

Gidi Grinstein: Herzliya Conference 1/20/08 – Extracts from Presentation

Thank you for the opportunity to present an organizing idea and give one possible answer to challenge set up by Professor Amir Barnea, a challenge we see as how Israel can become one of the leading 15 countries in world in terms of quality of life within the next 15 years.

The first point I would like to share is that Israel's growth of recent years can be intoxicating. But although Israel grew, it didn't succeed in leapfrogging. In the first 20 years of the State, Israel's economy bounced upwards, beginning at around 30% of average US annual salary and reaching 60%. But since the 70s, we have not been able to bridge the gaps with the richer countries. At the same time, other countries such as Ireland, Singapore and South Korea have leapfrogged.

It's difficult to measure Quality of Life, but like pornography, you know it when you see it. In this context, there is a clear linkage between income per capita and quality of life. Currently, Israel is ranked 28th in the world and bringing it into the Top 15 will need a huge and significant improvement. In order for this to happen, we need to move from a discourse of growth to one of leapfrogging, something that will require economic growth of around 7-8% for at least 6 years.

Economic growth is a recipe, we know what to do to achieve it. Leapfrogging on the other hand, is different for each country. The common denominator for each of the countries that leapfrogged was that they developed sophisticated tools, identified growth engines and also turned the quest into a national goal, something that involved each and every citizen.

Other things that are needed to leapfrog are vision and the containment of the unique burden and the tapping of individual potential of each country. For example, Singapore understood that it was located at a junction between East and West and therefore constructed one of the most advanced airports in the world. Ireland tapped its potential inclusion into the EU. The State of Israel hasn't even scratched the economic potential of its links with Diaspora Jewry (which is more than just philanthropy). In my opinion, the Jewish people are our economic strategic depth of the State of Israel.

The state of the public arena and the connection between individual and social segments and the government is another element for growth. Israel's foremost economic problem is related to administration - while Israel's private sector is one of most advanced in the world, the public sector is only ranked 29th, at the bottom of the list of developed countries. In fact, there is no other country that has such a large gap between the two sectors. Bridging this phase is a little like the problem of chicken and egg and can only be solved through trust.

Each country that has carried out a leap had its own unique advantages and disadvantages. For example, Holland has hard to invest billions in dams, and now that the water level has increased they will have to invest even more. The point is that we are no different – we have to think about how we can leverage our advantages to achieve this aim.

Becoming one of the leading 15 countries won't happen unless this turns into a national obsession. We have had such things in past; we made the desert bloom, redeemed land. We can turn the next challenge for the State of Israel into becoming one of the Top 15 countries in the world.