

## **Israel: The Perfect Economic System?**

by Rabbi Dr. Nachum Amsel

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We live in an era when new nations are constantly forming. New citizens and leaders of these nations are searching for the "perfect" economic system and government structure that will simultaneously meet the needs of the individual and those of society. During most of the last hundred years, serious people have debated about which economic system would best serve the needs of all people. Many favored the capitalistic system because it provides citizens with an incentive to work hard, encourages creativity and inventiveness, and promises enormous rewards for that creativity and hard work. However, in a purely capitalistic system unemployment inevitably develops when supply outstrips demand, and, through no fault of their own, hard working people often find themselves without jobs and without income. In addition, the capitalist system tends to help the rich get richer while the poor tend to get poorer. Even the United States, the bastion of world capitalism, has found it necessary to adopt numerous social programs, such as welfare, social security, food stamps, etc., to help correct these weaknesses. But the success of these programs has been rather limited in eliminating poverty or the cycle of poverty.

The communist system was the other great economic system adopted by many nations during the twentieth century. Unlike, capitalism (in theory), it was fair to all, with everyone sharing equally. No one could be totally poor in this system and no one would go hungry. Unfortunately, weaknesses soon became apparent. Because there was no real incentive for the individual to work hard and take pride in his or her work, production was slow and products were inferior. Individuals were constantly tempted to grab more power for themselves. It was these very weaknesses that caused the eventual breakdown of communism as a system in the Soviet Union. Even in the Kibbutz movement in Israel, which is a much more successful model of the commune, similar problems and weaknesses have come to light. While the first generation Kibbutzniks took pride in their ability to "create something from nothing," many second generation Kibbutzniks often have had little incentive to merely maintain the status quo, and many children of the founders of the Kibbutzim left to "make a mark of their own."

Long ago, the Torah suggested an economic model which seems to have components of both the capitalist and communist systems and which attempts to overcome the inherent weaknesses of both systems, even though neither capitalism nor communism, as we know it, had yet been developed when the Torah was given. It should be noted, however, that the Torah's economic system, as well as its moral system, was based on voluntary compliance with its laws, as well as an intrinsic honesty by all its citizens, which did seem to exist as a workable economic structure for many years.

### **TAXES IN THE TORAH'S ECONOMIC SYSTEM**

A chronic complaint of citizens of all countries is that the taxes are too high. While it is true that the communal needs were different and that Jewish society which was basically agrarian, there is much to be learned from the tax system based on the Torah. What was that system?

Taxes were given in produce, rather than money, since that was the commodity of trade in the agrarian society. The first tax of 1%-2% of produce went to the Kohen (Priest), as did the very first produce of each year, including cattle.<sup>1</sup> After the Kohanim-Priests, who were small in number, received their "share," the Levites were given 10% of the remaining crops (9.8% of the original total).<sup>2</sup> These were the community workers of the Jewish people. In years 1, 2, 4, and 5 of the seven year cycle, the next 10% (8.9% of the original) was taken by the person himself and had to be used or eaten in the holy city of Jerusalem.<sup>3</sup> In years 3 and 6 of the seven year cycle, that second 10% of what remained (8.9% of the original) went to the poor.<sup>4</sup> A half shekel (a relatively small sum, which also was used as a means of taking a census of families) went to the Temple each year to pay for the upkeep and public sacrifices.<sup>5</sup> Ten percent of all cattle also had to be given as a tax as well.<sup>6</sup> Therefore, in summary, only eleven percent of all crops had to be given as taxes in years 1, 2, 4, and 5, while twenty percent of all crops had to be given as tax in years 3 and 6.

In addition to these "taxes," there were other smaller "taxes" that had to be given to the poor, but were much more subjective in amounts. A small corner of the field was required to be left for the poor. The size was not specified and, working under an honor system, the poor were to come by at night and take grain, so that they should not be embarrassed by being seen. Apparently, the system worked and no thieves came and took what belonged to the poor. In addition, if a sheaf of grain was accidentally left behind and forgotten or grain was accidentally dropped, neither the workers nor the owner could go back for that grain, and it had to be left for the poor as well.<sup>7</sup> (Of course, in years 1, 2, 4 and 5 the poor also got an additional 8.9% of the produce.).

### **CIVIL SERVICE**

The entire tribe of Levi and the Kohanim-Priests, who were a small percentage of that tribe, were not permitted to own any land.<sup>8</sup> They lived in forty-eight cities spread around the country. They were the civil servants of the Jewish people, as mentioned above. They performed all the service in the Temple as well as all the other public needs at that time (such as fixing roads). They received their "income" through the "taxes" of grain and cattle given by the people. In addition, the Priests who served in the Temple (there were twenty four shifts each of two weeks annually, and on the holidays all priests served) were able to eat portions of most the sacrifices that were brought.

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<sup>1</sup> Numbers 18:13-15

<sup>2</sup> Leviticus 27:30 and Numbers 18:24

<sup>3</sup> Deuteronomy 14:22-23

<sup>4</sup> Deuteronomy 14:28-29

<sup>5</sup> Exodus 30:12-15

<sup>6</sup> Leviticus 27:32

<sup>7</sup> Leviticus 19:9-10

<sup>8</sup> Numbers 18:20 and 24

### **SHEMITAH YEAR**

Every seventh year, the entire Jewish people were not permitted to work the land,<sup>9</sup> and, essentially, had to put their trust in G-d that He would provide enough for two years' worth of produce. This was a special miracle that G-d guaranteed in the Torah that they would not starve.<sup>10</sup> (See chapter, [Does G-d Exist?](#)). This would be unworkable in a modern secular society.

What did all the Jewish people do during that year, since they could not work the land and essentially had nothing else to do? The Rabbis teach (Rabbi Tzadok HaKohein, Pri Tzadok, Parshas Behar, *Os Hey*) the Shemitah year was given to enable the Jews to have the freedom to study Torah the entire year. Thus, while putting their trust in G-d to give them food, they also grew spiritually during this Sabbatical year. (This is the origin of the modern concept of Sabbatical, in which some educational institutions realize the importance of educators and other professions who "recharge their batteries" every seven years by taking off a Sabbatical year.) At the end of this year, during the following holiday of Sukkot, the king would gather the entire people and also teach them Torah.<sup>11</sup> The overall effect would be that the people who had been so involved in their "business," would begin to understand another, immersed in the spiritual side of life when they were forced to take a break from the regular pattern of work. In addition, it is important for the people to comprehend that not everything depended upon them, but upon G-d. Although this does not relate directly to the economic system, then or today, these ideas played a very important role in the overall attitude of the people to money and the economy.

There was another important law that related to the Shemitah year: all debts were automatically cancelled.<sup>12</sup> Knowing the year Sabbatical year was coming would obviously impact upon the way people loaned money (it should be noted that all loans were required to be given without interest<sup>13</sup>). The impact, however, upon those who received loans that were forgiven is that it gave them a chance to begin again, in a certain sense, every seven years. The cycle today of the poor becoming poorer through bad debts and accumulated debts could not even begin, because everyone knew that loans would be cancelled at Shemitah. Unfortunately, this part of the system eventually became unworkable because as people stopped loaning as the seventh year approached. Since loans are an integral component of every business economy, many of hundreds of years after the giving of the Torah, Hillel effected a change within the system. All loans were automatically converted to loans by the court, which could be continued after the Shemitah year and not cancelled. Thus, all loans continued to be legally in force even after the Shemitah year.

### **YOVEL (JUBILEE YEAR)**

This special year, with its unique laws truly gave people a chance to begin economic life anew. When the Jews came into the Land of Israel, the land was apportioned to each family by tribes. During each fifty-year cycle in the Jubilee year, land was then bought and sold as in any real estate market in a capitalistic society. However, everyone knew that at the end of the fifty-year cycle the land would return to

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<sup>9</sup> Leviticus 25:1-6

<sup>10</sup> Leviticus 25:19-22

<sup>11</sup> Deuteronomy 31:10-13

<sup>12</sup> Deuteronomy 15:1-2

<sup>13</sup> Deuteronomy 23:20

the original owners.<sup>14</sup> Of course, the price of land bought and sold would greatly be affected according to how close it was to the Yovel year.<sup>15</sup> But a much more important psychological benefit occurred under this system. Each person, no matter how poor and no matter how much in debt, knew that as the Yovel year came, he and his family would have a chance to start over. This is indicated in the Torah itself,<sup>16</sup> where it clearly implies that Judaism does not desire anyone to become too indebted to another person. Therefore, in addition to all land returning to the original owners, all Jewish servants also went free at the Yovel year. In a similar manner, all the people who became very wealthy in real estate transactions by using their business acumen, also knew that as Yovel comes, the wealth gained from land ownership would disappear. And since the land was the main occupation and income of the people of that society, no one could become too rich for too long or over a sustained period.

This clearly was G-d's goal in setting up this system. The Torah specifically says<sup>17</sup> that the land shall not be sold in perpetuity because people should realize that the land belongs to G-d, not to them. The people are only sojourners with G-d, i.e. the connection with the land (and to life in general) is only temporary.

There are many more details of this economic program, but the essentials outlined here help us understand how, in essence, the Torah's economic society tries to combine the best of both economic systems of capitalism and socialism. The Torah does encourage competition and the initiative to try to become wealthy. Judaism does have a positive outlook upon accumulation of wealth (see the chapter about [Wealth](#)). Thus, the Torah does essentially advocate a capitalistic society. However, the Torah also recognizes the dangers in letting the capitalistic society continue unchecked, leading to a society where a general insensitivity to the worker can develop and a real possibility exists that many people will wind up in inescapable poverty. Therefore, certain breaks were put on the system in order to prevent the poor from becoming too poor too quickly (the severing of loans every seven years), and the ability of every person to break the inevitability of remaining poor without hope (by giving a person a chance to begin again with land at Yovel). The system also attempts to have a moral impact as well, by "forcing" everyone to stop for a year to in order explore interests that are not economic, and to realize that everything essentially depends upon G-d's will.

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<sup>14</sup> Leviticus 25:10

<sup>15</sup> Leviticus 25:15-16

<sup>16</sup> Leviticus 25:39-41

<sup>17</sup> Leviticus 25:23