13 Jewish People Ways and Means, 2016-2015

This portion of the annual assessment considers the sources and uses of Jewish people wealth for Jewish people purposes. In previous years we have offered insights into issues of priority and allocation of funding. In this year's assessment we look at three different issues in the creation of material resources for affecting Jewish people outcomes. First, we will present an overview of the prospects and domestic controversies surrounding exploitation of Israel's newly discovered fossil fuel riches. This is followed by a discussion of the structure of Israel's economy – in fact, its two largely separate economies – as reflected in an increasing balance of evidence from OECD and domestic economic observers. Finally, we discuss the broad trajectory of Jewish giving in the United States.

The Development and Uses of Israel's Natural Gas

News stories regarding Israel's newly discovered energy wealth have mainly been of two types. The first have been entirely accurate descriptions of Israel's off-shore finds of natural gas (NG) as being among the world's largest over the past decade. The second cover the domestic controversy over the use and policy regarding these same finds. For those outside of Israel (and for many within it) it may be difficult reconciling these two news streams. We will briefly describe the nature of the current status of the disputes. It is worthwhile reviewing this recent history also because of the light it sheds on some of the most fundamental domestic economic and social policy disagreements in Israel.

When the 21st century began, Israel was taking its first tentative steps toward NG and away from coal as a primary fuel for electricity (with reliance on coal itself representing a shift from prior dependence on imported petroleum fuels before the 1973 oil embargoes.) Controversially, the source of the first natural gas was planned in the late 1990s to be via pipeline from Egypt, up to a potential 6.5 billion cubic meters (BCM) per year, a figure governed by pipeline capacity and Egyptian operating protocols.[1] Between signing the contracts and the beginning of Egyptian NG's flow, Israel discovered deposits of its own in shallow waters not far off shore. This deposit, of about 33 BCM, while welcome was not sufficient to relieve the need for further imports. It did, however, prove to be crucial and timely (but now depleted) in meeting the shortfall caused by the cutoff of NG deliveries from post-Mubarak Egypt. But beginning in 2009, two further major deposits of proven reserves have dwarfed the original find and each successive find has been of greater magnitude than the one before.[2] Located in relatively deeper water and much further off-shore, but still within Israel's exclusive economic zone as defined by international law, this NG, if recovered, would be sufficient to meet Israel's needs well toward the end of the century.[3]

The discovered natural gas would be sufficient to meet Israel's needs well toward the end of the 21st century

As has been the case in other suddenly resource-wealthy countries, Israel has faced a number of challenges along with the blessings. In fact, the negative consequences for economic development due to over-reliance on this source of income, government integrity, and even national political stability stemming from mineral wealth have caused some to refer to this as the "resource curse." This is even true to some extent in developed countries such as the Netherlands whose North Sea oil finds in the 1960s and 70s led to the so-called "Dutch disease" with the sudden increase in export wealth causing rapid appreciation of the currency and negative effects on other sectors. Much of Israel's policy conversation has involved framing a course to avoid social, economic, financial, and political dislocations in exploiting the NG resource.

As might be expected with such a potential game changer, the different proposals for policy cut across already sensitive fault-line issues: economic equity across social classes and generations, national priorities, concentration of capital and monopolization, law and, of course, energy security. An entirely new legal framework needed to be erected because the 1952 Oil Law was clearly inadequate to the sudden need (and clearly had been designed to encourage exploration under circumstances in which large returns were highly improbable.) A natural gas authority was established and a government natural gas pipeline company was set up to provide main-line distribution services with private companies envisioned to supply individual businesses and homes.[4]

The Israeli partner in all three of the major NG reserves proven so far has been the Delek Group. In each case, though, it has been a minority

shareholder in the drilling consortiums formed and led by Noble Energy of Houston because of the great need for up-front investment and technical expertise. Thus, from the beginning the NG discoveries raised questions about domestic monopoly and, if not outright ownership, then certainly how all the parties – foreign, domestic and public – were to benefit and their different interests reconciled.[5]

Several decisions were made before 2015, none of them without dispute, but now generally resolved to the satisfaction of most Israelis. The need to protect a small and very open economy from ill financial effects was recognized early on and the National Economic Council within the Prime Minister's Office led efforts to create a sovereign wealth fund to limit the potential effect of sudden excess liquidity.[6] Israel's sovereign wealth fund is scheduled to come into being in 2016 under the aegis of the Bank of Israel.

But what would be the public's share from the NG once it began to flow? How quickly would NG be extracted and to what uses would it be put? The consortium partners (and to some extent the Ministry of Finance) were interested in high volume flows from the reserves with the allocation between domestic or export markets determined by business considerations. Environmentalists, groups motivated by concerns for social and inter-generational equity, and those focused on long-term energy security for Israel wished for a more measured rate of exploitation and greater government control and public benefit.

A government expert panel led by economics professor emeritus Eytan Sheshinski of Hebrew University was formed in 2010 to consider some of the questions. The committee's report, after a contentious process replete with allegations of intimidation,[7] was eventually approved and accepted by the government in early 2011. A second sitting of the panel looking beyond NG more broadly at natural resources in general later amplified the original recommendations. The principal finding was to increase gradually the tax on oil and gas profits from 33 percent to a level of around 60 percent in keeping with typical practice in other countries (not including the U.S.) This was judged to be a reasonable trade-off between the public interest and maintaining incentives spurring further exploration and exploitation.[8]

Nobel Energy as the principal foreign investor, stated a need to export much of Israel's NG beyond the small domestic market

But in 2015, the NG issue became a divisive roller coaster. Further exploitation of the NG, if desired, depends upon large-scale investment. Noble Energy as the principal foreign investor, and in its view an injured party because of uncertainty over government policy, stated a need for regulatory stability and sufficiently rapid NG recovery to make its investment worthwhile. This means, in effect, exporting much of Israel's NG beyond the small domestic market. But this would also be very much to the benefit of Delek Group companies. A framework for moving forward[9] was vetoed by Israel's anti-trust commissioner for this reason, thus creating a political firestorm that saw the

commissioner step down after ruling, an interim commissioner refusing to rule further on the issue, and Minister for Economy Arye Deri also stepping down rather than overruling the commissioner's finding without Knesset approval – a path rendered perilous when two MKs from the ruling 61-seat (one-vote majority) coalition recused themselves because of personal involvement.

Critics of the gas framework object both to the concentration of financial gains and the large-scale export of Israel's resource. These critics were not mollified when Prime Minister Netanyahu assumed the mantle of minister of economy thus clearing the way for an override of the anti-trust ruling.[10] Complicating factors were the recent discovery of additional large NG reserves in Egypt and falling global energy prices (thus creating more immediate commercial pressure), as well as the geopolitical considerations of just where Israel's NG would go, how it would get there, and who else might now be locking in contracts with the same buyer.[11] These considerations suggested the need for speed in moving forward to proponents who focused on the potential impact of lower energy costs on Israel's manufacturing, economic growth, and cost of living. Critics, however, argued that because NG was already flowing from Tamar to the domestic market there was both time and need to assess the best public policy for exploiting the much larger Leviathan field in the future.

The matter appeared to be resolved politically in December 2015 with the successful override of the anti-trust finding and approval by the Knesset of the NG deal – but not necessarily either legally or in the court of public opinion. But it was not to be. Opponents mounted a successful legal challenge. As of this writing, Israel's Supreme Court has ruled against the policy on the grounds that its terms unduly bind the government to making no changes in the terms governing the exploitation, sale, regulation ,and taxation of the NG for an excessive period (10 years) without having received legislative approval from the Knesset. As of this writing, the government has agreed to once more redraft the proposed terms in light of the court's objections.

Not for the first time, the politics of Israel resembled the fulminations of the blind men of Hindustan each of whom thought he alone inferred the true essence of the entire elephant from the part he was closest to. Opponents and critics of the Netanyahu government view the NG deal through lenses attuned to what they perceive as consistent bias in favor of the few. This specific debate also plays out against the wider background debate on the changing nature of an Israel that was once comfortable with a more egalitarian perception of itself (whatever the reality) than current circumstances permit. Israel is now skewed toward the less egalitarian end of the OECD countries' spectrum of income and wealth shares in company with the United States and Turkey.[12]

But the claims regarding geopolitical considerations of the NG deal are not specious; neither do the realities of the global capital markets and recent Eastern Mediterranean energy developments suggest that excessive delay in exploiting this resource would be beneficial to Israel as a whole. Nothing is possible without

further investment and technology, neither of which may be found exclusively in Israel in the amounts and types required. Developing this market will require adherence to market terms and conditions.

Nevertheless, it is true that the net result from how the NG resource has been developed and how its flow of benefits are allocated will add further not only to the reality but perhaps more strongly to the perception of a rapidly bifurcating Israeli economy and society. Obviously, JPPI has neither standing nor expertise to make recommendations on the substantive merits of Israel's resource and NG policies. But it behooves the government and the larger Jewish world to recognize that during the economic transition Israel has been forcefully undergoing over the past two decades, no single matter of such importance may be considered solely in its own narrow terms. In a small, open, but highly dynamic economy the decisions made regarding NG will have profound effects on the nature of the Israel of the future.

Israel: A Tale of Two Economies

That the issues raised by decisions regarding the exploitation of NG and the resulting income stream it produces should be viewed as part of a larger fabric becomes clearer when we take a broad view of Israel's development. The 2016 OECD report on Israel's economy highlighted a tale of two economies.[13] The first we may term "Start-up Nation": technologically innovative, competitive, export oriented, global, highly and increasingly productive, flexible, a provider of high-tax-paying jobs, and an engine of Israel's growth and revenues. It accounts for a third of Israeli exports, but employs only around a tenth of the labor force.

The second economy could be titled "Stagnant Nation." Part of it includes public services such as health and education along with similar sectors for which productivity gains are inherently difficult to achieve the world over. (Reducing student-teacher ratios or taking time to gather full health profiles from patients may adversely affect productivity when measured narrowly.) But the focus of the OECD concern is on the other part, based on local old industries such as paper, cement, and food, as well as services such as electricity, real estate, and banking.[14] This economy is closed to the outside world, dependent on government protection, and exhibits low and stagnant productivity. It tends toward lower paying and even minimum wage jobs with relatively few extremely highly paid jobs dependent less on actual productivity than on the ability to extract rent[15] from Israeli consumers via higher prices to the extent these industries are insulated from competitive pressures. This contributes to the high cost of living in Israel. To use the economic jargon of the OECD, in the Israeli economy "highly dynamic tradable goods industries coexist with an inefficient sheltered sector to an unusual extent, dragging down overall economic performance" while "substantial deficiencies in product market regulation and competition, especially in the entire food chain, banking, and electricity, are weakening productivity and reducing incomes."[16]

The two economies of Start-up Nation and

Stagnant Nation co-exist through a set of institutions, such as government ministries and regulatory bodies. And these institutions by their conduct (not necessarily their existence) carry some responsibility for the polarization between the two economies, the growth in inequality, the inability of Start-up Nation to expand and of Stagnant Nation to emerge from its torpor.

Much of the service sector within the Stagnant Nation economy as well as many of its industrial branches consists of *de facto* monopolies and cartels. The provision of electricity, banking, transportation, and other vital services affects the rest of the Israeli economy. If the Israeli public has no access to competitive providers in these sectors, it yields rents stemming from higher prices, corruption, or poor services. The proceeds from these extracted rents may flow disproportionally to a small class of highly unionized and frequently family-related workers in the form of secure jobs, high salaries that are not grounded in the productivity of the salaried, fewer working hours, secure and high pensions, and various other perquisites. This creates two groups – those with the "in", who have been able to wall off their jobs and privileges, and those outside this wall who lack job security and sometimes the protection of basic labor rights. This "two-caste" system also exists in the industrial sector of Stagnant Nation, in which some sectors, such as food, cement, minerals, and gas, are insulated from competitive pressures through regulation and so may achieve high prices without necessarily delivering goods of commensurate quality.

Much of the service sector within the Stagnant Nation economy consists of *de facto* monopolies and cartels

Israel does possess an open economy by virtue of the need to export globally. But in the reverse direction, some players dedicate substantial resources to securing continued insulation from competitive pressures. This effort operates almost entirely at the level of government decisions and regulation. Such counter-pressure may come from employing the power of the unions to organize politically to prevent reform and the introduction of competition that would force down prices. In this, the owners have every interest in cooperating with their unions. Lobbying and public relations further support these political mobilization efforts. In Israel as elsewhere, in this regard at least there exists a community of interest between owners and unions as the owners use the employees to decry that any introduction of competition will necessarily lead to loss of jobs and therefore present political danger. While employees are critical to the ability of the owners to thwart competition, in Stagnant Nation the resulting rent is not necessarily shared with the employees who may then all the more come to fear loss of their jobs to competition.

The ability of Stagnant Nation to protect itself from competitive pressures is due also to its organization. Substantial sections of this economy are controlled through pyramid structures which

enable a few individuals to wield control over numerous industries with relatively small capital investments. These ownership structures may also be used to channel many of the ensuing rents to the CEO's and top management in the form of high salaries. The other side of the coin is low paying, even minimum wage, and generally insecure jobs. While the pyramid ownership structures have come under attack through the "Concentration of Economic Control" law and the opening up to competition of the communications sector, a key component of many such pyramids, these structures continue to dominate Israel's Stagnant Nation economy. Recently there have been prominent trials and convictions of such *bêtes noirs* of economic concentration opponents as Nochi Dankner, the controlling shareholder of the prominent IDB group. But further government pressure would need to be applied to take the major conglomerates apart.

The element that makes this a witches' brew and the growing inequality in Israeli society difficult to resolve is the low mobility between the two sectors: Those with the skills to find a job in Stagnant Nation do not have the skills to transfer into Start-up Nation. Start-up Nation exhibits high and growing productivity – on par with the upper tier among OECD countries – driven by its export and global orientation. Stagnant Nation exhibits low and stagnant productivity pulling Israel's entire productivity to the low end of the OECD. This low level of productivity is somewhat mitigated through many more working hours, but this serves also to lower the quality of life of workers in these sectors.

Economic theory suggests that the rise of productivity in one sector of an economy should raise productivity and wages in others as the highly productive sectors compete with less productive ones for the same human resources, forcing them to become more efficient and productive. But this theoretically pure transmission belt becomes all too frequently attenuated in the case of Israel. Many of those who are employed in Stagnant Nation lack the minimal educational attainments that would allow them to acquire the skills to join Start-up Nation. This means that even as Israel is witnessing increasing employment among groups that were not previously participants in Israel's labor force such as Haredi men, those men, trapped by their limited education, have little choice but to accept low paid and low skilled Stagnant Nation jobs. In addition, despite growth in attendance of higher education in Israel, there is no growth in the study of sciences, math and engineering, an issue that arises already in the high schools, thereby further limiting the ability of Start-up Nation to grow and increase its contribution to the Israeli economy as a whole.[17] One report on the Israeli economy described half of the children of Israel as receiving "third world education."[18]

The Stagnant Nation's low productivity pulls Israel's entire productivity to the low end of the OECD

While the ability of Start-up Nation to increase its share of the Israeli economy and work force and

drive up productivity is limited by the educational profiles of potential employees, the compulsion for Stagnant Economy to achieve rising productivity is limited by insulation from competitive pressures. In fact, those few sectors, such as clothing, which are no longer protected from competitive pressures, have indeed seen productivity gains. But much of Stagnant Nation remains somewhat freed from exposure to global competition.

There is thus a paradox facing those responsible for Israeli policy. Productivity drives wages and growth which, in turn, drive economic transformation. But productivity is simply the value of output divided by hours worked. One may enhance productivity by either improving the value of the goods and services produced or investing to reduce the labor required (or both.) Economic transformation may, indeed, create new employment but often at the expense of already existing jobs. This is the source of much of the economic discontent that has swept the U.S. and Europe in recent years and which has been translated into political upheaval. Unemployment has not really been a major issue in labor-scarce Israel in recent decades. Instead, discontinuities have led not to job layoffs but rather to the growth of disparity among wage earners. The late 20th century "people's economies" of Eastern Europe and the former Soviet Union deliberately maintained many facilities, especially in light industries such as textiles, so that there would be steady opportunity for employment of less skilled workers or in less developed regions. But this policy contributed to a general inability to accrue economic surpluses which also in the end led directly to the social and political upheaval that terminated these regimes. Thus while the Stagnant Nation economy is not sustainable without cost, simply to raise productivity by replacing workers with machines or sending jobs offshore could entail different adverse outcomes as well.

In Israel the tale of two economies parallels, in some measure, political, ideological and social fissures in Israeli society, and exacerbates them. Startup Nation is geographically concentrated in Israel's main cities of the center and the strip along the Mediterranean – the Gush Dan and Haifa. Within Israel, there is one nation that often has little in common in terms of values and aspirations with the other. While there are Haredim, Mizrahi Jews, and settlers among those employed in Start-up Nation, its citizenry skews toward young secular men, mostly Israel-born, or immigrants from the former Soviet Union and the West. They are more likely than the rest of Israel to vote for centrist and left of center parties. Their profile makes them the most globally mobile group in Israeli society. Therefore, they have a choice to exit Israel and be employed in the world's top companies and cities which many others lack. Those who inhabit Start-up Nation care not only about their economic opportunities, but also about the ability to live in a country and society that reflects their values.

Thus the very success that has led to Israel's growing economic and technological prowess leads it to a crossroads. The current path of sustaining two economies and the two resulting polarized nations within Israel seems an increasingly uncomfortable fit. Economic concerns are actually intimately bound to political and

social developments; it may become increasingly difficult to keep dysfunction in the former from widening fault lines across the latter. Those who are sustaining the Israeli economy and tax base may come to feel that they have the least voice in the making of its policies, whether politically or through social protests, and so participate in a steady and individual exit of the members of Start-up Nation from Israel altogether. On the other hand, as has been seen elsewhere, the rage of the disenfranchised and disadvantaged, if they are simply displaced by computers and robots, or if their jobs are simply sent offshore, may lead to political and social currents threatening to wash away the very foundations upon which Israel has been predicated.

In light of this configuration, the OECD made a series of recommendations of which the following is one:

> Enhancing social cohesion would raise sustainable long-term growth...Israel has to make fiscal room for fostering more inclusive growth and preparing for the future. Boosting investment in infrastructure, promoting skills, especially of disadvantaged groups, developing adult vocational education and training and enhancing the redistribution system, including for the elderly, are achievable without sacrificing prudent fiscal policy.[19]

The issue of more inclusive growth needs to be read broadly. This goes beyond the usual recommendations about Haredim and Arabs. Workers who find themselves in Stagnant Nation make up a good part of the lower middle class. If they are not to become increasingly excluded, policy will need to be framed with that objective in mind rather than from some of the narrower perspectives that have often been the basis for Israel's economic strategies heretofore.

Generational Change and Jewish Philanthropy in North America

The well-being of Jewish communities outside Israel is largely determined by the national and local governments of the countries in which they reside. The Jewish character of these communities, however, and their cultural and social continuity are in the hands of those communities alone. This makes the sources and uses of Jewish wealth (aka material resources) in North America and elsewhere a serious issue that would behoove the Jewish people at long last to regard seriously. As JPPI has pointed out in prior Annual Assessments, the evidence that the importance of this aspect of Jewish life is widely recognized is still lacking.

As a case in point, we consider the issue of generational transition in the United States. The first point is that the conventional wisdom regarding the demise of the federation system, like that of Mark Twain's while he was still very much alive, may perhaps be greatly exaggerated. The second point is – perhaps not: we lack the information to allow us to actually understand what is going on. These two points are thoroughly intertwined.

From the beginning of Jewish habitation in North America the needs of those in need within Jewish communities – the poor, the elderly

and new immigrants – were primarily met by Jewish communal groups. At first, resources were provided via self-help groups, synagogues, and then through the institutional fabric of local federations and national Jewish organizations that were created in the later decades of the l9th and earliest decades of the 20th century. The question is whether this structure is changing – or worse, failing to change – in response to trends that may prove transformative.

The conventional wisdom is shifting toward a belief that, indeed, the older model is in trouble. The thread of this hypothesis notes the passing of the generation with living memory of the *shoah*, of a world without Israel and of the wide spread of anti-Semitic attitudes which often took practical and even violent form. The sense of community of this generation was inculcated in them by parents or grandparents who themselves were immigrants from closely knit traditional Jewish communities abroad. This interpretation then weaves together corollaries such as a trend toward weaker Jewish identification (or less identification with Israel – two different things), a greater desire to be prominent in giving to non-Jewish causes (albeit often said to be informed by core Jewish values), a skewing of community wealth with donations becoming most preponderant at the highest percentiles of wealth, and a penchant for more hands-on, personalized and outcome-oriented philanthropy. In this telling, the consequence is inevitably either a diminution in the relative share of the more traditional communitarian organizations such as federations or a capture and transformation of these institutions by a relatively small group of very high net worth individuals and private foundations.

There have been shifts from traditional sources of funding toward planned giving campaigns

The counter to the conventional wisdom frames a different set of hypotheses for which there is also anecdotal and, to a degree, quantitative factual support. In this telling, while federations are continuing to sustain a network of domestic and overseas agencies, they have also become innovators.[20] They have conformed and are conforming to both the opportunities and needs of the times and in this act of innovation are preserving both their organization and mission (with the latter reconfigured to accord with the needs of their communities in the early 21st century). There has now been considerable recovery from the disasters stemming from the Madoff affair and the Great Recession and perhaps even some growth. To be sure, there have been shifts from traditional sources of funding such as reliance on mailed appeals, but these have been met by new initiatives such as planned giving campaigns. And these two income sources are categorically different from each other. Mail campaigns were important for the current account balance but never solely about dollars; they were about participation as well. Growth in planned giving is not so much a reaction to a flattened effectiveness of direct mail but rather an instance of adaptation and innovation designed to secure both assistance from wealthy families in a

position to provide it and continuity of services on the current account through income generation from a capital account independent of the annual campaign cycle. In fact, rather than a consistent trajectory toward an ever more concentrated core of supporters and personally directed Jewish philanthropies, a number of phenomena have countervailed the trend. Several of the tallest poles from what might be termed the Golden Age of Jewish philanthropic entrepreneurship (e.g., Avichai, Bronfman, Glazer et al,) have now either been wound down or are undergoing a shift from active Jewish giving.

What is the actual situation? This is an important question for Jewish people concern and U.S. communitarian attention. But this then raises the practical issues discussed previously by JPPI in this context. We lack many of the data and a good deal of the information that would allow us to gain a clearer view of what trends are most dominant and the direction they are driving this process. U.S. federations and Jewish organizations conform to federal regulations for reporting to taxation authorities on their annual income, expenditures, and activities. These are not sufficient, however, to engender a sufficient standardization across Jewish organizations that would permit cross-organizational or cross-year comparisons.[21] There is neither a consistent taxonomy nor sufficient detail that would permit carrying out such assessments without the expenditure of considerable labor each year. And there is no central authority either charged with the responsibility or sufficiently well-endowed with resources to carry out the effort. It could only come from a collective decision by a critical mass of such institutions to take upon themselves the discipline of framing and adhering to a common protocol allowing evaluation from a community, national, and Jewish people perspective.

What appears largely to be supported by the evidence is that the relative importance of community-based, principally federation, shares of Jewish charitable funding is declining, but this is more a statement of basic arithmetic than necessarily of substantive trends: when new charities enter the arena, the relative shares of incumbents necessarily decline. But the absolute value of those incumbent shares may still increase. In other words, what may be on the decline is less the federation system than the dominance enjoyed by that system in the world of U.S. Jewish philanthropy.

The Jewish organizational world should frame and adhere to a common accountancy protocol

Although federations were founded with the intent to serve the local community, after they began to amalgamate with the local United Jewish Appeal beginning in the 1930s, they also became a major focus for Jewish overseas relief and, eventually, Israel-oriented giving and action as well. This, too, has affected the current transition in the sources and uses of Jewish wealth for Jewish people purposes in the United States. What may be the less obvious story is precisely the dog that did not bark – that is, the resilience of the federation model in an era in which the perception

of economic threats to Israel, and so the impetus toward Israel-related giving, for which federations served as major conduits, has declined.22 As one data point, when United Jewish Appeal of Greater New York merged with the New York Federation in 1986, NY UJA was raising 70 percent of the total funds pre-merger and the local federation 30 percent. This shows how UJA's focus on Israel was a major driver of local Jewish giving. With Israel's surging economic strength, its dominant security position in the Middle East, and the increasing disproportion between the scale of even generous U.S. giving and the scale of Israel's needs, one might have expected a decline in fundraising. Instead, despite the re-contextualization of U.S. Jewish philanthropic dollars in Israel, despite the highly reported trend to direct donor giving, despite the proliferation of Jewish organizations both in North America and in Israel, New York UJA-Federation's annual campaign receipts grew from $115 million in l999 to $153 million in 2008 and is expected to exceed the 2008 level (and thus fully recover from the Great Recession) in 2016. The stronger federations such as Baltimore, Cleveland, Chicago, Detroit, Miami, and Washington have experienced similar results. Federations appear stronger than most predicted and the conventional wisdom continues to report.

The transformation of the Israel dimension in North American Jewish philanthropy demonstrates that the flow of money and its use for Jewish people purposes is often part of a larger story. While changes in how U.S. Jews regard Israel may affect the sources and uses of Jewish community resources, it is also the case that tracking such patterns may, in turn, give us insight into both fundamental changes in attitudes and their practical effect. In this case, a reconfiguration of traditional patterns driven by transformations of perceptions of Israel may be either a signal or confirmation of a profound change to what has been, since the founding of Israel, one of the fundamental totems of Jewish identity in North America. If so, this would suggest the need for serious attention by those who monitor geopolitical trends. They would need to weigh what might ensue from a resulting rebalancing of allegiances, interests, and priorities within the Israel-Washington-American Jewish triangle. Hence the importance of such a shift and the value of information providing early warning of its trajectory goes beyond "mere" questions of finance and budgetary accounting.

What is to be done? Passively, there is a need to be capable of observing more accurately the drivers of Jewish giving as they may, indeed, shift over time in response to generational and other substantive changes. But to assume a more activist posture, the Jewish people and the affected communities need to be able to weigh different means to align such phenomena in service to major Jewish people interests and needs. Neither will occur in the absence of a marked shift in the availability of information. This would require addressing several needs. One is for more uniform reporting and accounting protocols to support aggregation and comparison. Allied with this would be greater knowledge sharing in aggregate among Jewish organizations. The point is not necessarily to disclose details about particular gifts or bequests

which may be in themselves sensitive or otherwise confidential. Rather, it is to enhance confidence that the general categories into which each such gifts may be fit share consistency with those used by similar organizations. In the absence of this, the effort required to gather and scrub any credible data sets will be so large as to deter attempts to create them.

These reporting protocols could easily be made consistent with IRS provisions, those of other taxation and regulatory agencies, and accepted accounting practice while also providing consistency across federations and major institutions. But this is merely preliminary. Once the information becomes – if not widely and publicly available, then at least consistent so that vetted researchers and analysts adhering to confidentiality protocols may be reasonably assured of what the data describe, it would then for the first time truly become possible to support a review of players and processes in the Jewish people marketplace for financial supply and demand. Doing so would assist both sides of philanthropic transactions – both donors and recipients – as well as Jewish communities as a whole to better shape the correspondence between goals on one hand and ways and means on the other.

Endnotes

1 Natural gas may occur in deposits alone but is often found in petroleum fields. For years, it was considered a waste by-product of the latter and was flared off from oil recovery installations. The reasoning behind this practice is that petroleum, being a liquid, is relatively easy to transport and use. Natural gas, being almost entirely pure methane, is not a liquid except under very cold temperature and high pressure. This means that natural gas, if it is to be used as a fuel, must be transported either through fixed pipelines requiring massive investment and maintenance or through liquefaction and transportation as liquid natural gas (LNG), itself an expensive and technically challenging process.

2 The Tamar field's reserves of approximately 250 BCM were proven in 2009 and Leviathan's estimated 650 BCM in 2010. A third find of the same approximate size as the Tamar formation in the Daniel offshore field was announced in January 2016 but not yet proven at the time of this writing.

3 Both Lebanon and Syria have disputed Israel's exclusive control, but without much grounding either in governing law or in an ability to act effectively upon their objection. Proven NG reserves also exist off Gaza and these have been formally delivered by Israel to the control of the Palestinian Authority. Hamas's takeover of Gaza in addition to other factors has caused these deposits to be left unexploited.

4 Government-owned enterprises operate as businesses with the majority or sole shareholder being the government. Among the few such entities in the U.S. are the Tennessee Valley Authority and Amtrak.

5 The Daniel field, if proven to contain NG, would be the first to involve different Israeli partners, Isramco Negev and Modiin Energy (*Haaretz*, January 17, 2016; http://www.haaretz.com/israel-news/business/1.697863).

6 Sovereign wealth funds are portfolios of assets including both liquid reserves and acquired equity investments managed by a government authority. They may serve several purposes. They temper the fiscal volatility in the public's portion of revenues from resource exploitation, provide "rainy day" reserves, or may be intended for use to serve strategic objectives by building up foreign or domestic assets in the form of investments. The common thread is to create a formal holding entity, the fund, as an independent buffer to reduce adverse financial consequences of potential boom (or bust) cycles by introducing a less short-term focus into decisions. The ability by the Treasury to draw upon these funds is usually deliberately highly restricted to ensure the maintenance of this insulation.

7 "Cabinet approves Sheshinski committee recommendations", *Haaretz*, January 24, 2011.

8 There is a sliding framework that allows recovery of a multiple of the original investment before the full profit tax comes into play. There is also a royalty charge for each cubic meter of extracted NG and no depletion allowance, again unlike the U.S. but in accord with practice elsewhere.

9 The framework did require the Noble-Delek partnership to sell claims on other potential reserves.

10 The anti-trust law permits this under a national security exception. It did not help matters that former Minister Deri's stepping down from his office was also the occasion for a swirl of political and budgetary horse trading. This is always true with ministerial adjustments, but the timing added fuel to opponents' narrative of short-term advantage trumping long-term national interests.

11 The considerations go well beyond the commercial in as much as Israel's NG would be most efficiently shipped via pipelines which themselves involve massive investment, long-term contracts and stable relations. A natural on-shore repository for Israel's gas might be Cyprus, for example, but then relations with Turkey would come into play. The other likely pipeline terminus might be Turkey itself which would affect and be affected by a different dynamic and geopolitical calculus. It was not just the commercial players who felt the need to begin serious planning and engagement and therefore conclude a NG accord in Israel.

12 OECD (2011). An Overview of Growing Income Inequalities in OECD Countries: Main Findings, OECD Publishing, Paris.

13 OECD (2016). OECD Economic Surveys: Israel 2016, OECD Publishing, Paris.

14 The last two have been rising in their share of the total supporting economy, but without contributing to greater productivity, merely to the high cost of living. Before the communications sector was opened up to competition, it too exhibited the many ills of this economy and would have been included in it.

15 This familiar word in this case refers to profits in excess of what would be gained in a competitive market. "Accounting profits" are calculated as income received minus actual payments made. "Economic profits" account for the capital being used that could have been put to other, alternative uses. Thus accounting profits may be positive while the economic profits may equal zero once this opportunity cost of capital is considered. In an idealized competitive market this would be the case. Positive economic profits would be the equivalent of the term rent as used here.

16 OECD (2016), p. 10.

17 Solomon, Shoshanna, "High-tech boom may be over, Israel's chief scientist warns,", *Times of Israel*, June 30, 2016

18 Klingbail, Sivan and Shiloh, Shanee, "Bye, the Beloved Country – Why Almost 40 Percent of Israelis are Thinking of Emigrating", *Haaretz*, Dec 15, 2012.

19 OECD (2016), p. 16.

20 See, for example, the discussion in "Federations and Foundations Take on Innovating and Sustaining", *Journal of Jewish Communal Service*, vol. 86, nos. 1/2, Winter/Spring 2011, pp. 132-140.

21 For example, some tallies of Jewish community-supported institutions count hospitals, hospices and human service agencies operated under Jewish auspices. Yet, much of their funding is received from the federal government. Similarly, often little distinction is made between annual and capital giving.

22 Although there were considerable fluctuations during the period, the level of U.S. donations to Israeli organizations in 1975 stood at $1.15 billion and in 2010 they were $1.45 billion (all in 2010 dollars.) The latter number is in contrast with the high total realized in 2007, before the global financial crisis, of $2.17 billion. (Sasson, Theodore (2014). *The New American Zionism*, New York University Press.)