

## A Zionist Dream – Part 2

by

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Israel was poorer and smaller in the years 1960-1966. Its average public civilian expenditures (that is, after excluding defense expenditures) then averaged 24% of GDP. For comparison purposes, such expenditures reached 36% of GDP in the years 2005-2014. Though lower than the average OECD expenditure over the past decade, this is still half again more than what Israel spent during the early years – a period in which Israel built hospital beds at the phenomenal rate of its population growth at the time, while building and expanding research universities at an even faster pace.

Israel's founders built a country that managed to both substantially narrow the gap with the leading nations of the world and also build solid foundations for its future. Years before the hi-tech revolution, knowledge infrastructures were built that made it possible for Israel to leap beyond other countries after the revolution began. Today's challenge is to look ahead and adjust the Zionist Dream to the 21st century.

For a young Israel in an aging developed world, the sky is the limit. The country's relatively good economic situation today provides an opportunity for establishing the foundations of a society that can be a model for others. Imagine an Israel in which all of its sick receive good treatment quickly and all of the children receive primary and secondary education at a level requiring the opening of additional Technions, Weizmann Institutes and research universities.

Such a Zionist Dream requires investments in physical infrastructures. In a small country like Israel, getting 90% of the population to within 30 minutes from places of work is an attainable goal. Construction of a transportation infrastructure that is readily accessible, quick and inexpensive will not only improve societal welfare by reducing congestion, it will also increase productivity by reducing costs associated with the transport and shipment of goods and workers – thereby increasing living standards and economic growth. Weaker populations will have greater access to places of work in the cities, while teachers living in cities will be able to teach in peripheries that will turn into suburbs, reducing poverty there and strengthening the springboard of the next generation living in these areas to a better life in the future. This is a Zionist Dream that enlarges the overall pie and also ensures larger slices from it for those who currently are not close to the plate.

A serious upgrade of the human and physical capital infrastructures will make possible the provision of better social services in the future. That will be then, but where can we find the resources today to begin facilitating the fulfilment of the Zionist Dream? According to the World Bank, Israel's shadow economy in the years 1999-2007 was estimated to be 22% of its GDP (compared to 9% in the United States, for example). If this estimate still holds today, it implies that Israel's shadow economy reached 270 billion shekels (\$70 billion) in 2016 alone. Had we implemented a compulsory filing of income tax in Israel and seriously invested in its enforcement with a goal of cutting the shadow economy in half (still above American levels), it would have been possible to increase government income by about 50 billion shekels each year. This is an amount similar to the budget of the entire Ministry of Education, the country's second

largest budget expenditure, after defense. Just as the company running the Route 6 toll road eliminated the plethora of deceptions and cheating invented by the Israeli mind to avoid paying tolls (which are indeed exorbitant), the country can also decide to reduce the very unequal distribution of the tax burden by bringing some order into the culture of “with a receipt, or without a receipt?”, a common catchphrase to suggest that a customer can avoid paying the 17% value added tax on each purchase. In the Zionist Dream, each person shoulders the tax burden according to their ability, with no exceptions for either the privileged or the scoundrels.

Increasing the pie’s size is vital, but it only gets us part of the way towards attaining the resources necessary for realizing the Zionist Dream. A significant change in national priorities is also needed. For these to change, there is first a need to know what these priorities actually are. In lieu of a budgetary transparency clarifying who receives money and how much, the result is a haze in which narrow and sectoral interests – some with terminal national implications – can do as they please at the expense of the general public.

The principle underlying the Zionist Dream is simple: infrastructures serving us all – defense, education, health, transportation, water, etc. – and an economic safety net for those temporarily out of work, or whose health does not enable them to work. All else are indulgences that can be considered only after ensuring the Dream’s fundamentals.