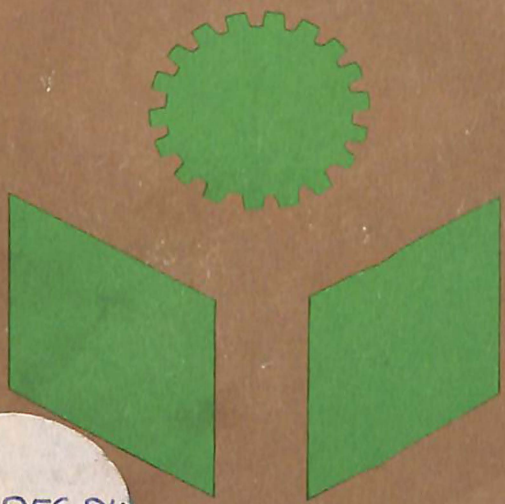
ISRAEL

High-Pressure Planning

BENJAMIN AKZIN and
YEHEZKEL DROR

Preface by BERTRAM M. GROSS



NATIONAL PLANNING SERIES

Israel

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National Planning Series

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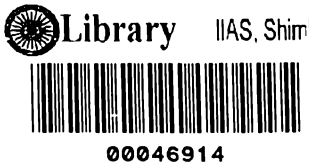

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BERTRAM M. GROSS

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Planning as Crisis Management

Throughout the "underdeveloped world" national leaders have committed themselves to the great goals of material well-being and social justice. They have hoped that by planning wisely they can reach quickly a level of economic wealth that took centuries to attain in the West. National development planning has become the mystique of these "century skippers."

But bitter experience has already taught them that, with but a few exceptions, ambitious plans for "milk and honey" cannot be realized very quickly. The typical century skipper—whether a Nehru, a Stalin, a Mao, a Cardenas, a Nyerere, or a Nasser—does not live long enough to enter the Promised Land himself. Like Moses, he will die or be deposed long before his people can end their wanderings in the wilderness.

Israel has been a dramatic exception. In 1948 it was a poverty-ridden land of sand and rock, swamped by enormous immigration, and threatened with imminent destruction. Since then, while remaining the "powder keg" of the Middle East, it has been transformed into an industrial, technology-oriented society. Living standards have reached Western European levels. Hundreds of Israelis offer technical assistance to other countries. Unlike Moses, the veteran leaders of Israel—a group that has managed to maintain political control longer than any other national leaders in the world —have already entered the Promised Land of modernity. Israel thus stands out in bold contrast to its hostile, understandably envious, and equally Semitic neighbors: Egypt, Iraq, Jordan, Lebanon, Saudi Arabia, and Syria.

Can Israel's example be followed by its neighbors or by developing nations in Asia, Africa, and Latin America?

The answer is unfortunately "No!"

First, the conditions under which the Israeli "miracle" has occurred are quite unique. It is inconceivable that any similar variables can ever again combine in the same permutation. Second, it

is also rather improbable that the leaders, scholars, or expert advisers of any "underdeveloped" country could ever manage to understand just what Israel's experience has really been. Indeed, very few Israelis "understand" it in the sense that they could explain it to others. Moreover, many well-publicized accounts of Israel's economic development are wildly fictitious. Even when not presented in the superficial language of fund-raising and tourist "enlightenment," they usually leave out some of the most vital facts. I have spoken with Indian "experts" who have visited Israel's cooperatives without learning about their crucial political role in the country. I have met American and African students of Israel's agricultural settlements who have never caught on to the myriad ways by which both the *kibbutzim* (collectives) and *moshavim* (co-operatives) have been nourished by government subsidies. This is comparable to a performance of *Hamlet* without the Prince and Ophelia in the cast.

On the other hand, Israel's astounding growth has not been a miracle. Although affected by fortuitous circumstances, it has not been an accident. It has been—and still is—the result of "high-pressure planning" and implementation by many people and numerous groups. Accordingly, intensive and realistic study of Israel's experience might throw considerable light on the nature of rapid social change and the various kinds of planning that may contribute to accelerated economic growth. It could illuminate the mysteries of human response to the challenge of recurring crisis and the strange behavior of planners who have learned to exploit and manage—not merely react to—crisis. This is the challenge-and-response phenomenon that Arnold J. Toynbee regarded as the secret of rising and falling civilizations.[1] Yet no historian has yet examined this phenomenon in terms of high-pressure, modern-style planning for economic growth. Let us hope that future studies in this area will be encouraged by this provocative preliminary survey by two of Israel's leading political scientists, Benjamin Akzin and Yehezkel Dror.

In my own judgment what we already know about Israel's experience—unique though it is—points up many principles and

[1] *A Study of History*, abridgement of Vol. I–VI by D. C. Somervell (New York: Oxford University Press, 1947).

phenomena of profound significance both for her neighbors and for other countries eager for the fruits of industrialism. Those I shall discuss in this preface are: planning as a response to cumulative crisis; the utility of high-pressure resource acquisition; the Finance Ministry as the "real planner"; the higher rationality of "pragmatic planning"; and the strange relation between economic development and war.

In addition to using the material supplied by Drs. Akzin and Dror, I shall draw upon my own experiences in this unusual country. My familiarity with Israel goes back to 1953 when I served as a senior adviser in the office of the prime minister of Israel, along with other members of the short-lived Economic Advisory Staff referred to by Akzin and Dror (pp. 68–70). Subsequently, I served as an economic adviser to the minister of finance, with part of my time assigned to an appraisal of equipment and managerial problems in El Al (the Israel national air line) and part to the Israel Productivity Institute. From 1956 to 1960, as visiting professor at the Hebrew University, I helped set up the new public administration program and the business administration department. During this period, knowledgeable civil servants, labor federation people, agriculturists, and professionals taught me many things about Israel that they themselves would hesitate to publish except in posthumous memoirs. Since then, I have had occasion to learn more about the Middle East as a whole and to discuss the problems of Egypt, Iraq, Jordan, Lebanon, and Syria with colleagues, students, and friends from those countries. Whether these are qualifications or disqualifications may be judged by the reader. In any case, both Israelis and Arabs will undoubtedly be upset by my inability to hold either of them accountable for the tragic fate of the Palestinian refugees or to accept any simplistic formula on the relation between economic development and military tensions in the Middle East.

THE DOUBLE CHALLENGE: SURVIVAL AND ASPIRATION CRISES

In surveying the experience of other countries I have already pointed out that "the perception of imminent crisis is usually a necessary (although not a sufficient) condition for the emergence

of national planning." [2] In the Garden of Eden, before the snake entered, *laissez faire* was the first commandment. Only after the Fall did man begin to plan. Joseph's "ever normal granary" in Egypt would not have been possible unless he and Pharaoh had foreseen that the seven "fat years" would be followed by seven "lean" years of threatening famine. The perception of imminent adversity makes it easier to develop common purposefulness among diverse groups. It stimulates tremendous expenditures of energy by successful leaders.

In discussing the uses of adversity, Toynbee lists five kinds of environmental challenge: hard countries, new ground, external blows, external pressures, and the penalizations of religious or racial discrimination. In illustrating these points he uses the difficulties faced by the ancient Israelites and pre-State Zionists.[3] A more realistic approach to modern Israel requires rounding out the picture with more recent facts on Hitlerite Germany's murder of 6,000,000 Jews during World War II; the refusal of the Western democracies, despite their shocked reaction to Nazi persecution, to open their gates to the survivors left in the concentration camps; the resulting surge of "illegal" Jewish immigrants into a country without resources to support them; the displacement of hundreds of thousands of Arabs; and the creation of a beleaguered State constantly threatened with extinction by the indignant and humiliated leaders of the Arab nations. All these add up to a *survival crisis,* widely perceived and deeply felt.

But there can also be an *aspiration crisis.* This is the crisis consisting of the acute dissatisfactions resulting from failure to achieve constantly rising goals. In Israel this form of crisis has stemmed from high-pressure drives toward an American standard of living. Israel's most active leaders have always been Westernized intellectuals who would never (no matter how greatly influenced by the early "agrophilia" of romantic Zionism) be satisfied with living like the Arab *fellaheen* (common man). The earlier days of enforced austerity temporarily dammed up the flow of psychic demand, building up a greater backlog of aspirations. Economic progress and the "demonstration effect" of American consumer

[2] Bertram M. Gross, "National Planning: Findings and Fallacies," *Public Administration Review* (December 1965), p. 265.

[3] *A Study of History,* pp. 88–139.

goods—helped along by two-way tourism and family connections —have resulted in ever-higher rising aspirations. Today, in Israel, people indignantly regard as preposterously intolerable conditions of simple full employment, job security, and adequate food, clothing, housing, medical care, recreation, and education. The revolution of rising expectations—characterized by bitter complaints against the slowness of a rise in living standards which is one of the most rapid in the world—is in full swing.

Hence the Israelis have faced a double challenge. The Pelion of an aspiration crisis has been piled upon the Ossa of a survival crisis. The former—with affluence and its inevitable disillusionments still far away—has continued to grow. The latter—with modern rockets and greater technical capacity in the hands of the Arabs—has not yet abated.

But crisis perception by itself is far from a sufficient condition for the emergence of planned growth. Challenge, no matter how dramatic, does not necessarily bring forth a creative response. Healthy growth can be expected, according to Toynbee, only when a minority of creative individuals is followed (through *mimesis,* or imitation) by the majority. Otherwise, acute crisis will yield stasis, if not breakdown.[4] In Israel, both these factors are readily apparent. The minority of local Zionist leaders have been a remarkable group of creative individuals. The majority of Israelis—including the large masses of less educated "dark" Jews from the Middle East and North Africa—have been *eager to follow the leadership and example* of this minority.

But we must go further than Toynbee to understand the nature of creative response to challenge. We must identify such crucial factors as cultural values, institutional organization, and environmental linkages. In Israel the cultural values of the Jews have included such important attitudes as: nationalism, based not only upon a burning sense of historical wrongs that have been suffered but also upon the biblical vision of a return to a "Holy Land." ("If I forget thee, O Jerusalem, may my right hand wither," Psalm 137); instrumental activism, the attitude that people can change the world instead of having to accept a predestined order; and collectivism, in the sense of orientation toward group action and organization rather than purely individual activity. The institutional

[4] *Ibid.,* p. 276.

structure of the Jewish community in Israel, even before the new State was established, has included a remarkable set of powerful trade unions, political parties, pressure groups, and economic enterprises. Somehow or other, the fact that these various institutions have been inextricably intermingled seems to have been a source of strength, not weakness. Finally, the country has enjoyed organized support from a large number of Jews in other countries —support that has evidenced itself not only in direct assistance but also in favorable action by the governments of these countries. Nowhere else in the Middle East—and nowhere among the presently "underdeveloped" nations—can there be found a combination of values, institutions, and linkages so conducive to rapid economic growth. An obvious conclusion to be drawn is that slower growth rates than Israel's may be expected in these other countries. A more significant conclusion—one far more difficult to concretize for those whose mental horizons are unduly dominated by technical economic variables—is that more rapid economic growth may be facilitated by action directed at developing new values, institutions, and external linkages. Otherwise, the continuing activities of national leaders in promoting aspiration crises through promises of ever greater amenities may lead to deep frustration and continuing political instability.

High-Pressure Resource Acquisition

One of the many myths of national planning is the idea that it is concerned primarily with the allocation and utilization of resources. This myth is bolstered by the obvious fact that plan documents invariably include considerable detail on the allocation of funds (and the resources that may be obtained therewith) to different purposes, including growth. Much attention is given to problems of utilizing the resources in a way that will best achieve such purposes.

Nevertheless, when we examine matters more closely, we often find that the details on resource allocation and utilization are mainly *justifications* used in the prior processes of resource *acquisition*. Awareness of this tendency has led to the formulation of the general proposition that "planning for resource acquisition tends—particularly in the earlier phases—to take precedence over plan-

ning for resource utilization." [5] Illustrations of this tendency may be provided for many countries throughout the world:

> In both India and Pakistan, the national plans have increasingly become a foundation on which to negotiate for increased external aid. In many Latin American countries, national planning efforts have originated through the insistence of the United States, the Alliance for Progress, and the World Bank that plans be developed as a condition for receiving assistance. Nor is this a phenomenon limited to industrializing countries only. National planning in Western Europe immediately after World War II began as a way of obtaining allocations of Marshall Plan funds. In the United States ambitious planning by the government agencies usually begins as an effort to justify their budgetary requests to the Congress. In private corporations it usually begins as an effort to back up plans to obtain desired funds from investors and lenders. In all these cases success in acquiring resources is a *sine qua non* of success in using them. No one has yet worked out a method of using unacquired resources.[6]

Nowhere in the world outside of Israel has so much attention ever been given to the acquisition of resources from abroad. In Israel "tremendous efforts are devoted to the mobilization of capital import," Akzin and Dror point out. "While no quantitative data are available, it is nevertheless clear that a considerable part of the time and energy of the minister of finance, the minister of trade and industry, the senior officials of the economic ministries, and the senior political staff is devoted to mobilization of resources abroad" (p. 56). Moreover, for every man day spent on this task by those at the center of government, there are probably an untold number of additional man days dedicated to this purpose by each faction in the Zionist movement, each sector (agricultural, industrial, commercial, cultural, etc.) of the giant labor federation (the Histadrut), every local government, and all ambitious private enterprises. It is this remarkable diversity of resource acquisition activities that leads Akzin and Dror to emphasize "the importance of dispersed

[5] Gross, "National Planning: Findings and Fallacies," p. 268.
[6] *Ibid.*

initiative and wide-spread search for new alternatives, which would be hindered by central planning" (p. 58).

While the government has eschewed detailed central control of external resource acquisition, it has nonetheless been the prime mover in this endeavor. It has deliberately planned and organized striking growth in export earnings. No other developing country has shown such a remarkable record in the expansion of foreign currency earnings through the *export of goods and services.* But this export expansion was subsidized in many direct and indirect ways. Indeed, both the subsidies provided and the imports needed for the production of exported goods and services stemmed from the "golden flood" of resources brought into the country in the form of grants, loans and investments. To maintain this flood, the central officers of government have: (1) exploited all possibilities for grants-in-aid from the Western countries, particularly the United States; (2) worked closely with Jewish organizations raising funds for nonreimbursable contributions to various activities in Israel; (3) in cooperation with the Zionist movement, negotiated German "reparation" payments to the Israeli government and "restitution" payments to individuals; (4) arranged for foreign government loans and loan guarantees for both the Israeli government and Israeli enterprises; (5) negotiated private bank loans, sometimes guaranteed by prospective funds to be obtained by fund-raising organizations; (6) helped organize a far-flung Israel bond drive operating in many countries; (7) provided substantial incentives to private foreign investors; (8) *used the sustained immigration to Israel of Jews without capital as a means of obtaining capital from Jews not interested in immigrating themselves.*

In conducting these activities, the high officials of central government had to overcome many forms of opposition. Perhaps the subtlest was their own distaste for the subservient position in which fund-raisers are often placed, as contrasted with the greater self-respect of the financially independent. Also, at almost every decisive stage, critics and bystanders arose to challenge the morality or feasibility of their efforts. In addition to those who opposed (temporarily) the acceptance of German funds, there were insistent skeptics who knew that the bond drive would never get off the ground, that Germans would not live up to their reparations agreements, and that German restitution payments to individuals would be a mere

trickle. More recently, there have been those who warned that the end of German reparations would mean the end of West German aid. Today, formal negotiations are under way in Bonn on "a new treaty providing economic assistance to Israel." [7]

The greatest skepticism concerning the acquisition of external resources has come from Israel's own economists. In the tradition of Jeremiah, they have repeatedly prophesied imminent disaster. With biblical fervor, albeit in rather nonbiblical terminology, they have predicted "a sharp and disastrous decline in net capital import" in another few years. When the few years have passed and net capital import has risen instead of fallen, they repeat the prophetic warning with respect to the next few years. "Past predictions of many economists have been false," suggest Akzin and Dror, "largely because they adopted too static a point of view, correctly foreseeing the decline of some sources of capital import but ignoring the possibilities for developing new sources. This neglect of the possibilities for change that human initiative and energy can effect may well be another 'trained incapacity' of some Israeli professional economists which significantly reduces the reliability of some of their predictions and recommendations" (p. 57). The term "trained incapacity" is not used by Akzin and Dror to suggest any lack of true professionalism. Rather, it refers to the apparent irrelevance to Israel's highly organized economy of the free-enterprise-free-market-price-theory tradition that developed at the University of Chicago and was substantially transplanted to the Hebrew University. Economists trained in or influenced by this tradition increasingly recommended stringent cut-backs both in consumption levels and in programs of planned investment. "Let us live within our means," they pleaded, "in order to build up reserves against the lean years." In short, economic growth—and even the rate of immigration from abroad—should be slowed down. But the key elites of the country, as has been pointed out, chose to expand the means. As a result, net capital import has grown from around $300,000,000 a year in the early 1950's to over $500,000,000 a year in 1964. And foreign currency reserves, despite rising levels of both consumption and investment, have risen to almost embarrassing heights.

During this entire period a repeatedly-avowed, long-range ob-

[7] *New York Times*, March 11, 1966.

jective of national policy has been to achieve economic independence. Although never formulated in precise terms, this objective has been generally regarded as entailing the elimination of Israel's dependence upon external aid (not independence from foreign influence, which has not been regarded as a serious problem). Yet every nation has many objectives, each one of which serves as a constraint upon the others. In Israel's case, the goal of economic independence was modified by the more pressing goals of national defense, the encouragement and absorption of immigrants, the development or restoration of natural resources, the expansion of professionalization and higher education, the building of science-based agriculture and industry, and the raising of living standards. All of these required more, not less, aid from abroad. Thus, in actual practice, while the slogan of economic *independence* remained as an expression of long-range desire, the overriding current economic policy—as expressed in behavior, not public statements—remained one of economic *dependence*. More specifically, this has become a three-pronged policy of seeking (1) the largest possible volume of foreign assistance (2) for the longest possible period (3) on the best possible terms.

Can such a policy be continued much longer? The fact that past predictions of failure were wrong, Akzin and Dror very wisely point out, does not necessarily apply to the future. Any answer to such a question by social scientists "would logically dictate establishment of a multidisciplinary team to propose alternative predictions of future net capital import . . . [and] take into account dynamic and extrarational variables" (pp. 57–58).

Political leaders and top administrators, of course, tend to have "multidisciplinary" minds that take all sorts of "extrarational" variables into account, even though (perhaps because) they do not try to write about them. In Israel they are all familiar with an ancient—yet remarkably up-to-date—Hebraic saying: "The more the calf wants to *get* milk, the more the cow wants to *give* milk." The reason is that the cow *gets* satisfaction in return. Thus, in referring to the many cows that nourish the Israeli calf, it would scarcely be appropriate to suggest that they "get milked." External aid to Israel has continued at a high level mainly because *the donors have received at least as much as the receivers.*

This is particularly true of both American Jews and the West

German government. By giving various forms of aid to the Israeli government, Israeli institutions, and individual Israeli, American Jews have received a rich sense of participation in great undertakings—a new sense of personal dignity and opportunities for creative activity. Germany has *received* partial "forgiveness" for the unspeakable crimes perpetrated by the Nazis. This made it possible for West Germany itself to obtain economic aid from the United States, to gain gradual admission into "the family of nations" and to proceed—and succeed—with its own policies of rapid economic growth.

These points may well be pondered by the economic planners of "developing" nations. Perhaps they too, in the very act of receiving economic aid, may become donors. By accepting aid they undoubtedly give opportunities for both business activity and a "political presence," perhaps even some degree of political influence. In a more subtle sense, they also give opportunities for education, excitement, and creative activity—opportunities that are higly prized by many active people and organizations seeking new worlds to explore, if not to conquer. There are more thing in the social accounts of the world than are recorded in any monetary balance of international payments.

THE MINISTRY OF FINANCE AS "REAL" PLANNER

What about the Ministry of Finance (or the Bureau of the Budget)? What is, or should be, its role in national planning for economic growth?

This is one of the major institutional problems in national planning. It must somehow be handled in every country (Communist or non-Communist, "developed" or "developing"). As with any institutional problem, there is no standardized blueprint that can supply the proper organization chart for all circumstances. Moreover, as the experience of Israel indicates, a satisfactory solution may be one that defies comprehension by many observers.

Any effort to comprehend the answer given to this problem in any particular country must begin with the recognition that one cannot learn much about a Ministry of Finance or Treasury Department just from its name. One must identify its major roles—or, in more managerial language, the major end-product services in its

"output mix." [8] To do this one may start with a simplified checklist of the Big 8 services in the field of "financial management" by central government: (1) budget formulation and control; (2) tax policy and revenue collection; (3) monetary policy; (4) control of banking system; (5) foreign currency problems; (6) domestic borrowing; (7) government lending and investing; (8) accounting and auditing.

In many countries these various roles are distributed among a variety of institutions. Thus in the United States (1) is in the Bureau of the Budget in the executive office of the president; (2), (5) and (6) in the Treasury Department; (3) in the Federal Reserve Board; (8) largely in the General Accounting Office; and (4) and (7) handled by a number of separate agencies. In many developing countries these functions are divided among a ministry of finance, a central bank, and a development corporation (or set of such corporations in individual fields). But no matter what the division of labor, the fact remains that any agency handling a major bundle of these services has an important role to play in national economic policy and planning. The reason is that the major financial management roles—particularly the first three—have a decisive impact upon the allocation of resources. Moreover, the appropriate handling of each of these three roles requires sophisticated economic analysis of an economy as a whole. This leads a financial management agency directly into the field of analyzing trends and potentials with respect to aggregate output and income, consumption and investment, balance of payments, price levels, and employment. For all these reasons experienced observers often maintain that the responsibility for national economic planning should be placed squarely upon the ministry of finance.

On the other hand, there is not only an unmistakable tendency —but also a need—for financial management agencies to take a negative and restrictive attitude. "Cold-eyed," "hard-nosed," "ultra-cautious," and "unsympathetic" are adjectives customarily used to describe the posture and behavior of top officials in budgetary and financial positions. Indeed, the greater the claims upon limited re-

[8] The important concept of "output mix" in relation to the services of a government agency is set forth in "Output: Quality and Quantity," Chapter 22 in Bertram M. Gross, *The Managing of Organizations* (New York: Free Press, 1964), pp. 564–572.

sources, the more important is it that the financial managers learn the art of effective "nay-saying." At the top levels of government, even more than in a single organization, "unacceptable requests must be turned down, Yes-Men must be counterbalanced, Utopian plans and proposals must be exploded." [9] Machiavelli's advice to the Prince still has meaning: "In our times we have seen nothing great done except by those who have been esteemed niggardly. . . . A prince must care little for his reputation of being a miser . . . ; this niggardliness is one of those vices which enable him to reign. . . . There is nothing which destroys itself so much as liberality, for by using it you lose the power of using it." [10] In treasuries and ministries of finance modern-day niggardliness evidences itself in skepticism toward large-scale investment projects which promise returns only in the distant future. It is expressed in an institutional bias in favor of monetary stability, improved balance of payments, and maintenance of foreign currency reserves. To protect these goals the financial managers are usually willing to tolerate more unemployment and lower rates of economic growth. Accordingly, those who favor more rapid growth, higher levels of employment, and ambitious long-range development projects usually maintain that the responsibility for national economic planning *must not* be placed upon a ministry of finance.

Thus the national planners' dilemma often boils down to the proposition that "we cannot do it *without* the Ministry of Finance, and we cannot do it *through* the Ministry of Finance."

The Israeli answer to this dilemma goes back to 1953. At that time two parallel institutional actions established: (1) a Budget Division in the Ministry of Finance and (2) and economic analysis staff.

The Budget Division was headed by Dr. Jacob Arnon, a Dutch economist who had settled in Israel a few years before and had distinguished himself in the development of Israel's diamond-cutting industry. Dr. Arnon gathered around him a group of bright young "whiz kids," mainly graduates of the economics department of Hebrew University. This group operated on two fronts: putting some order into the government's "ordinary budget" and building

[9] Gross, *The Managing of Organizations*, p. 393.

[10] Niccolò Machiavelli, *The Prince* (New York: Modern Library, 1950), pp. 8–59.

a "development budget" composed of investment projects that were carefully scrutinized in terms of their total impact upon the country. Within a few years' time every major spending organization in the country was out to get its own "whiz kids." Budgeting reached a degree of economic and political sophistication unknown in the era of preprofessional Zionism. In due course, the head of the Budget Division was appointed director general of the Ministry of Finance. By this time the Ministry of Finance had firmly established its hegemony over *all* the Big 8 financial management functions, with the Central Bank under David Horowitz preserving only that degree of autonomy which was convenient for the Ministry of Finance. During this same period the role of other ministries in central economic policy-making was formally recognized through the operations of the Committee of Economic Ministers. This committee is chaired by the minister of finance and serviced by his staff. As a subcommittee of the Cabinet, it is formally "the Cabinet sitting on economic matters." Its decisions are formal decisions of the government. Yet when matters are being considered that touch upon a ministry not represented (such as the Ministry of Foreign Affairs), that ministry is immediately drawn into the deliberations. On other occasions critical decisions are referred to the prime minister and the Cabinet as a whole. In this judicious manner, the authority of the committee—and through it the hegemony of the Ministry of Finance—is preserved and strengthened.

The first government office for general economic analysis, composed largely of Americans with considerable experience in government programing, was, as Akzin and Dror point out, the Economic Advisory Staff (pp. 68–70). This was set up in the prime minister's office on the initiative of the then-director general of the prime minister's office, Theodore Kollek (now mayor of Jerusalem). Kollek believed that the prime minister's office would be the appropriate location for a national planning staff. However, he found three problems there. First of all, the prime minister himself was interested mainly in other things (defense, foreign policy, and immigration). Second, while Kollek's plan to set up the Economic Advisory Staff had been warmly approved by the then-director general of the Ministry of Finance, a new director general was less enthusiastic. Third, it turned out that Oscar Gass, the American chief of the Economic Advisory Staff, himself disagreed with

Kollek's prescription. Gass's major interest was in making critical reviews of individual development projects. In this area valuable work was done. Even when the contribution was "negative" in tone (to use the Akzin-Dror terminology, which would be regarded as a euphemistic understatement by those who bore the brunt of some vituperatively critical reports), the general effect was to force Israeli officials to rely less on vague hopes and impressions and calculate costs and benefits more realistically. On a practical level, the staff also helped to strengthen the fact-gathering work of the Central Statistical Office.

In looking back upon this experience, some people have conjectured that it might have been more logical if the Economic Advisory Staff had been set up in the Ministry of Finance. It thus would have been closer to the area where the basic economic decisions were being created or fused. On the other hand, the realities of institutional growth cannot be understood by juggling boxes on organization charts. The injection in 1953 of too large an amount of foreign *expertise* into the Ministry of Finance might well have pushed the rising young Budget Division into the shadows. It might have cut off this healthy growth at its earliest stages.

Yet in the course of time the link between the Economic Advisory Staff and the Ministry of Finance was finally established—at least through subsequent genealogical developments. As Akzin and Dror indicate, one of the major legacies of the Economic Advisory Staff was to prepare an economic survey of Israel. This was undertaken in close consultation with the Research Department of the Bank of Israel. With the disappearance of the Economic Advisory Staff, the Bank's Research Department took over this function and built up an increasingly capable staff. As the Ministry of Finance came to feel the need for ever more sophisticated economic surveys, it turned to this department instead of setting up a separate staff of its own. By 1962, when the department was formally converted into the Economic Planning Authority in the Ministry of Finance, it had already been substantially serving as an arm of the ministry. For a while, as the result of a Cabinet reshuffle, the Economic Planning Authority was shifted to the prime minister's office. During this period its power practically disappeared. More recently, Dr. Arnon, who, like other high officials in Israel, is accustomed to wearing many hats, has been formally appointed its director (p. 75).

This arrangement is unlikely to last very long. It is probably easier to direct some organizations if one is formally not their immediate chief. Moreover, the hegemony of the Ministry of Finance over economic planning may be easier to maintain if there is a clearly separable (even though subordinate) agency handling general economic surveys and projections. More separability and visibility for the Economic Planning Authority will enable it to serve more effectively as a political symbol, as a target for criticism that would otherwise be directed toward the minister of finance and his director general, and perhaps—if and when the political tensions become greater—as a "sacrificial goat."

In another country one might favor greater independence for the Economic Planning Authority in order to counterbalance the negativism or restrictionism of the Ministry of Finance. Yet to propose this in Israel would be merely to confess one's ignorance of the local situation. One of the many paradoxes of Israel is that its Ministry of Finance is *in fact* much more than that. It is also in every sense of the phrase—although not in name—a Ministry of *Economic Development*.[11] Both its ministers and its top staff members have invariably been growth-minded. Indeed, Levi Eshkol (now prime minister), who served longer than anyone else as minister of finance and who fashioned the ministry with the help of Arnon, served at the same time as head of the Settlement Department of the Jewish Agency. This department has always been one of the country's most expansionist forces. The present minister of finance, Pinchas Sapir, has a long record of vigor in expanding Israel's water resources and industrial plants and exports. In other words, although many differentiated agencies are needed in Israel's "central guidance cluster," no separate agency is needed *merely* to counterbalance negativism in the Ministry of Finance. The counterbalancing forces of growth and restraint are *both* rather fully expressed within the ministry itself.

[11] There is a ministry in Israel called "Ministry of Development," but its functions are strictly limited to certain investment operations in the south of the country. Only the Ministry of Finance has a general responsibility for economic development as a whole.

THE HIGHER RATIONALITY OF "PRAGMATIC PLANNING"

"In Israeli circumstances," write Akzin and Dror, "pragmatism is frequently the optimal master-strategy" (p. 16). They illustrate the pragmatism of Israel's political elite by referring to their "resourcefulness and ability to improvise in face of quickly changing circumstances in which every small opportunity had to be seized without delay" (p. 11). They also point out that "for many problems in the economic, social, political, and technological fields, no applicable knowledge is available. Rather than be misled by theories and recommendations based on quite different circumstances, it is wiser to proceed pragmatically" (pp. 16–17). This, of course, encourages a "problem-by-problem manner of decision-making." The major officials of government spend most of their time "putting out fires." Indeed, pragmatism has been so fully established as a mode of operation that some Israelis have even already formulated it in doctrinal terms. Thus, in the Israeli army (an organization that has developed careful long-term planning in a pragmatic manner) the story is told of an officer who complains that he is too busy putting out fires with the result that he has no time for planning and calm calculation. The answer he receives from his commander is as follows: "It doesn't matter if most of the time you are dealing with fire as long as two conditions are fulfilled: The first is that you should be successful in eliminating the fire each time, or build something new to replace the damage. The second is that you should not hear about the fire while sitting in the station, but always be caught in the middle of doing something else." [12]

But it is not only under Israeli circumstances that pragmatism is often a rational course of action. In fact, the pragmatic spirit is very close to the scientific spirit itself. Dogma, ideology, and doctrine are often stereotyped modes of thought and behavior; pragmatism is the enemy of all three. Moreover, the systematic techniques of various professional disciplines—particularly econometrics and accounting—are themselves highly pragmatic. To those "in the know" they are "trial-and-error" arts that can be handled possibly only by technicians with a high degree of intuitive skill and a

[12] As reported in a 1965 seminar paper by Itzhak Galnoor, Israeli graduate student at Syracuse University.

willingness to proceed by successive improvisations and approximations. The higher rationality of administrators and statesmen requires considerable exploitation of the competing skills of many different kinds of technicians. It requires handling a much larger number of interrelating and constantly changing variables than are accounted for in any one discipline or profession. It also requires a sustained awareness of the high costs of information and research and of the calculational efforts needed to produce high-quality information and research. As Chester Barnard has pointed out, presumably rational scientific techniques of analysis may be highly irrational if applied to certain problems that "cannot bear the weight of ponderous logic." [13] Rationality is grounded in emotions, instincts, and interests as well as cognition. From this point of view nonpragmatic action, no matter how fancily justified with professional or doctrinaire terminology, may be highly irrational and certain forms of pragmatism may, under various circumstances, be the highest form of rationality.[14]

Above all, it is important to realize that pragmatism does not "prevent scientific knowledge from being used" (p. 17). Akzin and Dror have illustrated this point with respect to the technological problems of public health and crop improvement. I can suggest other illustrations more closely related to economic policy-making and planning:

1. *Utilizing "irrelevant" economics.*—The apparent irrelevance of much economic analysis to the specific problems of Israel did not prevent Israel's top administrators and political leaders from making fruitful use of economists. Young local economists trained in classical price theory, it soon turned out, had agile, inquiring minds. Given positions of potential influence, many of them escaped the dogmas they had been taught at Hebrew University and emerged as innovative administrators or, at least, useful analysts of real-life problems.

Foreign economists have often been put to use in ways that have had an immediate—although sometimes subtle and inverse—

[13] *The Functions of the Executive* (Cambridge: Harvard University Press, 1938), pp. 301–22.

[14] This is in accordance with the "action concept of rationality" presented in "Rationality: Satisfactory Action Patterns," Chapter 28 in Gross, *The Managing of Organizations.*

relation to the "irrelevance" of their advice. I remember participating in a meeting to consider a report in which a prestigious American economist strongly recommended *an immediate reduction in wage rates.* In view of the tremendous power of the labor federation and of inevitable wage increases in the future, this was on the face of it a totally unfeasible proposal. Indeed, even if this proposal had been feasible, there were good grounds for regarding it as highly undesirable. The position of the Ministry of Finance, in contrast, was that the coming increases should be smaller than what was being requested. If the ministry itself had advocated a wage reduction, its bargaining position would have been weakened by taking such an "extremist" point of view and the resulting increase might have been larger than otherwise. The ministry, therefore, stuck to its guns. But at the same time it released the American economist's report, knowing that it would receive public attention and draw considerable fire. This is exactly what happened. As a result, in contrast with the "extremism" of the foreign expert, the ministry's position now seemed more moderate. Its expert handling of this situation might be regarded as an illustration of the theory of "prophetic counterbalance." The ancient Hebrews always needed a Prophet in the wings who would call down the wrath of the Lord upon them unless they mended their ways. The economist today often assumes this prophetic role. If he is a veteran "old timer" such as David Horowitz, he will be honored because he better fits the ancient image of the prophet. But if he is a bright young man with a degree in economics and the ability to write unintelligible jargon, he may—in an age when magic appears in the form of science—inspire a deeper kind of awe. In either case, he is expected to provide valuable political counterbalance rather than to serve as a guide to action. If he sincerely accepts this role, and is in fact both indignant that his advice is not taken and unaware that he is being used, he will be all the more successful.

Another illustration of the immensely practical use of "irrelevant" economics is found in the economists' persistent forecast of imminent and disastrous decline of foreign aid. The more "scientifically" this forecast has been presented, the more it has helped promote renewed efforts of resource mobilization, and the more it has thus served as a "self-defeating prophecy."

2. *Seeking "irrelevant" foreign experts.*—Until a few years ago

Israel obtained a larger amount of foreign technical assistance (calculated on a per capita basis) than any other "developing" nation in the world. In many cases the foreign "experts" were conspicuously less expert, although much higher paid, than locally available people. In some cases they were obstructive or, at best, useless. Yet there was a pragmatic rationale for continuing to seek technical assistance abroad up to the very point when it became obvious to all donor agencies that Israel herself had become a highly qualified donor. For one thing, it was felt that getting foreign technical assistance was a gamble; if half the advisers were useless, then the other half might be useful. Also, technical assistance agreements often contained provisions for highly valued foreign fellowships to be used by local personnel. Finally, some donors—particularly the U.S. government—tended to link technical and capital assistance. "We'll welcome useless experts with open arms," I once heard a high official say, "whenever that may even indirectly help us get capital."

3. *Promoting institutional competition.*—As already indicated, Israeli society is both highly organized and highly competitive. Almost everyone seems to belong to a party, a trade union, a professional group, an association, and a faction or a clique in each. The competition between these groups is continual and intensive. The higher officials of government have adapted to this situation by recognizing in some way the legitimacy of almost every group. Everyone—whether inside or outside the coalition—obtains some benefits from the State. Under the given political conditions one might regard this as inevitable. What else could a government do? But the top leaders of the Israeli government have gone beyond the "recognition of necessity," one of the old philosophical definitions of freedom. They have achieved the higher freedom of making a virtue of necessity. They have deliberately nourished the institution-building, empire-constructing, resource-grabbing expansionism of organizations in all sectors of society, including science and education as well as the trade union movement, political parties, and private business. This has meant the promotion of sectoral and organizational (or facet) planning. The result has been more and more high-pressure planning and implementation by competitive institutions. Under such circumstances clear-cut coordination by

command of central authorities has been neither feasible, essential, nor desirable.

One of the most interesting—and at the same time one of the most flexible—definitions of national planning states that it "is an effort through central planning institutions to *promote or coordinate* the activities of (a) intermediate bodies, such as national government departments, regional, state, or local governments, business federations, and large nation-wide enterprises, and (b) operating units, such as enterprises, associations, local governments, agencies, communities, families and individuals." [15] Depending upon the circumstances and the good sense of the planners, varying degrees of emphasis are put upon *promotion* or *coordination*. The former tends to create problems that require coordination. The latter may be so repressive as to reduce the amount of activity worth coordinating. In Israel, unrecognized by those who mistakenly equate planning with coordination only, the emphasis has tended to be placed on promotion.

4. *Long-Range Planning as Current-Action Tool.*—"I need a plan for economic independence. When can I have it?" The speaker was Levi Eshkol, then minister of finance, now prime minister of Israel. The time was January 1955. As economic adviser to the ministry, I thought for a moment that he wanted the plan as a basis for his coming budget speech. But no, he explained, he needed it sooner than that. He needed it for a speech in the United States a few weeks later when he was going to open the next year's bond drive. The nature of this need was no great surprise. A year earlier, the ministry had prepared its first ambitious set of economic projections for the future in response to insistence by the U.S. government that an "economic independence plan" was a precondition for its next grant-in-aid. Some years later, as Akzin and Dror relate, the Cabinet prepared a ten-year plan as part of the 1959 election campaign. Subsequently, there came the more sophisticated—albeit overlapping—general plans for 1964–67 and 1965–70.

A common characteristic of all these "plans" is that they met

[15] This is one of the "Minnowbrook propositions" prepared by a committee headed by Robert J. Shafer, presented in Bertram M. Gross, "The Great Vista; National Planning Research," *Social Science Information, Quarterly Bulletin of International Social Science Council* (June 1965), p. 8.

a clear and present need. But the nature of the need changed with time. At the outset it was merely to help in the laborious process of acquiring external resources. Later, planning was needed not only for this but also to offset the pressures of leftist parties and concretize the specific promises to be made in national election campaigns. Still later, planning was seen as needed not only to get capital and votes but, increasingly, also to provide guidelines for current decisions. All of these needs, let it be emphasized, were important. Indeed, this concentration upon the present fits in very well with the more modern approach to long-range planning formulated by Richard Neustadt: "The object of planning is to decide what should be done now in the light of the best present estimate of how the future will look. *Planners think about the future in order to act wisely about the present.*" [16] Indeed, with but few exceptions, there is ground for the general statement that in Israel as in other countries "long-range planning has proved valuable mainly as a guide to current action." [17] This pragmatic spirit has paid off. It has led to the growth of a high-pressure, decentralized, and highly competitive planning system in which planning is increasingly being used as a guide to the utilization of resources, not merely their acquisition. Because past plans were so successful in helping win resources and votes, many operating agencies are now strong enough to make long-range plans that are really helpful in guiding current decisions on resource use. The fact that this can take place without too great a political or administrative burden upon the "central guidance cluster" is testimony to the strength, not the weakness, of the national planning system.

War and Economic Development

Jewish settlements in Palestine grew up in an atmosphere of constant struggle with the Arabs.

The State of Israel was born in the 1948/49 "war of liberation," climaxing a long series of conflicts with the Arabs. Since then, relations with the Arabs have been characterized by a cease-

[16] Richard E. Neustadt, in report prepared for U.S. Senate Subcommittee on National Security Staffing and Operations, *Administration of National Security* (Washington, D.C.: Government Printing Office, 1965), p. 11.

[17] Gross, "National Planning: Findings and Fallacies," pp. 269–70.

less "cold war," repeated border violence, an economic boycott by the Arabs, and Egyptian denial of access to the Suez Canal. For a brief period in 1956 a world crisis was created by the Suez campaign, through which Israel won access to the Red Sea. U.N. forces are still stationed on Israel's borders.

Today, the Israel-Arab conflict ranks high in any list of "danger spots" around the world. The "balance of power" in the Middle East is a delicate problem for many of the major powers. This issue is heightened by the possibility of nuclear weapons in the hands of either Israel or Egypt.

Does economic growth—in the Middle East or elsewhere—reduce the threat of war?

Although a full discussion of this important question would require a separate book, it is useful in this context to identify two opposing points of view.

On the one hand, there is the widely current philosophy of economic development as an antidote for war. This viewpoint is rooted in the general proposition that poverty brings either war, revolution, or both and that a growing gap between the "Haves" and the "Have Nots" of the world is an invitation to trouble. Economic growth and rising standards of living, however, will contribute to both peace and stability. In the perspective of the Middle East, this leads to a number of rather popular propositions:

1. Israel has contributed to peace in the Middle East by setting an example of rapid economic growth.
2. Egypt's serious efforts toward economic development have distracted the new generation of Egyptians from beating the drums for war against Israel.
3. If the other Arab countries should become more dedicated to economic development, they too would become more willing to accept Israel as a "fact of life."
4. If this should happen, the Arab countries—particularly those which need additional population for development purposes, such as Iraq and Syria, might be willing to absorb the Palestinian refugees (about 1,300,000 by now) from the U.N. camps on Israel's borders.

On the other hand, serious students of foreign affairs and international politics have expressed a different point of view. Hans Morgenthau maintains that "most wars have been fought not for eco-

nomic but for political advantage." Still more persuasively, he points out that "only economically advanced nations are capable of waging modern war." Indeed, economic development is widely perceived as a prerequisite of and contributor to military capacity. Moreover, the process of economic development "is likely to disrupt the social fabric of the underdeveloped nation. . . . The vacuum thus created will be filled by social unrest and political agitation." [18] A careful analysis of data from underdeveloped countries, according to Bruce M. Russett, provides "striking evidence that the process of economic development may bring important sources of tension and even violence. . . . Underdeveloped nations must expect a fairly high level of civil unrest for some time. . . . Very poor states should probably expect an increase, not a decrease, in domestic violence during the next few decades." [19]

The application of this point of view to the Middle East suggests that it would be wild self-delusion to think of peace between Israel and the Arab states as a result of economic action alone. A more sober appraisal of present trends suggests the possibility of the following:

1. Growing disparity between living standards in Israel and in the Arab countries.

2. Continued Arab animosity against Israel, based to a large extent upon sincere feelings of legitimate grievance and exacerbated by *greater*—not *less*—instability within most Arab countries and greater tensions among some of them.

3. A continued arms race in the Middle East, increasingly nourished by the military capacity rooted in economic and technological development itself.

4. Sustained refusal by the Arabs to absorb the Palestinian refugees or to acquiesce in their giving up their rights to their property in Israel.

The case of the refugees on Israel's borders is a perfect illustration of the impossibility of understanding international problems in simplistic terms. From an economic standpoint the one country in the Middle East which is already *capable* of absorbing large numbers of the Palestinian refugees is *Israel itself* (not Iraq or

[18] *The Restoration of American Politics* (Chicago: University of Chicago Press, 1962), pp. 266–68.

[19] *Trends in World Politics* (New York: Macmillan, 1965), p. 136.

Syria). But political and security factors make this unfeasible—just as political factors hold up serious growth planning in both Iraq and Syria. International politics, moreover, is itself remarkably complex. Indeed, the Israel-Arab clash is much more than the Middle Eastern problem which, on the surface, it appears to be. It is rather an international problem of much broader dimensions. One of the decisive factors that brought the State of Israel into being was the persecution of the Jews by Hitlerite Germany. After the collapse of the Nazis, hundreds of thousands of displaced Jewish men, women, and chidren were left homeless in the displaced persons camps of Europe. Although some countries in Latin America admitted a selected few from the camps, none of the Great Powers responded to the need by opening their doors generously. The only people who wanted them were the Zionists of Palestine. The resulting flood of immigrants broke the barriers imposed by the British and—directly and indirectly—displaced hundreds of thousands of Palestinian Arabs. If ever there was a "domino phenomenon" in modern history, this was it: Hitler, displaced persons camps, and immigration barriers in countries like America led to illegal immigration, partition of Palestine, and continuing conflict with the Arabs. As a result, for every ten Jews who are a part of prosperous Israel, there are now five idle, uprooted, and unwanted Arabs in the stultifying and demoralizing atmosphere of the U.N.'s "charity wards" on Israel's borders. The Palestinian refugees and their children have been innocent bystanders in a world they could not control, but their displacement was not due to Zionist malevolence; the Jews from the D.P. camps and elsewhere had no other choice. Their plight—and that of their children—is the result of Nazi crimes and the callous indifference of America and the other Great Powers.

In other parts of the world, too, not only in the Middle East, we find a similar tangled skein of complex, interrelating variables. No serious guide to policy-making may be found in the "economic determinism" based on the Have vs. Have Not imagery of the problem of war and peace. What the Haves have—and unfortunately seem to be getting much more of—is increased capacity for destroying the world. What the Have Nots lack is not only material goods and destructive capacity but self-respect, dignity, and faith in themselves. Economic "having" and "not having" are only two

elements in the web of internal and external relations that lead to war. Indeed, this web is now international in scope. "Today, unheralded and uncelebrated, a world society is slowly and painfully coming into being. It is characterized by the growth of increasingly interdependent nations, both industrializing and post-industrializing, of world-spanning organizations, or urban world centers, and of world-oriented elites. This growing interdependence is facilitated by communication-transportation systems that, for some activities, are continually decreasing the space-time between Washington and Moscow more rapidly than that between Washington and Wichita or Moscow and Minsk. We are now witnessing "the rapid and painful birth pangs of a world society with no government and many bad neighbors." [20]

Social scientists are slowly and painfully breaking away from the idea that nature, like universities, is organized into disciplines. In the field of national planning this is leading to recognition that planned economic development is part of a process of trying to bring about changes in a social system at the level of the nation-state. If we are now to consider seriously the relation between economic development and war, we must broaden our perspective once again. We must devise concepts that will allow us to focus upon the world system and the economic, cultural, political, institutional, and technological aspects of the emerging world society.

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[20] Bertram M. Gross, "Space-Time and Post-Industrial Society," Occasional Paper, Comparative Administration Group, American Society for Public Administration, 1966.

I

The Planning Paradox in Israel

A short examination of some of Israel's main characteristics would lead us to expect a significant amount of national planning in the larger sense of *systematic decision-making directed at improving social action in the future so as optimally to achieve long-range objectives.*[1]

The small size of the country (7,993 sq. mi.) and its population (about 2,500,000 in 1965) make over-all national planning feasible. The complexities of demographic, economic, and security problems, an extraordinarily high rate of immigration, combined with the relative scarcity of resources, make essential a conscious effort to engage in rational, integrated, comprehensive, and long-range public policy-making involving extensive national planning. The ideological orientations of a large majority of the political elite are derived from the social-democratic traditions of pre-Communist Eastern European countries, presumably making this elite inclined to planning. Moreover, many foreign experts, even if "antiplanning" oriented in their own countries, have advised Israel to strengthen its planning processes.

The very dynamism of Israel's early history, however, required improvisation as an optimal mode of operation during the pre-State period. Israel had to cope with major security hazards at short notice. The overwhelming immigration rate doubled its Jewish population within three years and tripled it within twelve—in spite of lack of resources and an undeveloped economy. Its leaders were forced to concentrate their efforts on overwhelming emergencies rather than devoting sufficient attention to planning.

The authors are grateful to the many planning practitioners in Israel who made this study feasible by giving freely of their knowledge and time. But for their patience, kindness, and willing help, the authors would have been unable to undertake and execute this research project.

The main variables hindering planning have, therefore, been the following: pre-State patterns of improvisation carried into the postindependence period; pressure of acute problems, preventing allocation of resources to the planning of the future; internal political conditions, making difficult elaboration of operational goals and integration of sectoral planning; an insufficient supply of professional experts and a negative attitude toward some of the experts that were available; and basically optimistic psychological attitudes which regard planning as basically unnecessary.

The history of planning in Israel can be viewed as a gradual weakening of antiplanning variables on the one hand and a gradual strengthening of proplanning variables on the other. The actual amount of planning at any moment is a function of the relative strength of these two opposing sets of variables. At present national planning in Israel is in *statu nascendi*. Significant progress is being made in sectoral and project planning, but as yet little national, and comprehensive, planning exists.

This report explores the operation of these antiplanning, proplanning, and other variables in an effort to arrive at an understanding of the dynamics of planning in Israel. It examines primarily the basic forces shaping the main features of planning as a social-political-organizational process, rather than substantive planning issues or secondary details of structure or process.

Some Historical Remarks

The pre-State period can be subdivided into the Ottoman period, continuing till nearly the end of the First World War; the military occupation period (1917–22), during which Palestine was administered as an occupied territory by the British Army; and the mandate period (1922–48), during which Palestine was administered by Great Britain as mandatary on behalf of the League of Nations. Let us mention briefly some general characteristics of the mandate period as background for later developments.

The political and legal regime in Palestine followed in the main the British colonial pattern, with a high commissioner responsible to the Colonial Office, assisted by an executive council composed of senior officials. Efforts to establish a representative advisory council failed because of the impossibility of arriving at a composition

acceptable to both the Arab and Jewish parts of the population. The formal participation of the local population in the governmental process was limited to the administration by the respective communities of their internal affairs and to some local self-government.

In fact, there existed in Palestine at least three different societies which—while interacting and struggling with each other—were in substance quasi-autonomous entities. These were the small English community, which occupied most senior political, judicial, and administrative positions; the Jewish community, known in Hebrew as the *Yishuv;* and the Arab community, at that time the majority of the country's population. Both the Jewish and the Arab communities were composed of several subdivisions. Among the Jews, the most important distinctions were those between the pietistic "old (pre-Zionist) Yishuv" and the settlers coming into the country under the influence of Zionism; between Jews born in the country and those from various foreign countries with widely differing cultures; between socialist-oriented and middle-class-minded elements. Among the Arabs, the principal distinctions were between the various religious groups (Moslem, Druze, and several Christian denominations) and between town, rural, and nomadic elements.

The three major social entities proved to be of unequal importance in shaping the characteristics of the State of Israel. The influence of Arab community patterns on social and political institutions in Israel was slight. British traditions had a distinct impact on the institutional structure of Israel, especially in regard to the judiciary, local government, and departmental routine.[2] It was the "New Yishuv" which was the State in the making. In it were the factors that shaped the State of Israel in its beginnings.

The mandate defined the "establishment of a National Home for the Jewish people in Palestine" as one of the mandatary's principal objectives. A "Jewish Agency for Palestine" was constituted under the mandate and assigned a leading role in directing Jewish settlement in consultation with the government. This Jewish Agency was in fact the highest political organ of the Yishuv and the international pro-Zionist movement. In addition, the Yishuv had been given charge of its own cultural and other internal affairs, which it exercised through its elected bodies. But all this was only part of the story. Public activities in the Yishuv (except for small parts of the "Old Yishuv") were based mainly on informal relations and

agreement, supported and reinforced by strong devotion to the ideals of Zionism and the general consensus on the needs of self-discipline, sacrifice, and concerted action. There was also a very intensive party life and from time to time democratic elections took place for the various agencies of the Yishuv. The formal recognition granted the Jewish Agency and the organs of the Yishuv carried great political significance which often proved useful for internal purposes. Many of their activities, however, were extralegal and, with the gradual departure of the mandatary from a pro-Zionist policy, even "illegal." This fact served to strengthen the solidarity of the Yishuv and to cause serious friction when the mandatory authorities attempted to suppress certain activities, especially those related to security, immigration, or settlement on the land.

The waves of immigration and Zionist ideology were the predominant factors shaping developments in the Yishuv. Some characteristics of these two interdependent factors were highly important.[3]

Zionist ideology emphasized, among other values, a positive orientation toward manual, and especially agricultural, labor. It maintained that the Jewish people must be rehabilitated through manual labor in their ancestral homeland. Many of these committed to this ideal also shared a desire to build a just society based on equalitarian principles, in which the main measure of one's worth would be one's contribution to the realization of Zionist ideology and the common good.

The basic tenet of Zionism is, of course, the return of the Jewish people to Israel. The waves of immigrants coming to Palestine during the pre-State period expressed this tenet and carried it out in their own lives—even though, admittedly, they were strongly influenced by external factors, especially rising anti-Semitism first in Eastern and later in Central Europe. Various waves of immigrants constituted the large majority of the Yishuv during the mandatory period, and they brought with them their own patterns of social action.

The establishment of the State of Israel, proclaimed May 14, 1948, was preceded by a transition period that can be said to have started in 1945, when the Zionist movement began to help displaced Jews in Europe to reach Palestine in large numbers. This effort, supported by the entire Jewish community of Palestine, led to in-

creasingly frequent and intense clashes with the mandatary and its armed forces. Gradually the Jewish community emancipated itself from reliance on the governmental services of the mandatory authorities and came to provide for its own needs. After the resolution adopted by the General Assembly of the United Nations on November 29, 1947, which recommended the setting up of a Jewish State in part of Palestine, this tendency became more pronounced and was further strengthened by the growing inclination of the mandatory authorities to adopt an attitude of indifference to the needs and concerns of the Jewish community. In the early spring of 1948, when preparations began for the evacuation of British forces and officials from the country, Jewish authorities seized control of parts of the government. At the same time they began feverishly planning—with as much detail and circumspection as was possible in the precarious conditions of the period—future governmental institutions and policies.

After the establishment of the State came several months of war against attacking forces of neighboring Arab countries, during which time the mass immigration continued. For the next three years, in fact, the flow of immigrants was continuous. These immediate emergencies absorbed practically all the attention of the authorities, leaving little opportunity for long-range planning, even if the authorities had been inclined to engage in it. By 1952 the Jewish population had doubled, the stream of immigrants had slowed down, and the initial period of the State's existence had come to an end. The basic structure of the State was somewhat stabilized. The new patterns were characterized by the radical transformation of social institutions from a community operating mainly on a voluntary and primary-relations basis to a largely bureaucratized State. Moreover, the size and composition of the Jewish population had changed rather significantly since 1948 (see Tables 1 and 2), providing a different ecologic setting for the new institutions.

These changes went hand-in-hand with transformations of the accepted value patterns. The former Yishuv adopted an increasingly Western mode of living and scale of values; it took on a more individualistic orientation and paid more attention to material rewards and comfort. Ideological values of national service and personal sacrifice, while by no means disappearing, became relatively less important as motivating factors (as distinguished from frames of reference

TABLE 1

IMMIGRATION TO ISRAEL, 1948–64 *

1948	118,993	1957	71,224
1949	239,576	1958	27,082
1950	170,249	1959	23,895
1951	175,095	1960	24,510
1952	24,369	1961	47,638
1953	11,326	1962	61,328
1954	18,370	1963	64,364
1955	37,478	1964	54,716
1956	56,234		

* During the period from 1948 to 1964, the estimated number of emigrants from Israel was about 148,500.

Source: *Statistical Abstract of Israel No. 16* (Jerusalem: Government Printer: 1965), p. 95.

relied upon in public discussions and education). After the supreme effort of the War of Independence, a certain apathy toward collective action and ideological-political problems developed. In other words, the climax of the transition from dependence to independence was followed by a "period of relaxation" during which some tiredness developed and individually centered values partly displaced the values of pioneering and national service. The influx of large groups of immigrants from non-Western countries with differing cultural and educational backgrounds created a series of novel problems in the

TABLE 2

JEWISH POPULATION BY PLACE OF BIRTH, 1948–64

Born in	*1948*	*1951*	*1954*	*1957*	*1960*	*1962*	*1964 **
Israel	253,661	353,220	470,811	588,191	708,140	795,434	881,490
Asia	57,768	289,565	292,860	296,923	303,480	304,439	308,887
Africa	12,236	98,576	121,033	218,920	228,141	283,061	334,233
Europe & America	393,013	663,031	641,305	658,707	671,428	685,948	714,567
Total	716,678	1,404,392	1,526,009	1,762,741	1,911,189	2,068,882	2,239,177

* In 1964 the non-Jewish population of Israel was 286,385, including 202,267 Moslems, 55,484 Christians, and 28,634 Druze.

Source: *Statistical Abstract of Israel No. 16* (Jerusalem: Government Printer, 1965), p. 46.

economic, cultural, social, and political spheres and caused social tensions still not resolved.

During the last months of what was formally mandatory rule but was in fact a period of transition toward the State, a notable attempt was made to do some serious planning. This was done on an incredibly modest scale by a few small groups of home-grown talent. They concentrated on the administrative and legal framework and not on economic and social policy. That this "improvised planning" withstood the shocks of the abrupt cut-off of the functions of the mandatary, the War of Independence, and the huge immigration, is a remarkable testimony to its quality. Then followed, however, the first post-State period, which was essentially a period of improvisation. Tremendous pressures strained all available resources to the utmost, leaving little energy for the systematic examination and treatment of long-range problems. In fact, that was only possible after the emergencies had been successfully met and a certain stability achieved.

With this general framework in mind, let us examine the main aspects of the planning environment as it developed during the period 1952–65.

POLITICAL ASPECTS [4]

Political variables are the critical factors determining the evolution of national planning in Israel. National planning is always a highly political activity. But its political character is more pronounced in Israel than in the Netherlands, for instance. There are three main reasons for this.

First, the Israeli economy is to a large extent directly and indirectly government controlled, not only in its aggregative characteristics but also in many details. Governmental economic policy is of direct and close concern to every economic enterprise and is in many cases a much more important determinant of profits than internal efficiency. Therefore, political activity—in the sense of operations directed at shaping governmental decisions and public policy—is a dominant characteristic of economic activity.

Second, politicians play a larger role in public policy-making in Israel than in nearly all other modern states, the influence of professional staffs here being very limited. (The reasons for this situation

are discussed later in this chapter.) Therefore, political considerations exert even more influence on public policy-making in Israel than in most other Western democratic countries.

Third, the power distribution in Israel between different groups and subgroups is precariously balanced and increasingly dynamic. Political power considerations and coalition-building requirements weigh heavily in much public policy-making, including economic policy-making.

Thus, national planning in Israel is critically shaped by its political environment. The formal institutional characteristics are easy to describe. The regime is a parliamentary cabinet democracy, with a single chamber numbering 120 members (the Knesset), a rather pure proportional representation electoral system, a British-type judiciary, and a multiplicity of parties—most of them survivors of the pre-State period. More important, and more difficult to convey, are some of the characteristics of the dynamics of Israeli politics. Let us present those that are more important for the development of national planning, elaborating some of the points made earlier in this chapter.

Israel is a multiparty state. No party has ever received a majority in the Knesset, although Mapai is by far the largest party (see Table 3). As a result, all Cabinets are coalitions composed of Mapai and two or more additional parties.

There has been considerable continuity between the Cabinets, ensuring basic stability of policies. Mapai has been at all times the mainstay of the coalition, reserving for itself the principal ministerial departments. The personnel turnover in the Cabinet has been minor, and confined mainly to the less important ministries. Until 1964 David Ben-Gurion had served as prime minister for all but twenty-two months and as minister of defense for all but fourteen months, only two persons had served as minister of finance and two as minister of foreign affairs, and all of these belonged to Mapai. In 1964, although Levi Eshkol took over as prime minister and minister of defense, no radical shifts in policy and Mapai Cabinet membership occurred. In some of the minor ministries, notably interior, development, transportation, and health, ministerial posts have passed from party to party, causing serious disruptions in policies and work.

The coalition structure of the government has a far-reaching influence on national planning. The coalition Cabinet seriously impedes over-all policy-making and integrated planning. The ministries

TABLE 3

DISTRIBUTION OF SEATS IN THE KNESSET, 1949–65 *

	1st K 1949	2nd K 1951	3rd K 1955	4th K 1959	5th K 1961	6th K 1965
Raphi						10
Mapai	46	45	40	47	42	
						45 †
Achdut Ha'avoda			10	7	8	
Mapam	19	15	9	9	9	8
Independent Liberals						5
Progressives	5	4	5	6		
					17 ‡	
General Zionists	7	20	13	8		
						26 §
Herut	14	8	15	17	17	
Hapoel Hamizrachi		8				
			11 ||	12	12	11
Mizrachi		2				
	16					
Agudat Israel		3			4	4
			6 #	6		
Poalei Agudat Israel		2			2	2
Communists	4	5	6	3	5	3 **
						1
Arab Parties (affiliated with Mapai)	2	5	5	5	4	4
Others	7	3				1
Total	120	120	120	120	120	120

* After the elections. Later on some changes occurred due to internal shifting of loyalties by some Knesset members.

† Mapai and Achdut Ha'avoda appeared together under the name Front for Unification of Israeli Labor, which included supporters of Levi Eshkol. A part of Mapai, including supporters of David Ben-Gurion, appeared separately under the name Raphi.

‡ Liberal party, including General Zionists and Progressives.

§ Herut and most of the Liberal party appeared as one block, called Gachal, while parts of the Liberal party set up the Independent Liberals.

|| National Religious Front.

Torah Religious Front.

** The Communist party splintered into two groups, which appeared as separate lists for the elections.

Source: Compiled from official election results.

sometimes seem to operate more as competing units than as integral parts of a coordinated government machinery. As one of the secretaries of the Cabinet once candidly declared at a lecture before students at the Hebrew University in Jerusalem, "The success of a Minister is dependent on keeping problems of his Ministry from being discussed in the cabinet." While one should not minimize the decision-making role of the Cabinet as a whole, available evidence strongly points in the direction of limited interference with departmental areas of activity. It is a basic, though unwritten, rule of the coalition agreement that a department allocated to a given political party should be conducted more or less as the minister and his party wish without much interference by the Cabinet or any other central units, such as national planning bodies. There is some movement in the direction of stronger policy-making by the Cabinet, especially through more activation of its subcommittees. Nevertheless, the coalition nature of the Cabinet undoubtedly continues to be a strong barrier to national planning.

In addition to its effects on over-all planning, the coalition structure has markedly affected some areas of national facet planning. The term "facet planning" refers to the planning of single facts of social activity, such as transportation, health services, etc. (sometimes referred to as "sectors"). The minor coalition partners are always apprehensive about their political positions. They sometimes try to use their positions to substantiate their ideology rather than worry about planning for the future.

The weakness of the integrating function of the Cabinet must be considered together with the relative insufficiency of the civil service as an integrating mechanism. The strength of various centrifugal forces must be considered, too, especially the intensely held partisan ideologies, the strong pressure groups, and the vested interests.

Israeli parties represent different ideologies, ranging from extreme Jewish religious orthodoxy to communism. Though less important since the establishment of the State, the ideological differences make the crystallization of operational national policies very difficult. It is not only that the Knesset is composed of a large variety of different ideological parties, but also that political constellation is such that in every coalition government diverging ideologies are represented. This seems to make little difference in the treatment of acute problems which are largely determined by pragmatic consider-

ations. Multiple-year planning, however, involves more alternatives and objectives of higher ideological significance. The natural tendency is, therefore, to place the requirements of political consensus ahead of the needs of long-range solutions.[5] Only when circumstances blunt the image of a free choice in regard to some problems is it possible to move in the direction of proper national planning.

The changes that occurred in basic values from the strongly idealistic pre-State period to the more materialistic independence era are familiar. While interest groups were active in the pre-State period, the political elite of the time was composed mainly of persons regarded more as servants of the respective ideologies than as representatives of economic or social power concentrations. After the State was established, the importance of various nonideological pressure and interest groups increased significantly. They received increasing representation in the political elite, and they engaged in intense pressure activity directed at preserving and developing their economic interests. Adopting a short-range sectoral point of view, many of the groups seem interested in continuation of the "cost-plus" atmosphere of the economy, resisting efforts at rationality and long-term direction.

The Israeli political elite has certain characteristics that hinder the use of *expertise,* normally essential in planning.

The patterns of action by politicians in the pre-State period can best be summarized as nonbureaucratic in mode. They were marked primarily by face-to-face relationships; by reliance on common agreement based largely on accepted values and only partly supported by bureaucratic institutions or legal authority; by resourcefulness and ability to improvise in face of quickly changing circumstances in which every small opportunity had to be seized without delay. Only in a limited number of cases was there recourse to long-range and rationally planned systematic action, and such exceptions usually related to defense and agricultural settlement.

Another feature of the pre-State period was the dearth of professional administrators who could work with the politicians in making public policy. Administrative positions in the various organizations were nearly identical functionally with political positions. They were filled according to a "key system" under which such positions were allocated to members of political parties in direct proportion to their strength in the latest elections. With some ex-

ceptions, the incumbents of the various administrative positions were "politicians," too.

Thus, during the pre-State period, the Yishuv and its politicians had little exposure to professional civil servants. A certain suspicion of all kinds of "experts" grew. Most facets of Jewish settlement and development in the country during the pre-State period involved pioneering activities which various British-invited experts declared impossible, such as agricultural settlement in the hilly regions and the swamps. Furthermore, in their efforts to limit Jewish immigration into Palestine, the British relied on various "expert" estimates that tended to minimize the economic absorptive capacity of Palestine. As a result, most Yishuv politicians doubted whether experts and professional civil servants had the vision needed for the development of Israel. There was a general belief that the strong determination of pioneers could overcome all difficulties predicted by experts and could build the country in spite of the warnings of scientific and professional knowledge. Generally speaking, then, the politicians of the pre-State period were not accustomed to working harmoniously with professional civil servants or other experts.

After the establishment of the State, a marked change began to manifest itself among politicians.[6] With the general change in social values and structures, the social status of the politicians took on additional meaning and reward. The politicians themselves became more professionalized and contacts between them and other sectors of the population more formalized. Moreover, the manifold tasks confronting the rapidly developing State forced a gradual professionalization of the administrative staff and the growth of a modern government bureaucracy.

These changes also introduced a certain matter-of-fact tone into public activities and encouraged more reliance on economic, military, legal, administrative, and scientific experts rather than on the values and opinions of the politicians alone. The need for such changes as a condition for successful performance is another factor pressing for modifications in the composition of the politico-administrative staff. Many of its new members and some of the aspirants for senior political positions base their claims precisely on the need for new qualifications which, according to them, the older politicians cannot be expected to offer.

Some of the new members of the political establishment are

representatives of economic and other interest groups, and quite a number of them reached prominence through higher administrative and military ranks. This new group is, therefore, more experienced in working with experts and tends to rely more on professional knowledge.

The emerging picture is mixed. Many politicians have retained, in varying degrees, patterns of behavior from the pre-State period which tend to limit their confidence in professional civil servants as policy-makers. On the other hand, a growing group of new politicians from a different background are more ready to share the burden of policy-making with professional civil servants and other experts; but this group is still a minority.

To complete the picture, one must take into account the fact that most members of the political elite are highly talented personalities who led Zionism to the realization of a utopian dream—the establishment of a Jewish State in its ancient homeland. This tremendous achievement reinforces their patterns of behavior and gives them deep satisfaction. As a result, many of the older members of the higher political elite are not disposed to substitute systematic, long-range, comprehensive planning for the accustomed patterns of improvisation and intuitive—often brilliant—personal decision-making.

Another political variable critically influencing modes of policy-making is the preoccupation of the political elite with an intense power struggle, made all the more acute by the instability and uncertainty caused by change-overs in leadership. Many of the well-known leaders approach the end of their political careers without developing accepted successors. The general changes in society and culture strengthen the instability of the intraparty and interparty power distribution, further diminishing the possibilities for planning. The politicians are left with little energy or time for dealing with the future. The leaders are sensitive to immediate political costs and reluctant to support long-range programs, which often carry high political prices. Moreover, systematic programs tend to diminish the scope of political maneuverings.

In summary, while the present tendency seems to be toward less political resistance to pragmatic planning, the political environment is still not too favorable to national, comprehensive, intermediate and long-term planning.

Administrative Aspects

In democratic public policy-making, professional civil servants provide the rationale, the continuity, and the *expertise*. The politicians, on the other hand, must appeal to ideologically motivated goals and concentrate on public pressures, short-range factors, and power groups. While a strong professional civil service does not guarantee successful planning (it can, and often does, exhaust itself in administrative routine), its absence or lack of influence on public policy is likely to result in weakness in national planning.

With the establishment of the State of Israel, the size of the central public administrative staff grew from relatively few administrative positions taken over from the administrative organs of the Yishuv, the Zionist bodies, and the outgoing Palestine government, to about fifteen thousand administrative and eight thousand professional positions in the central government service in 1954 and about twenty-one thousand administrative and eleven thousand professional positions in 1965. However, this quantitative growth of civil service positions did not mean that all were filled by properly qualified people. The available supply of trained civil servants was very limited and soon exhausted. Few of the immigrants coming to Palestine or Israel had administrative experience in their countries of origin. Additional administrative personnel were recruited among quasi-professionals, such as teachers and officials of trade unions and cooperatives, most of whom had no experience in large-scale administration. Most of the senior positions were filled by persons from political ranks, who could scarcely be regarded as professional civil servants. Hence, the rapid expansion of the administrative staff in Israel was not accompanied by the parallel growth of a qualified civil service.

The slow growth in the educational qualifications of the civil service in Israel is clearly shown by a comparison of the educational levels of state employees in 1953, 1955, and 1960 (see Table 4). Even in the highest administrative ranks, less than 50 per cent had in 1960 completed an academic education. (See Table 5. While no more recent data have been released for publication, the situation in 1965, according to competent observers, was in the main not significantly different from that in 1960.)

TABLE 4

EDUCATIONAL LEVEL OF STATE EMPLOYEES, 1953–60
(In Per Cent)

	June 1953	March 1955	March 1960
Less than elementary education	24.6	19.5	20.6
Elementary education	13.7	16.9	17.4
Uncompleted secondary education	32.8	37.2	35.8
Completed secondary education	5.8	6.1	6.4
Uncompleted academic or semi-academic education	13.5	9.9	9.2
Completed academic education	9.6	10.4	10.6
Total	100.0	100.0	100.0

Source: *Comparative Study of the Composition of State Employees* (Jerusalem: Civil Service Commission, 1961), p. 33.

On the other hand, the following points must be taken into account: (1) Many civil servants had considerable informal education. (2) Some civil servants with a formal academic education preferred to be classified as professionals or specialists (even though they served as administrators) in order to get higher salaries. (3) Academic education has not always proved to be an adequate qualification. Thus, it is doubtful whether a classical European legal education "qualifies" a civil servant in a development country.

TABLE 5

EDUCATIONAL LEVEL OF ADMINISTRATIVE CIVIL SERVICE ON MARCH 13, 1960
(Excluding the Special Professional Services)

Rank *	Total Number	Completed Academic Education (Number)	(Per cent)
1–2	151	67	44.4
3–5	1,481	271	18.3
6	1,425	178	12.5
7–9	7,409	329	4.4
10	2,858	42	1.5
11–15	3,013	17	0.6

* 1 is the highest rank, 15 the lowest.

Source: *Comparative Study of the Composition of State Employees* (Jerusalem: Civil Service Commission, 1961), p. 32.

(4) In the administration of many fields—such as public health, agricultural settlement, military action, and some aspects of development—the Israeli public service has considerable tradition and experience and is highly qualified.

Since about 1955 considerable effort has been made to improve the Israeli civil service: recruitment is more and more by merit; increasing attention is paid to postentry training; efforts are being made to depoliticize the civil service and develop a special code of conduct, and so on.

An additional factor of interest to us is the growth of professional services—performed mainly by academically or technically trained specialists—the categories generally corresponding to the professional grades in the United States civil service. In 1964 there were 11,274 such specialists constituting 25.5 per cent of the Israeli Civil Service. Of these about 250 were economists or statisticians, mainly in the ministries of finance and of trade and industry and in the Central Bureau of Statistics. These two groups of specialists are, of course, of special relevance in any planning activities.

In addition to civil service personnel, five important characteristics strongly influence the administrative environment of planning in Israel: (1) a pragmatic mode of operations; (2) a fast tempo of action; (3) organizational complexity; (4) weakness of coordinating mechanisms; and (5) low inner-directed propensity to change.

The pragmatic *modus operandi* of public administration in Israel expresses itself in the following ways: (1) an atomistic attitude toward many problems, which militates against any effort at over-all solution; (2) low development of long-range thinking, crossing-the-bridge-when-it-is-reached often being the preferred strategy; (3) limited use of social science knowledge and a general tendency to regard experience as superior to academic training; and (4) almost unlimited elasticity, so that even when long-range plans have been prepared, they will often be readily abandoned for short-run advantages.

To evaluate these phenomena correctly, it is essential to point out that in Israeli circumstances pragmatism is frequently the optimal master-strategy. For many problems in the economic, social, political, and technological fields, no applicable knowledge is available. Rather than be misled by theories and recommendations based on

quite different circumstances, it is wiser to proceed pragmatically. Thanks to high intelligence and boundless devotion, Israeli governmental administration has, on that basis, reached very high levels of operation in several spheres. Indeed, in many ways Israel is today an exporter of knowledge, its hard-won experience often suiting the needs of other new developing states better than the more systematic knowledge of industrialized Western states.

Pragmatism, however, did not prevent scientific knowledge from being used to solve technological problems whenever possible, as in public health and crop improvement. Moreover, in a number of areas there is a growing tendency toward a more systematic approach. Partly under the pressure of technological needs (as in water-resource planning), partly as a result of self-education and other factors, systematization encroaches on pragmatism. Economic policy-making is one of the best examples of this slow transformation.

But pragmatism, deeply rooted in pre-State patterns of action, reinforced by success, and strengthened even more by politics and inertia, is still the dominant mode of Israel's civil service operation. It flourishes regardless of whether it is the optimal strategy.

A fast tempo of action is closely correlated with the pragmatic mode of operation. Israel is a dynamic society, with a relatively high rate of change in a majority of its facets. The external variables, such as the constant changes in Middle Eastern politics—which are critical for Israel—are in a state of flux, too. The directions and forms of change are often hard to predict. Pragmatism further increases the degree of uncertainty by neglecting attempts to foresee changes—even highly probable ones. The high rate of unpredicted change and the central social roles of governmental activities impose a fast pace of operation upon the civil service. Although nearly all ministries are overloaded with pressing day-to-day problems, energetic senior civil servants continue to launch relatively large numbers of new projects and activities. The constant pressure of issues necessarily lessens systematic long-range thinking and encourages a problem-by-problem manner of decision-making. It is a vicious circle: without systematic long-range thinking, the pressure of unforeseen problems increases; this pressure, in turn, impedes systematic long-range thinking. The resultant pattern of "putting out fires" rather than preventing them is common to many, if not most, governmental administrations. But specific circumstances make it particularly pronounced in Israel.

It might be possible to formulate an administrative "Gresham's Law": *Acute problems always drive long-range problems out of the range of consideration.* The validity of this proposition and its margins may provide significant research hypotheses for administrative science.

The organizational structure of public administration in Israel is the result of natural growth compounded by political expediency. Despite the constant demands for more "efficiency," no effort has been made to date to reexamine the over-all organization of the public service. A particularly complicating feature is the use by the State of an extremely wide variety of organizational structures for economic activities. The considerable economic activities of the State are carried out by many government corporations and mixed corporations. Despite constant pressure by the State comptroller, little has been done to introduce some system into the use of such autonomous bodies as instruments of economic State activity. A number of uncoordinated efforts to set up a central control agency have failed, largely because of political and personal reasons.

Predominantly political reasons also explain, for instance, the existence of a special Ministry of Development. It was designed specifically to develop the Negev (the southern semidesert part of Israel, whose development is one of the main generally accepted national goals), but its functions very soon proved to overlap those of other ministries. Most disinterested observers agree that the Ministry of Development should be either abolished or given specific functions, such as coordinating all development activities or engaging in comprehensive planning. But Mapai, the central coalition party, is unwilling to abolish it because of its usefulness in coalition-forming and does not wish to give it central planning functions, since it is usually awarded to one of the minority parties.

Insufficient coordination seriously weakens the Israeli administrative system and poses additional difficulties in the way of national planning. Some of the factors hindering coordination are: the weakness or absence of formal coordination devices; deficiencies in interministerial communication; failure to develop the higher civil service into an integrated elite with an *esprit de corps;* the diversity of viewpoints due to the political party influences in important segments of the civil service and the lack of common administrative traditions or doctrines; the interministerial power balance which often enables

ministries to operate on their own; and personal tensions between ministers, even within a single party, which influence the behavior of their staff. But, despite these obstacles, there seems to be continual progress toward better interministerial coordination. This is especially true in the economic sphere of action, for reasons discussed below.

One of the surprising paradoxes in Israel—shared to some degree with other new developing states—is the contrast between the rapidity of organized social change and the conservative tendency to protect the internal characteristics of administrative institutions. Readiness to change radically the patterns of agricultural settlement or the master strategies of military defense goes hand in hand with marked reluctance to adopt new patterns of decision-making or to consider the feasibility and desirability of over-all redesign of the administrative system.

The reasons for this low inner-directed propensity to change are not difficult to identify. In addition to proinertia variables operative in social institutions in all countries—such as fear of the unknown and strength of vested interests—in Israel there are five other variables at work.

First, achievements, as measured by comparison with the past, are tremendous. Self-satisfaction, therefore, is widespread and few feel deeply the need for far-reaching changes in governmental administration.

Second, many senior officials have already experienced at least three transformations during their careers: immigration to Israel, entrance into public activity, and the transition from pre-State to independence. These have often taxed adjustment abilities to the limit, at times leaving little desire and few resources for further deep changes in patterns of work and institutional settings.

Third, the close integration of politics and administration makes significant administrative reforms practically impossible unless accompanied by some changes in the political arena. Such changes do not appear to be forthcoming. Even those who recognize the need for administrative reforms regard them as presently unattainable.

Fourth, hectic pace and the pragmatic mode of operation discourage change of a more than narrow incremental nature. They prevent allocation of time to thinking, bar construction of normative

models, and minimize the use of any over-all system approach—all of which are essential to administrative reorganization.

Fifth, the unremitting economic pressures on the governmental budget, too, prevent allocation of resources to cover the unavoidable costs of reforms, even if anticipated benefits are high.

Social Aspects

The social environment includes a number of critical factors which, on the one hand, present some basic challenges to planning in Israel and, on the other, constitute some strong barriers.

The main challenge is posed by the heterogeneous character of Israeli society, resulting from the multicultural origin of its inhabitants and the differences in their length of stay in the country. Especially important are the differences between the pre-State, European-origin groups and the postindependence, Oriental-origin groups, which have led many authors to refer to "two Israels."

While we deal here with two extremes of a continuum rather than with a system of closed castes, there are a number of fairly pronounced differences between the two groups: education, income, social power, occupational structure, folklore, second (or even first) spoken language, ecological distribution, basic values, and family structure. The differences are to a considerable extent balanced by a common layer of Jewish tradition, a widespread feeling of national identification and patriotic pride, and the constant security pressures to which the state is subjected. Nevertheless, the cleavages do exist and pose one of the central long-range problems for Israel.

To illustrate the nature of these problems from the standpoint of national planning, let us mention some contradictions between the needs of economic development and the needs of social integration. From the purely economic point of view, the educational system should be directed toward producing "human capital," concentrating on managerial elites and competent scientists and technicians. Social integration, on the other hand, requires concentrating educational resources on diminishing the educational gaps between the two groups. From the purely economic point of view, a rather complete freeze of real wages and efforts to halt or at least slow down the rising standard of living, are advocated by most economists. Social

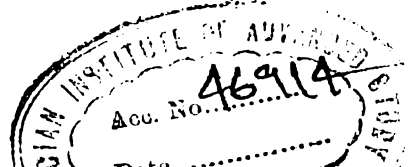
integration, however, requires large parts of the population to increase their absolute and relative standards of living. The relative importance of the social goals of integration and the economic goal of decreasing the dependence of the economy on net capital import (discussed in the next chapter) is one of the central issues to be decided. The danger is that the decision may be made by default as the result of rather incidental factors, rather than on the basis of explicit examination and systematic thought.

How to balance social needs with economic needs and how to combine social planning with economic planning in some form of comprehensive planning are thus the central problems of national planning in Israel. In spite of the socialist orientation of the leading political parties, a growing *laissez-faire* current resists planning in some of its compulsory aspects. On the whole, there is some danger that increase in economic planning may result in neglect of social problems. This danger is intensified by the narrowly professional training of many of the economic planners and the relative scarcity of socially oriented professionals on the planning teams. Conversely, should social planners gain an upper hand, care would have to be taken to preserve the requirements of economic planning.

A second set of social factors relevant to planning stem from the unequal dispersion of the population in the country, about 70 per cent of the population being concentrated in the narrow coastal plain, with large parts of the south and north almost unpopulated (see Table 6). This situation is aggravated by the fact that many of the small villages in the less populated areas are occupied nearly exclusively by new immigrants, which raises serious problems of acculturation.

Since the building of the homeland for the Jewish people is a basic tenet of Zionism, settling the empty spaces is a central aim of national policy in Israel, besides being instrumental for increasing security and for economic development. As we shall see in detail, dispersal of population is a central goal for national planning in all its facets—often more compelling than economic or social considerations.

A third set of social factors directly relevant to planning are the many strong interest groups. Originating in the pre-State period, they grew in the State in accordance with the general transformation in social values. The main interest groups include various agricultural



organizations, ideological groups, employer and worker organizations, and immigrants' associations organized by members' lands of origin (the so-called *Landsmannschaften*). The foremost interest group is the Histadrut, the central labor union organization, which has tremendous importance for national planning in Israel. Before elaborating on this, let us discuss a few characteristics of Israeli interest groups in general.

Most of them operate through political channels; as a result of the intensity and scope of Israeli political activity, central government

TABLE 6

DENSITY OF POPULATION IN DIFFERENT DISTRICTS, 1948 AND 1964

District	Land Area in km²	Density per km²	
		1948	1964
Northern District	3,325	44.2	119.4
Haifa District	854	209.2	489.6
Central District	1,242	100.4	370.3
Tel Aviv District	170	1,834.0	4,563.3
Jerusalem District	557	159.5	388.3
Southern District	14,107	1.5	18.3
The Whole Country	20,255	43.1	124.7

Source: *Statistical Abstract of Israel, No. 16* (Jerusalem: Government Printer, 1965), p. 23.

involvement in most spheres of economic and social action is decisive. The small size of the country limits any differentiation between "political," "administrative," or other channels of operations. Vested material interests, struggle for status and power, and ideological commitments are closely intermingled in many of the interest groups, resulting often in internal conflict between subgroups and personalities.

Personalities and personal relations play a significant and often decisive role in the interaction among the various interest groups, and between them and the political and administrative institutions. This, again, is a result of the small size of the elites and their common background, which make for intensive face-to-face relationships.

The Histadrut is a unique Israeli institution preeminently important in Israeli public life. It has a dual structure, being a trade union organizing the large majority of workers (about 76 per cent in 1965) and comprising a majority of the population at large (about

58 per cent in 1965), as well as a center of economic, social, and general political activity. During the pre-State period, the Histadrut was one of the main bearers of the Zionist program in Palestine, giving clear priority to the objectives of Jewish settlement over narrowly trade-union interests. After the establishment of the State, many of the Histadrut's leaders went over to political or administrative positions within the framework of State institutions, while its membership, reflecting the general transformation of the population, changed radically. Gradually, a duality of outlook developed: those called to the helm of the State adopted a more statist point of view, while those who remained as leaders of the Histadrut became somewhat more trade-union oriented. The pressure by the mass of Histadrut members for increased material rewards did much to force the leadership into more aggressive trade-union activity. Interestingly, Mapai determines both government policy and Histadrut policy. The Mapai government members tend to regard certain unpopular measures, such as a wage freeze, as economically essential. Histadrut Mapai leaders, under pressure of the membership—often expressed in wildcat strikes against them—oppose some of these economy-directed suggestions. Personal collisions intensify this conflict and reinforce the oscillation of the major political leaders (mostly from the Histadrut) between mass- and trade-union-oriented policies and economy-oriented policies.

These issues are dealt with through high-level political channels, mainly of an informal nature but often involving the formal supreme bodies of Mapai. Approval of the Histadrut leadership and the bulk of the membership is essential to any proposed government policy. The only recourse of the political leadership is to attempt to influence public opinion and interest group activists in order to convince them of the needs for "economic sacrifice." The Histadrut leadership serves as the main two-way channel for encouraging the population to accept economic steps—such as a partial wage freeze—and for warning the State leadership of the demands of the masses. Thus, Histadrut leaders, too, constitute a focus of resistence to much of the advice offered by economic experts and planners.

ECONOMIC ASPECTS

The economic aspects of the environment are closely related to national planning. They constitute both substantive stimuli to

such planning and major objects of planned change. Close examination of some of their relevant characteristics is, therefore, essential.

Institutional characteristics

The most important institutional characteristic of the Israeli economy from our point of view is the predominance of the public sector and the determining role of governmental activities in economic life. Not only does the public sector (including the central government, the Jewish national institutions, and local government) directly produce about 20 per cent of the net domestic product, but direct governmental action in the form of subsidies, special loans, tax reductions, and part ownership significantly influences many medium-size and most major enterprises in Israel. If indirect means of control, such as import controls and customs levies, are taken into account, Israel emerges as the country with the largest amount of governmental influence on the detailed operation of the economy among all Western-type democratic states.

Some efforts are under way to reduce direct economic controls and to substitute aggregative monetary and fiscal instruments of economic policy for existing administrative devices. Indeed, strict rationing, import controls, and foreign currency controls have been substantially abolished or relaxed. Nevertheless, the government continues to exert much direct influence on details. The interest groups involved support the governmental activities, but many economists strictly oppose control, preferring freer market mechanism.

Economic personnel

Economic personnel—including entrepreneurs, business administrators, administrators of public enterprises, and economic experts —is an important and often critical variable shaping the level and nature of economic activity. The development of economic personnel in Israel is, therefore, an important part of the economic environment. It is of special importance to national economic planning because of the dependence of successful planning on the availability of suitable personnel to man planning positions and to manage recommended projects.

During the pre-State period, economic activity was of a rather

peculiar nature. Politically motivated entrepreneurs initiated and managed large-scale enterprises, such as agricultural settlement movements, marketing and transportation cooperatives, and some industrial plants. But these enterprises were directed as political and social objectives rather than economic ones. They were instruments for carrying out Zionist aims and establishing an equalitarian society. Collective settlements reclaimed waste lands. Jewish transportation cooperatives maintained communications. Economic rationality was excluded from consideration. Money was regarded as a resource to be collected abroad in order to build politically and socially oriented enterprises in Israel. Money-making goals were rather despised and frowned upon. These characteristics of the Yishuv period continue to shape the attitudes of some parts of the elite and tend to hinder the development of a staff of experienced economic policy-makers skilled in rational-economic operations.

The economy needs entrepreneurs to put forth ideas for utilizing potentially available resources and business administrators to increase the efficiency of existing enterprises and manage the new ones. The entrepreneurial problem, connected as it is with the manifold questions of economic policy, is still far from being solved, though remarkable instances of entrepreneurship have occurred in Israel. There is much need for persons who have ideas for new economic activities there.

In many respects, however, the situation is more serious in regard to professional business administrators. After the emergence of the State and the establishment of many new enterprises—largely by the State or public or quasi-public bodies with the financial backing of the State—it became necessary to fill a large number of positions. The new business staffs were composed mainly of four elements: members of the political staff who managed large parts of the economic enterprises of the Histadrut and some of the new government and mixed enterprises; former army officers who constituted a large part of middle management and a small part of higher management; former merchants who had set up industrial enterprises, mainly during the scarcity periods of the Second World War and the transition, combining the functions of entrepreneurs and business administrators; and some professionals, mainly engineers, who directed some important enterprises and constituted a significant part of middle management.

While each of these groups had some experience that could be applied to problems of business management, there was a serious deficiency of knowledge, especially of general business management and the modern techniques of marketing, personnel management, costing, and budgeting. Even more acute was the absence of basic patterns and orientations of economic rationality noted above. By now these four sources of recruitment are nearly exhausted and business managers for the projected large-scale expansion of economic activity must be found.

It is typical of Israel that this problem was not recognized early but once recognized received rather vigorous attention. Three types of action have been taken: (1) creating awareness of the need; (2) training and retraining of persons presently fulfilling business administration functions; and (3) development of a new business administration staff.

Creating awareness of the need for professional knowledge in business administration was essential in order to get people to study the subject and to prompt a demand for qualified personnel. The various political and administrative leaders began slowly to recognize that in order to improve productivity and speed up economic development they needed professional business management. They took steps to make business owners and directors aware of this need and to be more "efficiency-minded." In cooperation with the various interested bodies, the government established the semi-independent Israel Institute of Productivity. One of its main functions was to propagate the idea that efficient business administration had to be learned. Promotional activities by the Israel Institute of Productivity, including posters, public lectures, films, and conferences, contributed much to create such awareness. The success of the Institute's manifold training activities brought recognition of the significance of such training, which in turn increased the number of persons undergoing training.

The training program was extended to persons actually engaged in business management. A special Israel Management Center, affiliated with the Israel Institute of Productivity, was established. It initiated discussion groups of managers, who met periodically for the study of selected problems. A new Management School was established by the Israel Management Center to provide systematic training for business administration. The Management School began

in the fall of 1960, conducting courses in three-month sequences. The students—who must have good general education as well as experience in actual business administration—live at the school and engage in three months of intensive study designed to give them an overview of business administration, as well as some specialized knowledge in individual fields. This venture is backed by the Ministry of Trade and Industry in the hope that the Management School will produce the required staff for new industries in development areas.

While the Management School improves the performance of existing business managers, the main centers for the education of future business administrators are the institutes of higher education: the Hebrew University in Jerusalem and the Institute of Technology in Haifa. The Hebrew University has set up, with the help of a team from New York University sponsored by the United States Mutual Aid Program, a Department of Business Administration, while the Institute of Technology offers extension courses in business administration and academic training for industrial managers. Similar programs are being set up at the newer Tel Aviv University. It is too early to evaluate the impact of these endeavors, but there is little doubt that they have already made some contribution and will continue to do so. A small but significant number of Israelis, moreover, have studied business management abroad, especially in the United States.

Many problems must still be solved before the business management situation can be regarded as satisfactory. The number of persons with adequate training is still very small. Many owners and directors continue to disregard the need for systematic training in business management. Moreover, there is a serious shortage of teachers for the various training institutions, while the present curricula are generally based on experience in the United States. Although efforts have been made to adjust the curricula and to develop an Israeli conception of an ideal business manager, this problem—which Israel shares with other developing countries—is not yet solved.

The development of economists has had a rather similar course. At the time of the establishment of the State, there were in Israel few economists, mainly trained in pre-Nazi Germany. Most of these economists fulfilled academic or research functions, leaving economic policy-making largely in the hands of public officials from

political or cooperative institutions. A radical transformation has taken place since the reorganization of the Hebrew University's Department of Economics in the mid-1950's. Today nearly all government economists are graduates of the department. Lately they have begun to infiltrate the economic line and staff positions in the nongovernmental public sectors of the economy, such as the Histadrut and its enterprises (although there they meet some resistance) and slowly move into significant roles in business enterprises. The young economists share a common doctrinal outlook and personal ties which facilitate interministerial and interinstitutional agreement—at least on the subpolitical level.[7]

The success of Israel in producing the required number of economists is reflected in the increasing export of experts for technical assistance to "underdeveloped" countries (mainly African) in the fields of statistics, financial administration, sectoral planning, and general economic planning. The availability of a reserve of highly trained economists is today an important asset of Israel and meets one of the preconditions of national planning. The availability of highly trained economists also puts into sharp relief the dearth of qualified public officials (and a variety of other types of staff), which constitutes an important environmental barrier to better national planning.

At the same time, attention should be paid to the fact that, because of the absence of a generation of senior economic advisers, responsible positions may be held by young economists who have just finished their studies. While the theoretical training given in economics at the Hebrew University is of high quality, a young university graduate often lacks the experience and sophistication needed for economic policy-making on high levels. Sometimes, indeed, training in modern economics seems to generate a "trained incapacity" to deal with socio-political-cultural variables, and considerable practical experience is in many cases required to overcome such incapacities. In any case, in Israel young economists enjoy positions of status and influence—a situation with both advantages and disadvantages.

Main tendencies of development

The main feature of the Israeli economy is its rapid development, helped by a large net import of capital. The rapid development is

reflected by nearly all criteria, including, among others, employed manpower (see Table 7) and domestic product per capita (see Table 9). This can also be seen by the growth in real products (see Table 8). By every index, tremendous economic development has taken place under difficult military, political, trade, and social conditions, and in the face of a scarcity of raw materials and fuels.

The rapid development in production capacity has been accompanied by a slightly greater increase in consumption and a slight decrease in domestic capital formation (see Table 10). The deficit in the foreign trade balance is constantly growing, in part because of increasing consumption. To a large extent, the economic development of Israel is aided by a relatively large total capital import, in which private transfers are dominant (see Table 10). There is restrained inflation, prices going up by 5 to 10 per cent annually.

TABLE 7

EMPLOYMENT BY BRANCHES, 1955, 1960, AND 1964

	1955		1960		1964	
	number	%	number	%	number	%
Agriculture, Forestry, Fishing	102,200	17.6	121,100	17.3	109,300	12.9
Manufacturing	127,000	21.9	162,000	23.2	215,400	23.2
Construction and Building	54,300	9.3	65,000	9.3	87,000	10.2
Electricity, Water, Sanitary Services	11,900	2.0	15,700	2.2	16,000	1.9
Trade, Banking, Insurance	78,600	13.5	86,300	12.3	107,600	12.7
Transportation	36,000	6.2	43,500	6.2	61,300	7.2
Governmental, Public, and Administrative Services	123,000	21.2	55,600	7.9	64,300	7.6
Health, Education, Welfare, etc.			98,600	14.1	123,400	14.1
Personal Services and Amusement	48,100	8.3	52,200	7.5	65,200	7.5
Unknown	(4,300)	—	1,600	—	1,700	—
Total	585,700	100.0	701,800	100.0	851,200	100.0

Source: *Statistical Annuals of Israel*

TABLE 8

DEVELOPMENT OF SELECTED BRANCHES OF ISRAELI ECONOMY, 1950, 1956, AND 1963

(Quantities in Proper Units)

	1950			1956			1963		
	imported	exported	produced	imported	exported	produced	imported	exported	produced
Electricity (in mill. kwt.)	—	—	500	—	—	1,410	—	—	3,153
Crude Oil (in tons)	196,063	—	—	n.p.*	—	24,648	n.p.	—	174,000
Cement (in tons)	81,000	—	380,000	6,000	193,731	612,837	12,000	116,246	1,022,000
Copper (in tons)	2,200	—	—	600	—	—	7,700	—	7,755
Vehicles (in number)	4,200	—	—	1,800	670	2,500	14,116	207	4,598
Tires (in tons)	49	—	—	157	2,550	4,638	150	1,180	11,850
Plastics and plastic products (in tons)	300	—	—	220	—	1,700	n.p.	—	11,650
Phosphates (in tons)	5,067	—	—	—	30,000	114,025	—	156,000	275,000
Dyes, colors, inks, etc. (in tons)	810	—	—	?	262	?	4,627	1,144	9,068
Textile materials (in tons)	5,500	—	—	9,000	—	7,516	20,476	15,436	22,672
Textile products in thousand meters, without diverse clothes)	3,700	—	—	3,900	?	6,533	5,184	3,579	12,118
Diamonds (in carats, imported—raw, exported—polished)	454,000	119,514	—	683,000	263,707	—	3,500,000	1,152,787	—
Paper and paper products (in tons)	15,000	—	—	17,500	3	16,696	47,700	12,577	40,937
Salt (in tons)	—	—	7,246	—	—	25,972	—	—	51,614
Sugar (in tons)	32,500	—	—	47,719	—	1,927	72,000	—	30,946

TABLE 8 (continued)

	1950			1956			1963		
	imported	exported	produced	imported	exported	produced	imported	exported	produced
Cigarettes and tobacco (in tons)	804	—	1,568	682	3	2,203	1,627	—	2,949
Fish and fish products (in tons)	12,000	—	7,300	11,500	—	11,400	8,900	—	16,450
Grapes (in tons)	—	—	13,350	—	—	43,500	—	—	59,200
Wines and liquors (in thousand liters)	95	—	?	22	434	11,407	231	1,900	35,294
Citrus fruit (in tons)	—	161,000	352,650	—	291,845	439,000	—	506,926	736,400
Deciduous fruits (in tons)	—	—	3,500	54	—	16,600	—	30	67,950
Fruit and vegetable juices and preserves (in tons)	250	—	25,000	20	10,500	48,000	500	46,441	53,000
Vegetables (in tons)	8,000	—	142,000	622	26	242,000	8,600	3,400	296,900
Olives (in tons)	—	—	2,700	—	145	700	—	—	13,000
Milk (in klt. import in tons of powdered milk)	13,400	—	118,000	10,044	—	224,800	6,200	—	358,500
Eggs (in thousands)	2,928	—	391,500	—	17,000	630,000	—	140,000	1,113,300
Livestock for consumption (import—in number, product—in tons)	6,200	—	9,950	118	12	37,900	4,000	—	110,000
Potatoes (in tons)	20,848	—	37,000	2,615	20	93,000	—	11,700	108,900
Wheat (in tons)	159,858	—	13,500	331,937	3,080	83,000	281,768	—	54,700
Rye (in tons)	28,987	—	27,500	24,500	—	74,200	89,400	—	36,300
Rice (in tons)	4,020	—	—	12,204	—	250	15,300	—	—
Timber (in cmt.)	213,000	—	—	212,000	2,527	21,276	260,000	38,000	59,778

* n.p. = not published

Source: Compiled from official statistics.

TABLE 9

RESOURCES AND USES OF RESOURCES
QUANTITY INDEXES PER CAPITA, 1950–64
(1952 = 100)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Private consumption expenditure	96.3	100.1	100.0	100.7	113.1	118.2	123.6	125.3	133.1	141.4	149.6	160.1	170.3	181.2	194.2
General government consumption expenditure	112.8	113.4	100.0	102.1	116.6	127.7	175.7	141.9	140.9	141.7	148.0	169.6	181.9	185.8	188.9
Gross domestic capital formation	124.8	125.2	100.0	81.5	88.7	105.5	95.6	105.9	109.8	116.4	120.2	137.1	148.7	147.6	170.9
Exports of goods and services	64.3	76.5	100.0	120.6	167.4	166.1	180.7	205.1	221.2	283.0	348.4	390.1	436.9	483.2	486.3
TOTAL USES OF RESOURCES	104.2	107.2	100.0	97.0	110.4	119.0	126.6	127.3	133.3	143.5	153.8	169.4	182.6	191.5	205.3
Gross national product	91.9	101.1	100.0	95.3	111.5	122.6	128.3	131.7	136.6	148.4	157.1	165.9	177.7	191.6	203.2
Net factor payments to abroad	102.7	158.7	100.0	153.0	162.9	139.8	129.7	166.4	206.5	252.2	252.9	345.9	297.4	215.2	256.3
Gross domestic product	92.0	101.8	100.0	96.1	112.2	122.8	128.3	132.2	137.6	149.8	158.3	168.2	179.2	191.9	204.0
Imports of goods and services	132.4	119.5	100.0	99.0	106.3	110.2	123.0	115.9	123.6	128.9	143.3	172.2	190.3	190.8	208.4
TOTAL RESOURCES	104.2	107.2	100.0	97.0	110.4	119.0	126.6	127.3	133.3	143.5	153.8	169.4	182.6	191.5	205.3

Source: *Statistical Abstract of Israel No. 16* (Jerusalem: Government Printer, 1965), pp. 162–63.

TABLE 10

CAPITAL IMPORT BY SOURCES, 1959–64

(In Millions of Dollars)

	1959	1960	1961	1962	1963	1964
A. Private transfers						
Personal transfers	30	37	45	68	89	96
Personal restitutions from West Germany	71	98	111	134	139	134
Foreign investments	13	43	52	82	135	133
Total	114	178	208	284	363	363
B. Public sector transfers						
German reparations	66	76	88	47	28	17
U.S. government aid	10	14	10	8	6	8
U.S. government loans	45	47	42	45	50	32
Transfer by institutions	74	87	92	74	85	80
Independence and development loans	35	28	32	33	23	24
Other long- and medium-term loans	15	2	21	52	−31	41
Total	245	254	285	259	161	202
Total capital import (A & B)	359	432	493	543	524	565
	In percentages					
Private transfers	32	41	40	53	69	64
Public sector transfers	68	59	60	47	31	36
Total	100	100	100	100	100	100

Source: *Annual Report for 1963* (Jerusalem: Bank of Israel, 1964), p. 31; *Annual Report for 1964* (Jerusalem: Bank of Israel, 1965), p. 51.

Main points of strength and weakness

The Israeli economy operates under a number of serious handicaps. Chief among them are lack of many basic raw materials; the economic boycott by the Arab countries; the increasing difficulties facing exports accompanying the crystallization of the European Common Market; the burdens of defense; social problems which require economically dysfunctional activities; and a productivity, low by Western standards, which is related to the small size of many enterprises; the costs of absorbing labor that comes from nontechnological societies; the already discussed weaknesses in economic staff; and the "cost-plus" psychology. These are combined with changes in basic ideologies and belief patterns that result in intense demands for a higher standard of living. Thus, despite a very rapid

increase in production capacity, Israel has not yet succeeded in reducing the deficit in its balance of trade and the inflationary pressures, in checking constant increases in the rate of consumption, or in increasing appreciably the rate of domestic saving and capital formation.

On the other hand, the productive capacity of Israel is growing constantly, as are nearly all other facets of economic development. Up to now, Israel has also succeeded in mobilizing increasing amounts of import capital, developing new sources when older ones give out.

Opinions differ on the relative weight of the points of weakness and strength. Most of the professionally trained economists emphasize the extreme dependence of Israel's economy,[8] especially on net capital import. They predict that this dependence will result in a serious crisis once net capital import is reduced, which may be in the foreseeable future. They therefore demand strict measures to decrease this dependence by restraining local consumption and increasing domestic capital formation and export.

A different point of view is adopted by many of the nonprofessional economic policy practitioners and some of their staff economists. While admitting the desirability of increasing domestic capital formation, productivity rate, and exports, the policy practitioners give priority to increasing over-all production capacity and gross capital formation, even if largely financed by capital import.

Facts concerning the economy lend themselves to both optimistic and pessimistic interpretations. The degree to which one tends to be optimistic or pessimistic about Israel's economy, however, is a matter of images, perception sets, subjective probabilities, trained incapacities, dissonance-reducing mechanisms, and similar psychosocial phenomena. To a large extent the feeling of urgency to alter present trends, including reinforcement of national economic planning, is thus determined.

Ideologies and Belief Patterns

For the understanding of the planning environment in Israel, it is therefore essential to take into consideration those ideologies and belief patterns which determine the image of the national problems held by the major decision-makers, predisposing them to accept or reject certain policy measures. Planners can ignore these basic contextual ends only at their peril.[9]

Some of these ideologies and belief patterns have already been noted. In the present chapter we will concentrate on those of major relevance to national planning in Israel: Zionism, individualistic democracy, social welfare, personal achievement, and optimism and self-assurance.

Zionism

Zionism is the specific form Jewish nationalism has assumed in relation to the land of Israel. Essentially, it stands for affirmation of Jewish group-identity in conditions of security and dignity in a country in which they form the majority. In view of the historical connection of the Jewish people with the land of Israel, Zionists maintained that it was the only possible homeland. Immigration, pioneering activities, social and cultural orientations, and willingness to make personal sacrifices are related to this basic ideology. After the consolidation of the State, the significance of Zionism as the guide to personal action diminished though by no means disappeared. It still operates, as do similar ideas in most Western countries, mainly on the institutional level, providing accepted goals for public and political activity, to be achieved more through bureaucratic methods than through individual involvement by the population at large.

On the level of social action, Zionism remains overwhelmingly important, providing the basis of a number of unquestioned goals. They include the encouragement of Jewish immigration, the return to agriculture and other forms of "productive" labor, the revival of the Hebrew language and literature, and the resettlement of waste lands such as the Negev, Upper Galilee, and the Judaean hills. Some of these goals are currently and reasonably justified in terms of military or economic security, but they are also fundamentally related to the underlying ideology. In specific instances, the requirements of this ideology are given priority by the political decision-makers even if they conflict with economic development, and this priority must be taken into account in any planning activities.

Individualistic democracy

Despite the prevalence of socialist ideas in Israel and the readiness of its elite to use State power for the purpose of establishing

schemes of social betterment, there is ingrained in the population a deep defiance of State authority, a determination to keep the holders of this authority accountable to the public, and an insistence on individual rights. The consequence of this attitude is a strong attachment to an individualistically oriented democracy—an attachment so strong that it could almost be said to amount to a national characteristic. Indeed, even the socialist movement in Israel, based on collective and cooperative enterprises, is predominantly voluntaristic rather than statist in its outlook.

The proneness to individual and group self-assertion coupled with antiregimentation sentiments is strengthened by the negative orientation of many immigrants toward government in its bureaucratic manifestations. These immigrants have come from countries where the State was an anti-Jewish organ. These belief patterns strengthen democracy, but they also reduce the possibility of many planning alternatives—such as stronger pressure for population dispersal—and even hinder full cooperation with the government bureaucracy. Realistic alternatives for the planners are thus severely limited. Indeed, the floating vote may increase once the newer immigrants become more active politically. That, in turn, would intensify attitudes toward personal and material achievements, and in addition strengthen land-of-origin and other interest groups. If such a situation evolved, more aggressive political leadership might become essential for social survival and for achievement of national goals.

Social welfare

Age-old Jewish religious and communal traditions and East European pre-Communist socialism, for all their divergencies, have in common an intense preoccupation with social welfare. Under the combined influence of the two factors, both of which have deeply affected the senior political elite in Israel, social welfare is one of the country's basic values. It is a curious mixture of a semipuritanical pioneering ideology which demands that each person make his own living and the traditional Jewish feeling of mutual help and collective responsibility. There also seems to be some tendency toward "tender-mindedness" [10] in internal political action among significant parts of the senior political elite, which narrows the range of alternatives considered for planned development. The younger po-

litical elites seem to be more "tough-minded," and thus able to accommodate more realistic policy solutions. These differences may contribute to poor communication and to conflicts on social and economic policy.

Personal achievement

Along with the decrease in individual pioneering and collectivity-oriented activities, there has been a "Westernization" of individual values shared both by pre-State and postindependence immigrants. Today one finds widespread conspicuous consumption and competition for differential status symbols. While the cultural assimilation of the new immigrants proceeds slowly, they accept a high level of material aspirations—including all the material conveniences of Western civilization—with surprising speed. This rapid acceptance has many important results with regard to social cohesion and integration.

The increasing intensity of personal drives constitutes a most important factor in national planning. Among the senior political elite many still believe that appeals to pioneering values and collective goals may be effective. The junior political elite and the professional elite tend, perhaps cynically, to rely on materialistic achievements. They often overlook possibilities to appeal to mass participation, and they seem bound by impersonal bureaucratic manipulations. The absence of a general diagnosis of the situation and of reliable empirical data constitutes a serious handicap and complicates the task of finding a rational and feasible starting point for the national planning process.

Optimism and self-assurance

Even more serious is the impact of another belief-pattern dichotomy—widely held optimism and self- assurance together with Cassandra-like pessimism.

Optimism and self-assurance are widespread in Israel, both in the population at large and in the decision-making elites. The achievement of a Jewish State within one generation, which not so long ago seemed a fantastic dream, and that State's tremendous social, economic, and military successes, understandably strengthened the self-assurance and optimism of the persons who directed or witnessed these attainments. The establishment of Israel was

accompanied by so many feats that much credence was given to the omnipotence of the human spirit and the human will in overcoming all difficulties. Indeed, many believed that economic and sociological "laws" cannot withstand determined human effort.

A number of intellectuals, on the basis of what they regard as "objective facts," challenge the optimistic views. Especially important for our subject matter are the continual predictions by local and foreign economists that the net import of capital will soon be radically reduced, resulting in economic catastrophe unless immediate steps are taken to change the basic patterns of production, consumption, and net saving. Such warnings have been repeated time and again since the establishment of the State, only to be refuted by the continually increasing net import of capital. Even so, these warnings are being taken more seriously. The formation of the Common Market contributed to this trend and, combined with the general increase of the influence of economists in the making of policy, resulted in some specific action intended to meet the admonitions of the "pessimistic" economists.

Still, the optimistic school has more than the past to back it. A good case can be made for the proposition that, since the net capital import plus rising consumption plus remaining influence of collective values have already resulted in an appreciable strengthening of the country's economy, its export potentialities, its monetary position, and its tourist industry, Israel's economy is now much healthier than ever before, and its situation is improving from year to year.

To what extent Israel must adopt an economic policy designed to decrease dependency on net capital import is, therefore, largely a question of basic assumptions or moral positions. Whatever our own position may be, we must recognize the existence of these two schools of thought, with their differing evaluation of the need for stringent economic planning.

Some Concluding Remarks

The preceding survey of the main environmental variables exposed a number of contradictory forces that partly hinder and partly encourage national planning in Israel. On balance, our examination showed a tendency in the direction of more favorable conditions for national planning, a tendency by no means dominant but nonetheless notable.

II

Facet Planning

Even though national planning is only beginning, some facets of Israeli society have achieved a rather high level of planning. They provide a basis for the national planning function but also compete with it. We shall examine a few of these single-facet planning activities.

Administrative Planning

Administrative planning—in the sense of planning the operations of bureaucratic institutions—is one of the prerequisites of successful national planning. Unless current activities are systematically regarded as phases of long-range operations and unless an attitude of future orientation pervades organizational behavior, more ambitious macroplanning activities are doomed to fail. At the same time, even if macroplanning is not feasible or not yet developed, administrative planning is in most cases achievable and can contribute much to the long-range quality of organizational operations, including nearly all activities of public administration. Furthermore, ambitious "national plans," which presume to deal comprehensively with the more distant future, are not likely to have any impact on reality unless accompanied by detailed, down-to-earth operational programs. Thus, the extent and quality of administrative planning serve as a highly reliable index of the over-all quality of operations in general and of the role of planning in shaping future reality in particular.

The main features of administrative planning in Israel and its dynamics can be summarized as follows:

1. During the pre-State and early State period, there was very little administrative planning. As already explained, the special conditions of Zionist activity in Palestine and, later on, those of the early State period, required improvisation as the optimal mode of operation, with little scope and opportunity for administrative planning. Since about 1952 increasing degrees of administrative planning have become feasible. In fact, administrative planning is increasing, although it still lags seriously behind both needs and possibilities.

2. The rate of increase in administrative planning differs among various units of the governmental apparatus. Most advanced are the Israeli Defense Forces, which have a very sophisticated method of overlapping five-, three-, and one-year periods of administrative planning, supervised by special central staff units.[1] This particular case is especially important because of the constant movement of senior officers into middle and high executive positions in civilian organizations, especially public and private corporations, where they often introduce systematic administrative planning based on the military administrative-planning prototype. Thus, when the chief of staff became minister of agriculture, bringing with him a number of senior staff officers to serve as director-general and other key administrators, they introduced a rather advanced scheme of administrative planning into the Ministry of Agriculture. The prototypes of administrative planning in the Israeli Defense Forces have thus had considerable impact on the development of administrative planning in Israel in general.

3. A few additional government ministries, the office of the state comptroller, and a number of public and private corporations engage in some degree of administrative planning. But these exceptions apart, direct and indirect observations indicate that as yet most government ministries, municipalities, public and private corporations, and other types of organizations operate mainly by a combination of routine, impulse, and improvisation.

4. This situation prevails despite constant intense pressures by the Budget Division to increase administrative planning to provide a more rational basis for budgeting. These pressures, combined with some other variables, have significantly increased verbal readiness to engage in administrative planning and have somewhat increased actual preplanning activities, such as more elaborate

operational explanation of budget proposals. But they have not yet achieved a breakthrough in the direction of change in basic patterns of organizational decision-making.

5. A number of variables, in addition to pressures by the Budget Division, favor an increase in administrative planning. These include some awareness that present modes of operation are inadequate; some changes in the patterns of thought of the decision-making staffs as a result of turnover and training; pressures by central staff agencies and control bodies, such as the state comptroller; and general changes in the administrative climate that make "planning" fashionable. But the antiplanning variables—including the already-mentioned administrative traditions, the low propensity for inner-directed change, the strength of pragmatism, and the intensity of current problems—still tend to outweigh the proplanning variables. It seems that accelerated change in the direction of administrative planning occurs after a turnover in higher executive manpower or under the influence of strong external pressures. This clearly has been the case in the Defense Forces and in the Ministry of Agriculture. Similar trends in the Ministry of Posts and Telecommunication are associated with strong public criticism and with the appointment of a former senior staff officer of the Defense Forces as director-general.

6. While accelerated change in the direction of administrative planning requires special conditions, slow movements toward increasing administrative planning are discernible in most ministries as the result of the gradual over-all strengthening of the proplanning variables. Recently, efforts of the Budget Division to encourage administrative planning became more pronounced and systematic. Thus, in 1964, the Budget Division and the Central Committee for Efficiency, chaired by the director of the Budget Division, requested the Central Staff School of the government to conduct a thorough survey of the state of administrative planning in various ministries and to propose guidelines for encouraging and improving such planning. Significant progress in administrative planning may well come about as a result of that study, which apparently will recommend introduction of multiyear programing combined with systems analysis and cost-benefit analysis throughout the government administration.

Manpower and Education Planning

In developing countries especially, manpower and education planning is essential to planned national development because of the necessity of preparing the required cadres of technicians and professionals. One of the reasons for the late start of manpower planning and general educational planning in Israel may be that, as distinct from other new and developing States, Israel had available, during most of its history and prehistory, a fairly large and relatively well-balanced professional-technical staff which satisfied most needs and sometimes even created a surplus.

While no reliable statistical studies are available on this score for the pre-State period, it seems that, with a few specific exceptions, there was at the time no serious lack of professional-technical staff. It is true that the early immigration waves into pre-State Palestine included little trained professional-technical staff, but the demand for it was small; later immigration waves coming from Central Europe included relatively large numbers of professionals and saturated the market for some time. In Palestine itself the then-existing institutions of higher education in the Yishuv, and especially the Institute of Technology (Technion), supplied additional professional manpower. A dearth of professional-technical staff did not therefore generally constitute an acute problem during the pre-State period.

Since the establishment of the State there have been some significant changes in this respect. Due to the different composition of the immigrant groups, the proportion of immigrants qualified for professional-technical positions became smaller again, while demand for professional-technical staff to serve the needs of the increased population and of the developing economy and society increased rapidly. If, despite these factors, a certain balance between supply and demand was maintained and there were in general no serious shortages of professional-technical staff, this was due mainly to the rapid development of the local institutions of higher education. Existing institutes added a number of schools and departments and the student body multiplied several times over. Also, some steps were taken to encourage immigration of professional-technical personnel from Western countries and to send Israelis abroad for study.

While a reasonable balance between supply and demand of professional-technical staff was thus reestablished, a number of special points have emerged that should be briefly mentioned.

Interesting to note is the impact of the small size of the country and the small number of employees in specific occupations on manpower planning. Small variations in the number of available personnel or jobs cause apparently "serious" shortages or oversupplies. Thus, if fifteen ophthalmologists are needed, this constitutes a serious lack of manpower; while, if thirty ophthalmologists immigrate, a serious surplus is created. The small size of the country thus reduces the feasibility of certain types of planning, which require populations large enough to reduce random variance and to permit reliance on certain statistical methods valid only for large numbers.

In some specific fields—such as automation and electronic data-processing, industrial engineering, and manpower planning—there has been a serious shortage of highly qualified personnel. Much use was made of foreign experts, coming mainly under the auspices of the United Nations Technical Assistance Programme or the United States Mutual Aid Program, to fill these needs until local trainees could take over, but often foreign experts cannot adequately substitute for local professionals.

From time to time there have been indications of oversupply of professional staff in selected fields, such as law and electronics. Possibly, there is also some hidden oversupply in the form of higher-grade personnel fulfilling functions of lower-grade technicians.

A significant number of Israelis study abroad. Some of them, especially those studying natural and exact sciences in the United States, take up permanent employment abroad. In part, this is because the relatively equalitarian structure of salaries in Israel precludes a large income differential between people with academic training and those without it. Special efforts have been made to encourage students to return to Israel by helping them to find suitable jobs and by granting them material inducement.

The problem of territorial distribution has become serious. With the dispersion of the population over larger areas and the settlement and industrialization of new development areas, it became necessary to supply the new agglomerations with the required professional services. While distances are not great, it is essential for social inte-

gration to have various professionals settle in the new localities rather than come there only for their working hours. Material incentives are given to encourage movement of professional-technical staff to the new development areas, but these are not always sufficient. The problem has become especially acute in regard to medical practitioners, and, according to some observers, it may become necessary to exert some pressure—such as requiring a period of service in development localities—to assure all areas the necessary medical services. The general problem of territorial distribution of the professional-technical staff is still far from solved.

A growing number of senior Israeli personnel serve as experts in technologically underdeveloped countries, helping them on the basis of their experience in Israel.

While in general the manpower situation was balanced during most of the pre-State and State periods, since about 1962 shortage has existed in a number of occupations, such as teaching, nursing, and various technical fields. These shortages are expected to become increasingly acute with the predicted accelerated industrialization, which—in the opinion of some—will also lead to shortages in various areas of engineering and business management.

These actual and predicted shortages constitute an important pressure toward more intense efforts at manpower planning. Three additional variables further increase the propensity of the Ministry of Labor to engage in manpower planning. First, unless the Ministry of Labor strengthens its manpower planning function, it may lose power to the Economic Planning Authority or the Planning Division of the Ministry of Trade and Industry, both of which have demonstrated their readiness to enter this area. Second, since the end of 1961, a member of Achdut Ha'avoda, a partner in the government coalition more strongly attached to the socialist dogma than Mapai, has headed the Ministry of Labor. During the period under review, Achdut Ha'avoda was ideologically more inclined to "planning" and realistically more interested in it, so as to protect its membership in the coalition.[2] There is reason to believe that the fact that the minister and parts of the senior staff belonged to Achdut Ha'avoda further reinforced their unwillingness to lose influence to the Economic Planning Authority and the Ministry of Trade and Industry, both of which are dominated by Mapai ministers. Both the minister of labor and his director-general have had considerable experience with

planning in the Israeli Defense Force, predisposing them toward increased efforts in the direction of planning, administrative and otherwise. As a result, and on the basis of detailed recommendations by two International Labor Organization experts, the minister of labor established a Manpower Planning Authority in October 1962.

Various activities preceded establishment of the Manpower Planning Authority, including a number of preliminary studies by the research division of the Ministry of Labor, the inviting of foreign manpower experts and establishment of a Central Manpower Council, which was renewed by decision of the government on January 8, 1961, as the National Council for Manpower. But it is fair to state that the Manpower Planning Authority constitutes the most significant attempt to strengthen national manpower planning in Israel.

The functions of the Manpower Planning Authority were set down as follows:

1. To establish a factual basis for the determination of manpower policies and plans through the coordination and analysis of the data collected by a number of ministries and departments including the ministries of industry, labor, education, and agriculture and the Central Statistical Office and through special surveys and studies and short- and long-range forecasts.

2. To crystallize proposals for specific manpower policies and plans, and to present these for decision by the appropriate persons or authorities.

3. To initiate, coordinate, and assist in implementation of policies and plans that have been approved; to follow up, assess, and report on successes and problems in implementation, and to provide or to recommend the provision of technical advice required for the organization and coordination of the manpower services and related activities essential for the carrying out of manpower program.

4. To provide the government and the public with current effective information on significant aspects of manpower in Israel.

Its operations include four main phases: collection of information; short-, medium-, and long-range predictions of demand and supply of manpower; initiation of programs for development and guidance of manpower; and follow-up, feedback, and reformulation of predictions and programs. Within the manpower authority there are three committees in which representatives of the various inter-

ested ministries participate, namely a supply committee, a demand committee, and a policy committee. There is a small research staff headed by a director. The professional background of the staff and the dominant orientation of the work of the Manpower Planning Authority is in economics and statistics, with little professional attention to psychosociological and cultural dimensions of manpower planning.

At the end of 1964, the Manpower Planning Authority published a forecast of manpower supply and demand for the years 1965–70, which in some important respects contradicts the opinions of the planning division of the Ministry of Trade and Industry. This episode, in itself minor, well illustrates the difficulties of manpower planning in the absence of common assumptions and reliable information. It also draws attention to problems of interministerial coordination and illustrates the wide gap between separate planning of different facets and comprehensive national planning.

It is too early to evaluate the real significance of the Manpower Planning Authority and its potential impact on the quality of decision-making and operations. But it is clear that its establishment does constitute an important step in the direction of rationalization of manpower policy-making. The importance of the establishment of the Manpower Planning Authority in the Ministry of Labor is put into sharp relief when contrasted with the absence, until lately, of comparable attempts in planning in the Ministry of Education and Culture.

The situation with respect to the planning of education can be characterized as follows:

1. There is general agreement on the importance of using education as a means of speeding up cultural and social integration, an agreement which goes hand in hand with disagreements concerning the specific policies to be pursued. Thus, in 1961 the minister of education and culture and the minister of labor—both of whom at the time were members of the same party—expressed in public strongly differing views on the main purpose of education in Israel. The minister of education and culture gave priority to "pure" educational goals, while the minister of labor demanded radical changes in the structure of education to produce manpower for economic development.

2. There is some innovation, on the level of basic education, in

planning for improved curriculum, methods, and manpower. Most of this planning is incremental, to use Charles Lindblom's expression,[3] rather conservative, and more sporadic than systematic.

3. The erection of school buildings is a responsibility of local authorities. In most municipalities, little has been done in the way of long-range planning of school premises.

4. The teaching of Hebrew to new immigrants, a major item in the Israeli context, has been well planned and executed.

5. While there are no special units charged with educational planning, either in the Ministry of Education or in most of the local authorities sharing in the management of education, a proposal was made in 1962 to appoint a special deputy director-general in charge of educational planning in the Ministry of Education and Culture. This proposal has not yet been acted upon.

6. Much thought has been given to the evaluation of needs and possibilities with respect to occupational and academic curricula, character and duration of elementary schooling, and institutions of higher learning. But all these were explored disjointedly and sporadically, neither in an over-all plan nor continuously.

A field study executed in 1961/62 by a group of graduate students in public administration at the Hebrew University showed widespread awareness of the need for more educational planning, or at least verbal support of that idea by the officials interviewed. Why, then, has educational planning not progressed further? Enumeration of the six main barriers to educational planning, as uncovered in the field study and supplementary investigation, well illustrates the operation of the previously mentioned planning barriers in regard to a given aspect of sectoral planning.

1. Most of the senior staff in charge of education in Israel gained much of their experience during the pre-State period and have carried over patterns of work in which improvisation is the main *modus operandi*.[4] The successful use of improvisation in the sudden expansion of the educational system to meet the huge immigration in the first years of the State has further reinforced these patterns of action.

2. In view of the already-mentioned lack of agreement on the basic goals of education and the lack of experience in national manpower planning, the prerequisites for general educational planning are lacking.

3. The main verbal argument against the possibilities of educa-

tional planning—and against national planning in general—is the difficulty in projecting attendance figures because of the uncertainty of immigration and local migration.

4. A very real barrier is the relative lack of experts in educational planning, a barrier that might be overcome by making use of foreign experts and by training local personnel abroad.

5. The tendency of many educators to regard economic analysis, administrative considerations, and feasibility studies as unbecoming to "pedagogues" hinders communication between the heads of the Ministry of Education and the various planning units, thus reducing both the proplanning impetus in the Ministry of Education and its actual participation in the interministerial planning units. The one-dimensional educational orientation of most officials of the Ministry of Education, combined with the dearth of economists, social scientists, and other planning professionals in it, and the narrow economic orientation of most planners in the other ministries hinder informal personal contacts and influences, thus contributing to the further isolation of educational policy-making from economic planning activities.

6. The control of education is divided between a number of units with varying power and interests, e.g., the central Ministry of Education and Culture and local authorities; State Education, State Religious Education, and recognized nongovernmental religious education; and the government and powerful teachers' associations. This distribution of power substantially inhibits innovation, thus often making planning for change fruitless.

Transportation Planning

Transportation planning in Israel illustrates the operation of an extraneous factor that encourages national planning, namely, the demand of a foreign capital source for long-range plans as a condition for granting funds.

A large number of units and bodies have a direct stake in transportation planning, including various divisions of the Ministry of Transportation; the Public Works Department, located in the Ministry of Labor, which is in charge of all State road-building; the Ministry of Defense; the Ministry of Development; the Ministry of Trade and Industry; the Physical Planning Division in the

Ministry of the Interior; the Budget Division of the Ministry of Finance (which exercises a decisive influence on allocations from the Development Budget, a main source for financing new transportation facilities); the Investment Center; local and regional authorities; the Settlement Department of the Jewish Agency; sundry groupings of collective, cooperative, and private agricultural settlement; and industrial corporations, whether public, cooperative, private, or mixed. As pointed out in a thorough analysis of the situation by the State comptroller,[5] in 1959 there was no systematic road construction planning, not to speak of systematic and integrated transportation plans. The State comptroller suggested setting up a special road authority to engage in integrated road and transportation planning, but little was done other than short-term coordination by an interministerial road committee set up in 1949 [6] until the prospect arose of receiving a large loan from the International Bank of Reconstruction and Development for road construction. The necessity of providing a detailed plan as a basis for the loan proved a strong impetus for the preparation of a master transportation plan, and in fact one of the first special projects of the new Economic Planning Authority was to draw up the answers to the detailed questionnaire of the International Bank for Reconstruction and Development on the road development program.[7] The proposal submitted by Israel took the form of a five-year plan for highway construction. Another significant example of concerted sectoral planning is the setting up, in response to a condition stipulated by the external source of financing, of a country-wide Harbor Authority. Both examples bear out the role international monetary agencies may play in prodding economic activity in general and long-range planning activity in particular.

With respect to roads, the obvious and urgent needs outpaced available resources by so much that perhaps there was no real need for planning until the possibility to recruit large resources for new roads became realistic. This, in any case, is the rationale or rationalization of the actual state of affairs given by some of the senior policymakers who were interviewed. Whatever the merits of this argument as an explanation of the past, a distinct move toward more transportation planning can be discerned. A main expression of the increasing interest in transportation planning is a contract signed in 1963 between the Ministry of Labor and a French consultation firm, asking the latter to prepare a general land transportation survey, which is

to include detailed development programs for each year for the period 1965–70 and general lines for development for the 1971–76 period with respect to the southern parts of the country and alternatives for the main Haifa–Tel Aviv–Ashdod and Tel Aviv–Jerusalem transportation axes. In 1964 the Ministry of Transportation invited an expert from England to advise on transportation problems. But it is still an open question what the actual impact of these studies will be, especially in view of the absence of developed planning units or advanced planning orientations in the Ministry of Transportation.

Road planning in Israel illustrates another phenomenon important for understanding planning reality in Israel, namely the strength of narrow interest groups. It seems that in a sizable number of cases the opposition of a small local authority, or of a small group of farmers, succeeded in preventing adoption of an optimal road line, causing considerable unnecessary public expenses.

Agricultural and Water Resources Planning

The main development in agricultural policy has been from a concept in which agriculture was valued for ideological and political reasons toward an economic concept of agriculture as one of the production branches. During the pre-State period, agricultural work —especially within collective and cooperative settlements—was regarded as the main means of fulfilling the Zionist and pioneering ideal of redeeming the ancestral country. The choice of the products —first single-crop, then "mixed" agriculture—was only partly determined by economic motives. There was some local planning, even a few cases of regional planning, but that planning was of a technical nature or directed at political and security objectives. A number of agricultural-economic plans were prepared primarily as means of political action. The British mandatory power based its limitation of Jewish immigration into Palestine on the concept of "economic absorptive capacity," claiming that there was only limited scope for economic development in the country. The Jewish Agency, therefore, prepared economic plans to prove that the "economic absorptive capacity" of the country was much greater than the mandatary claimed. While these plans were not "execution oriented," their preparation, besides having political significance, served as an important planning exercise for the Yishuv decision-making elite. After

the establishment of the State, the main and urgent problems were settling the immigrants and increasing all agricultural production so as to provide food for local consumption. Only in 1953, when agricultural surpluses first appeared, did efforts begin to formulate a more detailed agricultural policy. The impetus for agricultural planning remains the problem of surpluses, especially in milk, eggs, vegetables, and several kinds of fruit. In order to assure reasonable income to the farming population and a steady supply of products to the market, regulatory action became essential. Export possibilities proved another stimulus for agricultural planning. Production began to be planned either for immediate export or for export after processing.

Agriculture in Israel is dealt with by two central public bodies: the Ministry of Agriculture and the Settlement Department of the Jewish Agency. According to the agreement between the Israeli government and the Jewish Agency, the Jewish Agency settles new immigrants on the land while the State looks after regular agricultural activities. This is obviously a very difficult distinction to make, and some disagreements have occurred between the Settlement Department of the Jewish Agency and the ministry. One cause of these disagreements lies in the fact that the agency, interested primarily in the rapid adjustment of the immigrants, who lack agricultural training, directs them to those branches of agriculture easiest for them. The Ministry of Agriculture, on the other hand, tries to encourage production in those branches whose development is most important from a national economic point of view.

In 1951/52 Levi Eshkol served as both minister of agriculture and head of the Settlement Department of the Jewish Agency. He succeeded in setting up a Joint Center for Agricultural and Settlement Planning, managed cooperatively by the Ministry of Agriculture and the Jewish Agency and still nominally in charge of all agricultural planning. However, in recent years the Ministry of Agriculture has increasingly assumed the functions of agricultural policy-making and planning. It seems to have gained the upper hand in its relations with the Settlement Department of the Jewish Agency. Recent strengthening of the agricultural planning function is closely related to increasing attention to economic planning in general, as well as to agricultural problems, and to already-mentioned changes in the senior staff of the Ministry of Agriculture with the influx of

persons acquainted with the overlapping multiyear planning method of the Israeli Defense Forces.

Most of the agricultural planning is directed at changing the basic patterns of agriculture, moving from "mixed farming" to specialization, trying to make optimum use of resources. This tendency has met strenuous opposition, both from ideological groups that reject the "economic view" of agricultural activity and from vested interests that oppose any effort to dislodge them from their established patterns of activity. To overcome these resistances, a combination of regulatory and fiscal means is used, such as the establishment of marketing boards that enjoy authority over all marketing of certain products or the use of government subsidies as incentives. At present execution seems to lag somewhat behind planning, but it is too early to tell whether this is a transitory state or whether there exists a structural inadequacy rendering more difficult the necessary fusion between planning and execution.

To put our description of agricultural planning into correct focus, we must emphasize the tremendous increase in agricultural output and productivity—partly a result of rudimentary and, later on, more systematic planning activities, and partly a result of the devotion and skill of the personnel engaged in stimulating and administering agricultural activities and of the farmers themselves. Faced at the beginning with serious shortages in practically all agricultural and horticultural products—with the exception of citrus fruits and some garden vegtables—Israel's agriculture now supplies large parts of the country's needs and engages in substantial export. These developments have contributed to a notable rise in nutritional standards and are of special significance when one considers the geophysical location of Israel and its lack of water in addition to the need to train for farming immigrants with no related background.

The prime limiting factor in Israel's agricultural development is neither land nor manpower but water. Increasing difficulties in getting enough water at reasonable cost provided an early impetus for water-resource planning, which has reached a high level of development. The Jordan Project is designed to convey part of the waters of the Jordan River to the northern Negev. Also, preparations for nuclear sea-water desalination are well under way.

Israel's water policy has gone through three phases. In the first there was only local activity. Then regional plans were developed.

In the third phase an elaborate master water plan was prepared, recommending heavy investments by the government in large engineering works.

Water planning in Israel is well organized. Over-all control of water use is in the hands of a water commissioner (a senior official of the Ministry of Agriculture responsible directly to the minister) and a Water Council on which interested ministries and bodies are represented. Commissioner and council are granted full legal authority to direct and control the use of water in Israel. The planning, design, and supervision of the main water and drainage projects is done by Tahal (Water Planning for Israel, Inc.), a public corporation with 52 per cent of the shares owned by the government, 24 per cent by the Jewish Agency, and 24 per cent by the Jewish National Fund. The construction and operation of the main water works is managed by Mekoroth Water Co., Ltd., a mixed corporation owned in equal parts by the government, the Histadrut (representing the water-users), and the Jewish Agency (jointly with the Jewish National Fund).

There are a rather well developed master plan and a number of multiyear plans, involving development of various water resources, savings in water usage, and large-scale engineering projects. In 1964, after agreement was reached with the United States government to examine the feasibility of joint endeavors to desalinate sea water with nuclear energy, preliminary study groups to investigate this possibility were set up. That year some preliminary steps were taken, with the help of foreign consultants, to convert the water-management methods to an integrated systems management design.

The substantive problems of water planning in Israel present a number of special issues. Foremost among them, and greatly complicating the task, are the international political problems in regard to the use of the Jordan River, to some waterworks on the northern borders, and to Arab threats to divert the sources of the Jordan. These require close integration among water-planning groups and the ministries of foreign affairs and defense. But these problems, as well as the more technical features of water planning, are beyond the scope of this report. For our present purpose, the main finding is that agricultural planning and water-resources planning represent two developed forms of facet planning in Israel. The present trend in both areas is toward further progress of quality and design.

Industrial Planning

Development of industrial planning in Israel has been rather slow. For a long time the main objective of economic policy in Israel was achievement of maximum net inflow of capital into the country and of maximum capital investment in remunerative enterprises. At first none too discriminating, this policy has gradually changed. Increasing attention has been paid to screening projected investments from the point of view of their contribution to Israel's economic and social goals. After the reparation agreement with West Germany was concluded in 1952, the main problem was how to use the funds. To begin with, there was a tendency to try every possible investment opportunity. Only slowly did criteria develop for approving investments, mainly in the Budget Division of the Ministry of Finance, which controlled the Development Budget and which, by 1958, had achieved a high degree of sophistication in evaluating investment proposals.

In 1957 the Ministry of Trade and Industry published a small booklet called *First Outlines for Industrial Planning,* which detailed a number of projects but lacked over-all policy. Only the next year was a special planning bureau established in the Ministry of Trade and Industry, first as part of the Division of Industry, then as part of the office of the director-general, and finally as a Planning Division which is formally a part of the Department of Industry but in fact serves the whole ministry. The functions of the Planning Division were broadly defined, including general industrial planning, industrial sector planning, and project planning. But its main work until 1962 consisted in preparing specific industrial projects to be suggested to private investors abroad. About thirty such projects were prepared annually by the staff of the division (which includes economists and engineers) or subcontracted to consulting firms in Israel and abroad. These projects are taken up by the special investment service and used as means for recruiting private investments and directing them toward desirable enterprises, especially in the field of export. In 1962 the Planning Division began some work on selected sectors of industry, such as electronics. In the same year, however, the former chief of the division undertook a technical assistance mission as head of a development corporation in an Asian

country. Following this development, other personnel changes in the senior staff of the Ministry of Trade and Industry, and establishment of the Economic Planning Authority, the Planning Division was reorganized and its operations were considerably strengthened.

The progress in industrial planning can be estimated by comparison of the two main planning documents that have been prepared and published by the Ministry of Trade and Industry, the *Prediction of Industrial Developments in Israel in 1960–1965* (Jerusalem:1960) and the *Plan for the Development of Industry in Israel—Forecast No. 2, 1965–1970* (Jerusalem: 1964).

Both documents are in essence forecasts based on economic analysis, together with some basic principles of industrial policy. But neither document deals with the critical problem of geographical breakdown of proposed (and predicted) industrial expansion. Nor do the "plans" go beyond prediction and explanation of main policies to optimality simulation, design of alternative strategies, and derivation of policies from comparison of optimal goals and predicted trends. The forecasts themselves are of an increasing level of economic and statistical sophistication. It is a credit to the drafters of the 1960–65 forecast that, despite the tentative nature of the main assumptions and the weaknesses of many of the data, most predictions proved correct. The 1965–70 forecast has a more substantial factual foundation and represents the thinking of highly capable professional economists. Thus, it constitutes a significant step forward in industrial planning and provides important parts of the informational basis necessary for systematic, future-oriented industrial policy-making. The next steps include preparation of development plans for various branches of industry based on thorough surveys and efforts at optimality stimulation and regional breakdowns of predicted and to-be-stimulated industrial development projects. To judge by present trends, these tasks have a good chance of being taken up during the next few years, if over-all national planning progresses sufficiently to provide the guidelines justifying and permitting such advances in industrial planning.

CAPITAL IMPORT PLANNING

One of the biggest economic successes of Israel is the continual mobilization of net capital import into Israel. While the internal

composition of the capital import fluctuated during the period under review, private reparations and private investment having become increasingly important, the total net capital import continues at a very high level. It is tempting to suggest that this is the outcome of good central planning, but in fact it is not. Indeed, the very success of the mobilization of capital in the absence of central planning raises doubts as to the optimality of central planning as a mode of policy-making under some conditions. These doubts require careful consideration.

Full exploration of this issue goes beyond the limited scope and purpose of the present preliminary survey. But the following points serve to explore tentatively some main aspects of capital import planning:

1. Tremendous efforts are devoted to the mobilization of capital import. While no quantitative data are available, it is nevertheless clear that a considerable part of the time and energy of the minister of finance, the minister of trade and industry, the senior officials of the economic ministries, and the senior political staff in general is devoted to mobilization of resources abroad.

2. The biggest success of the mobilization of capital import is in finding new sources for capital import when older sources dry up. Thus, in 1952 the Federal German Republic undertook to pay Israel and representative Jewish bodies a total of 3,450 billion German marks (about $822 million), of which 3,000 billion (about $715 million) were to be paid to the government of Israel. When these public reparations began to be exhausted, private reparations increased to previously unexpected dimensions. Similarly, in the United States the bond drive and encouragement of private investment took over when traditional fund-raising appeared to taper off.

3. Various forms of mobilization of capital import are planned as independent projects. Especially noteworthy are the efforts planned to draw private investors to Israel. A special Investment Center has been established to implement the Law for the Encouragement of Capital Investment (1950). The law offers considerable tax and rate-of-exchange concessions to foreign investors in "approved enterprises." Also of value are the projects, discussed earlier, that are prepared for investors. A special investment service, established in 1962 and strengthened considerably since, offers a three-month training course to persons preparing to serve abroad as

advisers and prompters to potential private investors. Further significant planning takes place in the various money-recruiting campaigns, such as the bond drive and the United Jewish Appeal. But there is no organizational unit responsible for over-all capital import planning, and there is no formal coordinating unit to mastermind capital recruitment activities.

4. The success of much of the capital recruitment depends on enthusiasm, imagination, and devotion of persons and organizations, especially Jewish, in various Western countries. Other variables that critically influence the mobilization of capital abroad are largely exogenous to the Israeli governmental system, too. These include, among others, the state of the economy in the United States and other Western countries; the strength of anti-Semitism in a number of countries; foreign policy considerations; and other special aspects governing relations between Israel and specific countries, especially the German Federal Republic.

5. When evaluating the success of Israel in the recruitment of capital import, it is not enough to note that its per capita capital import is by far the largest in the world. It is necessary to question whether better methods—including more central planning—might have resulted in a larger net capital import. In other words, correct evaluation of reality requires comparison with a simulated optimum, rather than with the past or with other systems. While evaluating the size of capital import into Israel, one must also bear in mind that the need is greater than actual achievement.[8]

6. The subjective forecast of future net capital import determines whether to adopt an optimistic or pessimistic view of the present economic situation of Israel. Until now nearly all predictions of economists of the declines to be expected in net capital import have been wrong. But this does not necessarily apply to the future. Past predictions of many economists have been false largely because they adopted too static a point of view, correctly foreseeing the decline of some sources of capital import but ignoring the possibilities for developing new sources. This neglect of the possibilities for change that human initiative and energy can effect may well be another "trained incapacity" of some Israeli professional economists which significantly reduces the reliability of some of their predictions and recommendations. Such an analysis would logically dictate establishment of a multidisciplinary team to propose alternative predic-

tions of future net capital import. Such a team would take into account dynamic and extrarational variables while stating maximum, probable, and minimum assumptions concerning future capital import on which to base economic policy. In fact, neither such a team nor such alternative assumptions exist. Instead, available assumptions are based either on extrapolation or purely intuitive guesses, but not on an optimal mix of statistic-economic analysis and intuitive impressions together with dynamic psycho-political-cultural analysis.

7. A reasonable argument can be made against much central planning of capital import recruitment. Such an argument would emphasize the importance of dispersed initiative and widespread search for new alternatives, which would be hindered by central planning. At the same time, a strong argument could be made for more central planning, to improve coordination and to provide a concentrated effort at systematic searching for new sources which would be less dependent on chance factors. Whatever the optimal mix between central planning and integration, and local freedom of action and redundance, one fact is clear: the present state of affairs in the main is not the result of deliberate systems design on the level of metaplanning, but in many respects of partly accidental, partly historical, and partly personality factors.

Some Concluding Remarks

This survey of six areas of facet planning covers only part of the whole picture. There are additional areas of governmental activities with varying degrees of planning. A remarkable amount of planning has taken place in some fields of scientific research and in social security. Some facet planning is done in the areas of construction and housing, telecommunications, and health services. A certain amount is encountered in other areas of social welfare, most phases of scientific and applied research, and some sociocultural aspects of integration of immigrants.

Nevertheless, the six areas discussed in this chapter are an adequate sample of facet planning and provide a sufficient basis for a number of tentative characterizations about it in Israel.

There are varying degrees of facet planning in different areas of governmental activity. The main interrelated variables influencing the extent of such planning include: the assumed level of needs,

external and internal pressures, propensity to change, continuity or discontinuity in personnel from pre-State period, entrance of senior personnel experienced in planning (especially from the defense forces), availability of data, qualified manpower, and political expediency.

There is a tendency toward more and better facet planning, related to slow but continual changes in the relevant variables. The rate of change differs among various areas, some approaching a period of high-quality facet planning while others are still at the stage of nearly pure improvisation combined with impulsive and rather accidental change.

Interaction between the various facet-planning activities is limited. While, of course, many interministerial coordination mechanisms do exist, these seem to deal more with operational issues than with planning phases. Few work with common basic assumptions. An overview of facet plans looks more like an uncoordinated collection of patterns than a meaningful mosaic.

The third characteristic is not necessarily negative. In some respects, indeed, the experience of Israel seems to support Albert O. Hirschman's thesis of the advantages of imbalance.[9] In other respects the degree of divergence in planning seems to go beyond the desirable degree of imbalance. Some provisions for better integration of policies seem urgent.

Increasing recognition of the need for an integrated, comprehensive approach has constituted the main driving force behind various attempts to engage in national planning. These attempts have taken two main directions: physical planning and economic planning. Physical planning has made some impact on reality. Economic planning appears to be the catalytic agent capable of improving public policy-making on a national level.

III

Attempts at National Physical Planning

National physical planning, broadly speaking, deals with the over-all configuration of social life within a nation, taken in its spatial dimensions. Because most social phenomena have spatial aspects, physical planning can be nearly comprehensive in scope. Even though this possibility is neglected in much of the contemporary national planning literature, physical planning can sometimes provide a better basis for over-all national planning than economic planning. This, to some extent, is the case in the Netherlands, where physical and demographic problems occupy a central position. This might have been the case in Israel, where immigrants are creating a new society in a barren land. Why this did not happen is a crucial question.

Evolution

Some of the basic features of the spatial dimensions in Israel—such as the concentration of population in the coastal plain and the location of some of the agricultural centers—were determined during the pre-State period. There was some physical planning during that period, on both a local and regional level. Most of the local planning was of traditional scope, concentrating on architectural and landscaping features, and does not concern us here. More important were the regional planning activities of the Settlement Division of the Jewish Agency, which set down the basic patterns of settlement

in a number of areas that were open to Jewish colonization. These planning activities were very important but remained limited in scope because of their nongovernmental character.

The great challenge for national physical planning came with the establishment of the State of Israel. Because of the tremendous influx of population, the task facing Israel was one of advance planning of the physical configuration of large parts of the country, rather than one of mere marginal replanning, as in most Western countries.

The general objectives of settling the underpopulated areas and of population dispersal were announced in the program of the first permanent Cabinet in 1949. As early as 1948 a Division for Physical Planning had been created as part of the then-existing Ministry of Labor and Building. In 1949 the physical planning function was moved to the prime minister's office and the Ministry of the Interior. Initiatory planning was assigned to the prime minister's office to be coordinated with the newly established Economic Coordination and Planning Division. Regulatory planning was transferred to the ministry of the interior. Both units, however, managed to act closely. At the end of 1951, when the prime minister's office reduced its attempts to initiate and coordinate national planning, the division as a whole was brought into the Ministry of the Interior. It now includes two main subdivisions and six local offices. The two main subdivisions deal with national and regional planning and regulatory planning. The six local offices exercise mainly supervisory and appeal functions in regard to local planning and building permits. In 1951 a Central Planning Council, in which all interested ministries and public bodies participate, was set up as an advisory committee to the minister of the interior. Theoretically, at least, it coordinates or advises on all activities involving erection of new towns, transportation networks, parks, and similar activities.

The basic legal instrument of physical planning was the Town Planning Act of 1936, amended several times. This deals mainly with local planning and its subordination to the central administration. It is only in part and only indirectly that the national physical planning functions have a statutory basis. Draft legislation published in 1959 provided for a formal national plan that would set down rules for land use, industrial and mining operations, main transportation arteries and water works, land reclamation and preservation,

recreation facilities, and settlements. The bill further provided for a National Planning Council made up of professional physical planners. The bill was passed by the Knesset in 1965, but it is too early to tell what its actual impact will be.

The actual history of national physical planning begins thus with the establishment of the State. Pre-State physical planning, both by the mandatary and the Yishuv bodies, had rather limited scope. After establishment of the State, the government Division for Physical Planning has prepared a series of national physical plans.

The main goals of physical planning in Israel can be summed up as follows: (1) reasonable dispersion of the population in the whole area of the country, with priority to settlement of the underpopulated areas in the south and in the hills; (2) optimal utilization of land, in view of the increasing population density in the coastal plain; (3) preservation of agricultural land for new agricultural settlement and enlargement of existing agricultural settlements; (4) crystallization of urban development on the basis of approved master plans; (5) differentiation between urban settlements according to size and reinforcement of interdependence between urban centers and their agricultural surroundings; (6) specific economic and occupational development of different towns, in accordance with their unique characteristics and their location; (7) preservation of open space between towns and villages; (8) direction of future urban development into nonagricultural areas; (9) identification of industrial areas on the basis of desired population distribution and manpower utilization; (10) strengthening of rural settlements through improvement of services and development of agricultural industries; (11) preservation of historic monuments; (12) creation of recreational areas, as a counterbalance to overdensity and overdevelopment in the urban areas and their surroundings.[1]

A major instrument in working along these lines was the preparation of general maps for the optimal geographic distribution of the population. Since the establishment of the State, six such plans were prepared (in 1949, 1951, 1954, 1957, 1961—updating, and 1963). The 1951 plan was based on a future population estimate of 2,650,000; the 1954 plan was based on a population in 1965 of 2,500,000; the 1957 plan was directed at a population of 3,325,000; while the 1963 plan is directed at a population of 4,000,000 persons

in about twenty years. Although the plans share over-all goals, there are important differences in the concepts of population clusters. The later plans diminish the size of the new town centers and modify the patterns of symbiosis between the center and its surrounding agricultural villages. The changes attempt to meet the needs of cultural integration among different groups of immigrants and of social cohesion within the different villages.[2]

Another main instrument for influencing the physical configuration of society is a priority map, dividing the country into various regions, in order of priority, for development purposes. The first such map was prepared in 1955 and approved by the government. A new map was prepared in 1964, in cooperation with the Economic Planning Authority, but was not yet approved at the time of this writing. In addition, the Physical Planning Division has prepared proposals for the communication network, location of industry, parks, and nature reserves, and the economic and social functions of towns.[3]

The above survey, without being exhaustive, highlights an impressive record of national physical planning activities. What has been the impact of these national physical planning activities on policy? To what extent do they constitute or approximate integrated and comprehensive national planning? What are the main variables shaping the answer to these questions?

SIGNIFICANCE AND SCOPE

The various activities of national physical planning described above undoubtedly had some impact on policy, but it is difficult to assess. The impact of national physical planning is indirect and emerges in the decisions of the various ministries in charge of housing and building, industry, and transportation, to mention a few examples. Opinions differ on the extent of this impact. The officials engaged in national physical planning naturally tend to overestimate the influence of their activities, though even they admit its indirect and limited character. Officials in most ministries tend to downgrade the impact of the national physical planning division, some of them denying its effect almost entirely.

The national physical planning activities described in this book

have had some impact on the distribution of immigrants in new settlement areas, on the provision of incentives to industry in high-priority areas, and on the forms of settlement. But their influence should not be overrated. The main decisions on location of settlements, transportation and water pipes, economic development, local master plans, and other facets of physical development are made in other government units, which sometimes consult the central Physical Planning Division but which make their final decisions independently.

Furthermore, it seems that the influence of national physical planning is decreasing—in contrast to the general trend toward more and better planning. The reasons for the limited and decreasing impact of national physical planning are interesting and provide some insights into the depth dynamics of policy-making and planning.

In many respects some of the aims adopted by national physical planning authorities are politically or socially not feasible. For example, nearly all efforts to retrain urban developments in the coastal plain and to preserve agricultural land near Tel Aviv have failed because of the tremendous power wielded by the main population centers and especially by Tel Aviv. The strength of local bodies was well illustrated by the pressure exercised by Tel Aviv when Prime Minister Ben-Gurion mentioned the need to prevent increases in its population. Despite the fact that the case against further growth of Tel Aviv seemed convincing and despite the tremendous power and influence of the Prime Minister, the public of Tel Aviv refused to consent.

Actual physical operations are in the hands of a number of very strong ministries, public bodies (such as the Jewish Agency), and municipalities, which are not willing to have their policy determined by a central unit belonging to another ministry. The legal position inherited from the mandatory period, according to which governmental building activities are not bound by local plans and regulations, strengthened the capacity of the different ministries to ignore the various physical plans. Thus, most dwellings for new immigrants are constructed under the auspices of the Ministry of Construction and Housing and were therefore not legally subject to planning constraints. Efforts to impose planning regulations through administrative arrangements, including Cabinet decisions, have failed

in many cases because of the power held by the various ministries.

In 1965 the Knesset enacted a new physical planning law, which significantly increases the legal power of the national physical planning unit to control building activities. It remains to be seen whether this new legal authorization will strengthen the actual influence of the national physical planning unit or whether the inability of the national physical planning unit to control developments will become even more pronounced if it tries to enforce the law without having adequate political power behind it.

The disregard by most ministries of directives and plans prepared by the Physical Planning Division is further explained by the political weakness of the Ministry of the Interior, in which the division is located. The Ministry of the Interior is usually held by a minor coalition party. Thus, the controlling coalition partner, Mapai, is reluctant to accord it far-reaching authority. Moreover, the ministry frequently has been switched to different parties, preventing continuity in policy and further decreasing its decision-making power. Often, the heads of the ministry are much more interested in other aspects of its functions, which are of greater partisan or ideological significance. Therefore, the limited political power available to the ministry is not used for strengthening the position of national physical planning.

Professional status and leadership resources have not been adequately mobilized. Internal differences of opinion in the National Physical Planning Division have impaired its activities. And most ministries in charge of space-shaping activities have set up physical planning units of their own, which reduce the influence of the national physical planning function by decreasing its professional monopoly. Even more important is the "sociometric distance" between the physical planners in the Division of Physical Planning and the decision-makers in the various other units. Especially striking are the differences in training, orientation, age, and outlook between the new economy experts and the physical planners, as clearly brought out in a series of interviews. These differences disturb communication and cooperation and result in lack of integration between the emerging national economic planning functions and the existing physical planning. Most of the economy experts interviewed by the present authors mentioned personality differences as the main barrier to coordination with physical planning, claiming that

they could not establish rapport with the professional physical planners in the central Physical Planning Division.

It is interesting to compare the images held by both sides. Economic planners claim that some of the senior staff members of the national physical planning unit suffer from outdated professional ideals and do not understand the realities of Israel. They claim they are rigid and unfamiliar with economic theories. The national physical planners complain that the economic planners are narrow-minded, too easily influenced by neoliberal economic theories, inexperienced, haughty, and dogmatic. Each group contends that the other is personally difficult to work with.

However correct or incorrect the allegations of each side, it is clear that such mutual images bar major cooperative efforts. Differences in age, background, and professional training compounded the personal disagreements. As yet little integration of physical and economic national planning has taken place, though progress has been made in that direction. In general the ascendance of economic planning has been accompanied by some decrease in influence of national physical planning. The effect is promotion of patterns of facet planning to the exclusion of integrative and comprehensive planning.

IV

National Economic Planning

National economic planning in Israel presumes in some respects to fulfill the functions of comprehensive national planning. While it has not quite accomplished this, economic planning in the last three years has made some progress in this direction. Therefore, developments up to 1965 may be viewed as a prehistory of national economic planning. If Israel succeeds in establishing national planning as a mode for improving public policy-making, the best guess is that the vehicle for that transformation will be economic planning. Whether this will actually happen is an open question, for reasons to be explored later.

Some Early Efforts

The Economic Planning Authority set up in February 1962 was not the first central economic planning unit established in Israel. There have been a number of earlier attempts, the most important of which was the Economic Advisory Staff in the prime minister's office, operating between 1953 and 1955 and headed by Oscar Gass, an American economist. Before discussing this planning unit in greater detail, other early efforts should be mentioned.

The first plan for Israeli economic development was prepared by a local economist, Ludwig Gaaton, who prepared in 1949 a "Four Year Development Program, 1950–1953." This proposal was widely discussed and had some influence in increasing awareness of the need to plan but had no direct effect on action.

In April 1949 a Planning and Coordination Department was

established in the office of the prime minister, together with the already-mentioned Physical Planning Division. It prepared some projects and outline plans, but it, too, had little impact.

The reparation agreement with the Federal German Republic raised the possibility of systematic use of the large reparation payments. A Dutch-born expert with experience in England, the Soviet Union, and the United States, Dr. S. Trone, was invited to Israel by the minister of finance at the end of 1951 to help prepare a plan for using the reparations. In the middle of 1952 Dr. Trone did submit such a proposal. Mainly technological rather than economic, it dealt primarily with development of railroads, harbors, electricity networks, irrigation, and single industries. It also emphasized the need for preparation of a comprehensive development plan for the country.[1] Dr. Trone's proposal had nearly no impact on reality. A special government corporation was set up to handle reparation funds but without benefit of a systematic utilization and development plan.

These and other more sectoral efforts to develop national economic planning did leave traces which resulted in the establishment of the Economic Advisory Staff in the prime minister's office in 1953. The staff was manned by a number of American economists and headed by Oscar Gass. The staff did much to prepare the ground for a more rational approach to economic policy and to provide training for young Israeli economists. It also made significant evaluations of various projects and prepared a basic survey of the local economy. The Economic Advisory Staff did not formulate any national economic plans, nor did it influence basic economic policy. Most of its members were unable to solve the foremost sociopsychological problem, namely, how to achieve sufficient contact and empathy with the political and economic policy-makers and with their administrative personnel. In some observers' opinions, the Economic Advisory Staff even delayed the development of national economic planning because it left a somewhat negative attitude toward economic planners among political decision-makers after its dispersal in 1955.

It is not easy to determine the reasons for the failure of the Economic Advisory Staff to achieve much direct influence on Israeli economic policy. Nevertheless, a number of reasons have been advanced that have a fair degree of plausibility. The first three

reasons also apply, *mutatis mutandis,* to the failure of earlier planning efforts.

The environment, especially the political and administrative components, was not ready for national economic planning or even for lesser degrees of rationalization of economic action. During those years all the environmental planning barriers operated at full intensity, while the various proplanning environmental variables were just beginning to develop.

Insufficient data were as yet available on the economy of Israel. The most important contributions of the Economic Advisory Staff may have been the stimulation of interest in economic statistics and the setting of precedent for annual surveys of the Israeli economy.

The prime minister's office was an unsuitable location for economic planning. Neither Prime Minister Ben-Gurion nor his senior staff had much interest in economic planning per se, and were not prepared to use their powers for its sake. Economic policy-making became increasingly concentrated in the Ministry of Finance and the other economic ministries. The Economic Advisory Staff in the prime minister's office became rather isolated—a set-up which created interdepartmental rivalry.

The objectives of the Economic Advisory Staff were never clearly defined. Apparently, the government expected it to prepare an over-all economic plan,[2] while the Economic Advisory Staff itself concentrated on preparing an economic survey and working on projects. It seems that the differences in expectations were never explicitly discussed and remained unresolved.

The opinion has been expressed that most members of the Economic Advisory Staff remained too much imbued with unrealistic conceptions based on their American backgrounds and that they failed to understand the sociopolitical environment of economic activity in Israel.

According to some observers, the Economic Advisory Staff never achieved a high degree of internal cohesion. It seemed more a collection of individual experts than an integrated staff agency.

The Economic Advisory Staff is said to have preferred undertaking critical reviews of projects to preparing projects of its own. Thus, its contribution was often "negative" in tone. Critiques of various government projects by the Economic Advisory Staff began to be used by opposition parties against the government, thus

inducing the government first to look askance at the Economic Advisory Staff and finally to disband it.

Most observers agree that the Economic Advisory Staff did make long-range contributions to the economic education of Israeli decision-makers. On the other hand, after the dispersal of the Economic Advisory Staff in 1955, seven years passed without any effort to set up a special central economic planning unit. But during those seven years many organic developments did take place, leading to the establishment of the Economic Planning Authority in a more favorable environment than any of the earlier central planning efforts enjoyed.

The Period of Crystallization

During the seven years preceding the establishment of the Economic Planning Authority, a number of developments took place which broke ground for a new effort in national economic planning.

Considerable environmental changes occurred, which created more favorable conditions for planning. These included increasing professionalization of the public service, changing attitudes in the political elite, and growing influence of new economy experts.

Facet planning progressed significantly, especially in agriculture, water resources, and, to a lesser degree, industry.

Economic policy became more refined and complex, using a multiplicity of controls and incentives, such as import licenses, differential exchange rates, subsidies, and governmental investments. With increasing sophistication in the use of these devices—such as a special "foreign-currency budget" and the use of the criterion of the "pound price of net dollar value added"—the need for a total renewal of economic policy on more rational and simple lines became increasingly important. Economic statistics became more nearly complete, providing much of the data required for rational economic decision-making.

Repeated recommendations by a series of foreign experts, all of them emphasizing the need for national economic planning,[3] began to influence the political decision-makers to heed the suggestion of the new economy experts for some central planning agency.

During this period three other nuclei of national economic

policy-making made their appearance: the Cabinet Committee for Economic Affairs, a subcommittee of the Cabinet that deals with most matters of economic policy; the Budget Division of the Ministry of Finance, which since 1959/60 has prepared five-year projections of the economy as a framework for the budget; and the Research Division of the State Bank, which started work in cooperation with the Budget Division on a five-year economic development plan.

In 1959 Ben-Aharon, a minister of a minority coalition party, emphasizing the dangers inherent in the departmentalization of economic action, proposed to the Cabinet a special Ministry for National Economy to handle development planning. The suggestion was widely discussed in the newspapers. Public reaction indicated a growing readiness to embark on new ventures in national economic planning—a factor contributing significantly to its ultimate establishment. Before the 1959 elections the Cabinet decided to prepare a ten-year plan, asking a minister without portfolio to take charge. Regardless of the political objectives, such efforts were both the effect and the cause of more interest in economic planning.

Increasing complications in the internal economy and the challenge of the Common Market seem to have been additional crucial factors. After the elections to the Fifth Knesset in August 1961 and the constitution of the new Cabinet, the government adopted in February 1962 a three-pronged "Plan for Stabilizing the Economy," involving devaluation of the Israeli currency to three pounds to the dollar,[4] establishment of an Economic Planning Authority in the Ministry of Finance, and proclamation of a "stabilized" economy as the economic goal of the government.

THE ECONOMIC PLANNING AUTHORITY

The Cabinet decision of February 9, 1962, established the Economic Planning Authority with these terms of reference:

1. Preparation of a proposal for a comprehensive development plan for a period of four to five years. The general lines of the plan will be prepared by the Economic Planning Authority in cooperation with the interested ministries. The plan for each economic branch will be prepared by the interested ministries within the framework

of the comprehensive plan. Such a plan will be submitted by the minister of finance to the Cabinet and, after approval, it will constitute the recognized frame for development plans and economic policy.

Within the multiyear plan, the economic planning authority will prepare each year—following the procedure set down above—an annual plan for the national economy ("national budget"), which will be submitted to the Knesset.

2. Coordination of specific development plans submitted by the various ministries and proposal of an order of priority for them.

3. Economic advising to the minister of finance and the chairman of the Ministerial Committee for Economic Affairs (and, upon being requested to do so, to other governmental bodies), in order to examine the compatibility between the current economic policy and the objectives set down in the annual and multiyear plan.

4. Advising in matters relating to the Common Market and other external economic affairs, in coordination with the Ministry for External Affairs and the economic ministries.

The Economic Planning Authority is subordinated to the minister of finance, who serves as chairman of the Ministerial Committee for Economic Affairs.

A few days after the adoption of the decision, the Economic Planning Authority was set up in the Ministry of Finance, under the direction of David Kochav. Staffing it were mainly persons transferred with Kochav from the Research Department of the Bank of Israel. Its provisional establishment included seventeen positions, including thirteen economists in three departments: macroeconomic planning, sectoral economic planning, and economic policy (i.e., advice on current economic problems). Overloaded though it was with acute problems related to devaluation, the Economic Planning Authority finished in July 1962 a draft of "Targets and Outline of the Four-Year-Development Plan, 1963/64–1966/67," based largely on earlier preparations. This plan set down three main objectives:

1. The continued rapid growth of the economy and the large-scale absorption of immigrants. This rapid growth will be expressed by an average yearly increase of 10 per cent in real national product, and will enable 70,000 immigrants to be absorbed each year.

2. The gradual reduction of the gap in the balance of goods and services. The plan will aim at reduction in the import surplus,

from about $400 million in 1961 to $250 million in 1966, with the intention of reducing the gap still further in subsequent years.

3. The development of the Negev and of Central Galilee.

Then three main assumptions were set down:

1. Population will increase each year by about 110,000 persons, representing immigration (net of emigration) and natural increases; in all, total population will reach about 2,800,000 by the end of 1966.

2. Total capital inflow into Israel will decline gradually.

3. A trade agreement will be reached with the European Economic Community, under which Israel will be able to export its products to the Common Market without quota or tariff restrictions.

On the basis of these assumptions and objectives, ten policy principles were set down, dealing with human resources, investment, efficiency, national product, rate of saving, private consumption, public consumption, exports, imports, and price policy. The final parts of the plan spell out some of the policies and the methods.

Many believed in 1962 that the establishment of the Economic Planning Authority, together with the devaluation of Israeli currency and the accompanying policy declaration, heralded a new phase in national economic planning. In 1965 it became clear that as yet no radical breakthrough in the direction of national economic planning (as distinguished from significant progress in facet planning) had occurred. Two main assumptions of the outline plan proved incorrect and most of the policy principles were not adopted. Between 1962 and 1965 the Economic Planning Authority prepared a number of proposals, including, among others, one under the auspices of a sub-Cabinet committee, *Report on Dispersal of the Population.* The report was submitted in 1964, and a new five-year plan for 1965–70 was submitted in draft form at the beginning of 1965. None of the proposals had any discernible direct impact on policies, and the principal economic policy-makers received the new five-year plan rather coldly.

The failure of the Economic Planning Authority to achieve much progress in the direction of national economic planning is closely related to a number of developments and variables.

Most important was a change in the organizational location of the Economic Planning Authority occasioned by a Cabinet reshuffle. When the Economic Planning Authority was established in

1962, Levi Eshkol was minister of finance and David Ben-Gurion was prime minister. The Economic Planning Authority was by common agreement located in the Ministry of Finance. When, in 1963, Eshkol became prime minister and Pinchas Sapir became minister of finance (while continuing also to serve as minister of trade and industry), the question of where to house the Economic Planning Authority was removed from the center of economic policy-making, minister's office. At the same time a Cabinet Committee for Economic Planning, chaired by the prime minister, was established. As a result of these organizational changes, the Economic Planning Authority was removed from the center of economic policy-making, thereby decreasing the probability that it would exert much influence.

That organizational move was not only a cause but also a result. During its short stay at the Ministry of Finance—which is the center of economic policy-making—the Economic Planning Authority did not gain acceptance as a central economic policy staff unit. It got into a jurisdictional dispute with the very strong Budget Division and developed tense relations with some of the senior economic policy-making staff in the Ministry of Finance and the Ministry of Trade and Industry.

Many of the forecasts and policy recommendations of the Economic Planning Authority were based on pessimistic assumptions of capital import and unrealistic images of political feasibility—all of which proved wrong. This reduced both its professional standing and the acceptability of its recommendations.

The Economic Planning Authority was slow in evolving into a comprehensive unit staffed by an interdisciplinary team. Engaging mainly in economic planning in the narrow sense of the term, it did not make any unique contributions to justify its separate existence. There were many qualified economists on the staff of other units, and the work of the Economic Planning Authority did not create an impressive image. The difficulties of the Economic Planning Authority stem largely from these developments.

Even if the Economic Planning Authority did not achieve much in the way of integrative national planning or policy-making, it publicized the idea of national economic planning and stimulated awareness of the need to formulate long-range, valid economic policies. At the beginning of 1965 its first director, David Kochav, who is known as a very good economist and economic planning

expert, received a senior appointment at the International Bank in Washington. In February 1965 the government decided to appoint Jacob Arnon, the Director-General of the Ministry of Finance, to serve also as the director of the Economic Planning Authority, which is still in the prime minister's office. In the autumn of 1965 new elections for the Knesset took place in Israel. It remains to be seen whether—after the election—a new effort will be made to activate the Economic Planning Authority; or whether another unit in charge of economic policy will be set up, perhaps in the Budget Division of the Ministry of Finance; or whether the idea of national economic planning will be shelved for the time being.

SOME PROBLEMS FOR THE FUTURE

It would be premature to venture any predictions concerning the future of national economic planning and of the Economic Planning Authority in Israel. One may, however, point out some basic problems which this authority or any other unit engaged in national economic planning will continue to face, the reasonable solution of which is a *conditio sine qua non* for the success of any new concerted planning effort.

One set of problems relates to the environment of planning. Many planning barriers continue to operate and may still prevent planning efforts from succeeding. Especially important are the political problems that result from the execution of unpopular measures and the degree of readiness for rational action based on a "nonoptimistic," or "realistic," belief that economic problems will not take care of themselves. Also of critical importance, and closely related to the political aspects, are the authority's relations with the principal interest groups and the chance of getting them committed to the planning process, or at least of preventing them from undermining it.

A second set of problems concerns relations between the Economic Planning Authority and other bodies engaged in economic planning or policy-making, especially the Budget Division in the Ministry of Finance, the other economic ministries, the Jewish Agency, and the Histadrut.

A third set of problems involves the task image held by the Economic Planning Authority itself and its organizational and

functional structure. Especially crucial will be the degree of realization by the Economic Planning Authority of the relation between economic planning and other aspects of national planning in Israel, in particular physical and social planning, which should lead in the direction of "comprehensive planning," and the inclusion of physical planning, sociological, political, organizational, and other experts—in addition to economists—on the planning teams. One difficulty in this respect is the dearth of suitable manpower, which will make necessary a considerable self-training period. Other problems concerning the Economic Planning Authority include its theoretical economic assumptions, the desirability of giving it an unassailable statutory or constitutional basis, its relations with ministerial planning units, and the use of representative advisory committees.

Last, but not unimportant in the special circumstances of Israel, is the set of problems which lie beyond the immediate concern of the authority but are decisive for the operations of that body just as for the operations of all other public bodies in the country, namely, the problems relating to the precarious security of Israel amid Arab countries. In addition to the general uncertainties arising from the semiwar, the insecurity created by those nations avowedly committed to the destruction of Israel must be taken into account.

Also, if we consider the objective needs of Israel for national comprehensive planning and the high caliber of the staff of the Economic Planning Authority and the Ministry of Finance, there is reason to hope that the Economic Planning Authority, closely linked with the Ministry of Finance, may initiate effective development planning in Israel, and not be merely another episode in the prehistory of national economic planning.

A Short Diagnosis

As with facet planning, we do not presume to cover all the details of the evolution of national planning in Israel. There are many additional institutions that contribute to the emergence of national economic planning, such as the Bank of Israel, whose research department constituted a nucleus for economic analysis; the Central Office of Statistics, which collects and processes the basic data; and the Falk Foundation for Economic Research in Israel, which initiated a number of depth studies on Israel's economy. Not less

important for understanding the problems of national planning in Israel are the modes of operation of nongovernmental units—such as municipalities, private enterprise, and public corporations—most of which do not engage in extensive planning.[5] A complete study of national planning in Israel also requires detailed examination of the substantive methods of economic and physical planning used there, which include many interesting innovations of potential significance for other developing countries. This is indicated by the relatively large foreign aid in planning given by Israel to a number of developing countries.

SOME CONCLUSIONS

Let us sum up this study by presenting a brief sketch of the state of national planning in Israel at the end of 1965.

There is very little integrative and comprehensive national planning, though there is some progress in that direction, especially from the side of economic planning.

Physical planning might have served as a framework for national planning in Israel. But in fact, while having made a number of important contributions to the shaping of reality, national physical planning remains mainly on the level of facet planning and is of rather limited influence.

The improvements in facet planning, as outlined in Chapter II, prepare the ground for integrative and comprehensive planning. At the same time, they make the latter more difficult to achieve, becoming strong islands of resistance to centralized national planning.

The present state of national planning in Israel is to be explained in terms of a range of variables. Detailed reexamination of these variables would be tedious. But one basic point should be emphasized once more: the more important variables are political in nature, in the broad sense of the term. Images, ideologies, levels of satisfaction and aspiration, power relationships, organizational behavior, and personalities are the main categories shaping the planning process. Any attempt to understand the realities of planning in Israel mainly in terms of the substantive planning disciplines—such as economic or physical planning—is doomed to failure.

Nearly all variables are undergoing rapid change. It seems that

the trend is toward reinforcement of those variables favoring national planning. But, if present trends continue, it will take considerable time, by Israeli standards, until sufficient changes in the planning ecology occur to permit radical strengthening of integrative and comprehensive national planning.

The degree of national planning is not the single most decisive factor determining the rate of development of Israel. More important are the spirit and devotion of Israel's population, the degree of aggressiveness of Israel's Arab neighbors, and the economic aid given Israel by world Jewry and friendly nations. Nevertheless, the quality of Israeli public policy-making is one of the more important variables determining the future of Israel. National planning is, under Israeli conditions, one of the optimal modes of policy-making with respect to many basic issues. Strengthened, it will constitute an important avenue for improving public policy-making in Israel. In view of the continuing strength in the foreseeable future of many of the antiplanning variables, achievement of even some integrative and comprehensive national planning will require a maximum effort by all those who favor it.

Appendix

Hypotheses for Comparative Research

In addition to its specific interest, the study of the development of national planning in Israel may well provide a number of significant hypotheses for the comparative study of the evolution of national planning, especially in newly developing countries. A few tentative hypotheses for comparative study follow:

1. There are a number of prerequisites for the emergence of national planning. These include, among others, the following: (*a*) favorable attitude by the decision-making elites to rational action; (*b*) a belief by the decision-making elites that nonplanning will have serious negative consequences, or at least that "planning" constitutes a useful slogan or technique in terms of struggle for political power; (*c*) an ability to reach agreement on operational goals, or at least to accept such goals when prepared by experts; (*d*) availability of personnel qualified to engage in planning activities and of basic economic-social data on which these activities can be based.

2. In new states, many patterns of action functional during the preindependence struggle become dysfunctional when carried over—as they usually are—into the independence period. Especially disturbing for national policy-making, including national planning, are habits of improvisation, lack of appreciation for experts and knowledge-based action, preoccupation with ideologies, lack of realism, and excessive self-confidence.

3. Even if the objective need and the prerequisites exist and planning barriers are low, planning will not emerge spontaneously but only after some preplanning pressures. These include, among others, the following: (*a*) internal political utility of "plans" as means for recruiting political and mass support; (*b*) ideological predisposition to plan; (*c*) external pressures to plan, mainly as a condition for receiving economic aid; (*d*) pressure by professionals, such as economists, to engage in planning; (*e*) existence of serious problems or crises, which do not respond to improvisation.

4. Especially in developing countries, economic planning is closely related to other spheres of social action, requiring a comprehensive rather than a purely economic approach to planning.

5. Under some conditions the development of national planning passes through a series of stages. These include changes in the environment, increasing awareness of the need to plan, early efforts at national planning which may fail, increasing facet planning, crystallization of planning nuclei, and finally, perhaps, an enduring national planning establishment.

6. In evaluating the role of foreign experts in the development of national planning, one must distinguish between immediate and long-range effects. Even if the immediate effects are nil, there may be significant educational and opinion-forming long-range effects which, while difficult to measure, may make most important contributions to the rationalization of public policy.

An even more basic issue posed by our study of national planning in Israel relates to the significance of planning as a variable determining development. The economic and social successes achieved by Israel are only partly due to planning, while its shortcomings are only partly due to lack of planning or bad planning. Thus, there seems to be no complete correlation between the scope and quality of planning and accelerated development. Nevertheless, when some of the unique conditions of development in Israel are discounted, the material at our disposal seems to support an additional hypothesis, stated below.

7. Planning is neither the only nor the most important variable determining development. Good comprehensive planning, however, can make an important contribution to accelerated and directed change in developing countries.

Notes

I. The Planning Paradox in Israel

1. This concept of planning as a future-oriented and rationality-approximating method of policy-making and decision-making must be kept apart from the narrower uses of the term "planning" in economics, where it refers to a variety of forms of governmental management of the economy. Thus, planning—in our sense—can lead to less governmental interference, insofar as a free market mechanism emerges under specific conditions as an optimal instrument for achieving societal values and goals.

2. See Edwin Samuel, *British Traditions in the Administration of Israel* (London: Vallentine & Mitchell, 1957).

3. For a general description of these factors, see Oscar I. Janowsky, *Foundations of Israel* (Princeton: Van Nostrand, 1959); and Norman Bentwich, *Israel Resurgent* (New York: Praeger, 1960). A broad survey of Zionism is provided in Arthur Hertzberg, ed., *The Zionist Idea: A Historical Analysis and Reader* (New York: Doubleday, 1959). Problems of immigration are discussed in S. N. Eisenstadt, *The Absorption of Immigrants* (New York: Free Press, 1955); and Judith T. Shuval, *Immigrants on the Threshhold* (New York: Atherton Press, 1963).

4. This chapter is based mainly on Yehezkel Dror, *The Israeli Political System* (New York: Harper, 1966 [forthcoming]). A comprehensive and penetrating analysis of politics in Israel within its societal setting is provided in S. N. Eisenstadt, *The Social Structure of Israel* (New York: Basic Books [forthcoming]). The politics of Israel is also ably discussed in: Marver H. Bernstein, *The Politics of Israel: The First Decade of Statehood* (Princeton: Princeton University Press, 1957); Oscar Kraines, *Government and Politics in Israel* (Boston: Houghton Mifflin, 1961): and Nadav Safran, *The United States and Israel* (Cambridge, Mass.: Harvard University Press, 1963).

5. The situation in Israel seems to support Edward C. Banfield's hypotheses on political barriers to formulation of operational planning objectives. See his "Ends and Means in Planning," *International Social Science Journal,* XI, No. 3 (UNESCO, 1959), 361 ff. See also Anthony Downs, *An Economic Theory of Democracy* (New York: Harper Bros., 1957), pp. 142 ff.

6. In fact, the transformation of the political elite began earlier with

the immigration of an academically educated stratum from Central Europe following the rise of Hitler to power in Germany. But it was only after the establishment of the state that the change assumed decisive importance.

7. The basic orientation of the Department of Economics, Hebrew University (Jerusalem)—if one can generalize about such a complex phenomenon as "academic orientation"—is mainly in the direction of general economic theory and mathematical economics. Most graduates of the department share basic concepts and ideas, including a tendency to oppose detailed interference with the economy, i.e., "economic planning" in the more traditional sense.

8. A sophisticated analysis of the Israeli economy is provided in Dan Patinkin, *The Israel Economy: The First Decade* (Jerusalem: The Falk Foundation Project for Economic Research in Israel, 1959). See also Alex Rubner, *The Economy of Israel: A Critical Account of the First Ten Years* (New York: Praeger, 1960).

9. "Contextual ends are represented by social values and traditions that do not, in themselves, constitute the immediate objectives of planning but are nevertheless sufficiently vital to make their preservation socially worth while." John Friedmann, "Introduction: From Polemetics to Dispassionate Analysis" to "The Study and Practice of Planning," *International Social Science Journal,* XI, No. 3. (UNESCO, 1959), 327 ff.

10. We are using the concepts of "tough-mindedness" and "tender-mindedness" as developed by H. J. Eysenck in *The Psychology of Politics* (New York: Praeger, 1954).

II. Facet Planning

1. This information is based on public lectures by senior general staff officers at meetings of the Israeli Management Center.

2. At the end of 1965, serious efforts were under way to unite Mapai and Achdut Ha'avoda, which appeared as one block on the list in the 1965 elections. Should these succeed, the aspect of interparty rivalry might weaken and finally disappear, but Mapai as a whole might become more planning-minded.

3. See Charles E. Lindblom, "The Science of Muddling Through," *Public Administration Review,* XIX (Spring 1959), 79 ff.

4. See Rachel Elboim-Dror, "Some Problems of Educational Administration in Israel," in *Public Administration in Israel and Abroad 1961* (1961).

5. *Annual Report No. 10* (Jerusalem: State Comptroller, 1954), pp. 98 ff.

6. A field study executed by another group of public administration graduate students at the Hebrew University on planning of transportation of goods in Israel reached similar conclusions, *mutatis mutandis,* as to the growing awareness of the need to plan on one hand, and the nature of the planning barriers on the other hand, as did the study of educational planning discussed earlier.

7. The detailed answers to the questionnaire were submitted on May 2, 1962.

8. On the problem of selecting standards for appraisal of reality, see Yehezkel Dror, *Policymaking* (San Francisco: Chandler, 1966), chapter VI.

9. See Albert O. Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958), and *Journeys Towards Progress: Studies of Economic Policy-Making in Latin America* (New York: Twentieth Century Fund, 1963).

III. Attempts at National Physical Planning

1. These goals are described by Elisha Efrat in "The Nature of Physical Planning in Israel," *Dvar Hashilton Hamekomi* (May–June 1965), pp. 4 ff.

2. One of the most interesting patterns, followed in the Lahish regional settlement area, provides for homogeneous villages and a central town, in which integration takes place through common schools and community facilities.

3. See Jacob Dash and Elisha Efrat, *The Israel Physical Master Plan* (Jerusalem: Ministry of the Interior, 1964). For an analytical discussion of physical planning in Israel, see Eliezer Brutzkus, *Physical Planning in Israel: Problems and Achievements* (Jerusalem: Mifal Hashichpul, 1964).

IV. National Economic Planning

1. Report by S. R. Trone, *"German Payments: Basic Development Programme"* (Jerusalem: June 30, 1952).

2. Some persons expressed the opinion that the main reasons of desiring such a plan were political, i.e., the hope to use the plan for recruiting internal support and external aid.

3. Among the more influential foreign experts, one should mention,

in addition to those named before, Harvey S. Perloff, who recommended the use of budgeting for planning purposes, as well as Odd Aukrust and Hollis B. Chenerey, who stressed the need for national budgeting and long-term economic planning.

4. The former official rate was £1.80 to the dollar, but differential exchange rates as well as unofficial dealings reached £2.50 to the dollar and even higher. This was the second devaluation of the Israeli currency; the first took place in 1952, when the Israel pound was devaluated from its former par with the English pound. At that time, too, a "new economic policy" was proclaimed.

5. According to some observers, one of the main objectives of more national planning in Israel is to encourage more planning by non-governmental units and to provide a basis for the latter. There is some progress in that direction. For instance, at the beginning of 1965 the Center of the Cooperative Movement, which plays an important role in Israel's economy, prepared a five-year outline plan based on the 1965–70 *Plan for the Development of Industry in Israel* of the Ministry of Trade and Industry.

Selected Bibliography

Available literature in English on Israel is very scarce. In this bibliographical note some of the relevant published books are pointed out, but on many issues no references can be provided in English.

The pre-State period is fully discussed in Robert R. Nathan, Oscar Gass, and Daniel Creamer, *Palestine: Problem and Promise* (Washington: Public Affairs Press, 1946); and in Esco Foundation for Palestine, Inc., *Palestine: A Study of Jewish, Arab and British Policies* (2 vols.; New Haven: Yale University Press, 1947). Another very good survey is J. C. Hurewitz' *The Struggle for Palestine* (New York: Norton, 1950). A broad survey of Zionism is provided in Arthur Hertzberg, ed., *The Zionist Idea: A Historical Analysis and Reader* (New York: Doubleday, 1959).

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Problems of immigration are discussed in S. N. Eisenstadt, *The Absorption of Immigrants* (New York: Free Press, 1955); and Judith T. Shuval, *Immigrants on the Threshold* (New York: Atherton Press, 1963).

For treatment of public administration in Israel, see Edwin Samuel, *Problems of Government in the State of Israel* (Jerusalem: Rubin Mass, 1956). Since 1960 Samuel has edited an annual including English translations of articles on public administration published in Hebrew, called *Public Administration in Israel and Abroad* (Jerusalem: Israel Institute of Public Administration). Much relevant material is included in the *Government Yearbooks* published, in Hebrew and English, by the Israeli Government Printer, and in English translations of the *Annual Reports* of the State comptroller (Jerusalem: Comptroller's Office).

On the Israeli economy, nearly no texts in English are available. One astute analysis is Dan Patinkin, *The Israel Economy: The First Decade* (Jerusalem: The Falk Foundation Project for Economic Research in Israel, 1959). See also Alex Rubner, *The Economy of Israel: A Critical Account of the First Ten Years* (New York: Praeger, 1960). Excellent current material is included in the *Annual Reports* of the Bank of Israel, also published in English. Surveys of current research and a few analytical articles are provided in the *Annual Reports* of the Falk Project for Economic Research in Israel. The publications of the Israeli Central Bureau of Statistics—in Hebrew and English—cover most facets of economic activity. E.g., see Central Bureau of Statistics, *Israel's National Income and Expenditure (1950–1962)* (Jerusalem: 1964). Much additional material is translated into English for the International Bank, aid missions, etc., including the annual development budgets and analyses of various economic projects, but this material is not easily available.

On planning in Israel, even less material has been published in English. On agricultural planning see: Raanan Weitz, *Agricultural and Rural Development in Israel: Projection and Planning* (Rehovot: The National and University Institute of Agriculture, 1962); and Joseph Ben-David, ed., *Agricultural Planning and Village Community in Israel* (Paris: UNESCO, 1964). On industrial planning, the *Prediction of Industrial Developments in Israel in 1960–1965* has been published in an English translation by the Ministry of Trade and Industry (Jerusalem). On physical planning, see: Eliezer Brutzkus, *Physical Planning in Israel: Problems and Achievements* (Jerusalem: Mifal Hashichpul, 1964); Jacob Dash and Elisha Efrat, *The Israel Physical Master Plan* (Jerusalem: Ministry of Interior, Planning Department, 1964). On economic planning, a large number of reports, memoranda, and proposals have been prepared in English or translated into English, but none of them is readily available. E.g., the translation of the first plan prepared by the Economic Planning Authority, entitled: *Targets and Outline of the Four-Year Development Plan, 1963/64–1966/67* (Jerusalem).

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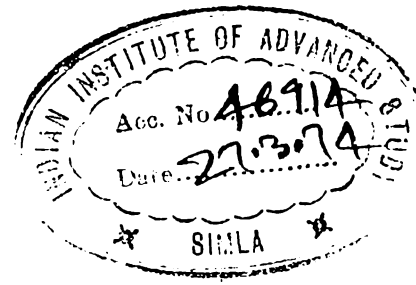

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