

INTRODUCTION

THINKING ABOUT JEWS AND CAPITALISM

Capitalism has been the most important force in shaping the fate of the Jews in the modern world. Of course, one could plausibly argue that it has been the most important force in shaping the fate of *everyone* in the modern world. But Jews have had a special relationship with capitalism, for they have been particularly good at it. Not all of them, of course. But, whenever they have been allowed to compete on an equal legal footing, they have tended to do disproportionately well. This has been a blessing—and a curse.

Jews have been a conspicuous presence in the history of capitalism, both as symbol and as reality. Yet the relationship of the Jews to capitalism has received less attention than its significance merits.¹ One reason for this relative neglect is no doubt the division of labor characteristic of modern academic research. Academic historians tend to focus on the history of

a particular nation or region—while Jews were scattered across national and regional boundaries. The encounter of the Jews with capitalism confounds disciplinary boundaries as well: it is the stuff of economic history as well as of social history, of political history as well as cultural history, of the history of business, but also of the family and the nation-state. But there are other reasons for the relative neglect of the topic as well. Discussions of Jews and capitalism touch upon neuralgic subjects.

For Jews, Jewish economic success has long been a source of both pride and embarrassment. For centuries, Jewish economic success led anti-Semites to condemn capitalism as a form of Jewish domination and exploitation, or to attribute Jewish success to unsavory qualities of the Jews themselves. The anti-Semitic context of such discussions led Jews to downplay the reality of their economic achievement—except in internal conversations. Moreover, for most people, the workings of advanced capitalist economies are opaque and difficult to comprehend. When economic times are bad and people are hurting, some inevitably search for a more easily grasped, concrete target on which to pin their ill fortunes. That target has often been the Jews. Even today, some Jews regard the public discussion of Jews and capitalism as in-

trinsically impolitic, as if conspiratorial fantasies about Jews and money can be eliminated by prudent silence.

For economists and economic historians, the extent to which modern capitalism has been shaped by premodern cultural conceptions and cultural predispositions is a source of puzzlement at best. It simply doesn't fit into the categories in which contemporary 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, by which they mean the characteristics that make for economic success. 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. Much of the reality of economic history, and of the Jewish role within it, is bound to elude those who proceed on the tacit premise that "if you can't count it, it doesn't count."

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 oppor-

tunity.” If it turns out that the ability to take advantage of opportunity is deeply influenced by cultural traits 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 nationalists, 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 prerevolutionary 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 all these reasons, the exploration of Jews and capitalism has tended to be left to apologists, ideologues, and anti-Semites. This book, by contrast, tries to make sense of patterns in modern history that tend to be neglected by social scientists.

Jews were associated with trade and with the lending of money long before the rise of a recognizably modern capitalism in the seventeenth century. That association would have ongoing effects. It helps to account for the fact of disproportionate Jewish success under conditions of modern capitalism. In addition, the way in which modern, non-Jewish intellectuals thought about capitalism was often related to how they thought about Jews. Those evaluations in turn affected the ways in which Jews thought about *themselves*, about their economic role and their position in society. Jewish intellectuals such as Moses Mendelssohn were well aware of this connection, and linked their case for civil equality for the Jews with arguments about the positive function of the economic activities in which Jews were engaged.

Yet the disproportionate economic success of the Jews made them a lightning rod for the

discontent and resentment that was almost everywhere a product of what Joseph Schumpeter called the “creative destruction” that was part and parcel of capitalist dynamism. By that he meant the displacement of older forms of production, consumption, and styles of life by new forms, created by capitalist innovation. Added to this source of animus was the fact that the development of capitalism went hand in hand with the rise of the modern nation-state, which, in much of the Old World, took the form of an ethnic nationalism that defined Jews as outside the national community. That led to new, more modern forms of anti-Jewish animus, rooted less in religious difference than in the resentment of Jewish economic success. And that in turn led a small but salient minority of Jews to embrace Communism, the most radical form of anticapitalism. That embrace had fateful consequences of its own. And finally, it led a growing portion of Jewry to conclude that in an age of capitalism and nationalism, Jews needed a nation-state of their own.

Thus the interlocking themes of the four essays that make up this book, which traverse the boundary between general and Jewish history, and between intellectual, economic, and political history. They aim to show the relevance of the experience of the Jews to the larger themes

of modern European history: of the development of capitalism, Communism, nationalism, and fascism. And while focused on modern Europe, they also deal with the effects of these phenomena beyond Europe, including the United States and Israel.

When social scientists set out to explain the relationship of the Jews to capitalism, they frequently make use of the notion of Jews as a “diasporic merchant minority.” That concept provides an indispensable though ultimately unsatisfactory framework for understanding the relationship between Jews and modern capitalism.² Since their dispersion from the Land of Israel—a dispersion that began when the Jews still had a sovereign state—Jews have lived as a diaspora, a minority in the Roman Empire, then in Christian Europe and in the lands of Islam. Though by no means a merchant people for much of their history, they became one in medieval Christendom. Like other diasporic merchant minorities—the Armenians, or the Greeks, or overseas Chinese—they developed transregional trading networks, as well as the skills and cultural dispositions conducive to trade. Such minorities are characterized by the combination of specialized economic competence and political powerlessness.

Yet the category of diasporic merchant mi-

nority is by itself inadequate to grasp the significance of the Jews in Christian Europe. For the Jews were permitted to engage in otherwise stigmatized economic activities, especially the lending of money at interest, because of their peculiar place in Christian theology. As the community from which Christ sprang, they were to be tolerated. In Christian eyes, it was the narrative of the Old Testament that provided the warrant for Jesus' role in the scheme of salvation. The Jews, as the people of the Old Testament, were to survive to provide tangible evidence of the historical depth of the Christian narrative, and eventually to provide testimony at the second coming of Christ. But the failure of the Jews to recognize Jesus as God was a testament to their blindness, their spiritual malformation. According to Augustine and later Christian theologians, Jews were to be tolerated in Christian Europe—as those of other faiths were not. But their status had to be sufficiently inferior to serve as a reminder to them and to good Christians of the Jews' spiritual decrepitude. For Christianity, the Jew was the Other, but he was the Other within, both in the sense that Jews lived in the midst of Christians and that the Jews' Book (which Christians believed the Jews had misunderstood) was part of the core narrative of Christian history.

Jews thus had a cultural significance, a radioactive charge, that was not characteristic of merchant minorities elsewhere. It was the confluence of their religious status as tolerated but despised outsiders, together with their economic role as merchant minority, that was so fraught. The association of the Jews with the lending of money at interest was only possible because they were beyond the community of the saved. And the association of money with a theologically stigmatized minority cast an aura of suspicion around money and moneymaking.

Had there been no Jews in Europe, the spread of capitalism would still have led to anticapitalist movements as well as to nationalist ones. But the Jews' premodern commercial experience, together with their emphasis on literacy, predisposed them to do disproportionately well in modern capitalist societies, where success increasingly depended on commercial acumen and book-learning. Anticapitalist thought would stigmatize capitalism by borrowing the conceptual categories of Christian anti-Semitism and the traditional condemnation of usury, of making money with money. The attempt of European states to modernize—which meant becoming literate, capitalist societies—gave rise to ethnic nationalism, which once again conceived of the Jews as outsiders.

In the face of their increasing exclusion from the ethnically defined community of the nation, Jews responded in three ways.

They migrated to countries in which nationalism was defined liberally, rather than by religious or ethnic criteria. That meant, above all, emigrating westward from Russia, where the great bulk of world Jewry was located as of 1880—westward to Austria-Hungary, to Germany, to France and to Britain, and above all, to the United States, until it closed its doors to further mass immigration in 1924. In liberal countries—even in incipiently liberal countries, like the late Habsburg Empire—Jews tended to embrace liberalism, and a program of integration into the dominant culture. While some hoped for complete assimilation and amalgamation, by and large Jews sought to acculturate to the host society without complete assimilation.³ But the border between liberal forms of nationalism and illiberal, ethnic forms was a shifting one, and Jews repeatedly discovered that liberalizing and welcoming political cultures could turn illiberal and hostile. That is what happened in Hungary, Austria, Germany, France, and even, though in a more diluted manner, in the United States.

The second response of Jews was therefore to embrace socialist movements that promised

to end invidious distinctions based on origin. Most socialists attributed the hold of anti-Semitism to capitalism itself, so that eliminating capitalism was understood as a formula for eliminating anti-Semitism. The most radical and uncompromising of these movements was Communism.

The third major response, by Jews who remained committed to some form of Jewish continuity, was Zionism. That movement drew much of its cogency from an analysis that claimed that universalist ideologies would prove a chimera. It argued that the deep-seated otherness with which the Jews were regarded in Christian and post-Christian societies would manifest itself in an increasingly nationalist era in both anticapitalist and antisocialist forms. So the early Zionist theorist, Moshe Leib Lilienblum, warned in 1883.⁴ Lilienblum claimed that cosmopolitans and ethnic nationalists, capitalists and socialists, freethinkers and orthodox Christians would all find reasons to despise the Jews. For each ideological group, finding that there were Jews in the opposite camp, proceeded to identify its social or national enemy with the Jews in general.⁵ In the Zionist analysis, the Jews would continue to be defined as “other”—when they were capitalists and when they were socialists, when they were assimila-

tionist and when they were nationalist, when they were religious and when they were secular. The only solution was for the Jews to have a state of their own.

The four essays that comprise this volume explore these intertwined phenomena from a variety of perspectives. “The Long Shadow of Usury” examines the way in which the traditional linkage between Jews and money continued to be reflected in thinking by modern European intellectuals about capitalism and about the Jews. As we will see, an affirmative approach toward capitalism often went together with a measure of sympathy toward the Jews, while antipathy to commerce and antipathy to the Jews typically went hand in hand. While the first chapter explores how major non-Jewish intellectuals looked at capitalism and the Jews, the second chapter, “The Jewish Response to Capitalism,” examines the other side of the coin. It takes as its launching point a lecture by the late libertarian economist Milton Friedman, who puzzled over his observation that so many Jews had been antipathetic to capitalism despite the fact that capitalism had been good for the Jews. The chapter deals with the reality of disproportionate Jewish eco-

conomic success in capitalist societies, with the awareness by leading Jewish thinkers about the interconnection between capitalism and Jewry, and their interpretations and frequent affirmations of that link. Others of Jewish origin, however, reacted to capitalism and to modern anti-Semitism by embracing the most extreme form of anticapitalism, namely Communism. The fateful consequences of that embrace, which most historians have failed to appreciate, is the subject of the third chapter, "Radical Anticapitalism: The Jew as Communist." The last chapter, "The Economics of Nationalism and the Fate of the Jews in Twentieth-Century Europe," explores the relevance of the work of the late social theorist Ernest Gellner for understanding modern Jewish history. At the beginning of the twentieth century, the links between capitalism, nationalism, and the fate of the Jews had been explored by socialist Zionists, most notably Dov Ber Borochof. Gellner revived these themes at century's end, offering what seems to me the single most illuminating analysis of their relationship. He traced the link between capitalist economic development and the rise of nationalism; explained that it was precisely the Jews' traditional status as a diasporic merchant minority that led to their

economic success; and showed why that placed European Jewry in particular peril in the era of ethnic nationalism.

These chapters were written to show those interested in the histories of capitalism, Communism, nationalism, Zionism, and Nazism the interconnection of these topics. Written over the past twenty years, all have been revised for publication here. The advantage of the essay form is that it allows for the exploration of broad themes without purporting to cover all relevant data. If these essays operate at a level of generalization with which historians are sometimes uncomfortable, it is because they are intended to point out patterns, to help us see the forest as well as the trees.

The subject of capitalism and the Jews can and should be understood from a variety of angles. Each chapter focuses the reader's attention on one or two of those angles. But the parts can be assembled together in a variety of ways, and I have not tried to foreclose the reader's interpretation of how they can best be fit together.