

Pro-capitalist Culture and Long-Term Development*

JEFF ALLEN
Convergence International

SHANKHA CHAKRABORTY
University of Oregon

June 2020

Abstract

Generationally-linked households differ in wealth, labor productivity and aspirations. Aspirations is pro-capitalist in that it incentivizes accumulation. People optimally choose to be aspirational, balancing the benefit of higher future wealth against the utility cost of falling short. Wealthier households disproportionately choose to be so. The evolution of aspirations in the Malthusian period, driven by the higher fertility of wealthier households, spurs capital accumulation that eventually tips the economy towards modern economic growth. The wealthy start lowering fertility; as poorer households increasingly become numerous, many of them also become aspirational. The transition to industrialization made possible by “survival of the richest” soon gives way to “survival of the poorest” that spreads pro-capitalist values across the population. A quantitative exercise shows that this cultural change relying on the conventional economic advantage of wealth can explain two centuries of demographic and economic changes in England.

JEL CODES: D31, J13, N14, O11

KEYWORDS: Aspirations, Status-seeking, Inequality, Fertility, Culture, Endogenous preference, Structural change

*Allen: Convergence International, Yucaipa, CA 92399. Email: jeffallen19@gmail.com. Chakraborty: Dept. of Economics, University of Oregon, Eugene, OR 97403-1285. Email: shankhac@uoregon.edu. For feedback and discussions we thank Mel Cross, Talan Iscan, Ömer Özak, Chris Papageorgiou, and participants at several venues this paper has been presented.