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## The Tel Aviv Cluster

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Jews are a famously accomplished group. They make up 0.2 percent of the world population, but 54 percent of the world chess champions, 27 percent of the Nobel physics laureates and 31 percent of the medicine laureates.

Jews make up 2 percent of the U.S. population, but 21 percent of the Ivy League student bodies, 26 percent of the Kennedy Center honorees, 37 percent of the Academy Award-winning directors, 38 percent of those on a recent Business Week list of leading philanthropists, 51 percent of the Pulitzer Prize winners for nonfiction.

In his book, "The Golden Age of Jewish Achievement," Steven L. Pease lists some of the explanations people have given for this record of achievement. The Jewish faith encourages a belief in progress and personal accountability. It is learning-based, not rite-based.

Most Jews gave up or were forced to give up farming in the Middle Ages; their descendents have been living off of their wits ever since. They have often migrated, with a migrant's ambition and drive. They have congregated around global crossroads and have benefited from the creative tension endemic in such places.

No single explanation can account for the record of Jewish achievement. The odd thing is that Israel has not traditionally been strongest where the Jews in the Diaspora were strongest. Instead of research and commerce, Israelis were forced to devote their energies to fighting and politics.

Milton Friedman used to joke that Israel disproved every Jewish stereotype. People used to think Jews were good cooks, good economic managers and bad soldiers; Israel proved them wrong.

But that has changed. Benjamin Netanyahu's economic reforms, the arrival of a million Russian immigrants and the stagnation of the peace process have produced a historic shift. The most resourceful Israelis are going into technology and commerce, not politics. This has had a desultory effect on the nation's public life, but an invigorating one on its economy.

Tel Aviv has become one of the world's foremost entrepreneurial hot spots. Israel has more high-tech start-ups per capita than any other nation on earth, by far. It leads the world in civilian research-and-development spending per capita. It ranks second behind the U.S. in the number of companies listed on the Nasdaq. Israel, with seven million people, attracts as much venture capital as France and Germany

combined.

As Dan Senor and Saul Singer write in “Start-Up Nation: The Story of Israel’s Economic Miracle,” Israel now has a classic innovation cluster, a place where tech obsessives work in close proximity and feed off each other’s ideas.

Because of the strength of the economy, Israel has weathered the global recession reasonably well. The government did not have to bail out its banks or set off an explosion in short-term spending. Instead, it used the crisis to solidify the economy’s long-term future by investing in research and development and infrastructure, raising some consumption taxes, promising to cut other taxes in the medium to long term. Analysts at Barclays write that Israel is “the strongest recovery story” in Europe, the Middle East and Africa.

Israel’s technological success is the fruition of the Zionist dream. The country was not founded so stray settlers could sit among thousands of angry Palestinians in Hebron. It was founded so Jews would have a safe place to come together and create things for the world.

This shift in the Israeli identity has long-term implications. Netanyahu preaches the optimistic view: that Israel will become the Hong Kong of the Middle East, with economic benefits spilling over into the Arab world. And, in fact, there are strands of evidence to support that view in places like the West Bank and Jordan.

But it’s more likely that Israel’s economic leap forward will widen the gap between it and its neighbors. All the countries in the region talk about encouraging innovation. Some oil-rich states spend billions trying to build science centers. But places like Silicon Valley and Tel Aviv are created by a confluence of cultural forces, not money. The surrounding nations do not have the tradition of free intellectual exchange and technical creativity.

For example, between 1980 and 2000, Egyptians registered 77 patents in the U.S. Saudis registered 171. Israelis registered 7,652.

The tech boom also creates a new vulnerability. As Jeffrey Goldberg of The Atlantic has argued, these innovators are the most mobile people on earth. To destroy Israel’s economy, Iran doesn’t actually have to lob a nuclear weapon into the country. It just has to foment enough instability so the entrepreneurs decide they had better move to Palo Alto, where many of them already have contacts and homes. American Jews used to keep a foothold in Israel in case things got bad here. Now Israelis keep a foothold in the U.S.

During a decade of grim foreboding, Israel has become an astonishing success story, but also a highly mobile one.

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