies that are relatively advanced, in the sense that the current value of a lies in a region where the relevant blocking locus is almost flat, $B^1(a) \approx B^1(\infty)$. Note that any country will eventually reach this stage, if only through belief-neutral innovations. Furthermore, under such long-run conditions, the dynamical system in (a, b) becomes recursive: the distribution of $(a_{t+1}/a_t, b_{t+1})$ depends only on which of the five horizontal bands $S_i, i = 0, \dots, 4$, b_t lies in. Based on this insight, we discretize the belief space to five points, by: (1) collapsing each region $S_i, i = 0, \dots, 4$, to one state; (2) normalizing the sizes of religiosity shocks, δ and ζ , to the gap between consecutive belief states; (3) imposing “reflecting barriers” at the lowest and highest states. Denoting $\hat{\lambda} \equiv \lambda p_R$ the arrival rate of belief-eroding innovations, the model’s laws of motion for b_t result in the transition matrix

$$P \equiv \begin{bmatrix} 1 - (1 - \hat{\lambda})\phi & (1 - \hat{\lambda})\phi & 0 & 0 & 0 \\ \hat{\lambda}(1 - \phi) + (1 - \hat{\lambda})\psi & (1 - \hat{\lambda})(1 - \phi - \psi) + \hat{\lambda}\phi & (1 - \hat{\lambda})\phi & 0 & 0 \\ 0 & \psi & 1 - \phi - \psi & \phi & 0 \\ 0 & 0 & \hat{\lambda}(1 - \phi) + (1 - \hat{\lambda})\psi & (1 - \hat{\lambda})(1 - \phi - \psi) + \hat{\lambda}\phi & (1 - \hat{\lambda})\phi \\ 0 & 0 & 0 & \psi & 1 - \psi \end{bmatrix}$$

Generically, P is irreducible, ensuring a unique steady-state distribution. Next, we simulate the full system in $(a_{t+1}/a_t, b_t)$ with arguably plausible, “back of the envelope” parameter values. While

$$P^{25} = \begin{bmatrix} .79 & .16 & .04 & .05 & .07 \\ .56 & .21 & .16 & .03 & .05 \\ .09 & .08 & .63 & .15 & .05 \\ .03 & .05 & .51 & .21 & .19 \\ 0 & .01 & .09 & .10 & .81 \end{bmatrix}$$

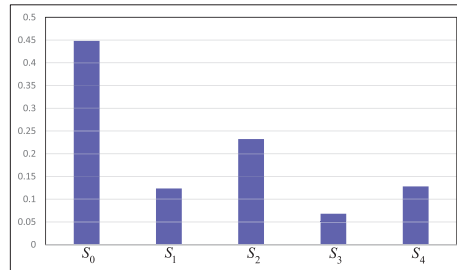


FIGURE 7

Transition matrix and invariant distribution

Notes: (a) Transition matrix, per generation. (b) Invariant distribution. The five belief states are S_0 = Strongly Secular, S_1 = Mildly Secular, S_2 = Adaptive-U.S., S_3 = Mildly Theocratic, and S_4 = Strongly Theocratic.

clearly not a formal calibration, this will provide interesting order-of-magnitude predictions for *medium-run* trajectories and the *long-run* distribution.

Suppose that there is a $\lambda = 24\%$ chance per year of an innovation that can increase productivity by $\gamma = 10\%$, so that mean TFP growth is 2.4% *per annum* in the absence of blocking. Of these innovations, let $p_R = 25\%$ be belief eroding, which corresponds to a 0.6% contribution to TFP growth. A country blocking them will thus fall behind by $(1.006)^{25} - 1 = 16\%$ per generation, or 82% per century. Turning to religiosity, the probability of belief erosion from new knowledge is $\hat{\lambda} \equiv \lambda p_R = 6\%$ per year, which translates to 79% per generation and quasi-certainty over a century. As noted earlier, such events are far from being the sole drivers of religiosity; on the other hand, a model dominated by random noise would not be much use. We therefore set the frequency of the exogenous belief shocks to be of the same order of magnitude as $\hat{\lambda}$, but somewhat lower: $\phi = 2\%$ per year for a “religious revival” (upward shock) and $\psi = 1\%$ per year for a “crisis of faith” (downward shock, not innovation-linked), translating to 40% and 22% per generation, respectively. The resulting value of P^{25} , corresponding to 25-year transition probabilities, is given in Figure 7, left panel.

Consider for instance the middle, U.S.-like regime. A country that starts there has a 63% probability of being unchanged after a generation, versus 17% and 20% chances of having transitioned in the secular or the theocratic direction, respectively. In the first case, chances are about equal (8%) that it will be just *Mildly Secular* (beliefs having eroded but public spending, subsidies or laws still being shaped by religious concerns), or instead *Strongly Secular* (beliefs having weakened enough that policy is fully secular). As to transitions towards more intense religiosity, the most likely one (15%) is to *Moderate Theocracy*, in which doctrine becomes rigid in the face of science—adaptation ceases, beliefs gradually erode—but there is not yet any blocking. There is also, however, a non-negligible 5% chance, rising to 10% over two generations, of a transition to *Strong Theocracy*, which blocks doctrine-threatening ideas and has a high rate of persistence (81%).

In the long-run, the system in $(a_{t+1}/a_t, b_t)$ is ergodic, converging to the *invariant distribution* depicted in the right panel of Figure 7, which is clearly *trimodal*: 45% of countries are *Highly Secular*, 12% *Mildly Secular*, 23% in the *Adaptive* regime, 6% *Mildly Theocratic*, and 13% *Strongly Theocratic* (and scientifically stagnant). The asymptotic convergence speed is 19% per generation, which corresponds a half life of 3.3 generations (82.5 years).

6.2. Applications

We now draw further implications from these dynamics, and use them to shed light on some of the contemporary and historical evidence motivating the article.

- **Negative religiosity-innovation relationship.** The model readily generates a negative correlation between religiosity b and innovation $\mathbb{E}_t[\Delta a_t/a_t]$, like the one brought to light in the contemporary data. It holds in the short and medium-run for all but a transitory region of low-knowledge and low-religiosity ($b \in (B_2(a), \bar{b})$), and in the long run for *all* countries. Finally, the fact that the negative relationship stems from both knowledge blocking and belief erosion conveys the important message that causality runs in *both* directions.

- **The secularization hypothesis.** Modern “Western Europe” and “United States” grow at the same rate $\lambda\gamma$ (neither blocks), but in the former there is a *downward trend* in religiosity, whereas in the latter it is offset by the adaptation of the religious sector, leaving only trendless or very slow-moving shifts in religiosity. Thus, for societies that are not excessively religious ($b < B(a)$), economic growth can occur *both with and without secularization*, as a result of *endogenously* different responses by religious institutions. While there is a large sociology-of-religion literature discussing the ups and downs of this hypothesis (see Section 1.1), we do not know of any previous model for the coevolution of secular knowledge, economic growth, and religiosity. And while this literature points to both the U.S. and conservative Muslim countries as evidence that “religion is far from dead,” it does not address these two regimes’ radically different implications for innovation and productivity. Our model speaks to these points, and the trimodal long-run distribution in Figure 7 clearly encapsulates both the strengths and limitations of the secularization hypothesis.

- **Europe and the Islamic world.** The model also provides a simple, *unified* account of the end of the Islamic Golden Age and the long stagnation of science and invention that ensued in the Muslim world, while they experienced explosive growth in Europe. Three competing explanations have been put forward by historians:

(a) *Rising and more uniform religiosity.* By the late 10th to early 11th century, Islam had consolidated as the unchallenged religion of the conquered lands; this corresponds in the model to a substantial rise in b . As discussed in Table 1 and Appendix A, this made scientific arguments, philosophical debates and reason (versus revelation and the rulings of religious scholars) no longer useful as means of proselytism, but now potentially subversive.

(b) *Institutional changes.* Starting in the 11th century, the pre-Islamic state’s public administration, education and legal systems were taken over by a religious elite espousing a traditionalist strand of Islam (“Sunni Revival”), and intent on preserving the spiritual power on which its influence and rents (formally, bG) depended.

(c) *External shocks.* The Crusades (1096–1271) and the 13th Century Mongol invasions that devastated Baghdad and the Eastern part of the Muslim lands (Iran, Iraq, Central Asia) are external alternative explanation to internal sources of decline. Exogenous losses of productive capacity and especially human capital correspond to a negative shock to a .

Using the model, we now show that (b) follows endogenously from (a), while (c) cannot by itself lead to centuries of stagnation, though it can prolong the direct and indirect effects of (a). Occam’s razor thus argues for putting the most weight on (a), though we will also spell out the role of complementary factors.

1. *Comparative dynamics.* Consider two areas of the world, W and I , represented over time in Figure 6 by the points $W_t = (a_t^W, b_t^W)$ and $I_t = (a_t^I, b_t^I)$. At $t=0$ (circa 900), let $a_0^W < a_0^I$, $b_0^I \in [b, \bar{b}]$ and $b_0^W > \max\{\bar{b}, B(a_0^I)\}$: Islam is thus in its “Golden Age” of religious and scientific progress (repairing region), whereas the West has been in the Theocratic (blocking) region for several

centuries, and as a result is less advanced. By $t = 1$ (circa 1100–1200), it has fallen even further behind, but the Muslim World has experienced a major rise in the strength and cohesiveness of religiosity b_1^I , in line with (a) above. In addition (though this is *not* needed), b_1^W may have fallen somewhat in the West due to a number of schisms which the Catholic Church fought during the Middle Ages. The assumed religiosity shock is such that both W_1 and I_1 are now in the blocking region, with I_1 well to the right of W_1 (more advanced) but now above it (more cohesively religious).

The model's first implication is that the Muslim world now starts devoting even more material and legal resources (G in the model) than the West to the religious sector, as well as setting in place a knowledge-repression apparatus to safeguard the utility and rents bG derived from the population's religiosity. This matches the institutional changes in (b) quite well.²⁶

Furthermore, both areas now being strongly theocratic, they move rightward at the same slow pace, with I having a substantial head start. Nonetheless, if $b_1^I - b_1^W$ is sufficiently large compared to $a_1^W - a_1^I$, the West reaches the blocking boundary $B(a)$ before Islam. From that time $t = 2$ (circa, 1450) paths sharply diverge along *both* dimensions. While I continues moving slowly towards a receding frontier (and might even never reach it if $b_1^W > B(\infty)$), W experiences a takeoff of knowledge and growth, which also makes it less and less likely (though not impossible) that shocks will cause it to revert to blocking theocracy: it moves fast rightward away from $B(a)$, and moreover religiosity now starts to erode, since W is in the no-blocking, no repair region. The printing press, in particular, is a major innovation of that time blocked in Islam but "let through" in the West, where it proceeded to erode both the cohesiveness of Christianity (dissemination of Protestantism) and its monopoly on knowledge, and on mindsets more generally (Scientific Revolution, Enlightenment).

From there on, W drifts down to the repairing region (reaching $b = \bar{b}$ at $t = 4$): the stream of new discoveries, which the State no longer blocks, now forces the religious sector to gradually *adapt its doctrine* to the spreading secular knowledge, whether through internal reforms or schisms. Table 1 provides key examples, and while the Reformation arose primarily in reaction to the excesses of the Church, our model also suggests that Protestantism's greater *doctrinal openness to science* and inquiry (Merton, 1938) was no accident. It is a highly adaptive or even optimal "doctrinal design" choice for an entrant facing an incumbent bound to a rigid canon that makes it recurrently vulnerable to new discoveries. The above trends (average trajectories) do not, of course, mean the end of all blocking in the West: due to shocks it will recurrently "visit" each region, but starting some time after $t = 2$ the likelihood of blocking is significantly less, and that of repair, significantly higher, than for Islam, except in the very long run (asymptotically).

External shocks like wars or natural disasters (explanation (c)), in contrast, cannot easily produce such a reversal. As seen in Figure 6, for an area like I that starts in the repairing region, decreases in a (physical and human capital, knowledge) can never induce blocking nor prolonged stagnation: no matter how large is the decrease in the *level* of a , its growth rate remains unchanged, at $\lambda\gamma$. With standard "Solow convergence" effects (which we have abstracted from, assuming constant returns), growth is even faster following negative shocks, be they invasions, plagues, or wars. For entities that are in the blocking region, on the other hand, invasions and natural disasters "set back the clock", confining the system to the left of $B(a)$ and slow growth $\lambda(1 - p_R)$ for even longer. And indeed, the repression of innovative ideas and rational inquiry lasted for centuries

26. Chaney (2016) documents the extensive spread of *madrasas* during that period (Seljuk dynasty) and how they became the dominant, almost solely funded establishments of learning; how this forced increasing numbers of scholars to affiliate themselves with them; and how, from there on, there was a sharply rising trend in the proportion of religious and derivative books written, relative to original and scientific-technical ones.

after the Mongols had retreated and been replaced by the powerful Ottoman Empire, as did the latter's technological and economic stagnation.

2. *Differences in parameters.* The above phase dynamics shows how a *single shock*—a large enough rise in b_1^I above \bar{b} —suffices to account (qualitatively) for a host of major historical changes, including the “trading places” of Islam and the West along *both* the science and religiosity dimensions, the growing gaps in these over time, and important evolutions in the “grip” and nature of Christianity. The historical account is enriched further if we incorporate differences in blocking loci.²⁷ To the extent that some institutional changes were (surely) also exogenous to the model, whether in Islam (see (b) above) or in Christianity (Reformation), they are reflected in different model parameters. For instance, it is plausible that the wide dominance of conservative Sunni Islam gradually enhanced the State's capacity to punish dissent, thus making its “repressive apparatus” more effective. This would correspond to a *decrease* in the blocking cost $\varphi(\cdot)$, moving the boundary $B(a)$ *outward* and thus reinforcing the effect of the initial rise in b_1^I . Europe, in contrast, was a place of high and increasing politico-religious fragmentation into numerous kingdoms, small states and cities, competing for economic supremacy and intellectual prestige (Mokyr, 2016). Together with high geographical mobility, this *raised* the cost of blocking the flows of ideas and thinkers, thus moving $B(a)$ *inward* and shrinking Christianity's *Strongly Theocratic* region.

• **Rise of the U.S. religious right.** In the model's distinctive *Adaptive* regime, high innovation and substantial religiosity durably coexist, but with periodic “excursions” into the secular and theocratic regions. In particular, our simulation found a 20% transition probability per generation to *Mild Theocracy*, and even a non-trivial 5% to *Strong Theocracy*. These are only illustrative orders of magnitude, but American society is undeniably marked by recurrent movements of this nature. This occurred first in reaction to the New Deal's progressive policies (Kruse, 2015), and then even more markedly since the eighties (starting with Ronald Reagan's presidency), with pro-religion and *anti-science polices* reaching new heights today. The last forty years were also a period of unprecedented increases in income and wealth disparities, leading us to show in the next section that *rising inequality* can be an important channel for such major *cultural shifts*, with strikingly contrasting predictions across different regimes.

7. INEQUALITY, RELIGION, AND THE POLITICS OF SCIENCE

We now enrich the model to study the interplay of religious and class differences. In each generation, $n < 1/2$ agents are rich, while the majority $1 - n > 1/2$ are poor: their respective pretax incomes are θ_H and θ_L in both youth and old age (per unit of contemporary TFP).

Assumption 3. Let $\theta_L < v < \theta_H$, with $n\theta_H + (1 - n)\theta_L \equiv 1$.

Income and religiosity are distributed independently, so the four social groups in the economy and their respective sizes are: secular poor, $SP = (1 - n)(1 - r)$; religious poor, $RP = (1 - n)r$; secular rich, $SR = n(1 - r)$; and religious rich, $RR = nr$. To limit the number of cases to be considered, we assume:

Assumption 4. Let $1/3 < n < 1/2 < r$ and $2r(1 - n) < 1 < r(1 + n)$.

27. One could think about similar ones for the repairing boundaries, reflecting in particular (through the parameter η) the monopolistic or competitive nature of the religious sector, or the “interpretational flexibility” allowed by a religion's foundational texts, traditions, and institutions.

Thus, no group constitutes a majority on its own, but all religious agents, as well as all poor agents, do. Specifically, the four groups are ranked in size as follows:

$$SR < SP < SR + SP < RR < RP < 1/2 < 1 - n < r. \quad (15)$$

By Assumption 3 the rich, whether secular or religious, have zero demand for public spending on T , as its value v is less than the tax price θ_H they face. We can thus equivalently interpret T as *pure transfers*, to which only the poor, secular or religious, attach a positive net value.

7.1. The political process

At both t and $t + 1$, there are now *four groups* vying for power, and furthermore the policy space in the latter period is *two-dimensional* (level and nature of public spending). Standard majority voting is thus not applicable. Instead, in each period political competition takes place—at the ballot box or as open conflict—according to the following sequential game:

1. In each group, one member is randomly selected as leader. The four leaders then simultaneously decide whether to make a bid for power, at no personal cost, or to stay out. Their choices are fully strategic and forward-looking, both within and across periods.²⁸
2. Citizens independently choose which of the active contenders for power to support—*e.g.*, whom to vote or fight for. Since no individual (non-leader) has a measurable impact on the overall outcome, each one just chooses, sincerely, his preferred candidate.
3. If a leader gains support from more than half of the population, he wins (in battle, election, etc.). If not, a second round takes place between the two who received the most support in the first round, and the one who garners a majority wins.²⁹
4. The victorious leader implements the policy that maximizes his own utility: as in other citizen-candidate models (Osborne and Slivinsky, 1996; Besley and Coate, 1997), politicians cannot commit to following a given course of action once in power.³⁰

As before, in any even period t the government chooses a blocking policy $\chi_t \in \{0, 1\}$ and the implied level of taxes $\tau_t = R^{-1}(\chi_t \varphi(a_t))$. In any odd period $t + 1$, the (now possibly different) leader in power chooses the nature and level of public spending, together with the required taxes: $\{T_{t+1}, G_{t+1}, \tau_{t+1} = R^{-1}(T_{t+1} + G_{t+1})\}$. In Appendix C, alternatively, it chooses both redistributive transfers and the stringency of religion-inspired societal laws.

• **Coalitions and equilibrium concept.** Recall that no single group in $\{SP, RP, SR, RR\}$ is a majority, and denote by g, g', g'' any three among them. Suppose the leader of group g realizes that: (1) if both he and the leaders of group g' and g'' enter the political competition, the ultimate outcome will be that g'' will win, whose policy he dislikes more than that of g' ; (2) if he stays out, the g' candidate will instead prevail, garnering the support of both her own group and the members of g . When the latter case is an equilibrium (no leader wants to deviate) we say, identifying by

28. As there are neither entry costs nor private benefits from holding power, simple coordination among members suffices to ensure that a single leader is chosen. We thus abstract from potential free-rider problems *within* each group, in order to focus on conflict and coalitions *across* groups.

29. When indifferent between several candidates, a group's members split their support equally. The assumptions of strategic entry or staying out by randomly drawn leaders, sincere voting or allegiance by atomistic non-leaders, and a runoff stage absent a majority, are similar to those in Osborne and Slivinsky (1996).

30. Importantly, the leader's interests at both t and $t + 1$ are aligned with those of his core constituency (socioreligious group of origin), summarized by b and θ ; see Footnote 18.

a minor abuse of language a group and its leader, that group g' comes to power, supported by a *coalition* between groups g and g' .

Because citizen-candidate-type models typically feature multiple Nash equilibria in which different coalitions arise to support different entry profiles, we impose a stronger requirement. We thus look, in the two-period (t and $t + 1$) stage game played by each generation, for a pure-strategy *Perfectly Coalition-Proof Nash Equilibrium* (PCPNE, [Bernheim et al., 1987](#)). Unlike the standard Nash concept, CPNE for normal-form games takes into account joint deviations by coalitions; however, only self-enforcing deviations are considered to be credible threats.³¹ In extensive-form games, the additional subgame-perfection requirement further restricts admissible coalitional agreements and deviations to be dynamically consistent.

7.2. Inequality and fiscal policy

Given state variables (a, b) at $t + 1$, we first characterize the preferred fiscal policies of each of the four groups, then the equilibrium outcome that emerges from their competition.

An agent with (normalized) income $\theta^i \in \{\theta_L, \theta_H\}$ and religiosity index $\beta^i \in \{0, 1\}$ solves

$$\max_{\tau, G} \{(1 - \tau)\theta^i + \nu[R(\tau) - G] + \beta^i bG \mid 0 \leq \tau \leq \hat{\tau} \text{ and } 0 \leq G \leq R(\tau)\}. \quad (16)$$

Recalling that $\theta_L < \nu < \theta_H$ and that $\tau^*(x)$ denotes the solution to $xR'(\tau) = 1$, this yields:

Lemma 1. (1) *The ideal policy mix of the secular poor is $(\tau, T, G) = (\tau_L(\nu), R(\tau_L(\nu)), 0)$, where $\tau_L(\nu) \equiv \tau^*(\nu/\theta_L)$. That of the religious poor is the same for $b < \nu$, whereas for $b \geq \nu$ it is $(\tau, T, G) = (\tau_L(b), 0, R(\tau_L(b)))$, where $\tau_L(b) \equiv \tau^*(b/\theta_L)$.*

(2) *The ideal policy mix of the secular rich is $(\tau, T, G) = (0, 0, 0)$. That of the religious rich is the same for $b < \theta_H$, whereas for $b \geq \theta_H$ it is $(\tau, T, G) = (\tau_H(b), 0, R(\tau_H(b)))$, where $\tau_H(b) \equiv \tau^*(b/\theta_H) < \tau_L(b)$.*

• **Whom do the religious poor side with?** When in power, the secular poor provide a lot of T and no G , the religious rich no T and a positive G , but (due to their distaste for taxes) less than what the religious poor desire. The first policy is thus preferred by the *RP* when beliefs b , which are complements to G , are relatively low compared to the value ν of secular spending or transfers. Formally, using the above properties of the four groups' preferences, we establish the existence and uniqueness of a CPNE outcome in the political subgame at $t + 1$:

Proposition 5. *The equilibrium policy mix in the second period is unique and characterized by a religiosity threshold $b^*(\nu; \theta_H, \theta_L) > \theta_H > \nu$, or $b^*(\nu)$ for short, such that:*

(1) *If $b < b^*(\nu)$, the religious poor back the secular poor, who thus come to power and implement their preferred policy $(\tau, T, G) = (\tau_L(\nu), R(\tau_L(\nu)), 0)$.*

(2) *If $b \geq b^*(\nu)$, the religious poor back the religious rich, who thus come to power and implement their preferred policy, $(\tau, T, G) = (\tau_H(b), 0, R(\tau_H(b)))$.*

(3) *The threshold b^* is strictly increasing in ν and θ_H , and strictly decreasing in θ_L .*

The fact that the secular/religious-policy threshold $b^*(\nu)$ shifts up with greater inequality is intuitive. When their relative income rises, the *RR* face a higher tax price for the religious public

31. The definition is recursive: a deviation by n players is self-enforcing if no subcoalition of size $n' < n$ has a strict incentive to initiate a new deviation from it that is itself self-enforcing.

good G , and consequently want to reduce its supply. The RP , on the other hand, want to increase redistributive transfers, T . For the RP to still prefer allying themselves with the RR rather than the SP therefore requires a higher level of religiosity.

Why doesn't an RP candidate enter the political fray, offering that group's ideal platform? The analysis of all possible coalitions, deviations, deviations from deviations, etc., is in Appendix B, but the idea is simple. When inequality is low enough that $b^*(v; \theta_H, \theta_L) < b$, the RP 's platform is one of high taxes devoted to religious subsidies, hence the worst possible for the SP (also the SR , but they are never pivotal). Therefore, if the (leader from) RP were to challenge (the one from) the RR , some SP candidate would either also enter if they will then win, or else strategically stay out, with his constituents now backing their second-best, RR candidate. In both cases the RP leader is beaten. Anticipating this, none comes forward, and that group instead backs the RR candidate, deterring the SP from competing. Once inequality is high enough that $b^*(v; \theta_H, \theta_L) > b$, conversely, the SP enter and win unchallenged: if an RR candidate were to compete, he would be defeated by a coalition in which the RP strategically stay out and back the SP , whose policy they now prefer to that of the RR .³²

This first set of results already has several important empirical applications.

• **Religion as a wedge issue.** The equilibrium tax rate is illustrated in Figure 8a. In countries with low religiosity, secular governments come to power and implement welfare-state-like policies that (mostly) benefit the poor. Such countries tax more and have a larger public sector than somewhat more religious ones, which provide not only a different set of public goods but also at a lower level. In those latter countries, such as the United States, religion *splits* the standard pro-redistribution coalition of the poor, leading the religious poor to support the religious rich, who gain power as a result. This result echoes that in Roemer (1998), although a closer look reveals major differences in both assumptions and results.³³ At very high levels of religiosity, moreover, resource extraction by the State becomes large again, but now benefiting the religious sector.

• **Differential effects of rising income inequality.** The above results also imply (see again the figure) that greater income inequality leads to the usual effect of *higher* taxes and government spending in low-religiosity countries, but to *lower* levels of both (as well as a different mix of public goods) in more religious ones. In practice, common trends such as aging populations push up social spending in most countries, but the model's differential prediction is broadly in line with the divergent evolutions of redistribution between the U.S. and most of Western Europe since the 1980's.³⁴

7.3. *Inequality and doctrinal repair*

The Church's problem is similar to that in Section 5.2, except that it takes into account that allowing beliefs to erode below $b^*(v)$ will now lead to a drastic *reallocation of power* towards

32. For $b < v$, SP and RP have the same ideal policy so there is also an equilibrium where the latter enter, supported by the former. With identical outcomes, we select the more natural equilibrium with the SP in power, as: (i) it is unique if $b < v < b^*(v)$; (ii) the common outcome is the policy which the SP *always* prefer.

33. The key assumption there is that the voter with median religiosity be richer than average. In the *Pew Forum on Religion and Public Life* (2007) data, however, respondents with median religiosity (the 57% for whom "religion is very important in my life") had average income 7% below the mean ($p < 1\%$). The result, moreover, is a "bang-bang" one: as agents' utility weight on religion versus income gets large enough, the pivotal voter becomes the one with median religiosity, who dislikes redistribution. This forces the Left party to commit to a tax rate of 0, versus 100% when religion's weight is low enough that the pivotal vote lies at median income. Between these two extremes, there are no comparative statics on how taxes vary with religious concerns, with inequality, or their interaction.

34. As measured, for instance, by the relative difference between pre and post-tax Gini coefficients; data for 1980–2016 available from the SWIID database, Solt (2020).

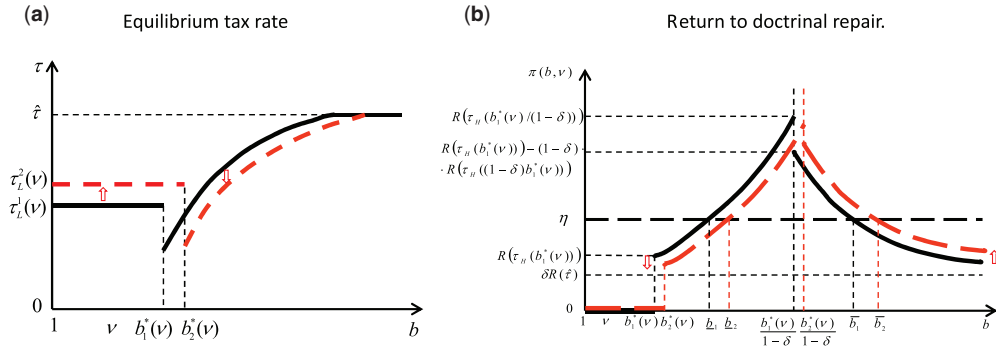


FIGURE 8

Effects of inequality and religiosity on taxation and doctrinal repair

Notes: The shifts from the solid black to the dashed red lines show the effects of increased income inequality.

secular (poor) agents. The latter will then cut G not just in relation to the decline in b , but all the way to zero. The decision to repair the doctrine is therefore still given by $\pi(b, \nu) \equiv G(b, \nu) - (1 - \delta)G((1 - \delta)b, \nu) \geq \eta$, but now with

$$G(b, \nu) \equiv \begin{cases} 0 & \text{if } b < b^*(\nu) \\ R(\tau_H(b)) & \text{if } b \geq b^*(\nu). \end{cases} \quad (17)$$

The analysis of $\pi(\cdot, \nu)$ becomes more complex (see Appendix B.5), but as shown in Figure 8b: (i) it retains the same “tent” shape, with $b^*(\nu)$ and $\tau_H(\cdot)$ replacing ν and $\tau^*(\cdot)$ everywhere, including in Assumption 2; (ii) it shifts left as θ_H rises, or θ_L declines. Hence:

Proposition 6. (1) *There exist a unique \underline{b} and \bar{b} , with $b^*(\nu) \leq \underline{b} < b^*(\nu)/(1 - \delta) < \bar{b}$, such that the Church engages in doctrinal repair following a belief-eroding innovation (not blocked by the State) if and only if b lies in $[\underline{b}, \bar{b}]$.*

(2) *Both \underline{b} and \bar{b} are increasing in θ_H and weakly decreasing in θ_L , hence strictly increasing with income inequality (a marginal or moderate mean-preserving change in θ).*

These results embody clear intuitions. At \bar{b} , power reallocation is not an issue: the RR will be in control at $t + 1$ no matter what, but if their faith erodes they will provide a lower level of G_{t+1} . As they become richer and thus face a higher tax price for G this effect is amplified, so the Church, which cares about $b_{t+1}G_{t+1}$, has a *greater incentive* to preserve b_{t+1} . At \underline{b} , on the other hand, repairing or not determines whether the RR or the SP come to power at $t + 1$. The SP always set $G = 0$, while the level provided by the RR declines with their relative income, *reducing* the Church’s incentive to preserve b_{t+1} in order to ensure their victory.

7.4. State’s policy towards science

While the aggregate costs of blocking are the same as before (lower consumption at t to finance the repressive apparatus, foregone TFP gains at $t + 1$), their *incidence* is different for rich and poor. As to the benefits, they now differ not only between secular and religious but also *by income*, since an erosion can trigger a reallocation of political power from (religious) rich to (secular) poor agents at $t + 1$. We start with three intuitive points, formally proved in Appendix B.6. First, the SP are always against blocking. Not only does a BR innovation raise productivity, but the erosion

of beliefs it generates is always beneficial for them, as: (1) it reduces taxation and spending on G (which they do not care about) if the RR are in power at $t+1$, namely if $(1-\delta)b_t \geq b^*(v)$; (2) it (weakly) increases the chance that the SP themselves will gain power at $t+1$, which occurs if $(1-\delta)b_t < b^*(v)$. Second, we impose a simplifying but very plausible assumption, ensuring that the SR also never want to block.

Assumption 5. $(1+\gamma)[1-\tau_L(v)] \geq 1-\tau_H(b^*(v))$.

In words, the productivity gains from implementing new discoveries are large enough that, even if the erosion of beliefs brings the secular poor to power, *aftertax* incomes at $t+1$ are higher than if blocking had occurred and the (lower-taxing) religious rich held power as a result. A simple sufficient condition for this to be the case is $(1+\gamma)[1-\tau_L(v)] \geq 1$.

Third, as before there are two regions in which even a religious government *never blocks*. When $b < b^*(v)$ the SP will be in power at $t+1$ anyway and set $G_{t+1} = 0$, so preventing erosion is pointless. When $b \in [\underline{b}, \bar{b}]$ the Church will adapt its dogma, so the State can let it do the work rather than make a costly and productivity-reducing investment in blocking. The analysis can thus again focus on the two *no-repairing regions*, $b > \bar{b}$ and $b^*(v) \leq b < \underline{b}$.

7.4.1. Whose preferred blocking policy prevails?. Propositions 5–6 characterized the unique outcome of the fiscal-policy and doctrine-repairing subgames. Working backwards, we next compute the date- t *intertemporal utilities* $V_{\theta,\beta}^B(a,b)$ and $V_{\theta,\beta}^{NB}(a,b)$ that each interest group $(\theta,\beta) \in \{\theta_H,\theta_L\} \times \{0,1\}$ can expect under blocking and no blocking, respectively; see (B.19)–(B.20) in Appendix B. Studying the four groups' indifference loci $V_{\theta,\beta}^B = V_{\theta,\beta}^{NB}$, we then show (Lemma B.7) that: (1) each one defines an upward-sloping boundary $b = B_{\theta,\beta}(a)$, as in Section 5.3; (2) whenever the religious rich want to block, then *a fortiori* so do the religious poor: $B_{\theta_L,1}(a) < B_{\theta_H,1}(a) < B_{\theta_L,0}(a)$, for all a .

These invariant preference rankings imply that *the religious rich are always pivotal* in the date- t political competition that determines science policy. Intuitively, when they are against blocking, the SP and the SR agree with them, resulting in a majority. When the RR do want to block, the RP agree with them, again adding up to a majority. Formally, we prove the following results, illustrated by the solid black lines in Figure 9.

Proposition 7. *The unique Perfectly Coalition-Proof Nash Equilibrium (PCPNE) of the two-period game always implements the preferred science policy of the religious rich. The corresponding blocking boundary is an upward-sloping line $b = B(a)$ in the state space.*

Thus, even though the model with four social classes and endogenous dynamic coalitions is far more complex than the simplified version of Section 5, solving it leads to phase diagrams for the evolution of (a_t, b_t) that remains qualitatively unchanged from those in Figures 5 and 6.

7.5. Income inequality, science policy, and the religious right

Keeping the sizes $(n, 1-n)$ of the rich and poor classes constant, consider now a mean-preserving change in their income levels: $(d\theta_H, d\theta_L)$, with $nd\theta_H + (1-n)d\theta_L = 0$. We assume that, initially, there is already a certain degree of inequality in society (recall that average income is normalized to 1):

Assumption 6. $\theta_H - 1 \geq v \frac{(1-n)^2}{n} [-R''(\hat{\tau})] \left(1 + \frac{R^{-1}(\bar{\varphi})}{\lambda_{PR}(1+\gamma)} \right)$.

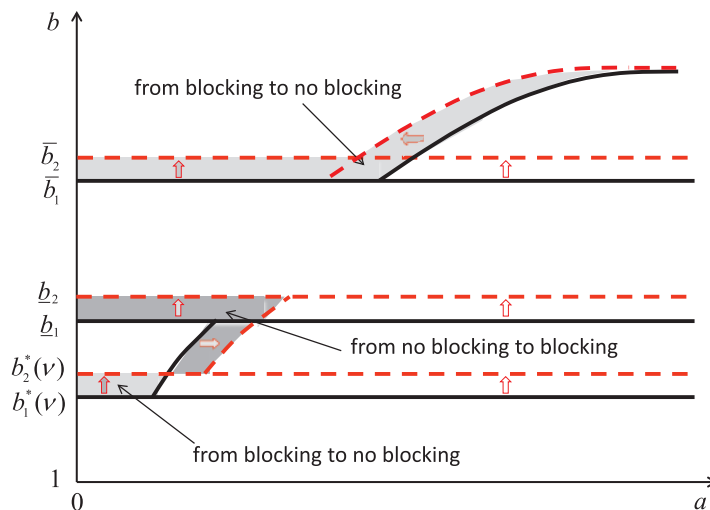


FIGURE 9

Effects of inequality on redistribution, doctrinal repair, and science policy

Notes: The shift from the solid black to the dashed red lines (blocking and repairing boundaries) shows the effects of an increase in income inequality.

We can then show the following comparative-statics properties.

Proposition 8. *A marginal increase in income inequality causes the blocking locus $B(a)$ to:*

1. *Shift up in the Theocratic region $b > \bar{b}$, where there is no repairing nor power reallocation.*
2. *Shift down in the Mildly Secular region $b^*(v) \leq b < \underline{b}$, where there is no repairing and BR discoveries potentially trigger a reallocation of power toward the secular poor.*

These contrasting effects reflect an intuitive tradeoff. With higher inequality, blocking requires the rich to forego more future income ($\theta_{HY} > \theta_{LY}$), and also bear more of the direct cost $\varphi(a)$. On the other hand, it can prevent a shift of power to the high-taxing *SP* at $t+1$. The first effect dominates at high levels of b , as even with eroded beliefs the *RP* will not switch allegiance. The second one prevails when religiosity is intermediate, as *power is now at stake* if the *RP*'s beliefs come to be eroded.

• **Complete comparative statics.** Figure 9 summarizes, as a shift from solid black to dashed red lines, the *combined effects* of an increase in income inequality on *public spending*, *doctrinal repair*, and *science policy*. The second-period policy threshold $b^*(v)$ and the Church's whole repairing region $[\underline{b}, \bar{b}]$ both shift up (Propositions 5 and 6), while the State's blocking locus $B(a)$ shifts up at high levels of religiosity ($b > \bar{b}$) and down at low levels of b (Proposition 8). These combined results lead, in turn, to the following important predictions.

Proposition 9. *In the "American" regime, $b \in [\underline{b}, \bar{b}]$, greater income inequality leads to more blocking of "threatening" scientific findings, and to greater doctrinal rigidity of the religious sector. In Theocratic regimes, $b > \bar{b}$, it has the opposite ("modernizing elites") effects.*

7.6. Applications

• **Rising inequality and the religious right.** While each potential coalition at t must envision all subsequent ones at $t+1$ that its actions can empower or defeat, the main intuition for how *greater inequality* can lead to the formation of an *anti-redistribution and anti-science alliance* in the “American” regime is simple. At $t+1$, if the *RP*’s faith has eroded they will ally themselves with the *SP* and implement high redistribution—the worst possible outcome for the *RR*. If they remain sufficiently pious, they will instead support the *RR*’s policy of moderate taxes but religion-favouring spending (or laws), which then wins. Looking forward at t , the *RR* realize that in order to hold power at date $t+1$ they must *preserve the religiosity of the RP*, which requires blocking certain economically valuable ideas. When the stakes of who will be in control at $t+1$ are high enough due to high inequality, this concern dominates over the fact that the rich *benefit most* from productivity gains. Consequently, the *RR* *strategically* give priority to religion over science, and in so doing they are supported by the *RP*, who always have the greatest incentive to block. The dynamic outcome is that the *RR* gain power at t , and *thanks to blocking* they keep it at $t+1$.

• **Inequality and modernizing versus rentier elites.** Figure 9 also shows that, at high enough levels of religiosity, the same mechanism works in the *opposite* direction. The rich now feel “secure” that the faith of the poor is strong enough to withstand some erosion by *BR* innovations (possibly with the help of doctrinal repair, which becomes more likely) without triggering a loss of power to a quasi-secular and pro-redistributive coalition. Thus, as their productivity rises, even the *RR* give greater weight to reaping the benefits of new knowledge. Empirically, “the rich” in this case correspond to a rising upper-middle class in an initially poor and highly religious country, such as Malaysia, Jordan, or in earlier times Chile and Argentina. In contrast, *rentier elites*, whose natural-resource-based wealth is not enhanced much by new knowledge, give precedence to maintaining religious doctrine as the rampart against redistributive demands. In line with this implication of the model, the *Muslim World Science Initiative Report (2015)* shows that rich Gulf states like Saudi Arabia, Kuwait, Qatar, and the UAE proportionately invest significantly less in R&D, and are far less productive in science, than countries like Malaysia and Jordan.

8. CONCLUSION

We developed a model of the coevolution between religion, science, and politics. In the long run, societies gravitate to a distribution concentrated around three attractors. The “Western-European Secularization” regime has declining religiosity, unimpeded science, and high taxes and transfers. The “Theocratic” regime involves knowledge stagnation, unquestioned dogma, and high religious-public-goods spending. In-between, the “American” regime combines scientific progress and stable religiosity through doctrinal adaptations, with low taxes and some fiscal-legal advantages for religious activities. The model’s results shed light on a broad range of historical phenomena, on the “secularization hypothesis,” and on the striking negative relationship we uncover in contemporary data between religiosity and patents per capita.

We also studied the medium-run (one or two generations) transitions between the different societal regimes, particularly the “American” one’s recurrent excursions into the secular and theocratic regions. Finally, we analysed the effects of rising income inequality in the different regimes. Whereas in theocratic states it can foster “modernizing” elites that become more tolerant of secular knowledge, in the American regime it favours the emergence of a *Religious-Right coalition*, which both curtails redistribution and implements anti-science policies.

The main examples of “forbidden fruits” we discussed involved fundamental sciences on the one hand, religion *stricto sensu* (sacred texts, belief in deities, creation, afterlife, etc.) on the other. It should be clear, however, that both concepts can be taken in a more general sense.

Consider first modern contraception—an applied innovation, though derived from advances in basic biology. Here, again we find the four key features of *BR* discoveries: (1) large potential increases in productivity, by facilitating women’s labour-force participation and raising their return to human capital; (2) conflicts with several of the world’s major religious doctrines around the divinely ordered role of women, purpose of sexuality and sacredness of human life; (3) as a result, condemnation by religious authorities and initial proscription by the State; (4) over time (and not everywhere), as society becomes more secular or/and religious doctrine is “modernized,” the innovation is allowed to diffuse, affecting both productivity and mindsets.

Second, totalitarian *ideologies* also block and distort scientific knowledge that undermines their belief systems. The most extreme case is that of Nazi “racial science,” but much longer-lived was that of *Lysenkoism* in the Soviet Union.³⁵ A contemporary example, now particularly relevant for the social sciences, is that of China (Sharma, 2019; Minzner, 2019).³⁶

As much as individual discoveries and ideas, it is the scientific method itself, with its emphasis on systematic *doubt*, contradictory *debate* and empirical *falsifiability*, that inevitably runs afoul of pre-established dogmas. The model could thus be extended to the interactions between other types of new knowledge and vested cultural, corporate, or political beliefs. At the same time, the interplay of religion with science and innovation remains a rich topic for future research, both theoretical and empirical.

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Supplementary Data

Supplementary data are available at *Review of Economic Studies* online, and the replication packages are available at <https://doi.org/10.5281/zenodo.5159479>.

35. From 1935 to 1964, Inquisition-like methods (forced denunciations, imprisonments, executions) were used to repress “bourgeois” theories and methods in genetics and agronomy, with adverse spillovers onto other fields. Instead, the Stalinist regime promoted and enforced a pseudoscience it saw as more compatible with its dogma of Man’s and society’s malleability to rapid social change.

36. Authoritarian regimes repress also political ideas, books, and freedoms, but this is outside the current model’s focus and applicability. First, even completely non-ideological, pure kleptocracies, do this. Second, political ideas and movements need not be based on empirically valid claims, nor be productivity enhancing—many of them are not, deriving their appeal from other features instead.

APPENDIX

A. HISTORICAL AND CONTEMPORARY EXAMPLES

A.1. *Science and religion in the Christian world*

The establishment of Christianity as the official religion of the Roman Empire (380 A.D.) was soon followed by persecutions of pagan (Greek and Roman) and “heretical” (non-Catholic Christian) religions. Over time, the imposition of an increasingly rigid orthodoxy that made all knowledge subordinate to Church dogma, combined with the disruptions following the fall of the Empire (476 A.D.), led to prolonged scientific and technological stagnation. The Hellenistic traditions of free inquiry and debate in science and philosophy decayed (Freeman, 2005), and for several centuries the West largely lived off the remnants of Classical knowledge that had been preserved, or trickled in from the Byzantine Empire and Muslim World.

In the 12th century, Aristotle’s (384–322 B.C.) previously lost works in “natural philosophy” (*Physics*, *On the Soul*, *On Generation and Corruption*, *Metaphysics*, *Meteorology*, *On the Heavens*) were rediscovered and translated into Latin. Unlike his books on logic and rhetoric, incorporated into the Church’s curriculum since the 6th century, these contained doctrines regarding the physical world and human life that seemed incompatible with crucial statements in the Bible.³⁷ The diffusion of these “heretical” writings was quickly opposed by the Church. In 1210, the Synod of Paris issued a declaration that “nor shall the books of Aristotle on natural philosophy, and the commentaries [of Averroes] be read in Paris, in public or secret; and this we enjoin under pain of excommunication” (Deming, 2010, p. 137). In 1277, the Bishop of Paris issued a further list of 219 heretical propositions, also backed by threat of excommunication. The decree was overturned in 1325 following the work of Thomas Aquinas (1225–1974), which offers a perfect example of *doctrinal repair* after a *belief-eroding discovery*. By introducing a fundamental distinction between the domain of reason and that of faith, Aquinas’ *Summa Theologica* allowed the Aristotelian corpus to be fully incorporated into official doctrine.

Copernicus’ *On the Revolution of Celestial Spheres* (1543) upended the whole Aquinian synthesis, which the Church had by then become heavily vested in. While he (prudently) presented his heliocentric model as a pure mathematical hypothesis, for which he “could provide no empirical support,” it stood in sharp opposition to the cosmological teachings of the Church, and attracted interest from many scientists. In 1632, Galileo’s *Dialogue on the Two Chief World Systems* “made the clearest, fullest and most persuasive yet of arguments in favour of Copernicanism and against traditional Aristotelian-Ptolemaic astronomy and natural philosophy” (McClellan and Dorn, 2006, p. 230). In 1633, the Holy Inquisition found him guilty of “vehemently suspected heresy,” forced him to “abjure, curse and detest” his opinions, and placed all his works, past and future, in the *Index of Prohibited Books*. The trials of Galileo and other “heretical” scientists like the mathematician and astronomer Giordano Bruno, burned at the stake in 1600, and the Church’s lasting prohibitions of fundamental concepts such as *atomism* and *infinitesimals*, led to a waning of innovation in Catholic lands, and the displacement of the Scientific Revolution toward Northern Europe (Trevor-Roper, 1967; Gusdorf, 1969; Landes, 1998; Young, 2009).³⁸ In Spain, for instance, Inquisition tribunals had lasting effects on local economic development, by significantly delaying the adoption of new technologies (Vidal-Robert, 2014).³⁹ In France, upon learning of Galileo’s trial, Descartes withheld publication of his “*Treatise on the World and Light*,” for fear of persecution by religious authorities. This *magnum opus* on the laws on nature (motion, optics, matter, astronomy) was finally published in Latin only thirty years later.

In England, by contrast, The Royal Society accepted Galileo’s work with enthusiasm. As Goldstone (2000, p. 184) writes, “Only in Protestant Europe was the entire corpus of classical thinking called into question; Catholic regions under the Counter-Reformations preferred to hold to the mix of Aristotelian and Christian cosmologies received from Augustine, Ptolemy, and Aquinas. And only in England, for at least a generation ahead of any other nation... did a Newtonian culture—featuring a mechanistic world-view, belief in fundamental, discoverable laws of nature, and the ability of man to reshape

37. *Meteorology* states that “there will be no end to time and the world is eternal” (contradicting the description of Creation in the Bible), and *On the Heavens* that “the world must be unique,” which for the Church was heretical, as “limiting the possible worlds to one... implied that God was not omnipotent” (Deming, 2010, pp. 138–139). Aristotle’s writings also denied other fundamental pillars of the doctrine, such as the possibility of salvation and the immortality of the soul. He further claimed that it was possible to know God on rational grounds only, whereas the Christian faith rested upon the principle of divine revelation.

38. Blocking thus occurred even in pure mathematics: “*We consider this proposition [that a line is composed of indivisible, infinitesimal points] to be not only repugnant to the common doctrine of Aristotle, but that it is by itself improbable, and... is disapproved and forbidden in our Society*”; Revisors General of the Collegio Romano (1632), cited in Alexander (2014). The Collegio was the Jesuits’ supreme teaching and doctrinal body.

39. Inquisition tribunals persisted in Spain until 1834, with executions until 1826. The Catholic Church “permitted” the teaching of heliocentrism (doctrinal repair) only in 1822, and conceded it as a fact only in 1992.

his world by using those laws.⁴⁰ Indeed, Newton's *Mathematical Principles of Natural Philosophy* (1687) once again upended classical teachings, by demonstrating that the same universal laws could explain the motion of celestial bodies and that of falling objects. His theories were quickly adopted in Britain, where the Church of England declared them compatible with the "spirit" of Biblical accounts of the universe—another major *doctrinal adaptation*. Newtonism was also well received in areas of Europe outside the reach of the Inquisition, and the use of scientific principles in craftwork industries paved the way for the Industrial Revolution (Jacob and Stewart, 2004).

In France (the "eldest daughter of the Church"), meanwhile, Squicciarini (2020) shows that historically more religious districts had significantly lower economic development during the Industrial Revolution, but not before, with "blocking" playing a key causal role. In more Catholic areas, there was a slower introduction of technical education in primary schools, with the Church pushing instead a strongly anti-scientific program. Adoption of a more religious curriculum, in turn, was negatively associated with industrial development 10–15 years later (at the time of labour-market entry), and the more so in more skill-intensive sectors.

A.2. *Science and religion in the Muslim world*

The Muslim expansion in the Middle East, North Africa, and Southern Europe occurred during 632–750 A.D. The resulting confrontation with the "rational sciences" such as philosophy, logic, mathematics, and astronomy cultivated in the newly conquered areas presented Muslim authorities with a tradeoff. On the one hand, many viewed these "foreign" sciences as threats to the revealed faith and the authority they derived from it (e.g. Chaney, 2011, 2016). On the other hand, being discouraged by Koranic law and demographic realities from implementing forced conversions, they saw engaging in learned debates with non-Muslims as a necessary means of proselytizing. Scientific progress initially flourished in this environment of religious competition and intellectual pluralism—an *Islamic Golden Age* that saw major developments in mathematics, chemistry, medicine, and other fields.⁴¹

Just as for Christianity centuries earlier, the initial tolerance willingness of Muslim rulers progressively declined once majorities of people had converted, and the Golden Age was followed by centuries of antagonism to the generation and diffusion of new ideas (Lewis, 2003; McClellan and Dorn, 2006; Rubin, 2017). "In the 11th century A.D., Hellenistic studies in the Islamic civilization were on the wane, and by the end of the twelfth century A.D. they were essentially extinct." (Deming, 2010, p. 105). Greek natural philosophy was excluded from the subjects taught in the madrasas, and "any private institution that might teach the 'foreign' sciences was starved out of existence by the laws governing *waqfs* [charitable endowments]."

The most striking case of blocking is that of the *printing press*. Following Gutenberg's first Bible (1455), presses spread very rapidly across Europe.⁴² Little opposition initially came from the Church, which found printing useful to disseminate the Holy Scriptures and religious manuals, and profit from selling letters of indulgence (Childress, 2008, chapter 6).⁴³ In Muslim lands, by contrast, printing—especially in Arabic and Turkish—was banned for several centuries. In 1515, Sultan Selim I issued a decree under which the practice of printing would be punishable by death. Printing only took off in the Islamic World in the early 19th century, partly due to the need for defensive modernization against the West.

A.3. *Human evolution*

Darwin's *On the Origin of Species* (1859) initially met some opposition, but within a few decades became widely accepted by the scientific community and in more secularized Western countries, where a literal reading of *Genesis* had already

40. As Merton (1938, p. 495) notes: "The Puritan complex of a scarcely disguised utilitarianism; of intramundane interests; methodical, unremitting action; thoroughgoing empiricism; of the right and even the duty of "libre examen"; of anti-traditionalism—all this was congenial to the same values in science." In Section 6.2, we propose that this is a very adaptive "mutation," or doctrinal-design strategy, for a new entrant at that time.

41. The Caliphs also financed extensive translations of Greek and Indian works in philosophy and science and created important libraries, observatories and other centers of learning, especially in Baghdad.

42. "By 1500, more than 1,000 printing shops had sprung up in Europe. Printers were turning out an average of 500 books per week" (Vander Hook, 2010, p. 12). It is estimated that just during 1436–1500, approximately 15,000 different texts were printed in 20 million copies, and over the 16th century 150,000 to 200,000 different books and book editions, were printed, totaling more than 200 million copies (Kertcher and Margalit, 2005).

43. Ironically, half a century later printing proved to be a decisive factor in the diffusion of the Protestant Reformation that radically undermined the Church's hegemony. Later on, it also played a key role in spreading the ideas of the Scientific Revolution and Enlightenment (e.g. Diderot and d'Alembert's *Encyclopedie* of 1751).

been undermined by developments in geology and natural sciences. In more religious parts of the world, human evolution remains a highly controversial, minority view. Hameed (2008) found that fewer than 20% of adults in Indonesia, Malaysia and Pakistan believed Darwin's theory to be "true or possibly true," and only 8% in Egypt. In Europe, the Church kept silent on the issue until Pope Pius XII's 1950 encyclical *Humani Generis*. While still *not* accepting evolution as a fact, it allowed important *doctrinal repair* by introducing a distinction between the "possibly material" origins of the human body and the necessarily divine and immediate imparting of the soul.⁴⁴

The U.S. is a striking case of a technologically advanced country where significant opposition persists. In 1925, Tennessee's Butler Act prohibited teaching in schools any theory of human origins contradicting the Bible; it remained on the books until 1967. As noted by Ruse (2006, p. 249) "A 2001 Gallup poll reported that 45% of Americans thought that God created humans as they are now, 37% let some kind of guided evolution do the job, and 12% put us down to unguided natural forces."⁴⁵ Today, "creation science" is taught in 15–20% of American schools.

In 2017, Turkey's religiously aligned government stopped all teaching of Human Evolution in schools, rewriting the textbooks with the help of religious scholars. In 2018, India's Minister of Education declared Darwin's theory "scientifically wrong" and demanded that it be removed from textbooks, though unsuccessfully due to strong protests from the scientific community. A few years earlier, Prime Minister Narendra Modi cited the supernatural features of Hindu deities and mythological heroes to argue that "Vedic science" had discovered genetics and plastic surgery thousands of years ago. Addressing children at the 2019 Indian Science Congress, several academic officials made similar claims about aircraft and embryonic transplants being invented by ancient Hindu gods, while Newton and Einstein's theories were just gross mistakes.

B. MAIN PROOFS

We will allow throughout for a slightly more general (and more realistic) outcome of doctrinal-repair work than in the text. We had assumed that by investing ηb (per unit of *TFP*) following the diffusion of a *BR* innovation, the Church could always prevent beliefs from being eroded to $(1-\delta)b$. We now allow such attempts to succeed only with probability q , where:

Assumption B.1. $q \geq 1/(1+\gamma)$.

B.1. Proof of Proposition 2

Lemma B.1. *The function $\pi(b, v)$ equals 0 for $b < v$, then jumps up to $\pi(v, v) = R(\tau^*(v))$. It is continuous and strictly increasing on $[v, v/(1-\delta))$, then jumps down to $\pi(v/(1-\delta), v) = R(\tau^*(v/(1-\delta))) - (1-\delta)R(\tau^*(v))$. Finally, it is continuous and strictly decreasing on $[v/(1-\delta), +\infty)$, with $\lim_{b \rightarrow +\infty} \pi(b, v) = \delta R(\hat{\tau}) > 0$.*

Proof. (1) For $b < v$, $G(b, v) = G((1-\delta)b, v) = 0$, hence $\pi(b, v) = 0$. For $v \leq b < v/(1-\delta)$, the religious switch to the provision of the secular public good when religiosity is eroded from b to $b' \equiv (1-\delta)b$. Therefore, over this range $\pi(b, v) = R(\tau^*(b))$, which is strictly increasing and continuous in b ; at $b = v$, the function $\pi(b, v)$ thus has an upward jump of $R(\tau^*(v))$.

(2) For $v/(1-\delta) \leq b$, the religious provide G even when b falls to $(1-\delta)b$, so

$$\pi(b, v) = R(\tau^*(b)) - (1-\delta)R(\tau^*((1-\delta)b)). \quad (\text{B.1})$$

From the first-order condition, $bR'(\tau^*(b)) = 1$, it follows that $\tau^{*'}(b) = -1/[b^2 R''(\tau^*(b))] > 0$, so

$$\begin{aligned} \frac{\partial \pi(b, v)}{\partial b} &= R'(\tau^*(b))\tau^{*'}(b) - (1-\delta)^2 R'(\tau^*((1-\delta)b))\tau^{*'}((1-\delta)b) \\ &= \frac{1}{b^2} \left[\frac{R'(\tau^*(b))}{-R''(\tau^*(b))} - \frac{R'(\tau^*(b'))}{-R''(\tau^*(b'))} \right]. \end{aligned} \quad (\text{B.2})$$

This expression is negative if $-R'(\tau)/R''(\tau)$ is decreasing (as $\tau^*(b)$ is increasing), which is implied by Assumption 1. The function $\pi(b, v)$ in (B.1) is therefore decreasing on $[v/(1-\delta), +\infty)$; at $b = v/(1-\delta)$ it has a downward jump

44. "The Teaching Authority of the Church does not forbid that... research and discussions, on the part of men experienced in both [human sciences and sacred theology], take place with regard to the doctrine of evolution, in as far as it inquires into the origin of the human body as coming from pre-existent and living matter—for the Catholic faith [only] obliges us to hold that souls are immediately created by God."

45. The 2006 GSS included 13 questions on basic scientific knowledge, and reasoning; controlling for standard sociodemographics, greater religiosity was significantly associated with lower scientific literacy (Sherkat, 2011).

of $-(1-\delta)R(\tau^*(v))$. As b tends to $+\infty$, finally, both $\tau^*(b)$ and $\tau^*((1-\delta)b)$ tend to $\hat{\tau}$, so by (B.1) $\pi(b, v)$ tends to $\delta R(\hat{\tau}) > 0$. \square

Lemma B.1 implies that, for all y in $(\delta R(\hat{\tau}), \pi(v/(1-\delta), v))$, the set of b 's where $\pi(b, v) \geq y$ is an interval $[b^-(v; y), b^+(v; y)]$, with $v \leq b^-(v; y) < v/(1-\delta) < b^+(v; y)$. Given Assumption 2, setting $\underline{b} \equiv b^-(v; \eta/q)$ and $\bar{b} \equiv b^+(v; \eta/q)$ concludes. \square

B.2. Proof of no blocking when repairing, i.e. when $b \in [\underline{b}, \bar{b}]$

(1) When $b \in [v/(1-\delta), \bar{b}]$, the Church's attempts at doctrinal repairing following a BR innovation are successful with probability q , in which case b and G remain unchanged. With probability $1-q$ repairing fails and b drops to $b' \geq v$, so the religious public good is still provided but at a lower level. The value of not blocking is therefore

$$V^{NB} = 1 + [1 - \lambda + \lambda(1 - p_R)(1 + \gamma) + \lambda p_R q(1 + \gamma)]V(b) + \lambda p_R(1 - q)(1 + \gamma)V(b'), \tag{B.3}$$

where $V(b')$ is given by (8). Combining (B.3) and (9), $V^{NB} \leq V^B$ takes the form:

$$R^{-1}(\varphi(a)) \leq \lambda p_R \{ [1 - q(1 + \gamma)]V(b) - (1 - q)(1 + \gamma)V(b') \} \equiv \Delta^{3I}(b). \tag{B.4}$$

(2) When $b \in [\underline{b}, v/(1-\delta))$ and repair fails, religiosity falls to $b' < v$, so $G_{t+1} = 0$ and the value of not blocking becomes

$$V^{NB} = 1 + [1 - \lambda + \lambda(1 - p_R)(1 + \gamma) + \lambda p_R q(1 + \gamma)]V(b) + \lambda p_R(1 - q)(1 + \gamma)V(v), \tag{B.5}$$

which is equivalent to (B.3) with $V(v)$ replacing $V(b')$. Hence, the blocking condition becomes

$$R^{-1}(\varphi(a)) \leq \lambda p_R \{ [1 - q(1 + \gamma)]V(b) - (1 - q)(1 + \gamma)V(v) \} \equiv \Delta^{3II}(b). \tag{B.6}$$

Lemma B.2. *There exists a $q = q^* < 1/(1 + \gamma)$ such that, for any $q > q^*$, the religious majority prefers not to block ($V^{NB} > V^B$) for any $(a, b) \in \mathbb{R}_+ \times [\underline{b}, \bar{b}]$. Consequently, under Assumption B.1, the State does not block in this region.*

Proof. Consider (B.4) and note that $\Delta^{3I}(b) < 0$ for all $q \geq 1/(1 + \gamma)$. Moreover, $V(b)$ is increasing in b , so $\partial \Delta^{3I}(b) / \partial q = -\lambda p_R(1 + \gamma)[V(b) - V(b')] < 0$. Hence, there exists a $q_I^* < 1/(1 + \gamma)$ such that $\Delta^{3I}(b)$ has the sign of $q_I^* - q$. Similarly, (B.6) implies, for all $b > v$, $\partial \Delta^{3II}(b) / \partial q = -\lambda p_R(1 + \gamma)[V(b) - V(v)] < 0$, so there exists a $q_{II}^* < 1/(1 + \gamma)$ such that $\Delta^{3II}(b)$ has the sign of $q_{II}^* - q$. Under Assumption B.1, $q > \max\{q_I^*, q_{II}^*\} \equiv q^*$, so there is no blocking for $b \in [\underline{b}, \bar{b}]$. \square

B.3. Proof that the $\Delta^i(b)$, $i = 1, 2$, are increasing in b

• **Case $b > \bar{b}$:** We explicit the net return to blocking $\Delta^1(b)$ by substituting (8) into (11):

$$\Delta^1(b) = \lambda p_R \{ 1 - \tau^*(b) + bR(\tau^*(b)) - (1 + \gamma)[1 - \tau^*(b') + b'R(\tau^*(b'))] \}. \tag{B.7}$$

Differentiating (B.7) and using the envelope theorem (note that $\Delta^1(b)$ is the difference between two maximized functions) yields

$$\frac{\partial \Delta^1(b)}{\partial b} = \lambda p_R [R(\tau^*(b)) - (1 + \gamma)(1 - \delta)R(\tau^*(b'))]. \tag{B.8}$$

Any blocking of BR innovations requires that $\Delta^1(b) \geq 0$, which by (B.7) takes the form

$$R(\tau^*(b)) - (1 + \gamma)(1 - \delta)R(\tau^*(b')) \geq (1/b)[(1 + \gamma)(1 - \tau^*(b')) - (1 - \tau^*(b))]. \tag{B.9}$$

Since $\tau^*(b)$ is non-decreasing and $b' \equiv (1 - \delta)b$, the right-hand side of (B.9) is strictly positive. Therefore, $\Delta^1(b) \geq 0$ implies that $\partial \Delta^1(b) / \partial b > 0$ in (B.8).

• **Case $v \leq b < \underline{b}$:** we explicit the net return $\Delta^2(b)$ by substituting (8) into (13):

$$\Delta^2(b) = \lambda p_R \{ 1 - \tau^*(b) + bR(\tau^*(b)) - (1 + \gamma)[1 - \tau^*(v) + vR(\tau^*(v))] \}. \tag{B.10}$$

Differentiating, we obtain $\partial \Delta^2(b) / \partial b = \lambda p_R R(\tau^*(b))$, which is always positive.

B.4. Proof of Proposition 5

We first establish the existence and properties of the religiosity threshold $b^*(v, \theta_H, \theta_L)$ above which the RP prefer the ideal policy of the RR to that of the secular poor. We then use them to show the existence and uniqueness of the CPNE outcome.

B.4.1. Preferred alliance of the religious poor

Lemma B.3. (1) For any v there exists a unique $b^*(v; \theta_H, \theta_L) > \theta_H > v$, or $b^*(v)$ for short, such that the religious poor prefer the ideal policy of the secular poor (defined by $\tau_L(v)$) to that of the religious rich (defined by $\tau_H(b)$) if and only if $b \leq b^*(v)$.

(2) The function b^* is strictly decreasing in θ_L and strictly increasing in θ_H .

(3) The function b^* is strictly increasing in v .

Proof. (1) The utility of the religious poor under the ideal policy of the religious rich is

$$f(b) \equiv [1 - \tau_H(b)]\theta_L + bR(\tau_H(b)) \quad \text{for } b \geq \theta_H, \quad f(b) \equiv \theta_L \quad \text{otherwise,} \quad (\text{B.11})$$

whereas under that of the secular poor it equals

$$g(v) \equiv [1 - \tau_L(v)]\theta_L + vR(\tau_L(v)). \quad (\text{B.12})$$

For $b \leq \theta_H$, $f(b) < g(v)$. For $b \geq \theta_H$, $f(b)$ is an increasing function, since

$$f'(b) = R(\tau_H(b)) + [bR'(\tau_H(b)) - \theta_L]\tau'_H(b) = R(\tau_H(b)) + [\theta_H - \theta_L]\tau'_H(b) > 0.$$

Finally, as b tends to $+\infty$, $\tau_H(b) = \tau^*(b/\theta_H)$ tends to $\hat{\tau}$, so $f(b)$ tends to $+\infty$. This shows the existence of a unique indifference point, $b^*(v) > \theta_H > v$. Before studying its variations, we prove two simple properties linking the preferred tax rates of poor and rich agents.

Lemma B.4. For any $v \in (\theta_L, \theta_H)$, let $\tilde{b}(v) \equiv v(\theta_H/\theta_L) > \theta_H$. Then $\tau_L(v) = \tau_H(\tilde{b}(v)) > \tau_H(b^*(v))$.

Proof. The equality follows from $\tau_L(v) = \tau^*(v/\theta_L)$ and $\tau_H(b) = \tau^*(b/\theta_H)$ for $b \geq \theta_H$. The inequality then holds if $\tilde{b}(v) > b^*(v)$ or, by monotonicity of f , $f(\tilde{b}(v)) > f(b^*(v))$. We have

$$\begin{aligned} f(\tilde{b}(v)) &= [1 - \tau_H(\tilde{b}(v))]\theta_L + \tilde{b}(v)R(\tau_H(\tilde{b}(v))) = [1 - \tau_L(v)]\theta_L + \tilde{b}(v)R(\tau_L(v)) \\ &> [1 - \tau_L(v)]\theta_L + vR(\tau_L(v)) = g(v) \equiv f(b^*(v)), \end{aligned}$$

using the definition of $b^*(v)$, hence the result. \square

(2) For the comparative statics, we make the dependence of f and g on (θ_L, θ_H) explicit. Thus

$$\begin{aligned} \frac{\partial f(b; \theta_L, \theta_H)}{\partial \theta_L} &= 1 - \tau_H(b), \\ \frac{\partial g(v; \theta_L)}{\partial \theta_L} &= 1 - \tau_L(v) + [-\theta_L + vR'(\tau_L(v))]\frac{\partial \tau_L(b)}{\partial \theta_L} = 1 - \tau_L(v), \end{aligned}$$

by the first-order condition of the *SP*. Therefore,

$$\frac{\partial f(b; \theta_L, \theta_H)}{\partial \theta_L} - \frac{\partial g(v; \theta_L)}{\partial \theta_L} = \tau_L(v) - \tau_H(b),$$

which is always positive at $b = b^*$ since $\tau_H(b^*(v)) < \tau_L(v)$, by Lemma B.4. above. Since $f(b) - g(v)$ is also increasing in b , its unique zero, $b^*(v)$, is therefore strictly decreasing in θ_L . Similarly, $\partial b^*/\partial \theta_H > 0$ follows from the fact that

$$\frac{\partial f(b; \theta_L, \theta_H)}{\partial \theta_H} - \frac{\partial g(v; \theta_L)}{\partial \theta_H} = [-\theta_L + bR'(\tau_H(b))]\frac{\partial \tau_H(b)}{\partial \theta_H} = (\theta_H - \theta_L)\frac{\partial \tau_H(b)}{\partial \theta_H} < 0,$$

where we used first-order condition $bR'(\tau_H(b)) = \theta_H$, which implies

$$\frac{\partial \tau_H(b)}{\partial \theta_H} = \frac{1}{bR''(\tau_H(b))} < 0 < \frac{\theta_H}{-b^2R''(\tau_H(b))} = \tau'_H(b). \quad (\text{B.13})$$

(3) Recall that $b^*(v)$ is uniquely defined by the indifference condition

$$[1 - \tau_H(b^*(v))]\theta_L + b^*(v)R(\tau_H(b^*(v))) = [1 - \tau_L(v)]\theta_L + vR(\tau_L(v)). \quad (\text{B.14})$$

Differentiating in v , then using $vR'(\tau_L(v)) = \theta$ and $bR'(\tau_H(b)) = \theta_H$ yields

$$b^{*'}(v) = \frac{R(\tau_L(v))}{(\theta_H - \theta_L)\tau'_H(b^*(v)) + R(\tau_H(b^*(v)))}. \quad (\text{B.15})$$

From the second part of (B.13), it then follows that $b^{*'}(v) > 0$. \blacksquare

B.4.2. Political equilibrium in the second period

Using the key properties of the different groups' preferences established in Lemma B.3, we now prove the existence and uniqueness of a CPNE in the political sub-game played at $t + 1$.⁴⁶

A - Region $v < b < b^*(v)$

Case 1: $\theta_H \leq b < b^*(v)$. In this case, the optimal tax rate of the *RR* is $\tau_H(b) > 0$. This implies that the *SP* strictly prefer the *SR* to the *RR*, and the *RP* strictly prefer the *RR* to the *SR*. Table B.1 displays the rankings of each group i over the ideal fiscal policies of the four groups j ; naturally, its own policy is always ranked first.

	<i>SP</i>	<i>RP</i>	<i>RR</i>	<i>SR</i>
<i>SP</i>	1	4	3	2
<i>RP</i>	2	1	3	4
<i>RR</i>	x	y	1	z
<i>SR</i>	x'	4	y'	1

where $(x, y, z) = (3, 4, 2)$ [subcase(a)], or $(4, 2, 3)$ or $(4, 3, 2)$ [subcase b]; $(x', y') = (2, 3)$ or $(3, 2)$.

Table B.1. Fiscal preferences of each group when $\theta_H \leq b < b^*(v)$.

The first two rows are self-explanatory. In the third, subcase (a) occurs when the *RR* prefer the *SP* to the *RP* (they will then also prefer the *SR* to the *SP*), and subcase (b) when they prefer the *RP* to the *SP*; we then do not know a priori how the *SR* are ranked relative to the *RP*. The last row shows that the *SR*'s least preferred policy is that of the *RP* and that they may rank that of the *SP* ahead of that of the *RR*, or vice versa.

We now show that the *SP* winning—implementing their preferred fiscal policy—in the second period of the political game (a generation's old age) is a CPNE outcome (Claim 1), and then that this equilibrium is unique (see Claims 2–4).

Claim 1: *The SP winning at $t + 1$ is a CPNE outcome.*

Proof: Consider the case where only the *SP* and the *RR* candidates enter, so that the strategy profile is $(SP = E, RP = N, RR = E, SR = N)$, where E and N denote, respectively the entry and non-entry of the candidate. The *SP* are the winner, as they get the support of the *RP* and the poor add up to a majority. This is clearly a Nash Equilibrium (NE), as no player has an incentive to deviate; we next show that there is no self-enforcing coalitional deviation.

Note first that any winning deviating coalition must contain the *RP* and that the *SP* must be their 2nd choice. The coalition (RP, RR) gets $(2, x)$ when the *SP* wins. The only available vector that could Pareto-dominate $(2, x)$ is $(1, y)$, achieved in subcase (b) by $(RP = E, RR = N)$, with the *RP* winning, since $(x, y, z) \in \{(4, 2, 3), (4, 3, 2)\}$. This coalition is not self-enforcing, however. If the *RR* leader stays in, no one gets a majority in the first round (where there are at least three candidates—*SP*, *RP*, and *RR*). By (15), the *SP* (and eventually the *SR*) drop out, and the *RR* win against the *RP* in the second round; hence it is optimal for the *RR* to deviate by playing E rather than N . The only possible coalitional deviation is thus not self-enforcing, so the NE with the *SP* winning is coalition-proof.

Claim 2: *The RR winning at $t + 1$ cannot be a CPNE outcome.*

Proof: Assume that there is a NE with the *RR* winning, and consider the deviating coalition $(SP = E, RP = N)$. The *SP* win with the support of the *RP* and are better off, since $(1, 2) < (3, 3)$; see Table B.1. The deviation is also self-enforcing. Indeed, if the *RP* deviate and stay in, there are at least three candidates in the first round, none with an absolute majority. By (15), the *SP* (and then the *SR*) drop out, so that in the second round the *RP* lose to the *RR*, ending up with their 3rd rather than 2nd choice; it was therefore not optimal to deviate.

Claim 3: *The RP winning at $t + 1$ cannot be a CPNE outcome.*

Proof: Assume there is a NE with the *RP* winning. The deviation $(SP = N, RR = E)$ brings the *RR* to power⁴⁷ and is profitable, as $(3, 1) < (4, y)$ since $y \geq 2$. This coalition is also self-enforcing. If the *SP* deviate and stay in, there will be at least three candidates in the first round. By (15), the *RR* and the *RP* will go to the second round, where the *RR* win anyway.

Claim 4: *The SR winning at $t + 1$ cannot be a CPNE outcome.*

Proof: We again show that if there is a NE with the *SR* winning, it cannot be coalition-proof.

46. For $b < v$, the preferred policy of the *SP* and *RP* coincide, so there is also an equilibrium in which it is the latter who enter, supported by the former. As both yield the same outcome this multiplicity is inconsequential, so without loss of generality, we will select the one with the *SP* in power. This seems most natural, as it is their policy that is implemented in all cases, and it is also the unique equilibrium for $v < b < b^*(v)$.

47. When the *SR* do not enter, all groups but the *RP* support the *RR*, who win in round 1. When $SR = E$ and the sum of *RR* and *SP* is less than 50%, the *RR* and the *RP* go to round 2, and the *RR* wins.

Subcase (a). The deviation ($SP=E, RP=N$) leads the SP to power (supported by the RP) and it is profitable, since $(1, 2) < (2, 4)$. To establish that it is also self-enforcing, note in Table B.1 that, since $y=4$, the RP are ranked last by every other group and consequently can never win, in either round. Therefore, it is not profitable for them to deviate and enter against the SP ; conversely, it is not optimal for the SP to let them enter alone.

Subcase (b). A profitable deviation is ($RP=N, RR=E$), since it brings the RR to power and $(3, 1) < (4, z)$, as $z \geq 2$. The deviating coalition is also self-enforcing: if the RP deviate from it, the SP (and eventually the SR) drop out in round 1 by (15), and the RR win anyway against the RP in round 2.

Case 2: $v < b < \theta_H$. The preference structure, reported in Table B.2, differs from the previous one because the RR and the SR now have the same ideal policy (zero tax rate). This implies that the SP and the RP are both indifferent between RR and SR . Moreover, the SR will always rank the RR 's policy 2nd, and vice-versa. It is easily verified that the analysis of Case 1 applies here as well (with now only subcase (a) relevant in Claim 4).

	SP	RP	RR	SR
SP	1	3	2	2
RP	2	1	3	3
RR	x	y	1	2
SR	3	4	2	1

where $(x, y) = (3, 4)$ [subcase (a)], or $(4, 3)$ [subcase (b)].

Table B.2. Fiscal preferences of each group when $v < b < \theta_H$.

B - Region $b^*(v) < b$. Table B.3 reports the preference structure for this case.

	SP	RP	RR	SR
SP	1	4	3	2
RP	3	1	2	4
RR	x	y	1	z
SR	x'	4	y'	1

where $(x, y, z) = (3, 4, 2)$ [subcase (a)], or $(4, 2, 3)$ or $(4, 3, 2)$ [subcase (b)]; $(x', y') = (2, 3)$ or $(3, 2)$.

Table B.3. Fiscal preferences of each group when $b^*(v) < b$.

Claim 1: *The RR winning at $t+1$ is the unique Nash equilibrium outcome.*

Proof: We show that if the RR enter they always win, independently of all other groups' strategies; the result will immediately follow. Let the RR enter (either on or off the equilibrium path), and suppose first that RP stay out. They will then back the RR , whom they rank second and who thus win in the first round. If the RP do enter, there are two possible subcases:

(a) If neither the SP nor the SR enter, both support the RR (whom they always prefer to the RP), who thus again win immediately.

(b) If either or both of these groups enter, no one has a majority in the first round. The RP and the RR , being the two largest contestants, make it to the second round, and here again the RR win with the support of both the SP and the SR .

Claim 2: *The RR winning at $t+1$ is a (unique) CPNE outcome.*

Proof: Let the RR enter alone: ($SP=N, RP=N, RR=E, SR=N$). By Claim 1 no group would gain from deviating, since the RR will win anyway. To show that it is coalition-proof, note that the minimal winning coalition is (SP, RP) , which obtains $(3, 2)$ when the RR win. As there is no policy vector that Pareto-dominates $(3, 2)$, there is no profitable deviating coalition, hence the result. Uniqueness follows from Claim 1.

C - Locus $b = b^*(v)$. The only difference with the previous case is that the RP are now indifferent between SP and RR : the preference structure is still that of Table B.3, except that the second row is now $(2 \ 1 \ 2 \ 4)$. The preceding reasoning remains unchanged since, whenever the RP have a (first- or second-round) choice between RR and SP , it is enough that they split their vote equally to ensure the latter's victory: by Assumption 4, $RR + RP/2 = r(1+n)/2 > 1/2$. The RR winning is thus again the only NE and CPNE outcome.

D - Region $b < v$. The SP and RP have the same preferred policy, so either one entering, backed by the other, wins a majority. Moreover, the RR winning cannot be a CPNE outcome, as that same majority of SP plus RP could deviate (e.g. $(RP=E, SP=N)$) and win. ■

B.5. Proofs for Church's repair policy with income heterogeneity

We first show that the set of b 's where $\pi(b, v) \geq y$ is an interval $[b^-(v; y), b^+(v; y)]$, then study its comparative statics with respect to inequality.

Lemma B.5. *The function $\pi(b, v)$ equals 0 for $b < b^*(v)$, then jumps up to $\pi(b^*(v), v) = R(\tau_H(b^*(v)))$. It is continuous and strictly increasing on $[b^*(v), b^*(v)/(1-\delta))$, then jumps down to $\pi(b^*(v)/(1-\delta), v) = R(\tau_H(b^*(v)/(1-\delta))) - (1-\delta)R(\tau_H(b^*(v)))$. Finally, it is continuous and strictly decreasing on $[b^*(v)/(1-\delta), +\infty)$, with $\lim_{b \rightarrow +\infty} \pi(b, v) = \delta R(\hat{\tau}) > 0$.*

Proof. The proof is the same as for Lemma B.1, except that for $b^*(v)/(1-\delta) \leq b$, the formulas

$$\pi(b, v) = R(\tau_H(b)) - (1-\delta)R(\tau_H((1-\delta)b)) \equiv \rho(b; \theta_H), \tag{B.16}$$

$$\frac{\partial \rho(b; \theta_H)}{\partial b} = R'(\tau_H(b))\tau'_H(b) - (1-\delta)^2 R'(\tau_H((1-\delta)b))\tau'_H((1-\delta)b) \tag{B.17}$$

$$= \frac{\theta^H}{b^2} \left[\frac{R'(\tau_H(b))}{-R''(\tau_H(b))} - \frac{R'(\tau_H(b'))}{-R''(\tau_H(b'))} \right], \tag{B.18}$$

now replace (B.1) and (B.2), respectively, with $\tau'_H(b) = \theta_H / [-b^2 R''(\tau_H(b))] > 0$. □

Given Lemma B.5, the conditions ensuring a nonempty repairing region are readily obtained by replacing v by $b^*(v)$ and $\tau^*(\cdot)$ by $\tau_H(\cdot)$ in Assumption 2, as is the case in $\pi(\cdot, v)$.

Assumption B.2. $\delta R(\hat{\tau}) < \eta < R(\tau_H(b^*(v)/(1-\delta))) - (1-\delta)R(\tau_H(b^*(v)))$.

These properties are illustrated by the solid curves in Figure 8b, while the dashed curve displays the next result, namely that increases in inequality shift $\pi(\cdot, v)$ to the right. In what follows, we make explicit the dependence of π (via $\tau_H(b)$ and $b^*(v)$) on θ_L and θ_H .

Lemma B.6. (1) *As θ_L rises, the graph of $\pi(b, v; \theta_L, \theta_H)$ shifts (weakly) to the left, so that $b^-(v; y)$ and $b^+(v; y)$ both (weakly) decrease.*
 (2) *As θ_H rises, the graph of $\pi(b, v; \theta_L, \theta_H)$ shifts (weakly) to the right, so that $b^-(v; y)$ and $b^+(v; y)$ both (weakly) increase.*

Proof. (1) (i) The function $\pi(b, v; \theta_L, \theta_H)$ depends on θ_L only through the cutoffs $b^*(v)$ and $b^*(v)/(1-\delta)$ at which $\pi(b)$ jumps, respectively from 0 up to $(R \circ \tau_H)(b^*(v))$ and from $(R \circ \tau_H)(b^*(v)/(1-\delta))$ down to $(R \circ \tau_H)(b^*(v)) - (R \circ \tau_H)((1-\delta)b^*(v))$; note that these four values are independent of θ_L . Consider now an increase in θ_L to $\hat{\theta}_L \in (\theta_L, \theta_H)$; by Lemma B.3.(2), the two cutoffs $b^*(v)$ and $b^*(v)/(1-\delta)$ decrease, to values which we shall denote $\hat{b}^*(v)$ and $\hat{b}^*(v)/(1-\delta)$, with

$$\hat{b}^*(v) < b^*(v) < \hat{b}^*(v)/(1-\delta) < b^*(v)/(1-\delta),$$

provided the change in θ_L is not too large. Moreover, by the property just noted, the new function $\hat{\pi}(b) \equiv \pi(b, v; \hat{\theta}_L, \theta_H)$ coincides with the old $\pi(b) \equiv \pi(b, v; \theta_L, \theta_H)$ on $[0, \hat{b}^*(v))$, on $[\hat{b}^*(v), \hat{b}^*(v)/(1-\delta)]$ and on $[b^*(v)/(1-\delta), +\infty)$. They differ only on $[\hat{b}^*(v), b^*(v))$, where $\hat{\pi}(b) = R(\tau_H(b)) > 0 = \pi(b)$ and on $[\hat{b}^*(v)/(1-\delta), b^*(v)/(1-\delta))$, where $\hat{\pi}(b) = R(\tau_H(b)) - (1-\delta)R(\tau_H((1-\delta)b)) < R(\tau_H(b)) = \pi(b)$.

(ii) Omitting the dependence on y to simplify the notation, let now $b^-(v)$ and $b^+(v)$ denote the two points where, by Property (1)(i) just shown, the graph of $\pi(b)$ intersects the horizontal $\pi = y$ (we shall denote $b^-(v) = b^*(v)$ when $\pi(b^*(v)) = R(\tau_H(b^*(v))) > y$). Let $\hat{b}^-(v)$ and $\hat{b}^+(v)$ similarly denote those intersections for the graph of $\hat{\pi}$ (with $\hat{b}^-(v) = \hat{b}^*(v)$ when $\hat{\pi}(\hat{b}^*(v)) = R(\tau_H(\hat{b}^*(v))) > y$). By construction, $b^-(v)$ lies in the range where $\pi(b)$ is increasing (including the upward discontinuity), and by Property (1)(i) the graph of $\hat{\pi}$ is above that of π in this range—strictly when $b \in [\hat{b}^*(v), b^*(v))$. This implies that $\hat{b}^-(v)$ must lie to the left of $b^-(v)$. Similarly, $\hat{b}^+(v)$ lies in the range where $\hat{\pi}(b)$ is decreasing; by Property (1)(i), in that range the graph of π is either above that of $\hat{\pi}$ (for all $b \in [\hat{b}^*(v)/(1-\delta), b^*(v)/(1-\delta))$) or equal to it (for all $b \geq b^*(v)/(1-\delta)$), so it must be that $\hat{b}^+(v)$ lies to the left of $b^+(v)$.

(2) (i) To show that an increase in θ_H shifts (weakly) the graph of $\pi(\cdot, v; \theta_L, \theta_H)$ to the right, note the following three features of this function.

First, over the range $[b^*(v), b^*(v)/(1-\delta))$, the function $\pi(b, v; \theta_L, \theta_H) = R(\tau_H(b))$ is strictly increasing and continuous in b and is strictly decreasing in θ_H , as

$$\frac{\partial \pi(b, v; \theta_L, \theta_H)}{\partial \theta_H} = R'(\tau_H(b)) \frac{\partial \tau_H(b)}{\partial \theta_H} < 0,$$

given that $\partial \tau_H(b) / \partial \theta_H < 0$, by (B.13).

Second, over the range $[b^*(v)/(1-\delta), +\infty)$, the function $\pi(b, v; \theta_L, \theta_H)$ is given by (B.16), which is decreasing and continuous in b and strictly increasing in θ_H . Indeed,

$$\begin{aligned} \frac{\partial \rho(b; \theta_H)}{\partial \theta_H} &= R'(\tau_H(b)) \frac{\partial \tau_H(b)}{\partial \theta_H} - (1-\delta)R'(\tau_H((1-\delta)b)) \frac{\partial \tau_H(b)}{\partial \theta_H} \\ &= \frac{1}{b} \left[\frac{R'(\tau_H(b'))}{-R''(\tau_H(b'))} - \frac{R'(\tau_H(b))}{-R''(\tau_H(b))} \right], \end{aligned}$$

where we have used (B.13) and $b' \equiv (1-\delta)b$. This expression is positive, since $\tau_H(b)$ is increasing in b and Assumption 1 ensures that $-R'(\tau)/R''(\tau)$ is decreasing in τ .

Third, by Lemma B.3.(2), the two cutoffs $b^*(v)$ and $b^*(v)/(1-\delta)$ are increasing in θ_H . Therefore, if we consider an increase in θ_H to $\hat{\theta}_H$, $b^*(v)$ and $b^*(v)/(1-\delta)$ increase to values which we shall denote $\hat{b}^*(v)$ and $\hat{b}^*(v)/(1-\delta)$, with

$$b^*(v) < \hat{b}^*(v) < \frac{b^*(v)}{1-\delta} < \frac{\hat{b}^*(v)}{1-\delta},$$

provided the change in θ_H is not too large. The above three properties of $\pi(b, v; \theta_L, \theta_H)$ imply that an increase in θ_H shifts the graph of this function (weakly) to the right.

Summarizing, the new function $\hat{\pi}(b) \equiv \pi(b, v; \theta_L, \hat{\theta}_H)$ has the following shape. Over the range $[0, b^*(v))$, it equals zero and coincides with the old $\pi(b) \equiv \pi(b, v; \theta_L, \theta_H)$. Over the range $[b^*(v), \hat{b}^*(v))$, $\pi(b) = R(\tau_H(b)) > 0 = \hat{\pi}(b)$; and over $[\hat{b}^*(v), \hat{b}^*(v)/(1-\delta))$, $\pi(b) = R(\tau_H(b)) > R(\hat{\tau}_H(b)) = \hat{\pi}(b)$, where $\hat{\tau}_H(b)$ denotes the optimal tax rate of the religious rich when their income is $\hat{\theta}_H$. The function $\hat{\pi}(b) = R(\hat{\tau}_H(b))$ is continuous and increasing over the range $[b^*(v)/(1-\delta), \hat{b}^*(v)/(1-\delta))$, while the function $\pi(b) = R(\tau_H(b)) - (1-\delta)R(\tau_H((1-\delta)b))$ is decreasing over this range and has a downward jump at $b^*(v)/(1-\delta)$. The function $\hat{\pi}(b) = R(\hat{\tau}_H(b)) - (1-\delta)R(\hat{\tau}_H((1-\delta)b))$ has a downward discontinuity at $\hat{b}^*(v)/(1-\delta)$, and it is decreasing over the range $[\hat{b}^*(v)/(1-\delta), +\infty)$ with $\hat{\pi}(b) = R(\hat{\tau}_H(b)) - (1-\delta)R(\hat{\tau}_H((1-\delta)b)) > R(\tau_H(b)) - (1-\delta)R(\tau_H((1-\delta)b)) = \pi(b)$.

(ii) By construction, $b^-(v)$ lies in the range where $\pi(b)$ is increasing (including the upward discontinuity), i.e. $b^-(v) \in [b^*(v), \hat{b}^*(v)/(1-\delta))$, and by Property (2)(i) above, the graph of $\hat{\pi}$ is below that of π in that range (strictly where $\hat{b}^* > 0$). This implies that $\hat{b}^-(v)$ must lie to the right of $b^-(v)$. Similarly, $b^+(v)$ lies in the range where $\pi(b)$ is decreasing, i.e. $b^+(v) \in [b^*(v)/(1-\delta), +\infty)$. By Property (i) above, on that range the graph of $\hat{\pi}$ is either increasing or decreasing and above that of π . It can thus never be that $\hat{b}^+(v)$ lies in the range where $\hat{\pi}$ is increasing but, eventually, $\hat{b}^-(v)$ can be in this range. This means that $\hat{b}^+(v)$ belongs to the range where $\hat{\pi}$ is decreasing and above π , i.e. $\hat{b}^+(v) \in [b^*(v)/(1-\delta), +\infty)$, which in turn implies that $\hat{b}^+(v)$ lies to the right of $b^+(v)$.

B.6. Proof of Proposition 7

We first compute below the date- t intertemporal utilities for each type of agent under blocking and no blocking, which define the payoffs of the science-policy game. We then show in Lemma B.7 that: (1) the RR are *always pivotal* at date t : they want to block (weakly) less than the RP , while neither the SP nor the SR ever want to; (2) for $q \geq 1/(1+\gamma)$, even the RP prefer not to block in the repairing region, $b \in [\underline{b}, \bar{b}]$. Consequently, the blocking-policy game has a unique CPNE outcome, which together with its unique continuation constitutes the unique PCPNE of generation t 's entire two-period, three-stage game.

If all BR innovations are blocked, the RR will be in power at $t+1$, so the expected utility of any agent with income $\theta \in [\theta_L, \theta_H]$ and religiousness $\beta \in \{0, 1\}$ is

$$V_{\theta, \beta}^B \equiv [1 - R^{-1}(\varphi(a))] \theta + [1 - \lambda + \lambda p_R + \lambda(1 - p_R)(1 + \gamma)] [(1 - \tau_H(b)) \theta + \beta b R(\tau_H(b))], \quad (\text{B.19})$$

where the second term represents expected utility in old age.

Suppose now that BR innovations are not blocked, but that their damage to beliefs gets repaired with probability $\tilde{q} \in [0, 1]$. While the equilibrium continuation strategy of the Church implies $\tilde{q} = \mathbf{1}_{\{b \in [\underline{b}, \bar{b}]\}} \cdot q$, for now we treat \tilde{q} as a parameter. There are two cases to consider.

• **Case $b \geq b^*(v)/(1-\delta)$.** The RR will be in power at $t+1$ even if repair fails, so the expected utility of agents in group (θ, β) is now

$$\begin{aligned} V_{\theta, \beta}^{NB} &\equiv \theta + [1 - \lambda + \lambda(1 - p_R(1 - \tilde{q}))(1 + \gamma)] [(1 - \tau_H(b)) \theta + \beta b R(\tau_H(b))] \\ &\quad + \lambda p_R(1 - \tilde{q})(1 + \gamma) [(1 - \tau_H(b')) \theta + \beta b' R(\tau_H(b'))], \end{aligned} \quad (\text{B.20})$$

where $b' \equiv (1 - \delta)b$. The group of (θ, β) -types therefore wants to block if and only if

$$R^{-1}(\varphi(a)\theta) \leq \lambda_{PR} \left\{ [1 - \tilde{q}(1 + \gamma)] [(1 - \tau_H(b))\theta + \beta bR(\tau_H(b))] - (1 - \tilde{q})(1 + \gamma) [(1 - \tau_H(b'))\theta + \beta b'R(\tau_H(b'))] \right\} \equiv \Delta_I(b; \theta, \beta, \tilde{q}). \quad (\text{B.21})$$

• **Case $b \in [b^*(v), b^*(v)/(1 - \delta)]$.** When repair fails, it is now the *SP* who come to power at $t + 1$, implementing $(T, G) = (R(\tau_L(v)), 0)$. The expected utility of any group (θ, β) is thus obtained by simply replacing $\beta b'$ by v and $\tau_H(b')$ by $\tau_L(v)$ in (B.20). Its utility under blocking is unchanged from (B.19), so the blocking condition is given by similar substitutions in (B.21):

$$R^{-1}(\varphi(a)\theta) \leq \lambda_{PR} \left\{ [1 - \tilde{q}(1 + \gamma)] [(1 - \tau_H(b))\theta + \beta bR(\tau_H(b))] - (1 - \tilde{q})(1 + \gamma) [(1 - \tau_L(v))\theta + vR(\tau_L(v))] \right\} \equiv \Delta_{II}(b, v; \theta, \beta, \tilde{q}). \quad (\text{B.22})$$

Lemma B.7. *Let $b \geq b^*(v)$. Then:*

1. *For all $b \geq b^*(v)/(1 - \delta)$ where $\Delta_I(b; \theta, 1, \tilde{q}) \geq 0$, the function $\Delta_I(b; \theta, 1, \tilde{q})/\theta$ is strictly decreasing in θ . Similarly, for all $b < b^*(v)/(1 - \delta)$ where $\Delta_{II}(b; \theta, 1, \tilde{q}) \geq 0$, $\Delta_{II}(b, v; \theta, 1, \tilde{q})/\theta$ is strictly decreasing in θ . Therefore, whenever the *RR* want to block, so do the *RP*.*
2. *For all $b \geq b^*(v)/(1 - \delta)$, $\Delta_I(b; \theta; 0, \tilde{q}) < 0$, while for all $b < b^*(v)/(1 - \delta)$, Assumption 5 implies that $\Delta_{II}(b, v; \theta_H; 0, \tilde{q}) < 0$. In both cases, no secular agent wants to block.*
3. *For all $q \geq 1/(1 + \gamma)$, $\Delta_I(b; \theta, \beta, q) < 0$ and $\Delta_{II}(b, v; \theta, \beta, q) < 0$. Therefore, under Assumption B.1, no group finds it optimal to block in the repairing region, $b \in [\underline{b}, \bar{b}]$.*

Proof. The last claim is immediate. For the other two, note that $\Delta_I(b; \theta; 1, \tilde{q})/\lambda_{PR}$ is affine in θ , of the form $\beta bA_I + B_I\theta$, where

$$A_I \equiv [1 - \tilde{q}(1 + \gamma)]R(\tau_H(b)) - (1 - \tilde{q})(1 + \gamma)(1 - \delta)R(\tau_H(b')),$$

$$B_I \equiv [1 - \tilde{q}(1 + \gamma)][1 - \tau_H(b)] - (1 - \tilde{q})(1 + \gamma)[1 - \tau_H(b')],$$

since τ_H is weakly increasing and $\gamma > 0$. By (B.21), a minimal condition for (θ, β) types to want to block is $\Delta_I \geq 0$, which implies that $\beta bA_I \geq -B_I\theta > 0$. For $\beta = 0$ (the secular) this cannot be, while for $\beta = 1$ (the religious) this implies that $\Delta_I/\theta = bA_I/\theta + B_I$ is decreasing in θ . Similarly, Δ_{II}/λ_{PR} is of the form $A_{II}(\beta) + B_{II}\theta$, where

$$A_{II}(\beta) \equiv \beta \cdot [1 - \tilde{q}(1 + \gamma)]bR(\tau_H(b)) - (1 - \tilde{q})(1 + \gamma)vR(\tau_L(v)),$$

$$B_{II} \equiv [1 - \tilde{q}(1 + \gamma)][1 - \tau_H(b)] - (1 - \tilde{q})(1 + \gamma)[1 - \tau_L(v)] < 0.$$

Moreover, $A_{II}(0) < [1 - \tilde{q}(1 + \gamma)][1 - \tau_H(b)] - (1 - \tilde{q})(1 + \gamma)(1 - \tau_L(v))$ by (B.22) and $b \geq b^*(v)$; the rest of the proof proceeds as in the other case. \square

Using Lemma B.7, we now show that the *RR* are always pivotal at date t .

(a) Consider first the case where they want to block. Then so do the *RP*, whereas the *SP* and *SR* never want to. At least one (or both) of *RR* or *RP* then finds optimal to enter: indeed, if only one of them does it is supported by the other and thus wins in the first round; if both do and it leads to anything else than their common preferred outcome, *i.e.*, blocking, it is optimal for one of them to deviate and back the other. Thus, in any Nash equilibrium, blocking must occur. Furthermore, the profiles $(SP = N, RP = N, RR = E, SR = N)$ ($SP = N, RP = E, RR = N, SR = N$) are both *CPNE*'s (with the same outcome): for a deviation to be profitable it would need to result in a different outcome, and this can occur only if the *RR* or *RP*, or both, deviate(s); they could only lose, however, and so never will.

(b) Suppose now that the *RR* do not want to block. The *RP* is the only group that might want to. They will never win, however, as it would be optimal for at least one the other three groups to enter, beating the *RP* with the support of the other two. Thus, in any Nash equilibrium, blocking cannot occur. Finally, it is easy to verify that $(SP = N, RP = E, RR = N, SR = N)$ is again a *CPNE*.

This concludes the proof of the first claim in Proposition 7. We now turn to the second one, concerning the monotonicity of the equilibrium blocking locus, *i.e.*, that of the *RR*. Since their type is $(\theta, \beta) = (\theta_H, 1)$, this boundary (for any given \tilde{q}) is given by $R^{-1}(\varphi(a))\theta_H = \Delta_{RR}(b)$, where we define

$$\Delta_{RR}(b) \equiv \begin{cases} \Delta_I(b; \theta_H, 1, \tilde{q}) & \text{for } b \geq b^*(v)/(1 - \delta), \\ \Delta_{II}(b; \theta_H, 1, \tilde{q}) & \text{for } b \in [b^*(v), b^*(v)/(1 - \delta)]. \end{cases} \quad (\text{B.23})$$

Let us now show that $\partial \Delta_{RR}(b)/\partial b > 0$, implying that $B(a) \equiv (R \circ \Delta_{RR})^{-1}(\varphi(a))\theta_H$ is well-defined and increasing in a . Setting $\beta = 1$ and $\theta = \theta_H$ in (B.21) and (B.22), and recalling that Δ_{RR} is a difference of value functions optimized over

τ_R , the envelope theorem implies

$$\frac{1}{\lambda p_R} \cdot \frac{\partial \Delta_I}{\partial b}(b; \theta_H, 1, \tilde{q}) = [1 - \tilde{q}(1 + \gamma)]R(\tau_H(b)) - (1 - \tilde{q})(1 + \gamma)(1 - \delta)R(\tau_H(b')) = A_I,$$

$$\frac{1}{\lambda p_R} \cdot \frac{\partial \Delta_{II}}{\partial b}(b, v; \theta_H, 1, \tilde{q}) = [1 - \tilde{q}(1 + \gamma)]R(\tau_H(b)) > 0,$$

with $A_I > 0$ whenever $\Delta_I \geq 0$, as shown earlier. This is true in particular for $\tilde{q} = 0$ (no-repairing regions), proving the desired results. ■

B.7. Proof of Proposition 8

• **Case $b > \bar{b}$.** No repairing and no power reallocation. Since $\bar{b} > b^*(v)/(1 - \delta)$, the relevant case in (B.23) is the first one, so the blocking condition is $\Delta_{RR}(b) - R^{-1}(\varphi(a))\theta_H \geq 0$ with $\Delta_{RR}(b) = \Delta_I(b; \theta_H, 1, 0)$. Using again the envelope theorem then yields

$$\frac{\partial \Delta_{RR}(b)}{\partial \theta_H} - R^{-1}(\varphi(a)) = \lambda p_R [1 - \tau_H(b) - (1 + \gamma)(1 - \tau_H(b'))] - R^{-1}(\varphi(a)) < 0, \quad (\text{B.24})$$

since $\tau_H(b') < \tau_H(b)$.

• **Case $b^*(v) \leq b < \underline{b}$.** No repairing, leading to a power reallocation. Since $\underline{b} < b^*(v)/(1 - \delta)$, the relevant case in (B.23) is the second one, so in the blocking condition $\Delta_{RR}(b) - R^{-1}(\varphi(a))\theta_H \geq 0$ we now have $\Delta_{RR}(b) = \Delta_{II}(b; \theta_H, 1, 0)$. Differentiating with respect to θ_H and using the first-order condition $vR'(\tau_L(v)) = \theta_L$ then yields

$$\frac{\partial \Delta_{RR}^2(b)}{\partial \theta_H} - R^{-1}(\varphi(a))$$

$$= \lambda p_R \left\{ 1 - \tau_H(b) - (1 + \gamma)[1 - \tau_L(v)] + (1 + \gamma)(\theta_H - \theta_L) \frac{\partial \tau_L(v)}{\partial \theta_H} \right\} - R^{-1}(\varphi(a)).$$

Greater inequality thus leads to more blocking if

$$1 - \tau_H(b) - (1 + \gamma)(1 - \tau_L(v)) + (1 + \gamma)(\theta_H - \theta_L) \frac{\partial \tau_L(v)}{\partial \theta_H} > \frac{R^{-1}(\varphi(a))}{\lambda p_R}. \quad (\text{B.25})$$

Since $\max\{\tau_H(b), \tau_L(v)\} < 1$, a sufficient condition for (B.25) to hold is

$$(\theta_H - \theta_L) \frac{\partial \tau_L(v)}{\partial \theta_H} > 1 + \frac{R^{-1}(\varphi(a))}{\lambda p_R(1 + \gamma)}. \quad (\text{B.26})$$

Differentiating implicitly the first-order condition $vR'(\tau_L(v)) = \theta_L$ with respect to θ_L , and taking into account that $\partial \theta_L / \partial \theta_H = -n/(1 - n)$, we have

$$\frac{\partial \tau_L(v)}{\partial \theta_H} = \left(\frac{n}{1 - n} \right) \frac{1}{v[-R''(\tau_L(v))]} > 0. \quad (\text{B.27})$$

Substituting (B.27) into (B.26), the latter can be rewritten as

$$\theta_H > 1 + \frac{(1 - n)^2}{n} v[-R''(\tau_L(v))] \left(1 + \frac{R^{-1}(\varphi(a))}{\lambda p_R(1 + \gamma)} \right). \quad (\text{B.28})$$

Since $R(\tau_L(v))$ is C^3 and $R''(\tau_L(v))$ is non-increasing (by Assumption 1, $R'' \leq 0$), $-R''(\tau_L(v))$ is positive, nondecreasing and bounded above by $-R''(\hat{\tau})$, while $\varphi(a)$ has an upper bound at $\bar{\varphi}$. Therefore, condition (B.28) holds under Assumption 6. In this region, greater income inequality thus leads, ceteris paribus, to more blocking. ■

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