

CURRENCY, FINANCE AND BANKING IN JUDAISM. [3]

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As long as currency was coinage of precious or semi-precious metal, the halachic problems were only about the relative strengths of those metals. The more plentiful the metal was, the more it resembled a commodity relevant to other scarcer and therefore more precious metals. Trade in currency was then to be halachically regarded just as other cases of buying and selling. Silver could purchase copper and gold could purchase silver subject to the regular rules of halachic commerce. However, international war, the expansion of international trade in the 17th century and the industrial revolution of the 18th, led to a great demand for money. This outstripped the supply of precious metal and thereby to a shortage of coinage. National governments began to issue paper bills as evidence of the state's liability and its ability to meet those liabilities. The commercial value of such bills was at first backed by the supply of precious metal held by that particular state which undertook to redeem them on demand. That supply also backed the halachic acceptance of the paper as money. However, governments spent more and more so that they soon lacked the precious metals to back their currencies. The Chatam Sofer in the 19th century wrote that this paper became halachic money both because states underwrote them and also since the traders accepted it in return for goods and services, even though there

was no metallic basis for the currency. His reasoning has remained intact to this day. The differences in the exchange rates now depends solely on the economic performance of the countries involved. There are halachic effects of these differences on credit in trading transactions but also on the credit and capital markets. Basically all of them entail on the Torah's injunction against interest.

To the economist and to the financier, interest is basically payment for the lender's loss of the alternative use of money. In contrast, the Torah uses the passage of time as a measure rather than risk or relative profitability so that any payment solely for the elapse of time is considered interest. Therefore Torah interest exists irrespective of any profit or loss and it is forbidden even when it is to the monetary benefit of the borrower who cannot argue that he wishes to pay interest.

The injunction against earning interest by the lender or creditor is viewed favorably by those concerned with the welfare of the borrower who is usually the poorer party. However, the Torah links the injunction with the Exodus which implies a further non-financial dimension which is beneficial also to the lender. He thereby comes to see his welfare as dependent solely on Hashem rather than his own efforts, cleverness or luck.

Both Islam and Christianity borrowed the injunction against interest from Judaism, however they failed to inherit its basic view of the subject. This failure is shown by the fact that neither of them have our positive mitzva of the

interest free loan. We regard it as quite normal and moral to be paid for the use of our capital when we rent it out in the form of real estate or equipment. However we forbid payment for the use of that same capital in the form of monetary loans, even though we know that in economic and financial terms they are similar.

The Torah wishing to purify the Jews could have simply forbade profiting from supplying capital in the form of money and these two religions inherited this from us. However, not only does Torah forbid taking payment for the use of our money, but it mandates our losing some by making interest free loans. This purifies the Jew by forcing him not only to give charity but also to lend his money interest free to other Jews. As often as not even though it will be used by them to compete with him. This is truly gemilut chesed not charity and was practiced widely during the massive Jewish emigrations of the 19th and 20th centuries.