

### *Conference Overview*

Scholars from Israel and Washington University in St. Louis came together May 19-21, 2005, for a productive conference on reforming the political-economic system of Israel to make it more receptive to the changing needs of the 21<sup>st</sup> Century. Once a gem of development and equality, since 1973 Israel has been struggling with a multitude of challenges, beyond its ever growing preoccupation with securing the safety of its citizens. The challenges addressed in the conference were: economic stagnation, educational decline, and political instability.

Under heavy pressure to deal with its pressing defensive needs and hampered by the constant need to form coalition governments held together by offering distributional benefits to smaller, fringe parties, the Prime Minister rarely has the power to enact meaningful economic reforms. Economic stagnation has seen Israel's standard of living fall relative to the rest of the Western world. Per capita incomes have been stagnant, unemployment has risen to upwards of 10%, and educational achievement has precipitously declined. For Israel to remain a viable economy and a regional leader in standards of living, reforms must be enacted on a national level.

The conference was divided into four sub areas of Israeli society in need of reform: the labor market, the electoral system, the education system, and macroeconomic policy. As the conference progressed it became immediately clear that these four central issues are deeply inter-related and reforms in one necessitate reforms in another. Not only does the instability of the political system mean that governments last only an average of 22 months, but it also means that small extremist parties are able to demand serious power in order to join coalition governments. This in turn leads to large scale government-employment and spending in the economy at large, which causes inefficiencies in labor markets and the business community. With a stagnated economy the result, little attention is paid to the increasingly divergent trends in educational achievement.

Among the prominent participants at the conference were the Author of the 1992 Electoral Reforms in Israel, Uriel Reichman, the Author of the Educational Reforms, Dr. Shimshon Shoshani, the former Director of Research at the Bank of Israel Dr. Rafi Melnick, and former Chairman of the President's Council of Economic Advisors Murray Weidenbaum. Leading Washington University experts in political science, economics, and education also gave insightful presentations and comments on Israeli reforms. These experts pursued a variety of methods to understand and then posit solutions to these important policy problems in Israel. Much of the academic exchange centered on reforming the political system to make it more responsive to the demands of the citizenry and to make it less intrusive in economic affairs. Since the government of Israel is so involved in every-day economic affairs, reform must begin at the top and then disseminate throughout the system.