

The One-State Solution: Placing the Titanic on Jet Skis

by

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The demographic and national defense paradigms that still frame much of the discourse on Israel are archaic. They ignore the fact that even without the addition of millions of poorly skilled and educated Palestinians, Israel's current population is already situated on an unsustainable socioeconomic trajectory.

One of the key issues that gets lost in the debate on the pros and cons of annexing the West Bank is that Israel's very future is unsustainable, even if the country remains on its current, default, trajectory. Annexation would simply hasten that future. The public discourse within Israel and outside of it focuses on an outdated demographic paradigm based on simple headcounts of Jews and Arabs rather than on the much more crucial and fundamental fact that, already today, there are too few persons in Israel with the knowledge and skills to work in a modern, competitive, global economy.

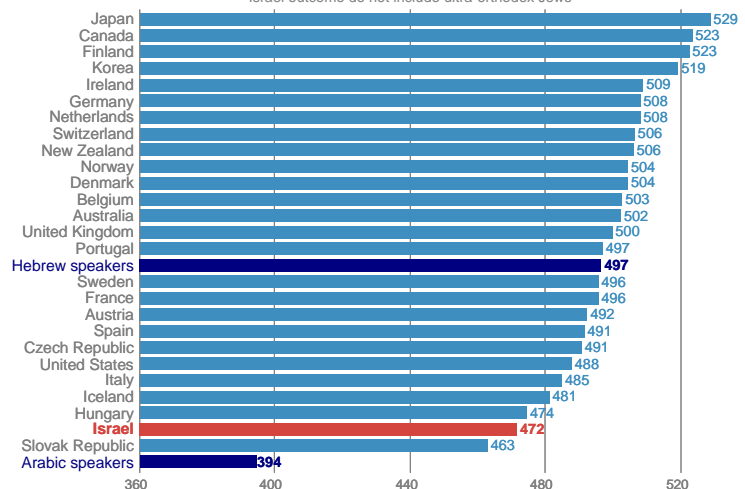
This is ultimately the issue that will determine whether the Israel of our grandchildren will even exist – Jewish, democratic, or otherwise. What is transpiring today in Israel is analogous to an endless argument about the rearrangement of deck chairs on the Titanic instead of a focus on that big iceberg ahead and the urgent need for the entire ship to change course before it is too late.

Ostensibly, Israel has one of the most educated populations on the planet. Among prime working age adults in Israel, the average number of school years is one of the highest in the developed world while the share of academic degree holders is near the world's pinnacle. Unfortunately, this is a shallow perspective that is both antiquated and misleading. In a society inundated with facts, distinguishing between chaff and root issues can be challenging – and not all is as it may seem. The all-too-common focus on the quantity of education tends to mask the vitally important issue of quality. A data-driven tour of Israel's current population characteristics can be an eye-opener.

Year after year, for decades on end, the knowledge level of Israeli children in core educational subjects (math, science and reading) has been at the bottom of the developed world (Figure 1). The average achievement of Arab-Israeli children (that is, Israeli citizens, not Palestinians) is below that of many 3rd world countries. So many Haredi (ultra-Orthodox) children do not study the core curriculum beyond 8th grade that most do not even participate in the international exams – which means that the actual situation in Israel is substantially worse than what even the current data show.

Figure 1
Average level of education in developed world

Average achievement levels in 25 OECD countries and in Israel, PISA 2015 exams
Israel outcome do not include ultra-orthodox Jews



* national average in math, science and reading exams

source: Shores Institution for Socioeconomic Research

Look not at the demographics of the adults but at those of the children, for they are our future. Today, Arab-Israeli and Haredi children account for almost half of Israel's first graders (Figure 2). Add to them a very large number of Jewish non-Haredi children in the country's geographic and social peripheries receiving an extremely poor education and you may begin to understand the magnitude of what is coming down the pike when all of these children grow up.

Even without the Haredim, Israel has the largest educational inequality – by far – in the developed world (Figure 3). Had the Haredim taken the exams, this education gap would be even higher than what the current data indicate. This has tremendous economic consequences for the future. The children receiving the poorest education in Israel are not only a huge share of the total number of children, they also tend to belong to the larger families – and hence, to the fastest growing parts of the population.

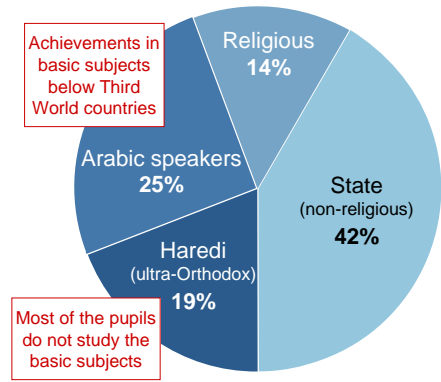
The other Israel

This is picture of two Israel's in one. It includes the start-up nation, with its cutting-edge universities, phenomenal high-tech and a path-breaker in the fields of medicine. It also includes a Second Israel, one that is not receiving the tools to work in a modern economy. This latter part of Israel is extraordinarily large and its relative share in the total is getting larger by the year. Consequently, it is not a coincidence that despite being home to the start-up nation, the country's overall labor productivity is among the lowest in OECD (Figure 4).

The fact that we are leaving so many people behind is not just reflected in high rates of poverty and income inequality. It dampens our overall economic growth. The nation's collective ability to assimilate, utilize and develop new technologies (not just in high-tech sectors) is diminished when the national engine is running

Figure 2

Distribution of pupils in 1st grade, 2014

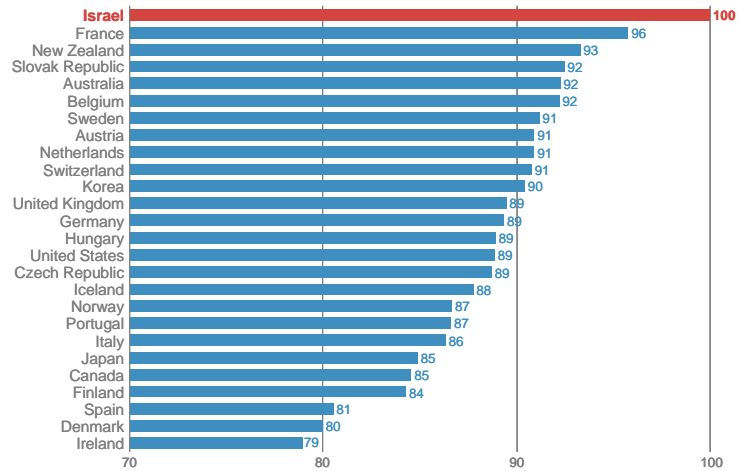


source: Shores Institution for Socioeconomic Research

Figure 3

Educational inequality in developed world

Average gaps in achievement levels in 25 OECD countries and in Israel, PISA 2015 exams
Israel, not including ultra-orthodox Jews = 100 (base)



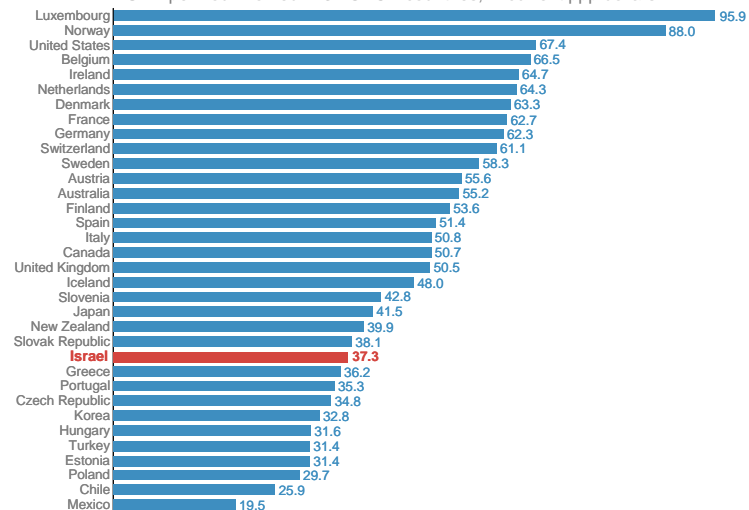
* national average standard deviation in math, science and reading exams

source: Shores Institution for Socioeconomic Research

Figure 4

Labor Productivity in 2014

GDP per hour worked in 34 OECD countries, in current ppp dollars



source: Shores Institution for Socioeconomic Research

on fewer and fewer cylinders that could otherwise have been available to it.

Many more individuals could have found a place in this economy had they been provided the necessary conditions. Instead of providing an economic boost to themselves and to the nation as a whole, they become a weight that has been steadily growing over time. Not only does this result in low national productivity, it is a growing weight that has been steadily dragging Israel further and further behind the G7 countries for the past four decades (Figure 5).

The implications are ominous and foretell an unsustainable future. Israel's tax revenues are more heavily dependent on indirect taxes (such as VAT and sales taxes) which are considered regressive (i.e. they place a heavier relative burden on the poor than on the rich). Therefore, future tax increases needed to fund a growing population lacking the basic skills and education will have to come from direct taxes – and herein lies the other problem.

Even before tomorrow arrives, half of Israel's current population is so poor that it do not even reach the bottom rung of the income tax ladder. It does not pay any income tax at all. In fact, 90% percent of all Israel's income tax revenues today come from just 20% of the population (Figure 6). These are primarily the skilled and educated, many of whom could find jobs abroad, should Israel increase the burden on their shoulders beyond limits that they are willing to bear.

The economically untenable one-state option

It is important to emphasize that these very existential threats exist even without the addition of several million unskilled and poorly educated Palestinians in a one-state solution. Aside from the obvious security concerns that such a population mix would entail, this scenario would prevent the establishment of an independent Palestinian state. Israel would then be forced to choose between two options – neither economically viable.

The first option would be to grant full citizenship, including the right to vote, with all of its attendant implications. It also entails the provision of complete access to Israel's health, welfare and education services to all those living between the Mediterranean Sea and the Jordan River. But who will then be able to fund the magnitude of such services that the enlarged – and poor – population of Israel would require?

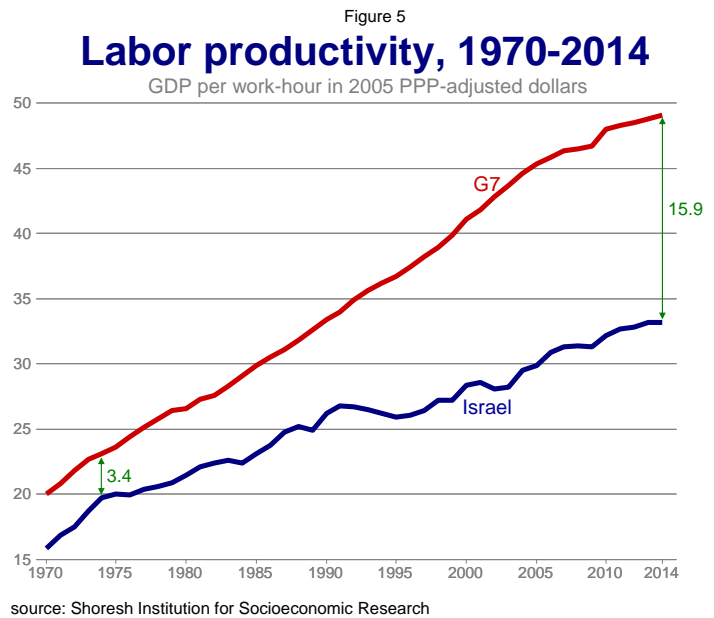
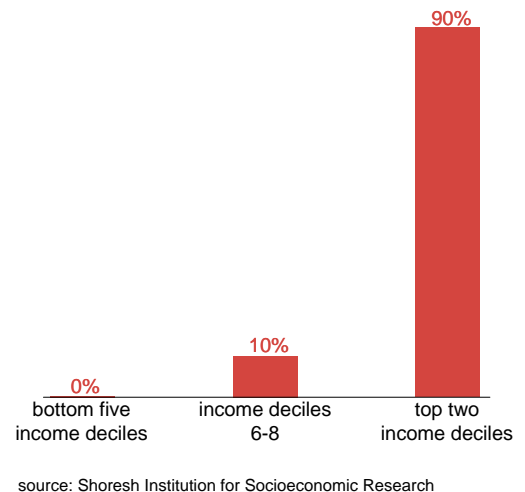


Figure 6
Share of total income tax revenue paid by income deciles, 2015



The other option is not to grant citizenship. While too many Israelis are oblivious, or willfully ignorant, of the very problematic moral and ethical implications of denying basic rights to the entire population, other countries that Israel is so dependent upon for trade will not be so sanguine. This would create a problem that great number of Israelis have yet to fully comprehend. Like other small countries, Israel does not have the capacity to produce all of its own needs, nor is its domestic market sufficiently large to cover the costs of producing those needs. Current threats of sanctions on the settlements will inevitably turn into a full-fledged ostracism of the entire country – which will signal the end of developed world living standards for Israel. More than likely, this would include an embargo that will severely impede Israel's ability to retain the qualitative military advantage that ensures its survival. In a world in which anti-Semitism is becoming increasingly rampant, who in his right mind wants to lob up that eventual slam dunk on the heads of all of us?

Looking ahead

The bottom line is that we have been asking the wrong questions for quite a while. The basic paradigms have changed while most people were sleeping. Specifically, it is not just the demographic paradigm that has shifted. The national security paradigm – which is what ultimately determines all Israeli elections – has changed as well. National security is not just how many planes and tanks we have. If half of the children in Israel are receiving a 3rd world education today, then they will only be able to maintain a 3rd world economy tomorrow. But a 3rd world economy will not be able to support the 1st world army that Israel will need to literally remain alive in the world's most dangerous region. This is national security, redefined – and it exists even before one Palestinian receives Israeli citizenship. Second Israel's share of the country's current population is already approaching untenable proportions.

The eventual peace agreement will need to include minor land swaps around the pre-1967 border. Nevertheless, it should be clear that the issue of settlements deep inside the West Bank has nothing to do with defending Israel. The opposite is the case. The settlements' particular geographic vulnerabilities require the army to spread its limited resources even further. In light of the missiles showered upon Israel after it unilaterally withdrew from Lebanon and Gaza, there should not be any military withdrawal from the West Bank as long as there is no peace. However, the time has come to move the civilians out of there and back into Israel. This is entirely from the perspective of what is good for Israel. If it also benefits the prospects of peace, so much the better.

Israel's future is not etched in stone. It is still in our hands – Israeli hands – if we get our act together, change our national priorities and the catastrophic socioeconomic trajectory that we are currently on. Until then, our current default is that iceberg straight ahead. The one-state solution is simply akin to putting our Titanic on jet skis toward the iceberg.