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World Jewry and Israel–Economic Relations towards the Twenty-First Century

I.

Economic ties between Israel and world Jewry have never been of central importance. Other problems, such as Jewish education, Jewish identity, or even issues of solidarity with the political standing of Israeli politicians, have occupied more prominent roles on the agenda of Jews in the West and Israel. Nevertheless, one must realize the significance of matters of an economic nature as predictors and indicators of attitudes among the Jewish communities towards the State of Israel, its welfare, and its institutions.

Economic relations, though endogenous and related to intra-Jewish issues, are heavily influenced by external developments, often of a universal character, which affect the behavior of Jews. In fact, we assume that Jews are not only passive recipients of these developments, but also have played initiating roles in the promotion of innovative ideas, both in technology and in the creation of the necessary environment for the proliferation and adoption of many ingredients of ‘modern society’. The technological dimensions of recent changes in communications (fax and television), the computer and the Internet, and the dramatic breakthroughs in genetic engineering are just three scientific achievements which have revolutionized modern life.

Technology has brought people closer to each other. Boundaries have become easily passable, particularly for ideas and images. Geographical distances have been reduced to a matter of hours for travelers and to seconds for information. Consequently, the tastes, views, and even external appearances of people in different countries have tended to converge. This is the phenomenon of the ‘global village’.

The philosophical and social implications of this phenomenon are enormous. A number of ideologies which have gained strength during the last quarter of the twentieth century glorify the minimization of social responsibility for welfare. One conspicuous victim of these changes is the post–Second World War ‘welfare state’, which has been replaced by the sweeping application of the principle of cost efficiency. In economics, the emergence of ‘rational expectation’ theories is an additional indication of the existence of such postmodern thinking.

The substitution of ‘national’ reasoning in economics by large-scale universal efficiency arguments has encouraged the meteoric rise of multinational companies. Parallel to this, limited expectations from the public sector on social policy issues has reduced the role of the government, not only in the economy but also in monitoring public opinion. Demands for smaller government have obviously led to reduced national sentiments. Living in the ‘global village’ enhances feelings of ‘world citizenship’ in contrast to national loyalties. Such a spiritual milieu, characterized by unbridled economic rationalism and aspirations for immediate material gratification for the individual, have been demoralizing for religious aspirations and organizations.

These global developments are the ideological background for the unfolding relationship between the State of Israel and the Jews in the Diaspora.

II.

Let us consider some demographic and economic facts:

At the end of the twentieth century, there are about 13 million Jews in the world. Some 4.5 million of them live in Israel, the remaining 8.5 million in the Diaspora.¹ The economic conditions of most Jews in the Diaspora are good. In contrast to the world population as a whole, which is divided between citizens of developed countries (Europe, North America, urban Latin America, Australasia, and Israel), comprising about 40 per cent of the world population, and those of underdeveloped countries, comprising about 60 per cent, almost all Jews (99.6 per cent) live in developed and relatively well-to-do locations.

In more detail, the geographical distribution of Jews in the Diaspora is:

The West (Western Europe, North America, Australasia)	86.8 per cent
Latin America	5.0 per cent
Former Communist	8.2 per cent
Underdeveloped	0.3 per cent

The rich Western countries, with the vast majority of the Jews, are also the principal stage for the socio-economic transformations referred to above. Most Jews are therefore fully exposed to these changes, and some of them have heralded these modernizing cosmopolitan trends.

These processes are experienced not only by Jewish communities but also by other religious and ethnic minority groups in the Western world. Compliance with the ethos dictated by this civilization is very much 'in vogue' and the 'politically correct' thing to do. Jews have often become 'beacons' in this respect.

The major processes are:

ĩ The grinding down of religion and reduced membership of synagogues. "Most American Jewry identifies with one of the denominations."² However, "identification does not necessarily imply actual synagogue membership",³ and only about 44 per cent of all those identifying themselves as Jews declared belonging to a synagogue. "Orthodoxy has by far the highest . . . ratio of affiliation to identification",⁴ (80 per cent) as compared to less than 40 per cent among the non-Orthodox.

Among the affiliated, the most obvious expression is the frequency of synagogue attendance. Among Orthodox males, well over three-quarters attend their synagogues at least once a week, as compared to less than 5 per cent among the non-Orthodox. However, we are witnessing a diminution of Orthodoxy in the United States. Among the first generation of immigrants, over one-half were affiliated to Orthodoxy and less than 10 per cent to Reform synagogues. Among the present generation (the fourth), the ratios are 13 per cent (Orthodox) and 51 per cent (Reform). Development is by and large similar in other Western communities in Europe and Australasia.

¹ S. DellaPergola, 'World Jewish Population, 1996', in *American Jewish Yearbook* (New York, 1999), p. 482.

² P. Ritterband, 'The Social Basis of American Jewish Religious Organizations', in *Papers in Jewish Demography*, ed. U. O. Schmelz and S. DellaPergola (Jerusalem, 1993), p. 165.

³ P. Ritterband, 'The Social Basis', p. 166.

⁴ P. Ritterband, 'The Social Basis', p. 166.

2 The demographic development of most Western Jewish communities displays negative growth, indicating a long-term tendency of contraction. In the United States, studies based on cohort analysis⁵ show quite clearly that the average number of children in families where both parents (18–44 age cohort) are Jewish is related to religious affiliation: Orthodox, 2.5; Conservative, 1.9; Reform, 1.8.⁶ Since, as we have seen, Orthodoxy is declining and 1.8 children per family is below the rate of reproduction, it seems that demography alone suggests that the Jewish population in the United States is declining.

The situation is basically similar in other Western countries,⁷ while in Eastern Europe the rate of demographic change indicates drastic contraction of around 1.5 per cent annually.⁸ Positive demographic change among Jewish minorities in the Diaspora can only be traced in developing countries, such as the Arab world and the former Soviet Central Asian states. According to careful demographic prognostications, the number of Jews in the West could contract to 6.3 to 7.9 million by 2020.⁹

3 The opulent, middle-class Jewish family responded to the proliferation of privately owned motor cars and the desire to get away from the ecological hustle of crowded metropolitan centers by moving to the suburbs. ‘Suburbanization’ is not only a spatial move. It has important socio-religious implications, since it distances the family from Jewish communal institutions, such as the Jewish school, the synagogue, and the Jewish neighborhood. Suburbanization has proved an effective means of bolstering assimilation and impeding religious observance.¹⁰

4 The proliferation of higher education. In his essay on the sociology of Jewish education, A. Tartakover emphasized the ancient roots of endless study.¹¹ He was obviously referring to Talmudic studies, yet with emancipation the culture of learning has proved an effective means of penetrating secular society and succeeding in it.

Indeed, the proportion of Jewish students in secondary and tertiary education is generally far above most national averages.¹² “Such development turns the Jews in the Diaspora, increasingly, into a nation of liberal professionals, with the benefits and the drawbacks which go with it.”¹³ Tartakover considered occupational disequilibrium as the major drawback of over-qualification, since occupational resemblance was a major indicator of economic normalization among scholars in the pre-statehood years.

This study looks at the issue from a different angle. The university is the single

⁵ C. Goldscheider, ‘A Century of Jewish Fertility in an American Community: Cohort Trends and Differentials’, in *Papers in Jewish Demography*, ed. U. O. Schmelz and S. DellaPergola (Jerusalem, 1993), pp.129–44.

⁶ C. Goldscheider, ‘A Century of Jewish Fertility’, p. 139.

⁷ DellaPergola suggests that in 1996 the overall Jewish population in the Diaspora declined by 0.6 per cent. See note 1 above.

⁸ M. Tolts, ‘Some Basic Trends in Soviet Jewish Demography’, in *Papers in Jewish Demography*, ed. U.O. Schmelz and S. DellaPergola (Jerusalem, 1993), pp. 237–43.

⁹ S. DellaPergola, ‘The Jewish People towards 2020—Socio-Demographic Scenarios’, in *Israel 2020: Projections on Israel and the Jewish People*, ed. A. Gonen and S. Vogel (The Technion, 1996), p. 175. (In Hebrew.)

¹⁰ D. J. Elazar analyzed, as early as the mid-1970s, the impact of the motor car and suburbanization on religious observance and the Jewish community spirit. See D. J. Elazar, ‘The Community in its Environment: American Civilization, World Jewry, Contemporary Technology’, *Tefutsot Israel* 14, No. 2 (1976), p. 72. (Hebrew)

¹¹ A. Tartakover, *Jewish Society*, 2nd ed. (Tel Aviv, 1965).

¹² In Canada, for instance, the proportion of Jewish university graduates was 28.9 per cent in the 1980s. The second highest percentage among ethnic groups was 21.3 per cent, achieved by South Asians. See M. Weidenfeld, ‘The Political Demographic Environment of Canadian Jewry’, in *Papers in Jewish Demography*, ed. U.O. Schmelz and S. DellaPergola (Jerusalem, 1993), pp. 208–09.

¹³ A. Tartakover, *Jewish Society*, p. 237.

most important vehicle for the dissemination of modern post-national philosophies in the West. Therefore, the university is the single most important stage for inter-ethnic socialization and assimilation, particularly because a person's university years are often also the years during which he or she starts a family. Therefore, the university is the place where the greatest threat to Jewish identity, the phenomenon of 'mixed marriages', is forged.

All these factors and developments tend to weaken Jewish solidarity and the commitment of Western Jewry to the State of Israel. It is in the interest of all those individuals and organizations who consider the perpetuation of Jewish existence an important goal to mitigate the impact of these processes upon the community spirit of the Jewish people and the solidarity of world Jewry with the Jewish State.

III.

The State of Israel has gone through significant changes since the mid-1980s. The most important aspect of these changes is increasing integration into contemporary global trends, which includes increasing the integration of mainstream Israeli society into global spiritual trends. Today, Israel is a developed Western country, located in the Middle East.¹⁴ Israel's GDP is around USD 100 billion, which means an annual average income per capita of almost USD 17,000. Israel, from this point of view, is among the twenty-five richest countries in the world.

Israel has a large and efficient economy, fully integrated, financially and technologically, in the Western World. Multinational companies are intertwined in industrial activities in Israel, particularly in the most advanced technology. Israeli corporations pursue goals which are similar to those of major corporations in the West. Competitiveness, profitability, and rationality are the major, and often the sole, objectives of the captains of Israel's economy.

This was, however, not always the case. In earlier times—those of the 'National Home' and the early years of statehood—the economy was perceived as a tool of nation-building, of *aliyah* and absorption, and of the long-term consolidation of the Jewish State.¹⁵ Most initial conditions of the country, including its national resources and the economic characteristics of the majority of its people were, economically speaking, poor, so that comparative advantage in the production of almost any agricultural or industrial product could only be maintained at an unacceptably low standard of living. Consequently, it was tacitly tolerated that production was not really competitive and its cost higher than internationally accepted levels. The difference between what Jewish workers should have been paid and what they actually received was considered as the price of nation-building.

The cost of nation-building, beyond what was carried by those who lived and worked in Israel, was expected to be taken up by the Jews in the Diaspora. "After the renewal of Jewish settlement in the Land of Israel, close contact evolved between [Israelis] and Diaspora Jewry. It had an important financial aspect which was expressed in the transfer of money from the Diaspora to residents of the Motherland."¹⁶ The concept was one of partnership between

¹⁴ A. Rubner, in *The Economy of Israel*, written in 1959, argued at length that Israel was at that time a typical case of an undeveloped economy of the Afro-Asian type. Although often wrongfully critical, in this case there was some merit in his observations. See A. Rubner, *The Economy of Israel* (New York, 1960), pp. 230–41.

¹⁵ In 1960, D. Patinkin wrote: "the ultimate criterion by which the Israeli economy must be judged is its success . . . in integrating these new immigrants into its productive labor force". See *The Israeli Economy. The First Decade* (Jerusalem, 1960), p. 19.

¹⁶ Z. Herkowitz and D. Pines, 'Zionism and Diaspora Donations: A Theoretical Analysis', *The Economic Quarterly* 41 (May 1990), p. 65.

those who contributed their body and muscles to the reconstruction of the Jewish Homeland and those who contributed their money.¹⁷ “When the State was established, this connection was institutionalized and Diaspora’s Jewry . . . finances a not insignificant part of the public sector.”¹⁸ Economic assistance has taken various forms. Apart from the official and unofficial transfer payments through Jewish organizations, Jewish firms have often shared their professional skills and experience with their Israeli counterparts, with the explicit goal of modernizing industry in the Jewish State. The introduction of the now thriving cotton growing in Israeli agriculture is one example of many of this type of economic assistance. Investments and partnerships were established, not so much to maximize profit, as to support the economy of Israel.

The success of the Israeli economy in increasing its international competitiveness reduced the reliance of Israeli firms on such semi-philanthropic partnerships. The by-product, however, has been a parallel reduction in the sense of mutuality of interest with Jewish firms in the Diaspora. Economic rationality has become dominant, and has overtaken non-rational ‘Jewish’ considerations.

The most visible instrument of assistance given by Diaspora Jewry to Israel is its annual direct contribution to one of the official organizations designated to transfer money to ‘good causes’ in Israel operated, fully or partially, by funds raised among Diaspora Jewry. The projects thus helped are numerous. In principle, however, they are all registered by the Bank of Israel as transfer payments, either to a wide assortment of non-profit organizations or to one of the official organs of the Jewish Agency. Table 1 presents the overall sums of annual transfer payments from Diaspora Jewry to Israel in USD as of the mid-1950s, both in current value dollars and in constant values, expressed in 1955 prices. The long-term evolution of world Jewry’s contribution to Israel is demonstrated by a ‘generosity index’ column, which measures the relative change of the constant value contribution over the years.

Table 1

Transfer Payments from the Diaspora to Israel in Current and Constant Values (1955 prices), 1955–1997 (USD million)

Year	Current Value	Constant Value	Generosity Index
1955	53	53	100
1956	93	91	172
1958	75	70	132
1961	92	80	151
1964	96	79	149
1967	325	246	464
1970	290	188	355
1973	742	408	770
1976	543	234	458
1979	462	160	302
1982	527	144	272
1985	570	139	262
1988	659	147	277
1991	1 034	203	383

¹⁷ A vivid example of this partnership was the effort to intensify Jewish settlements in the early 1930s. The project was called the ‘Settlement of the Thousand’. The projected financing was as follows: The Palestine Office and other official Zionist institutions, the Marks and Sacker group from England, and the Warburg group from Germany, covered 90 per cent of the overall cost, while “the share of the settlers was set at 10 per cent of the total budget”. See *The Jewish National Home 1917–1948*, ed. M. Eliav (Jerusalem, 1976), p. 347. (In Hebrew.)

¹⁸ Z. Herkowitz and D. Pines, ‘Zionism and Diaspora Donations’, p. 65.

1994	1 219	226	426
1997	1 284	227	428

Table 1 reflects two significant developments.

1. Looking at the ‘real dollar’ (‘Current Value’) column, after the 1950s and 1960s, the annual average contributions have remained within reasonably stable limits of around USD 150 million annually.

2. World Jewry has followed very closely and with great concern major political and military events in Israel. The sharp changes in the generosity index in 1956 (Sinai Campaign), 1970 (War of Attrition), and particularly in 1967 (Six-Day War) and 1973 (Yom Kippur War), testify to a distinct anxiety as regards the perils of the State in times of military emergency. The same concern is visible as regards the social and economic implications of the massive immigration from the former territories of the Soviet Union in the 1990s. In fact, the generosity index reflects more than generosity: it expresses a strong sense of solidarity in case of perceived dangers to the welfare of the ‘State of all the Jews’.

The sums contributed have been substantial. If compared to the GDP of the USA, assuming that the Jews’ share in the latter has not declined, one may estimate that, for the 43 years dealt with in this paper, on average around USD 2 out of every USD 10,000 of GDP were annually given by Jews to the State of Israel.

This index is interesting as it provides a rough idea of the continued willingness of Jews to assist Israel. As shown in Table 1, the response has vividly reflected, in times of emergency—mainly of a military nature—a great readiness to sacrifice large shares of Jewish income to ease pressure on Israel.

The overall average annual share of the institutionalized transfer payment to Israel was USD 1.95 for every USD 10,000 of American GDP.

In 1956 it was	USD 2.22 for every USD 10,000 of American GDP
In 1967 it was	USD 3.98 for every USD 10,000 of American GDP
In 1970 it was	USD 2.85 for every USD 10,000 of American GDP
In 1973 it was	USD 4.47 for every USD 10,000 of American GDP
In 1981 it was	USD 2.32 for every USD 10,000 of American GDP

As of 1982, the annual share was below the average figure of USD 1.95, although, as shown in Table 1, the absolute values of the generosity index, particularly in the 1990s, were high. This observation may lead to the conclusion that, although the absolute level of generosity has not declined in the last decades of the century, the relative level has shrunk. The reasons must be related to the impact of the global processes already referred to, which suggests that there is a process of alienation affecting members of the younger generation in respect of Jewish values.

Another development in the financial interaction between Israel and the Diaspora is the changing pattern of designation of contributed funds between the general and the particular. Up to the 1970s, the majority of the funds were designated to the Jewish Agency and its various organs. Only the minority of contributions were specifically earmarked for designated non-profit organizations, such as universities, *yeshivahs*, hospitals, museums, theaters, and so on.

Since the second half of the 1980s, this trend has gradually reversed, and specification in the designation of contributions has been increasingly dominant. The five-year average

percentage of contributions to the Jewish Agency was (%):

1962–66	1968–72	1974–79	1980–86	1987–91	1992–97
55.9	69.4	75.5	71.2	55.0	37.4

These figures omitted the two critical years of emergency, 1967 and 1973, when, for obvious reasons, the percentage of contributions to the Jewish Agency was particularly high (85.5 per cent in 1967 and 81.1 per cent in 1973).

Such a dramatic increase in the share of non-profit, non-governmental institutions suggests that, together with the relative reduction in the level of generosity towards Israel, there is a growing tendency to actively select a ‘favorite project’ to support in Israel.

Finally, although the absolute real value of transfer payments to Israel has increased in recent decades, the Israeli economy has developed much more quickly. Consequently, the share of these transfer payments in the Israeli GDP has gradually shrunk. The share of the transfer payments, quoted in Table 1 (‘Current Value’ column), in Israel’s GDP has changed substantially in the course of recent decades. In the formative years of the 1950s, the proportion was around 1.4 per cent; in 1967 (Six-Day War) the percentage rose to 1.8 per cent; and during the Yom Kippur War (1973) it reached 2.6 per cent. From that year on, the proportion declined to 1.4 per cent in 1985 and to 1.2 per cent in 1993.¹⁹

In view of the declining economic significance for the Israeli economy of transfer payments from the Diaspora to Israel, and in view of the increasing significance of the Jewish identity problem within the Jewish communities in the West, one may raise the issue of reconsidering targeting policies for the funds collected by the Jewish communities, that is, whether funds should be directed to inward-looking objectives and support for Israeli non-profit organizations and the Israeli economy at large.

The major goal is the struggle for Jewish survival in a hostile spiritual environment, and the major strategy seems to be to struggle against ignorance by means of Jewish education.

¹⁹ Data on GDP in constant prices is taken from the *Israeli Central Bureau of Statistics Yearbook* for 1994 (Jerusalem, 1994), p. 200.