

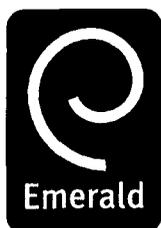
*International Journal of*

# Social Economics

**Ona'ah**

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*International Journal of Social Economics*

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# Ona'ah

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*Keywords* Fraud, Pricing, Economic growth, Co-ordination

*Abstract* Ona'ah is a Hebrew word indicating the Jewish Talmudic law which, according to various interpretations, proscribes both fraud and over-charging. The present essay sharply distinguishes between these two concepts, accepting the former as legitimate but rejecting the latter on grounds of economic inefficiency and property rights violations.

Ona'ah is a Talmudic prohibition against charging "excessive" prices, and earning "exorbitant" profits[1]. Specifically, in order to comply with this law, prices are to be at such a level that profits are no higher than 16 per cent[2].

The problem with all such controls is that prices (e.g. rates of exchange between two goods, or one good and money) have a crucial role to play in an economy. It is no exaggeration that they are the only way a large-scale society can function. Indeed, the sole alternative to prices is central planning[3]. Happily, ever since the unraveling of the Soviet Union, most people are properly suspicious of government intervention into the economy[4].

Suppose that for some reason there is a surplus of carpenters and a shortage of plumbers. The way the price system handles such a challenge is simplicity itself. The wage of carpenters falls, and that of plumbers rises. This leads people who have or can attain both skills to switch from the former to the latter. Similarly, if there is a great demand for carrots and small demand for corn relative to supply, the price of the former will rise and that of the latter, fall. This will again tend to lead entrepreneurs, as if by an "invisible hand"[5], to tailor their offerings to the wishes of consumers. The higher price of carrots will call forth more of this vegetable, and the lower price of corn will reduce incentives to bring that product to market, at least on the part of all those who attempt to maximize their returns. As for those who ignore these market signals, other things equal they will become bankrupt. It is in this way that a decentralized market can function in a rational manner without any central direction at all. This may not seem important to all, but it has great importance for our welfare; no less than the feeding, clothing and sheltering of the human race is at stake.

Controls, of course, prohibit the movement of prices (without government permission). But by the time the bureaucrats merely discern the difficulties in relative supply of carpenters and plumbers, or corn and carrots, to say nothing of the hundreds of thousands of other items in a modern economy, there is no possibility of rectifying matters and attaining a smoothly functioning economy[6].

In this regard Ona'ah is not a total disaster. Instead of preventing such price changes, it merely retards them. This Hebraic law allows only those changes at















