

## Changing the discourse

### A visual primer for Israel's upcoming elections

by

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Israelis will soon be heading for the polls. Knowing how to separate the wheat from the chaff in an environment that relentlessly bombards us with data is vital. The visual primer below drills under the often superficial discourse to provide a vivid picture on Israel's primary long-term socioeconomic challenges. It is a primer showing where we were in past, where we are today, and where we are headed – a primer that should interest and unite all who care deeply about the future of Israel, whether they are right-wing or left-wing, religious or secular, Jewish or Arab.

While nearly all of the serious election-related attention in Israel tends to focus on national security issues, that fundamental concept has come to encompass far more than most are aware of. The past several years have been relatively good for Israel from an economic perspective, like an abundant oasis – but one that is currently situated on a very problematic, and remarkably steady, highway toward the abyss. Contrary to conventional wisdom, ours is not a predetermined path etched in stone. We have a say, and a responsibility, in determining the direction that Israel is headed, but that window won't remain open forever.

### **The way we were**

During the 1970s, Israel changed its national priorities in some of the more basic socioeconomic realms – which led to quintessential changes in its primary long-term socioeconomic trajectories. The young Israel was poor, inundated by new immigrants with just the clothes on their backs. It went through a period of food rationing and wars of existence. But despite Israel's meager resources, the founding generation found the wherewithal to build not only towns and roads but also – for example – hospitals and universities.

By the mid-seventies, hospitals were built from Safed to Eilat, with the number of hospital beds matching the population's phenomenal growth rate. By the mid-seventies, seven research universities had been built and the number of academic researchers in Israel, per capita, approached American levels.

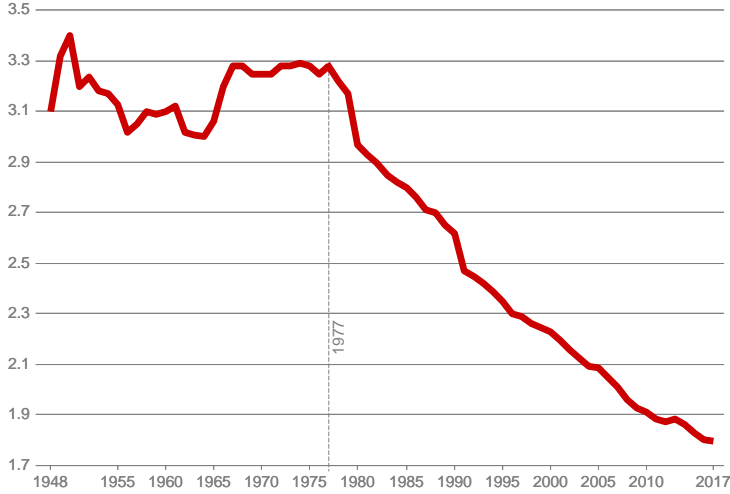
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## Neglecting the health system

The number of hospital beds per capita has been in a free fall since the mid-seventies. Consequently, Israelis hospitals today have the highest occupancy rates in the OECD.

### Hospital beds\*

per 1,000 population, 1948-2017

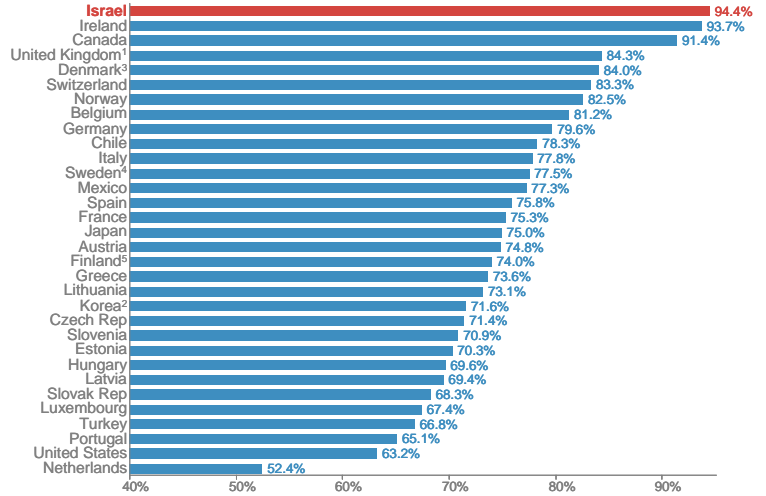


Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: Israel's Central Bureau of Statistics

\* Curative (acute) care hospital beds

### Hospital occupancy rates

as percent of available beds, average for 2012-2016



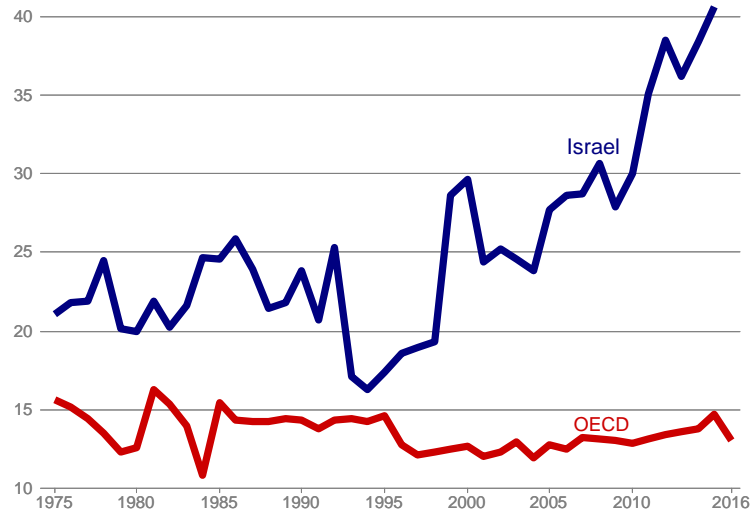
Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: OECD

<sup>1</sup> 2010, <sup>2</sup> 2003, <sup>3</sup> 2001, <sup>4</sup> 1996, <sup>5</sup> 1995

The ongoing neglect of the health system has exacted a price. The dilution of resources and manpower has not only led to long lines, congestion, suffering and violence by patients. Over the past two decades, the share of Israelis dying from infectious and parasitic diseases has doubled.

### Deaths from infectious and parasitic diseases

per 100,000 population\*, 1975-2016



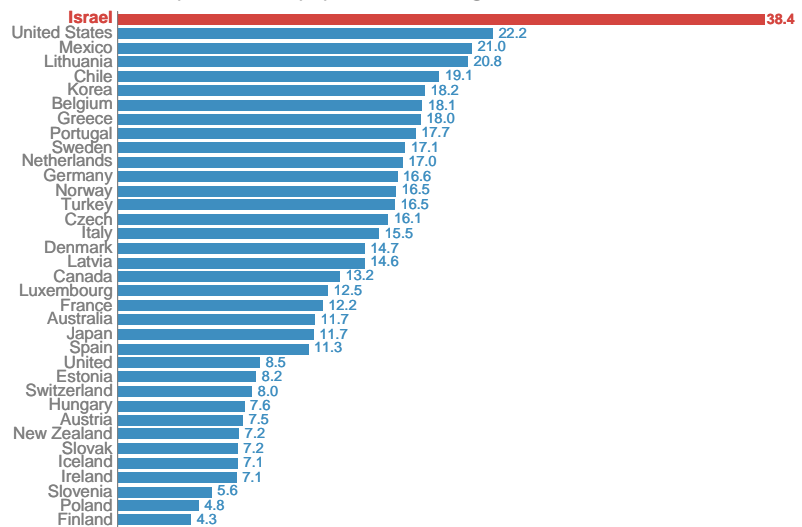
Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: OECD

\* adjusted by the ratio of standardized population to actual population

The multi-decade leap in the number of Israeli deaths per capita from infectious and parasitic diseases places Israel alone at the top of the OECD countries, with 73% more deaths per capita than the number two country, the United States. The annual number of deaths from infectious and parasitic diseases is a double-digit multiple of the number of persons killed each year in traffic accidents.

## Deaths from infectious and parasitic diseases

per 100,000 population\*, averages for 2013-2016



Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: OECD

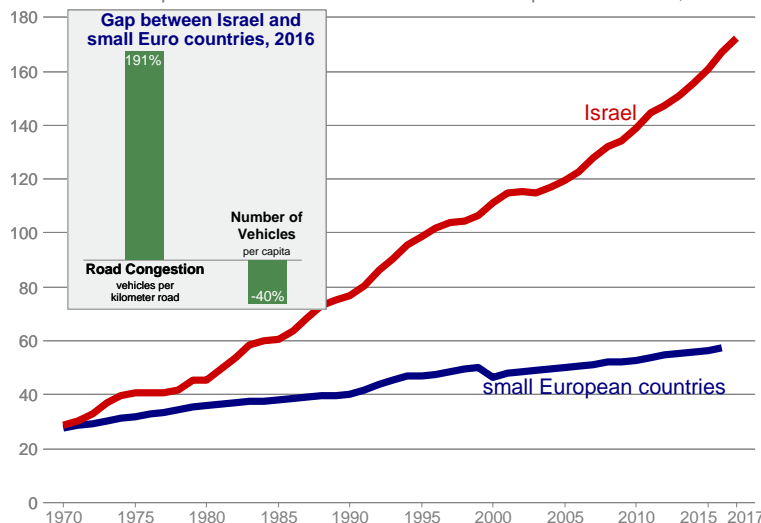
\* adjusted by the ratio of standardized population to actual population

## Neglecting the transportation infrastructure

Israel's founding generation brought the congestion on the country's roads to parity with the average for small European countries in the early 1970s. Since then, Israeli road congestion has risen to nearly three times the congestion there – and this, despite having 40% less vehicles per capita in Israel. It is simply a situation in which there are no adequate substitutes for travel in private vehicles. The results are extreme congestion and endless traffic bottlenecks.

## Congestion on roads

number of vehicles per km of road in Israel and small European countries\*, 1970-2017



Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: Central Bureau of Statistics, OECD, World Bank and Ingram and Liu (1999)

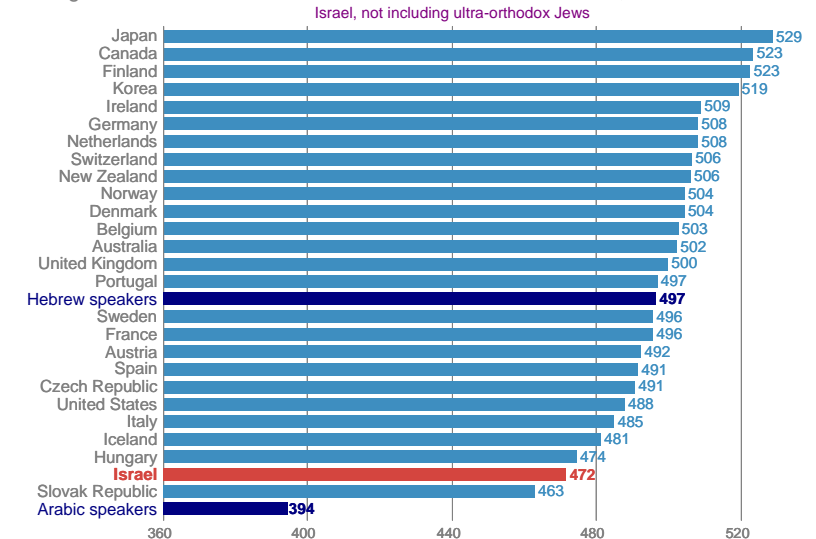
\* Belgium, Denmark, Netherlands and Switzerland

## Neglecting the education system

The achievements of Israeli children in core curriculum subjects are at the bottom of the developed world – and this is without even taking into account the ultra-Orthodox (Haredi) pupils, who do not study the core subjects and do not participate in the international exams. The achievements of Arab-Israeli children are beneath those of Third World countries – in fact, below the majority of predominantly Muslim countries. The graph provides a peek at the future since the children from all of the various countries will have to compete with one another in the global marketplace. This is how the various countries are preparing their children for that eventuality.

### Average level of education in developed world

Average achievement levels in 25 OECD countries and in Israel, PISA 2015 exams



Source: Dan Ben-David, Shores Institution and Tel-Aviv University

Data: PISA and Israel's National Authority for Educational Measurement and Evaluation

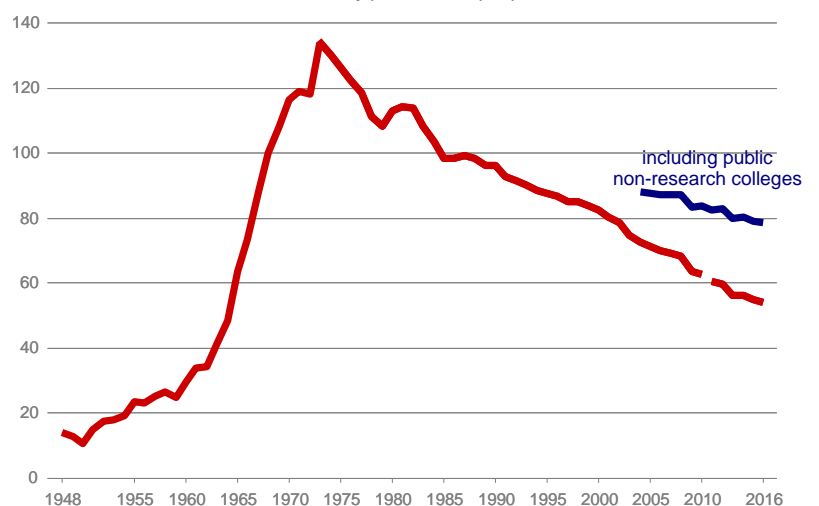
\* national average in math, science and reading exams

## Neglecting the cutting edge

Since the mid-seventies, Israel's population has more than doubled. We are considerably wealthier than the founding generation (GDP per capita has also more than doubled since the 1970s). But the country's national priorities changed. We have not built another Technion, or Hebrew University, or another Tel-Aviv University. The number of research university faculty per capita today is 60% lower than it was in the much poorer Israel of the 1970s.

### Senior research faculty in universities\*

Senior research faculty per 100,000 people, 1948-2016



source: Dan Ben-David, Shores Institution and Tel-Aviv University  
data: Israel's Central Bureau of Statistics and the Council for Higher Education

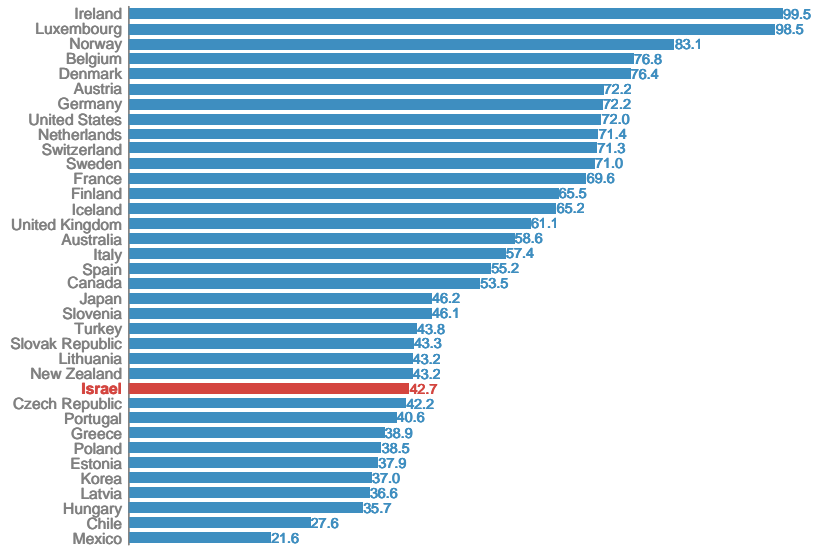
\* Senior research faculty includes full professors, associate professors, senior lecturers and lecturers. Basis of data changed in 2011.

## Results of the neglect

With one of the developed world's most under-developed transportation infrastructures and a level of education at the bottom of the developed world, it should come as no surprise that Israel's labor productivity is below that of most developed countries. Labor productivity is a key determinant of income: if the average amount produced in an hour by an Israeli is low, then the average hourly wage that the person receives will also be low.

## Labor Productivity in 2017

GDP per hour worked in 36 OECD countries\*



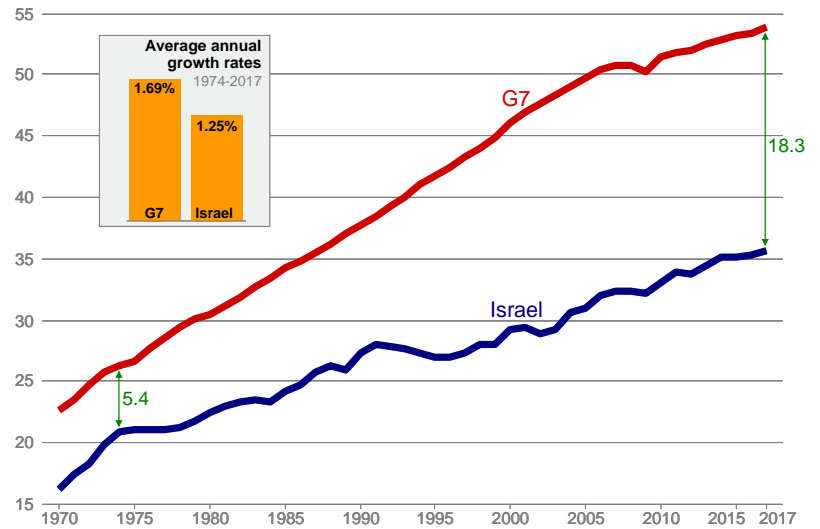
Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data: OECD

\* in current PPP-adjusted dollars

## Labor Productivity, 1970-2017

GDP per hour worked\*

Labor productivity in Israel is not just low. It has been falling further and further behind – in relative terms – the labor productivity of the world's leading economies. Since the mid-seventies, the gap between the G7 countries and Israel has risen more than three-fold. The trajectory of the past four decades will not be sustainable four decades from today – with all of the implications that this has on Israel's future.



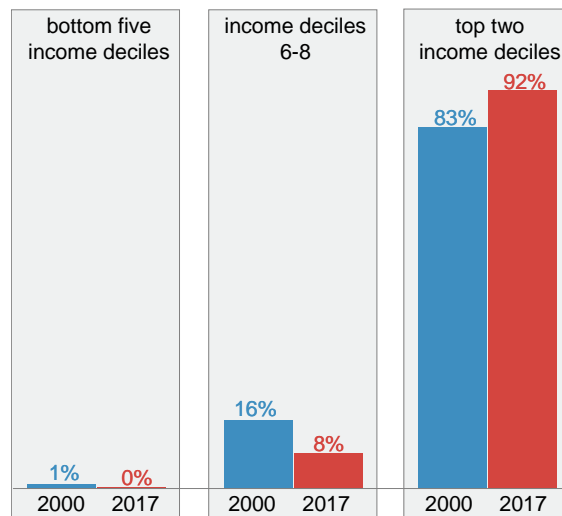
Source: Dan Ben-David, Shores Institution and Tel-Aviv University  
Data from OECD, Central Bureau of Statistics, Bank of Israel

\* in 2010 PPP-adjusted dollars

The larger the gap between what educated and skilled Israelis can earn abroad and what they receive in Israel, the smaller the likelihood that Israeli society will be able to keep them at home. With time, it will become increasingly easier – especially for educated and skilled Israelis – to decide between leaving the country or remaining and earning below their potential. Such a decision will become easier still when they'll take into account that fewer and fewer shoulders will have to carry a larger and larger burden – from taxes to military service.

Already today, the income of half the country's population is so low that they do not even reach the bottom rung of the income tax ladder and pay no income tax whatsoever. 92% of all income tax revenue comes from just 20% of the population – an increase from 83% in 2000.

### Share of total income tax revenue paid by income deciles



Source: Dan Ben-David, Shoresh Institution and Tel-Aviv University  
Data: Finance Ministry

If this is the current situation, what will happen when today's first graders reach working age? How many will possess the tools to work in a modern economy, and how many will need assistance to survive? When the national leadership fails to understand or displays an interest in root treatment that will require a change in direction, how many of the young and educated will remain in Israel to bear a steadily rising tax burden resulting from a increasing number of needy alongside a decreasing number of tax payers?

## The future – if we don't wake up in time

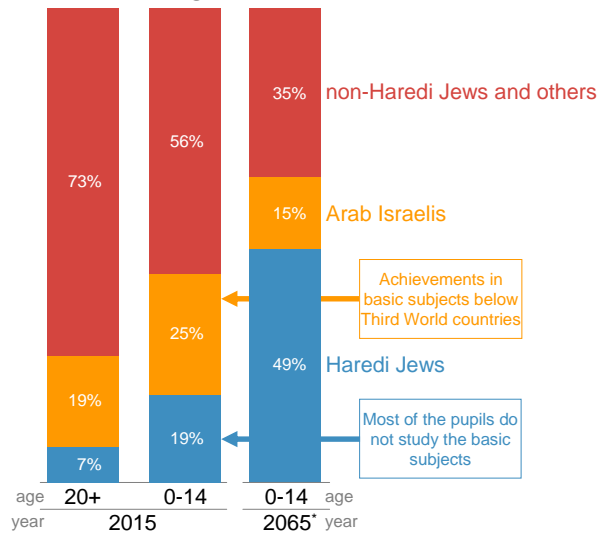
It's time to change the public discourse taking place in Israel and to rethink outdated paradigms. National security is not just planes and tanks. It is also the ability to maintain a First World defensive capability.

Roughly half of Israel's children today receive a Third World education, and they belong to the fastest growing parts of the population. A Third World education will lead to a Third World economy. But a Third World economy cannot support a First World army – with all of the implications that this has on Israel's future ability to survive in the world's most violent region.

Israel has reached one of the most decisive crossroads in its history. The national priorities that will be decided in the coming years, before the country eclipses the demographic-democratic point of no-return, will determine if Israel will be or will not be in future generations.

### Israel's changing demographics

each religious sector as share of total



Source: Dan Ben-David, Shores Institution and Tel-Aviv University

Data: Central Bureau of Statistics

\* midpoint projection