

# **“Capitalism and the Jews”: Milton Friedman and His Critics**

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A trip to Israel in April 1972 to deliver the Horowitz Lecture inspired Milton Friedman to reconsider a paradox: “the Jews owe an enormous debt to free enterprise and competitive capitalism,” he told his audience at a meeting of the Mont Pelerin Society in September of that year. However, “for at least the past century the Jews have been consistently opposed to capitalism and have done much on an ideological level to undermine it. How can these propositions be reconciled?” (Friedman 1987, 43).<sup>1</sup> His interest in the question was provoked in part by personal reasons, Friedman confessed. While all conservative intellectuals were accustomed to “being accused by fellow intellectuals of being reactionaries or apologists or just plain nuts, . . . those of us who are also Jewish are even more embattled, being regarded not only as intellectual deviants but also as traitors to a supposed cultural and national tradition” (Friedman 1987, 43).

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1. An earlier stay in Israel, in 1962, had led to the reflection that two traditions were at war in the Jewish state, a comparatively recent one, socialism, and a much older one, “a tradition of how you get around government regulations” (Friedman 1977).

For a pithy statement of the consensus view, Friedman chose a passage in Lawrence Fuchs's *The Political Behavior of American Jews* (1956): "if the communist movement is in a sense a Christian heresy, it is also Jewish orthodoxy—not the totalitarian or revolutionary aspects of world communism, but the quest for social justice through social action." This represented, for Friedman, "a highly superficial analysis" (Friedman 1987, 47). He found more persuasive the opposite case made by Werner Sombart in *The Jews and Modern Capitalism* that Judaism predisposed Jews to become successful capitalists and thrive under regimes where entrepreneurship was encouraged.<sup>2</sup> The future Nobel Laureate was aware that *The Jews and Modern Capitalism* was a controversial book, but Friedman always relished controversy. He twice characterizes the book as philosemitic, and adds that he regards "the violence of the reaction of Jewish intellectuals to the book as itself a manifestation of the Jewish anti-capitalist mentality" (Friedman 1987, 48, 53).

In the following pages I will address Friedman's argument in "Capitalism and the Jews." This entails a reassessment of Sombart's book.<sup>3</sup> I will first consider the objections of two critics to Friedman's essay, the South African development economist, S. Herbert Frankel, and the American intellectual historian, Jerry Z. Muller.<sup>4</sup> Frankel attacks Friedman for his reliance on Sombart. Muller takes a different tack, denying Friedman's premise that Jewish intellectuals are predominantly leftist. But he then

2. This is the title of the 1913 English translation by Mortimer (Mordecai) Epstein of Sombart's 1911 *Die Juden und das Wirtschaftsleben* (Jews and economic life).

3. Despite Friedman's parenthetical disclaimer (in a discussion of Frankel's critique at the 1982 Fraser Institute conference) that "every reference to Sombart could be expunged and not affect my argument one iota," he cites the German economist at length, and pointedly defends him. All his evidence for the affinity of Judaism and capitalism comes from Sombart (Friedman 1985b, 444).

4. Frankel (1896–1996) was a professor of economics at the University of Witwatersrand and then, after World War II, a fellow of Nuffield College and professor in the economics of underdeveloped countries at Oxford. Regarded as a liberal in South Africa because of his opposition to apartheid, in postwar Oxford he was viewed as a reactionary, or at best, "an anachronistic colonial." He published monographs on investment in Africa and on mining and railroads in South Africa, an essay collection on international investment and social change, and more speculative works, including *Two Philosophies of Money: The Conflict of Trust and Authority* (1977) and lectures on *Money and Liberty* (1980) and *Modern Capitalism and the Jews* (1983), his critique of Friedman and Sombart, as well as an autobiography. Frankel served on numerous commissions in South Africa and Britain (Frankel 1996).

Muller, a professor of history at the Catholic University of America, is the author of *The God That Failed: Hans Freyer and the Deradicalization of German Conservatism* (1987), *Adam Smith in His Time and Ours* (1992), *The Mind and the Market* (2002), *Capitalism and the Jews* (2010), and *The Tyranny of Metrics* (2018).

goes on to defend (implicitly) the case Friedman and Sombart make, that Judaism in fact encourages an outlook supportive of capitalism and fostered skills that made Jews successful in commerce and banking. Muller draws on an article by two economists to support his argument, and I will consider the case they make, and those of other recent scholars, that attempt to explain Jewish prominence in trade and finance.

Friedman's article has not been frequently cited.<sup>5</sup> Nonetheless, it is worth considering for the light it sheds on the view of his Jewish heritage of perhaps the most famous and influential economist of the second half of the twentieth century, for the intrinsic interest of the subject, and for its own merits. It also provides an opportunity to revisit the work of a scholar regarded for decades as the leading German economic historian and social theorist and reevaluate his most controversial book, and Friedman's use of it, in light of recent scholarship.

## 1. The History of the Article

Although he had received a traditional Jewish education, and had, indeed, at one point become "fanatically religious," scrupulously observing "the complex dietary and other requirements of Orthodox Judaism," he lost his faith around age twelve, and "shifted to complete agnosticism"<sup>6</sup> (Friedman and Friedman 1998, 23). There is little evidence of any interest in Jews and Judaism prior to 1972. His daughter recalls no discussions of the subjects, or of his own Jewish upbringing.<sup>7</sup>

Before publishing "Capitalism and the Jews," Friedman sent a draft of his address to at least ten scholars, including, in one case, someone he did

5. It has twenty-nine citations in Google Scholar.

6. During his religious phase, Friedman once raced home from a Cub Scout picnic rather than eat a nonkosher hot dog, make a public display of his Orthodoxy, or claim to be sick. Agnosticism was probably a polite way of saying atheism. When his son, around age ten, told him he did not believe God existed, Friedman replied that that was his opinion too. A prudent agnostic would not risk violating the commandments of God, but the economist did not attend synagogue or observe the Jewish holidays, save for Passover with Chicago relatives (personal communication with D. Friedman 2016). The line he took with interviewers was that he was an agnostic rather than an atheist because "the proposition that there is a God is not capable of being proved either false or true" (Friedman 2006).

7. Personal communication with Jan Martel, November 8, 2017. Friedman's new interest in Jews is reflected in a 1974 *Newsweek* column, in which he suggested that the Great Depression may have been triggered by antisemitism. (J. P. Morgan, Jr., blaming the death of his father after a Congressional inquiry on "the Jews," failed to support the Jewish-owned Bank of the United States in December 1930. Its bankruptcy turned a severe recession into a catastrophe [Friedman 1974]).

not know personally, the sociologist Nathan Glazer.<sup>8</sup> Friedman's friends and colleagues were unsparing in their criticism of his Mont Pelerin talk, and their objections initially deterred him from publishing it (Friedman 1985b, 459). When he did eventually send it to *Encounter*, the only change he made—a single additional sentence—was inspired by an observation made by both Martin Bronfenbrenner and George Stigler, that Jewish intellectuals simply shared the prejudices of their fellow intellectuals: “Phi Beta Pappa knows best,” as Bronfenbrenner put it.<sup>9</sup>

8. In addition to Glazer, copies were sent to Martin Bronfenbrenner, Stanley Fischer, Irving Kristol, Edward K. Offenbacher, and George Stigler, all of whom sent critiques. Other individuals to whom Friedman sent copies and who either did not reply or whose responses he did not retain include Anna Schwartz, Leo Rosten, Edward Banfield, and Herbert Frankel. (The Friedman Papers include earlier correspondence with Frankel, from August 28, 1960, to May 19, 1964, but no mention is made of Jews or capitalism [Friedman Papers, Box 27.6].) Friedman does not appear to have consulted his colleague Arcadius Kahn, a specialist in Jewish economic history, nor his former mentor Simon Kuznets, who had also written on the subject. Nor did he consult anyone with expertise in Judaism. The recipients of the draft were mostly Friedman's fellow economists, along with the sociologist Glazer, a journalist (Kristol), and two political scientists (Banfield and Rosten). Apart from Glazer and Kristol, Rosten was the only one to have written on Jewish subjects, and he is best known for a humorous dictionary of Yiddish (Friedman Papers, list dated September 18, 1972).

9. Letter from Bronfenbrenner to Friedman, December 6, 1972, Friedman Papers. Bronfenbrenner went on to cite the Jewish stake in dirigisme: a disproportionate number of Jews were its beneficiaries—lawyers, economists, statisticians, social workers, and so forth. The most detailed criticism came from Stanley Fischer, who argued that Jews who were left-wing Democrats were not really socialists, but concerned about income inequality, and that there was a long-standing concern with “social justice” on the part of Ashkenazim. The emphasis on charity and obligations to others made them receptive to government schemes to eliminate poverty, imagining they would be as efficient as private charity. He also stressed that a wariness of nationalism (associated with the right) made Jews receptive to internationalism. He objected to Friedman's evidence from Israel, arguing that the emphasis on the military, on agriculture, and Hebrew were not reactions to Diaspora preferences, but essential for the creation of a Jewish state, and that Yiddish and Ladino are not looked down upon. (Fischer agreed only about Israeli cooking, but added that he did not like Diaspora cuisine, either.) He also found Friedman's psychological theory plausible but unconvincing: Jews who became leftists did not thereby become more popular (letter from Fischer to Friedman, October 10, 1972, Friedman Papers). Bronfenbrenner, too, felt that as antisemitism was directed more against revolutionary Jews than Jewish capitalists, leftism was not a good strategy to avoid Judeophobia.

Edward Offenbacher, now senior adviser at the Bank of Israel, agreed with Friedman, contra Fischer, that there was no foundation in Jewish law for socialism. In the harshest criticism the paper received (its conclusion was “lame” because “you know so much more about capitalism than you do about Jews”), Irving Kristol emphasized the messianic streak in Judaism: “This has led to all sorts of heresies, Christianity being the most notable. But what people forget is that these heresies kept breaking out in the post-Christian era too . . . Now, with the French Revolution and emancipation, this messianic streak became normative for whole sections of Jewry.” Previously, “the ‘prophetic’ element” had been constrained by “legalistic, orthodox tradition.” Today, Orthodox Jews are not anticapitalist or left wing, Kristol pointed out. Not coincidentally, they do not pay much attention to the prophets, revered by liberal Jews. Kristol cites Gershom Scholem, who shows how the descendants of seventeenth-century heretics

Despite his reservations about publishing the talk, he delivered it again to the University of Chicago Hillel in 1976 and at a Fraser Institute symposium, "The Morality of the Market," in 1982.<sup>10</sup> Reading it over on the plane to Vancouver, Friedman was pleasantly surprised. He decided that he "really didn't want to change very much in it" (Friedman 1985b, 459). The criticisms the paper received at the symposium reinforced this view.<sup>11</sup> Friedman then published the paper in *Encounter* with virtually no changes and authorized its republication three more times.<sup>12</sup>

## 2. Friedman's Argument

Rather than Judaism lending support to socialism, as Lawrence Fuchs and others claimed, a far more persuasive case can be made, says Friedman, that "the Jewish religion implied a capitalist outlook." He cites the following passages from Sombart:

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played a significant role in the French Revolution and other messianic movements. When he became a young Trotskyist, Kristol wrote, he felt himself a member of a messianic sect (Kristol, letter to Friedman, October 16, 1972, Friedman Papers).

Interestingly, the only correspondent who expressed reservations about Friedman's use of Sombart was an anonymous critic whose copy of the manuscript Friedman retained for its marginalia. This reader suggested that he rely instead on Jacob Katz and Yitzhak Baer.

10. Daniel Leifer, letter to Friedman, 22 October 1976, Friedman Papers.

11. Aaron Levine, the first respondent, cited seven rulings and commentaries, from Ezra to the mid-fifteenth century, in support of the claim that "the Jewish religion fosters an economic system based on freedom of entry and competition" (Friedman 1985b, 419). Levine's additional claim that other passages revealed "an attachment to certain aspects of socialism," turned out to be admonitions against "unbridled capitalism." This hardly fazed Friedman. "Who," he replied, "is for unbridled anything, except a wild horse?" (Friedman 1985b, 443).

Frankel's hostile response further strengthened Friedman's confidence in his thesis because "so able, scholarly, and knowledgeable a person" as Frankel was "able to come up with no effective criticism" of it. He had directed his attack at Sombart, had used "adjectives and assertions without citing any evidence to support them," and had objected to his conclusions "on what are essentially metaphysical grounds" (Friedman 19825, 444).

12. To the copy of the Mont Pelerin talk that he sent to his colleagues, Friedman added only one sentence: "They ['the two main forces' responsible for Jewish leftism] were reinforced also [in addition to a historical heritage making them "specially sensitive to injustice and specially committed to charity"] by whatever the forces are that predispose intellectuals towards the Left." He altered as well the opening sentence, eliminating a reference to the founding of the Mont Pelerin Society. Otherwise there are only three cosmetic changes: the shift of a single the phrase, the identifying of the 1972 Democratic candidate as "Senator George McGovern," and the cutting of "recent" in reference to a McGovern campaign proposal. The different subheadings and paragraph breaks can probably be attributed to the various editors.

In addition to *Encounter* (June 1984), the article appeared in Friedman 1985a and in Friedman 1987, 43–56, in *The Freeman* (October 1988), and is available on the website of the Foundation for Economic Education: [fee.org/freeman/capitalism-and-the-jews/](http://fee.org/freeman/capitalism-and-the-jews/). References will be to the 1987 anthology.

Throughout the centuries, the Jews championed the cause of individual liberty in economic activity against the dominating views of the time. The individual was not to be hampered by regulations of any sort . . . I think that the Jewish religion has the same leading ideas as capitalism . . . The whole religious system is in reality nothing but a contract between Jehovah and his chosen people . . . God promises something and gives something, and the righteous must give Him something in return. Indeed, there was no community of interest between God and man which could not be expressed in these terms—that man performs some duty enjoined by the Torah and receives from God a *quid pro quo*. (Sombart quoted in Friedman 1987, 47–48)

In addition to the contractual relationship with God, Friedman mentions the contrasting attitudes toward wealth and poverty in the Old and New Testaments. He cites several more passages from Sombart arguing that whereas poverty is occasionally praised as ennobling in the Tanakh and Talmud, there are “hundreds of passages in which riches are called the blessing of the Lord, and only their misuse or their dangers were warned against . . . As often as riches are lauded in the Old Testament, they are damned in the New . . . The religion of the Christians stands in the way of their economic activities . . . The Jews were never faced with this hindrance” (Sombart quoted in Friedman 1987, 47–48). Friedman concludes with another passage in which Sombart claims “free trade and industrial freedom were in accordance with Jewish law, and therefore in accordance with God’s will” (Friedman 1987, 48).

Why then, over the past century, have Jewish intellectuals attacked an economic system that has not only benefited the Jewish people, but is seemingly sanctioned by Judaism? These intellectuals, says Friedman, were the acolytes of “a new religious faith.” This creed permitted them, at long last, to “become the intellectual brethren of non-Jews” (Cohn quoted in Friedman 1987, 51). The proposition that radical leftism is a surrogate religion that has enabled Jews to breach the ghetto walls that Judaism itself imposes comes from a dissertation by the sociologist Werner Cohn, from which Friedman quotes.<sup>13</sup>

13. In an extensive literature comparing Enlightenment and post-Enlightenment ideologies to religions, notable contributions in English include books by Carl Becker 1932; James Billington 1999; Michael Burleigh 2007a, 2007b; Elie Kedourie 1993; Thomas Molnar 1967; Jacob Talmon 1952, 1970; and Eric Voeglin 1986. For useful discussions, see Philippe Burrin 1997 and Emilio Gentile 2000.

But this explanation is not the whole story, says Friedman. The anticapitalist mentality of Jewish writers is ultimately a desire simply to "demonstrate to themselves and the world the fallacy of the antisemitic stereotype"—that Jews are "money-grasping, cunning, selfish and greedy," putting "commercial interests above human values" (Friedman 1987, 52). This insight occurred to him in Israel, Friedman writes, where he noted how Israelis have self-consciously rejected everything associated with diaspora Jews, embracing agriculture, military service, athletics, the Hebrew language, and, he claims, bad cooking (Friedman 1987, 53).

However, at the close of his lecture, forgetting not only these conclusions but also an earlier point he makes about how, unlike their European counterparts, the Protestant upper-class in America was originally philosemitic, and that American Jews mostly voted for Republicans down to the 1920s, Friedman offers a third explanation: "the special circumstances of nineteenth-century Europe which linked pro-market parties with established religions and so drove Jews to the Left" (Friedman 1987, 54).

There are several problems with Friedman's conclusions, apart from incautious generalizations about "the Jews." In the first place, conservative parties in nineteenth-century Europe were not pro-market. It was the parties of what was then the left, such as the Liberals in Belgium, Britain, and Germany, and the Radicals in France, that supported free trade and defended property rights. On the continent, these parties were staunchly secularist. After the franchise was extended (something the liberals vigorously resisted, correctly anticipating the results), the bourgeois parties, as they were referred to, were swamped by the socialists. The religious-affiliated conservative parties were more successful in courting the working-class vote, particularly that of rural workers, and survived to the present—although, paradoxically, by embracing after World War II an updated version of the procapitalist outlook of their erstwhile rivals.<sup>14</sup> (This ideological reversal is what has confused Friedman.) The nationalist conservative parties of the nineteenth and early twentieth centuries were permeated by antisemitism, and sometimes allied, in Central Europe, with the openly antisemitic parties<sup>15</sup> (Katz 1980; Levy 1975; Massing 1949; Pulzer 1964).

14. This transition began earlier in Britain, when Gladstone's perceived attack on property rights in Ireland in the 1880s provoked many middle-class Liberals, including prominent Jews, to cross the aisle and join the Conservatives. The battle against the state church was led by Non-conformists (non-Anglicans) rather than secularists, but was nearly as bitter as the struggles on the continent over control of education.

15. There is a vast literature on political antisemitism. For a recent overview, see Bergmann and Wyrwa 2015.

More fundamentally, while Jews in the nineteenth century campaigned for full emancipation, which arrived slowly and piecemeal outside of France, there was no Jewish tradition supporting free trade. First, there was no such idea before the mid-eighteenth century.<sup>16</sup> Second, Jews were economically dependent on rulers in early modern Europe, as they had been in the Middle Ages. As Jacob Katz puts it, “The notion that the government should withdraw from the economic sector, later a fundamental principle of economic liberalism, was even less likely to occur to a Jew than to others, as the Jew was so heavily reliant on the government both for his livelihood and his security” (Katz 1993, 48–49). What Jews participated in and profited from in early modern Europe was what Katz calls “state capitalism,” better known as mercantilism—the sponsorship by enlightened, rationalizing sovereigns of enterprises that would enrich their kingdoms and principalities, and themselves. Even in the Netherlands and Britain, which Friedman mentions as exemplars of economic freedom, the international trade that made these countries so prosperous, and in which Jews disproportionately participated, was vested in monopolies (Bloom [1937] 1969, 72–171; Israel 1989, 154–56; Marcus 1970, 95–97). Adam Smith himself famously supported the protectionist Navigation Acts in order to defend this trade. Of course Jews hoped for the abolition of the taxes, fees, tolls, and restrictions that encumbered them, and that were waived for the Court Jews of Central Europe. But there could be no political movement to secure this before the end of the eighteenth century.

In Eastern Europe, too, which would eventually be home to the great majority of world Jewry, Jews were invited to the kingdom of Poland-Lithuania to serve as a commercial middle class. By the sixteenth century, they were administering the monopolies of the powerful and numerous nobility, running their mills, mines, breweries, and distilleries, and organizing the collection of rents, tolls, and taxes. They were, in effect, Court Jews in miniature (Dubnow 1916, 13–138; Polonsky 2010, 91–113; Weinryb 1972, 56–67). In short, Jews indeed flourished “in countries where free competition had the greatest scope” (Friedman 1987, 47; Bloom [1937] 1969, 203–10; Israel 1989, 52–69). But they thrived as well where this was not the case, with Spain before the late fourteenth century (and as

16. While mercantilist doctrine had its critics, among whom Henry Martyn was perhaps the most perceptive (*Considerations Upon the East India Trade*, 1701), there could be no persuasive case for free trade until David Hume introduced the idea of the price-specie flow mechanism, whereby trade imbalances would be corrected automatically (“Of the Balance of Trade,” 1752; Irwin 1996, 45–63).



Conversos before the late fifteenth century) and the Soviet Union until the mid-1930s representing other examples (Baer [1961] 1992, 120–29, 138–47; Neuman [1942] 1969, 221–75; Slezkine 2004, 105–372).

Friedman is right to claim that Jewish intellectuals from Marx to Marcuse have been among the most formidable opponents of capitalism. In early modern Europe, however, their counterparts defended commerce, if not free trade, and the large role Jews played in it. The best-known examples are apologetics by Simone Luzzatto in 1638, *Discorso circa il stato de gl'hebrei et in particular dimoranti nell'inclita città di Ventia* (*Discourse on the State of the Jews*) and Menasseh ben Israel in 1655, *Humble Address to Oliver Cromwell*, as part of the cases they made, respectively, against the expulsion of Jews from Venice and for their readmission to England (Karp 2008, 21–37). The greatest Jewish economist before David Ricardo, Isaac de Pinto, defended speculation, the securities market, and the issuing of national debt in his 1771 *Traité de la circulation du credit* (Penslar 2001, 62).

Many Jewish intellectuals continued to extoll the benefits of trade and celebrate the role of Jews in commerce. The concentration of Jews in this field and banking, which worried some *Maskillim* (Jewish followers of the Enlightenment) and would again trouble most Zionists, was robustly defended by spokesmen for the German Jewish community throughout the nineteenth century and again by American Jewish publicists in the early twentieth. When, in the late nineteenth century, Jewish historians first began examining the economic activities of Jews, after a half-century of *Leiden-und-gelehrten-geschichte* (the history of suffering and scholarship), they were also sympathetic to Jewish economic achievements, and attempted to explain the success by looking at Judaism as well as at conditions imposed on Jews in the diaspora (Penslar 2001, 171; Mell 2007, 28–31).<sup>17</sup>

So the antipathy to capitalism on the part of Jewish intellectuals is, as Friedman suggests, a comparatively recent phenomenon. And if he

17. "The history of suffering and scholarship" was the famous characterization of the work of the great nineteenth-century historian Heinrich Graetz by Salo Baron, the preeminent twentieth-century-historian of the Jews. Ironically, it was an accusation Graetz himself had leveled against a predecessor, Isaac Jost (Brenner 2010, 60). The most important of the economic historians were Georg Caro, *Sozial-und wirtschaftsgeschichte der Juden im Mittelalter und der Neuzeit*, 1908–1920 (Social and economic history of the Jews in the middle ages and modern times); Julius Gutterman, *Die wirtschaftliche und gesellschaftliche Bedeutung der Juden im Mittelalter*, 1907 (The economic and social significance of the Jews in the middle ages); and Itzak Schipper in a series of articles in *Zeitschrift für Volkswirtschaft Sozialpolitik und Verwaltung* (Journal for economy, social politics, and administration) beginning in 1907.

ignores the fact that Jews succeeded economically in places where there was no unfettered competition, it is undoubtedly true that many more thrived when restraints on trade—as well, of course, as discrimination against them—were abolished, or, in the case of the United States, had never been imposed. As for Friedman’s attributing Jewish support for capitalism to the injunctions of the Hebrew Bible and Talmud, this will be discussed in the section below on Sombart.

### 3. Frankel’s Response to Friedman

Friedman did not have to wait long before he was attacked by a Jewish critic for his reliance on Sombart. The South African development economist S. H. Frankel was in the audience at the Mont Pelerin Society meeting and questioned Friedman after his lecture. He told the future Nobel Laureate that in attributing the liberalism of Jews to an overreaction to a negative stereotype, he was echoing a familiar line about the *Salon-Kommunist*: that the parlor radical was expressing sympathy for humanity to conceal his “conscious or unconscious guilt for being rich.” More important, the entire question posed by Friedman, Frankel claimed, is “actually a non-question based on the mythology or fallacy that races and peoples can be regarded as having identifiable general social characteristics or attitudes which determine their behavior” (S. H. Frankel 1983, 6). In attributing certain traits and behavior to Jews, Friedman had crossed a bright red line.

A decade after Friedman’s Mont Pelerin Society lecture, he and Frankel met again at the Frasier Institute symposium titled “Religion, Economics, and Social Thought” in August 1982. This time, Frankel, fortified by a fresh onslaught against Sombart in the 1970s, focused on Friedman’s use of the notorious German economist.

Though sharply criticized earlier by a number of economic historians, Jewish and gentile, only after 1934 did Sombart become a *bête noir* for Jews (Sutcliffe 2015, 250–51).<sup>18</sup> At the time of the publication of *The Jews*

18. It is beyond the scope of this paper to discuss the reception of *Die Juden und das Wirtschaftsleben* among economic historians at the time of its publication. Problems with Sombart’s thesis, some of which are discussed below, were ruthlessly dissected by Lujo Brentano, Hermann Wätjen, Franz Oppenheimer, Julius Guttman, and others, while Guttman, Moritz Steckelmacher, Ludwig Feuchtwanger, and others exposed his misconceptions about Judaism. (For some peremptory dismissals, see Lenger 2011, 249–50, and for Guttman’s response in particular, Meyer 2011; for a discussion of Sombart’s reception in Britain, the United States, and France, see Senn 1996 and Metzler 2011.) The critique below draws mostly on the work of more recent economic historians, as reflected in the references.

and *Modern Capitalism*, he was hailed by many as their partisan, and attacked by antisemites like Theodor Fritsch (Penslar 2001, 165; Sutcliffe 2015, 252–53; Loader 2001, 75–77; Lange 2007, 226–27).<sup>19</sup>

It is not difficult to see why many Jewish contemporaries, and later Friedman, considered the book philosemitic. Discussing the migration of Jews from Spain and Portugal first to Antwerp, then to Amsterdam, London, Hamburg, and Livorno, Sombart opens with the ringing declaration that "Israel passes over Europe like the sun: at its coming new life bursts forth; at its going all falls into decay" (Sombart [1913] 2015, 13). Influenced by the sometimes triumphalist books and articles by Jewish writers upon which he drew (see note 23), Sombart throughout Part I of *The Jews and Modern Capitalism* adopts a celebratory tone in discussing Jewish achievements.

Sombart was an engaging speaker, and Berlin Jews flocked to the lectures upon which the book was based.<sup>20</sup> On one occasion, when the economist proclaimed that lowering profit margins and increasing turnover "is a specifically Jewish contribution, for the Jews are the fathers of the idea of free trade," he was greeted with "lively and sustained" applause (Penslar 2001, 166).<sup>21</sup>

19. One antisemitic critic speculated that Sombart was Jewish (Loader 2001, 77).

20. Colin Loader suggests these talks were inspired by Sombart's failure to obtain a chair at the University of Berlin. "Denied entrée into the traditional academic world of Berlin, Sombart became an active participant in the city's vibrant public intellectual life, in which Jews played a significant role." Jews were responsible for the financial success of the lectures (Loader 2001, 73, 75).

21. The 1909 lectures, and especially a second series in 1911 that were published as *Der Zukunft der Juden* (The future of the Jews), divided the Jewish community, Zionists naturally supporting him and the assimilationist establishment opposing him (Reinharz 1975, 191–95). *Der Zukunft* drew heavily on the work of the Zionist demographer and social theorist Arthur Ruppin, and Ruppin endorsed Sombart's view that "the Jewish race is the incarnation of the capitalist-business spirit." But Zionists were ambivalent about this achievement, holding capitalism responsible for "the biophysical and cultural degradation" of world Jewry (Hart 2005, 53, 56; Reuveni 2010, 6). Nonetheless, they believed that the intelligence and ambitiousness Sombart attributed to Jews could be rechanneled into other fields. "In Sombart," Ismar Schorsch concludes, "the Zionists did not see an anti-semite, but a Christian scholar who had identified himself openly with Zionism. His endorsement was welcomed as an important vindication. For the first time non-Jewish scholarship had considered the Jewish question in Zionist terms." In his lectures, Sombart openly praised the movement. "The national Jew is an entirely different type" than the self-effacing assimilated Jew. "You must respect" the former, he said, and applauded the movement's "character-building power" (Schorsch 1972, 196–97, 266). Sombart, however, saw immigration to Palestine as a solution primarily for Eastern European Jews. German Jews he hoped would remain in Germany, as they provided a stimulating leavening to German culture in addition to their contributions to industry and commerce. A Hebrew translation of *Die Juden und das Wirtschaftsleben* was published in Kiev in 1912 (Reuveni 2010, 5). Zionist interest in Sombart predates his 1909 lectures. David Ben-Gurion (then David Grün) published a Hebrew translation of Sombart's *Sozialismus und soziale Bewegung* in 1904 (Vom Brocke 1996, 84).

Much of the subsequent hostility of Jewish writers to him is a response to the publication of *Deutscher Sozialismus* in 1934. In Appendix A, I discuss interpretations of the evolution of Sombart's thought, and in Appendix B, his response to the Nazis and relations with the party. Suffice it to say that a focus on his explicitly political tracts, *Händler und Helden* (1915) and *Deutscher Sozialismus* is not helpful in explaining the trajectory of his thought. The commonly repeated notion that Sombart believed there were two kinds of capitalists, the heroic entrepreneur (Germans) and the shady trader (first the Jews, then the English, then the Jews again) does an injustice to the range of his speculations and the evidence he brings to bear to support them.

Critics have read back into *The Jews and Modern Capitalism* Sombart's endorsement of National Socialism in 1934 (though a rather different version than Hitler's). Friedman was right: since World War II, the book has elicited more angry condemnations than analyses. Few recent writers have deigned to engage its arguments.<sup>22</sup>

The attacks Herbert Frankel drew on appeared mostly in the Leo Baeck Institute's *Yearbook*. The eminent economic historian David Landes wrote that *The Jews and Modern Capitalism* "should have been dismissed out of hand as a pseudo-scholarly hoax, a pedantic effort to confer, by the lavish use of polyglot footnote references, an academic respectability on arrant nonsense already current in plain German terms." Landes adopts the position that whatever he may have written, "from the pen of Sombart, the allegation [that Jews were responsible for capitalism] was intended to be derogatory, and it is no coincidence that at crucial points he relied explicitly on antisemitic sources [no references], or that he later identified himself with National Socialism" (Landes 1974, 22, 21).<sup>23</sup> Peter Loewenberg was even more contemptuous: "It seems to me that one should not answer an irrational and emotional argument on the same level, not on an intellectual plane, but this one can do very effectively with ridicule" (Loewenberg 1974,

22. Intellectual historians have also exaggerated the salience in *The Jews and Modern Capitalism* of the contrast between creative industrial capitalism (German) and crass, profit-centered commercial capitalism (English and Jewish) (Muller 2002, 253–55; Herf 1984, 130–48).

23. In fact, as Adam Sutcliffe points out, Sombart cites numerous articles in Jewish publications, including *Revue des Études Juives*, *Jewish Quarterly Review*, *Publications of the American Jewish Historical Society*, *Transactions of the Jewish Historical Society of England*, and *The Jewish Encyclopedia* (Sutcliffe 2015, 245). He relies as well on books by Jewish historians like Léon Kahn, Lucien Wolf, Meyer Keyserling, Maurice Bloch, and Heinrich Graetz, among others. He also drew on the research of a Jewish student of his, Ludwig Davidsohn (Sombart [1913] 2015, 368).

30). In a lengthier article in the *Yearbook* two years later, Paul Mendes-Flohr also dismissed rather than refuted Sombart, based on an analysis of the political context of *The Jews and Modern Capitalism*, derived largely from the dissertation by Arthur Mitzman that was later published as *Sociology and Estrangement* (Mendes-Flohr 1976).<sup>24</sup>

Frankel first reduces Sombart's thesis to his final dubious speculations (offered "at the risk of being ridiculed as a modern mystic") about the influence of the forest and the desert (Sombart [1913] 2015, 336; Frankel 1985, 430–31) and then interprets *The Jews and Modern Capitalism* in light of its putative influence and with reference to the trajectory of Sombart's political beliefs. Projecting onto the book a distinction nowhere to be found there between "heroic" German entrepreneurship and calculating, acquisitive Jewish capitalism, Frankel characterizes the book as "an accusation against the Jews"—ironically echoing a point made by Friedman: Sombart's assigning a key role in the development of capitalism to

24. The slashing attacks on *The Jews and Modern Capitalism* by Jewish authors would continue. The book is misrepresented in a brief summary by Jacob Litman (1984, 42–45). In *An Economic History of the Jews*, Jacques Attali (2010, 350) characterizes the book as "a collection of more or less involuntary antisemitic caricatures." Even so astute an intellectual historian as Derek Penslar (2001, 165) dismisses the book's claims as "at best inaccurate and at worst breathtakingly silly." Two introductions to reissues of the Epstein translation provide more considered responses, those of the Chicago economist Bert Hoselitz in 1951 and sociologist Samuel Klausner in 1982, particularly the former.

Colin Loader distinguishes two approaches to Sombart, one focusing on his place in the development of German antisemitism (by American scholars), the other on his role in the origins of modern German sociology (by German scholars). The former he characterizes as a kind of negative Whig interpretation of history, in which historical context and a careful reading of texts are slighted in the search for the "roots" of a movement (Loader 2001, 71, 77). In one of the most widely used textbooks in undergraduate courses on social theory during the final quarter of the twentieth century, Sombart is relegated to three footnotes (Giddens 1971). In American history of economic thought texts, he is mentioned only briefly, usually linked with Spiethoff as a second-generation German historicist and contrasted with Weber (Backhouse 1985; Blaug 1985; Brue 1994; Schumpeter 1954) or ignored (Barber 1967; Deane 1975; Ekelund and Hébert 1997; Heilbroner 1989; Hunt 1992; Landreth and Colander 1994). Blaug (1987), however, includes him in *Great Economists Before Keynes* and edited a collection of excerpts from him and Schmoller (Blaug 1992). Backhouse (1985, 221) concludes that "economics never became sufficiently wide in scope to encompass the ideas of Sombart and Weber." German scholars have attempted to rectify this comparative neglect. In 1991, Jürgen Backhaus organized a conference on Sombart, the papers from which were published in English in three volumes (Backhaus 1996). Twenty of the thirty contributors are German, Austrian, or Swiss scholars; six are Americans. Ten years later, Reiner Grundmann and Nico Stehr published selections from English translations of Sombart's work and attempted a partial rehabilitation of the economic historian (Grundmann and Stehr 2001; Sombart 2001). Neither book has been widely cited or reviewed. Loader himself ignores the Backhaus volumes. (The Grundmann and Stehr article appeared the same year as his own.)

Jews is for the Chicago monetarist “high praise,” says Friedman, while liberals and socialists, like the authors of *The Universal Jewish Encyclopedia*, write that “he *accused* the Jews of having created capitalism” (S. H. Frankel 1985, 437–40, quoted in Friedman 1987, 53; Friedman’s italics).<sup>25</sup> There is scant evidence Frankel had read Sombart’s book; indeed, a concluding observation that Sombart regarded “support for the free market and capitalism” as “an economic crime” suggests that he had not (S. H. Frankel 1985, 441).<sup>26</sup>

*The Jews and Modern Capitalism* does include a few veiled antisemitic asides.<sup>27</sup> But it is a mistake to dismiss the book as a National Socialist tract avant la lettre. Friedman’s imprimatur should be sufficient to warrant a reading that does not view the book through the lens of *Deutscher Sozialismus*. After reappraising the book, I will consider Jerry Muller’s critique of “Capitalism and the Jews,” which implicitly defends Friedman’s use of Sombart, a defense that is further supported by the recent work of two economists, Maristella Bottocini and Zvi Eckstein, and, more controversially, by physicist Gregory Cochran and anthropologist Henry Harpending.

#### 4. Sombart’s Argument

*The Jews and Modern Capitalism* is written with great élan. Sombart takes the reader into his confidence, acknowledging, sometimes, when he is speculating and when the evidence is merely suggestive, and distinguishing his conclusions from the traditional charges of antisemites. He gives the reader a sense of sharing the intellectual thrill of discovery, witnessing new patterns emerge as he twists his kaleidoscope.

Sombart’s argument can be divided into two parts—a quasi-empirical examination of the role of Jews in the development of modern capitalism (Part I), and an explanation as to why they played such a prominent part in its growth (Part II and Part III). Capitalism, for Sombart, has less to do with reorganizing and mechanizing production than with improving distribution,

25. This unconscious animus against capitalism affects the reading even of otherwise shrewd intellectual historians: “Sombart likewise charged the Jews with responsibility for the development of more advanced systems of international commerce” (Efron 1994, 130).

26. In his Reply to Frankel, Friedman has little trouble showing that the South African economist has come up “with no effective criticism” and uses “adjectives and assertions in place of evidence.” The one scholar Frankel relies on, Mendes-Flohr, does not address “the substantive issue of whether Sombart’s thesis is correct” (Friedman 1985b, 444–45).

27. There are sarcastic references to Amstel Rothschild’s complacent attitude toward his “earnings” (Sombart’s quotation marks), but for the most serious, see below.

enlarging markets and discovering new ones, and creating new financial instruments to facilitate commerce and state building. The "mainsprings" of the system, he says, are the pursuit of profit and "economic rationalism," meaning, essentially, the ability to calculate and plan (Sombart [1913] 2015, 160). Naturally, if industrialization were central to his definition, he could hardly have assigned a leading role to the Jews. But in focusing on markets, he is following Adam Smith and anticipating Milton Friedman.

In Part I, after some initial speculation on the role of Jews in the shift of economic vitality in Europe from south to north, Sombart provides evidence for the large part Jews played in international trade and in the foundation of colonies in the Western Hemisphere. He takes up the role of the Jews in the development of the modern state, as purveyors and financiers, and discusses in some detail Jewish involvement in the creation and proliferation of securities. Finally, he notes the Jewish contribution to what he regards as the capitalist mentality: the willingness to innovate in various ways, particularly to enlarge markets by advertising and price-cutting, accepting lower profit margins, and otherwise aggressively pursuing profit.

Sombart initially offers a historical explanation for the success of the Jews, emphasizing the importance of the Diaspora. He notes that this preceded the destruction of the Second Temple and created a widely dispersed, but still cohesive, multilingual community, facilitating communication of vital information, and afforded opportunities for traveling merchants unavailable to gentiles. Sombart then makes the case that the marginal status of Jews and the arbitrary regulations against them—particularly their exclusion from state service—encouraged a focus on commerce, and, in the case of their exclusion from guilds, innovation. He emphasizes as well the wealth that the Iberian exiles supposedly brought with them after their expulsion.

Sombart next examines the religion of the Jews and attempts to show that the Pentateuch, the Talmud, and the most important of the medieval codes fostered economic rationalism. The essence of the latter is a propensity to depersonalize economic relations—to think abstractly about transactions. He speculates briefly on the likenesses of Puritanism and Judaism. In improving on Weber's thesis, he quotes Heine: "Are not the Protestant Scots Hebrews, with their Biblical names, their Jerusalem, their pharisaistic cant? And is not their religion a Judaism which allows you to eat pork?" (Sombart [1913] 2015, 249).<sup>28</sup>

28. In a subsequent book he goes still further: "Florentine, Scotchman, and Jew are interchangeable terms," which would surprise all three (Sombart (1915) 1967, 100).



Sombart skates further out onto thin ice in Part III, “The Origins of the Jewish Genius,” where he takes up “the anthropology of the Jew.” After pointedly rejecting theories of race and the “childish and spitefully distorted” conclusions of antisemitic pamphleteers (Sombart [1913] 2015, 328), he makes the case that Jews have always been heavily involved in moneylending.<sup>29</sup> The idea of an evolution from farming to commerce to banking (which he attributes to Heine) is a myth, he claims. Sombart suggests in his final chapter that a kind of Eastern nomadism (though the term “is by no means uncomplimentary”) lies at the root of Jewish economic success. He compares “Sylvanism” with “Saharaism,” speculating on the influence of the forest versus the desert, and on farming versus herding. Like the desert, the city sharpens the intellect, rewarding alertness and abstract thinking. Jews are reincarnated Bedouins. Despite the obvious problems with this section, some of Sombart’s conclusions from Parts II and III have recently won support from economic historians, as will be discussed below.<sup>30</sup>

29. “What the race-theorists have produced is a new sort of religion to replace the old Jewish or Christian religions . . . It is faith, and faith and science had best be kept apart” (Sombart [1913] 2015, 321).

30. Among the problems: Sombart largely ignores the importance of persecution in affecting Jewish occupational choices, although he refers occasionally to “the constant insecurity of their position” and the “great disabilities” under which they labored (Sombart [1913] 2015, 333, 178). Although this factor has been exaggerated, as Muller and Botticini and Eckstein argue, it is self-evident that the Church’s ban on usury and economic rent seeking by burghers had profound impacts on how Jews made a living. And, needless to say, Sombart exaggerates Jewish wealth: “From King Solomon to Barney Barnato, Jewish opulence runs through history like a golden thread, without ever snapping” (Sombart [1913] 2015, 317). Furthermore, he never explains his illogical thesis that Jews went directly into moneylending before they became merchants (Sombart [1913] 2015, 301–16). How did they acquire the money they lent? What then drove them into commerce, for which elsewhere he suggests they had a natural propensity? Even if Jews played the pivotal role he claims in the economic growth of the West, comparatively few Jews were responsible—just as it does not take many to give the impression of an outsize Jewish contribution to theoretical physics or to the Broadway musical. Jews in all times and places have practiced crafts and skilled trades. Some, growing out of Halakhic requirements, like tailoring and cattle trading, they have been especially associated with. (Leviticus 19:19 forbids the wearing of clothes made of a mixture of linen and wool. In order to make sure they were not violating this commandment, Jews manufactured their own clothes. Similarly, the fear of violating prohibitions against eating meat from an impure animal—that is with some disease or defect that would render it not kosher—induced Jews to become cattle dealers.) Of the rhapsodic juxtaposition of the north and south, probably the less said the better. It is not an improvement on the more familiar cliché of the industrious, conscientious northerner versus the languid, enervated southerner. According to Sombart’s theory, Arabs should have been the bankers and merchants of the Ottoman Empire. Like the Jews, they were a “desert people.” In any case, Jews wandered in the desert for only a few decades, according to Exodus, before establishing themselves as farmers in Canaan.



Friedman, not surprisingly, has nothing to say about Part III. It is Part II, the chapters discussing the effect of Judaism on economic behavior, that he makes use of. As for Part I, Friedman tacitly endorses Sombart's case, regretting that Jewish intellectuals have been unwilling to stress "the benefits rendered by the merchant and by the moneylender" (Friedman 1987, 52). He acknowledges, however, that while Jews undoubtedly flourished where capitalism was permitted, the argument that capitalism thrived where Jews were permitted "has been seriously questioned by economic historians" (Friedman 1987, 55n3).<sup>31</sup>

The historical section is indeed a mixed bag. It is replete with exaggerations, speculations, and pure hyperbole. There are some inspired guesses, but others are not so inspired. Among the exaggerations are Sombart's claims for the Jewish contribution to the development of securities and bank notes and to the funding of the Dutch colonial empire.<sup>32</sup> He certainly overreaches when he writes that "the Jews were the first to place on the world's markets the staple articles of modern commerce" and when he attributes to Jews a central role in the creation of the modern state (Sombart [1913] 2015, 25, 49–50).<sup>33</sup>

In fact, Sombart's entire thesis rests on his slighting the role northern Italians played in devising commercial credit instruments, in lending to the royalty and aristocracy of France and England, and in overseas trade. (The Jews, unlike the Venetians, Pisans, and Genoese, did not have their own navy.) More fundamentally, he misdates these developments. As the work of three generations of twentieth century economic historians has demonstrated, beginning with Henri Pirenne, trade revived in the eleventh century, not the sixteenth. *Commenda* (merchant partnerships) and bills of exchange date to the twelfth century, double-entry bookkeeping and commodity exchanges to the thirteenth (Pirenne 1937, 116–66; Pirenne [1925] 1969,

31. It is regrettable that Friedman did not choose to investigate Part I. He might have drawn on the expertise of his University of Chicago colleague Arcadius Kahan, who suggested that discrimination against Jews retarded Russian industrialization in the nineteenth century (Kahan 1986, 97–98).

32. According to one calculation, Jews contributed a mere .05 percent of the capital subscribed to both the Dutch East and West India Companies (Jacobs 1917, 369).

33. Among the uninspired guesses is his suggestion that a governor of the Dutch East India Company was Jewish because his name was Coen (he was not) or that, based on the portraits of other governors, he was not the only Jew to serve in this position (Sombart [1913] 2015, 29; Reich 1930, 7–8). Another such guess is that Sephardic immigrants to Italy reinvigorated Genoese trade and pioneered bills of exchange. He thinks it inconceivable that "the old Genoese nobility gadded about the fairs at Besançon and elsewhere. . . . Can the explanation be that the Jews brought new blood into the decrepit economic body of Genoa?" (Sombart [1913] 2015, 66).

77–167; Lopez 1976, 60–84, 97–119; Postan 1987, 168–401). “The spirit of capitalism” was abroad in Europe long before the sixteenth century.<sup>34</sup>

If Sombart fails to recognize the contributions of medieval Italians and the Flemish to capitalism as he defines it, he similarly ignores that of the English in the seventeenth and eighteenth centuries, particularly their role in retailing, as well as in the expansion of credit and equity markets, and insurance (Dickson 1967; McKendrick, Brewer, and Plumb 1985; Brewer 1990). As for the role of Jews in the development both of a “capitalist mentality” in England and the Netherlands and the economic efflorescence that followed, Friedman is right that it was the existence of thriving economies and liberal policies that drew the Jews to those countries. They did not transplant capitalism to Northern Europe from the Iberian Peninsula. Most Sephardic Jews fled to the Ottoman Empire, and while they prospered in Salonika, Smyrna, Constantinople, and elsewhere, they did not transform the Turkish Caliphate into an economic dynamo.

More persuasive, however, is the case Sombart makes for the Jewish contribution to international trade in the seventeenth and eighteenth centuries (with statistics for their participation in the Leipzig fairs) (Sombart [1913] 2015, 22–23; Polonsky 2010, 109–10; Weinryb 1972, 198–99) and to the colonial trade of the Netherlands. Jewish preeminence in all phases of the sugar and diamond trades is not a matter of dispute (Gross 1975, 158–61, 189–90; Bloom (1937) 1969, 36–44; Pollins 1982, 45–51). And even when, turning to North America, where he claims, with typical hyperbole, that “California is for the most part their creation,” he supports this with a long list of prominent Jewish bankers, retailers, and other entrepreneurs, and a telling quotation from the governor of California (Sombart [1913] 2015, 39–40, 45).

Indeed, Sombart provides a number of quotations from gentiles, including merchants, as to the economic benefits Jews were conferring. These were often protests against their possible expulsion, and provide a useful antidote to the hostile observations quoted ad nauseam by antisemites (Sombart [1913] 2015, 18, 19, 20, 26, 36, 52, 169).<sup>35</sup> Moreover, Sombart’s

34. The transformation was triggered by population growth, argued M. M. Postan, the *Annalists*, and others, the result of the end of the Viking invasions, new agricultural technologies, and climate changes. This “Neo-Malthusian” view, despite attacks by Marxists in the 1970s, is still widely accepted.

35. There are instances when his interpretation appears to be more valid than those of recent scholars. For example, Harold Pollins interprets the reassurance given by Cromwell’s associate John Thurloe to the Dutch Ambassador that the Lord Protector was not considering inviting Amsterdam’s Jews to London as reflecting the fears of London merchants. They may have been

generalizations about the willingness of Jews to invest in new and risky enterprises (early railroads, for example) and their long-standing preference, because of potential persecution, for keeping their assets liquid, are certainly valid. So, too, the Court Jews, in supplying and financing the Hapsburg armies defending Vienna in 1683, and then rolling back the Ottoman Empire and opposing the hegemonic designs of Louis XIV, as well as in funding and provisioning the army of William of Orange in his invasion of England, undoubtedly performed a valuable service for the West, though Sombart's claim that they created the modern nation-state is far-fetched (Israel 1989, 123–44; Stern 1950, 1–114).

What of Sombart's explanation for the outsized Jewish contribution? Citing the German economist, Friedman argues that Judaism encouraged commerce by (1) the contractual relationship to God and (2) the absence of mysticism and, especially, asceticism. With important reservations, the second point has some validity. Sombart is aware of mystic traditions in Judaism, but, perhaps influenced by the hostility of the great nineteenth-century Jewish historian Heinrich Graetz to Kabbalists and Chassids, he dismisses these as "tributary streams": "The Apocalyptic literature of the pre-Christian era . . . or that of the Kabala, which busied itself with symbols and arithmetical figures . . . had small share in the general development of Jewish life" (Sombart [1913] 2015, 201). This is to ignore the books of the Prophets and to underestimate the influence of seventeenth- and eighteenth-century messianism on world Jewry and nineteenth-century Chassidism in Eastern Europe. The followers of Sabbatai Zevi and the Baal Shem Tov, however, were not among the pioneering capitalists—nor, of course, were they ascetics—and for Sombart's purposes it is legitimate to set them aside. Indeed, the case has been made that Marxism, with its utopianism and millenarianism, is one more Jewish heresy—that Marxists are the lineal descendants of Zevi and Jacob Frank.<sup>36</sup>

His contrast between the otherworldliness of Christianity and the this-worldliness of Judaism has more merit. Christianity, after all, was an eschatological faith directed at the poor and dispossessed, preaching the imminent end of the world with the Second Coming of the Redeemer. The contempt for riches, the sanctification of asceticism, the exaltation of the

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worried, but this would not have been a concern for the Dutch Ambassador. Quoting from the Ambassador's own report, Sombart shows that he was indeed anxious about the economic impact of the potential departure of Dutch Jews (Pollins 1982, 37; Sombart [1913] 2015, 20).

36. For an overview of the literature on Marx as a messianic prophet, see Rothbard 1990.

*vita contemplativa*, and the requirement of celibacy for priests and monks were deterrents to economic activity.<sup>37</sup>

In a six-page section drawing on biblical and Talmudic passages, Sombart imagines Amschel Rothschild justifying his wealth to a censorious rabbi. There are indeed many Talmudic exhortations extolling poverty, but Sombart claims these are vastly outnumbered by those in which wealth, rightly used, is regarded as a blessing (Sombart [1913] 2015, 217–22). He makes no attempt to treat systematically what Halakhic law actually has to say about economic activities, and it would take us too far afield to attempt to summarize the vast literature on this subject (see Kleiman 1987a, 1987b; Levine 2010, 2012; Neusner 1990; Ohrenstein and Gordon 2009; and Tamari 1987, 1995).

More dubious is the case for the impact of the second feature of Judaism cited by Friedman, a special “contractual” relationship with God. In the first place, the gods of all ancient religions require sacrifices and offer benefits in return. As Friedman was well aware, the demands Jehovah made of his chosen people were especially stringent; it was not merely a matter of accepting the divinity of Jesus, submitting to baptism, and confessing one’s sins. There are 613 *mitzvot* (precepts) that govern all aspects of daily life, and Friedman, during his brief religious phase, had scrupulously observed those required of Orthodox males (Friedman and Friedman 1998, 23). But a covenant is not a contract, and it is difficult to see how these onerous rituals either reflect or inspire “economic rationalism.”

Sombart’s attempt to represent Judaism as inculcating an abstract, calculating, depersonalized perspective on economic relations is also dubious. All peoples distinguish between outsiders and members of the group; every religion and ethnos has a double standard. One would hardly expect Jews to regard their Christian hosts, who subjected them to degrading restrictions and to frequent confiscations, pogroms, and expulsions, as brothers.<sup>38</sup> European Jews, furthermore, were always dependent on cultivating personal relationships with the ruler. Their legal status required this: they were *servi camerae*, servants of the royal chamber, the property of the monarch, not *cives romani*, as under the Roman Empire, enjoying the full rights of citizenship.

37. The Benedictines of the early Middle Ages were succeeded by monastic orders that did not share their interest in acquiring and developing property—nor their comparatively benign attitude toward Jews (Cohen 1982).

38. For two classic accounts of the ending of the Christian stigma against usury and trading, see Nelson 1949 and Little 1978.

A larger problem with Part II is that successful Jewish capitalists were often among the least religious, even nonpracticing, Jews: the *Conversos* who fled to London and Amsterdam and on to the New World, assimilated Western European Jews, and the German and then, later, Polish and Russian Jews who settled in North America. The truly devout were loath to abandon their rabbis and scholars, their yeshivas and rabbinical courts, and risk having to violate the dietary and other laws that regulated their lives (Hertzberg 1986, 140–50).

Sombart is on more solid ground when he makes two points about Judaism that Friedman does not mention: the importance of family life and intellectuality (Sombart [1913] 2015, 232–37, 258–63). The first is obviously related to the rejection of the ideal of chastity. Sombart correctly attributes to rabbinical Judaism the valorization of the family and the (comparatively) high esteem with which women were held, and goes on to cite illegitimacy statistics for five German states as evidence of Jewish morality (the percentage of illegitimate births among Jewish women ranges from 5.7 percent to 13 percent of their gentile counterparts). He quotes the Talmudic injunction that “a man should not be without a wife, nor a woman without a husband; but both shall see to it that God’s spirit is in their union” (Berachot 9:1 quoted in Sombart [1913] 2015, 235, 233).

Unfortunately, Sombart wants to have it both ways, and this results in one of his lapses into antisemitic stereotypes. “Economic rationalism” is more important for Sombart than Weber’s “worldly asceticism,” but he insists the latter is characteristic of the Jews as well.<sup>39</sup> Familiar with Freud, Sombart claims that the forbidding of extramarital relations in “a people with strong sexual inclinations” results in “enormous funds of energy . . . finding an outlet” in other directions (Sombart 2015, 236–37).

While this is dubious, there is no doubt that devotion to family—the imperative to provide for one’s children in particular—was a spur to enterprise, and the emphasis on sobriety, moderation, and the accompanying virtues that Weber sees as perfectly embodied in the precepts of Ben Franklin contributed to the economic success of the Jews (Weber 1958, 47–56).

Sombart is also correct in emphasizing the importance Judaism places on cultivating the intellect. “No other people has valued the learned man, the scholar, so highly as the Jews,” writes Sombart. “In truth, to learn was

39. Despite the ostentatiousness of wealthy Jews in the post-Emancipation West, Sombart stresses their frugality in early modern Europe: “Glückel von Hameln and her friends, whenever they had any surplus, always lent it out on security. The money fructified and increased” (Sombart [1913] 2015, 319).

a religious duty; and in Eastern Europe the synagogue is still called the Schul (School). Study and worship went hand in hand; nay, study was worship and ignorance was a deadly sin” (Sombart [1913] 2015, 258–59). “There is no doubt,” Sombart concludes, “that these mental gifts make the Jews prominent as chess players, mathematicians and in all calculating work.” When combined with *tachlis*, a belief in a purposeful, goal-oriented life, this makes Jews formidable businessmen (Sombart [1913] 2015, 261).<sup>40</sup> Sombart expatiates on other consequences of Jewish intellectuality and “teleology.” Some of his observations are shrewd, others less so. But he does not mention the dramatic demographic impact of the religion’s insistence on literacy, the thesis of Botticini and Eckstein’s study to be considered below.

### 5. Muller’s Response to Friedman

The longest essay in Jerry Muller’s 2010 book, *Capitalism and the Jews*, “The Jewish Response to Capitalism,” considers the Jewish question as defined by Milton Friedman. Muller takes the unpromising approach of denying Friedman’s paradox altogether. Yes, Jews have benefited from capitalism, but they have not been among its leading intellectual opponents. Jews, he argues, are not nearly so leftist as Friedman imagines. To make his case, he engages in a little sleight of hand. Friedman specifies that he is describing the attitude of Jews during the past century, but Muller goes back far earlier, to the seventeenth century, citing some of the examples given above of the positive attitudes of Jewish intellectuals toward commerce.

Friedman, except when quoting others, does not use the word “socialism.” He refers instead to “collectivism” and “anti-capitalism.” But Muller (2010, 109) substitutes the former term for the latter two, and is thus able to claim that support for this ideology had faded by the 1930s.<sup>41</sup> Most of the left in America has shunned the label “socialist.”<sup>42</sup> By *collectivism*, Fried-

40. He concedes, though, that the latter, “the teleological view of things,” can also convince Chassids “that there is no purpose in making a living, and so they let their wives and children starve, and devote themselves to the study of their sacred books” (Sombart [1913] 2015, 266).

41. Imported by first-generation immigrants in the decades after 1880, socialism, he says, “ended as a political force in the era of the New Deal,” although it lived on “as organized nostalgia and as a form of secular ethnic identification” (Muller 2010, 109).

42. The level of support among Democrats for Bernie Sanders during the 2016 presidential campaign suggests this caution is perhaps no longer necessary, but the American left has long preferred the term “progressive,” believing that “socialist” has an unsavory radical and European flavor.

man means simply a greater role for the government in regulating markets and redistributing income. The distinction Muller draws between socialists and New Dealers is thus not strictly kosher.

To buttress his case against the paradox, Muller finesses the question in a third way, noting the rejection of the dirigiste economy in Israel during the 1980s and the efflorescence of entrepreneurial activity beginning in the next decade. But this is to turn to the revealed preferences of Jews, to what they have done, not to what they have said. In any case, the change was not ideologically driven: it was the economic crisis of 1984–85 that ended Israeli dirigisme, not the persuasiveness of free-market advocates, who were ignored for years and then not elected or appointed to government positions.

Muller also lists notable recent Jewish defenders of the market, beginning with Friedman himself.<sup>43</sup> The list is impressive, but there can be no question that Jewish intellectuals sympathetic to the free market, including Muller, are greatly outnumbered by those opposed to it. Muller's denial of the leftist proclivities of Jewish intellectuals is especially curious given that his next essay is titled "Radical Anticapitalism: The Jew as Communist." Muller is especially interested in "the dialectic of disaster," whereby antisemitism provoked some Jews to take a leading role in Communist movements, and their very prominence in these movements triggered a resurgence of antisemitism: "the Trotskys made the revolutions and the Bronsteins [Trotsky's original name] paid the bills" (Muller 2010, 133, 188).

But Muller's criticism of Friedman's characterization of Jewish intellectuals is preceded by a far longer section in which he supports, with an abundance of evidence, the first part of the Chicago economist's premise: that Jews have benefited enormously from capitalism. More controversially, Muller explains why they were able to do so. He accepts at the outset the idea that "Jews have had a preference for market-oriented occupations going back to the Middle Ages" (Muller 2010, 82). That banking and commerce were forced on Jews by antisemitic gentiles is still a pervasive

43. His roll call includes Aaron Director, Gary Becker, Richard Posner, Irving Kristol, Ayn Rand, Alan Greenspan, Ludwig von Mises, and Israel Kirzner and, in the U.K., Keith Joseph, Leon Brittan, and Nigel Lawson. Depending on one's definition of "market oriented policies" (Muller 2010, 125), he might have mentioned a great many others. George Stigler claimed over fifty years ago that graduate study of economics predisposes economists to be conservative relative to their colleagues in the social sciences and humanities (Stigler 1959). Jews are disproportionately represented in the profession (42.2 percent of Nobel Laureates in economics and 62.5 percent of John Bates Clark medalists have been Jewish), but still form only a small subset of Jewish scholars and journalists (Weyl, introduction in Kuznets 2011, xlvii).



belief. To the contrary, as Muller shows, it was the restrictive policies of Czarist Russia—along with a surge in population during the nineteenth century—that forced Jews out of commerce. The “proletarianization” of the population of the Pale meant that large numbers were driven into semi-skilled handicraft occupations; Jews seldom became industrial workers. But even at the end of the century, nearly 40 percent were still engaged in trade. Once in North and South America and Western Europe, the more than 2.5 million Jews who had fled Russia “returned to the disproportionate involvement in trade and commerce that had been their pattern from the High Middle Ages through the 19th century”—with notable success (Muller 2010, 79, 82). Jews have prospered, Muller shows, whenever they were permitted to engage freely in market activity.

So where does the preference for trade come from? Here Muller bravely traverses the territory explored by Sombart in Part II of *The Jews and Modern Capitalism*.<sup>44</sup> First, he recognizes that “compared to Christianity, Judaism was more favorably disposed toward commerce” (Muller 2010, 83). Poverty was not considered ennobling. “Commerce, like marriage, was natural and providential.” Talmudic law, as a result, refers often to economic questions, reflecting Jewish activity in the Diaspora.

The favorable attitude toward commerce and banking was due in part to the belief that, as they were less time-consuming than physical labor, those practicing them could devote more time to Torah study, the highest desideratum in Judaism. But the “‘religious intellectualism’” of the Jews, the premium placed on reading closely and interpreting passages from the Torah and Talmud, was transferable both to secular learning and to occupations demanding the calculation of profit and loss, the assessment of risks, and the discovery of potential demand and underutilized resources. Jewish tradition also fostered long time horizons and self-discipline: the scholarly achievements of the great rabbis, so valued by the culture, took years of patient study. Both traits, long time horizons and self-denial, were reflected in the willingness of families to forego the earnings of sons in order that they attend the local yeshiva (Muller 2010, 88–93).

44. Sombart goes unmentioned in this essay, but he is discussed briefly in the preceding one, “The Long Shadow of Usury.” Here Muller invidiously compares both Sombart and Weber to Georg Simmel, who saw that there was no clean break between the “precapitalist” and “capitalist” eras, and that historical circumstances rather than Judaism or racial propensities were responsible for the Jewish concentration in trade—a position Muller abandons in the next essay. There is no close reading of *The Jews and Modern Capitalism*, and drawing on Sombart’s 1903 *The German Economy in the Nineteenth Century*, Muller (2010, 51–59; 2002, 253–55) overstates the German economist’s hostility to capitalism in the former book, as he does in an earlier discussion of Sombart.



As did Sombart, Muller also notes the conditions of the Diaspora, in which widely dispersed communities, sharing a common language and culture, gave Jewish merchants an edge in acquiring information, business partners, and investors. The lucidity with which Muller makes his case masks its controversial perspective. Although frankly acknowledged by early Jewish economic historians like Caro, the role of their religion in the economic success of Jews is not something later generations of Jewish intellectuals have been willing to concede.<sup>45</sup> Like Lawrence Fuchs, Milton Friedman's target, they would much prefer to emphasize the way it purportedly sanctions liberal politics. One might almost imagine that Muller has attempted to make his heretical view more palatable by embedding it within a critique of Friedman. If so, he need not have been so cautious. Maristella Botticini and Zvi Eckstein (2012) have recently offered new support for the thesis of Sombart's Part 2.

## 6. Some Recent Scholarship on Capitalism and the Jews

In an innovative analysis of Jewish occupational preferences from 70 CE to 1492, the two economists make the case that Jews voluntarily abandoned

45. Muller, and Caro and Sombart, have been criticized by Julie Mell for contributing to what she regards as a false narrative launched in 1875, with the best intentions, by Wilhelm Roscher, in which Jews are depicted as the catalyst of the commercial revolution. The "younger nations," which they "tutored" then turned against them once the revolution was launched, and they were relegated to the role of moneylender, then dispossessed and expelled. Drawing on the work of Toni Oelsner, and inspired by Karl Polanyi, Mell argues that Jews were no different than Christian burghers in their economic life. Though her dissertation provides an extensive survey of the literature on Jews and commerce beginning with the *Wissenschaft des Judentums* movement, and an intriguing, if unpersuasive, application of the work of anthropologists on gifting, the conclusions she draws from the slender evidence she provides are hardly novel. While her data suggest that not all Jews in England and France were moneylenders and that there were great income inequalities, the former proposition has been explicitly repudiated by historians of English Jewry going back to Roth (1949, 113) and Richardson (1960, 25) and the latter has been acknowledged by Jewish historians since David Friedländer's 1793 *Aken-stücke: die Reform jüdischen Kolonien in den Preussischen Staaten betreffend* (Kuznets 2011, 1:xxiv). Her evidence does nothing to overturn the association of Jews and commercial activity emphasized by Sombart and Muller. Indeed, her investigation of commercial contracts entered into in Marseilles in 1248 supports this. In her review of Muller's book, Mell accuses him several times of perpetrating a stereotype, but concedes that in his chapter on Friedman "the standard historical facts . . . are largely unproblematic." She admits also that "there is a good bit of truth" in the equation of philosemitism and liberal economic policies, and antisemitism with hostility to capitalism (Mell 2014, 560, 559). (Mell's evidence consists of a tallage imposed by Henry III on Anglo-Jewry in 1241–42, the *archa* [record of loans] of several cities in 1240 and 1275, and *commenae*, commercial contracts, recorded by one notary in Marseilles in 1248. No doubt her forthcoming book will provide fuller documentation [Mell 2018].)

farming for commerce and banking. They did so because the emphasis placed on literacy gave them a comparative advantage in mercantile activities and, particularly, in moneylending. This advantage, as Muller argued earlier, came from the high value the culture placed on scholarship. But Botticini and Eckstein go much further. The sacrifices demanded by the requirement to study the Torah, the loss of labor or income from sons who did, but also the demands on the time of the father and, especially, the low status of the uneducated (the *am ha-aretz*, people of the land) resulted in a flight from Judaism on the part of a great many farmers. Elites attracted to Hellenistic culture also abandoned their ancestral faith, but the great majority of apostates were poor and illiterate. The net result was a precipitous fall in the Jewish population from the end of the first to the end of the seventh centuries (from 5–5.5 million to 1–1.2 million) (Botticini and Eckstein 2012, 17). Of course other factors affecting the entire European economy contributed: the collapse of the Western Empire, Justinian's wars, the epidemics that followed them, and the Muslim invasions. But apart from these calamities, it was not persecution but free choice that so dramatically reduced the numbers of the Jews. The sacrifices required by Judaism convinced farmers to abandon the religion for paganism, Christianity, or Islam, with their less demanding requirements (Botticini and Eckstein 2012, 122–23). The two economists describe the trade-off in utility for the convert: he avoids the stigma of being an *am ha-aretz* and the demanding practices imposed by the Talmud, while gaining the labor or income of his sons, and, no less important, the promise of eternal salvation for himself upon his death, rather than for his people at some remote time; he has, in turn, to renounce his ancestors and to abandon relatives, friends, and neighbors (Botticini and Eckstein 2012, 82–89).

As a consequence of the exodus from Judaism, Jews became an educated minority and enjoyed a comparative advantage in trades demanding literacy. In addition, the contract-enforcing institutions of rabbinic Judaism helped Jews succeed in commerce and moneylending. The latter was the most profitable occupation in medieval Europe and Jews were drawn to it for this reason and not driven to it by persecution.

Botticini and Eckstein are of course aware of the bright red line, and take care not to cross it. They do not claim that the self-selection practiced by Jews between the second and seventh centuries, the winnowing of the *am ha-aretz*, made Jews a more intelligent people. Their only reference to genetics is to cite several studies demonstrating “a closer genetic link to Jews from far away locations than to their neighboring non-Jewish populations” (Botticini and Eckstein 2012, 200).

Gregory Clark, writing about the population of England in his tour de force, *A Farewell to Alms*, is not quite so cautious.<sup>46</sup> Still less cautious, and again writing about Jews, physicist Gregory Cochran and University of Utah anthropologist Henry Harpending make the case that similar selective processes among Ashkenazim boosted the Jewish IQ (Cochran and Harpending 2009, 187–224). After an initial period of intermarriage in the Roman Empire, Jewish religious mandates reduced the gene flow to less than 1 percent per generation, creating a genetically segregated community. Because of the niche Jews filled in Europe as moneylenders, merchants, and managers—occupations requiring high IQs—successful individuals were able to have significantly larger families and pass along their beneficial alleles. There was an unfortunate side effect. The genes that boost IQ may also be responsible for serious genetic disorders: Tay-Sachs disease, Gaucher disease, and BRACA1 and 2, two kinds of hereditary breast cancer.<sup>47</sup>

The process of natural selection Cochran and Harpending describe is thus driven by occupational restrictions, not the mandates of rabbis. High Jewish intelligence is a result of gentile discrimination, not of apostasies by disgruntled farmers—and it affected Jews much later than the two

46. Using data from English wills between 1585 and 1638, Clark shows that, unsurprisingly, the rich had more children—about twice as many (Clark 2007, 113–23). Literacy and numeracy, valuable in a stable agricultural society, were rewarded with reproductive success. Humans, he suggests, were “becoming *biologically* better adapted to the modern economic world” (Clark 2007, 187; original italics). England’s success in particular owed much to primogeniture, whereby, under Common Law and unlike on the continent, the oldest son inherited all of the father’s property. This meant that many of his siblings descended the social scale, passing along their parents’ propitious genes, or the values mom and dad inculcated (Clark waffles on the question). In any case, he concludes, “England’s advantage lay in the rapid cultural, and potentially also genetic, diffusion of the values of the economically successful throughout society in the years 1200 to 1800” (Clark 2007, 271). These turn out to be something like those attributed by Weber to Protestants and Sombart to Jews: sobriety, self-discipline, and so forth. Clark does not mention the role of the English Channel in fostering the values that made industrialization possible. After the aristocracy had decimated itself in the mid-fifteenth century, the Channel served as a giant moat, permitting the evolution of warriors into gentlemen.

47. Specifically, Cochran and Harpending posit a link between genes controlling sphingolipid levels and intelligence. Mutations in such genes result in high levels of sphingolipids. This may increase the production of dendrites, the branches extending from neural cells that receive impulses across the synapses. But the inability to produce enzymes metabolizing lipids is also responsible for the diseases disproportionately affecting Ashkenazim. In particular, Cochran and Harpending document correlations between both Gaucher disease and torsion dystonia and high intelligence (Cochran and Harpending 2009, 221–22). The evidence is considered in greater detail in Cochran, Hardy, and Harpending 2006. Naturally theories about the genetic basis of Ashkenazi intelligence have been rejected by scholars endorsing environmental interpretations. For an extended critique of “the Natural History of Ashkenzi Intelligence,” see Ferguson n.d. (published before Botticini and Eckstein’s and Cochran and Harpending’s books appeared).

economists claim, only about eight hundred years ago. (Botticini and Eckstein always speak of literacy, not intelligence, as noted.)

Cochran and Harpending are impressed by differences between Ashkenazim intelligence and that of Sephardic and Mizrahi (Oriental) Jews. The latter did not become a merchant minority—that role was assumed by Greeks and Armenians. Instead they were often relegated to undesirable “dirty” jobs, where intelligence would not have been rewarded. Conversely, in the Iberian Peninsula, every occupation was open to Jews, who were permitted to own land as well (Neuman [1942] 1969, 1:164–67). But in Western Europe north of the Pyrenees, the callings Jews were allowed to pursue demanded comparatively high IQs. Botticini and Eckstein’s thesis does not explain the divergence among the three Jewish communities.

In turn, Cochran and Harpending omit the key factor in the latter’s argument: the great value placed on scholarly accomplishments. An outstanding yeshiva student could have his pick among the daughters of wealthy merchants. Supported by his father-in-law, the promising scholar married early and had lots of bright children (Polonsky 2010, 16).<sup>48</sup> As Muller notes, if the offspring did not inherit the business savvy of their maternal grandfather, they could parlay their skill in the interpretation and analysis of texts to enter the liberal professions and journalism, when this became possible.

More important, Cochran and Harpending’s thesis raises a critical question posed by the leading economic historian of medieval European Jewry, Michael Toch (2013, 253): “Why should these people [the Jews] need to be coerced into occupations that afforded them a standard of living significantly higher than that of surrounding society?” In support of Muller and Botticini and Eckstein—and Sombart—Toch (2013, 251) comes to a conclusion resisted by Jewish historians and publicists for generations: “except for Byzantium, one finds money lending and credit from the very beginnings of the medieval European Diaspora, usually with the

48. This is the exact opposite of the dysgenic practice of the Catholic Church, where lower- and middle-class boys of above-average intelligence were encouraged to enter the priesthood and remain celibate. After 1534, the English also rewarded intelligence with reproductive success. Bright and inquisitive middle-class sons became clergymen, acquired livings, and produced large families. The calling provided ample time to conduct research. Well-known naturalist parsons include Thomas Malthus, Gilbert White, John Ray, John Henslow, and Adam Sedgwick. The latter’s student, Charles Darwin, would have become one were it not for the dowry of his wife, Emma Wedgwood.

For other discussions of the intelligence of Jews, based in part on articles by Botticini and Eckstein (2005) and/or by Cochran, Hardy, and Harpending (2006), see Murray 2007 and Lynn 2011. For an overview of the research on Jewish intelligence, see Ostrer 2012, 155–78.

higher echelons of Gentile society but in some places also with their peasant neighbors." Jews also owned land, when permitted (in Spain and southern France), and practiced various trades and crafts. But from the revival of the European economy after the disasters of the sixth and seventh centuries, Jews gravitated to commerce and lending—though the former, Toch argues, was neither the exotic international trading nor the slave trading long attributed to Jews. And commerce and moneylending went hand in hand. The former did not precede the latter, nor, as Sombart claims, the latter the former (Toch 2013, 177–214).

Historians and journalists attempting to explain away Jewish overrepresentation in trade and lending might have profited from a survey of Jewish economic history by Nobel Laureate Simon Kuznets, Friedman's mentor at the National Bureau of Economic Research. Jewish concentration in banking and commerce was not an anomaly: "If the economic structure of a country's total population is 'normal,' then, almost by definition, the economic structure of a small and permanent minority must be abnormal. Otherwise the minority will not long survive as a distinctive group." One would also expect that it would move into occupations that were growing rapidly and in which it was not competing with the resident majority, and that it would capitalize on "previously unperceived opportunities." And occupational choices would always be determined by "the heritage of the immigrating minority" (Kuznets 2012, 6). In a later article, Kuznets's conclusions support Cochran and Harpending's argument: "One may assume that after centuries of coexistence with hostile majorities, after migrations from one country to another in Europe and the Middle East, and after self-selection over time by the loss of some of its members, the Jewish people in Europe, and especially its largest subgroup in Tsarist Russia, must have acquired a distinctive equipment of human capital. Such equipment is transferable to new surroundings and may be of great value in making necessary adjustments" (Kuznets 2011, 229). It is possible Botticini and Eckstein and Cochran and Harpending are both right: there was a push and a pull. Literacy enabled Jews to fulfill economic roles that in turn rewarded those most adept at buying and selling, as well as the scholars the successful merchants subsidized.

Early in his career, Milton Friedman was the victim of antisemitism. In 1941, a faction of the University of Wisconsin economics department objected to offering him a tenure-track position following a one-year appointment or even extending it to three years. David Friedman recalls

that his father did not attribute the dispute to antisemitism, and, indeed, in his section on this episode in *Two Lucky People*, he blames only “academic politics.” As Rose Friedman makes clear, however, the antisemitism of several faculty members played a role, and at one point the dean of the College of Letters and Science, who favored the appointment, warned the leader of the opposition, “This is not the Third Reich” (Friedman and Friedman 1998, 101, 102).<sup>49</sup>

After recalling his relief that the year of saying kaddish for his father was over, Friedman alludes just once more to his Jewish background. He relates with some pride his entrepreneurial activities while a student at Rutgers. He set up a profitable summer school program at a local high school, teaching classes for students who had failed them. With a friend, Friedman also arranged to sell the white socks and green ties freshmen were required by tradition to wear, purchasing them wholesale. He then negotiated with Barnes and Noble to buy back used textbooks and resell them to the incoming freshmen, along with the socks and ties. This proved to be a very profitable venture, and Friedman concludes that “buying and selling was clearly in the genes of two Jewish boys” (Friedman and Friedman 1998, 27). Friedman, one can assume, would have approved of Muller’s rehabilitation of the first part of his thesis and of the cases made by Botticini and Eckstein and by Cochran and Harpending.

## **Appendix A: *Das Sombertproblem* in the United States**

*Deutscher Sozialismus* (1934) irreparably damaged Sombart’s reputation. It is misleading, however, to view this work either as the logical culmination of Sombart’s thinking or as a paean to the Nazis. Like his 1915 World War I pamphlet *Händler und Helden* (Traders and heroes), it is a political

49. Personal communications with David Friedman, January 14, 2016, and April 3, 2016. Mark Perlman, whose father taught in the department, also says unequivocally that Friedman was fired “for overtly antisemitic reasons” (Perlman 1996, 314). The Friedmans favored increased aid to Britain and even U.S. entry into the war. This was not a popular position in Madison, left-leaning then as now, and with a large German population. The doyen of the department, though long retired, was the institutionalist and social activist John Commons, and so ideological differences played a role, as did the jealousy of older, unproductive economists, and the fear that the popular Friedman would take over their classes. The dispute was covered in local papers, and included demonstrations by students on behalf of Friedman. He eventually withdrew his name from consideration for the three-year position (Friedman and Friedman 1998, 91–104).

tract, a departure from the rest of his massive oeuvre of economic history and social theory. Unfortunately, *Händler und Helden* is given disproportionate emphasis in a subtle and penetrating work that has influenced subsequent American scholars (Mendes-Flohr 1976; Herf 1984; Muller 2002), Arthur Mitzman's *Sociology and Estrangement*.<sup>50</sup>

Mitzman writes that he "resisted repeated urgings to cover more closely the lives and works of my subjects [Tönnies and Michaels, as well as Sombart] after World War I" (Mitzman 1973, xi). This premature endpoint contributes to an overemphasis on Sombart's politics and an overly schematic representation of his intellectual trajectory, which is further distorted by self-imposed limits on the scope of Mitzman's study. His analysis of Sombart, Mitzman writes, focused largely on "his relationship to the older generation of social theorists and reformers" and on his involvement in the Europe-wide trend from a rationalist to a "voluntarist" theory of social change (Mitzman 1973, 136). (By the latter term, Mitzman means extoling "the aggressive, charismatic hero," while at the same time, paradoxically, celebrating the traditional harmonious community destroyed by capitalism.) In thus limiting his compass, and in his analysis, Mitzman was influenced by Freudian concepts still popular in the 1950s and 1960s, the Oedipus complex, anality, and the superego, and, in the case of the rejection of "rationalism," the existentialist and Marxist concept of alienation, also in vogue in the same decades.

Since Mitzman concedes that "there is little assertion of its author's values" in Sombart's magnum opus, *Moderne Kapitalismus* (which Schmoller characterized as "the glorification of capitalism") he is obliged to approach Sombart's oeuvre selectively (Mitzman 1973, 186, 187). Mitzman sees a major departure in *Der Bourgeois* (1913), which he calls Sombart's "most important work in the pre-war period" and, more perversely, "the third and most important volume of *Der Moderne Kapitalismus*"

50. *Händler und Helden* is war propaganda, not economic history. England is attacked for its philistine materialism, its utilitarianism, its love of sport and of comfort (Sombart is particularly incensed by safety razors), and its lack of spirituality and a warrior ethos. Bacon, More, Bentham, and, especially, Spencer are compared invidiously to Goethe, Hegel, and Nietzsche. (Kant is booted from the pantheon for writing *Perpetual Peace*.) It features a philo-Semitic conclusion: "Now we recognize why the other nations pursue us with their hatred: they do not understand us, but are aware of our enormous spiritual superiority. So the Jews were hated in antiquity, because they were the representatives of God on earth" (Sombart 1915, 142). Sombart fails to mention his lavish praise of the English in *Sozialismus und soziale Bewegung im 19. Jahrhundert* (Sombart [1909] 1968, 146, 148, 154, 287). He was rewarded for his patriotism: when Schmoller died in 1917, Sombart was appointed to his chair at the University of Berlin.



(Mitzman 1973, 243, 244).<sup>51</sup> Its importance for Mitelman lies in the distinction Sombart draws between the heroic entrepreneur and the calculating trader, later adumbrated in *Händler und Helden*. Revealingly, Mitelman discusses both books in the same chapter.<sup>52</sup>

But the origins of capitalism are far more complex—and confused—in *Der Bourgeois* than is suggested by the stark dichotomy of the *schaffende* (creative) entrepreneur and the *raffendes* (rapacious) trader. Sombart attempts to link the capitalist spirit with nations, classes, and religions. The confusion is compounded by his shifting definition of what the “spirit” consists of. In the end, it is “greed for gold” and “the spirit of enterprise.” But there are six types of capitalist undertakings, which develop differently in seven countries, under the influence of three religions, and a crosscultural biologically based “bourgeois temperament.” Jews are considered merely as one of several “trading races,” along with Etruscans and Frisians, and, less dubiously, Florentines and Scots (Sombart [1915] 1967, 217, 200, 205; 232–35, 263–66).

As for the evolution of his thought, even looking simply at Sombart’s political beliefs, there are continuities. While it is tempting to see a shift from sympathy with socialism to sympathy with nationalism (after an initial phase in which, breaking with his father’s generation of historicists, he looked kindly on industrial capitalism), Sombart’s nationalism is present early and simply becomes more pronounced. German historians are perhaps more likely than Americans to remember that National Socialism is a form of socialism.

In the *Sozialismus und soziale Bewegung im 19 Jahrhundert* (1896) (*Socialism and the Social Movement*), hailed by *Vorwärts*, Sombart declares that “the mass of Social Democrats, and especially their leaders, are today no longer international because they have become national . . . Marx’s opinion that ‘the working classes have no fatherland’ is being

51. Volume 3, *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus* (Economic life in the age of high capitalism) appeared only in 1927.

52. Mitelman’s emphatic language and, in at least one case, questionable translation, accentuate the contrast: he uses the words “detest,” “disdain,” and “hatred” in characterizing Sombart’s hostility to non-German capitalism, and chooses to translate “*nuchten*” (sober) as “cold-blooded” (Mitzman 1973, 157, 187; 173, 174; 240). He also has to slice and dice *Der Bourgeois*: for the first hundred pages, Sombart says nothing about the entrepreneur/bourgeois dichotomy because, according to Mitelman, this only occurred to him later and he failed to rewrite the early sections. And although the final quarter of the book is devoted entirely to “social conditions”—“external circumstances”—Mitzman (1973, 247, 253) attempts to show that these are less central and/or incorporate earlier psychological or racial explanations.



replaced by another: 'if that is so, let us give them one . . . ' The view is gaining ground among Socialists—indeed, especially among them—that all civilization has its roots in nationality, and that civilization can reach its highest development only on the basis of nationality."<sup>53</sup> Sombart goes on to say that by "nation" is not meant the multinational states of his day, the accidental products of dynastic wars and marriages, but linguistic and cultural nations. Such nations, however, may need *Lebensraum*: "is it not conceivable that a people which increases to a greater extent than its neighbor will find it necessary to extend its food supply? And if every spot on earth is inhabited, must not this extension take place at the expense of another people? And would the expansion always be peaceful?" German socialists, moreover, were committed to joining a defensive war even on behalf of their multinational state: "they realize that the present enmities between different states are likely to continue for some time, and that no state ought to weaken its defenses without some guarantee that its neighbor was doing likewise" (Sombart [1909] 1968, 203, 209, 210).<sup>54</sup> According to Reheis, "Even in the 1880s, Sombart was enthusiastic about the idea of joining socialism with nationalism" (Reheis 1996, 176). He admired Lassalle, who, far from looking forward to the withering away of the state, welcomed it as a repository of "the moral ideal." Sombart kept a death-mask of Lassalle in his study, and defended the Jewish philosopher and activist as a founder of National Socialism in *Deutscher Sozialismus* (Vom Brocke 1996, 80; Sombart [1937] 1969, 114, 160). Conversely, long after he had entered his supposed nationalist phase, he proclaimed, in the preface to the third volume of *Moderne Kapitalismus* (1927), that "this work is intended to be no more than the continuation and, in a certain way, the completion of the work of Marx. . . . Anything that is good in my work I owe to the mind of Marx" (Vom Brocke 1996, 61).

More significant than a shift in Sombart's political views is the transformation of his research program. During the course of writing volume one of *Moderne Kapitalismus*, he moved from an impersonal explanation for the origins of capitalism in the accumulation of land rent to a search

53. *Vorwärts*, the official paper of the Marxist Social Democratic Party, proclaimed that "Social Democracy has every reason to wish that Sombart's book becomes a huge success and that it reaches the largest possible audience." Friedrich Engels also thought highly of Sombart, and tried to persuade him to complete *Das Kapital* (Vom Brocke 1996, 32, 28).

54. In earlier editions, he predicted, presciently, that "the socialist movement can be stopped at any moment if . . . national antagonisms emerge powerfully," and added, seemingly approvingly, "Then social conflicts must fall silent, because the existence of both contesting groups is threatened" (quoted in Vom Brocke 1996, 31).

for its “spirit”—in personality types, religions, and nationalities. In doing so, he inverted Marx’s base/superstructure hierarchy.<sup>55</sup> The fact that this approach was of much more interest to the general public undoubtedly encouraged him. “He never knew any ambition other than to draw attention to himself and to make money . . . He was always seeking public applause,” Ludwig von Mises complained (cited in Grundmann and Stehr 2001, 260).

While this may be unfair, the case can be made that Sombart’s research agenda was driven by his effervescent personality. According to one of his students, the biographer Emil Ludwig,

His reputation as a Don Juan made him an object of curiosity to the students, of holy terror to the citizens, and of distressful emotions to the faculty. He had a splendid delivery and was or appeared to be a socialist, which made him doubly fascinating, as these views were anathema in Prussian high schools. I saw in him . . . a combination of man of the world and artist, for undoubtedly he was both; and though not supposed to be a poet, he went driving in Byronic fashion with the handsomest opera singer, sat lolling in his seat at concerts and passing his delicate hands through his long, lustrous black hair. And this was a man whose definitions had a classical lucidity, and who could always, without wearying his audience, bring home the most complicated economic statistics both to mind and imagination. He was the best teacher I have ever come across in my life. There was not a trace of professorial pomposity.<sup>56</sup> (quoted in Vom Brocke 1996, 52)

55. Except in writing about England during World War I, he never endorsed the Marxist explanation for the origins of capitalism in the violent expropriation of land and the creation of a propertyless “reserve army of labor.” It was in Book 2 of Volume I of this (ultimately) 3,300-page work that he first floated the idea of a *kapitalistisch Geist* that he would pursue over the next decade. The spinoffs include his 1913 *Luxus und Kapitalismus* (Luxury and Capitalism); chapter 48 of *Moderne Kapitalismus*; his 1913 *Krieg und Kapitalismus* (War and Capitalism), chapters 22 and 49; as well as chapter 62 of his 1911 *Die Juden und das Wirtschaftsleben*. *Der Bourgeois* (1913) draws on Book 2 and the introduction and Part I of volume II. For discussions in English of the contents of *Moderne Kapitalismus*, see Parsons 1928, Mitchell 1929, and Backhaus 1989, and for a 448-page summary, see Nussbaum (1935, 1968).

56. Ludwig, born Emil Cohn, was Jewish, and Sombart always attracted many Jewish students—“practically always the smartest of the small crowd sitting along the table with Sombart,” a non-Jewish student recalled (Müller 1996, 106). Among them was Sombart’s future translator Mordecai Epstein, who described him as “a scholar who is also a literary man and aesthete, whose nature (to use his own terminology) is a seigniorial one, who is a dreamer and an artist” (Sombart 1915a, 9). Heinz Ludwig (1996, 209), himself Jewish, lists several others, including Sombart’s harsh critic Julius Guttman.

Nearly everyone writing about Sombart describes his brilliance in conversation and his scintillating prose. Foreign observers frequently comment on how little he resembled the stereotypical pedantic and verbose German professor. A Sombartian explanation would be that this was because he was half French, the descendant of Huguenots from Lille (Lenger 2012, 27; Vom Brocke 1996, 21).<sup>57</sup> Sombart's promiscuity, mentioned by Ludwig, was commented on by others. His erstwhile friend Max Weber wrote confidentially about Sombart's "sexual acquisitions," which, along with his "disgusting snobbishness," made universities reluctant to hire him. While Sombart was teaching at Breslau, he maintained a pied-à-terre in Berlin, no doubt convenient for liaisons (Vom Brocke 1996, 54). One extramarital relationship, with the socialist Lily Braun, was the subject of a 1986 movie—*Zerbrochene Brücken* (Broken bridges)—making Sombart one of the few professors of economics to be so honored (Vom Brocke 1996, 47). The sociologist Paul Honigsheim referred to him as "this Proteus of the German social scientist, who had as many *Weltanschauungen* as women (and that's saying a lot)" (Mitzman 1973, 207).<sup>58</sup>

There is something promiscuous in his restless quest for the origins of the capitalist spirit. In 1902, 1909, 1913, and later, it was the buccaneer entrepreneur and the thrifty and calculating merchant, although capitalism was also jump-started by the capture of Constantinople in 1204 and the introduction of Hindu-Arabic numerals by Leonardo Pisano (Fibonacci) in 1202. In 1911, the pivotal date was 1492, for the key instigators were the Jews. But in 1913 it was women, who demanded and were wooed by luxury goods, and also the growth of cities as centers of consumption. In that year as well, it was kings and princes, who sought to maximize efficiency in waging war. In 1927, he emphasized the discoveries of Galileo, Newton, Lavoisier, Priestly, Faraday, Ampère, Maxwell, and Herz. The search for novelty that drove the Byronic seducer from mistress to mistress inspired his shifting hypotheses and research program.<sup>59</sup>

The point to bear in mind is that the coruscating books Sombart churned out from 1902 to 1914 were neither overtly political nor simplistically

57. For connoisseurs of German World War I propaganda, the only pamphleteer who matches the esprit of Sombart is another non-German, Houston Stewart Chamberlain.

58. "The old morality has lost its compelling power," he explained to Braun's husband in 1896, though one ought to observe a "comparatively small stock of norms" that "a gentleman never abandons" (Lenger 2012, 68).

59. The seigniorial dreamer and artist also refused to acknowledge the works of distinguished contemporaries. He discusses Protestantism without referring to Weber and cities without referring to Pirenne.

monocausal. As an example of the range of his sources, for a single chapter in *Luxury and Capitalism*, “The Secularization of Love,” he lists sixty-two works, some multivolume, under fifteen categories, the final one being “Bibliographies of Erotic and Obscene Literature” (Sombart [1915] 1967, 42). Sombart’s writing habits may have contributed to his manic approach to economic history. Ensconced in his library of 35,000 volumes, he wrote in the small hours of the morning, from 11 p.m. to 4 or 5 a.m. (Vom Brocke 1996, 40, 54). This helps explain, perhaps, his practice of drawing from literary sources and his penchant for unbridled speculation. In the end, as Blaug (1986, 237) notes, capitalism, for Sombart, is overdetermined. And the various *mentalités* that supposedly gave rise to it are never ranked or correlated.<sup>60</sup>

But even his critics (nearly everyone who wrote about him) concede that, as Schumpeter (1954, 817n24) observes, his work is “highly stimulating even in its errors.” While acknowledging that “Sombart offers a particularly broad target for attack,” Mitchell (1929, 323) concludes that he has rendered a great “service by helping us to see how much an economic historian needs to be a theorist, and how limited is the theoretical grasp of an economist who neglects history.”

Sombart regarded marginal utility theory as *irrlicht* (a will-o’-the-wisp) and *sätzlich verfehlt* (fundamentally misguided) (Knight 1928, 124). For nearly all economists and most economic historians, it is the spirit of capitalism that is the will-o’-the-wisp.

## Appendix B: Sombart and the Nazis

The national socialism of *Deutscher Sozialismus* is closer to Italian fascism than to Nazism. Missing in action is the kind of racism and antisemitism espoused by Goebbels, Rosenberg, and Streicher. Like Marx, Sombart inveighs against “the Jewish spirit” rather than individual Jews. Riess (1996, 199), however, seems to go too far when he claims that “for Sombart, the Jewish question is almost unrelated to an identifiable Jewish people.”<sup>61</sup> Sombart objected to Jews “holding leading and responsible positions,” but, irrationally, “without any reason whatsoever—because it ought to be so . . . even in the interest of the Jews themselves.” He approves of the pre-Wilhelmitic exclusion of Jews from the military and administra-

60. This is a long-standing complaint of Sombart’s critics (Oelsner 1962, 205).

61. Sombart ([1937] 1969, 179) concludes his remarks about “the Jewish spirit” by saying “it is not enough to exclude all Jews.”

tion, but wishes they had been "assigned to other important fields, such as the universities, law, and other activities." The solution to the Jewish Question "will require a great deal of tact and discretion on both sides," he concludes (Sombart [1937] 1969, 176, 177). This "reassignment" of the Jews, to which they were to politely acquiesce, suggests he did not approve even of the anti-Jewish legislation preceding the Nuremberg Laws.

Sombart explicitly rejects Nazi-style racism. "There are many Jews in whom this Jewish spirit did not and will not become active." Conversely, many Germans are infected by "the Jewish spirit" which "largely controls our entire age." (Similarly, he explains that "the German spirit in a Negro is quite as much within the realm of possibility as the Negro spirit within a German.") "It is obvious," he concludes, "that a population policy based upon the concept of racial classification could have but a limited effect and should, therefore, not be considered as essential to a sane policy" (Sombart 1937, 178, 175, 179). A core Nazi doctrine is thus summarily rejected.

Sombart's national socialism is still unpleasant to contemplate: German socialism "puts the welfare of the whole above the welfare of the individual" and requires a strong state managed by an elite, but guided by a Führer, who is in turn guided by God. German socialism is totalitarian: all culture is directed by the state (Sombart [1937] 1969, 194–95, 146, 150, 161).

Riess (1996, 186) concludes that "there are many convergences with Nazi ideas, but the ideological systems are not identical." Reheis (1996, 203) goes further: "Sombart was neither a Marxist nor a Nazi," but adds that, nonetheless, "he did in reality contribute to the destruction of the Weimar Republic" and has to "share the guilt for German fascism and its crimes." Vom Brocke (1996, 76) concurs: "to speak frankly, Sombart undoubtedly paved the way for National Socialism." Lange also makes the case that Sombart lent authority to key antisemitic tropes (2007, 13–33, 215–27).

As for his relations with the Nazis, he seems not to have cared for them, or they him. But he assumed the seat Albert Einstein vacated when he was ejected from the Prussian Academy in 1933, never protested against Nazi policies, did not protect any Jews, or contemplate leaving the country. Accepting an award from the government on his seventy-fifth birthday, he declared he would always be loyal to the tenets of National Socialism (Riess 1996, 202; Vom Brocke 1996, 79). In the context, this could only be Hitler's version, not his own.

As for the Nazis, apart from being annoyed by Sombart's continued fealty to Marx and Lassalle (who is quoted approvingly even in *Deutscher*

*Sozialismus*, unlike Hitler, who is never directly quoted) (Sombart [1937] 1969, 160), they regarded him as unreliably philo-Semitic. The rector of the University of Berlin declined to honor Sombart with a letter from Hitler because of a passage in *Die Zukunft der Juden* (The future of the Jews) in which he called the Jews “one of the most precious races which human kind has ever produced” (Ludwig 1996, 206). No doubt resenting Sombart’s implying that Nazi population policy was insane, the Office for Racial Policy compiled a dossier on him titled “Sombart’s Liberal Thinking” (Riess 1996, 200). The Nazis did not forget as well that the heretic Otto Strasser, expelled from the party in 1930, had been a disciple of his—and Sombart reminded them by praising in *Deutscher Sozialismus* Strasser’s *Der Aufbau des deutschen Sozialismus* (The structure of German socialism) as “a book of intrinsic worth” (Sombart [1937] 1969, 114). Reviewing *Deutscher Sozialismus*, the official Nazi paper, the *Völkischen Beobachter*, declared primly, “There is only one way, that of our Führer Adolf Hitler, and not a second one of Herr Professor Sombart” (Lenger 2012, 374). Remarkably, Sombart responded with a pamphlet sarcastically commenting on inconsistencies in Nazi ideology, and the substitution of sentimental phrases for logical arguments, *Deutscher Sozialismus im Urteil der Presse* (German socialism in the opinion of the press) (Vom Brocke 1996, 78). For someone of Sombart’s stature, pointed dissent, albeit limited, was still possible in 1935.<sup>62</sup>

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62. Lenger (2012, 386) speculates that he might have joined the national conservative resistance had he lived longer.

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