Finance, Social Justice, and Judaism  
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1. Remission of Debts and its Impact on Finance

Biblical Sources

1. Every seventh year you shall practice remission of debts.

This shall be the nature of the remission: all creditors shall remit the due that they claim from their fellow [Israelites]; they shall not dun their fellow [Israelites] or kin, for the remission proclaimed is of the Eternal.

There shall be no needy among you—since your God the Eternal will bless you in the land that your God is giving you as a hereditary portion (Deuteronomy 15:1-4)

1. Beware lest you harbor the base thought, “The seventh year, the year of remission, is approaching,” so that you are mean and give nothing to your needy kin—who will cry out to the Eternal against you, and you will incur guilt.

Give readily and have no regrets when you do so, for in return your God the Eternal will bless you in all your efforts and in all your undertakings.

For there will never cease to be needy ones in your land, which is why I command you: open your hand to the poor and needy kin in your land (Deuteronomy15:9-11)

Rabbinic Solution to Detrimental Affects on Law, Social Justice, and Economy

1. [A loan secured by] a prosbul is not cancelled. This was one of the things enacted by Hillel the elder; for when he observed people refraining from lending to one another, and thus transgressing what is written in the Torah, “Beware, lest you harbor the base thought, [‘The seventh year, the year of remission, is approaching,’ so that you are mean to your needy kinsman and give him nothing.” Hillel enacted the prosbul.

This is the formula of the prosbul: “I turn over to you, so-and-so, judges of such and such a place any debt that I may have outstanding, so that I may collect it whenever I desire.” And the judges sign below, or the witnesses.

1. Investment and the Prohibition of Interest-Taking

Biblical Source

1. Do not lend your money at advance interest, nor give your food at accrued interest (Leviticus 25:37)

Rabbinic Solution to the Prohibition on Interest-Taking:

Partnership and “`Isqa”

1. When two partners both do business with the money belonging to the partnership, even if the money was originally invested by only one of them, their relationship is referred to as a partnership. If they lose or they profit, the loss or the profit is divided equally, or they may stipulate any other division of the profits or the losses….

If, however, only one of the partners was doing business with the money belonging to the partnership, even if the money was originally invested by both of them, this type of partnership is called an *esek* (an investment agreement). The person who does the buying and selling is called an administrator, for he alone is the one involved in the transactions. And the partner who is not involved in the business dealngs is called the investor.

Our Sages ordained that whenever a person entrusts money to a colleague to use for business purposes, half of the money should be considered a loan. The administrator is responsible for this money even if it is destroyed by forces beyond his control.

The second half is considered a sum held in trust, and the investor is responsible for it. If the half held in trust is stolen or lost, the administrator is not liable to pay. Therefore, any profit that is earned by this half of the investment will belong to the investor (Maimonides’ Code, Laws of Agents and Partners, 9:1-2) [Maimonides, 1138-1204)

The Autonomous Jewish Community (“Kahal”), its Powers, and Taxation

1. Source for Communal Power:

The residents of a city are empowered to set the measures used in that city, the prices set for products sold there, and the wages paid to its workers, and to fine people for violating their enactments…. (Babylonian Talmud, Baba Batrta, 8b)

1. There are places in which matters of self-rule differ. There are places in which all the matters affecting the city are under the charge of the city’s scholars and their advice. Other places where even a majority may not act until there is general communal assent. Yet other places that appoint well-known members of the community for defined terms. They are responsible for all general matters affecting the community and are considered the community’s guardians. Wherever the latter form of governance obtains, decisions by others are invalid unless these elected officials agree. That Talmud calls these “the seven good men of the city.” (Responsa of Rabbi Solomon ben Adret, 1235-1310)
2. No individual in the community (kahal) has the right to exempt himself from the community’s ordinances and to say, “I will not enter into the agreements ordained by the community….” This is because the individuals in the community are subject to the majority….(Responsum of Rabbi Solomon ben Adret)

**An Example of Tax Assessment:**

There is early testimony that the community appointed trustees for the purpose of faithfully assessing each member of the community, so as to avoid complaints of an unjust apportionment of the tax (Yom Tov Elem, quoted in Resp. Maharam of Rothenburg, ed Lemberg, no. 423).

These had to be "knowledgeable in the tax" so as to assess each individual according to his assets (Teshuvot Ge'onei Mizraḥ u-Ma'arav, no. 205). Sometimes the city elders and judges who were knowledgeable in all local transactions would prepare a "deed of comparison" (shetar hashvayah) so as to "compare between them and see how much tax or charity each would have to pay and thereby avoid dispute among the taxpayers" (Sefer ha-Shetarot of Judah b. Barzillai)

After assessment of the tax a shetar pesika (a written decision) would be written to the effect that the communal leaders had determined that X was to pay so-and-so much tax each year and that no one, not even the court or the communal leaders themselves would have the authority to vary such a determination.

Those known to be below the poverty line were not assessed.

Use of Tax Revenues

1. To pay taxes imposed on the Jewish community by the external governor/government;
2. To provide for educational institutions and students;
3. To pay religious functionaries and judges;
4. To pay for general communal needs, e.g., upkeep of a synagogue, purchase a Torah scroll for the community;
5. To provide food allotments to the indigent a daily basis (*tamhui*) or for the slighty better off, meal for the Sabbath (*kupah*);
6. To provide for other needs of the poor besides food, e.g., shoes, shelters, entry fee to a bathhouse, etc.

The Kahal and Fair Market Prices

1. ‘"market officers are appointed to [supervise] measures, but no such officers are appointed for [supervising] prices,*"*

it is followed by the opinion that

*"*market officers are appointed to [supervise] both measures and

1. Commentary:

Rashbam [Rabbi Samuel ben Meir, twelfth century commentator from Northern France:

“Market officers are not appointed to supervise prices and prevent merchants from selling high: it is logical that this is not necessary, for if one wants to sell at a high price, another who needs money will sell more cheaply, all the buyers will go to him, and the first will be forced to sell cheaply.”

Medieval Codes decide in favor of market supervision and setting fair market prices:

1. …if anyone raises market prices or hoards fruit in the Land of Israel or anywhere that Jews are in the majority, it is equivalent to his lending money for interest [which is strictly forbidden].” (Maimonides, *Mishneh Torah*, Laws of Sale 14:1)

The courts must appoint supervisors to regulate market prices, for it is unjust for someone to profit unreasonably from products that are life necessities like wine, oil, and flour. In such a case, a profit of 1/6th above the market price is permissible. If, however, prices rise, the merchant may sell at the higher rate

Anyone who ignores the fair market price and sells at higher than the allowable percentage of profit (1/6th) may be given lashes and punished appropriately. ….(Shulhan `Arukh, Hoshen Mishpat, 231:20-21)

Competition: Fair and Unfair

[Bava Batra 21b:4-11](file:///C:\Bava_Batra.21b.4-11)

Rav Huna said: There was a certain resident of an alleyway who set up a mill in the alleyway and earned his living grinding grain for people. And subsequently another resident of the alleyway came and wished to set up a mill next to his. The *halakha* is that the first one may prevent him from doing so if he wishes, as he can say to him: You are disrupting my livelihood by taking my customers...

Rav Huna, son of Rav Yehoshua, says: It is obvious to me that a resident of one town can prevent a resident of another town from establishing a similar business in the locale of the first individual. *However*, if he (the second mill owner) pays the tax of that town (just like the original owner), then the original owner cannot prevent competition from doing business there, as he too is considered a resident of the town.

Shulhan `Arukh 228:18

A merchant may lower his price below the standard market price to induce customers to purchase from him. His competitors may not object.

Shulhan `Arukh 156:7

Non-residents may not sell in a town or city as merchants. Gloss of Rabbi Moses Isserles: This rule applies only when the non-resident sells the same quality product at the same price as the local market. If, however, he sells a better quality product or at a lower price, since this benefits the customer, he may do so and the local sellers cannot legally object.

Darkei Moshe, Tur 156:4

One is prohibited from opening a business that completely ruins an existent one.