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שמואל נאמן מוסד למחקר חדיניות לאומית בטכניון - 85300					



Dear Yair

A letter to Finance Minister Lapid

CONGRATULATIONS AND condolences on your appointment as Israel's 23rd finance minister in Israel's 33rd Cabinet. You have the toughest job in the new government by far; and you may very well be the least qualified of your 22 predecessors, except for Kadima's Avraham Hirschson (2006-2007), who went to jail for stealing nearly NIS 2 million when serving in the post of chairman of the National Labor Workers Federation.

Here, therefore, are a few tips, Yair – together with sincere best wishes for your success. By the way, your willingness to tackle the Finance Ministry is praiseworthy. Travelling the world as foreign minister, rubbing elbows with world leaders, making speeches and sipping fine wines would have been much more fun – and of no use whatsoever. By taking on the finance portfolio, however, you facilitated the formation of the new cabinet.

My first tip is simple: Beware of advice from professors like myself. In the face of the present-day challenges Israel faces, my discipline, economics, has a bare cupboard when it comes to creative, practical policies. Economists now think that austerity (budget cutting) has failed in Europe. But maybe Israel does indeed require a touch of austerity now; it worked when Prime Minister Netanyahu was finance minister in 2003-2005. So, seek new ideas, not tired old ones.

You have appointed a small team of experts, including Michel Vaknin, who worked for tycoon Nochi Dankner's cellular provider, Cellcom. Remember what Admiral Mike Mullen's aide told his boss when he became the United States's 17th chairman of the Joint Chiefs of Staff: "This is the last time anybody will ever tell you the truth." Why? Because the man at the top, who promotes and demotes, dislikes the bearers of bad tidings. Some leaders even yell, "Bring me solutions, not problems!" – an exceptionally stupid, yet common, saying, which instantly cuts the flow of information.

To counteract yes-men, therefore, you need to get out of your office and speak to ordinary people. Do your own grocery shopping. Make

sure you know the price of a liter of milk. In 1992, during a TV debate with Bill Clinton, incumbent US president George H.W. Bush admitted to not knowing the price of a gallon of milk – a slip-up that helped cost him the election.

Many of us voters believe their leaders are out of touch with ordinary life. With your income and wealth, Yair, and now with your ministry, you have people who do everything for you. Try your best to get out of your office and back into the real world as often as possible. That's what Mike Mullen did. He packed his bag and travelled the world, talking to ordinary American soldiers, getting the real dope from them, instead of relying on filtered and censored information.

I did not vote for you, Yair, though one Israeli voter in every seven did. Why did I vote Labor? I simply didn't believe that your party's core message, to help the middle class, rang true – especially when coming from a man who has so much wealth and so high a monthly income (NIS 2 million in assets, and a monthly income of NIS 150,000 according to the business daily The Marker). It was not the middle class who mainly voted for you but the upper class.

We, the middle class, are watching to see if you are the real deal, Yair, whether you do what you say. That is the simple definition of the New Politics that you are supposed to have introduced to Israel. Already, however, there are strong signs pointing to your lack of authenticity. Take, for instance, the new government: You claim to have insisted on no more than 23 ministers, not 30 as in the previous cabinet. But, Yair, there are still 26 ministries, the same number as in the bloated outgoing cabinet; and there are eight deputy ministers, compared with only five previously. So where's the saving? The ministries, not the ministers, are the costly ones. So Yair, do not try to bluff us. The electorate is not stupid. The moment we sense any insincerity is the moment you begin your slide down the slippery slope toward oblivion.

Turn your ignorance of economics into an advantage. Ask dumb questions. Make

"Why?" your weapon. Ask, why not eliminate the tax exemption on employee savings plans. You can save NIS 6 billion just by closing similar loopholes. When they say, "the Histadrut Labor Federation will shut down the country if you do," ask why. If you ask why enough times, you'll get to the truth.

Stop selling us soft soap. One of your first pronouncements was your intention to implement tough measures to reduce Israel's budget deficit from 4.2 percent to 3 percent of GDP, telling us that the pain would last for a short time only. "If we make [the cuts] now, it won't be long," you said. How do you know? What if the windfall of natural gas – set to add a full 1 percent to Israel's GDP growth this year – is delayed? Be careful with your predictions; every single word is recorded and may be used against you.

End the silly practice of two-year budgets that outgoing Finance Minister Yuval Steinitz claims as his major achievement. A budget is based on an economic forecast. Nobody can forecast accurately two full years ahead. Your current budget will extend another 18 months – the second half of 2013 and the full year of 2014; after that, go back to annual budgets. No other country has a two-year state budget. How then can Israel, which faces far more uncertainty than almost any other nation, plan two years ahead?

Emulate former US President Ronald Reagan. He was hugely popular, though clueless about economics. Why? Because he spoke in language ordinary people understood ("We can't help everyone," he once said, "but everyone can help someone.") and because Americans felt he was one of them. He promised to cut taxes and boost defense spending. You, on the other hand, need to do the opposite – to raise taxes and cut defense spending. Tell us how and why. Keep it clear and simple, in the same way you wrote when a highly paid columnist.

You've already begun communicating with us through Facebook. Why not speak directly to those not on Facebook? Why not revive your column in the Yediot Aharonot daily? Tell us, once every week or two, what

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Yair Lapid: Remember that small countries have no margin for error in managing their finances

you're doing and why – directly, not via spokespersons and spin. It was your famous “Where’s the money?” column that began your road to political success. Leverage your writing ability. Your 600-word columns can create public support and understanding, of which you will need every single drop as you battle to get your budget through the Cabinet and then through the Knesset. When you raise the price of water and electricity, expect a firestorm of criticism. Explain that it will take time to reform the bloated Israel Electric Company and the water utilities.

YAIR, YOUR party Yesh Atid’s core political platform is to “share the burden” more equally. A key clause of the coalition agreement stipulates the “ability to join the workforce” as a condition for the Housing Ministry’s affordable-housing program. This and other clauses led the ultra-Orthodox weekly, Mishpacha, to claim that your share-the-burden platform will cost every ultra-Orthodox family NIS 72,000 a year in lost benefits. No such drastic cut is in the cards, but the numbers are highly revealing, and show just how heavily subsidized the ultra-Orthodox are. Using stick-and-carrot

measures, your ministry can help the ultra-Orthodox extricate themselves from poverty (many are simply not meant to be Torah scholars), help the nation, and help your hard-pressed Treasury. But be aware, you are in for the fight of your life. The ultra-Orthodox are superb political infighters and have been severely stung by their exclusion from the Cabinet. They will not give up their dole without a fight.

You have a secret weapon – your good looks, which give the impression you are a softie. In the fierce bargaining over the coalition agreement, you proved you have a core of steel. Let your foes think you’re a soft touch, because you’re soft-spoken and don’t assault them viciously. Stick to your guns and let them wonder how such a sweet-looking wimp, who did his military service as a journalist, can be so darn tough.

Yair, your father, Yosef (Tommy) Lapid, had a meteoric political career that ended quickly, in part because of his vitriolic tongue and deep hatred of the ultra-Orthodox. If you do want to be prime minister one day, as you have said, you need to follow three rules: Always tell the truth. Always do what you promise. And always, on a daily basis, tell us

what you’re doing and why you’re doing it, without bluster or sugarcoating.

You look somewhat like your dad, but resemble, in nature, your mother, Shulamit, a brilliant novelist. As Friedrich Nietzsche advised, become who you are. Avoid vitriol. We prefer respectful political leaders, not thugs. There are enough of the latter in the Knesset already.

Your very first action as finance minister was to authorize NIS 50 million for assistance to Holocaust survivors. This was wise and symbolic. Remember that everything you do and say sends a message and will be minutely scrutinized.

As a talk show host, you liked to ask each of your guests, “What is Israeli, in your view?” When you interviewed your late father, Tommy, his answer was clear and direct. “You!” As finance minister, Yair, be Israeli, as your father said. Be blunt, direct, creative, persistent, resilient and determined. Remember that small countries have no margin for error in managing their finances, as Cyprus has shown. ■

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