This chapter analyzes the implications of weak contract enforcement for the international organization of production. With that goal in mind, the chapter starts by going back to the benchmark two-country model of global sourcing developed in Chapter 2, highlighting the contracting assumptions underlying the results of that model. It then introduces a model of contractual frictions that can shed light on the effect of contracting institutions on the intensive and extensive margins of intermediate input trade. Next, the chapter develops a series of extensions of the model that can open the door for model-based empirical tests of the effects of contracting considerations on the offshoring decisions of firms.

This chapter studies how literate Jewish farmers abandoned farming and became small, urban populations of skilled craftsmen, shopkeepers, traders, money changers, moneylenders, scholars, and physicians. The literacy of the Jewish people, coupled with a set of contract-enforcement institutions developed during the five centuries after the destruction of the Second Temple, gave the Jews a comparative advantage in occupations such as crafts, trade, and moneylending—occupations that benefited from literacy, contract-enforcement mechanisms, and
networking. Once the Jews were engaged in these occupations, they rarely converted, which is consistent with the fact that the Jewish population grew slightly from the seventh to the twelfth century. Subsequently, the establishment of the Muslim caliphates during the seventh and eighth centuries, and the concomitant vast urbanization and growth of manufacture and trade in the Middle East, acted as a catalyst for the massive transition of the Jews from farming to crafts and trade.

Segregation or Choice?
Maristella Botticini and Zvi Eckstein

in The Chosen Few: How Education Shaped Jewish History, 70-1492
Published in print: 2012 Published Online: October 2017
Publisher: Princeton University Press
DOI: 10.23943/princeton/9780691144870.003.0009
Item type: chapter

This chapter assesses the argument that both their exclusion from craft and merchant guilds and usury bans on Christians segregated European Jews into moneylending during the Middle Ages. Already during the twelfth and thirteenth centuries, moneylending was the occupation par excellence of the Jews in England, France, and Germany and one of the main professions of the Jews in the Iberian Peninsula, Italy, and other locations in western Europe. Based on the historical information and the economic theory presented in earlier chapters, the chapter advances an alternative explanation that is consistent with the salient features that mark the history of the Jews: the Jews in medieval Europe voluntarily entered and later specialized in moneylending because they had the key assets for being successful players in credit markets—capital, networking, literacy and numeracy, and contract-enforcement institutions.

1492 to Today
Maristella Botticini and Zvi Eckstein

in The Chosen Few: How Education Shaped Jewish History, 70-1492
Published in print: 2012 Published Online: October 2017
Publisher: Princeton University Press
DOI: 10.23943/princeton/9780691144870.003.0011
Item type: chapter

This concluding chapter highlights some puzzles that punctuate Jewish history, from the mass expulsion of the Jews from the Iberian Peninsula in 1492–97 to today. A growing number of scholars have been studying the long-term impact of institutions by illustrating that some contemporary
economic patterns have been influenced by institutions that emerged centuries ago. This book contributes to this literature by showing that the transition of the Jews from farming into high-skill occupations has also been the outcome of the availability of contract-enforcement institutions shaped by the unique features of the Jewish religion. Meanwhile, social scientists have always been fascinated by the study of religion and by the influence religious values and norms may have on human behavior. Ultimately, the cultural values and social norms that Judaism fostered two millennia ago shaped the demographic and economic history of the Jewish people through today.