

Jeopardizing Israel's beacon

by

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Israel is nearing the end of its seventh decade. The beginning was promising – but the future, as Yogi Berra once quipped, ain't what it used to be. An abyss has grown between the vision of those in power today and the vision that enabled Israel to become not just a beacon of hope and a sanctuary for those who had lost everything, but also a beacon of inspiration and ideas for others abroad. Today, Israel is at a crossroads.

In its first decades, the country that gathered in its exiles, arriving with only the clothes on their backs, rationing food to keep everyone alive, also managed to find the wherewithal to build a human and physical capital infrastructure that helped it grow at a phenomenal rate and narrow the gap with the leading countries. Those national priorities changed in the 1970s, shifting away from investments that benefitted all, toward narrow sectoral interests and political expediency.

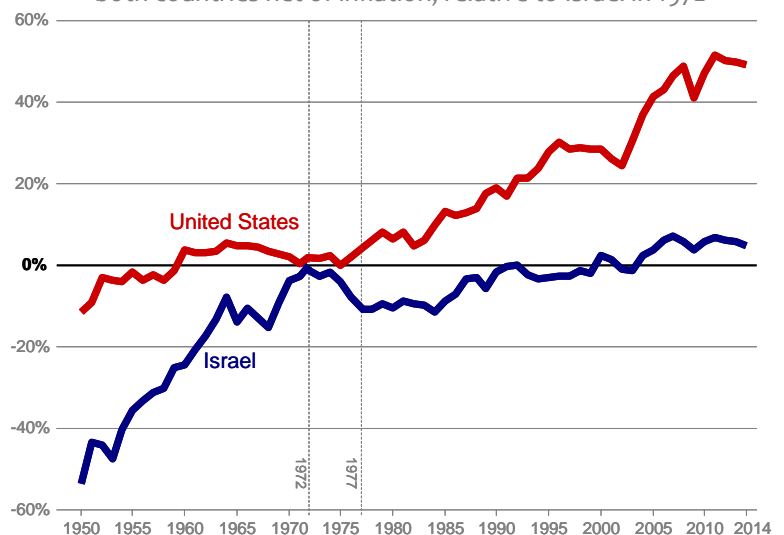
Total factor productivity reflects the part of GDP growth determined by the qualities rather than the quantities of labor and capital. It's considered to be the primary engine underlying the growth of national living standards. Within just 25 years of its founding, Israel had managed to almost completely close its gap with the United States. Following the Yom Kippur war in 1973, Israel's productivity went into a free fall. In 1977, the country moved to a new path, one that has been pulling us further and further behind the US. Its education system has become one of the worst in the developed world while its roads and hospitals have turned into some of the most congested.

Other countries have recently entered the haze that Israel has been in for years, one that obscures the beacon making it possible to distinguish between populism and policies based on facts and knowledge. For Israel, getting it right, or not, will eventually mean the difference between physically existing – and the alternative. The longer the country's leaders refuse to look reality in the eye, continuing with the shallowness, the demagoguery and the messianic blinders, the further Israel's trajectory will fall behind the US. If the leaders won't act, then the young and educated with options will – particularly those who understand where the terminal vision underlying our trajectory is taking the country.

We are not there yet. Israel still has a large majority with a strong sense of commitment to the dreams of its founders. The young generation not only places its lives and limbs at risk for years to defend Israel, they are also delaying college and personal careers even further by

Total factor productivity, 1950-2014

both countries net of inflation, relative to Israel in 1972



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

Data: Penn World Tables 9.0

volunteering in record numbers to spend a year or more helping the less fortunate in some of Israel's poorer communities.

The catalyst for the young generation's decision of whether to leave or stay may be a major crisis – either external or internal – accompanied by a loss of hope by the young that Israel's leadership will internalize the gravity of the direction that current policies are taking the country. Demography is not just an issue of fertility. In the final analysis, the ultimate determinant of whether Israel will be or not is if Israel will be the next generation's country of choice.