

**"Social Class and the Spirit of Capitalism."** (with M. Doepke),

## ABSTRACT

The British Industrial Revolution was a time of major socio-economic transformations. We review a number of recent economic theories which analyze the transition from a preindustrial world characterized by high fertility, stationary standards of living, and rigid social hierarchies to modern capitalism. One of the key social transformations that accompanied the Industrial Revolution was the economic decline of the aristocracy. Standard theories of wealth inequality cannot explain why the aristocrats, in spite of their superior wealth and education, failed to be the main protagonists and beneficiaries of industrialization. We discuss recent research based on a model of endogenous preferences that is consistent with the demise of aristocracy.

*JEL:* O10, O40.