

# OCCUPATIONAL CHOICE AND THE SPIRIT OF CAPITALISM\*

MATTHIAS DOEPKE AND FABRIZIO ZILIBOTTI

The British Industrial Revolution triggered a socioeconomic transformation whereby the landowning aristocracy was replaced by industrial capitalists rising from the middle classes as the economically dominant group. We propose a theory of preference formation under financial market imperfections that can account for this pattern. Parents shape their children's preferences in response to economic incentives. Middle-class families in occupations requiring effort, skill, and experience develop patience and a work ethic, whereas upper-class families relying on rental income cultivate a refined taste for leisure. These class-specific attitudes, which are rooted in the nature of preindustrial professions, become key determinants of success once industrialization transforms the economic landscape.

## I. INTRODUCTION

The Industrial Revolution was more than capital accumulation and growth. It also set off a social and political transformation that redefined hierarchies in society and reshaped the distribution of income and wealth. Before the onset of industrialization in eighteenth-century Britain, wealth and political power were associated with the possession of land. Over the course of the nineteenth century, a new class of entrepreneurs and businessmen emerged as the economic elite. For the most part, the members of this class rose from humble beginnings and had their social origins in the urban middle classes. The landed elite was left behind and eventually lost its political and economic predominance.

Many observers of the time linked this reversal in economic fortunes to differences in values, attitudes, and ultimately preferences across social classes. There are countless examples, both in scholarly and in fictional writing, of portrayals of members of the landowning class as averse to work, unwilling to save, ill-disposed to commercial activity, and unable to consider money as something

\* The authors would like to thank the editor, three anonymous referees, Daron Acemoglu, Philippe Aghion, Robert Barro, Michele Boldrin, Francesco Caselli, Juan-Carlos Cordoba, Nicola Gennaioli, Hartmut Lehmann, Joel Mokyr, Jean-Laurent Rosenthal, María Sáez Martí, Alan Taylor, Joachim Voth, and the audiences at many seminar and conference presentations for helpful comments and suggestions. David Lagakos and Andreas Mueller provided excellent research assistance, and Sally Gschwend provided valuable editorial comments. Financial support by the National Science Foundation (Grant SES-0217051), the Alfred P. Sloan Foundation, NCCR-FINRISK, the Research Priority Program on Finance and Financial Markets of the University of Zurich, and the Bank of Sweden Tercentenary Foundation is gratefully acknowledged.