

“Interest”
Parashat Mishpatim
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I would like to start my remarks this morning with a confession: Not only did I transgress one of the laws included in today’s parsha but I did so with great passion and perseverance over a period of more than a decade. The law I transgressed is stated clearly in chapter 22 verse 24: “if you lend money to my people, to the poor among you, do not act toward them as a creditor; exact no interest from them.” This law appears not once but three times in the Torah. In Deuteronomy, the prohibition against lending money with interest is accompanied by a clause that could have given me an out. It says, “unto a foreigner you may lend with interest.” While my work involved lending primarily to indigent communities in Latin America, to non-Jewish borrowers, I would have enthusiastically embraced the opportunity to focus on small business loans within the Jewish community.

Before going to Rabbinical School I worked at ACCION International, a micro-finance organization that made very small loans to street vendors, seamstresses, mechanics etc., primarily in Latin America. ACCION focused specifically on the poor and we were pushing the envelope in the field of microfinance by insisting that lending to the poor at market rather than subsidized rates of interest was the strategy that made the most sense in fighting poverty. Our clients were men and women with small businesses who had neither the collateral nor the audited financial statements to convince a bank of their credit worthiness. The loans were extended by NGO’s or non-governmental organizations that had developed a unique methodology for lending to this sector, consisting of solidarity groups. These groups were composed of individuals who came together to borrow money for their own businesses but were collectively responsible for repaying the group loan. In charging market rates of interest to the poor, ACCION’s argument was twofold. First, the market rates of interest that ACCION was charging provided an important economic benefit to the borrower since they were significantly lower



than the alternative source of credit available to micro-entrepreneurs from loan sharks. Secondly, ACCION argued that the micro-finance institutions needed to achieve financial self-sufficiency in order to provide assistance to this sector on a long-term basis rather than until donated monies dried up. When this battle over the appropriate rate of interest was won, ACCION embarked upon an even more daring strategy. In an effort to truly have an impact—to reach hundreds of thousands of micro-enterprises, ACCION decided to establish for profit banks solely dedicated to the microfinance sector. The first such bank was established in 1992 in Bolivia and since then, this model has expanded throughout Latin America. ACCION understood that in order to achieve a quantum leap in the number of clients we were servicing, we needed to access an unlimited pool of capital. In charging market rates of interest we were able to offer attractive returns to those investors who put their money into these micro-finance banks, allowing us to reach thousands of borrowers with small-scale loans that truly changed lives. I believe we succeeded in doing what Maimonides, in his Mishneh Torah outlines as the highest form of tzedakah, providing the means for economic independence - whether by teaching someone a trade or helping him establish a business.

So, what do I make of the biblical injunction against lending money to the poor with interest? I believe that it is imperative to understand the context in which these laws against charging interest to the poor came about. It is important to note that the law against charging interest on loans excluded foreigners from this prohibition. The foreigner would most likely have been a traveling trader who borrowed money for a business endeavor. In contrast, lending money to a fellow Israelite would have meant extending credit to a needy farmer or craftsman who had fallen on hard times. According to scholars, interest rates in the ancient Near East were extremely high—20 to 50% was not uncommon. The biblical law wisely recognized that an interest-bearing loan, especially at such high rates of interest only aggravates poverty unless it is used to finance a productive activity. Moreover, the consequences for non-payment were serious, including enslavement of the borrower and his family. The intention of the biblical law was therefore, to force the prosperous to help the indigent, if not by outright gifts then by free loans.

During Talmudic times the sages extended the prohibition against interest bearing loans beyond its initial parameters. For example, they considered not only the lender but also the debtor, guarantor and witnesses to the loan as violators of the

prohibition. However, in response to changing economic circumstances—primarily the movement away from a purely agrarian economy, the sages also sought ways to validate transactions that fell within these lending prohibitions. They designed evasions, which subsequently served as precedents for the legalization of transactions involving interest.

In medieval Europe the rabbis once again responded to the circumstances of their times. When Jews were barred from most professions, the rabbis created legal instruments enabling a lender to appear as a silent partner in a business transaction. The permission of that type of “deal” or iska became quite universal and served as a major instrument for credit transactions among Jews. This instrument is still in use today.

How do we make sense of these legal or halakhic changes enabling Jews to lend to each other and to non-Jews with interest? There is a beautiful midrash that I believe helps us understand the evolutionary process within halacha. The rabbis compared Torah to a gift of flax given by a king to two servants before he set out on a journey. “Who is the faithful servant” asks the midrash: “The one who has a bag of flax to give to the king upon his return or the one who has woven the flax into a beautiful garment?”

Each generation must weave a garment for its own time. This requires that we first understand the context within which the biblical laws came about in order to better appreciate their intent. In the case of the biblical prohibition against lending with interest, its intent is clearly to help those who are in need and to avoid aggravating their situation. I believe that in my work at ACCION, I was always true to the intent of this law. In fact, I attribute my passion for the work I did at ACCION International to a commitment to Torah and its teachings about the dignity of all people.

As I mentioned earlier, in devising an instrument for lending with interest the sages used the language of partnership. I believe this language of partnership is central to the topic I have been grappling with this morning. Partnership describes the approach that our tradition emphasizes with regards to those in need; which lies in recognizing the dignity of the Other and assisting him to achieve economic independence. But the language of partnership should also inform our approach to

the laws we have in our sacred texts. We must continuously engage with these sacred texts so that the garment we weave from Torah is one that we wear with pride and reverence and that embraces us with our dreams for a more just and equitable society.