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מנהל משרד

# מדינת ישראל

משרד הממשלה

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מס' תיק מקורי

## מדינת ישראל ארכיון המדינה



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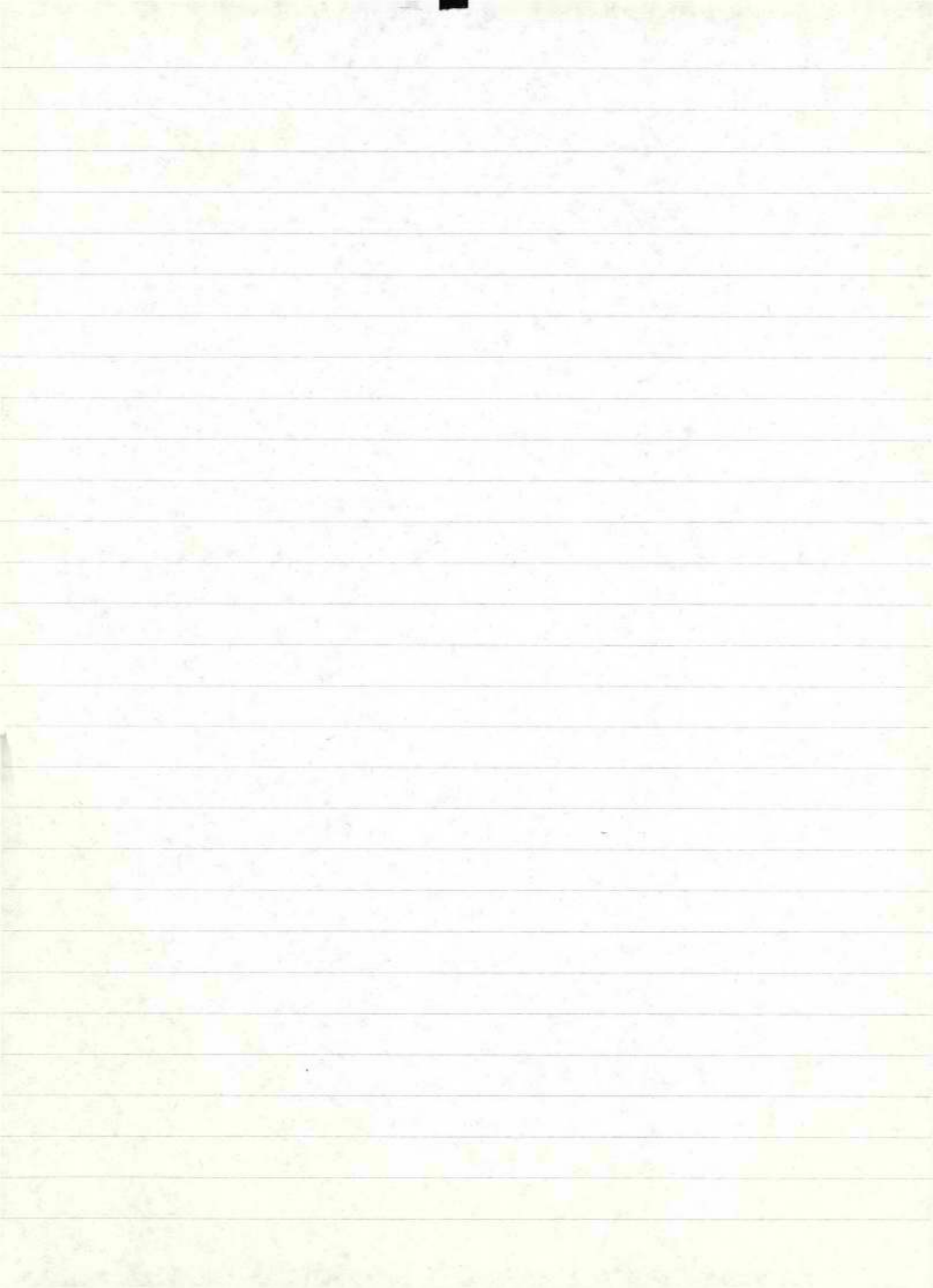
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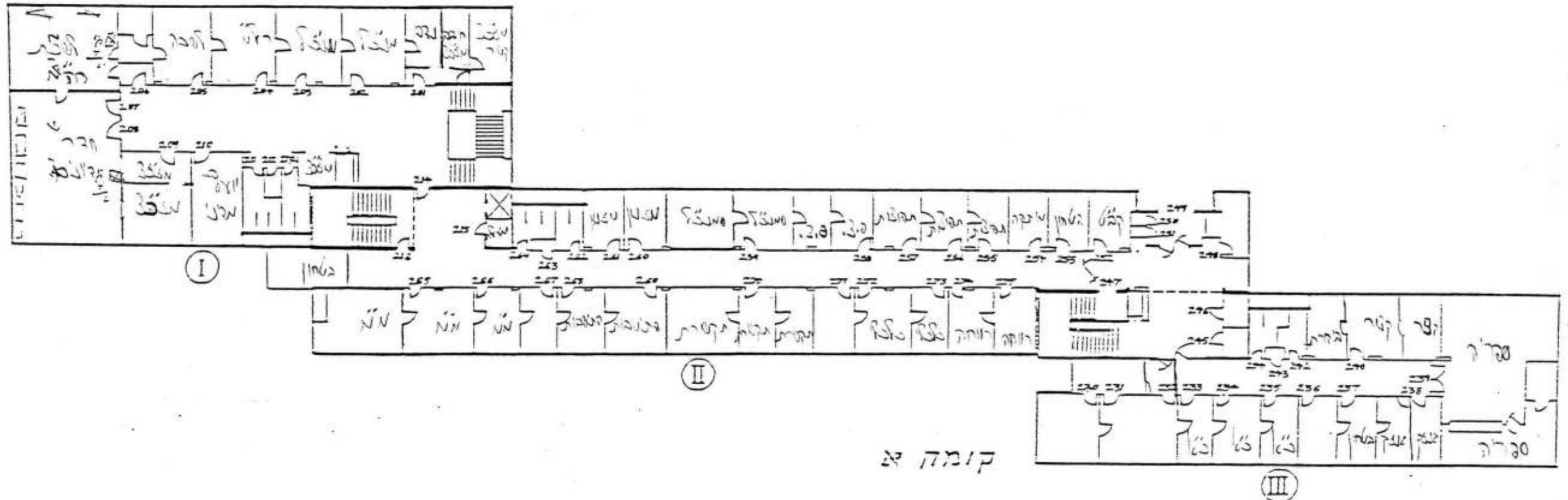
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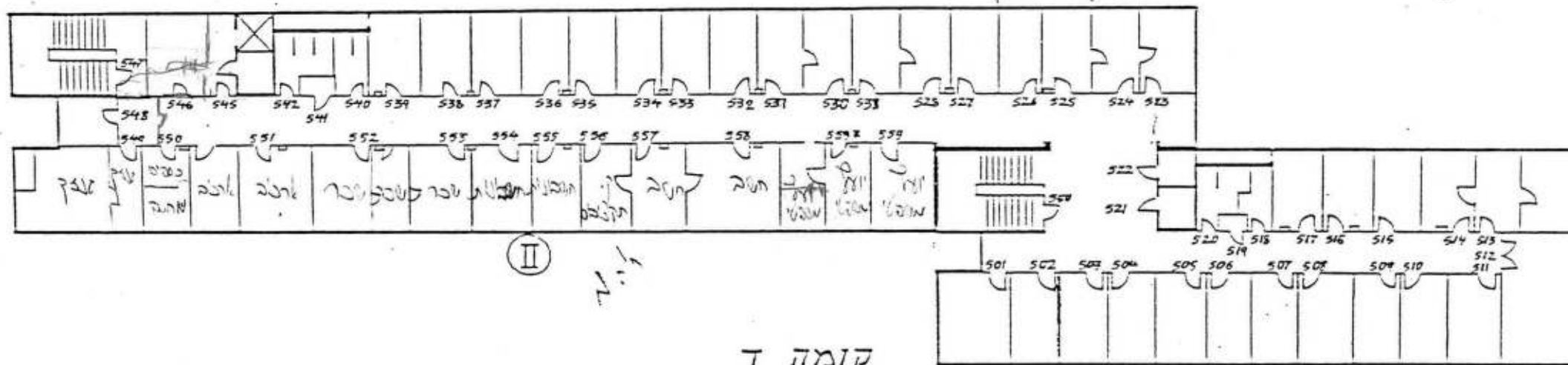


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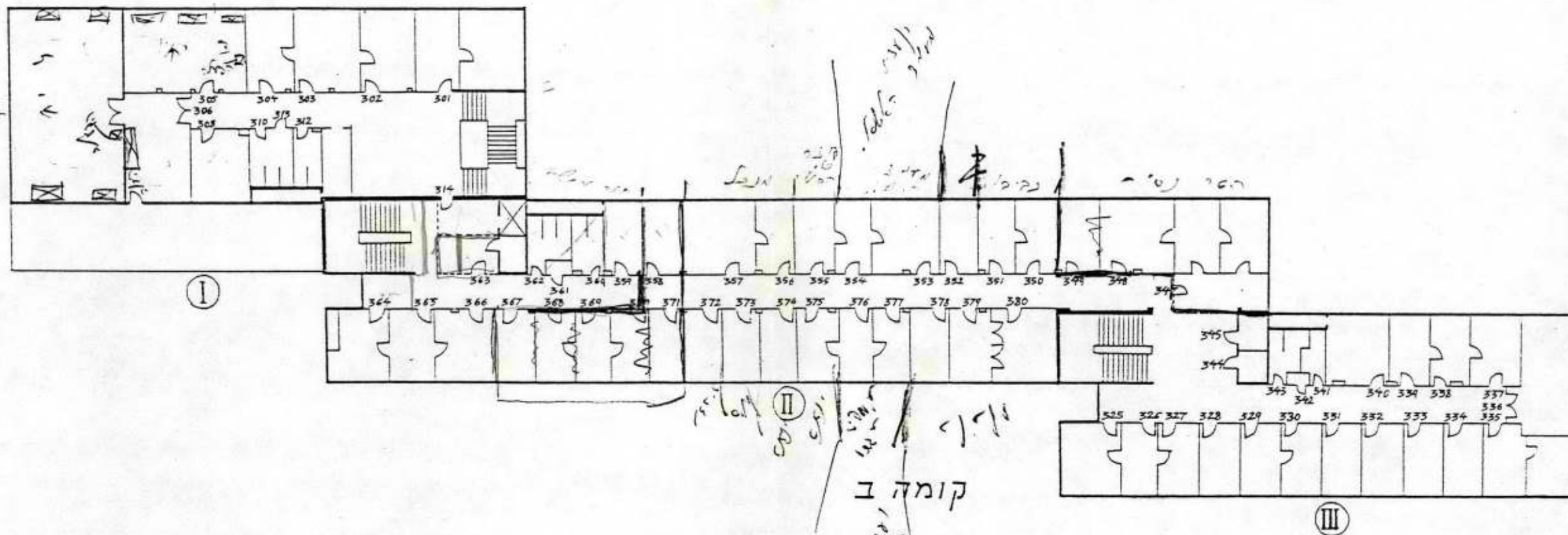


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המלך



1997 11/21

**The National Institute for Policy Research in Israel:**

**An Independent Intellectual Resource.**

A Proposal

Alexander Bligh

Yitzhak Klein

Michael Widlanski

Jerusalem, August 1990

**DRAFT**

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**The National Institute for Policy Research in Israel:  
An Independent Intellectual Resource.**

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**The National Institute for Policy Research in Israel:**  
**An Independent Intellectual Resource.**

**Summary.**

We propose to establish a nonprofit, independent National Institute of Policy Research. The Institute will be a much-needed source of new thinking on a wide range of important issues facing Israeli society, from foreign policy to infrastructure development to legal and political reform. Though a scholarly institution, it will be practical in orientation, embodying its ideas in sophisticated policy proposals that government and other decisionmakers can act upon. Some suggestions for such studies are presented in Part II of this proposal.

The Institute will be overseen by a small but active Board of Directors, consisting of prominent public and business leaders in Israel and abroad. It will assemble a top-notch team of analysts from a broad range of fields. The Institute will work closely with the Israeli Government, meeting the latter's needs for insightful analysis and sophisticated, long-range planning. In addition, the Institute will conduct independent studies on topics of public interest.

The Institute's primary intellectual mission is to be open to new ideas and break new ground, pointing the way to an Israeli society different and considerably better than the one inherited from the 1950s and 1960s. Unlike some existing Israeli academic institutions, this Institute will not be the captive of outworn ideologies and failed ideas. Nor will it be beholden to partisan interests. This mission justifies the creation of a new research institution at this time, and underscores the importance of establishing it upon a genuinely independent basis.

The Institute will actively propagate its ideas among the academic community, the rising generation of Israeli university students, and the public at large, in Israel and abroad. It will help shape public opinion so as to assist the Israeli Government in implementing bold new programs in domestic and foreign policy. It aims to become, within a very short time, the single most prominent factor on the Israeli academic scene and in Israeli public debate. Its particular commitment to openness and innovation assure the achievement of this goal.

Alexander Bligh

Yitzhak Klein

Michael Widlanski





**The National Institute for Policy Research in Israel:  
An Independent Intellectual Resource.**

by Alexander Bligh, Yitzhak Klein, and Michael Widlanski

**Part 1: The Proposal**

**1. The Problem.**

For Israel, the first half of the 1990s will be a period of mounting crisis and unprecedented opportunity. Several critical issues will rise to the top of the national agenda and demand speedy resolution. The massive Soviet Aliya must be absorbed. The need to do so will put extreme pressure on Israeli society, requiring the rapid correction of long-standing deficiencies in Israel's political and economic system. Also during this period, a time of fundamental change in the international political system, Israel will have to redefine its relations with the United States, with the European Community, with Eastern Europe and the rising nations of East Asia, and most important, with the states and peoples of its own region, the Middle East.

The most critical resource Israel will require in order to deal with these multiple challenges is ideas. Investment in good new ideas promises the best possible return for money that Israel and its friends abroad can receive at this critical juncture in Israel's development. In particular,



there is a pressing need for new thinking that starts from the assumption that this is the time for a fundamental, revolutionary redefinition of the nature of Israeli society, its relationship to the state, and its role in the world economy and political arena.

Unfortunately, much of Israel's existing academic establishment is incapable of meeting this need. A large part of Israel's intellectual elite is the captive of the ideas and political assumptions of a bygone era, of ideological, even partisan bias. They neither generate new ideas nor appreciate the importance of the best and most successful new currents of thought abroad. Worse, they insulate Israel's rising young generation of students from exposure to these ideas.\* Things have come to a pretty pass when a prestigious academic institution publishes a report on a crucial national problem which amounts to a confession of inability to come to terms with the issues or to propose solutions.

A crucial aspect of the struggle for Israel's national interests is the battle of ideas, at home and abroad, which helps determine opinions among intellectuals and the public at large. In this battle much of the present Israeli intellectual establishment is frankly no help at all. The absence of an alternative source of well-thought-out ideas and position papers has cost Israel dear in the international arena. On

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\*Recently a prominent Soviet(!!) academic journal devoted an issue to the ideas of the great free-market economist, Nobel laureate Friedrich von Hayek. How many Israeli economists have read von Hayek?

There is a growing tendency to regard the physician as a mere technician, a man who is to be paid for his services, and who is to be judged by the results of his work. This is a dangerous attitude, for it tends to make the physician a mere tool, a man who is to be used by others, and who is to be discarded when he is no longer useful.

It is important, therefore, that the physician should be regarded as a man, a man who is to be judged by his character, by his integrity, by his honesty, by his courage, by his faith, by his hope, by his love, by his wisdom, by his power, by his glory, by his honor, by his fame, by his wealth, by his influence, by his power, by his glory, by his honor, by his fame, by his wealth, by his influence.

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the domestic scene, the electoral rise of extremist and "charismatic" parties at the expense of the large parties reflects the public's sense that the traditional political mainstream no longer possesses the solutions to Israel's pressing problems. This points up the urgent need for innovative new thinking in the Israeli mainstream.

Within the Israeli government itself, the various ministries frequently lack the expertise to conduct thoroughgoing policy studies devoted to long-term planning. Moreover, as is well known, government officials in all countries are usually preoccupied by the short-term management of immediate problems, and have little time to spare to consider long-term issues. As a result, critical long-term planning is neglected, and ministers and their departments frequently find themselves "surprised" by emerging issues that a little basic research would have identified in good time. The academic establishment ought to contribute to the solution of this problem; but again, the academic establishment frequently is hampered, not so much by its inability to take the long view, but by its unwillingness, grounded in ideological conservatism, to consider fresh ideas and innovative solutions.

Common folk and national leaders alike share the feeling that Israeli society needs thoroughgoing political, economic, and intellectual renewal. Ironically, however, Israel, a highly educated society, suffers from grave intellectual poverty where social issues are concerned. If one asks the man in the street what should be done about his society's prob-



lems, all too often he will respond with a sigh and a shrug. This reflects not so much an unwillingness to change as an absence of knowledge about what should be changed, and how.

To sum up: A large element of the crisis of contemporary Israeli society stems from the simple absence of innovative ideas and unbiased thinking among the intellectual mainstream, many political leaders, and the common people. A crucial national priority is to set up new intellectual institutions capable of unbiased thought, ready to serve the government by producing innovative, even radical policy proposals, and willing to help propagate new ideas in the public realm.

## **2. The Solution: A National Institute of Policy Research.**

We propose to establish an independent, non-partisan, non-profit Institute of public policy research. The purposes of this Institute will be as follows:

1. To gather under its roof a group of the nation's best and most innovative minds, particularly young scholars, free of the shackles of outworn ideological biases and conventional wisdom, without regard to their political views or party background; and to provide a rallying-point and focal center for people with a similar interest in intellectual openness and new ideas throughout Israeli society.

2. To cultivate the best and most innovative ideas of public policy and government in Israel and abroad; to become an active and highly respected member of the international



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network of institutions that deal with such ideas; to bring leading international scholars in these fields to Israel to interact with the Israeli academic community; and in particular, to propagate ideas among Israeli leaders and the Israeli public through the medium of thorough, well-founded, and innovative public policy proposals.

3. To be responsive to the particular needs of government and public administration in Israel; to be capable of undertaking, and placing at the disposal of the Israeli government or other interested bodies, sophisticated, dispassionate analyses of public problems and proposing thorough, well-founded, original ideas for resolving them.

4. To advocate the view that Israeli society and Israeli public policy needs thoroughgoing reform, to project a vision of a fundamentally different and better Israel, and to help chart a path towards its realization.

It is of paramount importance that the leadership of the Institute be the kind of people dedicated to creating and maintaining an atmosphere of excellence, openmindedness, originality, and a high sense of professional ethics and public responsibility, on par with the very best academic institutions abroad.

The Institute should be a permanent intellectual resource to which government leaders and ministries have recourse for advice on a large range of problems, immediate as well as long-term. It will serve as an important counterweight to





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existing academic institutions, to which the government now turns to for advice, many of which have acquired ideological or even partisan "chips on their shoulder."

As a private institution, the Institute will be able to approach problems in a disinterested fashion; its researchers will not be subject to the political pushing and pulling that takes place within ministries and in the government. Since it will be a private organization, the institute's policy proposals need not obligate the government in any way. It will not function as a "general staff" of policy experts working within the Prime Minister's office, an idea proposed in some quarters. Thus the Institute can provide the government with the research and planning resources it requires, without threatening to shift power within the government from the nation's elected leaders to bureaucrats who bear no responsibility before the electorate.

### **3. How the Institute Would Function.**

The following is a selective list of functions the Institute would engage in:

1. The Institute will endeavor to become a national center of education and intellectual creativity in all fields related to the conduct of government and public policy. It will try to become the intellectual home of all those throughout Israeli society, whatever their background or political views, who have original ideas to contribute in these fields.



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Among the activities it will engage in are:

- The publication of a professional journal, series of policy studies, and book-length monographs;
- The organization of international seminars and conferences on issues of importance in public policy;
- The sponsorship of resident fellowships for experts of global reputation, and research support for young scholars, to investigate theoretical aspects of government and public policy or specific applications to Israel;
- The development of a large body of affiliates in Israeli universities, government, business, and private consulting firms who contribute to the institute's academic activities and policy studies.

A particular objective of the Institute will be to gain accreditation for the granting of Doctoral degrees in public policy research and related fields. Qualified students will spend several years in residency doing research at the Institute under the guidance of its staff. This will not only expand the Institute's roster of qualified researchers but will also permit it to participate in the formation of Israel's rising generation of scholars and intellectuals.

2. The Institute will contract to do policy studies for the government or government ministries. These studies may concentrate on specific problems and issues that arise in different fields of public administration. The Institute's forte will be comprehensive policy analyses, on the highest level, of broad policy areas which are also of primary politi-





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cal significance, such as: national health policy, education policy, land use, industrial and trade policy, Aliya policy, etc. The Institute will set up separate policy analysis units concentrating on broad areas such as foreign policy, economic policy, domestic policy, and infrastructure policy. Where appropriate, the Institute's staff will draw up appropriate draft legislation to implement its policy recommendations, for the use of legislators and government leaders. Part II of this report suggests a sample of the policy studies the Institute could provide for the nation's elected leaders.

The Institute's research staff will also conduct, on its own initiative, independent studies of issues deemed important for the national welfare or the conduct of government in Israel.

3. The Institute will be the focus of intellectual exchange with similar centers and with universities abroad. Prominent scholars will be invited to present papers at seminars and take up resident scholarships. The Institute will play an active and increasingly prominent role in the representation of the Israeli academic community abroad, and in the staffing of official permanent Israeli academic missions in foreign countries.

In particular, it will endeavor to bring its special brand of new and innovative thinking about Israeli problems to the attention of academic communities and the media in other countries. One of its primary missions will be to engage



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foreign academic circles who have hitherto been cool towards Israel, and to change their perceptions of Israeli society and Israeli policy. It will play a prominent role in staffing academic exchange offices that have been set up abroad by the Government of Israel, and seek exposure for its work among the academic establishments of the host countries.

It should be emphasized that the authors believe that this kind of activity can be carried on successfully, and sometimes openly, **among the intellectual elites of several Arab countries as well.** One of the Institute's major research sections will be devoted to the study of intellectual and political developments within the Middle East region, and it will exploit the opportunities that these developments present to strengthen the slender threads of communication between Israel and its neighbors in the region.

4. The Institute will engage in a broad range of educational activities among the public at large. It will seek to maintain a high profile for its research activities, so as to stimulate public debate and make it easier for the government to implement innovative and constructive policies. Among these activities are:

- Special seminars and media productions for opinion leaders and scholars in Israel and abroad, which report on the institute's work and explain its policy recommendations;

- Seminars for university students and intelligent laymen on topics in government, economics, and public administration. Frequently these seminars will represent the only oppo-



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rtunity Israeli students will have to become acquainted with the kind of ideas and programs the Institute specializes in.

-- Occasional presentations, teach-ins, film screenings, etc. on university campuses dealing with topics the institute is investigating.

-- Organizing affiliated student organizations on university campuses, specially geared to students who will make future careers in business, government, and education, and who will come to look upon the Institute as an intellectual resource to be drawn upon in their own work.

-- Producing books, pamphlets, media productions, and school curricula for the general public, meant to popularize policies for significant and constructive change in Israel's public institutions, economy, and fundamental political concepts.

**The Institute cannot fulfill its function unless it is genuinely independent.** This means that the first financial priority must be to amass an endowment of sufficient size to acquire and maintain the Institute's physical plant and to sustain its core functions. The Institute will not, however, tolerate "couch potatoes" among its researchers. It is anticipated that a significant portion of research funding will come through the solicitation of competitive research grants and through consultancies. The leaders of the Institute will actively cultivate a culture of initiative and the aggressive search for outside funding for research.





#### **4. Objectives and Organization.**

The purpose of this section is not to lay out a detailed plan of organization, details of which can be deferred till later. Rather, it is to identify the most important characteristics the Institute must possess. The Institute must be organized so as to produce and preserve those characteristics. Some suggestions for achieving this are put forward below.

The entire concept of an Institute of policy analysis rests on several fundamental assumptions:

**1. The Institute must be responsive to the agenda of Israeli leaders and, in general, of the Israeli and world Jewish community.**

The Institute's governing body, its Board of Directors, must be composed of people who are actively involved in Israeli and world Jewish affairs, and who have direct familiarity with current and emerging problems in Israel and the world Jewish community. One of the Board's chief tasks will be to ensure that the Institute does not retreat into an ivory tower of its own construction, a common fate of academic institutions. The Board's personnel should be drawn from three groups:

-- Prominent Israeli national leaders and government personnel.

-- Prominent businessmen and Jewish community leaders in Israel and abroad.

-- A select number of academic experts of international



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repute in fields such as government and public policy.

The board should be kept small in number. Its members, especially from the first and third groups, should be people who are likely to make active use of the Institute's resources, or who take an active interest in its professional work.

**2. Good public policy analysis can only be done at an institution whose staff are actively concerned with the role of ideas in public life, and which is a place of intellectual ferment.**

Despite the practical orientation of its product, an academic environment is crucial to the Institute's ability to fulfill its mission. Under the Board of Directors, the Institute's central organ will be its Research Council, composed of the Director of Research and its other leading researchers. These scholars will set the Institute's research agenda, and determine priorities for its budget. Members of the Research Council will be in constant contact with leading government personnel, with the Institute's chief customers, and with members of the Board of Directors.

**3. The Institute must cultivate a broad sense of perspective on Israeli society and a sense of responsibility for its evolution.**

Members of the Research Council cannot be permitted to let their narrow research interests consume their time and attention. One of their chief roles is to maintain, collectively, an active interest in the continually evolving agenda of Israeli society and its government. This broad perspective



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must dominate the research agenda--never the reverse. The primary role of the Director of Research is to ensure that this process takes place.

Of course, no form of organization will ensure by itself that these objectives are met. It is of primary importance that the core personnel of the Institute be carefully selected according to several criteria, of which academic excellence is only one. Others include:

- A commitment to public service, and an active interest in the broad spectrum of public affairs;

- Openness to new ideas and to intellectual give-and-take, and willingness to work together with colleagues;

- A preference for achieving practical results rather than for issues of precedence, stuff and show;

- Above all, personal and academic integrity, and a commitment to excellence.

Not all scholars who think and write well possess all these characteristics.

### 5. Getting Started.

Money and people are the principle requirements needed to get the National Institute for Policy Analysis under way.

Three initial steps need to be taken:

1. A very small group of academics, businessmen and political leaders--let us call them the "core group"--should be assembled to undertake the responsibility of setting up the



James H. Watson was born on January 1, 1891, in St. Louis, Missouri.

He attended the University of Missouri and graduated in 1913.

He then served in the United States Army.

After the war, he returned to the University of Missouri.

He was a member of the Phi Kappa Phi Honor Society.

He was also a member of the Sigma Xi Honor Society.

He died on December 1, 1968, in St. Louis, Missouri.

He was buried in the St. Louis National Cemetery.

He was a member of the American Association of University Professors.

He was also a member of the American Historical Association.

He was a member of the American Political Science Association.

He was a member of the American Sociological Association.

He was a member of the American Economic Association.

He was a member of the American Philosophical Association.

He was a member of the American Association of Social Sciences.

He was a member of the American Association of Teachers of Social Studies.

He was a member of the American Association of Teachers of History.

He was a member of the American Association of Teachers of English.

## 2. Getting Started

James H. Watson was a member of the American Association of University Professors.

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He was a member of the American Economic Association.

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institute. This core group should number no more than five or six people. This group will be responsible for chartering and organizing the institute, soliciting initial funding, recruiting the Board of Directors, and assembling the full-time academic staff of the institute once the project has reached that point.

2. At an early stage, the "core group" will approach prominent people in Israel and abroad who can help develop funding for the Institute. Sir Robert Maxwell is reported to be interested in supporting new, centrist projects in Israel. Irving Kristol in the United States has helped generate support for the development intellectual institutions in the United States and elsewhere. Members of the American "neoconservative" group associated with Commentary, such as Midge Decter and Norman Podhoretz, might also prove helpful.

3. Members of the "core group" should visit the very best academic institutions in other democratic countries which have a similar orientation to the projected institute, in order to study in depth how these institutions operate and to establish connections with networks of sympathetic scholars abroad. Prime candidates for study are the Hoover Institute, the RAND Corporation, the Brookings Institute, The American Enterprise Institute, and the Heritage Foundation in the United States, and the Centre for Policy Studies, the Institute of Economic Affairs, and the Economist Intelligence Unit in Britain.

**Part II:**  
**Policy Research Proposals**

In this section we present 24 sample proposals for policy studies that the National Institute for Policy Research could undertake independently or on behalf of the Government of Israel. The list is not exhaustive. The proposals are grouped under four main heads, representing the initial research fields the Institute would specialize in at the outset: Economic Policy, Domestic Policy, Foreign and Security Affairs (Middle East), and Foreign and Security Affairs (global). Further research sections will be added as the Institute grows.

**I. Economic Policy Studies**

1. A Comprehensive Program for Economic Reform.

The Israeli economy suffers from a debilitating degree of state control. Officially, economic liberalization has been on the national agenda for years; yet liberalization programs, such as tax reform or privatization, have been modest, piecemeal, and largely ineffective. Piecemeal reforms, undertaken in isolation, enjoy little public understanding or support. They are easily watered down or stopped dead by the special interests whose opposition they arouse. Moreover, because they are piecemeal, they are often incapable of serving their purpose; for example, privatization is of little use if the



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newly privatized company is bound up in the same strangling bureaucratic and regulatory tangle as before.

This study will prepare a detailed, comprehensive program of economic liberalization in Israel. It will draw upon local expertise as well as upon the knowledge of scholars in the United States and Europe. It will attempt to address in an integrated fashion all the various factors needed to convert the Israeli economy from a stagnant, insular one to a modern, growing economy fully integrated into the international economic system. It will provide a blueprint for thoroughgoing economic change which the Israeli government can adopt and around which public support can be rallied. Among the issues the study will address are the following:

A. A comprehensive program of privatization of public sector corporations, including recommendations for a regulatory regime (where required) that protects the citizen while providing the maximum possible exposure to foreign competition.

B. A broad program of regulatory reform, eliminating restrictive regulations in industry and international trade, and dismantling the vast array of government-mandated market distortions, such as cartels and industrial subsidies.

C. Reform of the legal system, so as to make the resolution of civil disputes quicker, cheaper, more equitable, and conformable to international standards.

D. Far-reaching reform of labor law so as to reduce the ability of organized labor to restrict competition and innovation; so as to benefit the worker, rather than union bureau-





cracies; and so as to protect the right to work.

E. The development of special legislative measures so as to reform and privatize bankrupt public and quasi-public enterprises, such as the Histadrut's industrial holdings and the General Health Fund.

F. Most important of all, developing a political strategy for mobilizing mass public support behind a comprehensive program of economic liberalization. This involves building a coalition of several constituencies, such as the poor, the unemployed, and those families being devastated by mortgage debt, all of whom are the victims of the stagnation engendered by Israel's current economic system. This group could include population segments once thought to be constituents of the Left, but who are now the victims of its failed economic policies, such as the Histadrut's industrial employees and some kibbutzim. Other potential coalition members include the growing number of middle-class, entrepreneurial Israelis who are discriminated against by entrenched interests, the hundreds of thousands of Soviet immigrants, whose chances of absorption and employment depend upon a growing, i.e. a free, economy.

## 2. Israel as a World-Class Industrial Competitor.

Israeli industry has a small but excellent high-tech sector. Much of this sector works in a shrinking field-- defense R&D and production. However, the technologies in which Israeli industry excels have much wider civilian



applications. In fact, in a society the size of Israel's, it should be possible greatly to expand the proportion of the population which earns its living from high-tech industries, with gratifying effects upon the national GNP.

This study will examine the possibilities of turning Israel into a world-class competitor in such areas as industrial optics, specialty telecommunications products, precision instruments, and computer-operated manufacturing tools. There is no reason why Israel could not compete successfully with the most advanced Japanese and German manufacturers in these fields, or why such manufactures could not become the mainstay of the entire economy.

One prerequisite for developing such an advanced, thriving industrial/technological economy is decoupling the paternalist link between the so-called "private" sector in Israel and the government, to which it now looks for subsidies, tariff protection, and other obstacles to competitiveness. The study will propose a change in role for the Israeli government. Instead of picking winners and losers in the economy, it should actively promote free-market trade ties with other countries, using its diplomatic and informational services to help Israeli industry expand aggressively into foreign markets.

### 3. State Versus Free-Market Absorption of Immigrants.

The Israeli Government is presently contemplating large-



scale, multi-billion-dollar programs of construction to house Soviet immigrants. This despite the general acknowledgement that jobs, rather than housing, are the crucial factor determining whether Soviet immigrants will successfully be absorbed in Israeli society. Given Israel's dismal record of job creation over the past decade and a half, the suspicion arises that the government's efforts are directed at doing what it knows how to do, rather than what needs to be done.

This study will compare the usefulness of an absorption policy based on heavy government intervention in the economy to directly create housing and subsidize jobs, as opposed to one designed to liberate free-market forces and let investment and growth do the job of "absorbing" new immigrants and native entrants to the job market alike. It will include an evaluation of the likely effects of an expensive government program of direct intervention, including housing construction and job subsidies, on Israel's future economic performance. A government program that increases the public debt by many billions of dollars while investing chiefly in non-productive assets--houses--is sure to affect Israel's long-term prospects for investment, job-creation, and the development of a balanced economy.

#### 4. Developing Economic Relations with the Soviet Union.

The radical changes taking place in the Soviet Union has stimulated interest within the democratic countries in expanding trade and investment there. The Soviet Union is in some





ways a perfect industrial partner for Israel. It possesses a broad range of highly advanced technical knowhow, chiefly in the military field of course, but with potentially lucrative civilian applications. At the same time the average efficiency and technical level of its industry is low. It would profit greatly from a partnership with people who can take Soviet knowhow, improve it, adapt it for civilian use, bring it up to accepted Western standards of safety and sophistication, etc.

This study will examine potential areas of Soviet-Israeli technical collaboration in fields from nuclear power (Soviet submarines use revolutionary new small nuclear reactors, but they are not safe enough--yet--for civilian use) to composite materials. Israel could perhaps be the most successful of all Western countries in improving the efficiency of existing Soviet enterprises at minimal cost. The benefits Israel could derive from certain areas of Soviet technology need not be elaborated here. Equally important is the political aspect of collaboration, i.e. creating a very strong Soviet stake in continued Jewish emigration and good relations with Israel.

Given its close ties with the United States, Israel would probably be well advised to join the Cocom regime of limiting sensitive technological exports to the Soviet Union (these restrictions are in any case being liberalized significantly), or at any rate to undertake to adopt its guidelines voluntarily.

##### 5. Economic Relations with Eastern Europe.



For many years to come the Eastern European countries will run a huge trade deficit with the outside world, as they struggle to import the numerous things they need to bring their economies up to world standard. Eastern Germany alone is said to require \$500 billion worth of infrastructure investments. Eastern Europe should be viewed not as a potential manufacturing competitor for Israel but as a potential market for sophisticated, high-technology telecommunications and machine tools that Israeli companies can provide more cheaply than many Western or even East Asian competitors. This research paper will examine how the Eastern European market could help many Israeli industries expand.

6. Economic Relations with East Asia.

The development of economic relations with East Asia, the most dynamic part of the global market, is crucial for Israel. Though trade opportunities with East Asia may be relatively limited, they nevertheless must be exploited as part of Israel's overall economic strategy. This paper will explore the potential for expanded Israeli trade and investment relations with the countries on the Asian rim. It will outline a twofold strategy:

A. Attracting investment funds from economies, such as the Japanese, which are richer and more powerful than Israel's economy. The Japanese in particular are the world's foremost source of investment funds, and Japanese companies are increasingly interested in investing abroad. Israel's combina-



tion of superior technical capability and relatively moderate costs could make it a valuable business partner for selected Japanese investors.

B. The shoe is on the other foot for economies, such as the Korean and Taiwanese, which are less highly developed, on the average, than Israel's. These countries seek to make their industries more sophisticated and competitive, and Israel can frequently provide the needed technologies cheaper, or what is more important, with fewer strings attached, than wealthy and established Western competitors.

#### 7. Land Use.

Land use in Israel has been and remains a politically sensitive subject, since land use policy affects many vested interests. Nevertheless it has become clear that current land use policies are irrational, given the challenge of Soviet aliya and the changing structure of Israeli society and the Israeli economy. In the months to come the government will be presented with many proposals for making the smallest possible changes in land use policy, so as to alleviate the most visible injustices, while upsetting the status quo as little as possible.

This study will not produce such a proposal. It will undertake a comprehensive reevaluation of land use policy, from the perspective of the overall needs of economic development and the changing Israeli lifestyle. The resulting proposals will no doubt be radical. However the study will not be



politically illiterate; it will take cognizance of the interests likely to be affected by a radically different land policy, and will incorporate cost-effective proposals for ameliorating the impact upon those whose interests are adversely affected, or compensating them.

#### 8. Agricultural Policy.

The Israeli agricultural sector is among the most effective, productive and competitive in the world. This does not mean, however, that all is well with Israeli agriculture, or that current policies can be allowed to continue. Among the problems affecting Israeli agriculture are: 1. Market distortions which cause agricultural inputs, including especially land and water, to be used inefficiently; 2. Widespread pollution, the costs of which are not adequately assessed in agricultural pricing policies; 3. Irrational marketing, distribution and subsidy policies, which add to the burden of the Israeli consumer without improving international competitiveness.

This study will examine Israeli agriculture from a different perspective, specifically taking into account the costs to society as a whole of externalities such as poor land use, wasteful water use, and pollution. It will pose the question: what kinds of agriculture can a society with Israel's limited land and water resources afford? It will propose a plan to restructure Israeli agriculture so as to make it what it should be: A high-technology, intensive industry, producing





specialty high-value-added products for export and a selection of perishable products for the domestic market.

## II. Domestic Policy Studies

### 9. Government by Bureaucracy in Israel.

One unfortunate aspect of Israel's present political system is that politicians who have the good fortune to become ministers rarely have the time, energy or even the interest needed to run the affairs of state nominal controlled by their ministries. In the absence of political guidance by elected officials, policy in Israel is often made by career bureaucrats, whose job tenure is guaranteed and who are accountable to no-one.

This study will focus on the effect of government by bureaucrat in three sensitive ministries: Finance, Education, and Health. It will examine how issues are identified, how policies are formed, and whose interests are taken into account in its formation. It will, in particular, attempt to identify the organizational culture of the Israeli bureaucrat: How he views his job, to whom or to what he feels responsible, and how this culture affects both the formulation and the execution of policy.

### 10. A Voucher System for Primary and Secondary Education.

Israel's educational system suffers from inequalities, poor innovation, rising costs and declining services. This



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study will study the potential of an educational voucher system to redress these ills.

Under a voucher system, families are provided with an annual "education voucher" for each child. The voucher can be redeemed by any licensed school for a fixed sum. Parents retain the right to "buy" their child's education from the school of their choice. The advantages of the system are the following:

A. All schools must compete with each other to provide a quality education at a reasonable price. This includes public schools, which must now depend on voucher redemptions for funding. As a result the general quality of education is raised.

B. All children, no matter what their religious or national background or choice of school, are provided with equal educational opportunity by the government. A voucher is worth as much in Rosh Ha'ayin, Geulah or Umm el Fahm as in Ra'anana.

C. As with medical treatment, those who desire better schooling can pay full cost for it, in addition to the voucher.

D. Children who require extra resources for their education--the disabled, the learning impaired, the disadvantaged--can be given vouchers of appropriately higher value, thus inducing schools to provide the services they need at a level they require. This system could, for example, focus resources upon the inner-city and slum area schools that need them most.



11. Private Higher Education in Israel.

Higher education in Israel is an underfunded government monopoly. Demand for higher education is great, while the resources devoted to it are kept limited by government regulations and budgetary shortfalls. The result is what one would expect from any industry in which government regulation creates artificial shortages: the existing establishment is run largely for the benefit of its senior faculty and higher administrators, cost control is weak, and the quality of the research and student education declines. Limited resources are allocated by small groups of academic bureaucrats, whose decisions are difficult to review and whose impartiality is open to question. In the meantime, many qualified Israeli students, frustrated in their attempts to enter the existing university system, go abroad for their education--and often stay there. Given the importance of a highly educated population in securing Israel's economic future, the shortfall in higher education is nothing short of a national tragedy.

Recent developments indicate that, under pressure of events, the official monopoly of higher education is breaking down, albeit in a piecemeal and unsystematic fashion. This study will examine the case for permitting the free development of private universities in Israel, in order to redress the inadequacies, and still more the inequities, of Israel's present higher education system. It will examine their potential for economic viability, and the regulatory changes needed





in order to create a favorable environment for such schools.

12. Reforming the Israeli Health System.

The Israeli health system is a model of poor management and misguided policy. In a country with the second-highest concentration of doctors in the world, with some of the world's most advanced medical technology, the health system is plagued with shortages, inefficiencies, strikes, and ballooning deficits. The adverse effect upon the population's health and quality of life is serious. Yet health care is an area in which every nation finds it difficult to guarantee cost control and efficiency alongside adequate care.

This study will develop a comprehensive reform program to improve the efficiency and availability of national health care while diminishing the costs imposed by the poor functioning of the current system. It will propose a system of privatization and competition, in conjunction with an adequate regime of regulation to ensure quality of care and equal access to health care throughout the country.

13. Urban Rail Transport.

It doesn't take an expert to realize that Israel has too many cars, and that a good proportion of them are to be found on Sunday mornings trying to get from Holon to Tel Aviv or from Motza to central Jerusalem. The bus is cheaper than the private car, but it is seldom quicker; busses make frequent stops, get stuck in traffic, and make their own contribution



to air pollution and hazardous driving.

As Israeli urban areas get bigger and more and more people are faced with the prospect of a long commute to work, urban railway systems become the favored method of moving people from the suburbs to the city center and back. This study will compare the social and economic advantages of urban railways with other forms of mass transport, and propose plans for investing in such systems to help resolve the most pressing transportation bottlenecks in Israel's three largest conurbations.

14. Keeping Olim and Young People: A Social Strategy.

The most costly economic and social phenomenon in Israel is the yerida of young people and new Olim. Olim and young people enjoy certain privileges, but no attempt has been made to determine whether these privileges are of the right kind or the right magnitude to do their job--keep people in Israel.

This study will examine the question: How valuable to Israel is the retention of those people who go on yerida? What constitutes an economically sound program of benefits to enable them to start life here on the right foot and stay in Israel for the long term? What kind of privileges are most valuable and important? The study will explore in particular the potential of making Olim and young people a "free market sector" within the economy--giving them the free right to import and export without regulation, borrow money and set up businesses, pay taxes according to a more rationally struc-



tured system (not necessarily a more concessionary one), etc.

15. Reforming the Law.

Israeli law is a curious amalgam of three different traditions: the Turkish, the Common, and Jewish law. It is confused, convoluted, slow and uncertain. It combines examples of model legislation with archaic and unjust remnants from the nineteenth century Ottoman empire. In some instances, Israeli corporate and tort law represent a real barrier to the integration of the Israeli into the world economy.

This study will present a comprehensive review of Israeli law, pointing out inconsistencies and areas in which real improvement is needed. The report will provide guidance for those charged with rewriting the country's legal code, and its authors will author some key legislative samples as well. The object is to achieve a streamlined, integrated system of laws, drawing upon both Jewish and Western tradition, able swiftly to dispense true justice.

16. Ecological and Natural Resource Planning.

Environmental quality control embraces many fields, such as resource management, hazardous waste disposal, and pollution control. Planning for a healthy environment must take all these areas into account together. This study will present an overall view of the greatest challenges to the safe and economical use of natural resources and maintenance of the environment in Israel. It will suggest a long-term master

plan for keeping the air and water clean and preventing the creation of toxic hazards to public health.

### **3. Foreign Policy and Security Studies: Regional Perspective**

#### **17. The Realignment of the Middle East Political System.**

For the past generation or so the Arab elites have paid ever less attention to the pan-Arab perspective on regional affairs and ever more attention to the interests of their particular nation-states. Despite the persistence of pan-Arabist rhetoric, these elites' interest in distant conflicts within the middle Eastern/North African region has declined, and their energies increasingly have been expended upon issues which each Arab country finds on its doorstep, i.e. in its immediate geopolitical neighborhood. The "Middle East" no longer represents a single, homogenous area with a set of common interests, but rather a loose grouping of subregions, each with its own conflicts and concerns.

This development is pregnant with significance for the future development of the Arab-Israeli conflict. A myriad potential pathways exist for the development of new contacts, agendas, and perceptions of interest on the part of numerous Arab elite groups. Such developments could decisively affect Israel's geopolitical environment over the long term. This study will examine comprehensively developing intellectual and political trends among Arab elites and explore ways for Israel to utilize them to find new Arab interlocutors.





18. Syria, Jordan-Iraq, Israel: Forming a Strategic Triangle

The recent announcement of a series of strategic collaboration programs between Jordan and Iraq has been perceived in terms the threat of the reconstitution of an effective eastern front against Israel. Yet hate and fear characterize relations between Jordan-Iraq and Syria, as well as between each of them and Israel. This paper explores ways for Israel to exploit this fact to mitigate the threat to its own security.

Among the possibilities explored will be the use of Israeli military deployments to increase the suspicion of one Arab party that the other has reached an understanding with Israel, and the judicious use of intelligence leaks to "confirm" such suspicions. The paper will outline two possible consistent campaigns of Israeli disinformation to be used against either leg of the triangle, and will discuss when it seems prudent to switch victims. The possibility that, by increasing hostility between the Arab parties, one of them might not actually become more open to reaching a genuine (if limited) accommodation with Israel will also be explored.

19. Palestinian Nationalism and Israeli Security.

Recent studies have made clear the threat to Israel's survival from the military-strategic perspective, assuming that Judaea and Samaria are ceded to Palestinian control. However, the most sophisticated Palestinian intellectuals, including so-called "nonviolent" leaders such as Faisal Hus-



seini, do not believe that an actual military campaign is necessary in order to destroy Israel. These leaders see the Arab-Israeli conflict primarily in terms of the staying power of two societies, in which victories are marked not by the possession of land but in terms of demography, morale, and public opinion among Jews and Arabs in Eretz Yisrael.

This paper examines the political strategy of Palestinian "moderates" and "nonviolent" leaders, assesses the potency of its threat to Israel, and suggests steps that need to be taken in order to counter it.

#### **4. Foreign Policy and Security Studies: Global Perspective**

##### **20. Budgets and Programs in the Israeli Defense Establishment.**

Like its counterparts in other countries, The Israeli Ministry of Defense's spending choices reflect, in theory, the long-term objectives it seeks to attain. In the United States and Britain, prestigious private academic institutions review and critique the official budget proposals of their defense establishments, pointing out how stated objectives might be attained with greater efficiency and economy, or how different--and no less important--sets of objectives might be more easily attained by reallocating available resources. Such research is widely believed to have contributed to increasing the efficiency, rationality, and effectiveness of defense procurement in these countries. In general, keeping defense



budgeting secret and confined to the halls of the defense establishment, as is largely the practice in Israel, is not viewed as conducive to producing the most effective or most efficient armed forces in the long run. Open, academic criticism of defense procurement increases efficiency, and allows the interested citizen and taxpayer to become more informed about policy decisions that affect his pocket and his security alike.

Academic study of national defense policy is in its infancy in Israel. The Institute will initiate a series of yearly analyses of the annual budget produced by the Ministry of Defense, with a view to showing how budgetary decisions reflect tradeoffs between competing purposes and showing, where appropriate, how a different allocation of resources could produce a more comprehensive satisfaction of Israel's defense needs. Occasional papers studying in depth particular issues of defence resource allocation will also be published.

21. Reducing Israeli Dependence Upon American Aid.

Israel's dependence upon American governmental aid is extremely costly in political terms. This study examines how the level of aid could be reduced without long-term damage to Israel's security interests, and proposes a plan for reducing the aid that the American Congress will find appealing.

Economic Development Aid: Almost all of the United States' non-military aid to Israel is swallowed up by debt repayments. The study proposes a gradual reduction of aid levels in return for debt forgiveness. In recent years



Israel has been successful in reducing its overall level of foreign indebtedness; this means that Israel could offer to reduce aid levels at a slightly faster rate than debt forgiveness, a politically important point. The object is to reduce economic aid to zero in five years, and debt principal to 10% of its present level in six.

Military Aid. This aid, because it is perceived by military planners as essentially "free," is often used to fund purchases abroad that either compete with Israeli products, or obligate the IDF to make unsustainable annual expenditures for weapons maintenance. Clearly, a weapon that cannot be maintained properly adds little to Israeli security. The object of the study is to find ways whereby, by rearranging priorities, American military aid can be reduced by 50% over six years without reducing the IDF's readiness or effective combat power.

22. The Cheney Defense Program and the Strategic Relationship.

This paper investigates the implications of the new American defense budget on the Israeli-American strategic relationship. That relationship is predicated upon the existence of certain American objectives and missions which Israel is in a position to help the United States achieve. If the funds for these missions are no longer being allocated, that means in effect that the missions are being abandoned.

The investigation will focus upon three areas:

A. Missions. Are the missions which the strategic



relationship is supposed to help the United States perform still being funded at the same level? Does reduced funding increase or decrease Israel's usefulness in fulfilling these missions? How can Israel help the United States compensate for the consequences of funding reductions?

B. Threat. One assumption of the strategic relationship is that Israeli assistance will help United States forces function in a high-threat environment. Does the reduction of Soviet forces worldwide mean that the threat is changing? Does this make Israeli assistance less useful, or more useful to reduced American forces?

C. R&D. Shrinking R&D budgets puts the squeeze on military contractors. This can cause a disproportional increase in the pressure upon military contractors to move parts of projects to cheaper offshore contractors. What are the implications for Israel's military industries?

### 23. Managing Relations with the European Community.

The Common Market has adopted a policy of condemning Israel and threatening her with sanctions. This is largely the work of the "Eurobureaucracy" in Brussels, which has chosen the Middle East as an easy, relatively cost-free area in which they can play a role in developing a "European" foreign policy. Many things are proposed in Brussels, however, which never are acted upon, because individual nations within the European Community torpedo those measures which are opposed to their particular interests.

This paper will study ways for Israel to develop "strate-

gic" ties with national economic and scientific institutions in Europe, giving individual national governments an interest in opposing or ignoring sanctions mandated in Brussels. The object is twofold: A. To identify governments susceptible to Israeli influence in this fashion. These include Germany, which traditionally is more lenient with Israel, as well as nations, such as Italy or France, which have a record of ignoring Common Market policy when the latter conflicts with their narrow national interest. B. To identify, ahead of time, issue-areas in which the Brussels bureaucrats intend to propose sanctions, such as science or certain kinds of trade, and to move quickly to give a number of European nations a stake in continuing contacts in these fields with Israel. Another possible area to explore is the European Development Bank, now being set up to aid development in Eastern Europe, of which Israel is a charter member. By collaborating with certain Western European countries on trade and investment projects in Eastern Europe, Israel can obtain leverage which can be traded for support on other issues.

Israel must continue to press its case in a persistent and principled way in Brussels. The task will be made easier, however, if the Common Market bureaucrats realize that the real interests of many member states are opposed to sanctions against Israel.

#### 24. Israel, the United States, and the Third World.

Israel has an extensive network of security relationships



with third-world countries. The Americans are particularly sensitive where Israel appears to be working against perceived American interests, or where the transfer of sensitive American technology seems to be involved. This American administration is not above making intellectually dishonest use of these issues to harm Israel. For example, after castigating Israel for improving its relations with the Mengistu regime in Ethiopia, the American government has now followed Israel's lead there.

This paper examines ways to manage the use of such issues in Israeli-American relations by mobilizing Congressional support for Israel's position. Israel should devote extra effort to keep key Congressmen informed about what it is doing in certain sensitive Third World countries. It should try to cultivate an image within Congress as possessing a progressive policy in the Third World, one no longer trapped in the Cold War perspective that seems to animate the current administration. The American administration should be put on notice that attempts to embarrass Israel will be challenged on fact and principle in Congress.

### Part III:

#### Funding Target and Proposed Budget

##### Part 1. Initial Funding Target.

This budget is based upon an initial fundraising drive of \$33 million, of which \$3 million is to be used for initial investments and the remainder as an endowment to provide for annual operations. It is assumed that additional funds, in the form of competitive research grants, will become available for additional non-permanent research personnel and research-related acquisitions.

All figures are in thousands of dollars, and are approximate. Please refer to the notes for additional explanatory material.

##### Part 2. Initial investments

1. Renovation and initial equipment of premises	750
2. Library: (1) Equipment	100
Initial Acquisitions	1500
Total	1600
3. Central Computer installation, workstations, software	250
4. Telecommunications infrastructure	50
5. Reserve	250
TOTAL	2900



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Part 3. Annual Operating Budget.

I.	Rental of premises, Jerusalem location	200
II.	Research Staff(2)	
1.	Permanent research staff	
	Director of Research(3)	65
	3 other Division Heads	156
	8 Research Fellows	312
2.	Associate Appointments(4)	
	2 Senior Associates	55
	2 Associates	43
	4 Adjunct Fellows	66
3.	5 Graduate Fellowships	45
4.	2 Senior Visiting Fellowships(5)	100
5.	Secretarial:	
	1 senior secretary	
	4 secretaries	63
6.	Research support(6)	100
	TOTAL, Research Staff	1005
III.	Administration	
1.	Executive Director	60
	Assistant, Executive Dir.	25
	Senior Secretary	15
2.	Financial Officer	25
	Secretary	12
	External audit	15

Administration





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3.	External Relations	25	
	Secretary	12	
4.	Publications Director	25	
	Senior Secretary	15	
	Publications budget	100	
	TOTAL, Administration		329
IV.	Campus Programs		
	Director of Programs	30	
	Secretary	12	
	Program budget	13	
	TOTAL		55
V.	Library		
	Chief Librarian	30	
	Asst. Librarian	20	
	Secretary	12	
	Operations	13	
	Acquisitions	150	
	TOTAL, Library		225
VI.	Operations		
	Supplies (incl. copying), repairs	150	
	Telecommunications services	25	
	Other Utilities	50	
	Postage (incl. for publications)	40	
	Custodial	30	
	Legal	25	

## Operations

    Computer System:

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Onsite maintenance and operations	40	
Acquisitions and repair	25	
Capital replacement, annual	50	
Major acquisitions reserve, annual	50	
Miscellaneous	50	
Research Director's discretionary	12.5	
Executive Director's discretionary	12.5	
TOTAL Operations		560
VII. 5% operating reserve		120
<b>TOTAL ANNUAL OPERATING BUDGET, estimate</b>		<b>2494</b>



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### Budget Notes

- (1) A large and well-provided library will be an inestimable resource for the Institute's researchers. Both the initial acquisitions budget and the annual budget are of a scale to ensure that the Institute's personnel have timely access to the most important information in their field--a constant problem with existing Israeli libraries.

It is planned for the Institute to develop special collections in the fields of public policy and administration of a scale and quality unavailable elsewhere in Israel, as well as a special collection on the Israeli economy. The Institute's library ought to be large and attractive enough to warrant its inclusion in the Israeli University Consortium, which will greatly increase the resources available to its researchers.

- (2) Salary figures are set at reasonable Israeli private-sector rates, including mandatory taxes and benefits, and customary academic benefits in the case of full-time research personnel.
- (3) Will also direct one research division.
- (4) Half-time positions. These positions are meant to secure a substantial time commitment on the part of first-rate research personnel who do not wish to sacrifice their existing institutional affiliations. Most Israeli academic institutions allow faculty to hold a half-time position at another institution.
- (5) Funds two senior visiting fellows from abroad per year, in order to facilitate intellectual exchange. Provides air transportation, rent subsidy, and \$36,000 taxable fellowships with mandatory benefits.
- (6) Administered by Director of Research. Released only to researchers who have secured at least matching grant funds.

Index Notes

1. The first note is a general statement about the importance of the index. It states that the index is a valuable tool for researchers and students alike, and that it is essential for anyone working in the field to have a good understanding of it.

2. The second note discusses the history of the index. It mentions that the index has been used for many years, and that it has evolved over time to meet the needs of different generations of researchers. It also notes that the index is a living document, and that it is constantly being updated and revised.

3. The third note describes the structure of the index. It explains that the index is organized into sections, and that each section contains a list of entries. It also notes that the entries are arranged in alphabetical order, and that they are cross-referenced to other entries in the index.

4. The fourth note provides information about the use of the index. It explains that the index can be used to find specific entries, and that it can also be used to explore related topics. It also notes that the index is a valuable resource for anyone working in the field, and that it is essential for anyone who wants to stay up-to-date on the latest research.

5. The fifth note discusses the future of the index. It mentions that the index is a constantly evolving document, and that it will continue to be updated and revised in the future. It also notes that the index is a valuable tool for researchers and students alike, and that it is essential for anyone working in the field to have a good understanding of it.

6. The sixth note provides a final summary of the index. It states that the index is a valuable tool for researchers and students alike, and that it is essential for anyone working in the field to have a good understanding of it. It also notes that the index is a living document, and that it is constantly being updated and revised.