

It's the government's own fault

By Ora Coren

The government's support for the business sector does not achieve its goals: Ultimately it buttresses the concentration of economic power. That is because the main beneficiaries of the assistance are giant corporations such as Nochi Dankner's IDB or Ofer family companies, concludes a study published yesterday by the Jerusalem Institute for Market Studies.

The study says that over the years, the giant corporations won the lion's share of government grants and tax breaks, which simply increased their power at the expense of smaller companies that found it all the harder to compete with them.

It suggests that the government abolish grants for investment, and to encourage exports and support research. It should also establish a mechanism to help only companies that never received state assistance before.

Yarden Gazit, the Jerusalem Institute researcher who conducted the study, says the government ostensibly "opposes concentration but finances it," using taxpayer money. It is responsible to a large degree for the fact that the ones who receive grants are the "economic sharks" best at milking the system.

The upshot is that government officials transfer taxpayer money from the poor and middle class to the groups controlling the economy: With their own hands they are building the pyramids, Gazit says.

Based on concepts of "strengthening the periphery," stimulating the economy and encouraging exports, billions of shekels in public money pass to giant companies owned by a handful of groups, he concludes.

Small companies can't afford to hire armies of lawyers and accountants to help them access this river of cash, says Zev Golan, director of the Public Policy Center at the institute.

"The Israeli citizen labors to make and invest his money, and the owners of the big business groups also labor to get that money and invest it," Golan says. They aren't risking their own money (though this isn't about corruption, he clarifies).

Regarding research grants from the chief scientist at the Ministry of Industry, Trade and Labor, in the last three years, at least eight companies belonging to the Ofer family received aid, including IDE Technologies, Bromine Compounds, Magnesium Dead Sea, TowerJazz, Lumenis and Modu. Also, the state sold its holdings in the Naiot technology incubator to the Ofers, though the chief scientist continues to fund its startups.

Nochi Dankner's IDB group also won much assistance, including to Telrad and Makhteshim-Agan. Nine of the 15 companies owned by Clal Biotechnology received grants.

Strauss Group and Africa Israel are two other giant groups on the receiving end of government handouts.

In 2009, the chief scientist paid out NIS 1.25 billion to 573 companies, but the 10 biggest grants went to big companies including ECI Telecom, NICE Systems and Applied Materials.

A Finance Ministry study from 2002 also concluded that the Investment Encouragement Law bolsters economic concentration. That year, 486 companies exploited tax breaks worth NIS 2.4 billion, of which 60% was at just 10 companies. In 2007, according to Tax Authority data, 57% of the total amount of tax breaks was at five companies