



**The Second ISRAEL 15 Conference  
Sivan 5769, June 2009**



**To become one of the fifteen leading countries**



## Letter from the Founder and President of the Reut Institute

### **Israel15 - Becoming one of the 15 Leading Countries** The Reut Institute's vision for a socio-economic leapfrog in Israel

## The 'ISRAEL 15' Vision

The vision that drives the Reut Institute is one of a secure State of Israel, in Eretz Yisrael, serving as the center of the Jewish world. Its Jewishness synergizes with its democratic values and prosperity, as well as with its role as a leader among the family of nations. This is, to us, 21st Century Zionism and our vision.

Prosperity is a central element of 21<sup>st</sup> Century Zionism and a requirement for its success. Without it, Israel will fall behind in its competition for human capital, technology, and foreign investment. There is a disparity between Israel's excellent human capital and the quality of its private sector on the one hand, and the relatively mediocre quality of life Israel offers its citizens compared to the leading developed countries on the other hand. Hence, currently, Israel is one of the world's leading exporters of human capital. If this disparity increases, Israel may be vulnerable to the emigration of a critical mass of its qualified and educated citizens, which could ultimately cause the erosion and even collapse of the backbone of its society.

A socio-economic leapfrog is thus not a luxury but a necessity! For this reason, the Reut Institute has embraced the ISRAEL 15 Vision - which calls for Israel to become one of the fifteen leading countries in terms of quality of life within fifteen years – as a source of inspiration in its work for economic and social development. Accomplishing this vision requires a 'Leapfrog in Quality of Life' - a significant and continuous improvement in Israel's socio-economic performance in comparison to other countries. The document "Principles and Guidelines for Achieving Socioeconomic Leapfrogging" discusses the issues and actions required to fulfill this vision.

Theory teaches us that leapfrogging occurs when a 'perfect storm' takes place. In other words, when economic policy, social and political ripeness, national opportunity and leadership facilitate the enlargement of the national pie and the distribution of its economic fruits in order to increase citizens' quality of life. There is no recipe for leapfrogging. Each country has leapt in its own unique way.

The Second ISRAEL 15 Conference aims to spread the word about the ISRAEL 15 Vision, to mobilize the community that is devoted to Israel's socio-economic development and work towards its fulfillment. The Vision may be ambitious but it is achievable if each and every one of us serves it in his or her way and capacity.

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'G' followed by a horizontal line and a vertical line.

Gidi Grinstein  
Founder and President

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## Principles and Guidelines for Achieving Socio-economic Leapfrogging

### Leapfrogging is not a luxury, it is a necessity.

1. **Israel's inferior position in the global competition for human capital may cause the collapse of its social and economic foundations** – There is a disparity between Israel's excellent human capital and the quality of its private sector, on the one hand, and the mediocre quality of life Israel offers its citizens in comparison to the leading developed countries, on the other hand. Hence, Israel is currently one of the world's leading exporters of human capital. If this disparity grows, Israel may be vulnerable to emigration of a critical mass of its qualified and educated citizens, leading to the erosion and even collapse of the backbone of its society.
2. **Therefore, Israel's leapfrogging – achieving sustainable high growth that would allow the country to close the gap in quality of life with most developed nations – is not a luxury. It is a necessity.**
3. **Nevertheless, Israel is not organized for leapfrogging.** Its public sphere and discourse are focused on macro-economic stability and moderate growth but not on leapfrogging.
4. **Therefore, the Reut Institute has embraced the ISRAEL 15 Vision - which calls for Israel to become one of the fifteen leading countries in terms of quality of life within fifteen years - to inspire its work in the areas of economic and social development.** In order to realize this vision, Israel's social and economic performance must 'leap' to a point where it catches up with the most developed nations.
5. **Leapfrogging occurs when the average annual real GDP growth exceeds 3.5% for at least eight years.** In order to be considered an 'economic miracle', an average of 7% real growth needs to be sustained for at least 25 years. Thirteen countries have achieved this feat, among them: Singapore, Japan, South Korea and Brazil. Israel also leapt between 1951 and 1972. During this period we enjoyed an average real growth rate of 5.5% per year.
6. **Sustainable high growth is a necessary but insufficient condition for leapfrogging** – As mentioned, in order to be considered leapfrogging, growth has to be sustained at a level of 3.5% for 8 years. Another necessary condition for leapfrogging is 'inclusiveness' i.e. that the quality of life of all citizens is improved.
7. **There is no 'recipe' for leapfrogging.** Each country that leapt shaped its economic and social path according to its own unique history, social structure, system of government and unique assets and burdens.
8. **The key to leapfrogging: The capacity to transform** - Leapfrogging requires an acceleration of the pace of change in the makeup of products and services, which is tantamount to acceleration of social change. It thus requires the establishment of institutions that allow for and support rapid change in the social and economic environment.
8. **The 'difference that makes the difference' - The public sector's role lays the foundation for leapfrogging.**



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## The common denominators among countries that leapt

- **Shared vision** – In most of the countries that leapt there was a vision which shaped future attainable goals. The vision served as a source of inspiration when determining priorities and mobilized all sectors of society;
- **Leadership by a committed elite** – Leapfrogging entails fundamental changes of values, patterns of conduct and national priorities, and therefore requires leadership. Due to its complexity and duration, propelling a leapfrog is beyond the ability of a single leader and requires the commitment of an entire elite in positions of leadership, influence or authority such as political leaders, experts, academics, heads of nonprofits, philanthropists and business people;
- **'Inclusive growth': enlarging the pie and sharing it with the entire society** – The government's socio-economic policy is of chief importance. Every country that leapt maintained macro-economic stability which was credited to government policies which aimed for inclusive growth. However, in countries that leapt the inflation rate or deficit slightly deviated on occasion from the average of developed countries;
- **Institutions**– Sustaining high growth requires strengthening the capacity of a society to withstand accelerated change. Hence, institutions that effectively regulate interactions among the major sectors of society are key to leapfrogging. These institutions should be shaped by each country's specific characteristics.
- **Global and unique development policy** – 'Development policy' refers to a concerted effort to allow rapid growth of a specific industry. Such development policy may include legislation, regulation, infrastructure, training of human capital, trade relations, and monetary resources. Leapfrogging requires focusing development policy on exhausting a nation's unique assets or on strong and stable global trends;
- **Labor market suited to cope with rapid growth and changes. Protecting the worker and not the job** – Another essential condition for leapfrogging is adjusting the labor market to rapid growth. This requires government, unions and employers to work together to increase the flexibility in the labor market, on the one hand, while allowing workers to increase their human capital, on the other hand.
- **Leapfrogging requires growth diagnostics of the country's bottlenecks and focused reforms** – Every country faces a different mixture of constraints on its economic development. Countries that leapt effectively identified and addressed the binding constraints of their development. An overall reform of the public sector is not necessary.
- **Local and regional development** – Top-down government policy needs to be integrated with bottom-up growth generated by different regions. Therefore, it is important to allow leaders of local governments, businesses, nonprofits and philanthropists to design and implement policies for local and regional development.
- **National mobilization** – Social and economic development must become a national project that transcends the traditional professional leadership in central banks or government ministries to all key sectors of society.



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## Guidelines and Principles for Leapfrogging in Israel

Based on the above, the following guidelines and principles should be implemented in order to set in motion an Israeli socio-economic leapfrog:

- **Adopting the ISRAEL 15 Vision a national vision** for Israel's social and economic development.
- **Designating an organization as a 'central brain'** whose roles would be to assess Israel's national performance and to identify global trends and analyze their significance to Israel.
- **Identifying and nurturing elite units in the public sector in areas that are essential for leapfrogging.** These may include units that deal with law enforcement, foreign investments or exports.
- Structural reforms in sectors that are critical for leapfrogging such as in sea and airports, in the courts, planning and zoning and development.
- **Forging a pact between the labor unions, employers and government** – These agreements should aim to increase flexibility of labor, as well as to increase the human capital of workers.
- **Inclusion of Ultra-Orthodox and Arabs in the labor market.** Israel suffers from a particularly low level of participation in the labor force. Hence, the inclusion of the ultra orthodox community and the Arab sector into the labor force must become a national project.
- **Unique and global development policy** – In order to leapfrog, Israel must implement a development policy that will exhaust its unique assets in order to transform them into growth engines in the global arena.

In this context, the Reut Institute recommends that the following global trends should be considered potential engines of Israel's future development: The rise of China and India; the move towards clean energy and oil substitutes; the water crisis and the growing need for desalination, recycling and management; the effects of global warming; the growing need for homeland security; economic growth and social change in Africa; growing demand for food security; and the ageing population in Europe and the United States.

**Exploiting Israel's unique assets and transforming them into engines of growth** such as the Jewish world and Israeli Diaspora, the Holy Land, the defense industry and Israel's unique experience in its struggle against the effects of the desert.

- **Upgrading local authorities to allow socio-economic development on the regional level** – Israel should lay the foundations for socio-economic development at the level of local governments by measures such as integration of small local authorities; fighting corruption; empowering local leadership; and establishing a national policy to support such development.



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## The ISRAEL 15 Vision Frequently Asked Questions

### What is the ISRAEL 15 Vision?

**The ISRAEL 15 Vision focuses on placing Israel among the fifteen leading countries in terms of Quality of Life within fifteen years. This vision requires a social and economic leapfrog that would close the gap in Quality of Life between Israel and developed countries.**

**Working towards the ISRAEL 15 Vision and designating it as a national project and source of inspiration for the public, private and non-profit sectors, is essential for its fulfillment.** Most countries that have leapt formed a vision of social and economic development which mobilized all sectors of society. The vision reflected the desired future goals which were agreed upon by most of the important players in society

This vision is the organizing idea of the Reut Institute in the context of its work toward Israel's social and economic development. The ISRAEL 15 Vision was adopted by the team of experts, which prepared "Israel 2028: Vision and Socio-Economic Strategy in a Globalized World" in the following form: "Israel will be one of the ten to fifteen leading countries in the world in terms of income per capita."<sup>1</sup> The Reut Institute cooperates with other organizations which aspire to adopt the ISRAEL 15 Vision as a source of inspiration for their work.

### How was the ISRAEL 15 Vision conceived?

**The ISRAEL 15 Vision was first conceived by businesswoman Raya Strauss Ben-Dror, former CEO of the Ministry of Finance, Mr. David Brodet and Gidi Grinstein. Its beginning took place during a Friedrich Ebert Foundation project between 1997 and 1999.** In this project representatives from different sectors of Israeli society were invited to outline scenarios for the future of the State of Israel in the year 2020. Within this framework, Raya, David and Gidi joined together to develop a scenario which they titled "the ISRAEL 15 Vision".

**Since the initial project, each of these three individuals has continued to promote this vision.** Ms. Strauss Ben-Dror made the ISRAEL 15 Vision a source of inspiration in her philanthropic giving. Mr. Brodet led the 'Israel 2028' team. Gidi Grinstein devoted his studies at the Harvard Kennedy School of Government to the question of how to implement the ISRAEL 15 Vision. Following his return to Israel, he established the Reut Institute in 2004 where the ISRAEL 15 Vision has been an integral part of the institute's vision and work.<sup>2</sup>

### What is Reut's role in promoting the ISRAEL 15 Vision?

**The role of the Reut Institute is to be a 'catalyst' for the fulfillment of the 'ISRAEL 15' Vision.** In this context, the Reut Institute will: (1) brand the 'ISRAEL 15 Vision' and spread its message; (2)

<sup>1</sup> See: Brodet, Hurvitz, *et. al.* [Israel 2028: Vision & Strategy for Economy and Society in a Global World](#), March 2008, p. 12 (hereinafter 'Israel 2028'). The plan was written by a team of experts headed by Mr. Eli Hurvitz and Mr. David Brodet. It was subsequently presented to ministers and general directors of the government offices.

<sup>2</sup> See Gidi Grinstein's Blog Entry: 'Launch of the ISRAEL 15 Vision: A Milestone and the Coming of a Full Circle', at: [www.blogidi.com](http://www.blogidi.com)



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bring together people and organizations that are committed to building capacities and institutions which are essential for leapfrogging; (3) enrich the resources of this community; (4) research the phenomenon of Israel's leapfrog and create new knowledge; (5) create a sense of urgency to motivate structural changes that are essential to fulfilling the 'ISRAEL 15' Vision; (6) build and cultivate capacities and institutions essential for leapfrogging; (7) establish and manage the portal which houses the relevant information of the Vision.

Socio-economic leapfrogging requires a combination of government initiatives and grassroots mobilization. Because the existing public and academic discourse is focused mainly on the required government initiatives ('top-down' processes), the Reut Institute is currently focusing its work on mobilizing the important grassroots sectors of society ('bottom-up' processes).

## What is the difference between 'Quality of Life' and 'Per Capita Income'?

**'Per Capita Income' measures a country's wealth and standard of living.** This index reflects the portion of every citizen and resident in the national product and is calculated by dividing the gross national product by the population.

On the other hand, the concept of **'Quality of Life' refers to the general welfare of the state.** Whereas a high 'Per Capita Income' is the central component of 'Quality of Life', the latter concept also appreciates areas such as health, nutrition and community and family life.

For example, according to the Economist's Quality of Life Survey, 'Quality of Life' is appreciated by health, political stability, personal security, family and community life, climate and geography, economic well-being, political freedom and gender equality.<sup>3</sup>

**Hence, two countries may have similar 'Per Capita Income' but different 'Quality of Life'.** On the other hand, two countries may have a similar 'Per Capita Income' but significant gaps between their 'Quality of Life'. These differences may result from the quality of education or health services, the environment, or personal security which are provided freely or with no additional cost to the citizens. For example, according to the Economist's 2005 Quality of Life Survey, the 'Quality of Life' in Finland and in the United States is comparable, but 'Per Capita Income' in the United State is 30% higher than in Finland. The difference is a result of the relatively high quality of public health and education systems in Finland.

## How is Quality of Life evaluated?

**Quality of Life is a complex concept and therefore hard to measure or evaluate.** Some of the variables included in the concept 'Quality of Life', such as per capita income and personal security can be evaluated by indices. Other, less tangible concepts such as social and communal cohesion or life satisfaction, are more difficult to appreciate because they are influenced by perceptions and values.

Various indices compare Quality of Life across different countries over time. The prominent indices in the field of 'Quality of Life' are:

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<sup>3</sup> See the Reut Institute's document: ['The Economist Quality of Life Index'](#); see also: ['The Economist Intelligence Unit's Quality of Life Index'](#) (2005).



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- **The Economist's Quality of Life Index** which evaluates Quality of Life based on income per capita, health, political stability and security, family life, community life, climate and geography, job security, political freedom and gender equality.<sup>4</sup>
- **The UN Human Development Index** which provides a composite measure of well-being based on three main features: Life expectancy at birth; GDP per capita calculated at purchasing power parity; and adult literacy based on school enrollment at the primary, secondary and tertiary level.<sup>5</sup>
- **The OECD Factbook** which incorporates data on various topics related to society, the environment, and the economy of OECD member countries. Data on demographics, macro-economics, globalization, energy, employment, science, environment, education, quality of life and fertility is also provided.<sup>6</sup>

## What is Israel's current ranking?

**Israel is ranked at the bottom of the ladder among developed countries in terms of Income Per Capita and Quality of Life.** However, Israel suffers from the largest variance in performance of different segments of the Israeli society and economy compared to other developed countries. Whereas the business sector excels and Israel's population is among the most educated and technologically savvy, the Israeli public sector receives exceedingly low scores.<sup>7</sup>

- According to the Economist's Quality of Life index (2005), Israel is ranked 38<sup>th</sup> in overall quality of life and 33<sup>rd</sup> in per capita income at purchasing power parity.<sup>8</sup>
- According to the 2008 UN Human Development Report (based on 2006 data), Israel is ranked 24<sup>rd</sup> in the world.
- Based on the Global Competitive Index Israel is ranked 23<sup>rd</sup> in the overall ranking. The analysis indicates that Israel's business sector and human capital rank among the ten leading countries. Nevertheless, the public sector's performance is ranked lower than other developed country.<sup>9</sup>

## Why 'ISRAEL 15' and not 'ISRAEL 10' or 'ISRAEL 20'?

**Countries can be clustered into tiers on the basis of their level of development and quality of life.** There are 7 to 9 members in the leading tier of nations including the Scandinavian countries, Luxembourg, Canada and Australia. The second tier comprises of 8 to 10 countries including Germany, Japan, France, the Netherlands and Belgium. Finally, in the third tier there are countries

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<sup>4</sup> See footnote 3.

<sup>5</sup> See the Reut Institute's concept: '[Human Development Index](#)'.

<sup>6</sup> See: [OECD factbook](#).

<sup>7</sup> See: Prime Minister's Office, The National Economic Council, [Socio-Economic Agenda, Israel 2008-2010](#), April 2007.

See: Brodet, Hurvitz, *et. al.* [Israel 2028](#).

<sup>8</sup> See [IMF Data](#) (2008).

<sup>9</sup> See the Reut Institute's document: '[Case Study: Incorporating the Global Competitiveness Index in Policy Planning](#)'.



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like Greece, Spain, Portugal, the Czech Republic and South Korea. According to favorable estimations, in terms of quality of life, Israel is placed among the lower part of this cluster.

**Therefore, we believe that for Israel to set the objective of becoming twentieth in the world in terms of quality of life may not be ambitious enough. At the same time, embracing the 'ISRAEL 10' may be unachievable at this stage.** The Israel 2028 Plan has also adopted the goal in the 'ISRAEL 15 Vision' which states the "The State of Israel will be one of the top ten to fifteen developed countries in the world, in terms of Income Per Capita." In addition, Chapter 8 of the Israel 2028 Plan shows that this goal is attainable.<sup>10</sup>

**There is no significance to the exact ranking in 'Quality of Life'.** That is to say, citizens will not feel a significant difference if Israel is ranked 14<sup>th</sup> or 16<sup>th</sup>. However, a social and economic leapfrog from Israel's current position into the top fifteen will have a strong and positive impact on the life of all Israeli citizens and transform many elements in society and the economy.

## What is the meaning of 'Quality of Life in Israel'?

The Economist Quality of Life index and the UN Human Development Report use a variety of parameters to estimate Quality of Life. However, these parameters are not necessarily indicative of what is important for Israel and its citizens. **Consequently, the Reut Institute focuses on four dimensions it holds critical to Quality of Life in Israel:**

- **Economic Security** – This dimension refers to an individual's ability to financially support oneself and one's family. It is determined by material wellbeing, human capital, and an environment supportive of growth.
- **Social Well-being** – This dimension refers to a person's desire and ability to identify with society and be an active member of it. It is determined by the amount of trust placed in the government's ability to design and execute policy, the scope of an individual's rights and liberties, and the sense of belonging to one's community and nation;
- **Personal –Physical Security** – This dimension refers to an individual's safety from harm to one's life and property. It is determined by the quality of health services, the quality of the environment, and protection the state provides from criminal violence, war and terrorism;
- **Jewish Added Value** – This dimension refers to the amount of satisfaction an Israeli Jew draws from being part of the fulfillment of the Zionist vision or of a Jewish sovereign state. The Jewishness of the state, in terms of its capability to offer a unique Jewish experience to Israel, is an engine for raising foreign investments, to encourage immigration and prevent emigration.

## What is Leapfrogging? What is the difference between growth, accelerated growth, leapfrogging and economic miracles?

**'Accelerated growth and 'leapfrogging' are specific phenomenon of economic growth, and are defined as follows:**

<sup>10</sup> See: 'Israel 2028', p.12.



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- **Growth** is defined as an increase of GDP per capita in comparison to the previous year. Growth is common. Most countries will experience growth in a given decade. The average growth rate of developed countries is approximately 2% per year. Growth cycles usually last three to five years, after which the economy slows down.<sup>11</sup>
- **Growth Acceleration** – Research led by Professor Hausmann defined 'growth acceleration' as annual real growth that exceeds 3.5% for eight years at the most, after which growth rates once again return to the common growth pattern. This is a rare socio-economic phenomenon which occurs in one out of four countries in a given decade. Following this period, most countries return to a lower growth rate.<sup>12</sup>
- **Leapfrog / Catch-up Episode** occurs when the growth acceleration of a minimum of 3.5% average annual real growth lasts beyond eight years, which brings about a closing of gaps in quality of life in comparison to developed countries. Leapfrogging not only requires fast and continuous growth to enlarge the national pie (sustained growth), but also requires a sharing of the fruits of growth to improve the quality of life of all citizens (inclusive development).<sup>13</sup>
- **Economic Miracle** – On rare occasions, the average annual growth rate of a country exceeds 7% for more than 25 years. These cases qualify as 'economic miracles'. According to the Growth Report, thirteen countries have achieved this feat since the Second World War.<sup>14</sup>

Israel also underwent an impressive leapfrog between 1951-1972 during which time we enjoyed an annual real growth rate of 5.5% per year.<sup>15</sup>

## Why is Leapfrogging not a luxury?

**In Israel, the gap between human capital and quality of life is dangerously low in comparison to other developed countries.** Israel has excellent human capital and an advanced private sector. According to international rankings, Israel is ranked top among developed countries in these fields. However, according to the same rankings, the quality of life in Israel is average and the public sector is weak. Due to this fact Israelis choose to move abroad.

**Erosion of quality of life in Israel compared to other developed countries could accelerate emigration of a critical mass of its qualified and educated members of society, leading to a 'collapse' in Israel's human capital.** Therefore, Israel's socio-economic leapfrog is a necessity and not a luxury.

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<sup>11</sup> Hausmann R., Pritchett L., Rodrik D., "Growth Accelerations", **NBER Working Papers Series**, (Harvard University, 2004), p. 5.

<sup>12</sup> Growth Accelerations, p. 2, 14.

<sup>13</sup> The Growth Report, p. 1. **The Growth Report – Strategies for Sustained Growth and Inclusive Development** by the Commission on Growth and Development, (Washington DC: The World Bank, 2008) (hereinafter: Growth Report).

<sup>14</sup> Growth Report, p.1, 19.

<sup>15</sup> Ben David D. "Israel's Socio-Economic Paths", **Economy Quarterly** (Tel Aviv University, 2003), pp. 27-104.



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## How does Leapfrogging occur?

**There is no 'recipe' for leapfrogging** – Each country that leapt shaped its own unique path. Policy and priorities were formulated based on the history, social structure, system of government, and the unique assets and burdens of each country. Leapfrogging is a result of a 'perfect storm' when successful economic policy, social, political and ideological ripeness, leadership, and strong global trends come together. Therefore, the process of leapfrogging goes beyond the concepts of general knowledge or economic interpretation.

**Although there is no 'recipe' for leapfrogging, international research and study of common characteristics of countries that have leapt, indicate that there is a common denominator between them.** Leapfrogging requires the ability to make deep institutional changes to cope with the economy's progress. In other words, the foundations of leapfrog are the institutions in the public sphere that allow a society to cope with change. Research of countries that have leapt indicates that the 'difference that makes the difference' is the public sector's role as it lays the foundation for leapfrogging.

For example, in the early 1990's, Ireland exploited the international need for a cheap English-speaking labor force to encourage high growth that lasted for over twenty years.<sup>16</sup> South Korea used the money it got from the United States after the Korean War in order to nourish the human capital and physical infrastructure that were at the base of its leapfrog.<sup>17</sup>

## What is the role of the public sphere?

**Research of countries that have leapt indicates that the manner in which the public sphere is organized and managed will determine the country's ability to leapfrog.** This is especially the case for developed countries which follow the International Monetary Fund's guidelines for responsible macro-economic conduct and development.

A public sphere which supports leapfrogging is composed of a vision, leadership and certain values and institutions. Moreover, a pact and partnership are necessary in the labor market between the labor unions, government and employers, as well as promoting unique and global industrial policy.

## What is the importance of institutions for Leapfrogging?

**The key to leapfrogging is the design and cultivation of institutions vital for the process.** Leapfrogging is characterized by acceleration in the pace of growth and is synonymous to acceleration in the pace of change in the economy's products and services. This is tantamount to acceleration in the pace of societal change. Therefore, Leapfrogging requires cultivating the ability to make deep institutional changes to cope with the economy's progress.

**There is a need to cultivate a central brain which specializes in** identifying global trends and analyzing their relevance, potential and impact on the local economy and society. Also, developing

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<sup>16</sup> Department of the Taoiseach, **Ireland and the European Union: Identifying Priorities and Pursuing Goals**, (Ireland, 2005).

<sup>17</sup> Rodrik, D., Grossman, G., Norman, V., "**Getting Interventions Right: How South Korea and Taiwan Grew Rich**", Vol. 10, No. 20 (Apr., 1995), pp. 55-107.



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specialized key units such as the Foreign Trade Administration or the Chief Scientist at the Ministry of Industry, Trade and Labor is essential.

## What are the values necessary for Leapfrogging?

Values: countries that have leapt have demonstrated the following common values:

- **Future orientation** ("tomorrow at the expense of today") – Countries that leapt developed a culture - framed in formal and informal agreements and practices - that focused on diverting many resources from consumption to investment by increasing national savings. A well-known example is the the National Economic and Social Council in Ireland (NESC) that forged a compromise among different sectors to pull Ireland out of its economic crisis in the 1980s and launch its leapfrog.<sup>18</sup>
- **Inclusive growth: All citizens enjoyed the fruits of growth (even if not equally)** – Inclusive growth is a pre-condition for leapfrogging. In countries that leapt, citizens felt that they and their children would enjoy the fruits of future growth whether through higher income or better public services, such as public education, infrastructure, welfare and personal security.<sup>19</sup>
- **A variety of market economies. None identical to the U.S.** – All leading economies and all countries that have leapt have market economies. However, these market systems vary in key areas such as regulation, structure of the labor market or level of government intervention.
- **Pragmatism** – One of the most striking characteristics of countries that leapt was their ability to execute a pragmatic socio-economic policy adjusted to local context. They forged strategies that constantly assessed the outcome of their policies based on trial and error methods along with learning mechanisms.

**Trust** is essential for leapfrogging. At its base is the commitment to a shared vision and to the values of leapfrogging. A common vision and shared values are an essential condition for building trust among the government, the business sector, and employees. This trust is vital when forming 'package deals' that are necessary for diverting resources from consumption to investment.

## What kind of leadership is needed for Leapfrogging?

**Leadership is a pre-condition for leapfrogging** because leapfrogging requires fundamental change in values, conduct, and national priorities.

The duration of leapfrogging – a minimum of eight years – transcends average political tenures in most democracies. Hence, as leapfrogging requires multiple and continuous fundamental changes, it

<sup>18</sup> On the role of trust see Reut paper: "[Triangle of Trust as a Condition for a Leap in Quality of Life](#)"; [Israel 2028](#) p. 17

<sup>19</sup> There are different views when addressing the problem of distributive justice. Some argue in favor of a distribution based on need and some based on reward. Nozick justifies unequal distribution of resources when it is the outcome of an act of purchasing and the outcome of a just reallocation of resources. Rawls justifies unequal distribution of resources when the poorest individual in a world is better off in comparison to his condition in a completely equal world. See: Nozick, R., **Anarchy, State and Utopia**. (Basic Books, 1974); Rawls J., **A Theory of Justice**, (Harvard University Press, 1971).



To become one of the fifteen leading countries

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**requires commitment and mobilization of an entire elite in positions of influence, leadership or authority in business, bureaucracy, nonprofit, philanthropy, academia, and national and municipal politics.** Such an elite should understand the vision and challenge and its members should acquire the ability to make a contribution, each from his or her own position. Hence, leadership of the heads of the labor unions is as important to achieving leapfrogging as is the leadership of the Prime Minister.

## What is the logic of the Second ISRAEL 15 Conference and its goals?

The Second ISRAEL 15 Conference will focus on the challenge of Israel's socio-economic leapfrog 'Realizing the Vision Now' and its importance during the current local and global economic crisis. We believe that a rare opportunity currently exists for the following reasons: the economic crisis creates a sense of urgency and openness necessary for accepting fundamental changes. Also, we believe that upon its formation, the new government will make significant socio-economic decisions. Finally, the relationship between the labor unions, employers and the government presents a unique opportunity for instigating fundamental changes in Israel's economy and society.

The goals of the Conference are:

- Expanding the ISRAEL 15 community by bringing together the individuals and organizations which are committed to the 'ISRAEL 15 Vision' and are working towards its realization.
- Laying the foundation in order to cultivate the abilities, institutions and cooperation which will serve the 'ISRAEL 15 Vision'.

## What is the Israel 15 salon and what are its discussion topics?

**The 'ISRAEL 15 Salon' is a space where discussions will take place about topics concerning Israel's social and economic leapfrog.** The goal of the salon is to create a meeting space for the people and organizations committed to Israel's leapfrogging.

**In each of the salon spaces a discussion will take place on a topic relevant to the realizing of the 'ISRAEL 15' Vision,** such as: Leapfrogging Regions; Israel's 1985 Economic Turning Point; Inclusiveness; The Environment: Economic Asset and a Security Interest; The Jewish World - An Untapped Growth Engine; The role of Arab society in promoting Israel's leapfrog; The Educational Infrastructure for Leapfrogging; Leadership and Institutions among others.



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## Notes

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# **מכון ראות**

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## THE REUT INSTITUTE

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The Reut Institute is a non-partisan, not-for-profit organization working to improve the ability of the Government of Israel to act strategically. Reut was established in January 2004 and serves the State of Israel on a pro-bono basis.

The mission of the Reut Institute is to sustain significant and substantive impact on the future of the State of Israel and the Jewish World. We offer strategic decision-support services to Israeli leaders by focusing on the mindset of decision-makers, identifying strategic surprises and opportunities, creating new knowledge and disseminating it to people in positions of authority, leadership or influence.

Our unique value proposition results from our work on the fundamental level of policy – its premises. The Reut Institute specializes in helping decision-makers gauge their working assumptions with regard to their objectives, policy tools and the geopolitical environment.

Reut's strategy in fulfilling its mission relies on: Being a primary address for decision-support in Israel; Recruiting and training Israel's future strategic thinkers and encouraging them to join the public sphere; and developing an innovative model for strategy and policy-making which will be emulated by government agencies.

We currently offer real-time decision-support in the fields of national security, as well as socio-economic development under the ISRAEL 15 Vision which calls for leapfrogging Israel's quality of living to among the 15 leading nations in the world.

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