

Open letter from Israel's academic economists to the Israeli government on the new budgetary allocations and their long term damage to Israel's future

We, academic researchers in the fields of economics and management, join the warnings of senior Ministry of Finance officials and warn that the transfers of funds within the framework of the coalition agreements, as reflected in the budget that will be voted on this week, will result in significant and long-term damage to Israel's economy and to its future as a prosperous nation. This is due to the unprecedented increase in the allocation of resources to unofficial ultra-orthodox educational institutions – without conditioning the funding on mandatory supervision of the schools and the implementation of a full core curriculum – to the increase in financial support for full-time Yeshiva students, and to the granting of food stamps outside the normal welfare system, without any employment requirements. These measures will deny children in the ultra-Orthodox education system the opportunity to acquire basic skills essential for their integration into the labor market in an advanced economy, and they will reduce the incentive of ultra-Orthodox graduates to become gainfully employed in productive occupations.

Already today, almost a quarter of Israeli pre-school children are born to ultra-Orthodox families, and that share is expected to double by 2050. There is a consensus among Israeli economists that the future ability of these children to join the labor market, earn a decent living, and pay taxes, is vitally important for the Israeli economy. Research clearly shows that children who do not study a full core curriculum have considerable difficulty in overcoming this disadvantage as adults. The average proficiency of Israeli students in math, science and reading already places them below the average score in every other developed country. It is the government's responsibility to significantly upgrade Israel's education system in general, and to ensure that it includes the ultra-Orthodox schools. Children need to receive an education that enables their future integration into the labor market, and adults should have the incentives to do so. **To our great regret, the Israeli government does not only avoid dealing with this critical issue, it is pursuing policies that will exacerbate the problem even further, putting Israel on the path to becoming a third world economy.**

The impaired ability of the ultra-Orthodox to integrate into a modern labor market will harm, first and foremost, the economic condition of the ultra-Orthodox community itself. It will reduce the ability of the ultra-Orthodox to earn a decent living, and it will further increase poverty among them. However, the damage will extend far beyond the ultra-Orthodox. When a significant share of Israeli children does not acquire basic skills, it is obvious that the State of Israel will no longer remain one of the world's developed economies. The Ministry of Finance forecasts that Israel's economy will lose close to 6.7 trillion shekels by 2060 as a result of the increase in the share of population lacking basic skills and having difficulty integrating into a modern labor market. The socioeconomic cost

will be reflected not only in the loss of output, but also in the fact that the economy will have difficulty supporting developed world levels of health care, education, transportation, and welfare services to the citizens of Israel.

Since only developed nations are capable of financing military technologies necessary for protecting their citizens from future battlefield threats, the current trajectory – along which the ultra-Orthodox share in Israel's population doubles every 25 years, and ultra-Orthodox children do not acquire basic skills essential for integration into a modern labor market – only compounds Israel's predicament and represents an existential danger to the country's future,

The Israeli government must come to its senses and reconsider the allocation of coalition funds made on the basis of short-term political considerations, but entail long term implications that will transform Israel from a progressive and prosperous nation to a backward country where a large part of the population lacks basic skills for life in the twenty-first century.