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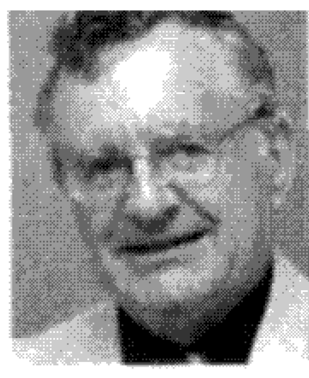

MARKETPLACE: Shlomo Maital

Stan, Our Go-To Man

IN PROFESSIONAL SPORTS, "FRANCHISE player" designates a player so talented the team builds around him for the future. In U.S. basketball, LeBron James (Cleveland Cavaliers) and Kobe Bryant (LA Lakers) are franchise players. Spanish soccer champs Barcelona's brilliant Argentine striker Lionel Messi is another. So is Super Bowl football champ New Orleans Saints' quarterback Drew Brees.

Israel's franchise player is arguably Bank of Israel Governor Stanley Fischer, who in mid-March was reappointed to a second five-year term by Prime Minister Benjamin Netanyahu.

Fisher is 66. He has had several careers, including International Monetary Fund Deputy Managing Director. Born in Northern Rhodesia (now Zambia), Fischer left a seven-figure salary at Citigroup in 2005 to become the Bank of Israel's eighth governor, for a reputed monthly pittance of 45,000 shekels ($12,000).

Fischer is highly popular. In a recent Haaretz opinion poll, he tied Chief of Staff Lt. Gen. Gabi Ashkenazi for top approval rating – unprecedented for an Israeli central banker.

Fischer told veteran business journalist Sever Plotzker, who writes for the daily Yedioth Ahronoth, that after he was first appointed in January 2005 by then-finance minister Netanyahu, "I found Israel's economy better than I expected, and Israel's politics worse than I expected." But both economics and politics quickly got a lot worse. Fischer's turbulent first five-year term was marked by numerous crises. His leadership kept Israel out of financial hot water. Here is my scorecard summarizing his first term.

Fischer 2, Global Recession 1. At the IMF, Fischer was a fireman, dousing crises in countries that overspent. Playing such fiercely hostile 'away games' gave Fischer invaluable experience. He used it well to keep Israel out of similar trouble during the global financial crisis in 2007-9. He slashed interest rates quickly from 5.25 percent down to 0.5 percent. Partly as a result, the economy managed to grow by 0.7 percent in 2009 when many economies contracted and is expected to grow at a respectable 3.5 percent rate in 2010. Fischer's policy of buying huge amounts of U.S. dollars was a major factor.

Fischer 4, U.S. Dollar 2. To keep the shekel from soaring relative to the U.S. dollar, thus hurting exports, Fischer bought some $40 b. This kept the export prices of Israeli goods at attractive levels and had the added benefit of being profitable.

"The high rate at which Israel purchased dollars while they were [priced] low has now earned Israel a tidy profit. For Israel, it is a significant amount," Fisher said. "This was the most important move in the dynamics of the crisis."

Ironically, IMF officials have criticized Fischer for his aggressive dollar play. I think it was brilliant and vital. The policy should continue. China, for instance, artificially keeps the dollar value of its money, the renminbi, at twice its true market value, by massive dollar buying, to make its exports cheap in dollar prices. The IMF does and says nothing.

Workers' Committee 5, Fischer 2. The 601 pampered Bank of Israel workers – down from 712 a year ago – continue to get huge salaries. The Bank spent 46 percent more on its workers and pensioners in 2009 than in 2008. True, Bank of Israel made profits of 1.4 b. shekels ($373 m.) in 2009, on its bond underwriting and trading. But in contrast, the U.S. Federal Reserve System made $45 b. in profit in 2009, proportionally far higher.

Fischer 6, Bank Hapoalim 0. This was Fischer's biggest victory. Under Fischer, the Bank of Israel regulators kept the country's largest bank from buying the Ukrainian Innovation Bank, in October 2008. (The Ukrainian economy later shrank by 15 percent in 2009). Fischer insisted that Bank Hapoalim replace its Board Chair Dani Dankner, without revealing why. Had Fischer squealed, the bank's customers might have withdrawn their funds. Months later, Dankner was placed under criminal investigation for conflict of interest. By then a new Chair, Yair Seroussy, was in office. Fischer's decisive action kept Bank Hapoalim stable.

Fischer 2, Knesset 1. Fischer insisted the Knesset pass a new Bank of Israel Act, replacing one passed in 1954 and reinforcing the Bank's independence from the Finance Ministry, before he agreed to a second term. He mostly got his way. Fischer told the Haaretz daily that what he likes most about Israel is the social life, but was not sure if he understood how the political game works. I think he grasps Byzantine Israeli politics better than most of us, as his Bank of Israel Act shows.

If Israel finds itself in financial trouble, its go-to player – the franchise player to whom teams give the ball when the game is on the line – will be Fischer. This scenario is not unlikely. With politics and economics closely linked, count on Israel's political leaders to stumble and fumble. In the coming five years, if this happens, luckily we can give the ball to one Israeli leader who commands almost universal respect. ●

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