
Shlomo Ben-Ami
Room for Everyone: Eli Bar-Navi
Talks with Shlomo Ben-Ami

United Kibbutz Press, 1998.

269 pages, Hebrew.

Reviewed by Ziv Hellman

Shlomo Ben-Ami is a rare bird in Israeli politics. A historian who dropped into political life straight from academia, Ben-Ami is currently one of the most respected public figures in Israel. No less unusual is the path he has taken to get where he is: From humble, blue-collar beginnings in a family that immigrated to Israel from Tangiers in the 1950s, on to becoming an eminent historian, Israel's ambassador to Spain, a senior politician in the Labor Party and, now, Minister of Internal Security (Israel's equivalent of a police commissioner) in Ehud Barak's government.

Ben-Ami's connections to two different worlds—the Sephardi underclass and the academic overclass—have enabled him in recent years to fill a niche in Israeli public life as the eloquent spokesman for the country's burgeoning social lobby, and as a front-line fighter against the free market. After the elections this past May, while Ehud Barak was assembling his coalition, Ben-Ami's name came up more than once as a candidate for finance

minister. Yet whenever the prospect was raised, Barak encountered staunch opposition from the business community—and Ben-Ami found himself police minister instead.

To understand the acrimony against Ben-Ami, one need only read his new book, *Room for Everyone*. It will raise the hackles of anyone who has seen the economic miracle which has taken place in Israel over the last fifteen years as a positive development. His proposals take a page from the European social democrats, attempting to resurrect the faith in government intervention which was the bane of Israeli economic growth for a generation, and from which the last decade and a half of economic policy has been one long effort to flee. For anyone who has welcomed the liberalization of Israel's economy—or has seen what the Europeans have managed to bring upon themselves under social democracy—there can be little doubt that implementing Ben-Ami's proposals would mean a severe blow to the country's economic development, if not far worse.

The book is a showcase of Ben-Ami's erudition, as well as his congeniality. Ben-Ami still sees himself primarily as an intellectual—the book is brimming with historical and cultural references, from Bismarck to Benjamin Franklin, Albert Camus to Albert Einstein, Homer to Homer

Simpson. Nonetheless, *Room for Everyone* is a light read. Presented as a dialogue between Ben-Ami and fellow historian Eli Bar-Navi, it is less an exposition than a conversation among friends, often sacrificing structure and rigor for user-friendliness (Ben-Ami and Bar-Navi identify one another throughout the book by their first names). The chapters divide into sections on Ben-Ami's life, a presentation of his ideas on war and peace in the Middle East, and a blueprint for the overall leadership Ben-Ami is offering the Labor Party and the country, towards a "rejuvenation" of petrified political and social thinking. The heart of the book, however, and the essence of much of Ben-Ami's public efforts, is to be found in its middle chapters, in which his social and economic ideas are spelled out—including a jeremiad against economic liberalism and a call for the establishment of a European-style social-democratic movement in Israel.

The picture he paints of Israeli society is a gloomy one. In Ben-Ami's Israel, considerations of economic efficiency have eclipsed all other designs of men, and human dignity is crushed under the capitalist thumb. The neo-liberal monster so conjured destroys communal solidarity and makes people's lives devoid of purpose, alienated and cold, focused entirely on the race for riches. "The elites have

retreated," writes Ben-Ami, "abandoned the people, and fortified themselves behind a selective ideology with their 'global' nonsense, according to which only if you support spending cuts, a 3-percent inflation rate and tax cuts do you 'understand' economics." He goes on: "The difficult social crises and erosion of the welfare state serve in an especially perverse manner to tighten the alliance between fundamentalist neo-liberals and the [lower] sectors ... and thus we are reverting to a Dickensian England: A combination of social Darwinism and soup kitchens. As in Dickens, the unemployed in Israel turn not to public employment services, but to charitable societies." The solution to this dismal state of affairs, according to Ben-Ami, is the adoption of a form of "social democracy."

Ben-Ami knows that reviving social-democratic thought is not a simple task in a country where even low-skilled workers can see the benefits of privatization and liberalization in many areas. He takes great pains to show that he is not an "old-school socialist," at times bending over backwards to package his big-government message in pro-market rhetoric. Frequently Ben-Ami attacks the "socialism ... which tried to lead through dictates and coercion on the part of an overblown bureaucratic elite." He abhors the tendency of bureaucracies to grow to monstrous proportions,

and asserts that “government funding [encourages] waste and mediocrity.” He calls for “seeking ways to lower public budget commitments to welfare services” and prefers relying more heavily on private investments. As a result, he does not object “a priori” to privatization, and pledges his allegiance to a belief in a competitive Israel with an economy built on advanced technology.

All this is lip service. Ben-Ami’s commitment to social democracy is quite genuine. He is a firm believer in the welfare state, and is devoted to a formula according to which the solution to the social distortions of “ultra-liberalism” (something which only a downright socialist can believe is a dominant feature of the Israeli economy) is to be found in “the corrective interference of the state.” He holds that the “rejection of the public sector cannot stand up to any empirical test,” and claims that privatization, while welcome in some cases, must be implemented sparingly, and certainly not based on considerations of “efficiency,” since “the invasion of business considerations into social services is fraught with moral dangers.” As for the reduction of budget deficits, Ben-Ami recommends abandoning that goal “temporarily,” arguing that the current unemployment problem requires deficit spending in order to ensure “sufficient demand” in the economy. For the

sake of reducing social inequalities, he advocates a series of programs—publicly funded, of course—to create jobs, provide every citizen with a guaranteed pension, shorten the work week by law and strengthen the labor unions. In essence, this is an open call for a return to the Keynesian economics that ruled Western economies up to the mid-1970s. “How can one speak of the burial of Keynes...,” asks Ben-Ami, “when Keynesian conditions continue to exist?” The fact that it was the burdens of high taxation and public debt associated with Keynesian economics which threw Western welfare states into severe, protracted economic crisis is well-known to him, but he insists that economic principles should not take precedence over “the principle of social progress.”

Ben-Ami’s rhetoric should sound familiar to anyone who has watched the social-democratic parties of France and Germany wage their own war on economic liberalism in recent years. The claims Ben-Ami puts forward to support his case are no different from similar arguments made in continental Europe against the shameful social consequences that “necessarily” follow from the free market. Like them, he holds that the economic growth which stems from neo-liberal policies does not always create jobs, and that it usually increases inequality and

promotes reliance on cheap labor. The net effect of such policies, according to this view, is high unemployment. “We discover,” quotes Ben-Ami from Viviane Forrester’s *The Economic Horror*, “that there is something worse than the exploitation of man, and that is the lack of opportunity to be exploited.”

Given this context, it is instructive to study the latest economic developments in France and Germany, two nations currently ruled by social-democratic parties. What has been the fate of politicians who attempted to implement the socialist prescriptions recommended by Ben-Ami for the healing of modern economic ills? In Germany, Chancellor Gerhard Schroeder’s government appointed Oskar Lafontaine, a social democrat *à la* Ben-Ami, to the post of finance minister. Lafontaine’s policies, within a short span of time, were so harmful to the economy that Schroeder was quickly forced to engineer his resignation. Today Germany’s economic policies have taken a dramatically liberal turn, including deep cuts in the federal budget, accompanied by a significant reduction in the tax burden on corporations, in order to reduce the country’s double-digit unemployment.

Even in Paris, the capital of opposition to “Anglo-American” capitalism, the errors of social democracy are starting to be understood. One of the central steps taken by Lionel Jospin’s

government in France was the passage of a national law creating a thirty-five-hour work week—much like the law Ben-Ami proposes for Israel. More than a year has passed since the law went into effect in France, and already it appears to be doing more harm than good: Some French economists have warned that the law might lead to the loss of as many as 200,000 jobs over the next three years. Given the rising tide of unemployment in France (which has been stuck above 10 percent since the early 1990s), the call for greater “labor market flexibility”—that is, making deliberate efforts to reduce the costs of employing workers and to increase productivity—has at last begun to be heard.

As opposed to these failures, economic growth in the United States has been astounding in recent years, disproving decades of dark social-democratic prophecies about the future of capitalism. While Europe (with the exception of Britain and the Netherlands, which have chosen an alternative to the extreme welfare-state policies characteristic of most of the European states) has unsuccessfully contended for years with economic and social crises accompanied by heavy public debts, fiscal instability and colossal unemployment—with rates of 11 percent to 13 percent holding in France, Germany, Italy and Belgium in recent years—the United States is

currently celebrating a decade of unprecedented prosperity, with unemployment under 4.5 percent. So impressive has this string of economic successes been that it almost appears as if the Americans have hit upon a “magic formula” for simultaneously achieving high employment, sustained growth and low inflation, a combination once thought impossible.

The question, then, is why not adopt the American model in Israel, instead of a failed European one. This question is indeed asked by Eli Bar-Navi more than once in his conversation with Shlomo Ben-Ami in *Room for Everyone*. Ben-Ami’s answers are as baseless as they are muddled. He points out that Israel is a country poor in natural resources—yet ignores the fact that in these post-industrial days, the source of the wealth of nations is mainly found in human resources, with which Israel has been plentifully blessed. He also stresses the fact that the two nations were founded on different basic values: “The United States was born upon the principles of individualism, the freedom of the individual and a perpetual improvement in his condition.” In Israel, however, “everything was centralized and ‘steered.’ The idea ... was one of a command economy controlled by a state elite.” In other words, Israelis are too used to government intervention

to imagine giving it up. That for the past decade and a half Israelis have proven themselves more than willing to give it up, or that other nations with a longer and more severe history of economic centralization (Estonia, for example) have been able to make the switch, does not seem to enter Ben-Ami’s calculations.

Above all, Ben-Ami rejects the American model because the prosperity of the United States, by his account, leaves too many behind and on the margins of society. The rich get richer, while the poor perpetually see their lot reduced; middle-class wage earners are forced to work ever harder just to tread water. “The economic prosperity [in the United States],” writes Ben-Ami, “is built on too many years of low wages ... and the delimiting of workers’ rights.”

The problem with Ben-Ami’s claim is that it is untrue. The latest figures in the United States, as presented in a recent study conducted by the President’s Council of Economic Advisors, show the opposite to be the case: Even Americans located at the bottom of the social ladder are enjoying the fruits of American prosperity of the 1990s. As opposed to Europe, where entire sub-populations are categorized as “hard-core unemployed” and have long given up on finding a place of work, American unemployment rates, now at a thirty-year low, have been dropping at a steady rate,

and even historically impeded sectors such as African-Americans and Hispanics have joined this trend of increased employment. Unemployment among these two minority groups, respectively at 7.7 percent and 6.9 percent, is at a historic low. “We’re seeing large gains by the most disadvantaged groups,” says Rebecca Blank, a member of the Council of Economic Advisors who was interviewed in *The New York Times*. “Inequality hasn’t necessarily diminished, but we seem to be in a world where the bottom and top are rising together. That is a very different world.”

Shlomo Ben-Ami is, of course, right when he says that economic growth and efficiency cannot be the only goals of policy; it is difficult to argue with his claim that the means should not become the end, at the price of abandoning society and the people economic policy is meant to serve. But the most serious neo-liberal philosophers have always striven to see their theories implemented in ways ensuring the greatest benefit to all with respect to personal freedom and the standard of living. Thinkers such as Milton Friedman and Friedrich Hayek, the high priests of market economics, understood and stressed that the market cannot do everything, and therefore there is a role for government. They endeavored, however, to sharpen our understanding of those many cases in

which government can do more harm than good. Their claims have been backed up by much evidence and research; it is not for naught that neo-liberal economic philosophy attained its dominant position after the collapse of the welfare state.

The social Left does not have a monopoly on compassion. In the end, lofty visions must withstand the test of implementation, because good intentions alone will not pave the road to prosperity. The idealism which underlies the welfare-state policies of high taxation, labor regulation and generous long-term unemployment benefits has led continental Europe to stagnation, hurting above all those whom the policies were meant to help. On the other side, supporters of economic liberalism, in Israel as elsewhere, are no less driven by a desire to improve the conditions of the entire population. The difference is that the methods of liberal economics and limited government actually work when consistently applied, while government interventionism rarely does. That so glaring a fact is somehow lost among the Israeli public is testimony to the astonishing failure of neo-liberal public relations in the Jewish state.

Ziv Hellman is Director of Projects at the Arnold Neustadter Institute for Peace Implementation, a Jerusalem-based think tank.