

***Efficient Community Norms Among
Ultra-Orthodox Jews:
An Economic Theory and Evidence***

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January 2001

Note: This presentation draws on two previously published articles:

- 1) Sect, Subsidy and Sacrifice: An Economist's View of Ultra-Orthodox Jews, *Quarterly Journal of Economics*, August 2000. <http://econ.bu.edu/eli/papers/sns.pdf>
- 2) Subsidized Sacrifice: State Support of Religion in Israel, *Contemporary Jewry*, Vol 20, 1999. <http://econ.bu.edu/eli/papers/bip.pdf> (Hebrew translation in *The Economic Quarterly*, August 2000.)

INTRODUCTION

Community Norms vs. Laws:

Voluntary membership

Voluntary enforcement

- so there had better be efficiency gains.

Challenge to rational choice theory

- why would individuals acting in enlightened self-interest do such costly things?

Norms and religious laws are costly:

E.g. sabbath, dietary laws, dress codes, ..

Why comply and why enforce?

Is there an explanation besides faith and conscience?

Ultra-Orthodox Jewish community norms differ strikingly over time and across regions. They seem to be sensitive to economic, legal and regulatory environment.

Specifically, there are 3 puzzles:

1. Increased stringency of prohibitions since inception about 200 years ago.
2. Remarkable rise in Yeshiva attendance in Israel, esp. in contrast to attendance abroad. [Figure II]*
- 5% in Montreal vs. 60% in Israel.
3. Striking increase in desired and actual fertility rates.

* Berman (2000) “Sect, Subsidy and Sacrifice..”
Quarterly Journal of Economics,

There are many ways to have and to express faith
.. yet communities with strict norms of conduct are generally remarkably supportive mutual support organizations.

“Like a family.”

Claim: The incentives dictated by mutual insurance are the key to understanding how Ultra-Orthodox norms form and how they react to external conditions.

MUTUAL AID IN A TRADITIONAL VILLAGE

In traditional communities insurance markets were not well developed.

- no health insurance, disability insurance, unemployment insurance, income support or welfare, government protecting civil rights.

Who did you turn to when bad things happen?

Family
.. and *community*.

Neighbours are busy bringing chicken soup, providing consolation, fixing the roof, helping to bring the crop in, looking for spouses for your brilliant son with the overbite.

MUTUAL INSURANCE AMONG ULTRA-ORTHODOX

- Donation of time and money to community charities, which insure community members:

aid to sick,

aid to mourners,

job search,

spouse search,

transfers of food, clothing and goods.

- Much of this donation is anonymous.

- Free loans.

Insurance, broadly defined, may be the principal benefit of membership in the Ultra-Orthodox community.

PROHIBITIONS AND SACRIFICES AMONG RELIGIOUS GROUPS:

These are very costly norms.

Prohibitions (forbidden behaviors):

- dietary restrictions, Sabbath observance, dress codes, head shaving, fidelity, driving licenses, refusal of medical care.

Sacrifices (irreversible destruction of resources):

- circumcision, burnt offerings, vows of abstinence, alternative cost of time spent in labor intensive religious activities (?).

Limiting choices and destroying resources is puzzling to an economist, yet people voluntarily join groups which enforce prohibitions and require sacrifices.

Many such groups are thriving.

EFFICIENT PROHIBITIONS

(L. IANNACONE, JOURNAL OF POLITICAL ECONOMY 1992)

Club good has benefits that are excludable but (at least) partially nonrival.

Externality has a scope which defines the club.

E.g. Services provided within families.

Analogy: *Good academic citizens.*

Think of an academic department as a club. Members benefit from attendance of other members who are good citizens and provide externalities

- e.g. ask insightful questions, explain concepts lucidly, explain mistakes and provide inspiration.

Efficiency: We should subsidize the inputs to good citizenship

- read the paper, read the literature, good night's sleep, do research.

Problem: these input activities are unobservable,
so how can we subsidize them?

Solution: Tax alternative uses of time.

*Eg. -Prohibit travel off campus on weekends,
- restrict social contact with nonmembers through
dietary restrictions,
- insist on speaking arcane language,
- dress like a geek,
+ anything else that makes one objectionable to the
outside world. (encourage lawyer jokes?)*

If the externality is big enough the prohibitions are
voluntarily complied with and enforced by social pressure.

Sanction could be exclusion from the club or could be
less onerous.

Formally, these act just like a tax on your wages.

[Figure III*]

* from “Sect, Subsidy and Sacrifice..”

Religious restrictions are enforceable forms of taxation which can make all religious group members better off.

e.g. - Sabbath restrictions induce members to spend time together and in prayer on the Sabbath.

- dietary restrictions decrease the ability of group members to socialize with nonmembers.

Note: uniforms aid enforcement (as in the military).

Key point: Restrictions on consumption of the secular good indirectly subsidize religious activity, which benefits the religious community.

Groups that place many restrictions on secular activities are often termed sects by sociologists [Weber, 1963; Adam Smith, 1776]

EFFICIENT SACRIFICE

One time sacrifices like a circumcision or a burnt offering can't be explained as efficient prohibitions with the logic above, since they don't tax a secular good. They can be explained as a sort of initiation rite, which signals unobserved type.

Academic analogy:

Last thing we want in the department is a colleague who pretends to be a good citizen till tenure, then starts free-riding on the rest of our efforts and goofing off.

- so we ask for an exaggerated signal of commitment before tenure

Community analogy:

Last thing we want in the village is someone who pretends to be a good citizen, marries my daughter, draws benefits from the community till he gets old enough to pay back in, then runs off to find a high wage job in the big city.

- so we ask for an exaggerated signal that he has low wage potential in the big city.

How do you signal that you're a low wage guy.

You waste some time!

Analogies: Initiation rites in the military; Spence signaling in schooling;

Could Yeshiva attendance have an element of sacrifice in it?

It's a time-intensive activity practiced by individuals with very low alternative labor market opportunities. That's exactly the right way to separate high from low wage types.

A subsidy to a group that uses a sacrifice as an initiation rite is *largely wasted* as it induces a larger sacrifice as a signal.

This explanation is consistent with the puzzle of widespread Yeshiva attendance long after the draft exemption is achieved.

A man leaving Yeshiva at age 35 will be suspected of being a high wage type avoiding military service. He must remain a few more years to signal his type.

Testable implication:

Transfers to Sephardi UO caught up with those to Ashkenazi UO with a discrete jump in mid 1980s.

Prediction of theory- Yeshiva attendance rates will be lower in 1980 and increase faster for Sephardi UO than for Ashkenazi.

Table VI* - Sephardi attendance starts lower and catches up.

* from “Sect, Subsidy and Sacrifice..”