Both the scale and shape of Jewish philanthropy have changed in recent years, suggesting the need for a reassessment of Jewish philanthropic public policy. We are living in a time of unparalleled wealth held in Jewish (including Orthodox) hands and a willingness to spend at least part of that wealth for the betterment of humankind. This dramatic increase in philanthropic giving has been accompanied by shifts in charitable focus and the nature of the relationship between philanthropists and the organizations they support.

How much have things changed? Ten years ago there were approximately 2,500 Jewish family foundations in the United States. Today there are over 9,000, with a far greater number of donor-advised funds established by Jews at local Jewish Federations or at charitable
arms of financial institutions. Jewish foundations alone account for billions of dollars in annual charitable distributions, far outstripping the annual campaigns of local Federations. The pace of Jewish giving is likely to increase, because the American Jewish community is about to see a transfer of wealth of staggering proportions. According to some estimates, in the United States alone the present generation of Jews will leave to the next one between $3 trillion and $10 trillion, which will translate into charitable giving by Jews amounting to somewhere between $485 billion and $4 trillion in combined lifetime giving and charitable bequests. There are no specific data available on philanthropic giving within the Orthodox community—perhaps this gathering of the Orthodox Forum will begin to fill the gaps—but the increased affluence is evident in the homes and lifestyles within our community, while the increased charitable giving can be seen in the hundreds of new yeshivot, kollelim, and other nonprofit institutions that have been founded in the past decade. What follows is a discussion of Jewish philanthropy generally, incorporating our thoughts about Orthodox philanthropy in particular.

For the most part, our experience and the information to which we have access involves donors giving substantial amounts each year, from the minimum of $25,000 per year needed for membership in the Jewish Funders Network to the so-called mega-donors who give many millions annually. Only a small subset of Jewish donors are included in this pool, and yet, based on data relating to American philanthropy generally, they likely account for a majority of the dollars contributed by Jews. According to a report by the Bank of America and the Center on Philanthropy at Indiana University, those who earn $200,000 or more a year and have a net worth of at least $1 million represent less than 4 percent of American households but account for more than 60 percent of giving. More and more wealth is being concentrated in fewer and fewer hands. Twenty-one Americans each gave at least $100 million to charities in 2006. The top sixty donors gave a median $60 million each, compared with the $33 million median given the previous year. America’s 71,000 grant-making foundations disbursed $41 billion, a 12 percent increase over 2005, and an inflation-adjusted 228 percent increase over what was disbursed in 1996.
Based on the membership of the Jewish Funders Network, we are also seeing a trend toward younger donors. Previously, philanthropy often waited until after the donors had conquered the business world and began to turn their sights to loftier matters. Today’s foundations are being created by people who are younger, at the peak of their earnings and at the height of their business careers. They bring a different level of energy and a different philanthropic approach along with their financial resources. The new philanthropic approach is sometimes referred to as “venture philanthropy” and is characterized by (a) an interest in reviewing relevant research and performing other due diligence before making a grant, (b) a willingness to act quickly and nimbly, either alone or in partnership with others who share their social objectives, (c) a desire to be personally involved in the development and implementation of the programs they choose to fund, (d) a commitment to evaluation, and (e) a dispassionate, results-oriented approach to making funding decisions.

Jewish philanthropy is also being heavily influenced by other changes in American Jewry. Outside of Orthodoxy, as Jews have become more assimilated into American society, they have become more “American” in their giving. This translates into a greater percentage of their giving contributed to universal causes, such as universities, museums, and hospitals, and a smaller percentage to particularistic Jewish causes, such as Federations, Jewish schools, and Israel. Various researchers have tried to estimate the ratio between universal and particularistic giving among Jews. In 1998, Professor Jack Wertheimer studied the 232 foundations in America that self-identified as giving at least $200,000 to Jewish causes and found that even these foundations gave nearly two-thirds of their funding, $487 million, to nonsectarian causes. A 2003 report by Drs. Gary Tobin, Jeffrey Solomon, and Alexander Carp examined the 865 philanthropic gifts of $10 million or more made by American donors between 1995 and 2000. While nearly 25 percent (188 gifts totaling $5.3 billion) of the mega-grants were made by Jews, fewer than 10 percent of the gifts by Jewish philanthropists were directed to Jewish or Israeli organizations.

It seems unlikely that such a dramatic shift in priorities can be found within the Orthodox community, although as Orthodox Jews
become more and more involved in the broader culture, university life, and the business world, there will probably be increased competition for their philanthropic dollars beyond the Jewish world.

Aside from the increased wealth, the concentration of giving in fewer hands, the shift to venture philanthropy, and the shrinking share of the Jewish philanthropic pie received by Jewish institutions, there has been an additional change in the nature of Jewish philanthropy that has had a dramatic impact: the shift in the philanthropic culture from communitarianism to individualism. Philanthropy used to be an organized communal affair, where one gave to a central address that determined the extent of the needs and allocated the money as equitably as possible. For the larger Jewish community, the central address was the Federation; within the Orthodox community, the central address was a small group of rabbis and gvirim (high-end donors).

While that still happens to some degree, the lion’s share of Jewish philanthropic dollars no longer flows through a central address. As was noted above, the money allocated by independent funders dwarfs the giving of the entire Federation system. But it is not just the raw dollars that are different. The concept of ba’al hame’ah hu ba’al hade’ah (loosely, “the rich man sets the agenda”) has been realized to a great degree, as funders give for specific purposes and limited periods of time, at their own discretion. While in the Federation system all but a small percentage of the annual giving is traditionally preallocated based on formula, history, and communal agreements, the philanthropists’ freedom today gives them extraordinary influence. Their freedom and influence are growing due to the continued growth of the Jewish nonprofit sector—with new organizations being founded and few closing. The result is far greater competition for the philanthropic dollars of the richest American Jews, including among the Orthodox.

Among many in the nonprofit Jewish community, the response to the new Jewish philanthropic culture has been muted, at least in public. Since few can afford to bite the hands of those who may someday feed them, nonprofit leaders publicly extol the munificence of their philanthropists. In their privacy of the homes and at their Shabbat tables, their words reflect far greater resentment. One purpose
of this paper is to open a more objective exploration of the benefits and costs of the new philanthropic environment.

Beginning with the positive, foundations and independent funders bring to the community speed, creativity, risk-taking, and accountability. Nonprofit organizations characterized by bureaucracy and consensus decision-making often frustrate creative entrepreneurship and mute the voices of innovative young people. The high value placed on avoiding controversy can itself strangle creative thinking and open debate. By contrast, the decision-making group at a philanthropy is likely to be far smaller, and with the financial resources available, creative ideas can be harvested from all segments of the community and tested quickly.

Working nimbly and creatively increases the risk as well as the potential reward. For this reason, philanthropic achievement is possible only because foundations and philanthropists can afford to fail. As the organized community becomes ever more risk-averse, foundations can provide the risk capital that creative not-for-profits and nonprofit entrepreneurs so desperately need.

Another characteristic of both American and Jewish philanthropy today is a results orientation. In the past, charitable decisions were often made based on the perceived value of the activities of the nonprofits seeking funding. In today’s venture philanthropy climate, philanthropists often enter the market with articulated aims and goals, and they measure success based on whether these goals are met. This shifts the grantor/grantee discussion from the activities undertaken to the results achieved and can challenge organizations to think more boldly and experiment with new approaches. If conducted wisely, an outcomes orientation should have salutary consequences for the ultimate beneficiaries of nonprofit work.
CONCERNS RAISED BY THE NEW PHILANTHROPIC CLIMATE

Of course, while financial resources can purchase a great deal, including the best expert consultants, we have known since the days of King Solomon that money does not guarantee wisdom. In some cases, even wise business people fail to perceive the differences between the business world, where mistakes will ultimately be verifiably checked by the market, and the nonprofit world, which has no such corrective. The consequence of a monumental error in philanthropic giving is usually a new chorus of plaudits attesting to the genius of the philanthropist. This can lead to hundreds of millions of dollars of waste, inefficiency, and appeals to vanity. In a world driven by philanthropists rather than communal leaders, all ideas can get further—both the spectacular and the awful. Equally troubling, even successes sometimes last only as long as the interest of the donor (call it “hit-and-run” funding). While philanthropists are able to impose a results orientation on the nonprofits they support, there is no parallel evaluation of the philanthropists.

Another concern arising from the change in philanthropic culture is that today’s donor is more likely to be an outsider. In the past, the wealthy board member understood the needs of the recipient organization, believed in its mission, trusted its staff. While these donors enjoyed great influence in the direction of the organization, they did so in partnership with the organization’s professional and other lay leaders. Today’s funder may wield greater influence, but at times with a more shallow understanding of the organization’s structure, operations, or mission.

Another troubling trend stems from the venture philanthropy approach that, in its positive manifestation, constructively prods nonprofits to show measurable achievements in serving their beneficiaries. The flip side is that donors today are less likely to give to the general operating support of organizations in favor of project-related funding that will provide the measurable results they seek. In the worst case, these project grants can actually generate a net loss to organizations that pursue them with great energy and without adequate repayment of overhead or staff support. Even where funders
are prepared to properly cover overhead costs, the temptation of project-specific funding can distract organizations from their core mission and services.

In short, philanthropy practiced from within a nonprofit, attuned to the needs of its ultimate beneficiaries and encouraging new approaches, can be a great benefit. At times, the donors’ experience within the existing nonprofits may cause them to believe in the need to found new organizations, potentially even in competition with existing ones. However, when philanthropists function from outside the system—especially given the lack of any mechanism for holding funders to account—philanthropic decision-making may be no better (and at times can be worse) than the risk-averse, consensus approach that is common in nonprofit organizations. In the worst case, philanthropists violate the first rule of the philanthropic credo (adapted from the medical credo): “At the very least, do no harm.”

For better and worse, it appears that the current philanthropic environment, which characterizes broader American philanthropy as well as Jewish philanthropy, is unlikely to change in the short term. This raises a critical question: How can we encourage philanthropists to become more engaged in the community’s organizations, better understand its needs and make wiser philanthropic decisions?

There are an array of options that can be considered and advocated for by our communal leadership, ranging from personal practice to public policy. On the personal-practice side, there should be a commitment to philanthropic chavrutot (peers)—funders discussing their successes and failures. The consequences of our philanthropic decisions are too weighty to allow them to be made without our thinking being challenged by a peer, without presumptions being contested. Tens of millions of dollars of waste could be avoided if donors allowed themselves to be questioned by a trusted friend with the temerity to call the emperor naked when he in fact is wearing no clothes.

Second, donors need a higher level of engagement with the not-for-profits they support, with a direct correlation between the changes the philanthropists seeks to generate and their level of knowledge of and engagement with the nonprofits. Achieving this will require a
change in the attitudes and behaviors of both donors and nonprofits. Busy donors rarely recognize the need for deeper engagement in order to practice effective philanthropy, while nonprofit leaders often undervalue the long-term benefit of involving donors in a meaningful way. Samuel J. Silberman z’l, a Jewish philanthropist and former New York Federation president, used to say, “In foundation work, when people say that they want your advice, it means that they want your money. If you are willing to give them money, then sometimes they will listen to your advice.” This quip, perhaps a bit too cynical, captures the perception of most donors that nonprofit leaders chase the money rather than nurture involvement.

Engaging philanthropists more deeply will also require an end to certain practices that characterize a minority of Jewish nonprofits: nepotism, avoidance of financial transparency through exploitation of the IRS exemption on filing public tax returns for certain religious organizations, and a lack of professionalism in management. Converting an outsider to an insider requires an environment in which a philanthropist is willing to stake his or her own reputation on that of the nonprofit organization.

On the public policy side, the Jewish community in general, and the Orthodox community in particular, needs a renewed commitment to learning and teaching the ethics of philanthropic giving—what we can expect of and demand from a donor; what a donor’s responsibilities are to the community and the recipient organization; what kind of accountability philanthropists can expect from the recipient agencies. Relatedly, the non-Jewish and non-Orthodox Jewish worlds are investing in teaching adolescents the hows and whys of philanthropic giving. We dare not be behind on this trend.

While today’s philanthropic world presents a greater degree of risk to the Jewish community, so too does it present the potential of great reward. The wealth in our community allows us to expand our visions in ways inconceivable a generation ago. It is possible now to talk about philanthropic projects with budgets of over $100 million annually. We have the license to dream ever bigger to meet the needs of our community. The resources are there—and today’s philanthropists are hungry for inspiring ideas offered by professionals or partners they
can trust. But success will require new thinking both by philanthropists and by nonprofits. As the management consultant Peter Drucker put it, “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.”

NOTES

1. The authors take their inability to predict the Great Recession that hit a few months after this paper was written as evidence that they are neither fools nor children, whom the Talmud views as the masters of prophecy since the destruction of the Temple (see Bava Batra 12b). While this article consequently does not address the challenges of the day emerging from the economic crisis, and has a rosy tone not appropriate for the current environment, its fundamental point and recommendations remain important. Some recommendations, such as the need for nonprofits to avoid nepotism and increase transparency, are especially critical in the current period.


5. This study has not been published.


8. Overall, the number of nonprofits in the United States has doubled in the past five years to more than 1 million.