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WITH ALL YOUR  
POSSESSIONS

JEWISH ETHICS AND ECONOMIC LIFE

The Kupietzky Edition

Maggid Books

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## *Chapter 1*

# Introduction

### **PURPOSE OF THE BOOK**

Economic decisions, both on the part of an individual and of a society, do not take place in a vacuum. The spiritual, moral, and cultural structure of the society and the individual underlies economic conduct just as it is in turn affected by economic success or failure. The economic life of the Jew, then – his attitude to material assets, his conduct in buying and selling – is a reflection of the ethical and moral principles of Judaism. The object of this book is to show that there does indeed exist, as a result of the Jewish value system, a separate and distinct “Jewish economic man,” molded by religious law and communal practice. My primary purpose in writing the book is to provide authentic Jewish answers to the challenge of wealth. The terms “he” and “man” are used throughout this book in the generic sense to refer to people regardless of gender.

Jews and non-Jews alike frequently disassociate Jewish economic behavior from the practices of Judaism and its ethical and moral codes. It is as though the Jew has been living an economic existence divorced completely from his religious and cultural milieu. This leads to uncritical acceptance of various theories that bear no relationship to the economic behavior developed by the Jew in his independent homeland and in the many countries of his exile. So, for example, we find champions of capitalism using the Jew as a role model for private enterprise. Sombart,<sup>1</sup> like

Weber<sup>2</sup> a proponent of the free enterprise system, saw the Jew – with his frugality and hard work, his devotion to family and community, and his high level of literacy and education – as a positive force in the emergence of modern capitalism. He characterized the Jew as one of the prime creators of modern market economies, which he attributed to his need for political freedom, his ability to transcend national boundaries, and Judaism's legitimization of the profit motive in the accumulation of capital. Given Tawney's essays<sup>3</sup> on the connection between Protestantism and the development of capitalism, it is very easy to show the relationship between these Jewish traits and the emerging capitalism of the eighteenth century. Present-day sociologists have added the effects of minority-group status – the need to excel and the lack of security – to this link between the Jew and capitalism.

The problem with these arguments is that they divorce Jewish economic practices from Jewish sources. These sources impose important restraints on the free market model, restraints that derive from peculiarly Jewish concepts of mutual responsibility, the sanctification of everyday living and God-given absolute morality. Even though the free market economies have historically been very beneficial to minorities, including Jews, nevertheless, many minorities in the world have developed in a radically different pattern. The Jewish economic man looks different from his Armenian, Gypsy, or Southeast Asian counterpart.

At the other end of the spectrum were those who viewed socialism as a modern expression of the Mosaic code and the moral teachings of the biblical prophets. Thus, A.S. Lieberman, one of the fathers of Jewish socialism, wrote, "For us, socialism is not strange. The community is our existence, the revolution our tradition, the commune the basis of the Torah, which has been made concrete in the laws that land is not to be sold in perpetuity, in the law of the jubilee and sabbatical years, a system of equality and tranquility."<sup>4</sup> But despite Judaism's insistence on economic justice, charity, and mutual assistance, it also recognizes the legitimacy of private property, the profit motive, and market mechanism.

External historical forces on Jewish economic life have also not been analyzed clearly. Secular ideologists of the Zionist movement in the nineteenth century, for example, saw the major cause of anti-Semitism in the inverted economic pyramid, wherein Jews, lacking a

base of farmers, artisans, and workers, concentrated in the liberal professions, commerce, and finance. They viewed this as an unnatural situation which created hate and persecution, as exemplified in Eastern Europe, where the Jew, trapped between the feudal nobility and the impoverished masses, became the archetypal exploiter.<sup>5</sup> This was not the fault of the Jew, they argued, but rather the result of historical events that deprived him of land and forced him into moneylending and rent collecting. Unknowingly, this view accepted the analysis of the anti-Semite. Most scholars have followed the same line, seeing the economic lifestyle of the Jew as something caused solely or primarily by extraneous factors. This view basically accepts Toynbee's thesis of the fossilization of Jewish civilization – its attitudes and practices<sup>6</sup> – which are regarded as simply a reaction to external factors and the acts of others, and lack any independent ideological framework or value structure. Undoubtedly, external factors created new situations and affected the economic life of the Jew. However, to attribute these external factors primacy in the collective shaping of attitudes and practices makes Jewish history merely a reaction to outside pressures and denies it an intrinsic and independent value system.

What is common to all these attitudes and their innumerable variations is a complete detachment from Jewish source material, a lack of data on how Jews really lived, and an ignorance of how Jewish economic societies actually operated over the past four thousand years. This book will use legal, historical, and religious sources in an attempt to present a balanced and correct evaluation of the relationship between the Jew and economic activity. My purpose is to show, through these sources, how economic activity was traditionally guided and determined by the teachings of Judaism and its religious law.

For centuries, Jews enjoyed autonomy in many countries and maintained rabbinic courts of law which regulated and governed their economic activity, thereby preserving its specifically Jewish characteristics. The Bible and the homiletical literature established an ethical and moral framework within which Jewish communities operated, introducing nonmaterialistic considerations, a unique social structure, and distinctive role models, which together tempered and restrained the excesses of more egoistic economic activity.

Thus while economic activity is considered by Judaism a legitimate pursuit in the normal world, nevertheless there exists a distinctly Jewish framework within which this activity may take place. This framework seeks to sanctify man's everyday actions in this field, in exactly the same way as it introduces holiness into the domain of other basic needs, like sex, food, shelter, and social organization. The same specific and characteristic attitudes of Judaism that determine behavior in other fields apply here as well. Attitudes and behavior with respect to poverty, money, finance, trade, and welfare are determined by Jewish conceptions of man's partnership with God, man's duty and ability to sanctify and save himself through righteous acts, the recognition of the claims of others on one's property, and overriding understandings of the demands of justice, mercy, and righteousness. The result, reflected throughout centuries of Jewish life, is a specifically Jewish economic system. The divorce of Judaism from this sphere of activity introduces a distortion into true Jewish living.

#### **SCOPE OF STUDY**

The scope of Jewish concern with economic activities is as wide as the range of those activities themselves. So this book will cover all aspects of economic life – competition and profits, wages and labor, money and banking, taxation and welfare – as these are dealt with in Jewish sources.

Thus, Jewish laws and customs had to address the issues of competition, prices, and profits so that these would not infringe or destroy the moral or ethical structure of Judaism. This meant protecting the weak and ignorant and controlling successful groups or entrepreneurs so that they could not use their economic power to the detriment of society. The wages, rights, and obligations of workers are understood, in Jewish law, to be special cases of laws governing prices and profit; workers are protected from severe deprivation, but incur obligations as well. Judaism's treatment of the market mechanism has implications regarding the free entry of workers and new firms into the market, truth in advertising and marketing, and the effect of major technological changes.

Furthermore, although Judaism recognizes the legitimacy of capital as a factor of production, the Mosaic code forbids the taking of interest, and requires the interest-free loan as part of the economic

system. It is necessary, then, to examine the development of Jewish banking to see how it was made harmonious with Jewish law. In modern times, this affects the treatment of bank credit, installment buying, inflation, and exchange rates.

And since Jews enjoyed a great measure of autonomy throughout the centuries, even after they lost political independence in their own homeland, they also enjoyed the sovereign right to tax members of their communities. This system of taxation was not just a method of collecting taxes to be paid to the non-Jewish authorities. It was also, and perhaps first and foremost, a method of financing the needs of the Jewish community, even in earliest biblical times, for defense, health facilities, free education, and charity in its widest sense. The system also took into account the value system of Judaism in defining taxable income, specifying exemptions from the tax burden, and prescribing the duty of the individual to share in the costs of the community. With the emancipation of the Jew in the nineteenth and twentieth centuries, and his inclusion in the general society, this independent taxation system, like all other aspects of coercive communal living, weakened and, in many countries, ceased to exist. Nevertheless, the experience of many centuries provides a prototype of Jewish fiscal philosophy and practice.

Jewish and non-Jewish sources throughout the ages have agreed that charity and social welfare are hallmarks of Jewish life. Individuals and communities alike have been obligated to provide for the needs of society. This obligation has never been left merely to the conscience of the individual Jew, but has been recognized as an area for justifiable communal coercion. Furthermore, as we will discover, this social philosophy covers a wide range of issues from support for the poor and needy to public education and from the prevention of damage to property or person to limitations on the use of natural resources. A comparison between this social philosophy and modern welfare economics will reveal ways of rectifying abuses now suffered in many western economies.

## **SOURCES**

In order to show that this specifically Jewish system goes beyond the theoretical and is not mere wishful thinking, it is necessary to provide data on the existence, nature, and scope of such a system as it operates

in all these various aspects of economic life. Fortunately, such data exist in abundance in three different yet related sources: legal codes, communal legislation, and religious literature.

### **Legal Sources: Codes and Responsa**

Legal tradition, dating back to the earliest days of Jewish national independence, had already been codified in the early years of the Common Era. This tradition, written and oral, covered the economic aspects of life in addition to such areas as ritual observance and marriage and divorce. Through the later codes of Moshe ben Maimon (Maimonides), Yaakov ben Asher, and Joseph Caro, an authoritative, systemized legal framework was provided covering a multitude of questions related to economic activity, which enabled Jewish societies to operate as independent entities.<sup>7</sup>

It may be argued that the existence of these codes does not prove that a Jewish economic system actually worked or even existed; they might simply represent a Utopian model. Why this would be so in regard to economics, when the existence of a Jewish life based on these same codes in the areas of marriage and divorce, ritual observance, etc., is universally accepted, is very difficult to understand. Be that as it may, there has developed a whole literature which proves that the economic practices prescribed in these codes were – and are – observed.

Throughout the ages, in all the countries of the wide Jewish Diaspora, Jews turned to the rabbinic authorities for guidance and judgment in applying the law to problems arising out of all aspects of economic activity. The resulting responsa – rabbinic answers to questions on Jewish law and observance – are not merely theoretical discussions elucidating fine points of law. Primarily they are legal reports of actual cases arising out of the whole gamut of individual and communal activities in the marketplace. There is not a single major rabbinic figure who did not include in his responsa matters dealing with economic issues. Such responsa provide us with a rich source of data and a wealth of detail on the actuality of Jewish economic life in various countries and at various periods of time – and convey, as well, the unity of Jewish economic conduct over time, originating as it does in a common, continuous legal tradition. (The responsa continue today, as the rabbinic authorities in



Israel, England, and the United States continue to receive and answer such questions.)

Since this book is meant for the general public rather than as a textbook for rabbinic and legal scholars (and since it is in no sense to be taken as itself providing a binding legal code), only a sample of legal decisions is presented here. An effort has been made to present only decisions that express a fundamental principle or represent a particular school of thought, or that are invoked to solve problems arising out of new technological or socioeconomic conditions. In the latter case it has not always been possible to provide the reader with clear-cut decisions, either because the subject has not been discussed by an authoritative source or because conflicting opinions have not yet been resolved into an authoritative ruling. Nevertheless, relevant opinions, even if tentative, are provided so that one may gauge the possible solutions envisaged by Jewish law. In some cases, the questions are discussed but not answered at all, suggesting that there is value even in the discussion *per se*.

It must be stressed that both the codes of law and the decisions of the *responsa* are primarily concerned with the legal as distinct from the economic issues at stake. (For example, the exact date and stipulations of a contract are usually important in the settling of a legal claim, yet they may have no significance as economic factors.) Furthermore, they are legal discussions, and like all such discussions, are couched in their special terminology. Since our interest is primarily in the economic aspects, the legal issues *per se* are not dealt with. Throughout the book, care has been taken to present the rabbinic decisions as free of legal and scholarly discussion as possible, so that the lay reader may follow them without difficulty. In the following chapter, the reader is provided with a brief description of the structure and history of rabbinic law, while in the back of the book, a glossary of terms has been provided.

### **Communal Enactments**

Despite the wealth of rabbinic decisions in both the codes and *responsa* regarding economic activity, rabbinic authorities tended to leave the market to the customs, practices, and legislation of the merchants and the community. The role of rabbinic courts was primarily to oversee these and to make sure that they did not distort or negate the religious

law or the demands of morality and justice. Much of Jewish life until the middle of the nineteenth century was characterized by communal rule expressed in independent legislative and fiscal authority. So the legislative records, budgets, and ordinances of the Jewish communities in various countries are an important source of data with respect to the workings of a Jewish economic system. They show that the moral tenets of Judaism and the decisions of rabbinic courts were actually translated into everyday practice. The autonomous Jewish communities must not be viewed as the voluntary religious or social entities with which we are familiar today. One must bear in mind throughout this book that the *kehilla* (community) was comparable to the public sector of modern times at the local, state or national level. Therefore, the communal enactments provide some idea of what an independent Jewish economic society would look like, especially as regards the role of government – an issue that has assumed major importance in all modern economies.

### **Ethical Literature**

Legal decisions and legislation are not in themselves sufficient to maintain the social and economic fabric of a society; that requires a value structure and moral code acceptable to the majority of that society. In their absence, a schism will develop between the law and legislation and economic realities. Hence, despite the centrality of rabbinic law to Judaism, it is essential that attention be paid to the ethical teachings that constitute the ideological framework of Jewish society. It is this framework within which the individual's economic aims, his methods of achieving them, and the degree of his social responsibility are formed and nurtured, to be reflected in the application of rabbinic and communal legislation. And in the modern world wherein the Jew lives – in an open society exposed to non-Jewish cultural and social pressures – this ethical value structure is perhaps even more important to defining a Jewish economic personality than it was in the closed, autonomous societies of previous generations.

Hence, although I have tried not to allow this book to become a moralistic treatise, reference is made to homiletical and aggadic literature as well as to philosophical writings and ethical treatises. The stories of the hasidic masters and the lifestyle of the giants of the Musar

movement during the last few centuries have also been included, since they provide role models for the average individual. Throughout Jewish history, laymen, as distinct from relatively small groups of scholars, have engaged in the serious study of religious texts and homiletical literature, as constituting a major, obligatory form of religious worship. This “grassroots” study meant that ordinary individuals in Jewish society were continually exposed to this literature, an exposure that provided them with their intrinsically Jewish value structure.

### **ALLIED STUDIES**

In order to enable the reader to pursue his or her own independent study of the issues raised in this book, a special bibliography of modern scholarship in English and Hebrew, over and above the studies referred to in the text, has been provided. At the same time, a word of caution must be raised regarding studies of this nature. It is extremely difficult for a scholar not to inject his or her own economic or religious philosophy into the discussion, yet the bias is not always made clear to the reader. So we find that in the first half of this century many studies in Jewish economic history and behavior were heavily influenced by the socialist or liberal philosophers of the time and tend, therefore, to present a Judaism synonymous with those philosophies.<sup>8</sup> At the present time, the pendulum seems to have swung in another direction, and now scholars tend to equate Judaism with the most extreme free market philosophers.<sup>9</sup>

It should also be borne in mind that most of the publications listed in the bibliography are the work of noneconomists – primarily rabbis, lawyers, and historians. These legal and historical aspects are undoubtedly important and of interest; yet, invariably the economic issues are lost. The studies by Y. Lieberman and A. Levine, on the other hand, are outstanding examples of scholarship conducted primarily from an economist’s point of view.<sup>10</sup>

The legal and literary sources do show that there exists a Jewish economic wisdom, and examples of this wisdom will be provided whenever appropriate to the subject matter discussed. It will also be shown that the rabbis of the Talmud anticipated many modern economic theories and gave very sage advice. At this stage, two examples may suffice.

1. We find the following saying in the Talmud: “A man should always keep his wealth in three forms: one third in real estate, another in merchandise, and the remainder in liquid assets.”<sup>11</sup> These three forms differ from each other in their degree of liquidity, risk, and short-term profitability – so the rabbinic advice could be construed as a portfolio theory.
2. In the early 1960s, the economist R. Coase propounded a theory that described environmental obstacles such as pollution in terms of economic efficiency by considering the opportunity cost of correcting the misallocation of resources.<sup>12</sup> Y. Lieberman has subsequently written a paper in which he finds talmudic support for this theory.<sup>13</sup>

### **SUMMARY**

Judaism does not propose any specific economic theory or system; rather, it proposes a moral-religious framework within which the theory or system must operate. Decisions on investments, on consumption, on rates of growth, on fiscal policy, and on all the other constituents of economic life have to be made on the basis of economic criteria; then they have to be reexamined in light of this religious framework to discover whether or not the proposed choices are acceptable. My thesis in this book is that specifically Jewish moral and religious principles have indeed created a framework within which Jews have operated economically and can continue to operate.