

Student protesters want universities to ‘divest’ from Israel. But how much have they actually invested?

Demands for divestment have included cutting ties with multinational giants like Google

[Dany Bahar](#) May 6, 2024



D.C. police officers watch demonstrators as they rally in support of the Palestinian people on the campus of George Washington University May 2. Photo by Chip Somodevilla/Getty Images

Student protesters across the country are demanding their university endowments “divest” from Israel. Brown University, where I am on the faculty, [agreed last week](#) to let students representing the protesters present a proposal to the corporation that runs the university to divest from funds “with companies associated with Israel’s military,” in exchange for them ending the encampment. But what does divestment actually mean?

The answer: Practically nothing. Depending on how the demand is articulated, divestment from Israel is either insignificant, as only about 1% of all firms in the American stock exchanges are Israeli, or so completely unrealistic and unreasonable — severing ties with almost all American multinational companies — as to be an ineffective tool to pressure the Israeli government.

For student protesters who may be disappointed to learn that, in fact, there will not be much, if anything, to practically divest from, a better bet would be to demand from universities investment in Gaza and the Palestinians more generally, an idea that we could all rally behind.

There are three buckets where the university endowments could be investing in Israeli and Israeli-related positions: directly in Israeli firms through the stock market and through alternative investments, and indirectly through investing in non-Israeli firms that do business with Israel.

Out of approximately 9,000 securities listed on U.S. stock exchanges, only about 120 are Israeli — as in, based out of Israel. That means actual exposure of university endowments to these companies is likely minimal, given the breadth and diversity typical in well-managed investment portfolios. Thus, the likelihood that Israeli companies constitute a significant portion of these portfolios for any university is quite low, if not zero. Even if universities were to sell their stock positions of these companies that, perhaps, could result in a lower value of the stock, other investors could easily buy the stock back up in the marketplace, bringing up the value again.

Some student protesters might be making a much more extensive demand: that universities must drop so-called alternative investments in private equity or venture capital funds that invest in privately owned Israeli companies. I'm afraid they will not find much there either.

While universities' endowments are known to hold [considerable investments](#) in private equity and similar products, they do this through funds that diversify across a large number of companies in a large number of markets. With Israel being such a small country and receiving private equity funds reaching [\\$10 billion](#) out of a global market of [\\$1 trillion](#), the share of university endowments invested into Israeli firms through these funds is likely negligible.

Even if some universities explicitly rebalance their portfolio to eliminate the already-tiny amount of investment in Israel-specific funds, this will likely not represent a long-term challenge to Israel, which [remains among the top countries](#) globally in terms of venture funding per capita. That means that investors are generally quite open to betting on Israeli enterprises, and have consistently found high enough returns to continue doing so, regardless of political considerations.

If the call for divestment extends to severing ties with any global firm that has any business relationship with Israeli entities — a type of “all-or-nothing” approach that has been a banner of the Boycott, Divestment and Sanctions movement — that would imply divesting from tech giants like Google, Microsoft, Meta and Amazon, among many other global giants like Boeing that have close ties with Israel.

These companies not only do business in Israel, but also have subsidiaries and employees on the ground. Israel [hosts around 300](#) foreign research and development centers owned by the world’s largest multinational companies, which have located outposts there to benefit from Israel’s unique innovation ecosystem.

To ask universities to end connections with these companies is simply unrealistic. It would necessitate a radical overhaul of investment strategies — one that might not even be possible, as there are few reasonable portfolios that would not include many of these firms. It would also be hypocritical for protesters to demand such a thing without making any demands from anyone who holds, say, a basic retirement account — including their family members — which are very likely exposed to firms that fall into this category, and have tremendously benefited from their success.

Instead, I wish there would be more demands from the protesters for university endowments and other actors to spend money in Gaza, rather than to divest from Israel. Gaza is in need of an unprecedented rebuilding effort, after the massive destruction resulting from the war. Recent estimates by the World Bank and the United Nations put the investment required to rebuild Gaza at [\\$18.5 billion](#).

This includes a significant investment in housing, which accounts for 72% of the cost, and public infrastructure such as water, health and education, accounting for 19%. University endowments could support these efforts to rebuild by also investing in the local economy in a variety of ways: through public-private partnerships focused on infrastructure rebuilding, or even in funds that invest in local private firms that are always in need of credit to expand, and could provide employment and good wages to hundreds of thousands of Gazans, as well as Palestinians in the occupied West Bank.

Beyond hard-core investments, Gazans could tremendously benefit from things universities in particular could easily fund: more exchanges by providing scholarships for students — including giving the same American

students who sympathize with the protests the chance to go there in person and volunteer on the ground — and fellowships for allowing faculty to visit for extended periods of time.

These are all the important investments that are badly needed, alongside the required political compromises on both sides, to start building a future — even if not very tangible right now — of two states, Israel and Palestine, living side by side in peace, security and economic prosperity for all.

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