

markets' failure to thrive, from coordination failures to behavioral explanations and consumers' lack of desire to hedge.

In contrast with the Case–Shiller products, which are targeted toward financial professionals, Andrew Caplin and coauthors introduce in chapter 3 a home equity protection (HEP) product they sold to consumers in Syracuse, N.Y. Caplin et al. are concerned that the risk of price declines deters potential homeowners from buying, potentially harming marginal or declining neighborhoods. As a resident of Vancouver, Canada, where the price–rent ratio approaches 40 (Goodman and Goodman 2015), I can personally attest to deterrent effect of potential price declines.

HEP is an insurance contract that protects homeowners against local price declines. To get a sense of the project's challenges, add the complexities of insurance markets, replete with moral hazard and adverse selection, to the illiquidity, unique dynamics, and onerous regulations that bedevil housing markets. To develop and market HEP, the team needed to address both sets of challenges simultaneously, and this chapter contains a rich description of how they do so. Merely launching the product represents an impressive success, and the chapter illuminates how thoughtful innovators address a wide range of practical details.

In chapter 4, Todd Sinai offers a counterpoint to the previous two essays' enthusiasm for house price derivatives. Building on his and Nicholas S. Souleles' (2005) influential paper that emphasizes the hedging value of homeownership itself, Sinai explores heterogeneity in the value of this hedging across metropolitan areas. These hedges turn out to be surprisingly efficient, even for potential movers. For example, cities with the highest house price volatility also have the highest covariance with the national housing market. So volatility is relatively innocuous for homeowners in such places, since they are well-hedged if they want to move nationally, not just locally.

Chapter 5, by Glaeser and Joseph Gyourko, contrasts the different equilibrium conditions that can be used to predict housing prices. Because both the financial no-arbitrage condition and spatial equilibrium assumption have notable limitations, they conclude that the two should be used together to pin down prices

more finely. The final two chapters discuss price competition among real estate agents and the firm-size distribution across industries.

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Z Other Special Topics

Judaism in Transition: How Economic Choices Shape Religious Tradition. By Carmel U. Chiswick. Stanford: Stanford University Press, Stanford Economics and Finance, 2014. Pp. viii, 234. ISBN 978–0–8047–7604–2, cloth; 978–0–8047–7605–9, pbk.; 978–0–8047–9141–0, e-book. *JEL* 2014–1123¹

Judaism in Transition describes, and provides insights on, the Jewish community in the United States in the past and nowadays, with a look into the future through the lenses of a labor economist. Carmel Chiswick does an excellent job in making accessible to a broad audience the concepts of household decision making on education, time allocation, occupational choice, and marriage to explain the observed patterns of economic behavior of Jewish families. Through her own family history, as well as by analyzing existing data, she shows how economic theory explains the observed past and present trends and predicts

¹I would like to thank Maristella Botticini for extremely useful and detailed comments.

the future of American Jewish education, earnings, occupations, and population size vis-à-vis the general population.

The basic theory of religious choice predicts that those who were born Jews observe the rules and norms of their religion if the costs are not too high, relative to the benefits of keeping the identity of the Jewish religion. As such, it is easy to explain the observed trends among Jews in the United States away from Orthodox Judaism toward Reform Judaism or Modern Orthodox. Almost all the Jews today are descendants of the approximately two million who arrived from Eastern Europe between 1880 and 1924. The Ashkenazi characteristics of language and culture were quickly replaced by the Americanization and integration into the US culture. Yet, some marks stayed and even entered the American culture.

In the past, Jews always settled in large metropolitan areas and cities. Today there is more diversity, but still 40 percent of American Jews live in New York and northern New Jersey metro areas. Jews represent only 2 percent of the population; two-thirds adhere to either Reform or Conservative Judaism, 10 percent are Orthodox Jews, whereas the rest do not belong to any congregation.²

Jews in the United States are highly educated. In 2000, 27 percent of Jews have a master's or higher degree (postcollege education), compared to only 8 percent among non-Jews. Even more striking, almost all Jews complete high school, whereas 16 percent is the high school drop-out rate in the American society. Looking at college education, only 7 percent of Jews in the 30–35 age bracket do not have a college degree. Looking at the data, Carmel Chiswick maintains that “the looser the attachment of an individual to Judaism per se, the closer his or her educational attainment conforms to the American norm” (p. 51). The high education among Jews is also reflected in their occupational distribution

towards white-collar, professional, and managerial occupations throughout the twentieth century, in which Jews outnumbered non-Jews. This occupational trend continues today as Jews become even more concentrated in professional occupations that require advanced degrees and self-employment. Furthermore, the female participation rate among Jews reaches 80 percent for both married and unmarried individuals, and in about 35 percent of the households, both husband and wife are in professional occupations.

These figures of educational attainment and occupational distribution enable Jewish families to gain stable and higher earnings compared to non-Jews. Only 3 percent of Jewish families are below the poverty line and more than 50 percent earn more than \$100,000 annually. Carmel Chiswick concludes the description of education, occupations, and earnings among Jewish families with the labor economics observation for the Jewish family life: “Parents who are highly educated would place a high value on education for their children and would build a home environment in which intellectual skills were routinely used” (p.64).

Comparing the high opportunity cost of time and the utility for religious education for Jews, she argues that “a two-career couple in high-wage occupations would find the Jewish day-school option much less expensive than would a family with lower wage rates” (p. 73). In addition, the high opportunity cost of time, as well as the sorting by education and occupation, affects the choice of synagogue away from the Orthodox towards the Reform and Conservative movements. The main reason that not all Jews adhere to the Reform movement is that high incomes allow Jews to match their preference of Jewish observance in smaller groups and more variety.

As the opportunity cost of time for religious education is high, the Jews in America build alternative ingredients to the value of being Jewish. These include the holiday festivities, the community programs, the summer camps, the identification with Israel, and reading the Torah in English, rather than the Hebrew readings of Orthodox Judaism. The aggregate of these activities is termed here as Jewish human capital that is complement to the general human capital of most people in the upper-middle class in America. As

²The main data comes from two surveys of American Jews: one in 1990 with 2,500 Jewish households and the second in 2000–2001 with 4,500 Jewish households. These were based on large samples of American households; a household is defined Jewish if “one or more adult members said that Judaism was their religion, their ethnicity, or their parentage” (p. 46).

such, the investment in Jewish practices is complementary to investment in secular values and, therefore, Jewishness is a complement value, not a substitute.

Children's education and the family are central for Jewish values. The economic analysis of the "marriage market" fits well to explain the assortative mating that depends on education level and family values. These serve well to provide the benefits of mating with Jews. However, the fact that the American society becomes more educated and the Jews are a small percentage means that "the likelihood that an American Jew will choose a non-Jewish marriage partner is larger." We observe that Jewish mothers have somewhat more children than non-Jews, and that the increase in income makes the Jewish family able to balance well the quality and the quantity of children just above the replacement rate.

The economics of immigration also fits well to explain the observed patterns of Jewish migration to the United States from 1840 to 1990. German Jews arrived during the period between 1840 and 1860 and they were small-scale merchants (peddlers). The mass migration to the United States occurred during the second half of the nineteenth century and two million Jews from Eastern Europe immigrated to the United States from 1880 to 1924. Most of them started as blue-collar workers in cities on the East coast and then migrated internally. They became middle class during the first half of the twentieth century and their children attended public schools and moved to college and professional education. They quickly assimilated to the American economic and social system and their proportion in professional occupations rose sharply during the second half of the twentieth century. The average proportion of Jewish men and women who attended college quickly exceeded the average proportion of almost any ethnic group in the United States. To sum up: "The high levels of educational attainment among children and grandchildren of immigrants contributed to the dramatic economic success of American Jews" (p. 153).

By the later decades of the twentieth century, American Jewry as a community was characterized by extremely high secular human capital and extremely low religious human capital. These human capital characteristics dominated the

assimilation of Jews into American society by increasing educational attainment and occupational mobility within an almost completely free access to any professional job.

Toward the end of the book, Carmel Chiswick maintains that "the economic incentives for change are now greatly reduced. High levels of education, wages, and incomes have persisted for at least two generations and show no signs of dramatic change in the near future. In contrast to the twentieth-century experience of our immigrant forebears, twenty-first-century changes in American Judaism will probably be dominated by different sets of economic conditions."

Carmel claims that "Israeli culture is now thoroughly woven into Jewish education and religious life in the United States." Israel and the United States are the two centers of Jewish life today, with 6 million in Israel and 5.5 million in the United States, and are very distinct communities with strong political and social bonds. But they have different culture and may potentially have conflicting interests in the future.

The main challenge for American Jews is their last forty years of intermarriage rates that reach 40–60 percent, today. This is enhanced by the similarity of education and social values of Jews and non-Jews. As a result, the relative size of Jewish population in the United States is going down. The trends in education and earnings indicate that income inequality among Jews will go up. As a result of these trends, high-educated and low-educated Jews will tend to marry more non-Jews and the size of the Jewish population will be further reduced. Then, only those who make an exceptional effort in educating their children and themselves and in participating in Jewish religious-related activities will remain Jews in their identity.

Yet, the amazing success of the Jewish immigrants from Eastern Europe in turning themselves into a highly educated leading community in American science, economic, political, and cultural life has made them an icon that is shared by many. This may be, according to Carmel Chiswick, the engine for reducing the rate by which the community will shrink in size and importance in the future.

To sum up, the book does an excellent job in using the lens of economic theory to shed light

on the main educational, occupational, migration, and marital patterns among American Jews in the past and nowadays. At the same time, the book makes us think about one important puzzle: What was the key difference between the Jews and the other 20 million immigrants who arrived in the United States? What made the Jews so successful, relative to the rest of the immigrants? For example, compared to the Italian, the Polish, and the Irish immigrants who

arrived during the same period and with similar resources, what makes the Jewish experience so remarkably different? The answer seems to be woven into the description of two Jewish religious values: high investment in children's education and family well-being. This puzzle will hopefully generate further research on this fascinating topic in the years to come.

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