



Book Capitalism and the Jews

Jerry Z. Muller
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Recommendation

Good etiquette advises that discussing religion, money and politics with strangers is not prudent, but, fortunately, professor Jerry Z. Muller ignores this maxim. Instead, this broadly published academician presents four exceptional essays assessing the role of Jews in developing capitalism in terms of complex social, historical and religious structures. He wrote the series, which covers centuries of history, over the course of 30 years of study. His combined notes and bibliography alone are 29 pages. Muller tellingly shows the relationships among the political, theological and economic ideas that created some of the best and worst events in modern society. *BooksInShort* highly recommends this enlightening, accessible work of contemporary scholarship.

Take-Aways

- As modern capitalism developed in the 1600s, European Jews were positioned to work with it and benefit from it, despite being considered outsiders.
- Reactions to the Jews' commercial achievements depended on how a host nation regarded capitalism.
- Their success led to tensions fed by changing capitalism and ethnic nationalism.
- The medieval church prohibited Christians from lending money, so Jews – barred from many trades – fulfilled that need.
- The label of “usury” made their position controversial.
- Even when interest fees became accepted, usury was a powerful symbol of capitalism.
- By the late 1800s, bankers such as the Rothschilds personified Jews to the public.
- Karl Marx attacked Jews as an icon of bourgeois capitalism.
- The 20th century's colliding forces resulted in both the Holocaust and the birth of the state of Israel.
- The need to flee organized persecution and the pressures of capitalism impelled Zionism, the Jews' drive to create their own nation.

Summary

Complex Reasons

Capitalism has been good for the Jews, and the Jews have been good for capitalism. In the Middle Ages, Jews migrated widely, primarily settling as guests in host nations and functioning as a religious group of merchants in exile. Over the centuries, historical forces, including nationalism and extreme political movements, shaped the way they earned their livelihoods and practiced their religion. Despite being seen as outsiders, they were positioned for meaningful economic participation when modern capitalism emerged in the 1600s. But nationalism, anti-Semitism and racism imbued the public view of their achievements with hostility, which affected Jews' self-perception. Jewish intellectuals, such as Moses Mendelssohn, worked to link the economic benefits Jews provided to their other, overall contributions to society.

“Capitalism has been the most important force in shaping the fate of the Jews in the modern world.”

Changing capitalism, economic inequality and the dawn of ethnic nationalism created many disenfranchised groups. As nations modernized, these trends also drew attention to the Jews – particularly those with wealth – as religious, cultural and financial outsiders. In the 1900s, some Jews turned to communism, capitalism's antithesis, and to the quest for security. The sense of being permanent outcasts, plus the need to flee organized economic, social and religious persecution, drove the Jews' to establish their own nation.

Essay One: “The Long Shadow of Usury”

Jews began lending money to earn interest in the Middle Ages, with the Catholic Church's permission. Recognizing the need for money lending, it allowed Jews, but not Christians, to practice "usury" – charging interest – because it saw the Jews as existing outside of religious and social norms, and as being condemned anyway, as nonbelievers. Prohibitions against usury and its age-old vilification invariably involved the Jews and capitalism itself. Today, the archaic word "usury" depicts a "stigmatized form of an otherwise permitted activity," lending money, but for excess interest. The medieval church condemned interest as "usury," a term it applied to "any economic activity...deemed immoral." Aristotle called usury "blameworthy." Theologians, who debated which profits were usurious, viewed it as sin, an idea codified in the Second Lateran Council of 1139, extended in 12th-century canon law and repeated in Dante's *Inferno*.

"Jews have been a conspicuous presence in the history of capitalism, both as symbol and as reality."

Because the 12th-century Catholic Church restricted money lending to Jews, they became essential to the rulers, but reviled by the Christian public. Leading Reformation economic and political thinkers, including John Calvin and Martin Luther, as well as the Dutch Reformed Church and authorities in Protestant England, tolerated lending, but sought to limit interest rates. Catholic nations prohibited usury with canon and civil laws until the 1900s. Many people considered the practice unsavory and associated it with Jews. More extreme thinkers made no distinction between lending at interest and other business, and used "usury" as an umbrella term to condemn commerce, Jews or both.

"Jews tended to prosper whenever they attained that civil equality that allowed them to engage freely in market activity."

Usury became a powerful symbol of capitalism and unfettered market activity. By the 18th century, the time of Adam Smith, lending at interest was a matter of course, though rates were an issue. The exception was Voltaire, who cited usury to label Jews as "avaricious." Karl Marx and Friedrich Engels advanced anti-Jewish bias by positioning Jews as emblematic of capitalist society. Marx's 1844 essay, "On the Question of the Jews," ignited a flurry of some 2,500 political articles discussing Jews' social role. He criticized Jews as parasites on society; antisocial; uninterested in science, art and philosophy; and focused on money. Marx rejected capitalism, attacking Jews as a figurative way to assail Christian and Jewish bourgeois society.

"Jews have had a preference for market-oriented occupations going back to the Middle Ages."

By the last half of the 1800s, international bankers, notably the Rothschilds, had begun to personify Jews to the public. In 1902, social scientist Werner Sombart wrote that the pre-capitalist society of peasants and artisans was authentic but that modern capitalism, as embodied by Jews, attacked genuine culture. British economist John Maynard Keynes, who cited aspects of Jewish practice as anti-individualistic, accused Jews of being focused on the pursuit of interest earnings at the expense of the culture. In contrast other leading thinkers drew positive connections between Jews and capitalism, including Georg Simmel, who praised Jews' adaptation to the outsider's economic plight, likening them to "Huguenots in France and Quakers in England."

Essay Two: "The Jewish Response to Capitalism"

Christian decrees dating back to the Middle Ages barred Jews from farming and trade guilds. For such reasons, more Jews than Christians had entered commerce. Jews also pursued trade since it provided more time to study the Talmud, which examines centuries of rabbinical teachings. The Talmud details many religious debates about business. Unlike Christian teachings, it posits that poverty is an ill to avoid; it also tells the Jewish community to be self-sufficient.

"For by creating bills of exchange, Jews managed to make their valuables intangible, putting their wealth beyond the oppressive hand of princes."

With the advent of the 1700s, as the modern era dawned, the world's Jewish population was 1.1 million; some "370,000 lived in Asia and North Africa, 146,000 lived in Central and Western Europe, while 570,000 Jews lived in Eastern Europe and the Balkans." In the 1700s, Christian thought focused on the afterlife, while Jews were concerned about worldly survival. In practice, this meant assessing risk, accumulating capital, minimizing consumption and finding new markets. Judaism stressed the use of intellect over brute force and believed in alcoholic temperance, discipline and long-term planning. Jews followed a "religious intellectualism" based on extensive textual studies, debates and abstract thinking. This approach translated easily into daily commercial situations and extended into medicine and law. Jews invested in "human capital" by having fewer children and emphasizing education, often conserving money to pay for the children's schooling.

"With the development of credit, money becomes more abstract and, still, little more than a bookkeeping notation."

As more Jews became dependent on the wider Christian population, religious law adjusted. The U.S. granted Jews civic equality with its founding in 1776. Britain and France followed, as did Germany in 1871 and Russia in 1917. Jews generally did well, but their success could be dangerously conspicuous. A host nation's reactions to Jewish commercial achievements depended on how it regarded capitalism. The Jews' greatest financial gains occurred in Germany and Austria-Hungary. In 1800, Jews comprised 4% of Berlin's population, but paid 30% of its municipal taxes. Jews also played large roles in banking, especially in the formation of joint stock and commercial banks, such as Dresdner Bank, Deutsche Bank and Crédit Mobilier. The Eastern European Jewish population boomed from less than two million at the beginning of the 19th century to eight million by its end. "Some two million of that number moved to America."

"[Margaret] Thatcher presided over a cabinet that probably had a higher percentage of Jews than any government outside of Israel since the Hungarian Soviet Republic of 1919."

Among Jews, one reaction to financial success was a backlash toward agriculture and trade, and against the banking professions. The emerging labor Zionist movement advanced the idea that Jewish national existence required working-class members. A 1907 philanthropic campaign urged Jews to become farmers in Texas. A more concerted effort helped 60,000 Jews settle in Ukraine and in the Crimea from 1924 to 1938. Stalin's purges halted the influx; in 1941, the Nazis devastated these communities.

"For liberals, the reality of differential group achievement under conditions of legal equality is something of a scandal, an affront to egalitarian assumptions."

While socialist thought influenced Zionism, the move to settle Israel also had a distinctively capitalist bent. By the 1990s, Israel had more companies "traded on the major New York stock exchanges" than any other nation except the U.S. and Canada. Jews embraced Europe's laissez-faire markets and promoted free-market development and privatization, especially under Margaret Thatcher.

Essay Three: “Radical Anticapitalism” and Marxism

The trajectory of ideas connecting Jews with communism and Marxism is also linked with anticapitalism and anti-Semitism. Modern history associates Jews with capitalist success, which fueled anti-Semitism. To break this cycle, Jews and other minorities tried to see if communism’s anticapitalist promises would lead to an egalitarian, unbiased society. As more Jews accepted this belief at the time of World War I and Bolshevism’s rise, some joined the Communist Party. The backlash against communism led to more anti-Semitism and inadvertently linked Jews and communism in the public mind. In a 1920 article, Winston Churchill called Bolshevism “the schemes of International Jews.” This accusation became a key element in Nazi ideology.

“The Jews are valued precisely for demonstrating the cultural trait of resourcefulness, the intellectual act of discovering new opportunities for the use of resources.”

Most Jews welcomed the overthrow of the anti-Semitic czars. But the Jews in the first Russian Duma in 1906 were mostly members of centrist and Zionist parties. Only the smallest group was Bolshevik. Generally Jews avoided Bolshevism as atheistic, and its anticapitalist ideology threatened the livelihoods of Jewish businesspeople. Bolshevism’s threat of revolutionary violence prompted Moscow’s chief rabbi, Jacob Mazeh, to tell Jewish-born Leon Trotsky that revolution would benefit only the revolutionaries, and would be disastrous for the Jews. As the revolution progressed, the Red Army and the White Russian Volunteer Army initiated anti-Jewish pogroms. The Volunteer Army killed 50,000 Jews, and the Red Army murdered another 70,000 in the Ukraine. Despite the Jews’ moderate role in the Russian Revolution, inflammatory headlines shaped public opinion elsewhere. The label “Jewish Bolshevism” resonated with U.S. politicians who passed the Reed-Johnson Act of 1924, limiting immigration from Eastern Europe. The presence of Jews in interwar revolutionary circles helped reinvigorate anti-Semitism.

“The economic history of the Jewish majority of the state of Israel was a speeded-up version of the economic history of Western capitalist societies.”

In the following decades, Adolph Hitler solidified his power in Germany and launched his invasions. The collision of “pseudoscientific...racism” and anti-Semitism became “a campaign of extermination,” as the “Nazis and their collaborators managed within a few years to murder six out of every seven Jews in eastern and central Europe.” As survivors returned to claim their stolen homes, the “confiscatory middle class” launched pogroms against them in the mid-1940s.

“There were many strains within Zionism – liberal, socialist, religious, revisionist – and they disagreed about their visions for the future of Jewish polity.”

In post-World War II Europe, Russia first allowed Jews to assume high Communist Party posts, and then purged them. Joseph Stalin placed loyal Jewish communists in top roles in Romania, Czechoslovakia, East Germany and Poland. Local people regarded these leaders suspiciously, igniting a new anti-Semitism. Among Soviet bloc nations, Hungary had the most Jewish Communist Party officials. For a short time, it permitted Jews in influential posts, but by 1949, Hungary began ousting its Jewish officials. It turned its repression on its citizens, penalizing some 450,000 people. Stalin abandoned most Jewish communists coincident with the “Doctors’ Trial” in 1952, where seven of nine physicians accused of medical crimes were Jewish. In Soviet-run Czechoslovakia, another 1952 show trial put 14 top party members, including 12 Jews, on trial for crimes against the state. By 1950, emigration had left only 20,000 Jews in Czechoslovakia, but that didn’t stop the trial or the government’s stringent anti-Zionist program in 1968.

Essay Four: “The Economics of Nationalism and the Fate of the Jews”

The rise of nationalism in the late-19th and 20th centuries produced Zionism, specifically feeding the communal need for a state comprised solely of Jews, who had “long viewed themselves as both a people and a religion.” Members of this community held widely divergent views, but Zionists agreed that it was not beneficial – or, perhaps, even safe – to live under non-Jewish civil authority. Sociologist Ernest Gellner, speaking of wide social patterns and not of specific societies or events, alternatively theorized that ethnic nationalism grew out of modern industrial urbanization and capitalism. Writing in the 1980s, Gellner echoed earlier political thought on the appeal of nationalism, particularly for Jews, who were “segregated and overrepresented in middleman roles.” As capitalism grew, bringing competition against the Jews as financiers, they were further marginalized. Economic positions once filled only by Jews were now open to indigenous people in Russia and other countries.

“Thus, in Israel, too, Jews have once again become a highly commercial nation, finding their historical proclivities well suited to the global economy.”

Gellner explained large historic evolutions based on their structure. He said modern industrial society needs the nation-state to create coalitions that bridge ethnic and social strata with shared language and homogenous education. In contrast to the Jews’ isolation in other societies, nationalism bred a sense of family, based on history and contemporary circumstances. Zionism, the move to establish a separate Jewish state, emerged in response to the pressures of capitalism, “the economic base of the rise of modern nationalism.” This “diaspora nationalism” offered Jews a concrete response to stigmatization and marginalization before and after “the watershed of the Holocaust.” But “now their economic and cultural success is a source of envy, and of danger.”

About the Author

Jerry Z. Muller is professor of history at the Catholic University of America in Washington, D.C. His previous books include *The Mind and the Market: Capitalism in Modern European Thought* and *Adam Smith in His Time and Ours*.
