

**FACTLESS AND TACTLESS IN THE WORLD:  
ROMNEY’S CULTURAL CHAUVINISM RANKLES AND MISLEADS**

By Nick Gier

*Early Israel’s success was achieved through an entrepreneurial government that dominated a small primitive private sector.*

—Dan Senor and Saul Singer, *Start-Up Nation*

*Israel is chasing away all the moderate elements in the society, creating yet another obstacle for investors. People will pack up and leave. That’s how Israel encourages a brain drain and radicalization.*

—Zahi Khouri, CEO of the Palestinian National Beverage Company

*Our future project is to open a market for Palestinian products across the Arab region. Our products are competitive due to the high quality and good price.*

—Abdul Munim Shareef, Palestinian spokesman for a Jordanian trade fair

*How can an economy prosper with severe restrictions on movement, restricted import and export, 500+ checkpoints, no access to 60 percent of the land for private investment, severe limitations on access to water and agricultural space, etc.?*

—Yousef Munayyer, Executive Director of the Jerusalem Fund

*I have never met a single poor Palestinian anywhere in the world except in the Palestinian territories. When there is a conflict, when there is an absence of security, there is always an absence of opportunity.*

—Bill Clinton

Mitt Romney’s visits to England, Israel, and Poland have turned out to be unmitigated disasters. He violated most of the rules of diplomatic decorum and once again demonstrated that he has only a tenuous connection to the world of facts. When he declared that “culture makes all difference” between the Israeli and Palestinian economies, he was not only factually incorrect but also chauvinistic in the extreme.

Romney praised both Poland and Israel for their “free” economies, but they are very much “mixed” economies. They are based on healthy business, labor, and government partnerships. This was also the key to America’s success in the 1950s and 1960s. The same is true for Great Britain, but conservative Prime Minister David Cameron’s GOP-like austerity programs have failed to revive an economy he claims was ruined by the Labor Party. The country’s national debt has actually gone up and the economy is now on the verge of another recession.

## **Some Asian and Muslim Economies Just as Competitive as Israel**

Every year the World Economic Forum measures economic competitiveness according to 12 criteria. Among the top thirty nations 16 are welfare states with high taxes and mixed economies, 7 have Confucian-Buddhist cultures, and five are Muslim states. Israel finds itself in 22<sup>nd</sup> place between Muslim Malaysia and Confucian-Buddhist South Korea. When Romney contends that it is culture that “exactly accounts for prosperity,” these facts must force him to admit that many different cultures have succeeded at business. In fact *homo sapiens* have been thriving traders since the dawn of time.

According to the conservative Heritage Foundation’s Economic Freedom Index, Social Democratic Denmark sits in 9<sup>th</sup> place right after the U.S. but Israel is far behind at 44<sup>th</sup>. In the World Economic Forum Israel does move to 6<sup>th</sup> place for innovation with Switzerland, Sweden, Finland, Japan, and the U.S. ahead and Denmark, the Netherlands, and Taiwan close behind.

The World Bank has ranked countries according to ten criteria for “ease of doing business,” and again 8 welfare states are among the top 20 and Confucian/Buddhist Singapore and Hong Kong are on top. (Japan sits at 20<sup>th</sup> and Taiwan is at 25<sup>th</sup>.) Three Muslims state actually are ahead of Israel way down in 34<sup>th</sup> place. What happened to Romney’s alleged cultural advantage? And was divine providence responsible for the Buddhist, Confucian, and Muslim business success?

### **Business: Virtually Everyone is Good at It**

Hundreds of millions of people all around the world have the qualities that Romney implies only Israel, the U.S., and our Anglo-Saxon friends in Britain have: “a work ethic, an appreciation for education, a willingness to take risks, a commitment to honor and oath, a family orientation, a devotion to a purpose greater than themselves, and patriotism” (*National Review*, 7/31/12).

Romney claims that the most important ingredient for economic success is freedom, but facts also stand in the way of this widely held opinion. For example, Chile’s economy was liberalized and prospered under under the brutal dictatorship of Augusto Pinochet, but then it continued to flourish under a Socialist prime minister who was tortured by his Pinochet’s secret police. The world’s most successful economy is one guided by Chinese Communists who have combined state guided industrial policies with a market economy but crush all political dissent.

### **The Socialist Roots of the Israeli Economy**

Romney says that he views on the Israeli economy were influenced by the book *Start-Up Nation: The Story of Israel’s Economic Miracle* by Dan Senor and Saul Singer.

(Senor is now a top adviser to Romney.) The authors acknowledge that Israel's founders were doctrinaire socialists and their success was "achieved through an entrepreneurial government that dominated a small primitive private sector." Former Prime Minister Golda Meier was once the vice-president of the Socialist International. Romney said that he had read *Start-Up Nation*, but he seemed to have missed some essential historical points.

For freemarketeers the phrase "entrepreneurial government" is an oxymoron, but not for Israel. From 1950-55 Israel's socialist economy grew at a blistering 13 percent per year and then averaged 10 percent into the 1960s. From 1948-1970 the gross domestic product quadrupled while the population tripled. The Israeli *kibbutzim* are the most successful communes in human history. Today there are 80,000 Israelis still living in 250 kibbutzim. They produce 12 percent of the nation's exports, but they comprise only 2 percent of the population.

Libertarians believe that governments that target certain industries for growth are bound to fail, but most of Israel's "industrial policies" have been great successes. From 1990-2008 the Israeli Yozma (Hebrew for "initiative") industrial plan focused on technology and it issued grants totaling \$2 billion dollars to lure foreign investors to the country. (A comparable U.S. contribution would have been \$86 billion.) The return has been six fold on government investment. Israel Aerospace Industries is still owned by the government and it is Israel's largest employer, producing high quality jet planes, helicopters, and missiles.

Senor and Singer also stress the fact that many of the top Israeli entrepreneurs are military veterans, and the synergy between that government enterprise and innovation has been amazing. We need to remember that the internet was invented by the U.S. military. Recently some hi tech consultants examined the components of an I-Pad and listed all the government-funded research that was involved. Obama was of course correct: Steve Jobs did not do it all by himself.

### **Israel: High Debt, High Poverty, but Big Safety Net**

Even with conservative leadership for last 27 of 33 years, Israel's income taxes are still 46 percent in the highest bracket. Even with \$3 billion in U.S. aid every year, Israel's national debt is GDP 74 percent of Gross National Product, compared to the Nordic nations' 46 percent. Much government money goes to welfare and subsidized housing, mostly for the 24 percent who live below the poverty line. Most of those on welfare are Russian and African Jewish refugees, who the Israelis have welcomed with open arms.

It is deliciously ironic that Romney condemns Obamacare (even though it was modeled on Romneycare), but while in Israel he praised its system of socialized

medicine for containing medical costs. By 1958 90 percent of Israelis were covered by government health care. In 1995 the conservative Likud government passed a major health reform law that required basic coverage for every citizen. About 45 percent of hospitals are government owned, and Israel ranks 22<sup>nd</sup> for doctors per 1,000 citizens while Cuba is first and the U.S. is way down at 53<sup>rd</sup>.

### **Palestinian Businessmen Frustrated by Israeli Restrictions Still their economy grows 5.4% vs. Israel's 4.6% and U.S.'s 1.5%**

Zahi Khouri, a Palestinian American and CEO of the Palestinian National Beverage Company, returned to the West Bank after the Oslo Accords were signed in 1993. Like many Palestinian businessmen, Khouri lives on Israeli-issued tourist visas, which sometimes expire after only a week. Even though he has lived there for 19 years and has invested hundreds of millions of dollars in the Palestinian economy, Israel refuses to give him a permanent residency permit. When he leaves for business trips, he is never sure if he can return to his people and his many enterprises.

In addition to his soft drink business, Khouri is also a partner in the Palestinian Development Investment Company (PADECO) and the phone company Paltel. Recently the senior director of PADECO, who had invested \$300 million in the West Bank, was denied entry twice by Israeli authorities. Yousef Munayyer, Executive Director of the Jerusalem Fund, asks the obvious question: "How can an economy prosper with severe restrictions on movement, restricted import and export, 500+ checkpoints, no access to 60 percent of the land for private investment, severe limitations on access to water and agricultural space, etc.?"

Even with these restrictions the Palestinian economy grew 9 percent in 2010, but it is now down to 5.4 percent. In 2010 Israel's economy grew by 4.6 percent and the U.S.'s rate with the Obama stimulus was 3.8 percent. Without any further stimulus the rate has now fallen to 1.5 percent. Again, what happened to Romney's cultural advantage?

### **Israeli Settlers Caused the Most West Bank Violence**

Some might say that Israel has imposed these restrictions on the Palestinian Territories because of terrorist threats, but attacks from the West Bank have decreased dramatically over recent years. West Bank Palestinians are being punished for the rocket attacks coming from the Gaza Strip, and they have no control over the behavior of the more radical Hamas. We must remember that the Israelis secretly supported Hamas so as to discredit the more moderate Palestine Liberation Organization. Their support for Muslim militants backfired as badly as our early support for Osama bin Laden.

Most of the violence in the West Bank is coming from Jewish settlers, who strike with impunity because the Israeli military protects them. Over 300,000 Israelis live in 100 settlements, which are considered illegal under international law. Over the past three years attacks on Palestinians are up 150 percent, and there have been 150 violent incidents initiated by settlers in this year alone. Jessica Montell, head of an Israeli human rights group, complains that “violence is a means of displacing Palestinians and expanding the settlements in a very explicit way.”

### **Historical Observations: Business is not the Gentleman’s Cup of Tea**

Let me conclude with some historical observations. Muhammed’s wife was a successful businesswoman, and every year Muslim traders sailed to India to sell their goods. Their camel trains went as far as Western China and all across North Africa to Morocco and Timbuktu.

Both the Chinese and the British originally believed that business was not a suitable profession for a gentleman, but traditional prejudices slowly die off when there is money to be made. Romney was right about one point he made in his *National Review* article: cultures do indeed change and in most instances for the better.

Nick Gier taught philosophy at the University of Idaho for 31 years. Read his columns on the 2012 election at [www.NickGier.com/2012.pdf](http://www.NickGier.com/2012.pdf) and his articles on the middle way between unfettered capitalism and Communism at [www.NickGier.com/ThirdWay.htm](http://www.NickGier.com/ThirdWay.htm).