

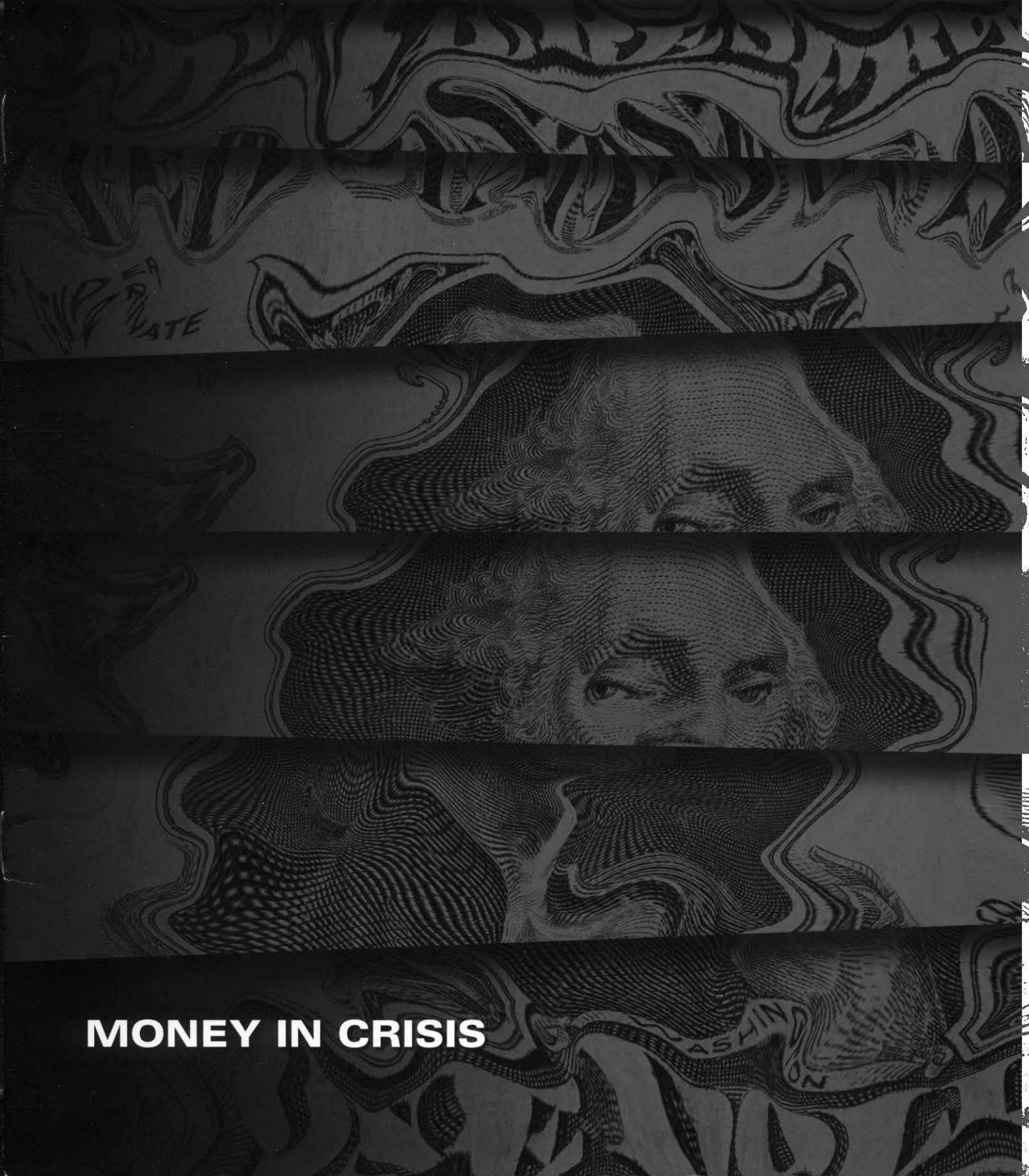


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**MONEY IN CRISIS**

# THE American Jewish Community IN Crisis AND Transformation: THE Perspective OF History

by JONATHAN D. SARNA

**A**s the Jewish community confronts an era of economic crisis and transformation, there is much that it can learn from previous economic downturns.

For instance, the Great Depression saw a widespread abandonment of Jewish education. The American Jewish community paid a big price for those declines. Those young Jews never made up what they lost. In addition, in the early years of the Great Depression, American Jewry turned inward and paid little heed to what was going on abroad, particularly in Germany. We were, as a result, less prepared as a community than we should have been for the terrible impact of world events. We need to be careful to avoid such mistakes this time.

On the positive side, Jews turned primarily to one another during the 1930s, relying on ties of faith and kinship to carry them through the hard times. Traditions of self-help and mutual aid overcame religious, ideological and generational differences within the American Jewish community. There is much that we can learn from this today. We have a huge

opportunity to remind Jews of the benefit of the idea that all Jews are family, that we help one another in need. We desperately need to relearn some of our traditional communitarian values, forgotten, in a few circles, during the years of plenty.

A second positive trend in the 1930s was the impact on Jews of New Deal programs and government centralization. More than anybody realized at the time, the Depression set the stage for the five-day work week and for growing government responsibility for social services. Together, these transformed postwar Jewish life in myriad ways. The New Deal also provided a model for growing centralization in Jewish life at the national and local levels.

Ronald Reagan, of course, reversed course at the national level when he became president in 1981. Under him, we began a project of decentralization: cutting taxes and shifting power away from Washington. The American Jewish community, as if in step, likewise shifted course away from central control by the United Jewish Appeal and the Large City Budgeting Council (which were also deemed inefficient, slow and unable to innovate), and it moved toward more local control. The community also moved toward its own version of privatization, which resulted in the growth

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of private Jewish foundations.

The Jewish community grew wealthy, along with the nation as a whole, in the post-Reagan era. Arguably, more Jewish wealth was created in those good years than in all of American Jewish history put together. And since much of that wealth was created by investors and venture capitalists, it is no surprise that they brought a venture-capital mindset into the

been disproportionately involved in banking and the stock market, and they were also disproportionately hurt by Madoff (\$2 billion, by one account, was lost by members of a single Orthodox synagogue). They also are heavy users of our most expensive Jewish institutions: synagogues and schools. Orthodox, as a result, may well suffer disproportionately in this downturn, with long-term

**3. Calls for higher standards of ethics and for greater transparency.** Madoff losses and nationwide dissatisfaction with executive salaries and perks are bound to have an effect on the non-profit world. Donors will demand more openness, less reliance on "the wisdom of the rich," and a higher general commitment to ethical principles and to transparent investments and spending. I suspect that salaries at the top will fall at foundations, federations, day schools, etc. In the short run, this will have no effect; people will be glad just to be employed. In the long run, it may deprive us of quality individuals who will prefer to work in the private sector.

**4. A power flow back to the center.** The Jewish community tends to follow national trends. Now that we again have a president who believes that government is a force for good and a force for change, I expect more efforts to promote greater communal cooperation and centralized planning.

**5. New focus on sweat equity.** In the absence of lots of startup money, young, creative, technologically savvy Jews will give time to causes that inspire them. We already see this in the minyan world. I expect we will see it elsewhere as well. As unemployment rises, the challenge will be to try to harness the available time of the unemployed for the benefit of the Jewish community.

**6. A communal turn inward.** Already, engagement with Israel is down, especially among the non-Orthodox. Notice how few of the recent Jewish startups are Israel related. Even the war in Gaza did not lead to mass fundraising for Israel — a historical first. As Birthright Israel takes fewer young people to Israel, we may find ourselves back in the old days of the Intifada when so many young Jews learned about Israel primarily from watching CNN.

**7. A simultaneous surge in aliyah.** Downturns in the United States generally promote aliyah. I expect an uptick in aliyah especially among the Orthodox and those who have already spent time in Israel, but did not think they could take the risk of moving there.

It behooves us to be humble as we try to imagine the future. Nobody in the wake of the great 1929 crash ever imagined that just twenty years later 6 million Jews would lie dead in the Shoah; the State of Israel would come into existence; American Jewry would move from the cities to the suburbs; anti-Semitism would drastically decline; and Jewish education would become a growing communal priority. I do not have high confidence that we can predict the future today any more clearly.

But this much I am prepared to predict: the economic downturn will come to an end, and the work of renewing and revitalizing Jewish communal life will resume. Let us hope this happens soon! ■

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American Jewish non-profit sector, promoting innovation and experimentation.

We also now know that the burgeoning number of Jews in hedge funds created a dangerous sense of overconfidence. We came to believe that smart Jews could make money whatever the markets did — up or down. Most of us could not understand how they made money, but thank God, if we were lucky, they would let us — for a price — share in the wealth. We could expect 10 percent returns almost guaranteed. That, in the end, paved the way not only for the great market crash, but also for Bernie Madoff.

At the moment, following billions of dollars in losses to Jewish endowments and a significant decline in annual gift giving, every sector of the American Jewish community argues that its services have to be preserved at all costs. More or less every program is too good to give up. The problem is that, aside from killing off CAJE, nobody has put forth serious ideas about how to cut the Jewish communal budget by one-third. That, however, might well be what we need to do. Foundations, even not taking into account the Madoff losses, are about one-third poorer than they were this time last year. If the downturn stretches into 2010, annual campaigns may be down by one-third as well.

Inevitably in downturns, the weak organizations are the first to fall. As Warren Buffett observed in his usual, colorful way, "you don't know who is swimming naked until the tide goes out." It is possible that, at the very least, some of the Hebrew colleges, many of the bureaus of Jewish education, several of the Jewish museums and other, shakier Jewish organizations will not survive this downturn.

Orthodox Jewish organizations are apparently in the worst shape. Orthodox Jews have

consequences for its future growth.

In addition, here are seven trends to watch:

**1. Mergers with non-Jewish institutions.**

We have seen several Jewish organizations that have either merged with, or contemplated merger with, non-Jewish organizations, including a JCC that merged with a YMCA in Toledo. Some Jewish day schools have discussed sharing secular classes and facilities with non-Jewish private or parochial schools. None of this could have happened in the 1930s, when anti-Semitism was so rampant. But today we are confident — maybe too confident — that we can make deals with non-Jewish organizations without losing an essential part of ourselves.

**2. Effort to re-engage small donors.** Until WWI, American Jewish philanthropy was in the hands of a small number of wealthy, elite Jews. With the catastrophe of war, the great desire of immigrants to aid relatives left behind led to mass philanthropy. For the next 60 years or so, philanthropy was not only a way to raise money, but also a form of Jewish identification. More recently, business-minded consultants persuaded federation heads to focus on big givers, for the sake of efficiency. The cost per dollar raised was much less with wealthy donors, they observed, and with only so much time to educate donors, they thought it was a better investment in time and resources to educate wealthy donors. As a result, over the past twenty years, the donor base, according to UJC, dropped from 900,000 to under 500,000. Fortunately, as was seen in the Obama campaign, new web technology has made it much easier to engage small donors cheaply and efficiently. The loss of some of our wealthier older donors makes the effort to re-engage small donors more urgent than ever.