

Reach for the Top

Can Israel 'leapfrog' over other countries and become a world leader in quality of life?



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GIDI GRINSTEIN IS CONFIDENT that within 15 years, Israel can become one of the 15 leading countries in the world in terms of quality of life.

"Sure, this is an ambitious goal," Grinstein tells *The Jerusalem Report* authoritatively during an extensive telephone interview from Los Angeles, where he is raising funds for the Reut Institute, the non-partisan, non-profit policy institute of which he is founder and president. "But it's achievable. Zionism is an amazing success story and I am convinced that we can write another chapter in this story."

In order to achieve this impressive goal and close the gap between this country and the wealthiest nations, he explains, Israel must socioeconomically "leapfrog" from its current low-ranking position among developed nations, grow by at least 4 percent per capita per annum for a period of up to 20 years, and transform many of the parameters of public life.

"Leapfrogging is rare," Grinstein says. "Only about 15 countries have ever done it. But in the 1950s and 70s, Israel doubled its standard of living in comparison to the United States. Just because I'm an optimist doesn't mean that I am ignoring the problems along the way. I'll paraphrase a quote I once heard: 'Optimists are usually wrong, and pessimists are often right, but nothing good ever came out of pessimism.'"

Grinstein, 38, has already developed an impressive resume. A graduate of the Tel Aviv University School of Economics and Law and the Kennedy School of Government at Harvard University, he served as secretary and coordinator of the Israeli negotiating team on the Permanent Status Agreement between Israel and the PLO under Prime Minister Ehud Barak (1999-2001), including the Camp David negotiations.

He is tall, suave and exceedingly articulate, often speaking in complete paragraphs. He is also friendly, approachable and strikingly persuasive – qualities that have helped him gather an impressive group of senior supporters and young staffers around the Reut Institute.

GRINSTEIN: 'Israel's No. 1 economic problem is the quality of the government'

PHOTOGRAPH BY ALAN WOOD

He founded Reut, he says, in order to "strengthen the vision of Israel as a Jewish, democratic and prosperous state by enhancing the capacity of the government to incorporate long-term thinking into its ongoing decision-making. We intend to make a substantive impact on the future of the State of Israel by providing Israeli leaders with real-time decision support and by highlighting the long-term implications of their actions."

Noting that Reut means "vision" in Hebrew, Grinstein emphasizes that the Institute is not a traditional think tank. "Most think tanks operate on the assumption that the central problem is connected to the collection and processing of information. So they deal with research. We say that the central problem lies with the cognitive, conceptual understanding of the problem. We don't provide answers, we ask questions."

Brashly, yet humorously, he adds, "I guess you could say some of the people in think tanks are has-beens. We're wannabes or will-bes. People in think tanks are experts with knowledge and experience. Our team is young – the average age is 29 and there isn't one PhD among us. That means that we can ask questions, that we can apply ourselves to think about problems in a fresh way."

And the central problem to which they are currently applying themselves is "The Israel 15 Vision," attempting to identify, through a series of working papers, conferences and consultations, the scope of actions required for leapfrogging Israel's quality of living.

Leapfrogging, he explains, is entirely different than economic growth and requires different sets of skills. "Leapfrogging means closing the gap in income per capita and quality of life in comparison to developed countries. Some people seem to think that in order to leapfrog, you have to do more, make a greater effort – a few more reforms, a bit more privatization, a larger, or smaller, tax cut or tax hike. But it's not like that. A country can grow without leapfrogging, but it can't leapfrog without growing. Leapfrogging requires a vision and leadership. It requires effective government policies and a bottom-up mobilization of local authorities, social entrepreneurs and civil society, philanthropists, business people and world Jewry."

LEAPFROGGING IS COMPETITIVE and the World Economic Forum's annual Global Competitiveness Index (GCI) is the widely accepted measure of national competitiveness, pointing to the brakes and engines of growth that can bring about a significant improvement in the quality of life in Israel.

As explained by Grinstein, this is a complex

tool, based on three sub-indices that measure competitiveness in the private, public-private and public spheres, based on "pillars" such as institutions, infrastructure, macro-economy, health and primary education; the pillars are composed of 90 variables.

Overall, Israel is already ranked at 15 in overall competitiveness. But Grinstein cautions that this should not be viewed as an across-the-board success. GCI's three sub-indices indicate that Israel suffers from imbalances between the lack of competitiveness of its public sphere, on the one hand, and an efficient and innovative

'The government is the No. 1 problem preventing Israel from becoming one of the 15 leading countries in the world'

private sector, on the other hand. As an example, a policy paper issued by the Reut Institute reveals that Israel is ranked 8th in "innovation and sophistication;" 12th in "efficiency enhancers," and a lowly 29th in "basic requirements."

Translating these measurements, Grinstein notes that the private sector is the main source of Israel's strong standing and the GCI indicates that the major hindering agents (variables in which Israel's ranking is 36 and lower) are dominated by the public sector. In the variable of "reliability of police services," Israel is ranked 42nd; in "government deficit," 71st; in the "period of time required for starting a business," 50th; and in favoritism in government official's decisions, 38th.

Definitively, Grinstein declares, "Israel's No. 1 economic problem is the quality of the government. The data show that the business sector in Israel is in 8th place in terms of its sophistication and that the Israeli population is one of the leaders in terms of exposure to technology and education. But in whatever depends on the government – you find stagnation. The potential for a significant socioeconomic leap lies in improving the performance of the public sector – or by reducing its size."

Does the possibility of impending general elections provide him with any hope. "No," he answers, "I don't think elections will make a difference. The problem isn't the specific people who are running for office. The problem is that our system encourages short-term thinking for short-term political gain and discourages

responsible, long-term creative thinking."

Grinstein distinguishes between "per capita income," which measures a country's wealth and standard of living and the concept of "quality of life," which refers to the general welfare of the state, including concepts such as health and nutrition and intangible perceptions such as community and family life. As with the GCI, he refers to internationally accepted indices, including the Economist's "Quality of Life Index" and the U.N. Human Development Index.

On the Economists' Quality of Life Index, Israel is ranked 38th in the world. According to the 2008 U.N. Human Development Index, Israel is ranked 23rd.

"For some countries, that might be enough. It's not enough for us," Grinstein rails. "We face the greatest gap between our potential, based on exposure to technology and education, and our achievements. The quality of our life is at the bottom of the developed world, and we don't have to be there."

LEAPFROGGING, GRINSTEIN SAYS, "isn't just a nice thing to do. It's crucial for our survival – otherwise, we just won't be competitive." But why is this competitive aspect so critical to the Israel 15 Vision?

"We need competitive assessments because the world is global. And in this world, there's fierce competition over important resources – technology, people and investments. These resources are mobile and they can easily move from place to place. So to succeed, a country has to be attractive, and attractiveness is measured competitively. You have to have a reason to want to live somewhere, since you have choices. Right now, Israel is one of the biggest exporters of highly educated people in the world. I believe that in the future, we could be one of the greatest exporters of quality educational programs, if we put our mind to it."

And furthermore, he adds, rankings can act as a catalyst to make changes. "When we see that businesses are not coming to Israel because it takes so much longer to open a business here than it does in other developed countries, then that can motivate us to improve the situation. Or look at our educational ranking – it's not that we don't invest the money, we do. But it isn't being used wisely or efficiently, and we can see that since our ranking in terms of education is so low."

But aren't sequential rankings misleading, since they don't show the variance within countries or the size of differences within countries and don't attend to qualitative differences?

"Of course, the parameters used to estimate

quality of life don't necessarily reflect the full situation in a country, and they don't necessarily reflect peoples' priorities and preferences. Each country offers its own package of competitiveness, and different technologies, people and investments will be attracted to different packages. The United States and Denmark have similar rankings in terms of quality of life – but in the United States, salaries are higher and social services cost more; in Denmark, salaries are lower and social services are provided by the government. Each of us knows 'quality of life' for ourselves when we see it.

"The Reut Institute is not saying that Israel must adopt a specific model. We have identified four main dimensions of quality of life that we believe reflect Israelis' preferences – personal and physical security; social wellbeing; economic security; and Jewish added value, which refers to the satisfaction that an Israeli Jew draws from being part of the fulfillment of the Zionist vision. But we are not saying that Israel has to be like Ireland, which is ranked first, or Singapore, or Finland or any other country."

Leapfrogging, Grinstein says, cannot be planned or pre-determined and the process is spiral rather than linear, based on a constant process of diagnosis, implementation, assessment and adjustment. Rather than a predetermined path, Grinstein continues, leapfrogging requires a clear, compelling vision of the country's future and essential capabilities and institutions.

But in the post-modern age of cultural relativity, who has the right to determine that vision for an entire nation?

"In the past, people used to think that a vision came from the top. But a vision can come from anywhere, from all the levels and all the sectors of society. And the vision is composed of all the visions of all sectors of society. Who influences the vision? Everyone, but especially those people who are committed to their vision, who are willing to stand behind it, and who work in coalitions with others, instead of competing. It is forged in the meeting between all the people and all the visions.

"That's what we did at our first annual conference, in early June. We brought in people from all over the country – Arabs, ultra-Orthodox, people from the development towns and the periphery, people from the big cities, philanthropists, the Jewish world, and government ministries. Of course they don't all have the same vision. But we have to work to find a vision that can motivate all of us. Because otherwise, this will never work."

Reut's documents and papers emphasize that leapfrogging must be based on a triangular

relationship between investment in the future, stability and government ability to plan and implement long-range policy. But these are conditional on trust and cooperation between employers, employees and the government.

Yet trust in Israel's government and national institutions is at an all-time low, as revealed in the recently released Democracy Index, published by the Israel Democracy Institute. According to that study, 90 percent of the respondents believe that Israel is tainted with corruption and 51 percent believe that in order to reach the political top, a politician must be corrupt.

'I think that we haven't even scratched the surface of the economic potential that the Jewish world could offer us'

"Yes, indeed, we have very poor leaders – although Prime Minister Ehud Olmert still deserves his day in court. But we are not referring to that kind of trust. We are referring to trust between the various sectors in society, rather than trust in the specific politicians, no matter how good or bad they are. Last year, we had two very serious strikes – the teachers' strike and the university professors' strike – which could have provided a rare opportunity to create real change. Instead, we missed that opportunity, mostly because none of the sectors of our society trust each other."

Grinstein emphasizes the importance of participation of the Jewish world. But studies have repeatedly shown that Jews, especially in North America and especially the younger generations, are less interested in Israel than in the past.

"Let's start with those who are interested," he responds. "Today, Jews contribute between \$1 billion and \$2 billion a year to Israel. But the contributions aren't always in the right place, and they aren't always made wisely. The money is there, we should be talking about where it's going. It should be going to building social and economic talent and strengthening the non-governmental institutions, especially local and municipal authorities and non-profit organizations. We should be giving people fishing rods, not fish. Philanthropists should be insisting that the non-profit organizations learn to handle themselves more professionally and more efficiently.

"And I'll go further. I think that we haven't

even scratched the surface of the economic potential that the Jewish world could offer us. If we can create new areas of interest, if we can create dynamic, creative partnerships in business and technology – then I am sure that Jews who today wouldn't dream of coming to Israel will come again and again, and will tie their futures with ours."

But isn't this old-fashioned "check-book Zionism," in which the government told the Jews where to put their money and the Jews wrote the checks? "No. Not at all. Today, the philanthropists will give their money wherever they see fit. People who don't live here cannot and should not have a deciding role in Israeli decisions, but if they give their money strategically, they can make a real difference in the character of Israeli society."

Surprisingly, given his involvement in the negotiations with the Palestinians, Grinstein makes no mention of the territories as a factor in Israel's leapfrogging abilities. He answers carefully. "According to our analysis, as long as the burden of security is about what it is now, Israel can still leapfrog. If we were return to the burden that we were bearing in the 1970s, there'd be no way. We also think that the security system provides an under-utilized economic advantage to the country – the military invests in medicine, technology, infrastructure, education, and more. But one of the things that does worry us in this regard is the vast gap in the cost of warfare with the Palestinians – they shoot crude weapons that cost about \$20 dollars each and we respond with weapons that cost hundreds and thousands each."

WHY DID GRINSTEIN, WHO HAD been so close to the centers of political power, choose to establish the non-partisan Reut Institute? Candidly, he responds, "I realized that the effect that all these teams and Track II and think tank professionals have on reality is very minimal and completely arbitrary. The government is perfectly capable of collecting and processing information. So in planning my own career, I tried to think about the added value that I could bring. So I decided to address a different problem. No one else is coming to the government and offering to help with defining the problems and conceptualizing the solutions. I'm not bringing advice – I'm bringing a way of thinking.

"In Israel, the centers of power are moving from the central government to the non-profit organizations, the business sector and the philanthropic sector. But that doesn't mean, of course, that I won't some day go into politics." ●