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# Build Back Better: Toward a Visual Strategic Plan for Successful Emergence from COVID-19 The Case of Israel

## Part III

### A Visual Strategic Roadmap for Emergence from the COVID-19 Crisis:

#### The Perils of Imbalance

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Ella Barzani

SNI Wheels of Life design: Adva Gilad-Yakir

September  
2020

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# **Build Back Better: Toward a Visual Strategic Plan for Successful Emergence from COVID-19 The Case of Israel**

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**Part III**

## **A Visual Strategic Roadmap for Emergence from the COVID-19 Crisis: The Perils of Imbalance**

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“For a healthy politics to flourish, it needs reference points outside itself – reference points of truth and a conception of the common good.”

Prof. Moshe Halbertal, Dept. of Philosophy,  
The Hebrew University of Jerusalem

## Abstract

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This report is Part III of a three-part research paper, *Build Back Better: Toward A Visual Strategic Plan for Successful Emergence from COVID-19 – the Case of Israel*. In this essay we propose a strategic long-run plan for Israel, as it emerges from the COVID-19 pandemic. employing a visual approach for benchmarking economic, social and political performance of Israel, relative to other nations, which we call the SNI Wheels of Life.<sup>1</sup> The foundations for Part I and Part II were built on an extensive literature, surveyed in Part I, falling under the rubric of “Build Back Better”, on how nations have recovered from past natural disasters, with the goal becoming a better economy and society than before the crisis. In Part II we employed SWOT analysis (Strength/Weakness – Opportunity/Threat) to analyze internal and external challenges and the policy implications that flow from them.

Currently, Israel and other nations focus single-mindedly on dealing with the public health crisis caused by COVID-19, as well as on the short-term economic crisis it has brought. This is understandable, with widespread unemployment and even hunger. The resulting crisis, however, has the potential for initiating powerful long-term reforms. We suggest a modest visual roadmap for implementing such reforms in Israel.

## Introduction

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Effective transformative public policy for a nation requires three key elements: as Prof. Halbertal wrote, “reference points (outside itself) of truth; a strong pragmatic action plan based on it; and a lucid visual roadmap that communicates the goal and the path to achieving it.

In Figure 1, we present a visual systems-based benchmark, showing how Israel’s economy, society and polity measure up to best-practice standards, in terms of global rankings. In previous versions, we have called this approach the S. Neaman Institute “Wheels of Life”, because it employs ‘radar’ diagrams to visualize key dimensions of Israel’s performance and standing, in preserving and enhancing the wellbeing of its citizens.

Using respected global databases for seven dimensions of wellbeing – innovation, democracy, overall competitiveness, economic freedom, digital competitiveness, lack of corruption, and ease of doing business – we show in one visual presentation how Israel stacks up compared to the nations of the world.

## Wheels of Life: Summary

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Figure 1 presents, in a single visual presentation, Israel’s global rankings in the seven key dimensions we have chosen. (For a clearer view of each individual “Wheel” please see the Appendix). We summarize the overall picture, before looking into each dimension in detail. The overall conclusion may be termed “the perils of imbalance”. Israel excels strikingly in some dimensions (innovation, e.g.) and lags seriously in others (lack of corruption). In terms of GDP per capita, Israel has remained #23 in the world since 1980, despite building during that period a massive high-tech economic engine. (See Box).

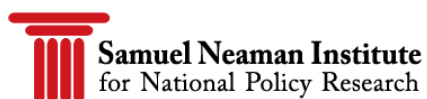
### >>> GDP per capita Ranking – Stuck at #23

A special issue of the business daily The Marker has the headline for the lead article: In order to know how to improve, you need to know where you stand.<sup>2</sup>

According to Dafna Maor, the author of the article, “since 1980 (!) Israel has been stuck at 23rd in the world in GDP per capita, while, in contrast, economies such as South Korea and Ireland have risen from #30 to #19 (Korea) and #22 to #2 (Ireland). This, despite the mythical Startup Nation brand name Israel has cultivated. Israel’s average annual growth rate in GDP per capita (measured at purchasing power parity exchange rates), during 2000-2019, was a modest 4.4% -- approximately half that of South Korea. With pre capita GDP of

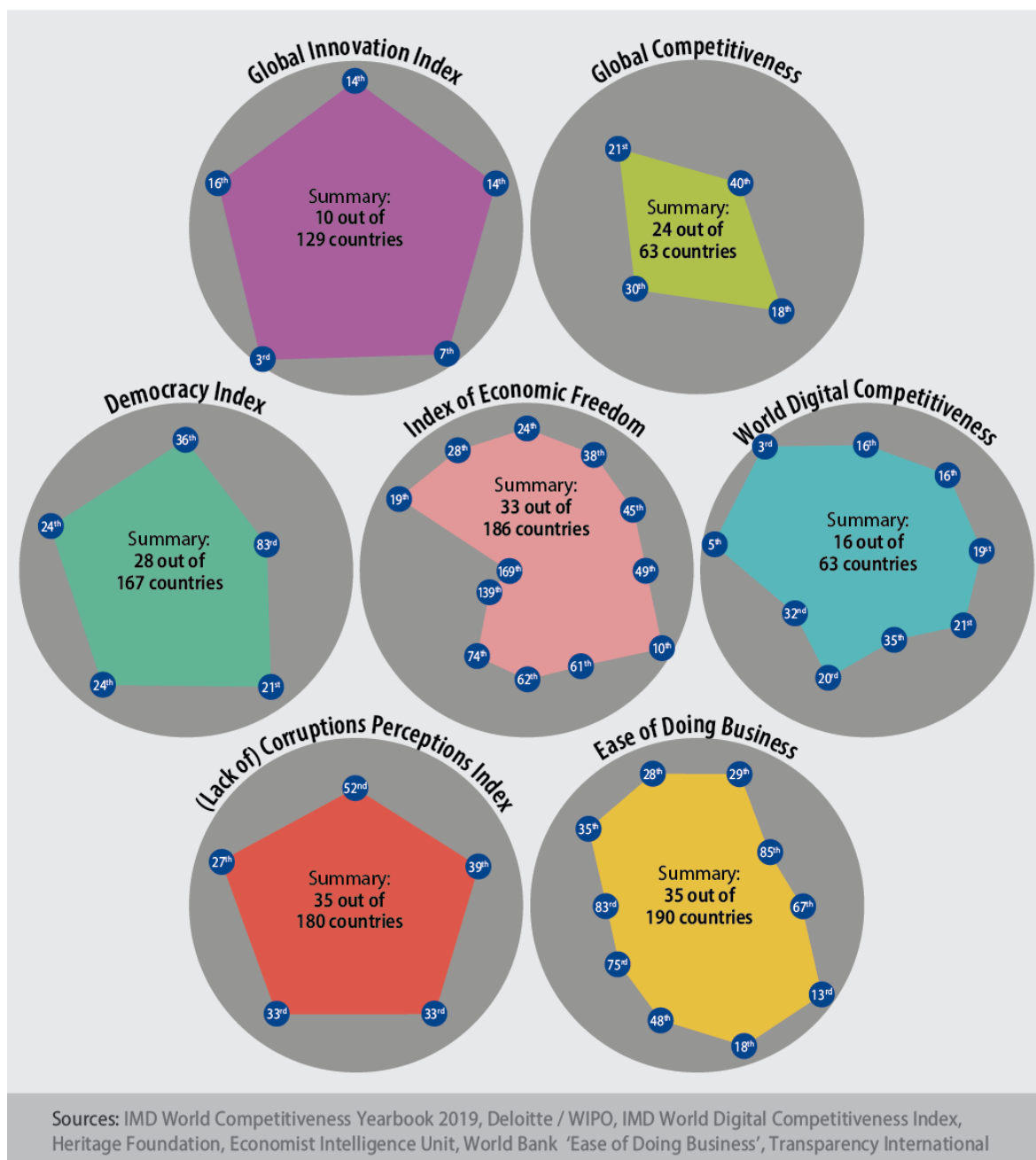


Figure 1: SNI Wheels of Life: Seven Dimensions of Wellbeing, Benchmarked Globally



## SNI "Wheels of Life" 2019-20

### Israel - The Perils of Imbalance - Summary Wheels

Design: [www.AdvA-studio.co.il](http://www.AdvA-studio.co.il)



## A Deep Dive into Israel's Imbalances

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Figure 2 below summarizes the components of each of the seven “Wheel of Life” dimensions – and shows in green the strengths, and in orange and red, the weaknesses. The imbalances are striking.

The IMD World Competitiveness Yearbook has for many years been comparing countries based on four dimensions: economic performance, business efficiency, government efficiency, and infrastructure. Israel ranks relatively highly in two of the four: Business efficiency (21<sup>st</sup>, driven mainly by innovation and entrepreneurship) and Infrastructure (18<sup>th</sup>). But it lags badly in two others: Government efficiency (30<sup>th</sup>) and Economic Performance (40<sup>th</sup>). The implication of this imbalance are clear – Israel is failing to fully capitalize in terms of income and wealth, on its innovative businesses and high R&D investments, because of inefficient bureaucratic government. This result is confirmed and emphasized in other dimensions.

In Global Innovation, Israel ranks 3<sup>rd</sup> in the world in “business sophistication”, but lags in human capital (14<sup>th</sup>) and “market sophistication” (16<sup>th</sup>). For two decades, Israel has failed to grow a truly global large independent high-tech company, relying almost exclusively on ‘exits’ (acquisitions by multi-nationals) and thus ‘selling its brains’ to high bidders.

In digital competitiveness, Israel ranks among the world leaders, 16<sup>th</sup>, but is held back by two serious imbalances: Technological framework (slow Internet, for example, placing Israel only 65<sup>th</sup> in the world in Internet speed) and “regulatory framework” (32<sup>nd</sup>). Again, government inefficiency is an imbalance that impedes fully exploiting innate national creativity.

In terms of economic freedom (openness of markets), Israel ranks 33<sup>rd</sup>, but could be far higher, were it not for three imbalances. First, government spending (139<sup>th</sup>, largely due to high defense spending, which stems from Israel’s geopolitical challenges), tax burden (169<sup>th</sup>, again related to defense spending), and fiscal health (74<sup>th</sup>, related to growing budget deficits).

Successful small countries are virtually all democratic. In the Economist Intelligence Unit “Democracy Index”, Israel, priding itself on being the only true Mideast democracy, ranks close to the middle (28<sup>th</sup> out of 67 countries). The glaring imbalance is “civil liberties” (83<sup>rd</sup>). This relates in part to the occupied West Bank, and in part to recent legislation that discriminates against non-Jewish minorities. The recent spate of national elections (three, in two years), without a true unambiguous outcome, suggests a paradox: Israeli democracy is flawed, and at the same time Israel suffers in many ways from an excess of democracy, with over a dozen political parties and a splintered Parliament.

Each year, the World Bank does a careful detailed on-site analysis of aspects of doing business, in some 180 countries. Israel ranks only 35<sup>th</sup>. The main imbalances are “getting electricity” (83<sup>rd</sup>), registering property (75<sup>th</sup>, owing to creating “ease of starting a business” – rather ironic, for Startup Nation.

Finally, Israel ranks only 35<sup>th</sup> (out of 190 countries) in “lack of corruption”, as perceived by experts. Here, there are few imbalances; four separate measures cluster around 27<sup>th</sup> – 39<sup>th</sup>. For a country dependent on foreign investment, and specifically foreign direct investment, the widespread demonstrations against government corruption, and an indicted Prime Minister, bode ill. Money shuns countries afflicted with corruption.

Figure 2. A Summary of Israel's Imbalance: In 7 "Wheel of Life" Dimensions

<b>1 Global Competitiveness</b>	
Infrastructure	18
Business efficiency	21
Government efficiency	30
Economic performance	40
<b>2 Global Innovation Index</b>	
Business Sophistication	3
Knowledge & Technology Output	7
Human Capital & research	14
Creative Outputs	14
Market Sophistication	16
<b>3 World Digital Competitiveness</b>	
Training and Education	3
Scientific concentration	5
Talent	16
IT Integration	16
Business Agility	19
Capital	20
Adaptive Attitudes	21
Regulatory Framework	32
Technological Framework	35
<b>4 Index of Economic Freedom</b>	
Monetary Freedom	10
Judicial Effectiveness	19
Property rights	24
Government Integrity	28
Financial Freedom	38
Investment Freedom	45
Trade Freedom	49
Labor Freedom	61
Business Freedom	62
Fiscal Health	74
Government Spending	139
Tax Burden	169
<b>5 Democracy Index</b>	
Political Culture	21
Political participation	24
Functioning of government	24
Electoral Process & Pluralism	36
Civil Liberties	83
<b>6 Easy of Doing Business</b>	
Paying Taxes	13
Protecting Minority Investors	18
Ease of Starting A Business	28
Resolving Insolvency	29
Dealing with Construction Permits	35
Getting Credit	48
Trading across bords	67
Registering Property	75
Getting Electricity	83
Enforcing Contract	85
<b>7 (Lack of) Corruptions Perceptions Index</b>	
IMD	27
World Economic Forum	33
PRS Country Risk	33
Varieties of Democracy Project	39
Economist intelligence Unit	52

Source: This Figure was prepared by Tsipy Buchnik

## A Prescription for Action

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As we write this, Israel struggles to deal with a fierce second wave of COVID-19 and has imposed a stringent lockdown, shutting businesses and schools and restricting internal travel. Rightly, the focus of government action at present is to “flatten the curve” of the pandemic.

At the same time, it is imperative to think beyond the pandemic and to consider ‘emergence’ strategies, based on “build back better”.<sup>i</sup>

**Innovation:** Israel ranks high in innovation inputs (e.g. R&D investment) but not as high in innovation outputs, leading to a relatively low “efficiency ratio”. More can be done in scrutinizing R&D investment – in particular, creating a technology roadmap in which Israel focuses on key areas, rather than scattering its resources.

**Competitiveness:** The imbalance here is glaring. For decades, Israel has impressed the world with its entrepreneurship, but has not fully exploited it; high-tech has remained a relatively small island (8% of the work force), and its innovative spirit has not spread to medium-tech, low-tech and government. A major goal should be to diffuse high-tech innovativeness and technology to the remaining 92% of the economy; it is unstable to have two economies co-existing, one modern and the other lagging.

**Digital Competitiveness:** Israel’s shockingly slow Internet belies its high ranking in global digital competitiveness. As part of a “pandemic stimulus” package (an ideal time for infrastructure spending, which may add to public debt but creates the resources with which to repay it), a nation-wide fiberoptic ultra-fast Internet network should be constructed, as a crash program, including ‘last mile’ fiberoptics (to homes). This will also help Israel’s schools, as many children lack adequate technology for distance learning.

**Economic Freedom:** Large cartels and oligopolies dominate many of Israel’s key industries, including food and dairy. Public policy must encourage domestic competition, without using the blunt weapon of curtailing monopolies through widespread imports and low tariffs. The result will be to reduce Israel’s high cost of living, without destroying local companies and employment.

**Democracy:** Four nations have utterly failed in controlling the pandemic. All four have autocratic or autocratic-leaning leaders: US, Russia, India, Brazil. True democracies have done better. Part of the explanation must be that virus-

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<sup>i</sup> See S. Maital & A. Barzani, with A. Gilad-Yakar, “Build Back Better”, Parts I and II. [www.neaman.org.il](http://www.neaman.org.il)

limiting actions depend on citizens' trust in government, and autocratic leaders who consistently pooh-pooh the pandemic, have lost much of the public's trust. This is certainly true of Israel. This is why it is essential for Israel to reform its political system, to streamline it, reduce the number of political factions, and to aspire to democratic elections that can elect stable majorities. Israel's low score in "civil liberties" is a dark spot on Israel's good name and must be repaired urgently.

**Ease of Doing Business:** This measure is not an artifact. The World Bank has on-site experts in almost 200 countries, who check 10 different aspects of doing business, by actually doing them. There is no reason why Israel should rank a lowly 35<sup>th</sup>! Georgia, a former Soviet nation, took decisive action and moved up from near bottom to near top, in a short time. Israel can benchmark high-ranking countries, like Singapore, and simply adopt and adapt what they do.

**Lack of Corruption:** This is perhaps the most painful of the seven key dimensions.

Once, early in its history, Israel was led by modest leaders who lived modestly, like the rest of the nation. Today it is led by a leader under indictment for corruption, who has a sumptuous personal home and is worth millions. And a key official of the ruling Likud party boldly and openly states his own personal goals: honor, power and money. A sea-change has occurred in Israel's social and political norms, which will negatively impact the future (and present) wellbeing of Israel's citizens.

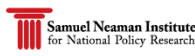
## Conclusion

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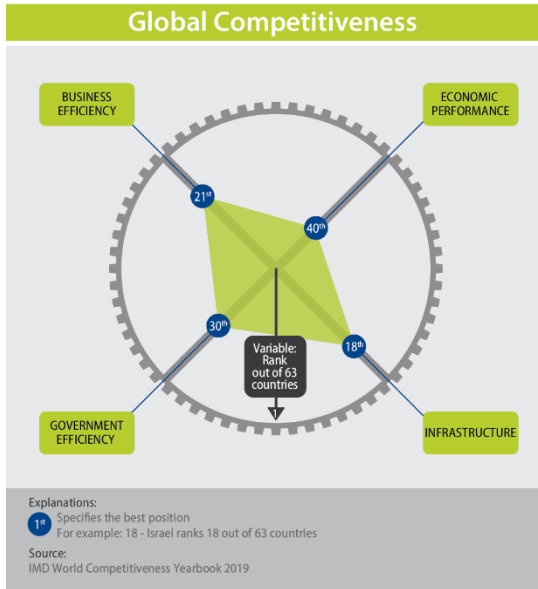
Words matter. This three-part study has the heading "Build Back Better". This is not a mantra empty of meaning. Build back better implies recognition of all the flaws, imperfections, mistakes, failures and social imbalances that existed prior to the pandemic – and asserts that in the process of rebuilding and restoring the economy, there is a golden opportunity – a clear obligation -- to repair them. Part of the pandemic disaster in Israel is due to decades of insufficient investment in health care infrastructure – educating doctors, building new hospitals.

Simply returning to December 2019 is insufficient. Aiming clearly for 2030 is a far more rational emergence strategy.

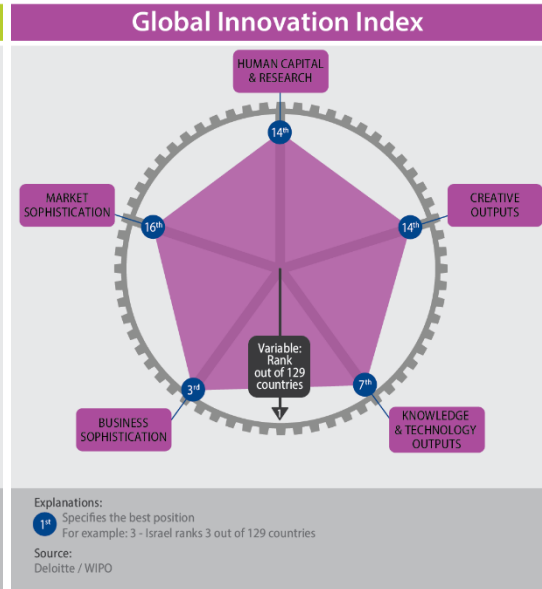
# Appendix: The Seven SNI Wheels of Life 2020



SNI "Wheels of Life" 2019-20  
Israel - The Perils of Imbalance:



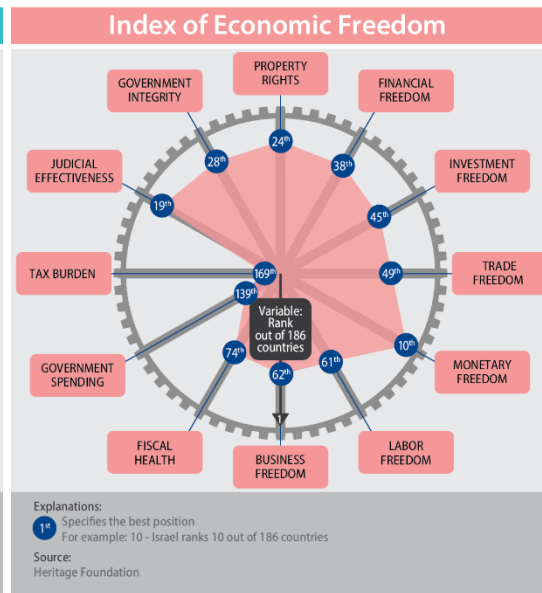
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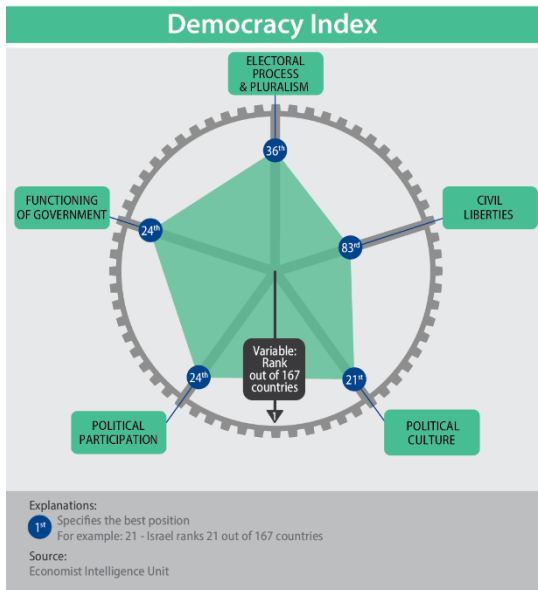
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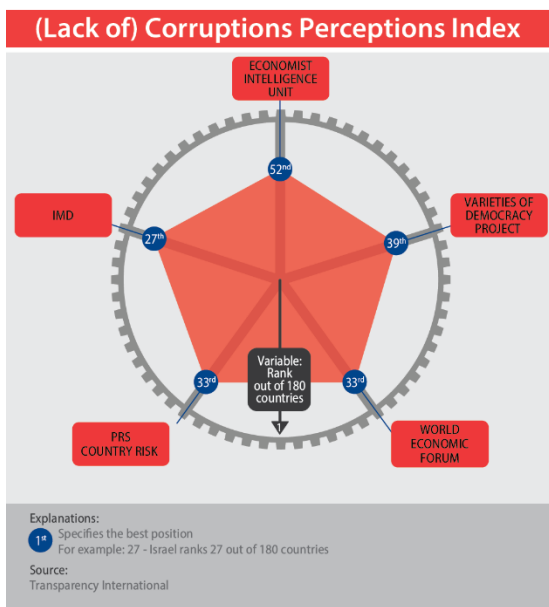
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**SNI "Wheels of Life" 2019-20**  
**Israel - The Perils of Imbalance:**



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<sup>1</sup> S. Maital, T. Buchnik. Wheels of Life in Israel. S. Neaman Institute for National Policy Research, 2017. <https://www.neaman.org.il/EN/wheels-of-Life-in-Israel>

<sup>2</sup> Daphna Maor. In order to improve, we need to know where we are. The Marker, Hebrew: Yom Kippur magazine, Sept. 27, 2020, pp. 2-3.



# Economy



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