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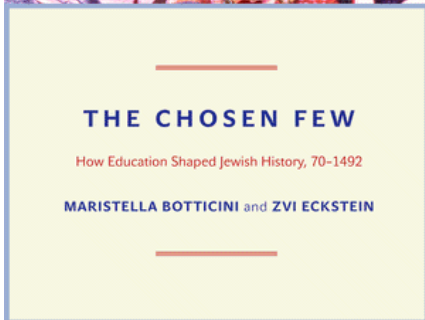
Since the fall of 2007, when the U.S. economy first seemed in peril, I've been answering reader queries here daily. The premises of the dialogue: Many economics questions can be answered in conversational English, and there are no stupid questions. As to the possibility of stupid answers, my [credentials](#) and reader corrections are the first line of defense, though all comments are welcome. As for the chapeau: doctor's orders. Grass does not grow on a busy street, I'm assured; unfortunately, skin cancers do. Thus, out of doors, I have become "the cat in the hat."

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The Chosen Few: A New Explanation of Jewish Success

Mi place 229

By [Maristella Botticini](#) and [Zvi Eckstein](#)



A note from Paul Solman: Nine years ago, someone sent me an academic paper that put forward a radically new explanation of why Jews have been so successful economically. Written by economists Maristella Botticini and Zvi Eckstein, the paper explained Jewish success in terms of early literacy in the wake of Rome's destruction of the Temple in 70 C.E. and the subsequent dispersion of Jews throughout the Roman empire - Jews who had to rely on their own rabbis and synagogues to sustain their religion instead of the high priests in Jerusalem.

You may know a similar story about the Protestant Reformation: the bypassing of the Catholic clergy and their Latin liturgy for actual reading of Scripture in native languages and the eventual material benefits of doing so. Why is Northern Europe -- Germany, Holland, England, Sweden -- so much more prosperous than Southern Europe: Portugal, Italy, Greece, Spain? Why do the latter owe the former instead of the other way around? Might it have something to do with the Protestant legacy of the North, the Catholic legacy of the South?

Botticini and Eckstein have spent their careers studying not Christianity, but Judaism. And they have now come out with a book elaborating on their novel thesis: "The Chosen Few: How Education Shaped Jewish History, 70-1492," published by the Princeton University Press.

Maristella Botticini and Zvi Eckstein: Imagine a dinner conversation in a New York or Milan or Tel Aviv restaurant in which three people--an Israeli, an American, and a European -- ask to each other: "Why are so many Jews urban dwellers rather than farmers? Why are Jews primarily engaged in trade, commerce, entrepreneurial activities, finance, law, medicine, and scholarship? And why have the Jewish people experienced one of the longest and most scattered diasporas in history, along with a steep demographic decline?"

Most likely, the standard answers they would suggest would be along these lines: "The Jews are not farmers because their ancestors were prohibited from owning land in the Middle Ages." "They became moneylenders, bankers, and financiers because during the medieval period Christians were banned from lending money at interest, so the Jews filled in that role." "The Jewish population dispersed worldwide and declined in numbers as a result of endless

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massacres."

Imagine now that two economists (us) seated at a nearby table, after listening to this conversation, tell the three people who are having this lively debate: "Are you sure that your explanations are correct? You should read this new book, ours, 'The Chosen Few: How Education Shaped Jewish History,' and you would learn that when one looks over the 15 centuries spanning from 70 C.E. to 1492, these oft-given answers that you are suggesting seem at odds with the historical facts. This book provides you with a novel explanation of why the Jews are the people they are today -- a comparatively small population of economically successful and intellectually prominent individuals."

Suppose you are like one of the three people in the story above and you wonder why you should follow the advice of the two economists. There are many books that have studied the history of the Jewish people and have addressed those fascinating questions. What's really special about this one?

To understand the spirit of the study we've undertaken, one should borrow two tools: a magnifying glass and a telescope. With the magnifying glass, the reader will be like a historian, who focuses on a place and a time period, painstakingly digs through the sources, and carefully documenting the historical trajectory of the Jews there. A thousand such scholars will offer a detailed description of the history of the Jews in hundreds of locales throughout history.

But with the telescope, the reader will be like an economist, who assembles and painstakingly compares the information offered by the works of the historians, creates a complete picture of the economic and demographic history of the Jewish people over 15 centuries, and then uses the powerful tools of economic reasoning and logic to address one of the most fundamental questions in Jewish history:

Why are the Jews, a relatively small population, specialized in the most skilled and economically profitable occupations?

In doing so, the "alliance" of the historians and the economists offers a completely novel interpretation of the historical trajectory of the Jews from 70 to 1492. In turn, this may help us understand several features of the history of the Jewish people from 1500 up to today, including the successful performance of the Israeli economy despite the recent economic crisis.

The journey of "The Chosen Few" begins in Jerusalem, following the destruction of the Second Temple in the year 70, continues in the Galilee during the first and second centuries, moves to Babylon in Mesopotamia during the fourth and fifth centuries, and then to Baghdad in the second half of the first millennium when the Muslim Abbasid empire reaches its economic and intellectual apex.

At the turn of the millennium, the historical voyage reaches Cairo, Constantinople, and Cordoba, and soon after the whole of western and southern Europe, then turns back to Baghdad in the 1250s during the Mongol conquest of the Middle East before ending in Seville in 1492.

During these 15 centuries, a profound transformation of Judaism coupled with three historic encounters of the Jews -- with Rome, with Islam, and with the Mongol Conquest -- shaped the economic and demographic history of the Jewish people in a unique and long-lasting way up to today.

Let's first start describing the profound transformation of Judaism at the beginning of the first millennium, which has been amply documented by scholarly works. In the centuries before 70, the core of Judaism was centered around two pillars: the Temple in Jerusalem, in which sacrifices were performed by a small elite of high priests, and the reading and the study of the Written Torah, which was also restricted to a small elite of rabbis and scholars. (It was the power of this elite that the Jew Yeshua ben Josef, later known as Jesus Christ, so often decried.)

The destruction of the Temple in 70 at the end of the first Jewish-Roman war was the first of the three external events which permanently shaped the history of the Jewish people. Momentously, it canceled one of the two pillars of Judaism, shifting the religious leadership within the Jewish community from the high priests in Jerusalem to a much more widely dispersed community of rabbis and scholars. In so doing, it transformed Judaism into a religion whose main norm required every Jewish man to read and to study the Torah in Hebrew himself and, even more radically, to send his sons from the age of six or seven to primary school or synagogue to learn to do the same.

In the world of universal illiteracy, as it was the world at the beginning of the first millennium, this was an absolutely revolutionary transformation. At that time, no other religion had a similar norm as a membership requirement for its followers, and no state or empire had anything like laws imposing compulsory education or universal literacy for its citizens. The unexpected consequences of this change in the religious norm within Judaism would unfold in the subsequent centuries.

To understand what happened to the Jewish people in the eight centuries after 70, "The Chosen Few" asks the reader to travel back in time to a village in the Galilee around the year 200. What would the reader see?

They would see Jewish farmers, some rich, some poor who have to decide whether to send their children to primary school as their rabbis tell them to do. Some farmers are very attached to Judaism and willing to obey the norms of their religion, others are not very devout and consider whether or not to convert to another religion. In this rural economy, educating the children as Judaism requires is a cost, but brings no economic benefits because literacy does not make a farmer more productive or wealthier.

Given this situation, what would economic logic predict? What would likely happen to Judaism and the Jewish people? Given a high preference for religious affiliation, some Jews will educate their children and will keep their attachment to their religion. Other Jews, however, will prefer their material well-being and will *not* educate their children. Furthermore, a portion of this latter group will likely convert to other religions with less demanding requirements. And so, over time, even absent wars or other demographic shocks, the size of the Jewish population will shrink because of this process of conversions.

But are the predictions of the economic theory consistent with what really happened to the Jews during the first millennium? The historical evidence assembled in our book says yes. The implementation of this new religious norm within Judaism during the Talmud era (third to sixth centuries) determined two major patterns from 70 C.E. to the early 7th century.

The first of these trends was the growth and spread of literacy among the predominantly rural Jewish population. The second: a slow but significant process of conversion out of Judaism (mainly into Christianity) which, caused a significant fall in the Jewish population -- from 5 to 5.5 million circa 65 to roughly 1.2 million circa 650. War-related massacres and epidemics contributed to this drastic drop, but they cannot by themselves explain it.

At the beginning of the 7th century, the Jews experienced their second major historic encounter -- this time with Islam. In the two centuries after the death of Mohammed, in 632, the Muslim Umayyad and, later, Abbasid caliphs, established a vast empire stretching from the Iberian Peninsula to India and China, with a common language (Arabic), religion (Islam), laws, and institutions. Concomitant with the ascent of this empire, agricultural productivity grew, new industries developed, commerce greatly expanded, and new cities and towns developed. These changes vastly increased the demand for skilled and literate occupations in the newly established urban empire.

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How did this affect world Jewry? Between 750 and 900, almost all the Jews in Mesopotamia and Persia -- nearly 75 percent of the world's remaining 1.2 million Jews -- left agriculture, moved to the cities and towns of the newly established Abbasid Empire, and entered myriad skilled occupations that provided higher earnings than as farmers. Agriculture, the typical occupation of the Jewish people in the days of Josephus in the first century, was no longer their typical occupation seven to eight centuries later.

This occupational transition occurred at a time in which there were no legal restrictions on Jewish land ownership. The Jews could and did own land in the many locations of the vast Abbasid Muslim Empire. And yet, Jews moved away from farming. This is of vital importance.

Modern explanations of why the Jews became a population of craftsmen, traders, shopkeepers, bankers, scholars, and physicians have relied on supposed economic or legal restrictions. But these do not pass the test of the historical evidence.

This is one of our main and novel messages: mass Jewish literacy was key. It enabled Jews -- *incentivized* Jews -- to abandon agriculture as their main occupation and profitably migrate to Yemen, Syria, Egypt, and the Maghreb.

The tide of migrations of Jews in search of business opportunities also reached Christian Europe. Migrations of Jews within and from the lands of the Byzantine Empire, which included southern Italy, may have set the foundations, via Italy, for much of European Jewry. Similarly, Jews from Egypt and the Maghreb settled in the Iberian Peninsula, and later, in Sicily and parts of southern Italy.

The key message of "The Chosen Few" is that the literacy of the Jewish people, coupled with a set of contract-enforcement institutions developed during the five centuries after the destruction of the Second Temple, gave the Jews a comparative advantage in occupations such as crafts, trade, and moneylending -- occupations that benefited from literacy, contract-enforcement mechanisms, and networking and provided high earnings.

Once the Jews were engaged in these occupations, there was no economic pressure to convert, which is consistent with the fact that the Jewish population, which had shrunk so dramatically in earlier times, grew slightly from the 7th to the 12th centuries.

Moreover, this comparative advantage fostered the voluntary diaspora of the Jews during the early middle ages in search of worldwide opportunities in crafts, trade, commerce, moneylending, banking, finance, and medicine.

This in turn would explain why the Jews, at this point in history, became so successful in occupations related to credit and financial markets. Already during the 12th and 13th centuries, moneylending was the occupation par excellence of the Jews in England, France, and Germany, and one of the main professions of the Jews in the Iberian Peninsula, Italy, and other locations in western Europe.

A popular view contends that both their exclusion from craft and merchant guilds and usury bans on Muslims and Christians segregated European Jews into moneylending during the Middle Ages. But our study shows, with evidence we have come upon during more than a decade of research, that this argument is simply untenable.

Instead, we have been compelled to offer an alternative and new explanation, consistent with the historical record: the Jews in medieval Europe voluntarily entered and later specialized in moneylending and banking because they had the key assets for being successful players in credit markets:

- capital already accumulated as craftsmen and traders,
- networking abilities because they lived in many locations, could easily communicate with and alert one another as to the best buying and selling opportunities, and
- literacy, numeracy, and contract-enforcement institutions -- "gifts" that their religion has given them -- gave them an advantage over competitors.

With these assets, small wonder that a significant number of Jews specialized in the most profitable occupation that depended on literacy and numeracy: finance. In this sector they worked for many centuries. As they specialized, just as Adam Smith would have predicted, they honed their craft, giving them a competitive advantage, right up to the present.

But what if the economy and society in which the Jews lived, suddenly ceased being urban and commercially-oriented and turned agrarian and rural, reverting to the environment in which Judaism had found itself centuries earlier?

The third historic encounter of the Jews -- this time with the Mongol conquest of the Middle East -- offers the possibility to answer this question. The Mongol invasion of Persia and Mesopotamia began in 1219 and culminated in the razing of Baghdad in 1258. It contributed to the demise of the urban and commercial economy of the Abbasid Empire and brought the economies of Mesopotamia and Persia back to an agrarian and pastoral stage for a long period.

As a consequence, a certain proportion of Persian, Mesopotamian, and then Egyptian, and Syrian Jewry abandoned Judaism. Its religious norms, especially the one requiring fathers to educate their sons, had once again become a costly religious sacrifice with no economic return. And so a number of Jews converted to Islam.

Once again, persecutions, massacres, and plagues (e.g., the Black Death of 1348) took a toll on the Jewish population in these regions and in western Europe. But the voluntary conversions of Jews in the Middle East and North Africa, we argue, help explain why world Jewry reached its lowest level by the end of the 15th century.

The same mechanism that explains the decline of the Jewish population in the six centuries after the destruction of the Second Temple, that is, accounts for the decline of the Jewish communities of the Middle East in the two centuries following the Mongol shock.

None of this was planned. The rabbis and scholars who transformed Judaism into a religion of literacy during the first centuries of the first millennium, could not have foreseen the profound impact of their decision to make every Jewish man capable of reading and studying the Torah (and, later, the Mishna, the Talmud, and other religious texts).

However, an apparently odd choice of religious norm--the enforcement of literacy in a mostly illiterate, agrarian world, potentially risky in that the process of conversions could make Judaism too costly and thus disappear--turned out to be the lever of the Jewish economic success and intellectual prominence in the subsequent centuries up to today. This is the overall novel message of "The Chosen Few."

Maristella Botticini is professor of economics, as well as director and fellow of the Innocenzo Gasparini Institute for Economic Research (IGIER), at Bocconi University in Milan.

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Addressing the puzzles that punctuate Jewish history from 1492 to today is the task of the next journey, which the authors will take in their next book, "The Chosen Many."