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Refunding. Staff meeting. 23 January 1954.

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UJA STAFF MEETING ON REFUNDING



165 West 46th Street  
New York City

January 23, 1954

ABALON STENOTYPE REPORTERS  
NEW YORK CITY

The staff meeting on Refunding convened at 10:20 A.M. at the offices of the United Jewish Appeal, 165 West 46th Street, New York, New York on Saturday, January 23, 1954; Mr. Leo Gallin presiding.

CHAIRMAN GALLIN: We have to do a thorough job of educating people about a fairly complicated plan without being able, up to this point at least, to distribute any information about the plan. It seems that until we get final and official clearance, which requires only 17 initials and 17 different departments and may take still many weeks, we not only can't release any general publicity, but so far we haven't even been able to get clearance to release to members of the staff a complete and detailed manual. We know that you can't very well answer questions, and many questions have been raised and will be raised, without some factual background, so in a little while we are going to go into a manual which we have typed up and which still must be cleared, discuss it with you and then have you take notes from the manual so that at least you will have your own information on pertinent facts. We suggest this rather than your trying to keep notes of our presentations,

which will be in large essence from the manual, because that would slow up the presentation in the meeting too much. There are a few matters we will take up first on which you may want to make a few notes.

One of our big problems is lack of up to date information on what is going on in communities. Part of it is due to the fact that we don't have the action in communities that we would like, that the project requires. There are a number of reasons for this. Communities are calling us daily wanting to know what other communities are doing and not realizing the progress we have made when the communities want to know what others are doing.

We have been assembling our information in the office from perhaps a dozen different sources. We get information from an assistant field director, we will get information from various heads of departments, from some of our top laymen. Dr. Schwartz will tell us what happened in a community, Morris Berinstein will tell us what happened in a community. Every once in a while we get two or three different reports on the same community so we don't know, on some of them, whether they are all

ready to complete a loan as soon as we get the official word from Washington or whether the community has just voted a sum. If they have acted, we don't know the names of the banks and certain basic information which we must have is lacking.

I would therefore like each of you to prepare, when the meeting is over, when our discussion is over and before you leave, go through your records and make a brief summary on each major city in your area, telling us what the status of your approach is. List those which you have not yet approached, those that have their first meetings coming up, those who have voted by board or executive action a certain sum and those that have in a sense completed a loan, brought it up to the point of wrapping it up as soon as Washington says yes. Take cities of \$50,000 allocation and over, which means a \$75,000 quota. We will discuss the quotas later.

Where the situation is through as far as our present operation is concerned, we need the name of the bank, we need the terms of the loan, the interest, and any other terms that have been spelled out. We want to know the guarantors involved, whether the UJA locally

or the Welfare Fund locally has been sufficient on its own action, as was the case in Boston and San Francisco, or whether individuals have to sign or whether some combination of individual loans or individual signatures, whatever the situation, is -- spell it out for each community so that we begin on Monday from your records -- we will still have to get in touch with a couple of the men who are tied up and couldn't come here but at least we can begin on Monday with an accurate set of records to start with.

Then remember that we are counting on you to keep this data coming to us promptly, the same information, as new situations ripen, because, again, if we get information from a speaker who happens to go to that area, it may or may not be the complete or accurate information. You may have the impression that they did something. We want reports from you and we need them promptly because, as you know, other communities want to know, the office has to know, and we hope, when word comes from Washington, we will be able to shoot some publicity out immediately instead of having to start at that time to assemble data.

We would like to begin the meeting, the discussion -- before we go into the discussion, rather, of the factual background of the loan and the methodology of getting communities supporting the loan. I would like to have Irving Jacobs present a procedure form which we find is necessary, because here again we have operated with four or five or six different people, handling information. We feel, in order to tie up the whole operation and avoid missing out on several important situations, we should reduce this to a form which can at least make sure that our routines in the office are handled properly.

We would like your suggestions as to decisions or changes in this form and I will ask Irving to take on from here and explain the various purposes.

MR. JACOBS: The purposes of the form basically are quite similar to the form now used in the Speakers Division for requests for a speaker. It should originate only within this office, not within the regional offices such as Ed Vajda's or on the West Coast. The purpose is quite simple: to centralize in one spot all the information as to a meeting, request for a meeting, move-

ment of speakers, experts and what have you. I think the form speaks for itself. It is only a question of going over it carefully to see if there is anything else that we require in the form. It is as simple as that.

MR. FISHZOHN: We have experienced a tremendous amount of trouble in the past ten days because there has been no coordination of the kind we are trying to establish in the form and we've got ten different versions because so many people have been involved in talking to the communities and there have been changes almost by the minute, and we have not always been apprised of these things. In some cases we have to go chasing people who may be possibly involved in this operation and we are terribly frightened that we are liable to mess up the situation badly, so we can't operate unless we have this, which we are going to consider the final word on the subject, subject only to a last minute clearance with whoever we will decide later, before this meeting is over, is the person to clear the matter with before a letter goes out to a given lay person or a community as to what these final arrangements for a meeting are.

MR. ABRAMSON: Am I to assume that, for instance,



if I contact a community and set up a date, that I will type out whatever information I have on this in whatever number of copies is determined we need and submit it? For that purpose it is very good.

Now I will get down to cases. Say I can, for instance, fill it out up until "Type attendees executive committee" and then below it says "UJA representatives." Do we leave that blank to be filled in later by the appropriate department?

CHAIRMAN GALLIN: In most cases. In some cases, particularly with the smaller communities, you may be arranging within your area for somebody from Chicago to cover Calumet or whatever the situation may be.

MR. ABRAMSON: But if not, we leave it blank?

CHAIRMAN GALLIN: If it is a question of referral to headquarters for assignment of a speaker going to a community, you would then leave it blank.

MR. ABRAMSON: "Transportation arrangements" we leave blank. "Letters to be written" we might indicate?

MR. FISHZOHN: "Transportation arrangements" -- in a case where you have worked something out with a

given leader and we are involved in getting the transportation, while you are talking to him, in order to obviate the necessity of further contact by us at that point for transportation information, you might say, "Are you going from your home to this meeting? What arrangements do you want us to make for you?" I think it would be safer if on the form you would indicate there in parentheses under "Transportation arrangements", indicate detailed information if local arrangements or, if arrangements being made locally, a man is driving from a town to another town --

MR. ABRAMSON: "Letters to be written." Do we indicate what we think ought to be written or do you keep that as a record to show what you actually have written?

MR. JACOBS: You indicate.

CHAIRMAN GALLIN: In other words, you will check in this situation. You may check if you are handling the representation or our office will have to check here if we are arranging representatives, that a letter doesn't have to be written to No. 1 because No. 1 may be Morris Berinstein who doesn't need background on a com-

munity he is familiar with.

MR. FISHZOHN: But we confirm something formally to him?

CHAIRMAN GALLIN: We might or might not.

MR. BIEHL: In every case; we shouldn't take chances.

MR. FISHZOHN: If a formal notice goes to him it is safer. We have a record. And to the community. In the event that you make your own arrangements with a given person about this thing or you write any letters, it goes without saying we would want a copy of that.

CHAIRMAN GALLIN: If it is needed in every case, why do you need it on the form?

MR. BENNETT: Just as a check. It is an internal check to them that they have done it.

MR. GOLDSTEIN: To whom is this form submitted?

MR. JACOBS: To the speakers.

MR. BIEHL: Does it go from Abramson to the speakers to Gallin's office?

MR. FISHZOHN: I think it should go to Gallin's office. If there is any change or further discussion, the final okay should come from Gallin's office to us.

CHAIRMAN GALLIN: It must come to our office and be sent to you.

MR. ABRAMSON: I think everything relating to this operation should go to Leo Gallin's office and channeled from there wherever it should go.

CHAIRMAN GALLIN: It must be; otherwise we are going to get changed information too late.

MR. ABRAMSON: How many copies do you want of this? I will keep one for myself.

MR. JACOBS: Three -- one for yourself, one for Speakers and one for Gallin.

MR. VAJDA: I think I understood Irving to say that this form originates only in New York. How will it be handled in the Central States?

MR. JACOBS: There are so many changes between Chicago and Los Angeles and New York, I think that your forms should originate either directly in Gallin's office either through telephone or through correspondence rather than you should fill out the form there and send in a couple of copies. The time element is involved.

CHAIRMAN GALLIN: Irving is right. Ed, what may happen is that if you fill out a form out of Chicago

relating to a given community and then Chicago, let us say, calls us about a sudden change, you are en route and can't be reached. We may have to handle a thing like that directly, and the existence of two forms, one filled out by you and one filled out by us, may be confusing.

MR. VAJDA: One point: that there be an extra copy sent to me immediately when it is prepared by your office.

MR. FISHZOHN: That is risky because even after this thing is prepared, changes are going to take place and we will have to be in constant touch with people to assure constant developments being recorded.

MR. JACOBS: The copy of the confirmation letters may help.

MR. VAJDA: Last week I got copies of confirming letters 36 hours after each meeting.

MR. BIEHL: We have to rely on the telephone too.

MR. SCHLESSINGER: This form seems to be the one that would be utilized when a meeting has already been set up, so that there will be all the information

here as to whom, etcetera, but what about the many communities that are asked and that we send them letters before we set up a meeting? I had an instance of that just yesterday.

CHAIRMAN GALLIN: This I handle as a matter of regular routine.

MR. ABRAMSON: Another question. Referring to the type of community that Joe is speaking about, there are many communities where we may have a meeting in early March for good and valid reasons. I take it that this does not replace in any way a memo to the community outlining the whole situation.

CHAIRMAN GALLIN: Not at all.

MR. ABRAMSON: That we will send through as a matter of course.

CHAIRMAN GALLIN: That is right. You do everything that you have done to date in handling this, phone calls, memos, just keep us informed. This is essentially for inter-office routine so that we don't get fouled up.

MR. VAJDA: But we haven't solved the question of Central States.

MR. JACOBS: We can't, with the element of time

involved. If you are in touch with the office you will be informed by telephone. I see no other possibility.

MR. BENNETT: I think Vajda is right. The other field directors who are in the office here can find out regularly, almost daily, what changes if any are made, what is going on. Vajda can't, so there ought to be some way of keeping him as informed as we keep the others informed. Now, maybe through a copy or a daily report -- I don't know.

MR. BIEHL: He gets copies of memos in any case. His point is that the mails are so slow that he gets the copies after the meetings, and in addition to that, we will have to use the telephone and wire.

MR. VAJDA: It would seem to me that if, when this is prepared, a copy were sent to me, I at least have a beginning, and if any changes are made I can pick them up by phone.

MR. JACOBS: We will do it.

MR. FISHZOHN: May be worth trying and see how it goes for ten days or two weeks.

MR. GOLDSTEIN: But if we make up the copies as soon as the meeting is arranged, the chances of his re-

ceiving the copy after the meeting -- there is a lapse of several days. What happened last week is an unusual situation.

MR. VAJDA: I think Mel is right. There is a gap between the preparation of this and assembling a confirmation notice, but if I got this --

MR. JACOBS: Let's send it.

CHAIRMAN GALLIN: Let's move on. Any other suggestions as to items?

MR. VAJDA: One more question. On the initiation of this in your office, am I to clear all of my material with Harry or with whom?

CHAIRMAN GALLIN: With my office, either with me or with Harry.

MR. SHERMAN: About the memo in each community, may I suggest a few specific points, the digest? That there be two; one that will be prepared before anyone goes to the community, and one to be prepared after. I am referring to the one that is prepared before.

More exact information about the previous pattern of bank borrowing; namely, how much has the community borrowed, from what bank or banks, on what terms,



meaning with or without endorsements -- so at least you know that Community X has been borrowing regularly or had borrowed at one time \$200,000 from a bank against endorsements for payment within the year.

Another point is whether they paid it from collections or from the first receipts of their campaign. For example, in Youngstown they had the following: if they went ahead and borrowed \$100,000, the first \$100,000 of it was paid to the bank. Now, this is not common procedure. It gets first priority. This puts all kinds of wrong ideas in the minds of the community, but at least you want to know it.

MR. JACOBS: What do you need the information for?

MR. SHERMAN: For example, you can walk into the community knowing whether they are used to endorsements and you don't have to start talking to them about the fact that some communities can get it without endorsements and that we should try to get it without endorsements, because if the bank has been getting endorsements from them in the past, then you avoid it.

The second point that is worth while finding

out is: what kind of property does the community have?

MR. KOLLEK: That you wouldn't know, I imagine.

CHAIRMAN GALLIN: I think you are touching on a situation that you happened to run into. It is going to be atypical of communities.

MR. KOLLEK: I don't think anybody here knew that they have in Youngstown a piece of property which is worth \$600,000.

MR. ABRAMSON: Yes, we did.

MR. VAJDA: There are four communities in America, only four that have what is known as a functional Federation, where all of the Jewish community property is own in the name of a single Federation. They are Youngstown, Omaha, Dallas and --

MR. BIEHL: In connection with Mr. Sherman's point I would like to hear from the field directors how readily available they think this information will be, generally speaking. Will the executive directors be willing to share this information or not?

CHAIRMAN GALLIN: You mean on borrowings?

MR. SCHLESSINGER: I don't think there is going to be any difficulty at any time. If we have a relation-

ship with the executive directors, and we are supposed to have that, and we come to them and discuss the re-funding program, I don't contemplate any difficulty in getting whatever information you need as to how the previous loans were obtained and whether or not they had it on endorsements or without endorsements. The only thing is, we now have been told that we ought to get this information and I see no difficulty in getting it.

MR. SHERMAN: In a pinch you can almost get it on the speaker's visit. That is what has happened in the two cases I visited places. I learned on the spot.

MR. BIEHL: Many communities have reserve funds that they don't tell us about in banks, and if you try to get the information you frequently get it by indirection, and I know that a suspiciousness exists when you try to question in some places, to get answers to some of the questions you raise.

MR. ABRAMSON: I want to ask Mr. Sherman a question. I don't think any speaker goes to a meeting without a member of our staff, whether it is the field representative or a member of our executive field staff.

In such cases the man who accompanies you would know the situation in that community. I know it is true in my case, Joe's and Ed's. We know the pattern of borrowing in that community and in most cases we know how they borrowed money.

CHAIRMAN GALLIN: It seems to me this is a problem for your department, Irving, which handles digests. If they don't have the information they ought to start assembling it now.

MR. JACOBS: They don't have it and can't start assembling, which means it has to be given to them. We have to talk about the method of getting the information first.

MR. SHERMAN: Mr. Gallin, I would like to withdraw my suggestion and incorporate it in the form of a memo to be sent to the head office after the first meeting.

MR. ABRAMSON: What is the purpose? You should have it at the first meeting.

MR. SHERMAN: I am always a second-bester.

MR. ABRAMSON: What do you mean by the first meeting? Supposing the whole thing is sewed up at the

first meeting?

MR. SHERMAN: The important thing is, it is never sewed up at the first meeting. At the first meeting the best that can happen is, everybody says "Let's do it and go to the banks." Then Mr. Gallin would like to know what is the exact position beyond their decision to go to the banks and he knows where to press and where to argue and where to discuss, because all that will happen later, so that the information is of immense value even after the first meeting, to the extent that you can't get it before the meeting in written form. Then the visitor to the town will get it in a half hour or so before the meeting and gather that information, so that if it is difficult --

MR. JACOBS: Let's approach this in another way. Some say yes, some say not. Let's use both bases. If they can get it before, fine. If Joe Schlessinger knows the borrowing pattern and what property they have, we should have it before and it should go out with the first meeting. If not, then it should be prepared for afterwards. I would say that at the time this is prepared or subsequently, but immediately after. It becomes

a part of this procedure here. You prepare a meeting. You work out a meeting. You also work up this particular memo. This particular memo goes to Panzer and becomes part of the papers of the speakers.

MR. PANZER: Mike Brissman knows more about this than anybody else. In a period of one week we could have all the information on 75 communities.

MR. ABRAMSON: Marty is right. He could consult with us and with the records and with the community.

CHAIRMAN GALLIN: Who will follow through on that?

MR. FISHZOHN: Panzer.

MR. PANZER: That is Harry Biehl.

CHAIRMAN GALLIN: Harry, you will do it.

MR. BENNETT: I was going to ask whether or not what Meier had in mind, with the exception of a couple of atypical communities, really didn't call for a surplus information. For example, if you relate this, what he is seeking, to the quotas which we have established with whatever modifications we make, generally speaking we know that the communities have certainly borrowed at any one time as much as one and a third times

their allocations. It is only in the atypical situations like a Youngstown or maybe like a Dallas which hasn't borrowed for years, that this information might have meaning, I would think, and I am wondering whether or not you won't find yourself accumulating, just for the sake of getting information, a lot of information that the average community -- outside of giving you basic information which has no direct purpose other than knowing it -- would simply mean that you are accumulating a lot of information you are not going to use in the long run. Assume a quota, assume the banks have been borrowing as much as the quota in the past without difficulties. What you want in the typical situation is that answer. But in the atypical situation it is something that is out of the ordinary.

CHAIRMAN GALLIN: Is there anything further on this form? (No response) Okay, Irving, we will go ahead with that.

MR. WECHSLER: I have a mechanical suggestion. It is designed to serve a purpose and I think it will help us out of a lot of our confusion, but one thing that we must all do is be sure to get the very latest informa-

tion as frequently as possible and as quickly as possible to the person who is ultimately charged with the responsibility of following it out of the office. At the moment that is me. I would like to get as much information as I can as rapidly as I can. That will help.

CHAIRMAN GALLIN: That will be our office responsibility. I don't think any of them in the field relative to refunding should be in touch with you at all. They should clear everything through our office.

MR. SCHLESSINGER: I was going to offer this thought. I think it may be a mistake on our parts now to stress too strongly the business of endorsements. I think that if the communities are being approached to hold meetings on the refunding program, they are going to have ideas fixed in their minds about endorsements before we have the slightest opportunity to discuss the whole program. We may be doing ourselves a little damage that we don't need to do, we don't need to encounter. I know, for example, that a certain community -- if the people are told they are going to come to a meeting and the question of a refunding program is going to be raised and they are going to be asked at the meeting to endorse notes,



many of the people are even going to stay away from the meeting.

I think we ought to proceed under the theory that each community has its own method of borrowing the money, either through endorsements or through corporate notes or whatever it is, and that the stress by us ought to be on getting the meetings in the communities. Let the community then determine as best it can how they are going to carry out the refunding program and not stress too much now the business of endorsements. It is difficult for us and it is much more difficult for the communities, because by and large communities, individuals and leaders, don't want to endorse notes. They want to get the loans through wherever they can on the signature of the Welfare Fund or the Federation, and I would rather play down the business of the endorsements.

CHAIRMAN GALLIN: We have no intention, Joe, of telling people in the community that they are going to be called upon to endorse notes or to put up their own money as individual loans.

MR. SCHLESSINGER: We are probably sowing the seeds of that and it isn't going to help us right now.

CHAIRMAN GALLIN: We will get into that. We don't intend to say to a community that we are calling for endorsements. We are interested in an overall picture. We are interested in getting two main things. There are two main concerns that we have: one, we want to get enough money from each community in terms of quota or better than quota; two, we are interested in the length of the loan. We want five years rather than three or two or one year. These are the two important things, the amount and the length. Let important but still a consideration, of course, is the interest rate. We want the most favorable interest rate that every community can arrange.

Now, the method of handling it, as long as the two main objectives are reached, is, as you say, a flexible matter with each community. Of course we don't want individuals committed to this thing as individuals if the community can go to the bank and borrow as a community. This is the first thing we are trying for, but if individuals have to sign, we have to get them to sign. If individuals have to contribute, have to make the loans personally to cover part of the community's quota or all

of it, although that is a final alternative and we certainly don't want to tell communities in advance that we have this final alternative and frighten them away from the meeting because they will think this is our first plan -- it is flexible. We may come out with 18 or 19 different answers to the same problem. We don't care, if we achieve the two main objectives of the amount and at the same time the length of the loan that we require.

Now we would like to go on with a presentation of the material in the manual and there will be a few revisions here which will be jotted down on the extra copies before you take notes from them. Without taking any notes at this point but just for general background and orientation, I would like to point out that our manual has been prepared --and incidentally, as soon as it is revised and approved we will get copies to you as fast as we can get them to you. This may take a week, it may take longer. We will try to get it to you as fast as we can.

The manual has been prepared in three general parts. One is a memo on organizing support. This is methodology, how do you go about it, how do you approach the community, what are some of the problems involved,

etcetera. This I have placed first because the manual is primarily for you, for the men who are really doing the job. I will get into a discussion of that later. Before that we will take up the second section. Meier Sherman will present that, background data on the need and the program. The third section is source material. We have a few bits of source material that you can refer to, familiarize yourself with it so that as questions come up, particularly in those situations where the UJA representatives that are sent to a community may not have the answers, it will be well for you to have it and be able to refer to this material.

Now, Meier Sherman will present the factual background of the loan, Israel problems which led to the loan and some of the pertinent details on it.

MR. SHERMAN: First, by way of introduction, it came up once or twice and it is useful that you fix in your minds -- I will try not to make a factual simile of a presentation to a community but more by way of emphasis and special point and aside remarks.

One of the questions that is likely to arise and did arise is that people try to fix in their minds

this particular business of the funding in its relationship to the usual UJA activities or Bonds, and it is therefore useful that you always keep in mind what is the foreign exchange problem of any country; namely, that Israel is a country that has a currency and that currency is Israeli pounds. Now, to the extent that Israel has to buy goods and services abroad, it has to pay for them with currency of other countries, dollars or Swiss francs. To the extent that it cannot get these currencies, it has a problem of getting them. It has therefore a dollar problem or a Swiss franc problem or, generally speaking, a foreign exchange problem, foreign exchange being synonymous with foreign currency, that this is therefore when speaking of the foreign exchange problem of the State of Israel, it means Israel's inability to obtain sufficient currencies which it needs in order to buy requirements abroad.

Now, this problem has two faces. One has to do with the daily, with the current requirements of the country for foreign exchange which I have made dollars for simplicity's sake, the current requirements of the country as well as current needs, current supplies and

investment goods, and this one problem. The other half of the problem is the foreign exchange, and there are two phases of the same problem and bear in mind that these two phases you can also assign right away to various functions of the UJA-Bonds on the one hand, and this funding operation on the other. The UJA and Bonds deal with the current supply-investment problem. The funding operation deals with the debt.

Now, what is this current supply and investment problem? What does it mean? What is the problem there? The problem there is that we have a gap between Israel's needs and Israel's earning capacity. Israel needs many more things for which it has to pay foreign exchange than it earns foreign exchange. This is the problem. It must therefore depend on UJA, on Bonds, on German reparations, United States government aid, because it does not earn enough. It is a problem of a gap. It is a problem of imbalance between needs and earning capacity.

The yardstick by which Israel will be ultimately judged is its ability to close this gap as rapidly and soundly as possible. This, incidentally, gives you also

a very wonderful introduction to the foreign exchange problem because it is here that you can stress as briefly or at greater length Israel's achievements to date, because you can ask yourself, "What has Israel done so far to close this gap," and you can come up with a series of facts which are summarized in your manual and which can go as far as they want or as little as they want. They relate primarily to the field of agriculture which is very important, because so much of Israel's foreign exchange is spent on food and agriculture, and there you can see that Israel has increased its area under cultivation by 122 percent, that Israel increased its irrigated area by 100 percent, that Israel increased agriculture by 97 percent. I am quoting from memory. I may be wrong a little. Israel decreased imports per capita by, I think, 51 percent. Israel increased exports of citrus fruit by 18 percent or something like that. In other words, you have a picture which suggests the closing of the gap from two ends -- by increasing earnings and by reducing expenditures, because of the increase over production.

When you are through with this set of facts you

have a background of achievement and therefore a charming background against which you can present the gloomier picture of the debt. This shining background is not limited only to agriculture, is not limited only to records, but it also applies to program. In other words, you can present the Israeli effort to close the gap under roughly two kinds of classifications: the record to date and the plans for the future. That is one way. Or by areas -- economic areas, say agriculture, industry, exports, national resources -- and you have in the manual enough data on that to tell you how Israel is developing natural resources, how Israel's exports increased, how its industry increased. The most difficult thing is to measure industrial increases and the only two figures that you received here are referring to the consumption of electricity and the number of people employed, because they are the simplest figures. When you start measuring industrial output you get into all kinds of statistics which I think we should avoid.

Therefore you have the background or the introduction to the problem, and that is, that half of the foreign exchange problem which deals with current supplies



for investment requirements, and it carries with it also the answer to the relationship between the funding effort you are discussing and the regular UJA work. From now on I am going into the material on the foreign exchange debt. If you want to ask me at this stage a question, I will stop.

MR. PANZER: One question. I don't quite get the relationship between increasing your earning power and saving. Isn't it one and the same thing?

MR. SHERMAN: It is two sides of the same coin.

MR. PANZER: Do you get a double benefit there?

MR. SHERMAN: No. Let me give you an example. We are dealing with foreign exchange. If Mr. Mazer opens a factory to make paper in Israel and Israel as a result imports not finished paper but raw material for paper, Israel may save a million dollars a year. It does not earn foreign exchange in the sense that it would earn if it sold some paper abroad. It saves it. The result is the same. It closes the gap, but from one side, not the other.

Now, coming to the debt, the foreign exchange debt of the State of Israel, you have four figures that

you have to remember, and no more than four figures are likely to come up. They are round figures and they are as of December 31, 1953. That is important because figures change. I would like you also to know that there are estimates and we are sticking to the estimates which we made early in December for Mr. Eshkol when he made his speech. The preliminary final figures arrived yesterday. Final figures will be in our hands in about three weeks and there will be changes, but the changes are slight.

We have a total foreign exchange debt of \$400,000,000. This includes everything. It includes Bonds, it includes Export-Import Bank, short term debts, everything you want. That is the package, \$400,000,000, all due between today and 1966. Out of this we have about \$110,000,000 due in the next twelve months of 1954. This is the problem. The problem is that you have such concentration of the maturities in the next twelve months. \$400,000,000 in itself is not a problem for a growing country, but \$110,000,000 within the next twelve months is a very difficult problem for the State.

Out of this \$110,000,000, something on the

order of \$35,000,000 Israel can take care of from income. This phrase brings about all kinds of misunderstandings and since I have been asked about it in both communities which I visited, and my sum total of experience is these two communities, this \$35,000,000 is made up of two parts; a certain part roughly about \$15,000,000, which represents Israel's ability actually to retire debt. How does Israel retire debt? If Israel spends during the year, say, \$15,000,000 less than it earned, it has \$15,000,000 left with which it can repay debts and therefore reduce them, and out of these \$35,000,000 about \$15,000,000 represents an amount that Israel can retire of the debt. The other \$20,000,000 represents debts which Israel can finance from income.

What does "finance from income" mean? Let's take a simple example. You are a businessman. You roughly buy goods each month for about a million dollars. On the average you get four months' credit. That means, at any one time you owe \$4,000,000. How do you pay it? Because you have an income of about a million dollars a month, you can pay it. One of the things that you have to bear in mind is that most of these things are the kind

of things that every state does regularly and also every private business, as a part of a healthy process. If you take General Motors, if you consider General Motors to be the acme of responsibility, they probably buy -- let's assume it is \$30,000,000. That means at any one point General Motors very probably, if it enjoys credits for three months before they pay, it means that in January they bought for \$30,000,000. They don't have to pay it yet. In February they bought for \$30,000,000. They still don't have to pay. As of the end of February they owe \$60,000,000. In March they don't have to pay. At the end of March they owe \$90,000,000. Then in April they again bought for \$30,000,000 but they paid the January debt so it is stabilized at about \$90,000,000. and this is part of the way they buy goods, on good credit, very sound, don't overpay because of that, highly respectable. Everybody does it.

This is what is meant by financing a part of the debt from income. It would be fantastic and presumptuous on the part of the State of Israel to say, "We want to reach that position where we don't owe anything on a short term basis." That is nonsense. The point is,

you should owe enough to be commensurate with your income, commensurate with your ability to take care of it out of income.

MR. KOLLEK: But not more.

MR. VAJDA: When you are speaking of this \$35,000,000 and also of the \$400,000,000, you are including, for example, everything which has been bought on open account up until this point, and then when you are talking about revolving the \$20,000,000, you are actually talking about what a retailer calls turning his inventory over.

MR. SHERMAN: It could be that in a sense. It is not accurate because the State does not have the inventory, but that is roughly it. I hope I made myself clear as to what is involved here. The \$35,000,000 is comprised of two parts, one part which represents actual retirement and one part which represents normal purchasing or normal credit bases.

CHAIRMAN GALLIN: I think Ed's point is quite close to the situation because you do have an inventory. In other words, if you have purchased cotton for Atta (?) to make into fabric, the cotton that you have purchased

becomes in the fabric an inventory.

MR. SHERMAN: It is a way of explaining it. I didn't say that he is wrong. I say he is close to it.

MR. VAJDA: There was a reason for my asking the question. I think there follows a second subconscious thought that if you can handle \$35,000,000 in one year, why can't you handle \$35,000,000 every year? And I think the answer to it is that that \$20,000,000 is simply a revolving fund.

MR. SHERMAN: Quite right. \$15,000,000 will not do it because it is actual retirement. Now, the regular \$15,000,000 and the \$20,000,000 is a rough breakdown.

MR. BENNETT: You talk about handling that \$15,000,000 out of an excess of current income so you are retiring \$15,000,000 of that indebtedness. Now, that has to be related to the gap you were talking about in your foreign currency business, so will you relate it so we can see how you do both and still have a gap?

MR. KOLLEK: Just a second. You will have to retire \$15,000,000 out of your \$75,000,000. That means you will have to put up \$15,000,000 less income as well,

not out of this \$35,000,000 but out of the \$75,000,000, so we say and we may use a slightly exaggerated amount of, we are saving \$77,000,000, so it is still \$8,000,000 you will have to retire even if the UJA remains on the same level. That means you will have to retire not \$35,000,000 but \$23,000,000. (?)

MR. BENNETT: It is eight from the 15. 7, not 23.

MR. KOLLEK: 7, of course, or 8, but not 15 out of the 35.

MR. SHERMAN: The answer is this --

MR. VAJDA: Leo is right. He is undertaking to explain that in the first year \$15,000,000 of the \$35,000,000 can be retired by the State of Israel because of the closing of the gap, \$20,000,000 by revolving purchases. Now, in the second year, for it to be status quo, nothing would have to be done but to reduce the overall indebtedness by the \$15,000,000 which we will be paying out on the loan. It means retiring only the difference between that and the savings, is that right?

MR. SHERMAN: Yes. To relate that to the gap, when we speak of the gap we are speaking in purist terms.

What is our idea in Israel? The idea is that we would earn enough foreign exchange that we shall not need UJA, that we shall not need Bonds, that we shall not need US government aid, and we shall not need German reparations. It is a process of gradually bringing together, but at any given moment today this gap is closed by the charitable contributions and so on. Therefore these contributions today are part of the foreign exchange income of the country.

Now, we manage our expenditure in such a way that it will be below the level of the total contributions by about \$15,000,000, and this gives us the \$15,000,000 to retire the debt.

MR. BENNETT: Then it seems to me you have to say to people who ask the question, that in terms of your current income and outgo, you are not adding to the foreign debt. It is part of the current --

MR. SHERMAN: Since I was interrupted on the \$35,000,000 -- it is a vital point and I am coming to it. \$400,000,000 is the total foreign exchange debt of which \$110,000 is due in the next twelve months and forms the problem. Of this, \$35,000,000, as I have explained, Israel



can finance from income as part of its import procurement and debt retirement process. What remains? \$75,000,000. These are the \$75,000,000 which Israel cannot refinance from income or retire from income. What can Israel do with the \$75,000,000? What does a business do with that in a similar situation, or another state? Normally, they go to a bank, borrow enough money to repay this, but they borrow it for a number of years so that they can spread this burden over a period of years, five or ten or fifteen years. This is called funding; namely, to borrow some place for a period of years, repay an immediate debt and spread this burden over a period of years. Is that clear?

MR. PANZER: Clear but not altogether clear. If you are able to do that, that means you are able to do without a certain amount of your income in order to do it. Are you utilizing that portion of your normal income ordinarily to retire a piece of this debt?

MR. SHERMAN: Yes. A very well taken point. Exactly that. Now, we can take the very example on a short term basis. Let us assume the State of Israel could walk into the Export-Import Bank and borrow \$75,000,000

for five years. The problem of the State of Israel will be to repay from income \$15,000,000 a year. Unless they were able to do so they could not take it. It so happens they could do so because, as I pointed out, it is normally able to retire \$15,000,000, so you see, that is where it dovetails. So the normal procedure, when you have this kind of a lump of \$75,000,000 or any other amount, is to spread it by means of funding.

Israel so far has not had access to long term funds for this purpose. What were its alternatives? Its alternatives were either to go broke, which it could not afford, or what is known as revolving or refinancing on a short term basis. Now, I would like you to fix that firmly in your mind and I think that is where the manual should be changed also. It is not a case where a sane person has two alternatives, one for refunding on a long term basis, and one other, to revolve it. It is not such a case. There is only one sane approach and only one desperate action. There are no alternatives. The sane approach is to fund it, and if you haven't got money to fund it, then you are engaged in the insane approach, in the desperate approach of staying afloat, and this is

what we have been doing.

What does this mean? I am giving you about five times as much as you've got to give to anyone. But then you get the point more. It means of the \$75,000,000 about \$6,500,000 is necessary each month. You can't use your income for that purpose because it is tied up elsewhere without the \$35,000,000, so you have to borrow more or less at the beginning of each month \$6,500,000 -- I am oversimplifying -- in order to repay it. Now, the \$6,500,000 that you borrowed at the beginning of each month you should borrow at least for a long enough period so it will not have to be repaid within the same year, because if you do that, you find yourself needing not \$75,000,000 but \$85 or \$95 or \$105,000,000 during the year. You don't control your sources of borrowing because you borrow from whoever lends, so it bunches up and becomes terribly costly.

The symptoms of this operation are, first and foremost, danger. You are skating consistently on thin ice. Second, costliness. It is terribly expensive. It is expensive because since you have no foreign exchange reserves, you are always at the mercy of the fellow who

lends you. You have low interest to the extent that the lender has tradition or is a gentleman, and lenders traditionally lack tradition and lack gentlemen. Therefore that is the problem and this is how Israel handled it so far, because of no other choice. They just revolved this debt.

Now, what Israel has done except for the effort and the dexterity of revolving the debt, is as follows: it took steps designed primarily to stabilize the debt. It cut down expenditures as low as possible, to the most essential things. That business, as you know, is austerity, and made certain that as a minimum it maintained a balanced foreign exchange budget so that the debt ceased to increase. If you want a definite date, that is as of July 1, 1952. I believe that actually the cessation of debt was in February, 1952 but I can't prove it.

Now you ask: why was it possible for Israel to cease increasing the debt? I will explain that further, but basically the debt is a reflection of immigration. It was possible to think at all about stabilization the moment immigration tapered off. If you bear in mind that

until 1951 immigration averaged 170,000 a year, and in 1952 it went down to 23,000, you have ;an idea -- you almost have a sharp edge at the end of 1951 with some overflowing effects, so the only time we could think in terms of stabilization was sometime in 1952, and this is also an explanation to those who say facetiously or otherwise, "Why didn't you do it before?" The answer is: much before 1952 you couldn't have done it.

Israel therefore created a balanced budget so that no more debts have been or are being incurred. There is no deficit financing in the State of Israel to finance imports out of anything else but actual income. This is still in the process of refinement because the State of Israel offers always the heartening aspect of being able to learn more and correct more mistakes because it started with a big fund.

But the State went a step further. It went beyond merely balancing the budget. It went beyond merely watching carefully, and by watching carefully let me give you an example. One bright day the State made a ~~st~~atement that it will have X million dollars from the UJA. UJA income dropped. Within a month after the reports of

the drop, commitments were reduced, so there is a constant shrinkage. But as I said, the State went a step further. It kept expenditure below the level of income so it was able to reduce its debt apart from Bonds by some \$15,000,000 in the fiscal year ending June 30, 1953.

Now I would like to explain the part of Bonds. This is not sleight of hand. As you realize, the Bond debt is not reflected at all in the current situation. The interest on the debt is reflected in the budget as part of the expenditure of the budget. The principal payment is not due until 1966, and at the moment why do we sell Bonds? We sell Bonds in order to buy goods with them. Therefore, for the purpose of our budget, they are part of our income and for the purpose of judging our debt operation and our foreign exchange operation, when we measure debt exchanges, we have to exclude Bonds. It is for this reason that I say apart from Bonds, and I say it properly, we have reduced the debt by \$15,000,000. Is that point clear?

MR. SCHLESSINGER: I am puzzled about one thing. We are talking about retiring or disposing of \$120,000,000 of indebtedness -- \$110,000,000 in 1954,

this year, and you explained that \$35,000,000 of that, Israel can take care of, and \$75,000,000 through refunding. I think it is safe to assume that in the next year there are also some so-called short term indebtednesses that mature and in the next year Israel will not only have to take care of this \$20,000,000 so-called revolving credit; it will also have to take care of \$15,000,000, which is already \$35,000,000, and then I imagine there must be obligations which mature in the following year in a substantial amount of money.

What will happen then? It may be \$50 or \$60,000,000 in the next year.

MR. SHERMAN: I will be frank with you. Not only can I answer it but we've got tables that long with exact figures, what in each year will have to be paid for the next twelve years. First, I think this is not relevant. It is a terribly complicated calculation. I would like to say yes, we have taken all that into consideration; that broadly speaking, if you talk of a period of seven years, what is this funding operation doing? It is doing what it should do. It does not eliminate short term debts. It eliminates the problem. It

reduces the short term debt this year and in the years to come to a manageable level. This is the real point.

MR. VAJDA: I think the charts that you had --

MR. SHERMAN: The debt is not eliminated but the problem created by it.

MR. VAJDA: On this exposition of "apart from Bonds," if someone were to ask you, "What is the foreign currency debt at the end of 1952," what would it be?

MR. JACOBS: Can I phrase that another way? What is Israel's foreign exchange income and what is Israel's foreign exchange liability for the same period?

MR. SHERMAN: Wait a minute. Let's start with Vajda. I can get the figures. Roughly, for example, in June it was about ten million dollars less than it was in December. I will put it this way. I can get you the actual figures, but broadly speaking, the foreign exchange debt of the State of Israel, the total debt has been increasing by the total amount of Bonds sold less a certain amount that Israel has retired. Now, for example, in the year ending June 30, 1953 the total debt increased by \$22,000,000 over a year, but total Bonds sold in that period was \$37,000,000, or the receipts by the



State of Israel from Bonds. In other words, the debt did not increase by \$37,000,000 but only by \$22,000,000.

In order to avoid precisely these kind of questions there is no point in focusing the presentations -- there is nothing wrong in the question except it diverts people from the main track. There is little point in my opinion from emphasizing at all the \$400,000,000 figure. There is merely a background figure. You emphasize the \$110,000,000.

MR. PANZER: But we have to know this in case the question should arise.

MR. SHERMAN: Yes. The debt of the State of Israel has been increasing but the increase was due solely to the sale of Bonds and did not reflect all the sale of Bonds but only part of it.

MR. BENNETT: That is not the whole answer, though. It seems to me you've got to add that the whole intent is to develop income-producing property by the investments created or made possible by the income from Bonds, so you do two things: you are cutting down on potential foreign indebtedness incurred, and you are also setting aside some money that cuts down the indebtedness

as you make it.

MR. SHERMAN: Quite right.

Now, Jacobs' question. You want to know in any given year what is roughly the figures that show Israel's income on the one hand, and its commitments. If you will remember a round figure of \$300,000,000, this is good enough. I could give you a whole budget figure but no one has ever asked for it, and to go on this tangent, you are better off not having it.

MR. BIEHL: In this connection I would like to ask: in the limited contact we have had with communities so far, to what extent have the banks asked for these figures?

MR. SHERMAN: All I know -- I have a single source of information and that is a gentleman who talked to two New York banks, and as long as they talked with him, I am quoting him -- as long as they talked about UJA and so on, everything was happy. As they veered towards the State of Israel, they got less happy. I will put it in broad terms, why I believe him. Every bank in the United States and particularly outside New York is scared at the very mention of a foreign country.

There isn't a single foreign country in the world that does not scare them, with the possible exception of Japan. Any bank in the country will start squirming. They don't like lending across the seas and therefore it narrow down to: what can the bank be told? We can't say it is none of their business; they are lending to us. You can't say that to a bank because the bank is supposed to be the custodian of your common sense as well as your pocket, and the bank therefore has to be sure that what you are using the money for is a good thing. Therefore the bank does go into.

I will give you a concrete example. When I was in Cleveland and Mr. Friedland suggested that maybe I should be present when they go and talk to the banks, I told him that I thought it would be a great mistake, that I am willing to sit in the hotel room and I am willing, if they want, to tell them once that I will see them, but our emphasis is on the American end of it and not with Israel.

MR. VAJDA: I am beginning to think that my six meetings represents a larger degree of experience than anybody else, and I would like to say that the emphasis

ought to be: this is a loan to the UJA.

MR. SHERMAN: No doubt about it.

CHAIRMAN GALLIN: It ought to be axiomatic.

MR. SHERMAN: We decreased this point a little bit because that came up in both communities. In both communities I visited people got up and made the following remarks: "We have no income next year that we know of. For the current year we know we have pledges. But next year we have nothing to offer the bank." This thought, that the local community or the UJA has no income whatsoever to offer the bank is a typically narrowing concept. Now, it is bad enough when banks think of it. We should not think of it and we should try and get it out of the heads of the communities, and in that respect it is important to know that both bankers on the east coast and bankers on the west coast have recognized the regularity of fundraising efforts as having a similar weight to the weight of the earnings of a manufacturing concern.

For example, when the Jewish National Fund came to the Bank of America, I think it was four years ago, and asked for a five or four year loan, they merely brought

the records. "See how much money was raised each year?" And the banks accepted that as concrete evidence, as from a manufacturing concern. The people were ignorant of it and very often they would deal with the bank from weakness rather than from a sense that they have something to offer, because there is no doubt there will be fundraising the following year in spite of the fact that the community has no tax levying rights.

Now, I have been at the point where I stated -- and I am summarizing it -- I gave you certain data about the loan. The next point is the problem that the debt created. The third point: what Israel has done about it.

As part of the discussion of the problem created, I emphasized two factors: riskiness and cost. It is at this stage that it is possible to emphasize a few additional factors. One is an important one, although no one can really appreciate it and so there is no use emphasizing it too much, and that is, the diversion of energy and efforts of Israel leadership from constructive purposes of closing the gap to the barren purposes of revolving a debt. Now, it is not appreciated. You occasionally are able to do it in concrete examples.

I used to have an example but I lost it when Mr. Eshkol was Minister of Finance and Minister of Development. There was the fact that he did not deal with development. He had to deal all the time with finances. He had no time for development. But this is one fact.

The other fact is the Arab business which, particularly for those of you who were present at the December 10th meeting, it is best to speak about it by referring to what you heard Mr. Eban say at that meeting. There the line of reasoning as referring to the debt is simply this: the Arabs failed in beating Israel militarily, but they are not giving up the hope of beating Israel in the economic field. Hence the boycott, hence the economic warfare. Every time they hear about another crisis they feel, maybe this is it. This is another sign of weakness. Therefore it is another reason for more intransigence, for more refusals to sit at the conference table with Israel. Because if there is a chance that Israel will fall, it is so much better than making peace with Israel. So as long as you have the recurring crises, you have direct cause for more Arab intransigence as far as making peace with Israel is con-

cerned.

Now, I use the term "recurring crises" and it has occurred to me I didn't emphasize that point. Not every community has been subject to telephone calls about crises. Some have had the call, "Will you please lend the State of Israel \$150,000 or \$200,000?" All of these are crises on the broad UJA basis. It is important for you to understand the mechanics of those crises and their normalcy, if I may use this expression.

We have this \$75,000,000 worth of debts that we are to revolve, which means we have to borrow at least \$75,000,000. What happens if we cannot borrow \$6 or \$7,000,000 for this particular month to pay debts? We have a crisis. The crisis is a direct reflection of short term financing without any reserves, because when you have short term refunding you either have the money, and if you don't have it, you have a crisis. There are no alternatives. It is only the refunding operation that relieves you of the refinancing and therefore gives you the opportunity to have a crisis once every seven years instead of once every seven weeks.

I have described the problems against the

achievements. The second point I would like to bring up is why is it the business of American Jewry? You can present that part as an introduction to the foreign exchange debt or separately under the heading, why is it the business of American Jewry? Why did Eshkol present it here? Why did the UJA take it up? The answer is two-fold:

The first and the basic answer is that this is a debt that reflects -- I will put it in a way I would not in a community -- this debt reflects the failure of the UJA to provide enough funds to cope with mass immigration between 1948 and 1951. Now let me give it to you in sequence. You had the crisis, immigration is coming. The immigration is a case of human emergency. You can't regulate it, you can't tell Iraqi Jews, "Please wait six months," because then you solve the problem. They are not there any more. You can't tell Yemenite Jews, "Wait a little longer." The immigration policy of the State of Israel has been dictated always and will always be dictated by its enemies. If Stalin -- and that is always a nice example to mention -- will today say that we may have half a million Russian Jews, if Russia decides



today to release half a million Jews, then automatically they have decided Israel's immigration policy, and if it is a quarter of a million, then Israel decides on a quarter of a million, and if Russia closes the door then Jewish policy is nobody comes into Israel. Therefore it was not subject to any stretch-out or any planning. The people came.

UJA was very generous, but not enough. The State of Israel therefore had first to deplete all its foreign exchange reserves. It is strange but I have proof that Israel had something close to \$170,000,000 in foreign exchange reserves at the time the State was formed, in dollars and in sterling. All I can say is, I was not there at the time. I didn't work for the State of Israel. And all of that was depleted. But even that depletion was not enough. Israel had to go again into debt, and how did it borrow? It borrowed on an emergency basis, from whoever would lend it, because the problem was an emergency problem. It did not therefore borrow always wisely because emergency borrowing is never wise.

Therefore it found itself in need to start paying much sooner, much earlier than it should normally

have borrowed for, if it wanted to wait until it would develop its resources, so that immigrants would become productive and start earning and so repay. So when it was confronted with this debt, what could it do? It could do only one thing: revolve it, and this is the debt that faces us today.

If you want to measure it in this \$75,000,000 that we are discussing, it bears a direct relationship to the excess burden of immigration over and above what the UJA gave, over and above what Israel had in its pocket. Among the material that you have here, you will have a list of expenditures that the State of Israel made in connection with functions for which the UJA had accepted direct responsibility, and if you work it on the current rate of exchange, it works out to about \$101,000,000. Actually, as I discovered from an exchange of cables the other day, the amount is a little larger because not all the funds are proceeds of borrowing of the State of Israel that were increased, but it doesn't matter. This is a large enough sum, and the point is that over two-thirds of it was made available before March, 1952. The date of March, 1952, comes out

even because that happens to be the fiscal year of the State.

Putting it broadly and exactly, much more than half of this amount was before the end of 1951. Close to two-thirds was in the years up to 1951. That is where most of the money was, and it coincides with this immigration.

When you look at the list, it is itemized, and the itemization may give you the wrong impression. It reads "Shelter 67,000,000 pounds. Health, no question. Education, culture and religious needs, still no question. Welfare, no question." There is an item, therefore, of \$56,000,000 called "Temporary employment for immigrants for a few days a week." Now, this is not WPA. This is not ordinary unemployment relief for citizens who are in the country and who are employed. This is special work. You could call it almost in the line of occupational therapy for immigrants in ma'abaroth, in camps, so that they will not just sit on their hands. Work is artificially created for them and this costs money.

For example, at one time artificial work was created for immigrants, letting them build roads, and I

remember at the time the Director-General of the Ministry of Finance told me, "I wish to God they would just keep them quietly in camps because I have to pay for asphalt and rock. It is cheaper for me if they will do nothing," but the answer is you have to give them something, and so it was something like constructive relief and that is why it is there.

There you have "agricultural settlements, \$27,000,000," which is understated. That is why the Jewish Agency didn't have enough money to buy all the necessary equipment for irrigation and for the settlement of immigrants. These are the biggest items.

MR. ABRAMSON: For background information, you mentioned that when the State was established they did have \$170,000,000 in either sterling or dollars. Does that mean that the State of Israel fell heir to dollars and sterling assets of the Mandatory Power?

MR. SHERMAN: The dollar assets at the time were held more in the hands of the Jewish Agency. The sterling assets it fell heir to were sterling holdings of Israeli citizens in Britain. You see, if I lived in Israel at the time and I had any sterling due to me, the

government gave me pounds for it and I gave the government its sterling.

MR. ABRAMSON: I am referring to assets of the Mandatory Power.

MR. SHERMAN: It is more complicated. What I refer to is not assets of the Mandatory Power.

MR. BENNETT: Individual foreign exchange holdings.

MR. PANZER: I have a question here. There was a cost to take care of the Jews in the DP camps. I don't know whether it was 200,000 or 250,000 Jews, which would have been a continuing cost without any letup, aside from the political problem which would have been presented if they had not been taken in by Israel. Can this be any relationship pointed out between Israel's job of settling this problem apart from Eastern Europe, apart from the Oriental countries -- just the countries which cost more than Israel is receiving now to take care of them?

MR. SHERMAN: Probably it could. I think it is a good idea but I think already our picture is so pretty that we don't want to change it. Your point is

that potentially there is a saving.

MR. PANZER: I am trying to point out why this is our responsibility rather than --

MR. SHERMAN: Fine. If everybody else understands it as I understand it, it is a very good additional point.

MR. VAJDA: I understand the point, but to try to refine it to dollars is dangerous.

MR. BIEHL: I agree with that because the basic responsibility in Europe was not carried by JDC but by UNRRA and so forth, IRO.

MR. SHERMAN: As I said, why is American Jewry concerned? The first reason I mentioned is because the debt really reflects the degree to which UJA did not raise enough funds, even assuming that UJA does not have to reimburse the government for its lost reserves, but surely it should help if not at least the repaying of its debt, just help it to solve its debt.

The next point is that, if you recall the way we started it, here you have a situation of this current problem of foreign exchange requirements for supplies, investment and so on, and you see a picture of where the

gap is being closed, as the record shows. You see a picture of balanced foreign exchange budgets. Therefore you see a certain stabilizing influence at work and in existence. What is the cloud that hangs over this picture, that threatens to disrupt it? It is this debt. What does it do until it is dispelled? It makes things difficult for it, to the extent that it undermines confidence, contributes to inflation, makes the UJA dollar far less efficient in Israel, it buys less in Israel, it produces less, it also sells less, it feeds less, and this is the second problem.

To the extent that you wish, you want to make sure that the UJA contributor gets the most for his dollar, he is interested in a healthy economy of Israel. From that point alone, leaving aside any other consideration, this really bring us to the point that is, of course, the crux of the matter, that in the country where fifty percent of the people are immigrants as early as the last four or five years, there is almost no way of dividing or separating the welfare of the individual immigrant from the welfare of the country as a whole. And there is almost no way you can give economic independence

to the individual immigrant without giving economic independence to the country. I don't stress it. I have never stressed it publicly in a meeting because this may sound like a subterfuge to avoid the more direct responsibility, but this is really the underlying fact.

Now, the lay leaders greatly emphasize the savings from this and say "This is our money that is being squandered." It is not a very good point but I would like to discuss the savings from the funding. First of all, what is the estimate of the saving? \$6 or \$7 or \$8,000,000. When Mr. Eshkol told me the figure before he made his speech, I told him it was \$7,000,000 and in his speech he said \$7 to \$8,000,000, but this is all right. You must bear in mind that it is wrong to relate the savings exclusively to the savings and interest on the \$75,000,000.

A man asked me, "What is the average interest you pay?" I said nine percent, and he said, "How much do you think this will cost," and I said four. He said, "Only five percent difference?" That's only \$5,000,000. " I quote. That was his arithmetic. (?)

There are three origins for the savings but



before I go into that I want to say something about the average nine percent. Israel pays a high interest rate but not uniformly high. Bear in mind that when we talk of the \$75,000,000, we talk of that part that cannot be financed from income, that part we always have to refinance as an emergency measure, that part on which you are greatly at the mercy of the lender. Israel also borrows money at four percent, but the four percent is within the normal revolving, within that \$20,000,000 out of the \$35,000,000 that I mentioned. The \$75,000,000 therefore is the worst problem in Israel.

There are three origins to the savings. One is the difference in interest that Israel pays now on the \$75,000,000 as against what the funding operation will cost, which is the difference between nine and four, if you want to say that, but I would rather not go into quantitative measurements unless you force me to.

The second is the difference that results from Israel's ability to buy far larger proportions on a cash basis and on better terms. And the third is Israel's ability to reduce interest rates on the other obligations. You remember, Israel has \$400,000,000 worth of debts and

Israel has other obligations over and above these \$75,000,000, and getting rid of this \$75,000,000 will strengthen the country so much that it will be in a position to negotiate far more advantageous rates. It is the combination of these three things that make up the \$7 or \$8,000,000.

CHAIRMAN GALLIN: May I suggest something which is obvious but cannot be stressed too much? That the most important thing, from the standpoint of presentation to lay people in the various communities, is the second point that you mentioned, because this they can understand and this they cannot criticize. They know that if they lay a million dollars cash on the table, they can make a certain deal than if they have to make longer terms as opposed to cash. The price would then be higher for the same merchandise. They can't blame you for buying that kind of necessary commodity and paying a premium on it because they all understand that this must be done. High interest rates to banks is something they can't accept quite as readily, so the emphasis can be placed on that, and I would do that.

MR. VAJDA: On this total point of savings --

MR. SHERMAN: In a minute. I would like to finish. To answer that point, unfortunately, the point of saving on purchasing in terms of total amount is smaller than the savings on interest, and as such it cannot be emphasized as much.

CHAIRMAN GALLIN: I don't think they require the breakdown.

MR. SHERMAN: Fine. Now I am coming to the next point which I got into in Cleveland, and at the risk of confusing you, I want to tell you about it, mostly so that you will be prepared for it. "What about that statement that Israel is going to save \$7 or \$8,000,000 a year, and therefore for five years it would be \$35 to \$40,000,000 saved? Is it correct or incorrect?" It is correct. You may say it. But you must be prepared to be questioned on it. Here is the way a statement can be made that will be absolutely correct:

If there will not be any funding, Israel will spend \$35 to \$40,000,000 a year more in the next five years than if there will be a refunding operation. This statement is correct. This is absolutely waterproof. But when you think of savings, once you save, you save it

really only once, not five times, because the first year, if you compare it with the first year -- today we have no funding, we spend it. Next year we have funding, we save \$7 or \$8,000,000. But we won't save it again the year after that, and so on. It is always \$7 or \$8,000,000 from the original base.

Now, I don't think you should worry about it, except to the extent that somebody questions your statement of \$35 to \$40,000,000 savings. Then whatever you say in that line is right, but you have to consider it from the viewpoint of if there will not be a funding operation. Then it will cost Israel \$35 to \$40,000,000 more in the next five years, yes. If there is still an argument you can talk about the labor-saving machinery, the automatic elevator. A hotel owner in Pittsburgh installed an automatic elevator and he figures that this would save him \$500 a year on operating costs. He doesn't figure that he is saving for one year as against the previous year when he had an operator. He counts on the saving each year and that is part of his amortization of the cost of the elevator, so it is proper to say that the saving will be \$35,000,000 to \$40,000,000, and you

have to be prepared to defend it along the two lines I suggested.

MR. VAJDA: This is not direct against the professionals but against the lay people with whom I have been in the last week, who are generally overselling this savings portion of the presentation. In Indianapolis we were going to save \$11,000,000 a year. That was Sol Luckman's idea.

CHAIRMAN GALLIN: I ran into the same situation in Utica.

MR. VAJDA: There are two or three points I would like to make on this. I think that the lay people ought to be briefed very carefully on not overemphasizing this aspect of the presentation. Secondly, they ought to be briefed as a general rule not to contradict professionals in public. The acceptance of the project I think has been universally excellent on the basis of saving time, saving energy and saving the interest.

My experience has been different from yours on the interest. It has been a very favorable acceptance. But I think this question of even overselling the \$7,000,000 has a danger. As I see the process of these

big contributors who are planning to cut, they will rationalize a justification of a ten percent cut in their pledge or in the total achieved by the campaign by saying that it will be made up by the saving in the refunding program. I am very serious about this. I saw this in people's minds.

MR. KOLLEK: Yesterday a group told a bank everything was going well, they personally would continue for the next five years on the same level as today, and they had no reason to expect anything from anybody else.

MR. VAJDA: That is a good point to make with a bank.

CHAIRMAN GALLIN: I think the point you are making specifically has a general --

MR. VAJDA: What is involved here, I think, depends on the level of sophistication in the community or the people in the community with whom you are dealing. For example, in Indianapolis we were caught up rather quickly by Julian Freeman, and on that particular point, and I think Julian's point was rather well made. He said that we really can't<sup>be</sup> talking in finite terms about any-

thing except the interest saving and that we should be talking in general terms about premium prices, savings on premium prices and savings of time and everything else.

MR. KOLLEK: There you had Sol Luckman speaking about \$12 and \$15,000,000 savings.

MR. SHERMAN: First of all, to comment on your point, the danger of somebody in Dayton justifying as a part of the cutting the UJA contribution -- the whole point is that the saving is part of the amortization of the loan and therefore it cannot be used also as a justification for a reduction. Some of the points that come up in this connection -- by the way I would like to say this, with your permission. If I can talk five more minutes I will be able to go to something else. I want to speak about borrowing by the community on a normal basis.

Every lay leader with whom I went to the communities that I visited has pressed the fact, "Look, you understand, of course, you won't have to go to the banks any more. There won't be any of this emergency borrowing where the UJA calls you up," and so on. This

is, of course, logical, and it is also obvious that even after they made this kind of a loan they were urged by the UJA to borrow they wouldn't do so, and if they did so the bank wouldn't lend it to them, because it won't lend short term on top of another loan. I don't know if so far there has been any decision as to a clearcut commitment on that point. What was said at the December 10th meeting I can tell you.

People spoke about the fact that this will relieve the communities from the need to borrow regularly, and Mr. Moe Leavitt got hot under the collar and said to Warburg and to me that this is wrong, and Warburg got up and said, "Gentlemen, there are two causes for these borrowings that you have been asked for in the past. One is the emergency foreign exchange situation and the other is simply seasonal fluctuations in income. The former will be eliminated but the latter will remain with us." So much for the record as I see it.

When asked that question in the communities, since I don't like to give commitments, I merely try to offer an analysis as a substitute, and the analyses are this way: the two causes for emergency borrowing were



either the fact that the Jewish Agency needed pounds to work with in Israel, or that the foreign exchange position of the State of Israel was such that dollars were needed on an emergency basis. Since the funding operation will not only wind up with dollars for the government but also with pounds for the Jewish Agency, it will therefore eliminate both sources of crisis. Therefore I do not believe that it is very likely that they will be called upon.

I believe those answers are not as sound as the others, but I offer it to you as a substitute for a commitment, unless a commitment can safely be made.

MR. KOLLEK: I think Mr. Berinstein put it very well in the one or two meetings he was asked that question. He said "We shall not come back to you in any emergency except in the cases where you yourself will feel that this is an emergency which warrants it."

MR. SHERMAN: Such as what?

MR. KOLLEK: Such as war, mass immigration. That is what it implies.

MR. BENNETT: That's different than what Mr. Sherman just said. Whether with that you can sell this

rather than the other, has been going through the minds of the lay leaders. Probably Meier's statement is a little more accurate. You may not be able to sell it.

MR. VAJDA: I think the two are not exclusive of each other.

MR. ABRAMSON: It depends on how the community borrows, but that question was put pointblank in this office by the delegates from Elizabeth who came to see Schwartz, Warburg and Rosenwald, and they wanted a commitment, and Dr. Schwartz said that excepting in the event of, say, a catastrophe like war or something like Russia opening its gates and allowing half a million Jews out, under normal conditions as they exist today we will not ask them to borrow, and if one of these emergencies arises, the American Jewish community will have to meet and decide what measures will be taken. That was the answer he gave them.

MR. PANZER: I want to refer to one thing about a conversation with Si Cohen and also the relationship of this borrowing to the normal borrowing. Cohen said -- this was before they made the decision -- that if they would decide to get \$2,250,000, that would reduce their borrow-

ing power to half a million dollars, which means that some borrowing power would be left in the community. Secondly, the fact that it is one and a third times the allocation to the UJA, which would be probably one and a third times their normal borrowing, does not reduce the borrowing capacity by that much because it is spread over five years. Therefore the possibility of going back to the banks does exist.

MR. SHERMAN: I don't believe that it exists but let's not argue about it.

MR. ABRAMSON: After two or three years could it not be feasible?

MR. SHERMAN: Let's wait for three years.

MR. VAJDA: I think I understood you to say that the government would have the dollars and that the Agency would have the pounds. You mentioned a period of three and a half years at one point.

MR. SHERMAN: Let me put it this way. This came up again in 100 percent of the cases. In Norfolk it was much more precise questioning, so precise that until I satisfied the president at that point, he hesitated to vote for it, and that is the exact application

of funds. How does the Israel Government get the dollars? Does the UJA hand it to them, or give a check to the Jewish Agency and the Jewish Agency gives the dollars? Please bear this in mind step by step. One: the local community got the money from the local bank and then they lend it to the National UJA. All interest costs are for the account of National UJA. People are always asking will they have to pay the interest. No, all interest is paid by National UJA. The National UJA does not lend any more. National UJA transfers the money in the usual course to the Jewish Agency in exactly the same way as it will do any other charity dollar.

The Jewish Agency then converts its dollars into pounds, Israeli pounds. That is the currency of the State of Israel. Now, why do they convert it into Israeli pounds? Because that is the currency prevailing in the State, and if you want to spend money to pay a worker or to buy a piece of bread, you use pounds. That is exactly as the JDC said, when it operates in France, converts dollars into French francs, and did with same with Polish zlotys and so forth. There is nothing special about it. This is the common operation which, as someone

said, is a very complicated international operation. You buy the currency of the country. The treasury of that country sells you his currency and he gets what you have, which is dollars. So the Jewish Agency sells dollars to the Government of Israel and gets pounds for it. It is not a gift, it is not a loan. It is a foreign exchange transaction of the kind that takes place every day in the week in every country in the world.

What is the net result? The Jewish Agency winds up with \$75,000,000 worth of Israeli pounds and the Government of Israel winds up with \$75,000,000. The Government of Israel uses the \$75,000,000 for the funding operation and the Jewish Agency uses its pounds for its regular work.

MR. ABRAMSON: Does the Government of Israel envisage this \$75,000,000 worth of pounds as immediate income?

MR. SHERMAN: This is the point that was raised. Has the Government of Israel got \$75,000,000 in pounds and will that create an inflation? The answer is no, it will not do any kind of inflation. Secondly, it does not have to have pounds printed for that purpose. You just

make a credit available. I was asked, "Certainly, the Jewish Agency could use it over a period of five years?" The answer is, "No, the Jewish Agency will probably use it sooner, because if the Jewish Agency were to use it over a period of five years this will make it in effect a loan by the Jewish Agency to the State of Israel." We want to avoid that and therefore when I was asked, I said it is likely to use it over a period of about three and a half years.

MR. VAJDA: Why do you want to avoid that?

MR. SHERMAN: It is a tax point. Why? Because if the Jewish Agency gives the Government of Israel \$75,000,000 cash right away and gets pounds in five installments, it is the same as lending, and the Jewish Agency should not and does not intend to lend to the Government. Therefore they will have the credit, all of it at once, and it is up to them to use it to the best of their knowledge and understanding. I checked with Josephthal and he told me that he has a reason for this. It gives him a certainty of income, an opportunity to plan and execute it the most efficient way.

One other point. Now comes the assurances by Eshkol. Eshkol made two assurances, guarantees or solemn

undertakings at the December 10th meeting, and to mention one without the other, as is done in the manual, is wrong. The first one way: every penny will go to pay debts. None of the money will ever be used to make new purchases. It will all go to the purpose for which the effort is made. But this statement by itself is not strong enough because Israel can evade it through the back door, by saying this money we will use to pay off debts but we are going to make up new debts, and therefore he coupled it with a second declaration; that he will maintain a balanced foreign exchange budget and not only make purchases in excess of expenditure. When he said excess of income, then this ties up the first one, and then you already have an ironclad proposition. It is the two together, not separately.

I am finished on the data. I would like now, since I want to leave, to make one proposal about follow-up, if I may, at this stage, Mr. Gallin.

CHAIRMAN GALLIN: Go ahead.

MR. SHERMAN: I believe that at the end of each meeting in the community, a memo should be prepared preferably by the professional or by the so-called Israelis.

You have, generally speaking, a team of three. You have the professional and the lay leader. The one who is in between is what I call the Israeli. And I suggest the following points for the memo. What is the purpose of the memo? I believe that after that, the probabilities, particularly in view of the time element, that it could be a Mr. Gallin who will do the following up. Therefore he has to have, I believe, the following points: first of all I should say in the memo who is the contact or two contacts in the community, the professional, and the lay leader. Secondly, the special difficulties that were encountered in the community. I will give you examples from the wealth of my experience.

In Youngstown there is a resolution of the board that no endorsements are to be asked of the community. Why? Because three years ago there was a thing like that and Mr. Unger had to pay the note of Mr. Somebody Else. So Mr. Unger is unhappy about it and it will be a problem. The other one which emerged in Youngstown is this business of the property that I mentioned. It emerged only at the end. But to know if there is or is not such a thing.



MR. ABRAMSON: How does property enter into this?

MR. SHERMAN: Suppose you walk into a bank and borrow without endorsements. The very fact that you have property means the bank will take over the property if you don't pay.

In another case, speaking by hearsay, I understand that Buffalo had securities which they are going to pledge. I wish somebody would check and find out if it is really so. Now, it is important in the follow-up to know if they have it, if they decide to use it or to avoid using it. If I were to write a report about Youngstown I would say "there was no opposition to the report they are going to pledge their property."

Another example of difficulty: in Norfolk there was difficulty on the score of the quota. They refused to go to \$200,000 but wanted to make it \$160,000, and excused themselves on the ground that some of the rich people in town who are very small givers felt that it was wrong to tie up the community for five years. Since the one who follows up Norfolk has to know, for example, if he sees \$160,000, not to argue the point, knowing the

facts, that is what I call among the kinds of difficulties.

Also among the difficulties I think should be mentioned the kind of opposition that was encountered to the resolution, assuming there was opposition. What was the thrust of the opposition? For example, in Youngstown the thrust was, "We don't want any endorsements," whereas in Norfolk the endorsement part of it didn't play a role. The thrust of the opposition was against the five years.

CHAIRMAN GALLIN: And Cleveland said, "We don't want to bother the bank on a community loan, only individuals."

MR. SHERMAN: Now I am going to the kind of things that should go in the memo following the meeting. First, contacts, special difficulties and features in the community. Third, which I stressed previously, the past relationship to the bank; namely, how did it borrow, who did the borrowing, how much, on what terms, and so on. And to continue also in the current relationship, has anyone spoken to the bank, who spoke to the bank, to what bank and at what level?

The next point is the kind of resolution passed.

For example, in Norfolk they passed a resolution to do all they can and to go and borrow, whereas in Youngstown they passed a resolution that they are going to try the bank. In other words, if they walked into the bank and the bank told them no, they have absolutely completed their mission and their conscience is clear.

MR. ABRAMSON: Mr. Sherman, as I see it, our first job is to get approval in principle.

MR. SHERMAN: I am discussing reporting. The points to be covered in the reports. The next point is, for example, I call it again special features. The president in Norfolk said that he will want to sit down with somebody from the UJA to work out the details of the note. All right. All I say about it is you should know it here and so it should be part of the report if a thing like that took place. Then there are sometimes the special personal equations. If I hear from Mr. Berinstein that he is a great friend of Mr. X, I say the memo should mention it. If Mr. X is a contact, it is a personal equation.

These are the minimum points I can think of that should be reported in a memo to Mr. Gallin after

each meeting, and the responsibility in the first place should be on the professional, and only to the extent that he is no professional and there was none in Norfolk, for example, then the responsibility is on me.

MR. KOLLEK: You can't rely on the local director to give the report?

MR. VAJDA: No.

MR. ABRAMSON: The UJA professional is in the best position to give the report.

MR. SHERMAN: Or the Israeli.

MR. ABRAMSON: I have assumed in all these meetings there is a UJA professional with the delegation.

CHAIRMAN GALLIN: There should be.

MR. ABRAMSON: Whether he is the assistant field director --

CHAIRMAN GALLIN: We will get into the question of methodology.

MR. SHERMAN: My point was not about that but only about my suggestion as to the features that should go into the memo reporting this to Mr. Gallin.

CHAIRMAN GALLIN: I think one overall statement should be made at this point that was touched upon. It

needs stressing and that is the danger of overselling. Meier has mentioned it. Several people touched on it. Not because we have anything to conceal, not because we haven't a complete and honest case or a reasonable and factual answer for every reasonable question that can possibly be asked, but because no matter how good the answer is, the local prestige of the individual asking a question which may carry many negative overtones is such that the overtones of the question may be left even after a good answer is given. You have to give the answers if the questions are raised, but there is such a thing as a presentation which covers questions, covers presumably the answers to questions that are not raised.

The point is that in many communities there will be little resistance. In many communities there will be an acceptance of this proposition based upon the simplest type of presentation, and it is important in talking with people before the meeting, to stress the fact that they should not anticipate questions which will not arise. The presentation should be as brief and as simple as they can possibly make it.

MR. VAJDA: I don't want to embarrass any of you

Israelis by telling you that the experience in the last week and a half has been excellent, but our lay people have been very impatient with questions. There has been a tendency to be abrupt in giving answers, there has been a tendency to overpower the question with an emotional reply, and there has been a tendency to be impatient with questions which they may have thought were stupid.

CHAIRMAN GALLIN: This is the important thing. I suggest that the best way of handling that -- unfortunately, the only way of handling it now is with diplomacy in the briefing sessions before the meeting, as delicately, as tactfully as possible, to point out that we have this problem and these situations have arisen in the past and that is why we want to sit down and talk it over, because for us to attempt to orient lay people -- we can't get them to meetings or to a school and unfortunately we can't even send the written material, which most of them disregard anyway.

MR. KOLLEK: Speak to them after the first meeting or so, if you can't do it before. What Ed and Morris did after the first meeting was analyze each other. Sol Luckman made his presentation, the first one, in

Indianapolis. He will make a few more, and after we sat down and told him where we thought he had oversold or mentioned irrelevant things and so on, what he had forgotten --

MR. SHERMAN: The lay person is not always so egotistic that he has a pretension to humility, and therefore it is difficult. I want to say that the so-called Israeli, professional No. 2, should, whether he speaks first or last, should not be afraid to present the whole problem, even the parts that are purely UJA, and should not be afraid to answer questions, even following the answer of the abrupt lay person.

On my experience in Norfolk, I went there with a Mr. Daroff, it was interesting there because we had a double meeting, first executive committee and then the entire board, which is ideal from our viewpoint. So the executive committee heard it twice. But Mr. Daroff opened in both cases and then I went over the whole ground, over every detail, and when questions were asked, even on the question of quota, having already spoken I answered it even though it was definitely not a foreign exchange problem. When there was a question about the

exact mechanics of the note and so on, to the extent I knew Daroff didn't know it, I said, "I should like with your permission to amplify it," and since I believe that the so-called Israeli is the fellow who is disciplined, he is the one who should be made responsible to fill in on anything necessary, any sins of omission or any other kind of sins of the lay leaders, whose main contribution at worst are their presence there, their prestige, the fact that they gave so much and can say, "In our town we did so and so."

MR. ABRAMSON: A question before you leave. This has been brought up to me. The suggestion was made that perhaps we might take less than what we are asking. In the case of Norfolk where they insisted on one and a third, I can understand it. That is reasonable from their viewpoint. But I was asked on several occasions whether we would accept less than one and a third and for less than five years. I gave a categoric no to both questions, saying "Unless we get one and a third for no less than five years" --

MR. SHERMAN: If it is academic, your answer is definitely right.



MR. ABRAMSON: We were setting up the question.

MR. SHERMAN: Then you did quite right.

MR. ABRAMSON: Let's get off the academic level.

You are at a meeting and they gave you \$150,000. You are asking for \$200,000 which is one and a third, and they say, "We can give you \$150,000 for three years." Would it be worthwhile to take \$150,000, which is what their one year's allocation is?

MR. SHERMAN: I think you are being academic. I am avoiding the question. How it will happen is this: they meet. They have not yet gone to the bank and figured on the amount. Then, broadly speaking, it is difficult to get five years, and that is my last point. That is generally the note. Specifically, they don't know if the bank will refuse to lend, but will lend them \$150,000. On that level it is only after the first meeting with the bank. Then they will come and tell you, "Look, the bank won't lend us more than \$150,000." That is valid. To that probably you have to give in, subject to what Mr. Gallin said. If the bank will not lend for more than three years, then you say, "Wait a minute." You tell them to go back to the bank and fight it out

and tell them what to say to the bank. Very often you become flexible after the realities of the bank. That is my last point in the memo of the report to the office.

What were the special requests of the community contact? In Youngstown, specifically and strongly, it was asked, "Please tell me what happened in other towns." Now, this is actually our greatest weapon. I used the instance of Bangor, Maine about fifty times. I feel like a citizen of the town by now. You said Utica. There is Syracuse. I believe that the speaker at the meeting should be equipped to the extent where it is available, with the full details, not only on quota, with or without endorsements, but full details, and to the extent that it is not available, they should follow it up.

MR. SCHLESSINGER: So far in my experience in contacting the various communities, the one thing that is most impressive to all the leaders in the communities is, what have other communities done? I think for our success here it is going to be almost entirely on our ability to get in as many communities as we can at once to give us the commitments, just as in the same manner as the success of a campaign hinges on how many good and

substantial gifts we get from the beginning. I have written several letters in the last few weeks to people who want to know what other communities have done and how have they done it. They haven't asked nearly so many questions on the ability of the UJA to repay or the reasons why Israel needs the money. Most of them assume there is a validity to the request for the money.

MR. SHERMAN: You are right. If the others have done it, they too ought to be able to do it. This came up differently in two places. In Norfolk they struck out of the resolution the rabbi's proposal that "As other communities have done such and such we are doing such and such." Norfolk doesn't follow anyone. They said "We can take our own initiative." In Youngstown Mr. Berinstein made a proposal which in my opinion was bad. He suggested to them the idea that they should tie up their loan to loans of other communities, in consideration of other communities doing such and such. In the case of Youngstown it came out horribly. They said, "In consideration of other communities raising \$75,000,000, our quota will be so and so." That is, of course, the worst and ultimate in absurdity to which they can get,

but generally speaking, while it may be proper or necessary to tell them "It is understood you are not doing it alone, if everybody else fails and you alone do something we don't hold you to it," certainly we should not go out of our way, as was done in Youngstown, to create the idea in the minds of people that they have another loophole whereby they might still be able to escape, if the other communities fail.

MR. VAJDA: In Indianapolis that was watered down. The commitment was that if \$50,000,000 were achieved --

MR. SHERMAN: If anything, it should be, "In consideration of the effort throughout the country."

MR. ABRAMSON: One final question. We are having a meeting Monday night in Elizabeth and asking for \$300,000. Actually it is the third meeting. It looks all right now. They are lining up support. They asked for several things: that we bring with us a list of communities that have taken positive action and what kind -- I have such a list, it is quite extensive -- secondly, a sample note. They borrow in the name of the community on signatures. It is a printed note.

MR. KOLLEK: It is the worst type of thing.

MR. ABRAMSON: But it stems from the fact that one man overwhelms the others, and that is so in other communities. At this meeting somebody got up and asked whether this was a move by the UJA to perpetuate itself. Of course the answer was no, and the questioner didn't meet with approval, but the poor fellow got up and said, after they had all expressed their fears, "What are we worried about? \$60,000 a year? Elizabeth will raise it." He didn't say he himself gives more, but the UJA has to raise only \$50,000,000 nationally according to that figuring. Do we have that kind of material to go meetings with from this point on? I think by this time we should have enough.

CHAIRMAN GALLIN: We don't have too much. I think you have the communities that we know about. Unfortunately, it is not too extensive.

MR. ABRAMSON: I have about fifteen names.

MR. VAJDA: We will get such a list before we break today, won't we?

CHAIRMAN GALLIN: I can give you the names that we have.

MR. SHERMAN: The list is in two parts: what the community has resolved to do and what the community has been successful in doing.

MR. BIEHL: Communities are also asking that specific names of banks and terms be included.

MR. VAJDA: I would like to make another axiomatic observation; that there will be no compromises anywhere on the question of assigned quotas as to the amount of one and one third of the allotment and on the question of time, because these executive directors know how to use the telephone just as we do, and a compromise made anywhere is going to be transmitted all the way down the line.

MR. SCHLESSINGER: Excepting that a community may take action. It may be less than you are requesting. You are asking for \$300,000 and the community says \$250,000 and that's it. I don't see the compromise. They have taken final action in their own minds, and done everything necessary.

MR. KOLLEK: Less than one and one third we should not take, because then every other community will tell you, "Over there in Norfolk they cut to \$160,000."

You can say that \$160,000 is one and a third, but if they cut to \$120,000, everybody else will start cutting.

MR. VAJDA: They <sup>can</sup>/always go back to those communities and pick up the rest.

MR. SCHLESSINGER: We should not maintain a one and one third amount.

MR. KOLLEK: At this stage I would rather not take it. Maybe in a month's time, yes., but not now.

MR. VAJDA: We can go back later.

MR. SHERMAN: What happened in Norfolk is that the pro-funding boys as a step of appeasement to the non-refunding boys said, "All right, you rammed it down our throats, but to increase it over the minimum of one and a third will be too much." This is the argument.

Now, there is another point that I should like to mention that came up in the two places, and that is, in both places the people were entirely impressed with the point of, "Look, we would like to get our money back from the UJA from the allocation." Now, of course, the answer that I have given was the first point, that really there is no connection. "You understand, if for any

reason you will not allocate a penny, the UJA still has to pay you back, so why do you want to have the connection?" To the extent that you want it, that is another matter. In Norfolk, a man insisted that this would be the first money that the community raises before transmitting a penny to the UJA, that they will deduct the full amount of the obligation, the two percent. To that Mr. Berinstein answered, in Youngstown, no, flatly, and I think the answer should not be no. I had to be more gentle and I said, "I ask you that you do not insist on it because that will leave the UJA completely bereft of any income if all communities will do the same," and they didn't insist on it. They passed a resolution where it says they will have a call on it but they took out the word "first," so at least they toned it down.

I want to bring it to you as one of the problems on which you want to give clear instructions.

MR. ABRAMSON: This point was a very strong point made at the meeting in Elizabeth, that we control repayment as in the UJA of New York they control it, and we told them that is no problem. They want to control



their \$60,000 a year and they can do it.

MR. SHERMAN: But I don't think you should at any time concede to them the right before they transmit a penny to the UJA. They may say, "All right, we will hold back 15 percent of the allocation."

MR. VAJDA: If it is done, actually, you've only got \$60,000,000 because \$15,000,000 of it will be held out from the first money.

MR. ABRAMSON: No, they give us the complete money but after they run their campaign they withhold it.

MR. VAJDA: So it is \$60,000,000 for six months of the year.

MR. SCHLESSINGER: What would your answer be if we want to refund each month one-twelfth of the amount, so at the end of the year we will have 150?

MR. SHERMAN: You mean the quota was \$240,000?

MR. SCHLESSINGER: They've got to repay \$50,000 a year and they say they want to take each month \$4,200 and put it aside, so at the end of the year they will have the \$150,000.

MR. SHERMAN: I will tell you what I think the answer would be in such a case. It is silly. I would

say that is at least fair. It is not wise but it is fair.

MR. VAJDA: What I don't understand about this whole business, Joe and Sam, is that there is a community that is willing to lend \$300,000 but they are worried about the monthly payments. It just doesn't make sense.

MR. SCHLESSINGER: Merely an academic question.

CHAIRMAN GALLIN: May I suggest that we hold these things for the later session?

(The meeting adjourned for lunch at 12:15 p.m. to reconvene at 1:30 p.m.)

AFTERNOON SESSION

CHAIRMAN GALLIN: Gentlemen, we will skip the preliminary section of the manual, which we have really gone into already as to the division of topics. The section which we are going to take up now deals with some of the things that have come up in terms of method of operation, organizational procedure. I know a lot of this will be obvious but I don't want to take any chances on missing even the obvious, because there has been confusion necessarily because of the way we started out, and several things beyond our control, such as the lack of clearance having prevented us from following the normal procedures of briefing and preparation.

The operation, as you know, is a function of the UJA. Headquarters will be under the charge of our office in which I am working with Harry Biehl. We would like everything possible cleared through us even if it involves departments, so that at least we know what the other departments are doing in connection with refunding. There is very little time available for this project, as you know. We are hopeful that the entire thing will be cleared up in a matter of another two months. For that

reason it is going -- and because of limitations of professional staff and available lay leaders who can do a job -- it is important that we don't get overwhelmed with any one particular community and find ourselves scheduling a series of three meetings in a small community, preliminary meetings and so on, each one of which takes up time and effort which could very well be devoted to another community that may not be covered at the moment.

We will try wherever possible. We know that the arrangements have to be flexible, but wherever possible, try to point the meeting toward a meeting that at least can decide on what the community will accept as its responsibility, an executive committee meeting or a board meeting rather than an informal discussion meeting. We know that in some cases it may only be possible to get an informal group. In others it may be desirable as an exception to get a group of top givers together. In most of those cases you know that the consent of these people makes the rest of it only a formality. We can have questions on this as we complete the subject.

There are two steps, actually, in our operation,

two basic steps in our operation with the community. One is getting the community to accept responsibility and the second is to follow through, get the community to follow through with the banks. In all these cases, obviously, it is going to be the assistant field director's responsibility and as he subdivides it with his men. We don't want to do that. As each man subdivides it with the men in his territory, he is going to have to be the prod, certainly for the majority of the communities, to make sure that they don't pass a resolution and then wait an indefinite period to go to the bank or to receive word from the bank. This is something that has to be followed through constantly.

We had occasion at some of our meetings, for example, where they were ready to wait for their regular board meeting. It took only a little discussion, pointing out the importance of time in the situation, the need with others communities to get them to try to call a special meeting of the board. This gives us a psychological edge if they take the trouble of calling a special meeting. We are not going to be left at the end of an agenda but will be given enough time so that an adequate

job can be done.

MR. SCHLESSINGER: On the point that you make about having board meetings or executive committee meetings instead of informal meetings, I am thinking particularly of two communities: Providence, Rhode Island and Worcester, Massachusetts. As to Worcester, the action of the community hinges almost uniformly on the decision of three or four people. Thus in my opinion it would be better for us in that kind of an instance, and that is what I am working on now, an informal meeting with these three or four in order to have their thinking coordinated with our thinking, following which there will be a meeting called of the executive committee to report, but that would be an informal meeting.

CHAIRMAN GALLIN: We are relying on your judgment and your knowledge of the community to determine which are exceptions. The only point I wanted to make was that as a general rule we preferred to talk to a group which can act. There will be exceptions. We don't want an informal educational meeting scheduled.

MR. BIEHL: That isn't incompatible with preliminary work.

CHAIRMAN GALLIN: It is not incompatible at all.

MR. SCHLESSINGER: Except that an informal meeting for a Worcester and a Providence where there will only be a few people present, will need to be powered with the same number and quality.

CHAIRMAN GALLIN: This question I think will be covered a little later when we get into the question of pre-meeting conditioning.

Now we have already explained at the previous session, and a lot of this incidentally is not duplicated in the manual but was duplicated as Meier talked -- our plan for a speaker is to have two men visiting each community, a team of at least two men, one of whom is one of our lay leaders, another one an Israeli expert drawn from --

MR. ABRAMSON: Does Radinsky fall into that category?

CHAIRMAN GALLIN: We have used him as a substitute Israeli. But there was one thing I wanted to say that Sherman, incidentally, himself did not appreciate the importance of as a technique, because he mentioned that whether the Israeli speaker is first or second, I

think it is important that we follow a plan. Again there will be exceptions. If you are talking about Morris Berinstein or Dr. Schwartz or Mr. Warburg, it is one thing, but if you are talking about Joe Holtzman or someone else, someone who may wander, someone who is not as well informed as these others as to all the details of our operation, it is very important again as a general rule that the Israeli speak first. Our laymen, most of them, will get bogged down in all of the mechanics of this thing and it is a much safer operation if the Israeli presents the entire background in an opening presentation followed by the American lay leader who gives them essentially a businessman's talk, "This is a good proposition, I am interested because it is going to save money, etcetera, this is sound, it makes sense, other communities are doing this, this is what we want our community to do, we know your community is one that wants to lead and be an example to others," etcetera.

The general approach to the community, pride of the community, acceptance of responsibility and so forth is the function which the lay person, with the exception of a few of our very top people, can handle best.



I say that because in some of the early meetings where this was not thought through, they felt that the Israeli expert is the person who comes along to answer questions that are raised from the group and the lay leader would make a speech which would cover all of the factual background, usually not as expertly as the Israeli could do, and then add the general remarks, and then the Israeli was called upon for answers to questions.

Briefly, to sum up the procedure here, the Israeli is the technical expert and the American is a businessman who is discussing a good, sound business proposition, and his function is to wrap up the package.

MR. FISHZOHN: Who is the specific Israeli that we work with? All of us heard Meier Sherman and know what we've got. I understand from what I heard Menorah also did a good job. Who else is involved in this program?

MR. VAJDA: Apparently these boys.

CHAIRMAN GALLIN: You've got Menorah, you've got Kollek, you've got Meier Sherman, you've got Reuven Dafne, Avraham Harmon, all of whom are excellent, Gottlieb Hammer.

MR. BIEHL: And on the cast, Ernest Levine.

MR. VAJDA: Apparently these boys have cleared with each other very carefully and they are using almost identical text.

CHAIRMAN GALLIN: We would like the cooperation of the staff in scheduling meetings in a sequence insofar as possible. If we can send a man, as we are, to Fort Worth, Tulsa, Dallas, Houston, obviously it doesn't just make it convenient for a few people who are traveling, but it does more; instead of blocking them off for a week's period it blocks them off for only three or four days and makes them available to us for other engagements within that period. We are finding it quite difficult to get really top lay leadership to cover all the engagements that need covering and we don't want to go into a second and third rate type of leader, so let's try to save as much time as we can and schedule meetings together whenever we can.

Now on quotas, this one and a third has not been given any publicity generally and I think we ought to use it as a floor. I think if we had had more time in considering the project when it was first set up, it

is quite likely that we would have set a much higher minimum quota for smaller communities, because obviously when a community is going to a bank for a million or two or three million, the bank is thinking in terms of the kind of loan it will make to a manufacturer who can show a real balance sheet and factory, inventory, etcetera. Even in the so-called small community where the committee is going in for \$100,000 or \$150,000, if two or three citizens are going to talk with the bank about the loan, they are talking about the kind of loan which each of them individually makes from time to time in their own personal businesses from the bank. So that if the loan involves \$200,000 or anything in that area, it seems to me that Bangor, Maine is not just an exception but a case of what can be done. Where the size of the loan is in that category it is quite possible for a community to get fifty percent more or twice as much as its UJA allocation, in some cases even more than that.

I want to say two things. Not only do we have the example of Bangor, Maine, which is about almost three times their allocation which they have completed with the bank, but in Utica where they accepted the quota we asked,

which was a little better than one and a third, they felt it wasn't enough and they are going to the bank with the idea of getting more than \$140,000, and also trying to continue their line of credit for normal borrowings against UJA receipts.

MR. VAJDA: Leo, it is safe to say we have not given publicity to one and one third. The minute we went out and told half a dozen communities, as we did --

CHAIRMAN GALLIN: We can cover that simply by saying that that was stated as an absolute minimum needed.

MR. VAJDA: I would like to go one step further. One of the reasons that I think this thing is so exciting is that the acceptance of it has been on an unemotional, clear, concise, businesslike approach. There has been no quarrel at all anywhere that we have been on the question of one and a third, because we have been able to interpret that we raised approximately \$70,000,000 -- there is a question as to whether or not New York can come up with \$25,000,000 -- and the smaller communities are not going to participate, and therefore the one and a third..

I think the minute we open an opportunity to "handeling" we will create a problem. The minute we create an opportunity to discuss less than one and a third, we will create areas of controversy. I think to try to establish what you want can be done another way, and that is, not to assign more than a quota of one and a third, but in the discussion at the meeting to indicate that if it would be possible to get more than one and a third, it would be very helpful, but to assign more is going to create a problem. I think, for example, that quickly, maybe even today, somebody ought to do a good appraisal job of what the expected yield is, dropping to communities of \$100,000 and over, and if it is more than \$75,000,000, then there certainly is no need for that kind of thing.

CHAIRMAN GALLIN: I disagree with you for one important reason. We are basing our one and a third, which is adequate for the United States, on communities whose UJA job, if you take a very good community which for a number of reasons, added to leadership, lay or professional or both, is doing one-fourth or one-third of the job that another community of comparable strength is doing

for UJA, you are asking one community which is doing a fully adequate job to do one-third, which is fine. You are asking another community which hasn't been able to scratch the surface in fundraising but which still may have excellent relationships with banks if they go for this thing, to go only for one-third. I know that in big communities which are stuck with that situation, a large community has that problem. They still face in the banks a very difficult task in getting a loan of a million or a million and a half, so that they are not likely to go beyond one-third when you get into that area, but when you get into the smaller area there is a great potential and we need that same opportunity, and let's not look upon this as something radically different in its organizational approach from the UJA campaign.

Certain principles are the same and one of the principles is that you've got to do better in your better communities. That doesn't mean that we can take one and a third and forget about it, but in handling it with the community and in briefing your lay people on it, it is important to indicate, "Sure, their quota is \$125,000, but let's indicate to them what other com-

munities have done and let's ask them if they possibly can get \$200,000." We expect a minimum of \$125,000. If they can get \$150,000 it will help. If they can get \$200,000 it will be wonderful.

MR. VAJDA: I don't want to persist and I really didn't think that we disagreed basically, except that you said you disagreed with me. If we are agreeing that we are going to assign quotas of one and a third and then in the course of discussion with the community try to get them to go beyond that, I agree with that entirely. If, on the other hand, we are going to assign a quota of more than one and a third for any community because they happen to be smaller --

CHAIRMAN GALLIN: We are not going to do this arbitrarily except to the degree we will round it out a bit.

MR. VAJDA: As I said, it should be like a racetrack and take advantage of the breakage, but beyond that I think it is very dangerous because it just isn't worth it. It's like the old saw of trying to make up for big gifts cuts by coverage.

CHAIRMAN GALLIN: I didn't mean that we locally

would assign high quotas arbitrarily. I am talking about your approach to the community.

MR. ABRAMSON: In certain cases where I have had to set quotas, if it came out to an odd figure like \$280,000, I set the quota automatically at \$300,000 because it is an easier sum to handle, to deal with, to break up and divide and so on, but it bring you to a problem. Take Passaic and Paterson. They are about comparable in size, side by side, eight miles apart, but Passaic does a miserable job cashwise. It is generally a miserable community. They raised about \$325,000 and we get about \$150,000 out of it, but Paterson right alongside of it raises close to \$400,000 and gives us about \$225,000. We gave Paterson a quota of \$300,000. That is one and a third more. Now, in the other case, if we were to put the one and a third formula into use, we would ask for \$200,000 from Passaic. Of course, if we get \$100,000 from Passaic it will be a wonderful thing and we may even be able to rationalize that with Paterson on the ground that they know Passaic is a very difficult community.

On the other hand, should we ask them for



\$200,000? After all, it has the population. It raises less than \$100,000 less. Should we ask them for \$100,000 less on the overall loan?

CHAIRMAN GALLIN: While it depends largely upon our evaluation of the community, your knowledge of the community, I think we ought to make a pitch in a community like that for \$300,000 on the basis of Paterson. Let them say "We can't possibly do that."

MR. VAJDA: You see, the point which I was making is that when you come down to that level of community and below, if you were to get \$50,000 more from 100 communities, will it make that much difference in the success of the program?

CHAIRMAN GALLIN: Yes, it would help a lot.

MR. KOLLEK: But you have no hope to do this. So even if you are successful in doing it in ten or thirty communities, it still would only amount to a million or two million, which is valuable.

MR. SCHLESSINGER: I was going to say that I don't particularly contemplate any serious difficulty in the fact that every community will or will not be asked to give one and a third more than their allocation in

1953. In one particular instance, only yesterday I spoke with a community and they know that the communities are being asked to give a third more, and in talking with this leader I said to him, "We are not going to ask you for just a third more; we will probably ask you double the amount you gave us in 1953," and I gave him the reasons why. In our estimation there was a community that could absorb that much and I wasn't too surprised that they agreed, because here was a man who came to the conference, knows the problem, and he couldn't at any time say, "Well, we are doing a wonderful job, just ask us for one and a third of our 1953 allotment." And thus I feel it is a responsibility which we will have to interpret in the requests that we are going to make.

It should be flexible. If we can ask the community to give twice as much, we will have just as much basis to justify requests for twice as much, as to talk about a uniform formula all over the country of one and a third. That is part of our job. I don't think it is too difficult. If the community has the capacity to do it, we should be able convince them that they have. If the community has done a good job, we are not penalizing

them. We may find that they can do better than one and a third.

MR. VAJDA: My only comment is that if a community has the capacity for raising more money in the campaign --

MR. SCHLESSINGER: Therefore you don't use that as a ceiling, of asking one and a third.

MR. KOLLEK: I am worried about one or two things which may have come up during the afternoon before I came in. I would like to mention them. We had the idea, for example, of what can happen in a community -- on the one hand, in San Francisco; on the other hand, in Boston, and in one or two smaller communities, let's say Cincinnati where they have not asked us to attend any meetings, where they are handling the thing themselves. The fact that we went to San Francisco, Eddie and Joe, was more a courtesy, because they were already out on the Coast. There was no need of any relationship to this program. This is the ideal thing, of course, because nobody is anxious to go to cities.

On the other hand, I am very worried about the time element. I feel that what we are doing at present

in the cities is not an advance step. In most communities it is just a first step. We have been speaking in many communities to an executive committee. They will bring in, at a certain period after that, before their board or whatever name the group has, this proposition, and they will elect a committee if they agree and will go to the banks. In between that there can arise all kinds of questions and they may ask us to come back and discuss it with them, and I can see for ourselves the necessity to visit quite a number of communities again, even good communities.

Take a good community like Elizabeth. We will have had three meetings and it is a terrible situation from two points of view, because we haven't got the manpower, and moreover, from the point of view of time. This may be optimistic but I hope that, let's say, by the tenth of February, the 12th, we should have clearance from Washington.

Now, the ideal position would be that the moment of clearance from Washington, we haven't got to do anything else but what we have for all the communities, with Boston and San Francisco, to phone them, please to

send them the note of the UJA and to get the check in return, which is a question of two or three days. It means all the money should be in such a position that we can call it in within a week after clearance. We shall not be in that position, but we can approach it more if we see this problem before our eyes, and if we try in the communities in which we are to meet with people even before the formal executive meeting or after it, and work with them, two or three of them, work out the procedures with them, even if it isn't the most democratic thing, even if the people haven't been formally appointed, speak to the people who will have to go to the banks, discuss with them the procedures that have been followed by banks in other communities, give them all the material if possible in writing, the examples of other banks, the name of vice-presidents in banks they can phone and many other things of that kind.

This may in some cases be at least as important as the formal meeting itself and it may save us coming back to the community. It will make Leo's job in following up much easier. Otherwise I can see this dragging on into March and maybe into April, which would be a

terrible situation because in a normal campaign, moreover, if we do try to press hard on this, I believe that we could come with a very substantial success to the big gifts meeting in Miami, as I see it -- this is your business, not mine, and I may have the wrong ideas about it -- as I see this at present. The big gifts meeting is far from being exciting. There are not many large gifts that have increased. I may be wrong, but whatever it is, to show the people who are assembled there that the communities have taken on themselves such a fantastic scheme and have had such a considerable success as we may have by the 21st of February, I think it will give this meeting a lift. It may even bring about a certain amount of increased giving out of a feeling of strength, that we really can achieve something if we try hard. That is one subject.

The other is the very small communities that we do not cover at all. In two cases, larger cities have taken it on themselves to cover a number of smaller cities in the area. One is Cleveland, the other is San Francisco. In San Francisco the people had an idea that they would approach the Bank of America and speak to them

about a unified scheme for all the small places around, Oakland, Berkeley, Fresno --

CHAIRMAN GALLIN: Oakland would be eliminated.

MR. KOLLEK: I may be wrong about geography.

They felt that they could go to the Bank of America and put all of these communities together, and ask for a loan of, say, \$500,000. They said they would work out with individual communities the repayment. They said to the bank, if they couldn't afford to cover a plan like that, a plan on a different basis has been worked out by Max Freeman in Cleveland. They intend to go to a number of communities and discuss individual borrowing with these individual communities.

CHAIRMAN GALLIN: This would be an excellent plan for a city like Pittsburgh.

MR. KOLLEK: And I am sure the same could be achieved in five or six or seven other cities. Of course, if we would have to cover all these from New York, it would be entirely impossible with the small number of men at our disposal. On the other, it would give these small communities a feeling of participation in this, which is a good thing as well, and it may amount to a few million

extra which otherwise we would not have taken into account.

These were the two points I thought of covering.

MR. VAJDA: Teddy, I am not opposed to the thought because I was in Cleveland when we discussed it. I want to point out that it would be difficult for this reason, that it is a practicable plan for an area operation particularly in communities that will make their own loans on the basis of secured notes, because what they will do is go out and get endorsements, but to do it on the basis of a community loan, a small community loan is going to be rather difficult.

CHAIRMAN GALLIN: Yes.

MR. VAJDA: Because it will involve making a loan in the local banks on the notes for the local Welfare Funds, and in most of these communities there is no such thing as a local Welfare Fund. For example, in Ohio, talking about Cleveland, the only community which is involved that has a local Welfare Fund is Lorraine, and Lorraine is sufficiently important for us to handle it on an individual basis. There is no such thing as a permanent Welfare Fund in Ashtabula or Fremont or Sandusky.



CHAIRMAN GALLIN: There are little towns that either have Welfare Funds or UJA's which are continuing organizations.

MR. VAJDA: Unless they are incorporated, it will require individually endorsed notes.

There was one more danger that I wanted to point out. I didn't want it to be an excuse for a big community to pass off part of its own responsibility.

MR. KOLLEK: In both Cleveland and San Francisco, we discussed it with them and it was quite clear what they themselves undertook.

MR. FISHZOHN: How many cities at the present time are involved? Before we get into this business of the smaller communities that we may involve.

CHAIRMAN GALLIN: We are talking about concentrating on 150 cities and concentrating immediately on the more important 150.

MR. BIEHL: In connection with Teddy's first point, the February 10th target date, we are already running into problems in communities that want to postpone until after the big gifts phase of their meetings. New Orleans and Dallas posed the question, "Do we want to

accept the communities' thinking on that or do we want to press them regardless?

CHAIRMAN GALLIN: This we will get into in a minute.

MR. VAJDA: It seems to me you have no choice because your calendar is practically full anyhow.

MR. BIEHL: For example, Dallas and Fort Worth.

CHAIRMAN GALLIN: May I suggest that we complete our topic first? I think one of the greatest dangers in these meetings is losing time on preliminary meetings or educational meetings. We need action as fast as possible. To get that it is very important that we go into the meeting with briefing. It is no less important in going into a meeting at which we want to accomplish a vote in favor of an adequate loan, to brief our friends and to have pace in terms of attitude, no less important than it is in a fundraising meeting to walk into the meeting with gifts that are set in advance of the meeting. We have had at least one experience in which the lay representative at a meeting wandered all over the place, didn't even mention the quota until somebody raised it

in the question and answer period, so it is very important that you sit down in advance of each meeting with the two people or more who are presenting UJA's story, and discuss with them, regardless of memos, regardless of advance briefings that they have received from us, sit down with them, go over the community and its problems and review and stress the importance of coming out of this meeting with a definite result.

Now, if this meeting is not a board meeting and they say they can't vote, they've got to call a board meeting, etcetera, at the very least get a vote from this meeting that it is the unanimous sense of this group that Middletown will borrow \$150,000 or more from local banks, so that in effect they are on record and we know that if the meeting is held at a time when our man can't cover it, at least they are on record to that extent. Be sure when you go into this first meeting, the meeting that we are scheduling, that one is prepared, some person is prepared in advance to start the discussion off on a positive note, because what can happen here, just as it does in a fundraising meeting, if the first person to stand up after the presentations raises a very

negative question, he can start a whole series of negative questions which will leave a negative effect even though the answers are perfect. So let's get this lined up in advance of each meeting.

Now, there are a number of major problems. This is not a series of questions and answers that we have here but a number of major problems or categories of problems that we know we are going to face in many communities because of our early experience. One problem involves the legal question. We do not have clearance from Washington, as you know. We have every reason to believe that the clearance will be forthcoming. We must explain to people, when this question is raised, and don't raise the question, don't spend too much time on it at the meeting unless it is raised. We must point out that this is not an iffy thing. We are not fearful. We know we are going to get the approval but we can't complete a loan to the extent of taking a check or saying we can take a signed note, until Washington gives us clearance. You can explain that this is a matter of normal red tape in a government operation. It requires 17 signatures with the Department of Internal Revenue on

the document that we have submitted, and one of the reasons for delay is that we have gone through it very carefully, made many changes on the advice of very good friends who know the routines. We cannot afford to have communities waiting for word from Washington as a preliminary to starting this procedure because if Washington delays it until the middle of February or even later and we start at that point, it will be April before we get action. It takes board meetings and discussion, the time of the banks, the banks want to think it over, so as Teddy said, we want to get everything lined up in every community that we possibly can so that all that is necessary, when we get word from Washington, in a large number of communities, will be to say "It is official now. Here is our note. Let's have your check."

MR. VAJDA: One more question on legality. Is it a fact that the UJA has been reconstituted for five years?

CHAIRMAN GALLIN: That I don't know.

MR. FISHZOHN: Why do you raise that, Ed?

MR. VAJDA: Youngstown raised it.

MR. FISHZOHN: What's behind the question?

MR. VAJDA: We should undertake to give a five year note, and one of the Philadelphia lawyers who lives in Youngstown remembers that the UJA is reconstituted on a year to year basis, and he raised the question. I think Berinstein said that the UJA was reconstituted for five years.

MR. ABRAMSON: I don't think so.

MR. VAJDA: It is a question which will arise again.

MR. ABRAMSON: We are very confident the UJA will be in business for five years.

MR. SCHLESSINGER: That isn't the point. If you are giving a legal instrument for a five year payment --

MR. ABRAMSON: You've got a good point. That is the answer.

CHAIRMAN GALLIN: The best answer to that in terms of the bank is that the local Welfare Fund is guaranteeing it.

MR. JACOBS: It is the campaign agreement that is reconstituted but the corporation as such is a permanent corporation setup, incorporated in the State of

New York.

MR. VAJDA: I don't think we ought to gloss over this. We know that the corporation is a permanent corporation chartered by the State of New York. We are also saying that we know it is going to be paid on the basis of the income of that corporation. That income to the corporation is the result of a campaign which is set up on a yearly basis. What kind of insurance can we give that there will be a reconstitution year by year which will result in a campaign? Can we say, for example, is it a good answer to say that certainly since the moneys are going to be used by Israel and people like Warburg, Rosenwald and Schwartz of the JDC of involved in this --

CHAIRMAN GALLIN: No, I think the best answer is that the UJA is a permanent corporation. The agreements, which are campaign agreements, are reconstituted year after year as changes in proportions may occur, but that the basic operation of UJA does not change.

MR. JACOBS: I think you can get some kind of definite statement on that.

MR. FISHZOHN: It doesn't basically change the