

# Business in between Cultures: The Development of Islamic Finance

## The Jewish Ethics of Interest

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# Exodus 22 : 24-26

- 24 If thou lend money to any of My people, even to the poor with thee, thou shalt not be to him as a creditor; neither shall ye lay upon him interest (*neshekh*).
- 25 If thou at all take thy neighbour's garment to pledge, thou shalt restore it unto him by that the sun goeth down;
- 26 for that is his only covering, it is his garment for his skin; wherein shall he sleep? and it shall come to pass, when he crieth unto Me, that I will hear; for I am gracious.

# Leviticus 25:35–38

- 35 If your brother becomes poor and cannot maintain himself with you, you shall support him as though he were a stranger and a sojourner, and he shall live with you.
- 36 Take no interest (*neshekh*) from him or profit (*tarbit*), but fear your God, that your brother may live beside you.
- 37 You shall not lend him your money at interest (*neshekh*), nor give him your food for profit (*tarbit*).

# Deuteronomy 23 : 20-21

- 20 Thou shalt not lend upon interest to thy brother: interest of money, interest of victuals, interest of any thing that is lent upon interest (*neshekh*).
- 21 Unto a foreigner thou mayest lend upon interest; but unto thy brother thou shalt not lend upon interest (*neshekh*); that the LORD thy God may bless thee in all that thou puttest thy hand unto, in the land whither thou goest in to possess it.

	<b>What</b>	<b>Who</b>	<b>Why</b>	<b>How</b>
Ex. 22:24	Money	my people	poor	neshek
Lev. 25:35	Money/Food	your brother	poor	neshek and tarbit
Deut. 23:20	Money/Food or anything	your brother, but not a foreigner	not stated	neshek

Hillel Gamoran “The Biblical Law against Loans on Interest”  
Journal of Near Eastern Studies, 30/2 (1971), pp. 127-34.

# Talmud: Tractate Bava Metzia 64b

- One who makes a loan to his fellow may not dwell in (the borrower's) courtyard gratis, nor may he rent it from him for less because this constitutes ribbit.”
- If given a productive asset as lien, the profits need to be deducted from the principle.

# Maimonides: Mishneh Torah, Laws of Charity 10:7–14

“There are eight levels of charity, each greater than the next:

[1] The greatest level, above which there is no greater, is to support a fellow Jew by endowing him with a gift or loan, or entering into a partnership with him, or finding employment for him, in order to strengthen his hand until he need no longer be dependent upon others . . .

# Maimonides: Mishneh Torah, Laws of Loans Ch. 5 Halacha 11

- It is forbidden to pay interest before taking a loan or to pay it afterwards. What is implied? If a person thought about receiving a loan from a colleague and sent him presents so that he would grant him the loan, this is considered to be paying interest before giving a loan.

If he took a loan from him and returned the debt, and then sent the lender a present for the fact that his money was in his possession without his receiving any benefit, this is considered as paying interest afterwards.

# Maimonides: Mishneh Torah, Laws of Loans Ch. 5 Halacha 12

When a person who borrowed money from a colleague would not ordinarily greet him first, it is forbidden for him to greet him first. Needless to say, it is forbidden for him to praise the lender in public or go to his home. These prohibitions are derived from the phrase Deuteronomy 23:20: "All types of neshech"; even words are forbidden.

Similarly, it is forbidden for the borrower to teach the lender Scripture or Talmud ...

# Summary

- Interest is prohibited NOT because it is inherently wrong to expect a return on a loan, but because each Jew is obligated to regard his fellow Jew in need as a member of his own family.
- Interest free loans are considered a vital way to improve the economic health of the community and are preferable to charity