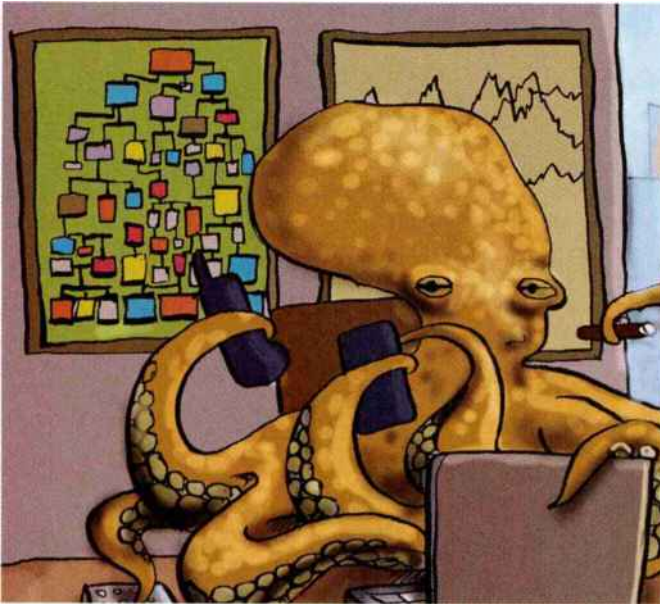




## MARKETPLACE

Shlomo Maital

# Israel's new economic model



AVI KATZ

**I**F YOU'VE EVER REMODELED YOUR KITCHEN OR LIVING room, you know what a hassle it can be. Imagine remodeling an entire society, economy and political system. Social protests against unfairness in the sharing of wealth and power abound – Occupy Wall Street, the Arab Spring, demonstrations in Europe, and Israel's mass social justice tent city and street protests last summer.

All over the world, nations are struggling to reshape how they allocate resources, influence and political power in the wake of the global economic and financial crisis. A new BBC World Service poll shows that in 22 major countries 61 percent of the population on average believes that economic benefits and burdens are not fairly shared in their country. Large majorities perceive unfairness in Spain (92 percent), France (85 percent), Brazil (69 percent) and the US (65 percent, up from 54 percent in 2009).

Despite these huge majorities for social change nearly everywhere, the remodeling job in most nations is utterly chaotic or even futile.

Except in Israel. Despite its bumbling political leadership, Israel is actually doing better than most other nations in repairing parts of its broken system. The key appears to be the chairs and members of three major government-appointed commissions who know the worlds of both theory and reality well enough to mingle cleverly the desirable and the possible in their reports and recommendations.

Israel's interior redecoration began on January 3 last year, when the Committee to Examine the Policy on Oil and Gas Resources in Israel – known as the Sheshinski Committee – published its recommendations. The resulting legislation will boost the government's share of oil and gas profits from new offshore gas fields from one third to over 50 percent. Committee chairman Eytan Sheshinski, an eminent Hebrew

University economics professor, withstood fierce lobbying pressure from the gas tycoons, as did the government and finance minister. The resulting revenues will, in part, fund social reforms.

The Committee on Economic and Social Change led by Tel Aviv University Prof. Manuel Trajtenberg submitted its sweeping recommendations to the government in September. Some were adopted and a few are already being implemented, including free pre-

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school for 3- and 4-year-olds.

And finally, the Committee on Enhancing Competitiveness in the Economy tabled a massive and fascinating 324-page report last March. Its radical recommendations were approved unanimously by the government on April 22. The result may greatly curtail the stranglehold Israel's 20 tycoon families have on industry and banks.

Concentration is bad. The Concentration Committee report shows tycoon-controlled businesses pay lower wages to workers, higher salaries to managers, and are less profitable than comparable businesses.

"Concentration of economic power comprises a systemic threat to the economy," the report warns. It recommends separating financial control, and directors, in industrial and financial corporations. The increasingly common five-level pyramid, comprising a holding company controlling bigger firms that control even bigger firms and so on, will be banned. A permanent committee will track concentration and warn if it persists.

I cannot find another nation that has looked so hard at itself in the mirror, and then acted on what it saw quickly and effectively as Israel has.

Many are critical of Israel's Haredi-and-Lieberman-dominated coalition but this government has survived longer than any since 1995 and managed to push through tough decisions. A strong sign that the Competitiveness Committee is on the right track was the whining letter to the committee by tycoon Nochi Dankner, who complained that "the prevailing attitude in Israel toward the business sector has been hostile lately."

Mr. Dankner, I have news for you. We Israelis love business – creative backpack start-ups, high-tech industry, world leader Teva, even tiny Kibbutz Dan that leads the world in, of all things, caviar. What we hate is the monopoly concentration of wealth and power.

It's time we freed banks and businesses from the clutches of the tycoons. And we will. ●

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