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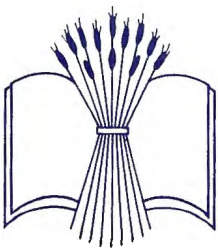
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Where there is no bread  
There is no Torah

Baron Guy de Rothschild  
Chairman  
International Board

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Friends of

# The Israel Center for Social and Economic Progress\*

58 West 68 Street New York, N.Y. 10023 212/877-3669

December 22, 1983

Dear ~~Friends~~ *Members*,

Attached is a plan for our month of fund-raising and information meetings to be held, if all works out well, in twelve cities across the United States. Professor Irving Kristol has generously consented to participate in many of these meetings. We are indebted to him for his indefatigable efforts on our behalf.

If you have friends in any of these cities whom you think should be invited to these gatherings, please ask your secretary to send us their names and addresses. For those places where we indicate that we do not yet have a major community leader to sponsor the meeting, we would appreciate suggestions of possible names.

As you can see from the enclosed articles, our meetings enjoy a good press, and besides helping us with our fund-raising they help focus the attention of community leaders on the problems facing the Israeli economy.

Finally, we have been very fortunate to secure the services of Ruth Kozodoy, an author and editor who has assisted us in the past with editorial work, to act as our Assistant Director. (You may know her husband, Neal Kozodoy, who edits Commentary magazine.) I hope you will extend to her the same courtesy and cooperation that I have enjoyed from you.

Sincerely,

*Daniel*  
Daniel Doron

enclosures

*P.S. The book was sent to the Heritage Foundation & I hope they will forward it.*

## BOARD OF THE ISRAEL CENTER

Drs. Menachem Brenner, Danny Galai, Yoram Lanskroner, David Levhari and Tsvi Ophir of Hebrew University in Jerusalem. Drs. Yakov Amihud, Dan Givoli, Avner Kalay, Tzvi Liber and Uriel Reichman of Tel Aviv University. Drs. Benjamin Bental, Uri Ben-Zion, Alan Kirshenbaum, Dan Peled and Steven Plaut of Technion in Haifa. Drs. Moshe Kim, Aryeh Melnik, Oded Palmon and Menachem Spiegel of Haifa University. Dr. Jacob Paroush of Bar-Ilan University. Mark Heinrich of Tel Aviv.

\*The organization was incorporated under the name "Friends of the Israel Institute for Economic Freedom." This original name is now changed to "Friends of the Israel Center for Social & Economic Progress."

## FRIENDS OF THE ISRAEL CENTER FOR SOCIAL AND ECONOMIC PROGRESS

### Planned Activities for the Month of March 1984

We have planned a series of meetings for twelve different locations (New York, Boston, Chicago, San Francisco, Los Angeles, Dallas/Fort Worth, Atlanta, Miami, Palm Beach, Virginia Beach, Washington, and Philadelphia) between March 12 and April 7th, 1984.

We already have firm dates and the people to sponsor some of the meetings, and we are still negotiating dates for others. We still do not have someone to sponsor some of the meetings, but we are on the track of finding appropriate people. We can assume that not all the proposed meetings will actually take place during the above-mentioned period, and that some will materialize only at a later date, if at all. However, at present we have to follow all these leads, to see which will prove productive. Following is the status of these meetings at present:

1. New York: We would like to schedule a Board meeting on April 2, 4, or 5, and would appreciate hearing from our Board members as to which of these dates would be most convenient. Baron Guy de Rothschild has kindly offered to give a dinner in his home for some guests of the Center. (Times and dates are now being discussed). We are exploring with two members of our Board, Eugene Grant and Stephen and Lilliane Shalom, the possibility of their holding lunches for us either during March, or later in the spring (May or June), for their circle of friends.
2. Boston: Board member Judge Matthew Brown has undergone an operation and will be recuperating for a couple of months during the winter in Palm Beach. It will be difficult, therefore, for him to help organize our Boston meeting. However, he has introduced us to Stanley W. Snider of Boston, who is now considering organizing a core group that will sponsor the Boston event.
3. Chicago: Our stalwart Edward Minor has firmed up the date of March 15 for a dinner with Irving Kristol and we are trying to find a Chicago notable to chair it (Robert Adler, Corkie Goodman?).
4. San Francisco: Our Board member Richard Goldman will host a dinner at his home on March 23rd for Irving Kristol and a group of his friends. Earlier that day our Center will co-host with the Pacific Institute (a west coast conservative think-tank) a luncheon/seminar on the Israeli economy.

Planned Activities  
Page Two

5. Los Angeles: We shall try to take advantage of Irving Kristol's travel to the west coast to organize a dinner or a luncheon in Los Angeles. We still have no commitment from a local leader, but are discussing the matter with Gilford Glazer, to whom we were referred by Irwin Goldenberg who was recommended by Izzy and Dorothy Goren--all of whom have been most helpful.
6. Dallas/Fort Worth: Our Board member Leon Brachman, who undertook to organize our meeting together with Sam Wolfson of Dallas, recently had an operation and could not, understandably, attend to our program. We are confident, however, that as soon as he recuperates the meeting will be organized, and a date will be set for a meeting with Irving Kristol sometime in March.
7. Atlanta: Our Board members Nathan and Joan Lipson will hold a dinner for us on March 13 in Atlanta. They are exploring with Professor Henry Manne, also a Board member, the possibility of holding a luncheon seminar on the same day.
8. Miami: Our Board member Robert Russell will try to arrange a meeting for us.
9. Palm Beach: Judge Matthew Brown will try to organize a meeting.
10. Virginia Beach: Our Board member Leonard Strelitz is trying to arrange a meeting.
11. Philadelphia: Following our successful luncheon, which was sponsored by Richard Fox, two community leaders who attended, Harold Schaeffer and David J. Wachs, are working on organizing a dinner for us in March.
12. Washington, DC: Professor Irving Kristol is trying to arrange Max Kampelman's help in organizing a meeting. Professor S. Fred Singer, member of our Board, will assist in organizing the Washington meeting.

We would appreciate any suggestions you would like to make regarding these plans.

# THE JEWISH ADVOCATE

Dedicated since 1902 to



Americanism, Judaism, Social Justice

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251 Causeway St., Boston, MA 02114

THURSDAY, OCTOBER 27, 1983

(617) 227-5130

## Boston Leaders Hear of Steps to Bolster Israeli Economy

The crisis in the Israeli economy and its underlying causes were the subject of a meeting of Jewish community leaders convened by Judge Matthew Brown here last week at the Park Plaza Hotel. Since this situation poses a grave challenge to Israel's long-term security, a group of concerned Israelis and Americans have formed the Israel Center for Social and Economic Progress and its American Friends to help Israel become economically more viable and productive.

Editor of the *Public Interest* and writer for *The Wall Street Journal*, Irving Kristol, vice-chairman of the American Friends of the Is-

rael Center, told the Boston group that two years ago, several Israeli economists claimed that the country's economic problems were becoming severe because of excessive government intervention which they said had led to low productivity, misallocation of resources and poor labor relations. They believed that the only long term remedies to Israel's economic crisis can be found in a market economy, which rewards productivity and entrepreneurship.

Kristol remarked on the irony that Jews, who in the past were strong economically but weak militarily, have forged in Israel a strong mili-

tary force with a flourishing economy. The economy can be improved, Kristol maintained, only if basic ideas are changed, not through ideological debate, but through systematic study and research on concrete economic and social policies.

He pointed to the successful examples of the American Enterprise Institute in the United States and the Institute for Economic Affairs in London, which were able to change public opinion and policy in their nations through research and education.

Investment counselor Kenneth Smilen, chairman of the board of the American Friends, stressed that while

the Center is an Israeli effort, American Jews, who are so concerned and involved with Israel, and who have benefited from a market system, should play an important role in the Center's efforts by sharing their knowledge and values with Israelis. Emphasizing that the Center was a non-partisan effort, he welcomed the participation of all who believe that a free market is the best way of creating a sound economy.

Daniel Doron, formerly a press officer for the Israeli government and a special cultural consultant to the United States Embassy, has volunteered to direct the Israel Center. He and his assistant, Professor Jeffrey Poelvoorde of Carleton College, spelled out the specific steps the Center will take to move Israel closer to a healthy economy.

The Center, they said, will undertake in-depth studies of

selected areas of the Israeli economy, such as housing, banking, credit, industrial development and exchange rates. The Center will plan and operate seminars and forums on current problems, international conferences, debates and other educational programs to bring its work directly to opinion leaders, policy makers, and to the media and the public in Israel.

Among its educational projects is an award program for the best Masters and PhD. theses in economics written from a market perspective.

The Center plans to translate into Hebrew major works and classics on the market economy, and to publish a monthly newsletter on current problems and a quarterly journal on long range policy issues. In order to keep American Jews informed about the Israeli economy, the Center will continue publishing a monthly newsletter in English.

After a brisk question and answer period, Judge Brown concluded the Boston meeting by remarking that he was struck that many people, like himself, frequently visit Israel, but do not know enough about the realities of the Israeli economy and were therefore surprised by the recent crisis. He stressed the need for Americans and Israelis to learn about the Israeli economy so that they can help improve it.

The Friends of the Israel Center is a tax-deductible, non-profit organization. For more information, write: The Friends of the Israel Center for Social and Economic Progress, 220 East 42d Street, New York, N.Y. 10017.

# Group seeks to sell Israelis on benefits of free economy

By LISA HOSTEIN Jewish Exponent/December 9, 1983  
Of the Exponent Staff

Should Israel's state-controlled economy be replaced by a free-enterprise system? This question has brought together a group of American and Israeli business leaders, journalists, academicians and representatives of other disciplines.



DANIEL DORON  
... fan of free enterprise

"Israel is facing an economic crisis that may dramatically affect its future," said Daniel Doron, an Israeli journalist and economist who is serving as the volunteer director of both the Israel Center for Social and Economic Progress and its American counterpart, American Friends of the Israel Center.

The two not-for-profit organizations were developed to analyze economic problems and gather support for instituting free-market economic principles in the Jewish state similar to those found in the United States.

Doron, who has been based in New York but who will be moving to Tel Aviv this month to devote more time to the two-year-old Israel Center, told the Exponent that the problems facing the Israeli economy result from "the very basic structural problem of excessive government intervention in the economy."

The social and economic institutions that were developed concurrent with the creation of the state were inspired by socialist ideas that "have led to a growing centralization of production, commerce and financial markets, as well as a bloated public sector and excessive consumption," said Doron.

In 1977, when the Likud government succeeded the Labor government, which had held power since 1948, the new coalition "promised to liberalize the economy and sharply curtail government intervention," said Doron.

What happened instead, he said, was that "state control increased under Likud because they thought they had to increase control in order to decrease it."

Representatives of the center are concerned that the Israeli government's annual budget almost equals the Gross National Product, and also that "market forces have been distorted, labor relations and productivity have deteriorated, waste and inefficiency have increased, and initiative and growth have been stymied," Doron said.

While acknowledging that the heavy defense budget, which totals about 30 percent of Israel's GNP, is "an extraordinary burden," Doron said this burden is "largely offset by foreign aid." Moreover, he added, "Defense burdens and welfare costs could be lightened if Israel increased its GNP."

Doron, who graduated in 1952 from Israel's first school of economics, was trained in the Keynesian, "semi-socialist" welfare-state philosophy of economics. But after being inspired by other Israeli economists, he has changed his orientation.

He now believes that in Israel, where there is "such a stranglehold of the bureaucracy that it is frightening," there needs to be "a great shrinking of government intervention in the economy."

"All the government really needs to do is distribute the mail, collect garbage and, of course, defend the law," said Doron.

Although the Israel Center is getting support and expertise from its American counterpart, Doron stressed that "the center is an Israeli effort. The ideas can't be imported from outside. It has to be a grass-roots movement from within Israel."

The American Friends of the Center was formed from the belief that "Americans have to contribute more than just money to Israel," he said. "They have to contribute know-how as well."

Richard J. Fox, a Philadelphia real estate developer who is on the U.S. Board of Governors for the American Friends of the Center, agreed. "This is not an effort of Americans to impose an economic system on Israel."

Rather, he said, it is "an effort to create an environment in which Israelis can come together to create their own

solutions. We're providing the resources and intellectual backing to help them come up with these solutions."

Kenneth B. Smilen, a New York investment counselor, is chairman of the U.S. group. He believes that "Israel has the ability to be a prosperous country." But, he added, "Under the current circumstances, Israel is becoming more and more dependent on the United States, which is not in either country's interest."

Smilen helped to set up the American Friends of the Israel Center. The two main functions of the American group are "to inform American Jews of the workings of the Israeli economy and to provide financial and other support," he said.

Here in Philadelphia, Fox recently convened a group of community leaders to discuss the center. Professor Irving Kristol,

THE PHILADELPHIA JEWISH EXPONENT  
December 9th, 1983.

editor of *Public Interest* and writer for the *Wall Street Journal*, who serves as vice chairman of the U.S. group, told the meeting that Israel's economy can be improved only if basic ideas are changed through systematic study and research on concrete economic and social policies.

The center is being modeled after the American Enterprise Institute and the London Institute for Economic Affairs, two institutions that have been successful in promoting free-enterprise ideas, according to Doron.

Israeli reception to the center has so far been "quite favorable," he said. "Israelis are hungry for new ideas. They understand the system is not working."

Yet Doron noted that because the Israelis were denied independence for so long, they "have a certain psychology and disposition which make them still think of government as a good parent. They don't understand that the excesses of government need to be avoided."

A further problem arises, he said, because Israelis "have long been exposed to anti-capitalist attitudes." Thus, "while many Israelis concede that the market mechanisms may enhance efficiency, they nevertheless fear that their application to Israel would exact too great a social cost."

To help alleviate this fear, the center is planning an integrated program of publications, research, conferences and films to introduce the new ideas to Israeli society. Research will focus on housing, transportation, telephone service and other pressing issues.

In addition, the center plans to explore the question of the compatibility of Jewish values with a market economy, said Doron. While in the past, socialism has been seen as the means to the Jewish vision of a just and compassionate society, "it will be the task of the center to demonstrate that these ideals are best realized through the freedom of the market rather than through the regimentation of a controlled economy," said Doron.

"Emphasis will be placed on demonstrating how the liberating and rewarding of people's initiative and ingenuity can increase economic opportunities, help ease social tensions, halt the brain drain and even attract immigration by making Israel a desirable place to live in, a society that rewards risk and innovation," he said.

# Israel seen facing economic battle for survival

By ELENORE LESTER

Israel can handle the enemies outside her borders, but now faces what may prove to be the greatest danger to her existence from within. That danger is the economic crisis.

Inflation is expected to reach 300 percent in the coming year. The balance of payments deficit may reach \$4.5 billion. Foreign debt stands at over \$20 billion, representing \$5,000 per capita — the highest such debt in the world. And the government budget now equals the Israeli gross national product.

"We must do something about it — and do it quickly," declares Daniel Doron, director of the recently established Israel Center for Social and Economic Progress. The center is a think tank directed toward turning the climate of opinion in Israel away from a government-controlled economy toward free enterprise.

"Israel has the potential to be a prosperous country, yet it is on the edge of collapse because of the stifling effect on the economic life of the country of a bureaucratized, quasisocialist economic system," claims Doron. "This is what is causing heavy emigration from Israel. Emigration is now slightly higher than immigration."

In support of the concept that private enterprise works better for the poor as well as for the rich, Doron notes that poor North African Jews who went to France and Canada a generation ago are today much better off than those who went to Israel. He attributes the continued poverty of Israel's Sephardim to government strangleholds.

Doron compares Israel's economic mess with Switzerland's prosperity. "Switzerland is also a small country, lacking in natural resources and having a heavy defense expenditure, yet it is doing very well. Israel, on the other hand, is in such bad shape that by next year all of American foreign aid will be used to repay the foreign debt with nothing left over for investment," Doron points out.

"The answer? We need to liberate the potential of Israel's citizens. We have the greatest of resources in Jewish brain-power. We have more scientists per capita than Switzerland. Moreover, Jews have always managed to do better than average economically when they've had the opportunity. Only in Israel have they failed so miserably," he declares with angry intensity.

Doron is the great-grandson of Zerah Barnett, a Lithuanian-born Zionist pioneer, who tried to make the Jews of

Turkish Palestine become a productive community. More than a century ago, most of the community lived on alms. Barnett was a leader of British aliyah and was one of the founders of the Mea Shearim quarter of Jerusalem, as well as a founder of the first modern Jewish agricultural settlement of Petach Tikvah.

Doron has a broad background in sociological research, the arts and media, and is contributor to numerous publications, including the Wall Street Journal. Since the Yom Kippur War, he has devoted most of his time to Israel-dia-

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*'Israel has the potential to be a prosperous country, yet it is on the edge of collapse.'*

---

spora relations and to social and economic reform in Israel and has worked with the Sinui (Change) movement in Israel and the Atzuma'ut (Independence) Party's campaign in 1981.

The center plans to sponsor Hebrew translations of such crucial works in the field as Irving Kristol's "Two Cheers for Capitalism." Kristol is on the U.S. board of governors of the Friends of the Center, 220 E. 42nd St., Manhattan, and Baron Guy de Rothschild is chairman of the international board of the organization.

Israel's economic problems are generally attributed to increased defense costs, energy prices and the world recession. However, Doron speaks for economists connected with the new center when he points out that these outside factors can be counteracted by changes from within. He maintains that Israelis, long exposed to anti-capitalist attitudes, find it difficult to understand the importance of competition for achieving high economic growth. The group's educational efforts will be directed toward academicians, journalists, teachers, businessmen and politicians as well as high school and college students.

The Israeli economy prospered despite intrinsic problems between the years of 1950 and 1972, mainly because of massive influx of foreign capital, according to Doron. However, this capital was channeled mainly through government or public bodies, further expanding the public sector.

"This led to declining productivity and to deteriorating labor relations," maintains Doron. "The oil price rise after the Yom Kippur War jolted an already strained economy. Growth slowed and inflation spiraled. It was public dissatisfaction with the Labor Party's economic and political policies that brought in the Likud-led coalition."

However, the Likud government made its own errors leading to declining shekels and a buying spree in Israel. Israel's present finance minister, Yigal Cohen-Orgad, is now attempting to reduce Israel's standard of living and increase its productive capacity by cutting government expenditures and welfare payments and imposing new taxes on the rich and increasing subsidies to industry.

Doron believes that Cohen-Orgad's policies may alleviate some immediate problems, "but cannot make Israel prosper because they are not directed toward structural changes — that is a radical cut in government control and an increase in productivity."

Finally, Doron feels that the moment for change is at hand. The recent economic crisis has led Israelis to recognize that there is no evading the basic problem of lack of productivity. The new think tank aims to present facts and figures on how private enterprise could liberate Israel's tremendous productive potential.

"From now on survival depends on export to Europe," declared Doron firmly.

THE JEWISH WEEK

One Park Ave., New York, N.Y. 10016  
212-686-2320



Daniel Doron  
322 West 57th St. #35H  
New York, N.Y. 10019

November 16, 1983

Professor Milton Friedman  
Hoover Institution  
Stanford, Ca.

Dear Professor Friedman;

Ever since our discussion about capitalism and the Jews during our meeting at the Mont Pelerin Society Conference in Vancouver, I've been mulling over the subject. I wanted to share with you some of my reflections.

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The question of why so many Jews have supported socialism deserves further examination and clarification. It is undeniable that socialism was supported by many people with Jewish backgrounds. However, it should not be forgotten that most Jews, especially those who remained faithful to the Jewish tradition in some religious form did not support socialism. (In fact, it can be argued that Jews who supported socialism did so in order to escape what seemed to them the confining precincts of their own culture and their attitude towards their Jewishness was therefore adversarial if not outright hostile.) However, since traditional Jews often did not participate in the wider life of the nations in whose midst they lived, and since those Jews who sought to escape the narrow confines of their own subculture were the ones who were known to the wider society, the impression was created that they were the majority rather than the minority.

The reason Jews who sought access to the wider society were attracted to socialism was because conservative parties in Europe, having religious affiliations, class or status as their bases, did not offer many opportunities for Jews to participate in their activities. Socialist parties, on the other hand, being anti-establishment and basing themselves on more universalistic tenets such as justice and equality offered greater acceptance to Jews who embraced their principles.

That Jews became so prominent among socialists was not due to the predominance of socialists among Jews but to the predominance of Jews (many with tenuous connections to their own heritage) among intellectuals. Intellectuals generally expressed adversarial attitudes toward tradition and the existing culture and these were translated politically into left-leaning affiliations. In other words, Jews found in socialist circles were a particular case of a general trend among intellectuals toward adversarial attitudes and a political ideology that provided an outlet for those attitudes.

Jews were predominant among the intellectuals because of their tradition of literacy and because, being a new class, the intellectual fraternity offered Jews greater opportunities to excel. Socialism also offered Jews wanting to escape the particularistic elements of their tradition which shut them out from the world at large a comfortable emotional haven, since it could be claimed that its aspirations for equality and justice were the universal culmination of values which Jewish tradition espoused. In fact, socialism was for many a secular fulfillment of the prophetic visions of Judaism. By embracing this



secular vision, Jews could claim that they were not betraying their tradition, but were actually fulfilling it in a modern manner.

As for the compatibility of Judaism and capitalism, for most Jews who respect Jewish tradition, the question would have to be rephrased, since Judaism considers itself an all-embracing system of values and practices that teaches people to lead a virtuous life. Thus Jews would ask whether capitalism is compatible with Judaism, rather than vice versa. To answer this, one must consider at least three different historical phases in Judaism and also take into account that throughout most of their history, Jews did not lead a "normal" economic life since they were subjected to grave economic discrimination, oppression and even threats of extinction. Their historical responses, therefore, can not give us a clear picture of what their attitudes would have been under more normal circumstances.

Broadly speaking, Jews went through three major phases in their cultural response to economic circumstances: the Biblical, the Talmudic and the post-Talmudic (or Responsa). The Biblical period reflects a pre-capitalist tribal economy and most of the economic laws of the Pentateuch must be interpreted in this context. For example, the law of the Jubilee, when all land had to revert to its original ownership after fifty years, was designed to assure that the original tribal boundaries would remain intact. The institution of Jubilee also guarded against the concentration of land ownership - the basic source of wealth in an agricultural economy - in the hands of the few. The Biblical legislator's apparent awareness that to maintain tribal democracy, the private ownership of property by each family had to be safeguarded and the caution against the concentration of economic power parallels the objection to the concentration of political power that the prophet Samuel expressed so powerfully in his sermon about the perils of establishing a monarchy in Israel. It is clear, therefore, that already in biblical times, Jewish tradition considered economic activity as only a means, however desirable, to a larger, more spiritual end, and that it would not hesitate to curb such activity if it seemed to threaten any of its far-reaching goals.

During the Talmudic era and during the middle ages, when Jews became part of a rudimentary capitalist system, their economic behavior was also considered secondary to the conduct of a virtuous life. The institution of the Sabbath, which from the standpoint of rational and efficient production must seem absurd, illustrates the extent to which Judaism requires the sacrifice of purely economic considerations in the name of a good and virtuous life that must be concerned not only with the life of production, but mostly with study, reflection, rest and worship.

Moreover, economic laws during Talmudic and Responsa eras demonstrate already the need to contend with an abnormal economic existence, while Talmudic and Responsa literature reflects a primary concern for the family which was expressed through a healthy respect for the responsibility of providing a livelihood and for the maintenance of private property. Such a concern for individual economic welfare is clearly balanced by a concern for the survival and the welfare of the community. In fact, Jewish tradition seems oblivious to the modernist dilemma and its attempt to balance individual rights with communal needs, because Judaism's "organic" conception of life can not conceive of the

individual except within the context of the community which is, so to speak, extended family. Jewish tradition, therefore, has no hesitation in curbing individual rights where they seem to threaten or damage the existence of a community. It also does not hesitate to curb the individual's economic activity when it threatens to interfere with the conduct of a virtuous life.

Judaism, then, is not wedded to a particular economic system, though it definitely favors the free market mechanisms of capitalism, because capitalism can best guarantee individual freedom and resist excessive concentration of power, both economic and political. For these very reasons, and some others, socialism would be an anathema to Judaism, not only in its extreme form, which establishes a dictatorship of the proletariat, but even in its more attenuated, so-called social democratic stage. Inasmuch as socialism is a universalistic system, it must lead to some form of tyranny, and if anything is basic to Judaism, it is the refusal to worship any idol or dogma. Judaism could no more countenance the idolatry of equality than it could countenance any other form of idolatry. As a matter of fact, it could be argued that Judaism establishes the supreme and exclusive rule of a god of justice, so that power will remain transcendent, and then it establishes an elaborate system of practices, commandments, to prevent power from residing in any particular sphere of life

Socialism, which vests power in a competing secular system of transcendent values and vests absolute authority in one form of bureaucracy or another (in effect, a lay priesthood) to translate these values into practice, is therefore, basically contrary to the ethos of Judaism. In contrast, capitalism, by guaranteeing individual freedom, can offer a convenient economic system with which Judaism can co-exist.

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I enjoyed hearing you yesterday at the Manhattan Institute luncheon. Again, I found that your presentation was incisive and thought-provoking and delivered in a masterful fashion: both profound and simple; serious and witty. I was very pleased that you enjoyed my piece in the Wall Street Journal and that I had the opportunity to set the record straight and to dispel yet another pernicious myth.

Sincerely,

Daniel Doron

P.S. My introduction to Images From the Bible also deals with some basic tenets of Judaism which I think bear on the subject. I hope you and Mrs. Friedman will enjoy it.

## A PROPOSAL FOR AN AMERICAN SCHOOL IN ISRAEL TO TRAIN L.D.C.'S ENTREPRENEURS

U.S. aid, channeled through governments of Less Developed Countries, has inadvertently accelerated the growth of the public sector at the expense of the private. It has thus contributed to economic dependency and to social and political malaise. What most L.D.C.'s need is a growing middle class, consisting of business entrepreneurs as well as professionals. To help such a class emerge, it is proposed that a group of U.S. public affairs leaders, businessmen and academicians committed to the free enterprise system form an American school in Israel to train L.D.C.'s businessmen. The school could be affiliated with an American university (such as the U.C.L.A., N.Y.U. or Chicago schools of business) that would help design an innovative program, based on a free market philosophy, and oriented to the training of entrepreneurs. It could offer a two year course leading to a diploma, rather than the full business administration course that leads to a degree. It would concentrate on the basics of financing, production, accounting, marketing etc., to enable the graduates to manage a small business successfully.

Such a program could be valuable to the development of a private sector in the L.D.C.'s and to the inculcation in future business leaders of a free enterprise philosophy.

The reasons for basing the school in Israel are numerous:

1. Israel has excellent U.S. trained academicians (graduates of Chicago, N.Y.U., U.C.L.A. etc. who often teach summers at their alma maters) who are committed to a free enterprise orientation. They also possess a variety of lingual skills that makes them suitable for teaching people from L.D.C.'s.
2. Salaries in Israel are lower than those in the U.S. Excellent people can therefore be hired for a moderate cost.
3. L.D.C.'s would be more inclined to send their students to Israel, where the risks of losing them to the host country are minimal, than to send them to the U.S. where the best often find employment and fail to return home.
4. Israel's experience with a government dominated economy, and its attempts to move to a freer market are particularly relevant to trainees from the L.D.C.'s. Many of the impediments to free enterprise that they will face in their home countries can be studied at a remove in Israel. Israel also demonstrates the failure of many quasi-socialist policies.
5. Because of its small scale Israel provides an ideal environment for close study of business and industry, and the effects of government intervention on them.
6. The experience of teaching free enterprise to others will bolster Israel's own transition to a freer economy.
7. Employment at the school will help Israel stem the loss of trained personnel to the U.S.
8. The project will help improve Israel's relations with the L.D.C.'s both politically and economically, and thereby help U.S. relations with these countries.

Two U.S. government programs administered by AID seem ideally suited to support such a school. They are defined under section 214 of The Foreign Assistance Act 1961, as amended, especially paragraphs (a) & (b) dealing with American schools and hospitals abroad. AID has also established a Bureau for Private Enterprise (see enclosed) that has launched a Private Enterprise Initiative whose aims seem to dovetail with this program.