“Capitalism and the Jews” is a subject that makes some people nervous.

But you can’t properly understand the modern history of the Jews without thinking about the links between Jews and capitalism. And there is a good deal that you can learn about the social, cultural, and political dynamics of capitalism by paying attention to the case of the Jews.

Yet for many decades after World War II, the subject of Jews and capitalism received less attention than its significance merits. That wasn’t always the case, and happily the situation has now changed for the better. At the beginning of the twentieth century, German Jewish social scientists such as Arthur Ruppin were much concerned with the subject.1 Jewish scholars of eastern European origin, writing either in Yiddish or German, continued to engage with the subject in the interwar period.2 The study of Jewish economic history (with an emphasis on statistical data) was continued after the Second World War by a small number of distinguished scholars who had begun their education in interwar eastern and central Europe, most notably the Nobel-prize winning economist Simon Kuznets,3 Arcadius Kahan, who taught at the University of Chicago,4 and to some degree by Salo Baron of Columbia University, who maintained an interest in economic history though it was not his focus. Yet it was characteristic of the marginal attention devoted to Jews and capitalism in the decades after WWII that the excellent article on “Economic History” in the Encyclopedia Judaica of 1972, written by Baron and Kahan, appeared only in the “Supplementary Entries,” as a sort of afterthought. For decades, the subject remained marginal to both the writing of Jewish history and to the larger history of capitalism.

The historiography of German Jewry was a partial exception to the relative neglect of the modern history of Jews and capitalism. A steady stream of articles and books on various facets of German Jewish economic history appeared, many under the auspices of the Leo Baeck Institute.

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2 Derek J. Penslar, Shylock’s Children: Economics and Jewish Identity in Modern Europe (Berkeley, 2001), 160.

3 See the essays collected in Simon Kuznets, Jewish Economies: Development and Migration in America and Beyond (2 volumes), ed. Stephanie Lo and E. Glen Weyl (New Brunswick, NJ, 2012), and the useful introduction by Glen Weyl.

Institute. Fritz Stern’s masterwork, *Gold and Iron*, published in 1977, explored the links and tensions between Junker power and Jewish finance in nineteenth-century Germany through the lens of the relationship between Bismarck and his banker, Bleichröder, while Werner Mosse’s two volumes on the German Jewish economic elite provided a detailed account of the most successful Jewish entrepreneurs.²

Much has changed in the last decade and a half or so, as a slew of talented historians in North America, Europe, and Israel have turned to the history of Jews and capitalism.³

My focus today is not so much on the centrality of capitalism to Jewish history. It is on the significance of the modern history of the Jews in thinking broadly about the history of capitalism. This is hardly a new question: in one form or another it’s been a topic of discussion for centuries. To be sure, that discussion has often been ideological and polemical rather than sober and scholarly. But the ideological element is itself an important part of the history of capitalism and the Jews.

I want to examine the issue from a conceptual altitude at which many historians are uncomfortable travelling. That is, I want to convey valid generalizations. Historians and other social scientists have become sensitive to the dangers of “essentializing.” That sensitivity is useful when it reminds us of the error of treating group characterizations that are the *product* of history as if they were the *source* of historical development. But the fear of essentializing becomes counterproductive when it leads to the avoidance of all generalization, leaving only a collection of particular cases. There are, of course, exceptions to every rule. To every generalization some historian will say: but it

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6 To take a few examples from the English-language literature: Derek Penslar’s book, *Shylock’s Children: Economics and Jewish Identity in Modern Europe*, published in 2001, and Jonathan Karp’s book, *The Politics of Jewish Commerce: Economic Thought and Emancipation in Europe, 1658-1849* (Cambridge, 2008) showed the centrality of economic issues to Jewish self-understandings and to wider debates about the acceptability of the Jews in modern European societies. A younger generation of historians has produced a stream of works on the involvement of Jews in industries as varied as tavern keeping in Poland (Glenn Dynner), and the liquor trade in the United States (Marni Davis), not to speak of ready-made clothing, banking, entertainment, and the salvage business. Excellent collections of recent work include Gideon Reuveni and Sarah Wobick-Segev, eds., *The Economy in Jewish History: New Perspectives on the Interrelationship between Ethnicity and Economic Life* (New York, 2013); Rebecca Kobrin and Adam Teller, eds., *Purchasing Power: The Economics of Jewish History* (Philadelphia, 2015). Historians of the Jews have also followed the global turn in historical studies, delving into the Jewish role in trans-continental and transoceanic commerce. Here the pioneer was the great historian, S. D. Goitein, who was long fascinated by the role of medieval Jews in the trade between the Mediterranean, the Middle East, and India, a topic to which he returned at the end of his life, after completing his masterpiece, *A Mediterranean Society*. In the 1980s, Jonathan Israel explored the central place of the Jews and New Christians (former Jews and crypto-Jews) in trade across the early modern Atlantic: *European Jewry in the Age of Mercantilism* (London, 1985) and *Diasporas within a Diaspora: Jews, Crypto-Jews, and the World of Maritime Empires, 1540-1740* (Leiden, 2002). More recently Francesca Trivellato has reconstructed the trading networks of Jews from Livorno, Italy who traded across the Atlantic, the Mediterranean, and the Indian ocean in her book, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven, 2010). Other historians have investigated the role of transoceanic networks in the modern international traffic in ostrich plumes (Sarah Stein), and in the clothing trade (Adam Mendelsohn). And most recently, Hasia Diner has published a fascinating study of one of the most important types in modern Jewish economic history, the Jewish peddler, in *Roads Taken: The Great Jewish Migrations to the New World and the Peddlers who Forged the Way* (New Haven, 2015).
was different in Pinsk, or Posen, or Peoria, or Petach Tikvah — and no doubt it was. Still, from time to time it is worthwhile to try to see the forest rather than the trees, not to speak of the weeds.

In some respects, the questions of capitalism and the Jews were derailed by a debate at the beginning of the twentieth century between Werner Sombart and Max Weber about the role of religion in the origins of capitalism. The fundamental institutional structures of modern capitalism would probably have developed very similarly were there no Jews around — and in that sense, Sombart was wrong. But Sombart was right to call social scientific attention to the issue of capitalism and the Jews, even if his evidence was often haphazard, his knowledge of Judaism deficient, his biologistic explanations crude, and even though his distaste for both capitalism and Jews colored his analysis.

The issue was handled in a more balanced way by their colleague Georg Simmel in his great work, The Philosophy of Money, published in 1900, which is to say six years before Weber published The Protestant Ethic and the Spirit of Capitalism and eleven years before Sombart published his controversial book on Die Juden und das Wirtschaftsleben (The Jews and Economic Life). At first glance, Simmel’s book would seem to have little to say about the questions that would so exercise Max Weber and Werner Sombart, namely the origins of capitalism and accounting for the role of the Jews in it. But, writing before The Protestant Ethic or The Jews and Economic Life, Simmel offered his own anticipatory answers to these issues.

While The Philosophy of Money draws on a remarkable range of historical data, it provides no genetic account of the “origin” of modern capitalism. That seems to be because Simmel believes there is no historical “break” that marks the beginning of modern capitalism. Rather, modern capitalism is an intensification of processes of exchange that have been going on for a very long time. The greater intensity of monetary exchange itself brings about changes in mentality, and hence there is no need for the sort of cultural explanation offered by Weber and Sombart. As for the Jews, Simmel accounts for their disproportionate participation in early modern capitalism by reference to their social, religious and political position in medieval Europe. Unlike Weber, Simmel does not discount the significance of exchange in explaining the genesis

and nature of capitalism. And unlike Sombart, Simmel does not think that an explanation based on the content of Judaism or the racial characteristics of the Jews is necessary to account for their success. On the contrary, Simmel’s emphasis is on the way the business orientation of the Jews can best be explained by their historical condition, a condition shared by other groups that we’ve come to call “mercantile minorities.”

Simmel emphasizes the fact that cultural and religious outsiders are attracted to financial and exchange functions because money provides them with opportunities otherwise closed to them because they are excluded from the personal channels open to the dominant in-group. He puts Jews in the same category as Armenians in Turkey, Parsees in India, Huguenots in France, and Quakers in England, as examples of “the correlation between the central role of money interests and social deprivation.” He also calls attention to the role of diasporas as leading to roles as traders and financiers, rather than involvement in primary production. Thus social exclusion and diasporic circumstances are the key factors in accounting for why Jews have tended to be drawn to the money aspects of the economy.

But for Simmel, this does not make them marginal to the process of capitalist development (as Weber would suggest) or central to the genesis of capitalism, as Sombart would argue. Rather it makes the Jews disproportionately successful at a phenomenon that is central to the modern world.

It is undeniably the case that in many times and places, Jews have played a disproportionate role in capitalist economic development and have been disproportionately successful in capitalist societies, not only in the realm of finance, but of commerce more generally, and also in the learned professions. All of that was clear to Arthur Ruppin, a German Jewish social scientist who in 1904 published his study *Die Juden der Gegenwart* [The Jews of Today]. Jews seemed to have a knack for commerce, Ruppin maintained, though they were not alone in this regard, nor were their talents confined to the realm of business. He thought that Armenians, Greeks, and Indians of the mercantile castes were often superior to Jews in business acumen. Still, he judged that “The Jews have attained wealth and significance wherever they are not in competition with these groups and where the geographical, economic and political circumstances give free rein to their commercial
Such opportunities barely existed in eastern Europe and Russia, where most Jews lived in terrible poverty when Ruppin wrote in 1904, but they increasingly did in England, France, Italy, Germany, and the United States, where Jews (at least those who had lived in the United States for more than a generation) were becoming prosperous through entrepreneurial activity.

Jews have been disproportionately involved in the entrepreneurial functions of creating new products, finding new markets for existing products, and pioneering new modes of sales and distribution. Many modern capitalist institutions, while not entirely or even primarily created by Jews, have had a disproportionate number of Jews as entrepreneurial innovators. The rise of department stores, which was an important marketing breakthrough that changed the nature of the shopping experience, was in good part a creation of Jews in Germany, England, and the United States. So too was catalogue shopping (pioneered by Julius Rosenwald of Sears Roebuck). And above all we see Jews as innovators in the realm of information and entertainment: in the creation and expansion of newspapers, magazines, news services like Reuters and Bloomberg; new forms of theater (such as burlesque and vaudeville, nickelodeons and movie houses), professional sports, and of course, the film industry. In each case, these forms of information and entertainment were virgin ground — outside the existing economic establishment, and hence a more promising site for innovation. In recent years, the staff of the GHI has developed a very valuable biographical database of major American entrepreneurs of German immigrant origin. Of the 168 entrepreneurs in the database, 59 are of Jewish origin, that is to say about 35%. Even though this database is not a statistically representative sample, when you consider that of the German immigrants to the US, only about 3% were Jews, it strongly suggests that Jews were over-represented among the entrepreneurs. That’s no accident.

The question of why Jews have been disproportionately successful is a fascinating and important one. One answer is the anti-Semitic response: because they are more greedy, more underhanded, and more conspiratorial. But the weakness of that answer by no means negates the importance of the question.

The answers must come from some variation of what economists now call human capital theory — a new name for an old thing — that is, an exploration of the historical sources of distinct cultural propensities within some human group, and the transmission of those

propensities across time in familial and communal institutions. Another element of human capital is social capital, that is social networks that create niches for ethnic minorities, especially in areas of trade and finance that require trust not available through formal institutions. Thinking about the sources of Jewish economic success is therefore part of expanding the purview of economics, or more broadly of a social scientific understanding of the micro-social sources of capitalist economic growth. But issues related to Jews and capitalism go far beyond those of economics, however broadly construed. Capitalism is too wide-ranging a subject to be left to the economists, or even to the economic historians. It has social, cultural, intellectual, and political facets as well as economic and technological ones.

Jews and commerce have long been linked in the culture of the West. Jews seem to have migrated to medieval Europe from the Islamic world primarily as merchants. In the high Middle Ages, Jews in Europe were permitted by the church to engage in the stigmatized activity of lending money at interest precisely because they were regarded as outside the community of shared values. Ever since the Middle Ages, then, Jews were associated in the Christian West with the handling of money. It is no wonder, then, that with the growth of capitalism in early and late modern Europe, the intellectual evaluation of an economy in which money played a central role was often intertwined with attitudes toward Jewry.

For a variety of intellectuals in modern Europe, Jews served as a kind of metaphor-turned-flesh for capitalism. Some intellectuals argued that only a society in which the reality of shared community was dead would encourage the self-interested economic activities of which money-lending was the paradigm. Many intellectuals regarded Jews as the agents of the creative destruction characteristic of capitalism. They differed in their evaluation of both capitalism and the Jews depending on how they valued the creativity unleashed by capitalism compared to its destruction of traditional forms of life and inherited privilege. So thinking about capitalism and thinking about the Jews often went hand in hand. Hovering above these evaluations was the specter of usury.

Usury was an important concept. It was significant because the condemnation of lending money at interest was based on the presumptive illegitimacy of all economic gain not derived from physical labor. That way of conceiving of economic activity led to a failure

12 The discussion which follows is adapted from chapter one of Jerry Z. Muller, *Capitalism and the Jews* (Princeton, 2010), “The Long Shadow of Usury: Capitalism and the Jews in Modern European Thought,” where further references to the secondary literature can be found.
to recognize the role of knowledge and the evaluation of risk in economic life. It led to a pattern of thought quick to condemn first finance, and sometimes commerce more generally. Usury was a sort of anti-human capital theory. One of the great “discoveries” of economists in recent decades is that much of economic performance and economic growth can’t be explained by the traditional triad of land, labor, and capital (in the sense of money available for investment). Rather a good deal of it depends on what people carry around in their heads — it depends on the knowledge, skills, know-how, and orientations that they bring to economic activity.

How does all of this relate to usury? Most classical writers saw no economic justification for deriving income from the merchant’s role of buying and selling goods. Since the material wealth of humanity was assumed to be more or less fixed, the gain of some could only be conceived as a loss to others. Profits from trade were therefore regarded as morally suspect. But of all forms of commerce, none was so suspect and so reviled as finance, the making of money from money. Aristotle regarded the lending of money for the sake of earning interest as unnatural. “While expertise in exchange is justly blamed since it is not according to nature but involves taking from others,” wrote Aristotle, “usury is most reasonably hated because one’s possessions derive from money itself and not from that for which it was supplied. ... So of the sorts of business this is the most contrary to nature.” With the recovery of Aristotle’s thought in the High Middle Ages, the condemnation of usury would come to occupy a central place in the economic writings of Christian theologians and canon lawyers.

This practice, which Aristotle had considered blameworthy, Christian theologians found sinful. Here they drew upon a verse from the twenty-third chapter of the Book of Deuteronomy that had prohibited Jews from lending with interest to one another, but allowed them to lend to non-Jews. “You may lend with interest to foreigners, but to your brother you may not lend with interest.”

By the twelfth century, Christian theologians had concluded that the term “brother” applied to all men, and that the lending of money at interest was always sinful. The problem is that this was the age that we now think of as the commercial revolution of the Middle Ages. And whenever you have commerce, you need credit. So there was tension between theological precepts and the demands of economic life. One method by which the Church resolved this dilemma,
beginning in the twelfth century, was to prevent the evil of Christian usury by allowing Jews to engage in that forbidden economic activity. For Jews were not subject to the prohibitions of canon law, and were condemned in any case because of their repudiation of Christ. Thus began an association of money-making with the Jews, an association that would further taint attitudes toward commerce among Christians. And it would continue to cast its shadow into the age of Enlightenment and beyond.

The notion that usury was immoral expressed in sophisticated terms a sentiment widespread among peasants and workers in most times and places, namely that only those whose labor produces sweat are engaged in “real work” — and that others essentially live off the work of those who sweat. Indeed it provides what one might call the “deep structure” of Marx’s thought. In Marx’s notebooks we find him quoting Luther’s tirades against moneylenders. And then Marx writes that Luther “has really caught the character of old-fashioned usury, and that of capital as a whole.”

The argument of Marx’s masterwork, *Das Kapital*, rests on the labor theory of value. And the labor theory of value asserts that capital is fundamentally unproductive. Thus the chapter of *Das Kapital* entitled “The General Formula of Capital” has one main point: that capital is money which makes money, even if in capitalist society it does so through the intermediary stage of the merchant who buys and sells commodities, or the industrialist who buys and sells labor. Or in Marx’s resonant image, “The capitalist knows that all commodities — however shabby they may look or bad they may smell — are in faith and in fact money, internally circumcised Jews, and in addition magical means by which to make more money out of money.”

All the traditional prejudices against usury were now reformulated as a critique of the market in the age of industry. The book is replete with images of capitalism as parasitism. For Marx, as for Aristotle, and Luther, money — now rechristened “capital” — is fundamentally unproductive. Those who wield it do so at the expense of others. Indeed, the Marxist theory of “exploitation” acquires much of its resonance from its continuity with the notion that capitalists, like usurers, grow rich by not working, by unjustly living off the work of others.

Marx was by no means the first to connect the critique of capitalism with the traditional stigmatization of usury — nor was he the last. We find the same stigmatization of financial activity in the musings of the Nazi economic theorist Gottfried Feder, author of, among

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other works, *A Manifesto on Breaking Monetary Interest Slavery*. The official platform of the Nazi party, of which Feder was the arbiter, called for "the breaking of interest slavery," once again echoing the condemnation of usury.

Tracing the long shadow of usury casts an unexpected light on the history of thinking about capitalism, and about the Jews. And that shadow takes a variety of forms. For better and for worse, the image of the Jew and the evaluation of capitalism have been deeply intertwined, and the histories of anti-capitalism and anti-Semitism are closely connected. Not long ago, the *Economist* magazine reported on a recent study that showed that in the areas of Germany with the highest historical rates of anti-Semitism, people tend to be more suspicious of finance. As a result, they invest less in the stock market, and so their returns on their investments are lower.\(^{16}\)

Though I don’t have time to explore the topic in depth today, I should note that all of this affected the ways in which Jews thought about themselves. Some thought that their link to commerce and finance was to be applauded (as liberal thinkers from Montesquieu through Friedrich Hayek argued), while other Jews regarded the connection between Jews and commerce as a source of shame and formulated plans to move Jews into other fields, such as crafts and agriculture.

Now let me descend from the level of ideas and ideology to the realm of behavior, political and economic.\(^ {17}\) Here one of the most significant trends is that Jews were particularly good at capitalism. As Ruppin noted in 1904, they tended to prosper wherever they attained the civic equality that allowed them to engage freely in market activity. And that, in turn, led to reactions both positive and negative. For Jewish economic success led to very different degrees of Jewish economic salience, depending on the economic capacities and commercial orientations of the larger society. And that in turn led to very different reactions to Jewish economic success.

Britain and the United States were already highly commercial societies in the nineteenth century, in which most capitalist development was carried out by non-Jews. These were also societies in which commerce tended to be taken for granted, and anti-capitalist sentiments were relatively weak. So in the United States and Britain, Jews could be economically successful without being particularly conspicuous, except in new industries into which Jews moved in search of opportunity, such as the movie business.

\(^{16}\) “Another cost of bigotry: New research finds a link between persecution of Jews and distrust of finance,” *The Economist*, October 18, 2014.

\(^{17}\) The section that follows is adapted from chapter two of *Capitalism and the Jews*, “The Jewish Response to Capitalism,” where further references can be found.
In eastern Europe, by contrast, capitalism was a newer phenomenon. The non-Jewish majority was typically composed of landowners and peasants, neither of them particularly adept at market activity. In these regions, Jews often were the commercial class, leading to a close identification of capitalism with the Jews. And since jobs in the government sector were usually closed to Jews, they turned to vocations in the competitive market, from commerce and finance to the classic professions of law, medicine and engineering. Germany fell in between the western European and eastern European pattern. There, Jews were by no means the dominant portion of the commercial classes; but their rapid rise was conspicuous.

The salience of Jews in the economic life of central and eastern Europe in the last decades of the nineteenth century and the early years of the twentieth is hard to overstate. Werner Mosse’s study found that on the eve of the First World War, Jews comprised about a third of the German corporate elite, most of whom made their money in commerce or finance. By the 1920s, 54% of owners of commercial establishments in Hungary were Jews, and Jews comprised 85% of the bank directors and owners of the country’s financial institutions. Despite the obstacles placed in their path in imperial Russia, Jews played a disproportionate role in the organization and ownership of major Russian industries, including textiles, sugar refining, flour mills, saw mills, grain and timber, banking, transport, and mining. By 1916, according to a contemporary Russian economist, Jews constituted 35% of the Russian mercantile class. Jews also comprised much of the entrepreneurial class in interwar Poland.

No group was more committed than the Jews to acquiring higher education and the professional occupations that higher education made possible. By the early twentieth century, especially in the capitals and larger cities of central and eastern Europe, such as Vienna, Warsaw, Prague or Budapest, Jews made up 5-10% of the population, but sometimes comprised a majority of the lawyers, engineers, pharmacists and architects.

If Jewish economic performance in central Europe in the late nineteenth and early twentieth centuries was striking, Jewish economic success in the United States would eventually become equally remarkable. Jews moved quickly out of manual labor, in which many first generation immigrants had been engaged, and into proprietorship, management, and professional and technical fields. By the mid-twentieth century, Jews were massively over-represented in the free


professions, such as law, medicine, and accounting, and at the beginning of the twenty-first century over half of Jewish men and women were in professional jobs, compared to only one-fifth of non-Jewish white men and women.\(^{20}\) A detailed study from 2005 showed that Jewish household income in the United States is 70% greater than that of non-Jews, Jewish per capita income is 95% higher, and the net wealth of Jews is several times higher than the national average.\(^{21}\)

There are a number of ways of accounting for this disproportional achievement. For one thing, Jews had more experience with commerce than most other groups, and that helps explain why they tended to be better at it. Jews have had a preference for market-oriented occupations going back to the Middle Ages. That was partly because Jews were pushed out of other economic activities — such as farming and artisanry, from which they were sometimes excluded by the Church and by the religious nature of artisanal guilds. But more important were the factors that pulled Jews toward commerce. One of these was the simple fact that Jews on average had much higher rates of literacy, which gave them a comparative advantage when it came to commerce.\(^{22}\) The suspicion of merchants and commerce so prominent in Christian tradition was lacking among Jews. In the Middle Ages, some rabbinic authorities wanted to encourage Jewish men to devote as much time as possible to study. They therefore preferred commerce to crafts, on the grounds that it was less time-consuming. Compared to Christianity, Judaism was more favorably disposed toward commerce.

But more important than the content of Judaism was the contexts in which Jews found themselves. Often enough, when we look at the history of the Jews from the late Middle Ages on, we find that those who were most eager to take up new economic opportunities did so not because they were following religious dictates, but because they were unconstrained by religious authority. It seems, for example, that Jews began to lend money at interest in medieval Europe before that practice was legitimated by rabbinic authorities — that is to say, Jewish law followed Jewish practice, rather than the other way around.\(^{23}\) In the early modern Atlantic world, merchants of Spanish and Portuguese Jewish origin (some of whom had been forced to convert to Christianity) engaged in commerce in ways and in places that were not sanctioned by rabbinic authority, or followed economic opportunity regardless of rabbinic preferences.\(^{24}\) Today, in both the United States and in Israel, the most Orthodox are the least likely


\(^{21}\) Tom W. Smith, Jewish Distinctiveness in America: A Statistical Portrait, (New York, 2005), 6; also Barry Chiswick, op cit.)


\(^{23}\) See on this Salo Baron, “Economic History,” Encyclopedia Judaica; Haym Solomon, “The Jewish Attitude in the High and Late Middle Ages (1000-1500),” in Diego Quaglioni, Giacomo Todeschini and Gian Maria Varanini, eds., Credito e Usura fra Teologia, Diritto, e Amministrazione (Rome, 2005), 115-127; and Michael Toch, The Economic History of European Jews: Late Antiquity and Early Middle Ages (Leiden, 2013).

to attain economic and professional success — nor do they aspire to it. If the most religious are the least economically successful, it is difficult to point to the content of traditional Judaism as the major source of Jewish economic achievement.

Instead we must look to political, social, and economic history for the sources. In pre-modern European societies, Jews were outside the feudal order of serfs, landowning nobility, and merchants and artisans organized into exclusive guilds. The roles they assumed were largely those of middlemen between producers and consumers: a commercial ladder ranging from peddling and hawking (selling from a horse and cart), through pawnbroking and moneylending, through inter-regional and international trade. Worldly survival meant the ability to cultivate a rational economic ethos, based on maximizing profitability, assessing risk, exploring new markets, and minimizing consumption to maximize the accumulation of capital. These were the value orientations and character traits with which they entered the modern capitalist world.

Another part of their cultural ethos was what sociologist Victor Karady has dubbed “religious intellectualism.” Theirs was a religion oriented to continuous contact with texts: a culture of handling books, reading them, and reflecting upon their messages. This was an essential element of Jewish religious culture, and one that distinguished them from most other mercantile minorities. No wonder then that when the learned professions were opened to them, Jews excelled in them. This heritage of religious intellectualism may help explain a widely noted phenomenon, namely the tendency of modern Jews to invest heavily in the education of their children. As labor economist Barry Chiswick has noted, some groups, including the Jews, may have a greater “taste” for education because their rates of economic return on schooling are greater, either because of the orientations conveyed in their homes or because of innate ability.

All of this was a recipe for what economists now call “cultural capital.” Jews tended to possess the behavioral traits conducive to success in a capitalist society. They entered commercializing societies with a stock of “know-how” from their families and communities about how markets work, about calculating profit and loss, about assessing and taking risks. Most important, though hardest to specify, Jews demonstrated a propensity for discovering new wants and for bringing underused resources to the market. They tended to be on the lookout for new opportunities, reaching out to underserved markets

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(as peddlers for example), or creating new products, or new forms of marketing.

Social networks also played an important role. Jews were spread out across many countries, but to some extent they shared a common language and a sense of common fate. Under circumstances where there is a lack of reliable institutional redress of commercial disputes (and that is the case in most times and places before the twentieth century) people are more likely to engage in distant commerce with those who they think they can trust, and the shared religion of Judaism seemed like the most reliable indicator of trustworthiness. Of course trust is a relative thing, and it was sometimes betrayed (as Francesca Trivellato shows in her book). But it worked well enough, often enough, to be an important factor in allowing Jews to engage in trans-regional and international trade.

It is frequently noted that as a discriminated against minority, Jews often sought out economic “niches” in which they could find opportunity. There is a great deal of validity to that broad generalization. But as important are the qualities of “resourcefulness” that led Jews to abandon economic niches in a timely fashion. In a dynamic capitalist economy, long-term success is a function not only of getting into a potentially rising business at the right time, but also a readiness to get out of a declining business or sector before you go bankrupt. Economic failure often comes from sticking to a niche in which one once had a comparative advantage but no longer does. In the United States, for example, a substantial number of first generation immigrants from eastern Europe moved from the ranks of workers in the clothing trades to become entrepreneurs in the clothing trades. But as significant is the fact that many left clothing manufacturing shortly thereafter. By the second generation, at the latest, they had moved into other forms of retailing, and then into real estate and the professions.27 In the long run, then, ongoing economic success depends on not having too strong a commitment to any particular business or profession.

To whatever we attribute the extent of Jewish economic success, by the late nineteenth century, the salient economic success of Jews in societies undergoing capitalist development created psychological and political effects, as Jews became an object of envy and resentment. Jewish awareness of the resentment aroused by disproportionate Jewish success led to a variety of strategies, of which the most important, perhaps, was Zionism.

27 Andrew Godley, “Cultural Determinants of Jewish Immigrant Entrepreneurship in the US and USA and British and American Culture,” in Mark Casson and Andrew Godley, eds., Cultural Factors in Economic Growth (Berlin, 2000), 125-141; 133. Ruppin was well aware of this phenomenon, Ruppin, 189-190.
As I have tried to argue, the relationship of the Jews to capitalism is highly important for understanding not only modern Jewish history, but many elements of the modern history of capitalism, and given that significance, the subject has received less attention than it merits. Let me say a bit about why that has been the case.

For Jews, Jewish economic success has long been a source of both pride and embarrassment. The fact that Jewish economic success led anti-Semites to condemn capitalism as a form of Jewish domination and exploitation, or attributed Jewish success to unsavory qualities of the Jews themselves, or simply the fact that success aroused envy led Jews to downplay the reality of Jewish economic achievement, especially in the decades after the Holocaust.

For economists and economic historians, the extent to which modern capitalism has been and continues to be shaped by older cultural predispositions is a source of puzzlement at best, and dismissal at worst. It simply doesn’t fit into the categories in which those economic historians who have adopted the armature of econometrics are predisposed to think. In recent decades, economists have added the concept of “human capital” to their kitbag. But they prefer to think of it in terms of measurable criteria such as years of schooling. To the extent that human capital involves character traits and varieties of “know-how” that are not provided by formal education, it becomes methodologically elusive.

The subject is also neuralgic to a number of political camps. For nationalists, especially in eastern Europe, the fact that modern nationalism had fateful consequences for the Jews precisely because the Jews were so good at capitalism was itself a source of embarrassment. In the late nineteenth and twentieth centuries, many nationalist movements sought to restrict Jewish citizenship and legal equality out of the perception (partly founded) that Jews excelled at capitalist activity compared to their non-Jewish countrymen. For many nationalists in countries from pre-revolutionary Russia to Poland, Hungary, and Germany, the “real” nation was defined in good part over-and-against the Jews. When economic life was conceived of as a zero-sum game, in which the gains of some could only come at the expense of others, the gains of the Jews were made responsible for the psychic or material pains of the “authentic” members of the nation. The extent to which the fellow-feeling between gentry, artisans, peasants, and industrial workers was forged in a shared and cultivated antipathy to the Jewish
“other” is a part of national history that nationalists would rather forget.

For Jews of the Marxist left, capitalism was by definition a system of exploitation and inequity. Who wanted to be associated with that? So for them Jewish economic success was a matter to be overlooked or explained away.

For liberals, the reality of differential group achievement under conditions of legal equality is something of a scandal, an affront to egalitarian assumptions. For it casts a shadow of doubt on the shibboleth of “equality of opportunity.” For if it turns out that the ability to take advantage of opportunity is deeply influenced by cultural traits with long historical roots, and transmitted in the private realm of the family and the cultural community, then inequality of outcome cannot be attributed merely to legal discrimination. Nor can it be eliminated by formal, public institutions, such as schools.

For all these reasons, the exploration of Jews and capitalism has tended to be left to apologists, ideologues, and anti-Semites. But it needn’t be that way. As I have indicated, there are promising trends among historians, economists, and sociologists. I hope I’ve convinced you that the subject of capitalism and the Jews is one that ought to be of interest to a wide range of historians and social scientists. So, when it comes to thinking about capitalism and the Jews — don’t be so nervous.

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