

DAILY NEWS

MEDIA GROUP

Israel risks its economic future in push to the right

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March 3, 2023

In 2016, voters in the U.K. opted to leave the European Union hoping that the day-after would deliver something better. Instead, the island nation has not recovered from its fateful decision. Growth remains anemic, the economy underperforms. Meanwhile, trade disputes persist. A parade of prime ministers come and go: a head of lettuce outlasted Liz Truss. Blood and soil is a high-risk policy.

From the looks of things, Israel's Brexit moment has arrived. The country's stab at overhauling its judiciary, decoupling from Western norms, and somehow infusing the body politic with even more Jewish values is extracting an unanticipated and high price.

The shekel sinks while interest rates rise. Property values decline at the same time as the size of mortgage payments increase. The stock market is woozy. Israelis are repositioning their bank deposits abroad. A headline on a Hebrew-language financial website blares, "No Path of Return: The Dream of Expanding Israeli Hi-Tech is Endangered."

The message of Prof. Moshe Koppel and the Kohelet Policy Forum that "we did not come to live in a prosperous economy but for the values of Judaism" rings true, to a point. The Bible and the past weigh heavily. Paeans to martyrs and persecution fleck the daily liturgy.

On the other hand, Koppel and Kohelet posture as libertarian. Jeff Yass, an American billionaire and options trader, is a major funder. He sits on the board of the Cato Institute. Man may not live on bread alone, but there is plenty to be said for the right to party.

Still, Koppel's claim may devolve into self-fulfilling prophecy. And not in a good way, particularly for a country that has actually evolved into a start-up nation and realistically presents as a trading state.

If his vision morphs into reality, the proverbial goose may be laying fewer golden eggs, not exactly “Making Israel Great.” A reminder, America’s credit rating took a hit after the debt ceiling fight of 2011.

History often rhymes. On Monday, Wiz, the Israeli cybersecurity firm, announced a \$300 million capital raise. Its founder, Assaf Rappaport, added that none of those funds would enter Israel.

Right now, the country’s per capita GDP exceeds that of Canada, New Zealand, and the U.K. At last glance, the figure is brushing the \$50,000 mark. As for foreign venture capital, Israel can boast of attracting more than \$25 billion, with the lion’s share arriving in the last five years.

Against this backdrop, those who advocate the overhaul of Israel’s judiciary appear to be making a huge bet that the final fallout from the overhaul of the courts won’t be that bad and the anticipated slowdown in growth will not be deep. Said differently, an individual standard of living more on par with Italy than with Canada or France would be an acceptable trade-off to many in Israel’s demographically ascendant sectors.

Exhibit A, Moshe Gafni, the ultra-Orthodox chairman of the Finance Committee of Israel’s parliament, the Knesset. He announced his whole-hearted approval of gutting the power and prerogatives of Israel’s Supreme Court. “For 34 years I have waited,” Gafni declared. “There is no topic tied to our lives that the high court has not injured.”

Barring hametz, leavened foods, from Israel’s hospitals during Passover matters greatly to his community. God’s laws are paramount, individual autonomy and choice less so. As with Brexit, culture trumps economics. Also on Monday, Gafni introduced legislation that would pare the independence of the country’s central bank.

Gafni is not alone. Simcha Rothman, a Knesset member and staunch Netanyahu ally, argues that “democracy is doing what God says” Rothman is a member of Israel right-wing Religious Zionism party.

Israel’s “Remain” bloc stands on the other side of the equation. In last fall’s election, it formed the Jewish nucleus of opposition to Benjamin Netanyahu’s return. Markedly bourgeois and secular in outlook, few of them would see eye-to-eye with Knesset Member Gafni.

Hi-tech moms and suburban dads, their children serve in the military and make Tel Aviv a playground that never sleeps. Collectively, they pay a lot of taxes and don’t cosplay in tricorne hats and britches. Rather, they are “anywheres” in Brexit-speak, those whose skills are globally portable.

The size and vehemence of their protests has shocked the nation and unnerved the government. Sadly, Netanyahu wishes to punch them. The latest polls show him losing altitude. For the moment, however, his tenure appears secure

Lost in the din is reality: it takes a lot of money and intellectual firepower for Israel to maintain its military edge. Plus there's that thing called goodwill. Right now, all that looks less certain. Israel's Brexit moment is here.