

# Israel and the Diaspora; Economics and Philanthropy

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*Could not community foundation funds and non-profit agencies in Israel become partners in an investment process?*

**P**HILANTHROPY and economic investment in Israel by Diaspora Jewry have played a necessary and historic role in shaping the maintenance of Israel's economic welfare since the creation of the State. Early in the 1950's, one could question the very future of the State of Israel as a result of the economic instability which resulted from the greatest absorption experiment in the world's history.

Such a dire possibility is not the case today, although Israel faces a grave economic crisis, with approximately one-third of its budget devoted to debt service and another one-third to defense. Yet there are structural limits to budget cutting. Entitlements to the elderly, as well as to widows, orphans, and veterans must be protected when budget balancing cuts are considered.

Israel's economic issues are basic to the nature of Israel itself. Israel has been and is a welfare society. Likud, at the height of its power and as committed as it is to free market rhetoric, shared many more assumptions with labor vis-a-vis the role of government helping its citizens than do the Democratic and Republican parties in the U.S. In fact, Americans are not generally familiar with the structural differences between Israel and the United States.

As an example, the power of labor unions in Israel, particularly Histadrut, which is one of the largest *employers* in Israel, has no counterpart in the United States. The right to a job is real in Israel.

There are safeguards that guarantee jobs to people in most cases. Underemployment has allowed people to hold more than one job as a way of coping with financial stress. The sheer enormity of the cost of social benefits to employers, coupled with the added inefficiency which results from the required 30 to 60 day annual reserve army duty for almost all males, would shock the average American.

Guarding the economy has been a highly centralized and benevolent government on which every citizen, town and city must depend for most phases of private and civic life. Every aspect of socio-economic activity—lower and higher education, synagogues and rabbis, social and recreational services, most businesses, banking, housing, tourism, shipping, communication systems and transportation—is controlled, regulated, operated, and . . . or owned in part or whole by and through governmental bodies. Nearly 90% of all the land in Israel is owned by the government or a government related entity. Nearly all government agency and even some private sector salaries are set centrally.

Against this background of Israel's unique economic structure, it is possible to suggest that several redefinitions of the economic relationships that exist between Israel and Diaspora might be in order.

The heart of any discussion about Israel-Diaspora relations is the past, current, and possible future role of

philanthropy and economic support which Diaspora Jewry has provided to Israel. Diaspora philanthropy in the early days of Israel was almost as essential as the spirit and titanic struggles of the Israelis themselves. The fledgling country depended on loans and contributions amounting to more than 40% of its G.N.P. of less than 2 billion dollars.

The present reality is that all aid from abroad, including U. S. Government grants and loans and private grants and loans (Israel Bonds), amounts to less than 15% of the current government budget of over 23 billion dollars. Thus, the impact and purpose of philanthropic and economic support from abroad are clearly different today. Yet, precisely because philanthropy is not expected to and cannot provide the funding for ongoing government functions, it has been possible to direct the use of philanthropic funds with greater precision and within the framework of the more comprehensive plans of social and economic development.

Perhaps as much as one-half of a billion dollars are philanthropic contributions to all manner of "non-profit" organizations in Israel—Yeshivot, hundreds of small non-profit health and welfare organizations, and, above all, the services supported through the Jewish Agency.

Most of the funds are funneled through the Jewish Agency which functions as a kind of second government that provides services, by law, that in other countries are either government functions or left to the accident of private efforts. The present struggle between American Jewish leadership and the Israeli leaders of the Agency grows out of American Jewry's push for personalization and accountability within the Agency. It is also a struggle against centralization in the Israel style by Jews abroad as well as their desire for

more involvement in the decision-making process.

The drive to install new accountability measures will quickly affect economic investment *and* philanthropic contributions, and lend credibility to the operations of the economy. This is particularly important in view of the call for a billion dollar investment by Prime Minister Shimon Peres which was made at the meetings of the Jewish Agency leadership. A commitment to investigate the Israeli economy was signed by these professional and lay leaders, rather than, for example, by the leaders of Israel Bonds. It was no accident that at these meetings, philanthropy was no longer considered as an auxiliary contribution to the economy. The economic realities call for heroic and innovative responses to the near desperate problems of the Israeli economy.

One result of this realignment of economic leadership will be increasing pressures to bring American business methods into the administration of philanthropy in Israel even as they are already evident in America. (I realize that Israel-Diaspora relations encompass other axes than the American but the American influence will continue to dominate among Diaspora communities.)

In addition to controls and a general commitment, there are other benefits that may develop from a productive recasting of the relationship between American philanthropy and the various sectors of the Israeli economy.

A development only now emerging in American Jewish communities may prove feasible in Israel. American Jewish nonprofit agencies have suffered heavily as a result of the recent recession, inflation, and withdrawal of long counted upon public funds. The most creative and imaginative of these agencies have come to realize that they can-

not count on contributions alone to replace lost income. Instead they have moved, gingerly in some instances, boldly in others, into profit-making operations. Some have created profit-making subdivisions as a source of income to support the central mission of the non-profit Federation.

Given this kind of thinking, two proposals bear exploration. The first is the development of new combinations of the private and public sector in Israel.

The Diaspora Jewish community's primary philanthropic instrument in Israel has been the Jewish Agency. With the Agency functioning as a second government with official government sanction and tasks, there has in addition emerged a new private sector in Israel. We may well have here the beginnings of a sector of private giving that parallels American communal philanthropy. If so, this newly developing sector could be encouraged by the Israel government using it increasingly as a contractor for services. Thus, in the same way as the government has agreed to let certain traditional tasks be performed by the Jewish Agency on its behalf, the new sector would be asked to take on assignments or provide new areas of service. These enterprises, which would also depend on lay leadership emerging in Israel, would strengthen the volunteerism which is sorely needed in Israel.

Community centers in Israel are a prime example of this new kind of agency in Israel, which is in turn an example of this new sector. These Centers are a hybrid of non-political, governmental, and non-governmental partnerships which deliver new services to the population. This combination of economic resources includes private and public funding from Israel and private funding in the form of investment *and* contributions from abroad. These new structures could be extended into the

fields of housing and health. The lessons of Project Renewal at its best—the varying combinations of resource funding and planning as well as lay community leadership—suggest how new roles can be developed in planning, delivering and evaluating services in Israel.

In America, non-profit hospitals now provide some of their services at fees that throw off a profit. A possible transfer of this model begs for exploration. The ideology of Israel as a welfare state cannot be ignored but the premises of a mixed economy and partnership between private enterprise and the government or Histadrut in product industries also suggest possibilities in service industries.

In short, there are new ventures in economic vitalization that can be developed by promoting creative interaction among Israel's various economic sectors in cooperation with American resources and planning.

A second suggestion for revitalizing Israel's economy focuses on the creative use of American Jewish communal funds, in particular community foundations that have been established by many Federations throughout the country.

Federations in the United States now have foundations which have over \$800,000,000 in assets. Could some means be found to develop a matching fund whereby potential investors and the Jewish community foundations would combine funds for use in Israel?

Safeguards guaranteeing the integrity (capital?) of community funds would be required. Could not community foundation funds and non-profit agencies in Israel become partners in an investment process? Perhaps an investment corporation could be capitalized with a percentage of the stock held in the name of the non-profit organization in Israel.

Perhaps the results would be a board of Israelis and Americans, of entrepreneurs and non-profit oriented specialists. The vested interests represented by all of the forces would intersect. All of these would want the corporation to succeed.

Nor does Israel have to be a beggar or a silent, passive partner in this relationship. What are the total assets of the holdings of the Israel government, to say nothing of the Jewish Agency? Is a government which owns 87% of all the land in Israel incapable of new ways of controlling land use while divesting itself of land holdings? Does the divesti-

ture of a British Telecommunications and the pending sale of British Airways have any message for Israel? I suggest a selected divestiture of assets could result in making new funds available for investment.

Out of examining new ways to connect investment and philanthropic capital, relationships will be solidified, not weakened. Individual Federations in America and private, governmental, and non-governmental agencies in Israel have the potential of generating a new world of development that will create an economy that is vital and a healthy climate for investment.