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שמואל נאמן מוסד למחקר מדיניות לאומית בטכניון - 85300					



MARKETPLACE SHLOMO MA'ITAL

48 Herzl St.

The shopkeepers of Haifa's main drag paint a portrait of Israel's struggling small businesses

ON A hot, muggy August day in the Hadar neighborhood of Haifa, halfway up Mount Carmel, between the port and the mountain-top, upscale homes of the Ahuza and Denia suburbs, I found myself walking along Herzl Street, the main drag, searching for number 48.

My son, Yochai, and his three childhood friends, Mishy Harman, Shai Satran and Ro'ee Gilron, had given me an assignment. Go to 48 Herzl Street, find some good stories there, get the people involved to recount them, and record them. My reporting was part of an episode of Israeli Story, broadcast October 4 on Army Radio, which offered personal stories from a dozen 48 Herzl Street addresses throughout Israel, from Kiryat Shmona to Dimona. It was my second such assignment. The first was reported in "Grand Canyon of Inequality" (*The Jerusalem Report*, September 24, 2012).

The 48 symbolizes 1948, the year of Israel's independence. In Basel in 1897, Theodore Herzl said that at that moment in time, the Zionist state was only a dream, but that in 50 years, it would be a reality. And it was – exactly 50 years and eight months later. Every major and minor Israeli city now has a Herzl Street, named after the Zionist visionary. Even the haredi (ultra-Orthodox) city of Bnei Brak had one – that is, up until 2001, when it was changed to Harav Shach Street, named after the late haredi leader; most haredim fiercely oppose Zionism. Despite the name change, if you send a letter to 48 Herzl Street, Bnei Brak, today, the postman will deliver it.

I sought these story forays eagerly. As an economist, I find it is far too easy to sit at my laptop, drown in statistics and thus lose touch with the lives of ordinary working people. British economist Alfred Marshall

wrote that "economics is the study of mankind in the ordinary business of life." All too often, we economists crunch numbers rather than explore the business of life, out on the streets. We laud Apple, track its revenues and neglect those who sell apples.

Former US president Calvin Coolidge once said, "The business of America is business." The business of Israel, too, is business and not only hi-tech entrepreneurs, but also the many small-business owners who cut your hair, sell you buttons, do your nails, paint your walls, fix your plumbing, and remember your names and those of your kids.

At 48 Herzl Street, and nearby, I spoke with Yafa M., Sima Y. and Sami H., who own and run a clothing store, a sewing store and a small electronics shop respectively. The stories they told were about shops struggling to make a living, competing with huge malls, getting little help from government or credit from banks, nearly invisible to the mass media, but offering intimate personal service. They and others like them comprise the true middle class, the core of society, the salt of the earth, to which politicians pay lip service but, in the main, do nothing for.

ACCORDING TO the Central Bureau of Statistics, there were 505,300 active businesses operating in Israel in 2012. Fully half were one-person businesses and 70 percent employed four persons or fewer. The Bank of Israel recently issued a report on businesses employing fewer than 50 people. According to the central bank, some 55 percent of all wage earners are employed by small businesses, producing nearly half of Israel's Gross Domestic Product. Most of the jobs are in tourism, trade, food, personal services and construction.

I discovered that 48 Herzl Street in Haifa is

the address of an upscale men's clothing store called Mon Signor. After looking at the stylish shirts and jackets in the shop windows, I entered and introduced myself to Yafa, the widow of the store's founder, Zvi. Yafa recounted how her husband had died suddenly 30 years ago, leaving her 17-year-old son, Doron, and herself to run the business. I was careful not to ask her age, but revealed my own, 71, and she told me that was about her age too. Yafa was perfectly coiffed and dressed, with impeccable make-up, and slim and attractive. She was immensely proud of her store and her son. She works in the store almost every day, greeting customers, and addressing Arab clients in Iraqi Arabic. She proudly showed me photographs of former Maccabi Haifa soccer greats Yossi Benayoun and Eyal Berkovic, who bought their clothes from her. Yafa's personal service is the main reason Mon Signor survives and thrives. Poorly paid salespersons in shopping mall chain stores, hired and fired rapidly, don't even come close to providing the personal touch provided at Mon Signor.

Despite the service, the economics of small retail clothing stores in Israel is an uphill struggle. The average Israeli household spends NIS 13,967 a month. One shekel in eight goes to food; one shekel in four to housing; one shekel in 20 to health; and one shekel in 10 to household maintenance. The smallest expenditure is clothing. Only 3 percent of the household budget goes toward clothing, and that amount has fallen by 15 percent since 2006, probably due to cheap imports. Women spend nearly twice as much

Sima Y. at "Hakol la toferet" (top photo) and Yafa M. at "Mon Signor" both struggle to compete with the big shopping malls

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as men on clothing; and men's clothing gets only a tiny 0.6 percent of the monthly spending budget, or NIS 83 a month. This is much less than the average household spends on cigarettes.

Many men's stores, including shopping mall chains, compete for that small sum. And despite it all, Yafa and Mon Signor endure, prevail, and prosper. Herzl may have been a socialist, but he would have doffed his top hat in respect for Yafa and the stubborn persistence she and her family have shown in maintaining their store.

I ask Yafa what she would recommend to Herzl, a natty dresser, if he walked into her store and asked to buy clothes. "Elegance!" she affirms. "Shoes, tie, jacket, all in dark colors. No jeans!"

FOR OVER two years, the City of Haifa has been digging up Herzl Street to install infrastructure for the new dedicated bus lanes known as Metronit. Often, as a result, customers could not even enter Yafa's store and other shops along the street. There were days, she recounts, when she did not even bother to open the cash register. Despite this, Yafa still had to pay the full *arnona* (municipal tax), as did all other Herzl Street shopkeepers, because, of course, the city had to find the millions of shekels to pay for the project.

I walked around the corner from Mon Signor and found Sima's tiny shop, Everything for the Seamstress (*Hakol Latoferet*), so narrow you can touch both walls with outstretched arms. I waited while she found a strip of white lace for the blouse of a young haredi woman. Sima devotes infinite patience and love to her task, even though the sale will amount to just a few shekels. Meanwhile, Rabbanit Shlush, wife of Haifa Chief Rabbi Shlomo Shlush, enters the shop. "Sima is special," she says. "She helps clients find beautiful things. She is always pleasant. I've been buying here for 35 years."

A haredi man enters the shop. Sima rushes to serve him, explaining later, "Men are impatient, so I serve them first."

I discovered that her tiny shop is known throughout Israel. She "exports" custom-made, fabric-covered belts to Tel Aviv. Sima recounts that there are times when the line of buyers extends far beyond the shop door.

Sima tells how 37 years ago, she herself was a frequent client of the shop, when the owner decided to sell it. She approached the assistant branch manager at a nearby bank

on Arlozorov Street and asked for a loan so she could buy the shop. "Let's see what this is about," he said, and came to the shop to see it for himself. He approved the loan, even though Sima had no real collateral. Could this happen today? Would a senior bank manager visit a tiny hole-in-the-wall shop in person? I doubt it.

THE MORTALITY RATE FOR SMALL BUSINESSES IS VERY HIGH. ONLY 42 PERCENT OF THOSE LAUNCHED IN 2005 WERE STILL ALIVE IN 2012

Obtaining bank credit is perhaps the single most difficult problem for small businesses. Every business needs to borrow money to grow. According to Gad Shefer, head of the Haifa Chamber of Commerce, in Western nations, half of bank credit goes to small and medium-sized businesses, but in Israel it is less than 15 percent. And when they do get loans, small businesses pay usurious interest, 8 to 11 percent. This seems unfair, in view of the terrible credit record of big businesses run by tycoons like Nochi Dankner and Motti Zisser, who fail to repay their bank loans and bonds, and seek "haircuts" (deep debt forgiveness). Sima, too, gets haircuts – once a month, and only at her hairdresser.

At a recent small-business conference, Labor MK Erel Margalit, a former venture capitalist, announced he was organizing a large group of small and medium-sized businesses to negotiate with banks for loans, on favorable terms. "If small businesses bargain [with banks] together, they can change the rules of the game," Margalit told *The Marker* business daily.

THE MORTALITY rate for small businesses is very high. Only 42 percent of those launched in 2005 were still alive in 2012. Comparable survival rates in Sweden are 88 percent. Despite this, new businesses are constantly born. Some 49,000 businesses were launched in 2012, of which nearly 60 percent employed only the founder, while over 39,000 businesses closed in that year. Perhaps a thousand of the newly launched businesses were hi-tech start-ups, yet they

drew nearly all the media attention, government support and grants, and policy debate. Small businesses are job creators. The Bank of Israel notes that small businesses were hiring during the 2008-12 global crisis, while large businesses were shedding workers.

Across the street from Herzl 48, I entered an electronics shop owned and run by Sami H. Sami complained that the shopping malls had ruined his business and that of the other shops on Herzl. I told him that Herzl himself had predicted this. In his novel, *Old New Land*, published in 1902, Herzl wrote that "the lower middle class was endangered by the department stores." Over a century ago, Herzl mourned the fate of "the small grocer."

Sami reminisced about the heyday of Herzl Street when Haifa residents flocked to the numerous cinemas there and nearby. He rattled off their names: Orion, Atzmon, Pe-er, Armon, Orah, Amphi, Tamar. They're all gone now, he said. He recalled firebrand Menachem Begin, leader of the Herut party, making outdoor speeches on Shukri Street, opposite Cinema Mai (Sami has been a Herut supporter since childhood). Once, he said, people from the Krayot (Haifa's northern suburbs) flocked here to Herzl Street. Then they changed the bus lines. And they no longer come.

I found that most Israelis know little about Herzl and his life. An exception was the haredi man in Sima's shop, who said that Herzl wasn't even Jewish (false) and that Herzl's son wasn't circumcised (he was, but only at age 15). Herzl died of pneumonia and heart failure, and perhaps overwork, at age 44. He and his wife, Julia, had three children. All met a tragic fate. Pauline was a drug addict who died in a French hospital. Hans shot himself when he learned of his sister's death. And Trude died in a concentration camp, Theresienstadt. Trude's son, Stephen, Herzl's grandson, leaped to his death in Washington, D.C., on learning that his parents had died at the hands of the Nazis.

Herzl himself deserves the last word. The shopkeepers of Haifa's Herzl Street dream of better days. And the closing words of *Old New Land*, by the epic dreamer Herzl, offer them hope. "Dreaming is as good a way of spending our time on this earth as any other, and dream and action are not so far apart as is often thought. All the activity of mankind was a dream once – and will again be a dream." ■

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