

STURM ON THE ECONOMY AND THE JEWISH COMMUNITY

What's the state of the economy? How did it get that way? What's the solution?

Denver banker and business magnet Donald Sturm shared his views with me on this and on the Denver Jewish community.

The basic problem with the economy, says Sturm, is a shortage of capital. Banks and other financial institutions have taken major hits.

"These losses are astronomical sums," he observes, "\$5 billion, \$11 billion, \$20 billion."

Financial institutions' credibility is tied to their capital base. If that is reduced, their ability to make loans and finance activity goes way down. "We don't even know how deep the hole is," says Sturm.

And the cause?

Simple: "lousy loans" and "lousy investments" — for example, loans to people without demanding of them evidence of their capacity to repay.

"The man in the street would have known better how to make a loan," says Sturm.

He doesn't see any government policy at fault; just sloppy and selfish lending practices.

Lenders didn't demand borrowers' tax returns (for example) "and didn't care. Because lenders weren't going to keep these loans; they were going to sell them on Wall Street. And then, the companies that insured them, well, their own credit worthiness was in doubt.

"People bought houses not to live in, but to flip, and now, with the prices having fallen, the owners have no equity in the houses and are walking away."

Thus, homebuilders can't compete with the fire sale prices and are building less.

The solution?

Too early even to talk about it, says Sturm, because we don't know how deep the hole is. It's not just the housing market that's in trouble. It's other lenders, too, such as makers of auto loans.

“There is no quick fix. I don’t have a panacea. The Fed doesn’t. Secretary of the Treasury Paulson doesn’t.”

The government rebate will help, and so will a government rule to allow write-off of losses in one year, says Sturm, but, basically, “these things have to work their way through.” That is, the losses on the bad loans, low prices and unsold stock will have to be absorbed before recovery can begin.

Has any lesson been learned?

Sturm says no. “The people sitting there, going through this, haven’t been through it before, and by the time they might go through it again, they won’t be the actors.” They’ll be too old or deceased, he says.

He predicts some more regulations on hedge funds — “things like that” — but “with the creativity of people on Wall Street, wrapping loans into the capital-starved insurance companies, they’ll do it again.

“Our American capitalist system is wonderful, but it’s not perfect.

“It’s up to the individual, and the individual bank, to know what they’re buying” — to know, for example, whether they’re dealing with a lender who is merely “incentivized by the commission” and does not care whether the customer can afford the loan.

As for his own bank system, American National Bank, Sturm says that he never lowered the standards of documentation required of a borrower, and never got stuck with bad loans.

“We’re traditionalists. We went by sound banking principles.”

For that reason his banks’ own capital is invested only in Treasury bonds or government-backed securities.

“We sacrificed yield for security.”

Meanwhile, he says, there’s some great buys out there, because there was a “lot of good stuff thrown out with the bad.”

The trick, of course, is to “pick between the weeds and the flowers.”

Here’s Donald Sturm’s take on the greater Denver Jewish community:

Number one, it’s growing. And if you include the non-Jewish members of a household, it’s over 100,000, he thinks.

Why is it growing? Colorado’s “wonderful lifestyle” and educational opportunities.

However, close to 70% of this fast growing community, he estimates, are not affiliated — “and I use that word in a very broad sense, not only not affiliated with a synagogue, but with the JCC or any other Jewish institution.

“And that’s a problem.”

Synagogues, the JCC and other institutions have loyal members, he says, “but my take is that the great bulk of non-affiliated need to be counted somehow, and need to be served.

“No matter how hard they try, the JCC or synagogues, for example, will not or cannot reach them. The walls are too high.”

By “walls,” he means expectations of “doing it our way.”

He hastens to add that he is not critical of current Jewish institutions — “they’re serving their people” — but his interest is in the unaffiliated.

Years ago, he founded the “Colorado Initiative” in conjunction with CLAL, and was pleasantly surprised to learn, for example, that 1,300 people would show up for a concert in Boulder.

“We stimulated a lot of non-affiliated Jews.

“These people want a Jewish connection. So I created ‘Judaism Your Way’ — which is a continuation of the Colorado Initiative. Just so long as it’s not ‘Jews for Jesus,’ we welcome them.”

The budget of Judaism Your Way is one-half million dollars annually, entirely financed by Sturm.

Is it possible, I ask, that there are Jews who simply don’t want to be connected in any way at all?

“Some don’t want to be reached,” he assents.

“But it’s not just Jews. Culturally, in America, people are switching religions. Still, I think that people with a Jewish background have more roots.”

Acknowledging that Judaism Your Way is not popular with all rabbis, Sturm says he is not looking to create a synagogue — just to stimulate people so they end up affiliating somewhere. And wherever that might be is fine with him. “I just don’t want them to float away and lose them forever.

“Seventeen hundred people came to our last High Holy Days at Hudson Gardens. They found it very welcoming.”