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## Assaf Razin: Biographical Notes

I am the oldest of three children of my father, Mordechai (“Mussia”) Berezin, and my mother Dora Leibovitch. I spent the first 24 years of my life in my birthplace, Kibbutz Shamir; a rural place in the northeastern part of Israel. These personal biographical notes cover my background from the young age at the kibbutz, through my graduate education at the University of Chicago, the first academic jobs, and the major turning points in my adult life. My professional life as an economist is covered in detail in my vitae (see <http://www.tau.ac.il/~razin>).

### FAMILY BACKGROUND

I was born and bred in Kibbutz Shamir, in what was then the British Mandate Palestine. The Kibbutz is located on the slopes of the Golan Heights, which tower 3,000 feet above the Upper Galilee. Indeed, before the border shifted east as a result of the six-day war in 1967, Kibbutz Shamir was at the most eastern border settlement in Israel. The Kibbutz system, though it spans a wide geographical area along the borders of Israel, has always been a tiny minority of Israel’s population.

(The proportion of the kibbutz population within the Israeli society declined from 6.5% in the 1948 census to 3.3% in 1972. At the end of the year 2002 the kibbutz population numbered 115,600, living in 268 kibbutzim, and it constituted 2.1% of the total Jewish population in the country.)

I was 7 in 1948, the year of the Arab-Israeli war that followed Israel’s establishment as a state. The Kibbutz was then at the forefront of battles for the existence of the finger-of-Galilee region as integral part of the new Jewish state. All the women and children of the Kibbutz were evacuated into the relatively safe place of Haifa. We returned to the Kibbutz at the end of the war.

**(On May 15, 1948, one day after the creation of the State of Israel, the Arab armies of Egypt, Syria, Jordan, Iraq, Saudi Arabia and Lebanon invaded the new Jewish state. The war was marked by long periods of fighting and temporary cease-fires. Finally, fighting officially ended in January 1949, at which time Israel held the 5,600 square miles allotted to it by the UN partition plan plus an addition 2,500 square miles. Jordan held East Jerusalem and the West Bank, and Egypt held the Gaza Strip. From January to July 1949, armistice agreements were signed with Egypt, Lebanon, Jordan and Syria based on some minor variations of the frontlines as they were at the end of the fighting.)**

My father, Mordechai (“Mussia”) Berezin was born during the beginning phase of World War I in Kishenev, the East European city in what is now the Republic of Moldova.

(In 1903 after the terrible pogrom at Kishenev in 1903, the Hebrew Writers Union of Odessa sent the 30-year-old poet, Hayyim Nachman Bialik, to collect eyewitness accounts from the survivors. Bialik then wrote the famous poem “City of Slaughter”).

My father made *alyah* (“to ascend” in Hebrew; this is how we describe in Israel the immigration by Jews from the Diaspora) in 1937, before World War Two. In the 1950s it became fashionable to switch from Diaspora-type to Hebrew-type last names. Our family name became Razin (“secrets” in Hebrew; in the Hebrew alphabet it is as close as you can get to the original European name Berezin).

The name, Berezin, perhaps indicate our ethnic origin, is derived from a Russian word Berioza, a white-trunk tree. Leo Tolstoy’s “War and Peace” describes an historical site, Berezina, from which, perhaps, my father’s last name Berezin has been derived. Berezina became famous when Napoleon was driven back by the Russian Army. The French army melted away at the uniform rate of a mathematical progression; and that crossing of the

Berezina about which so much has been written was only one intermediate stage in its destruction, and not at all the decisive episode of the campaign. If so much has been and still is written about the Berezina, on the French side this is only because at the broken bridge across that river the calamities their army had been previously enduring were suddenly concentrated at one moment into a tragic spectacle that remained in every memory, and on the Russian side merely because in Petersburg— far from the seat of war— a plan had been devised to catch Napoleon in a strategic trap at the Berezina River. Everyone assured himself that all would happen according to plan, and therefore insisted that it was just the crossing of the Berezina that destroyed the French army. In reality the results of the crossing were much less disastrous to the French— in guns and men lost— than Krasnoe had been, as the figures show. The sole importance of the crossing of the Berezina lies in the fact that it plainly and indubitably proved the fallacy of all the plans for cutting off the enemy's retreat and the soundness of the only possible line of action— the one Kutuzov and the general mass of the army demanded— namely, simply to follow the enemy up. The French crowd fled at a continually increasing speed and all its energy was directed to reaching its goal. It fled like a wounded animal and it was impossible to block its path. This was shown not so much by the arrangements it made for crossing as by what took place at the bridges. When the bridges broke down, unarmed soldiers, people from Moscow and women with children who were with the French transport, all— carried on by vis inertiae— pressed forward into boats and into the ice-covered water and did not, surrender.

My father was one of the founding members of Kibbutz Shamir, and he lived there for the rest of his life. Soon after his arrival in Palestine, World War Two had erupted. The Jewish community in Palestine established a unit, the “Jewish Brigade”, to fight the Nazis. (Winston Churchill formed a separate Jewish Fighting Force, which would fly the Jewish national flag, within the British army. The Jewish Brigade Group of the British army, which fought under the Zionist flag, was formally established in September 1944. It included more than 5,000 Jewish volunteers from Palestine organized into three infantry battalions and several supporting units.). Because the Jewish community in Palestine had no full-fledged draft, the Jewish Brigade was based entirely on volunteers. But the Kibbutz system was based more on putting moral suasion on its members to volunteer; rather than letting the members to exercise their own individual choice. The Kibbutz chose two of its members “to volunteer” to the military service, and one of these happened to be my father. Being extremely loyal, he accepted the collective decision and loyally went on to serve the 4-5 year period: first in North Africa (where General **Montgomery fought the strong German army under Rommel**), and then in Italy and Germany. I can still read the postcards he sent from training in Mount Carmel, Cairo, Italy, and Germany. The Jewish Brigade entered Europe through Italy, where the famous battle in Monte Cassino was fought.

(There were four separate and distinct ‘battles’ of Monte Cassino during late 1943 and early 1944, each one being immensely costly in Allied lives. In their turn, Americans, Indians, British and Poles reached the summit of Monte Casino but found it impossible to retain a hold for long. The destruction wrought of the world-famous monastery on the summit of the mountain was but part of the damage that occurred during this period. The campaign to take Monte Cassino was one of the most dramatic of the Italian campaign.)

Amazingly the letters he sent from the front were written in almost perfect Hebrew, despite his being “Oleh Hadash” (new migrant). This was due to the Hebrew High School he attended in the Diaspora. During the war he managed somehow to do a lot of serious reading on his own. He was fascinated by ancient history. This helped him later to put himself on a successful track and became self-taught biblical scholar. With the end of the war, and the smashing defeat of the Germans, he returned to the Kibbutz. I still remember the enthusiastic reception given to him when he returned by the members of the Kibbutz and the big celebration of the victory over the Nazis. The Kibbutz members recognized his special intellectual talents and the general assembly assigned him to be the first high school teacher of the Kibbutz. For this purpose he studied in the Kibbutz Teachers’ College in Tel Aviv (“Seminar Hakibutzim”). But unlike a University college the seminary had no exams, and granted no diploma. A diploma was not needed to work as a teacher in the Kibbutz. Studying in the Faculty of Humanities in the Hebrew University was not an option for him because the Hebrew University did not subscribe to the Marxian dogma, which had dominated the intellectual intercourse among the Kibbutz members. Possibly this also helped the Kibbutz to limit the outside options of its members, so as to prevent desertion. There were very insightful

broad thinking teachers in the "Seminar Hakibutzim". Because at this time in Israel there were very limited number of academic positions were available in the only one university in the country. On the supply side though there was a pool of many highly educated and talented people. The Hebrew University, the only university in Israel at the time, had only a very small faculty; only of a few hundred academic staff (compared to 10,000 today). It was also established as an institution of higher learning and research after the German university model: a few permanent professorship positions and teaching assistants with only temporary positions. Many bright, highly educated historians, literature scholars, etc., had no other choice but to pursue semi-academic careers. By default, they had to choose teaching careers in high schools and seminaries. These institutions obviously benefited from having a select group of teachers of a high caliber. For example, a teacher in Seminar Hakibbutzim, who had a great influence on my father, was Zvi Yavetz. Zvi, the internationally renowned historian of the Roman period, was a Hebrew University Ph.D. student at the time. (In 1956 he received a Ph.D. Degree in History, Classics and Sociology, from the Hebrew University; and moved into the academia.)

Thinking about the poor education I received in my youth, big drawback of the Kibbutz educational system was that they had no exam to motivate their pupils. When it comes to educational systems, the world seems keen to adopt ideas developed by British experts. It was the British headmaster of the famous Eton who largely created Germany's postwar educational system and the international Baccalaureate. The program designed for 16-18 years old, has done particularly well in the US. It allows schools to opt out of the national qualification system. University admissions bodies create special tariffs whereby the international baccalaureate is given a preferential treatment. This gives an added incentive to get into such program in the first place. In the Kibbutz system there were no exams at all; surely not national or international certification exams.

The historical aspects of the Bible became central to my father's scholarship. He viewed the Bible as a genuine record of ancient Jewish history, in addition to its unique religious value. The best way I can describe my father is as a self-taught biblical scholar with a Marxist orientation. He published a scholarly book (joint with his colleague and friend Shunia Ben-Dor) on the origin of ancient kingdom of Israel (major sources were **the book of Joshua** and the Book of Judges in the Bible. The book of Joshua presents several internally inconsistent scenarios which describe the entry of Israel into Canaan, and it also conflicts with the Book of Judges and other books of the Bible.

*(In a recent book by Finkelstein and Silverman, *The Bible Unearthed*, they write: "By the late eighteenth century and even more so in the nineteenth, many critical biblical scholars had begun to doubt that Moses had any hand in the writing of the Bible whatsoever; they had come to believe that the Bible was the work of later writers exclusively. These scholars pointed to what appeared to be different versions of the same stories within the books of the Pentateuch (The "Chumash"), suggesting that the biblical text was the product of several recognizable hands. A careful reading of the book of Genesis, for example, revealed two conflicting versions of the creation (1:1-2:3 and 2:4-25), two quite different genealogies of Adam's offspring (4:17-26 and 5:1-28), and two spliced and rearranged flood stories (6:5-9:17). In addition, there were dozens more doublets and sometimes even triplets of the same events in the narratives of the wanderings of the patriarchs, the Exodus from Egypt, and the giving of the Law. The distinctive uses of geographical terminology and religious symbols and the roles played by the various tribes in the two sources convinced scholars that the J text was written in Jerusalem and represented the perspective of the united monarchy or the kingdom of Judah, presumably at or soon after the time of King Solomon (C. 970-930 BCE). Likewise, the E text seemed to have been written in the north and represented the perspective of the kingdom of Israel, and would have been composed during the independent life of that kingdom (C. 930-720 BCE). The book of Deuteronomy, in its distinctive message and style, seemed to be an independent document, "D." And among the sections of the Pentateuch that could not be ascribed to J, E, or D were a large*

*number of passages dealing with ritual matters. In time, these came to be considered part of a long treatise called "P," or the Priestly source, which displayed a special interest in purity, cult, and the laws of sacrifice.)*

Biblical scholarship is indeed intellectually an exciting stuff. The inspiration for my father's the book came from the Marxist classic "the **Origin of the Family, Private Property and the State**" (circa 1884), written by Friedrich Engels. (Friedrich Engels, the son of a successful German industrialist, was born in Barmen in 1820. As a young man his father sent him to Manchester (England) to help manage his cotton factory. Engels was shocked by the poverty in the city and began writing an account that was published as **Condition of the Working Classes in England** (1844). In 1844 Engels began contributing to a radical journal called **Franco-German Annals** that was being edited by Karl Marx in Paris. Later that year Engels met Marx and the two men became close friends. Thereafter, Marx and Engels worked as a team.)

It was only at the relatively old age of 55, when his adherence to the Marxist dogma was significantly weakened, that my father embarked on formal studies in the Hebrew University. At this stage the Kibbutz was also less dogmatic and more tolerant. The University awarded him a Ph.D. in biblical history (Professor Abraham Malamat, the renowned biblical scholar, was his adviser; Sara Yefet, Israel prize winner in biblical scholarship was his classmate) but this event came only after I had received my own Ph.D. from the University of Chicago. It is only the fact that he was a member of the Kibbutz all his life, whereas I left the Kibbutz at a still productive age, that can explain such a distortion of the natural chronology of events.

My mother Dora was born in the Romanian City of Iasi, also at the beginning phase of WWI. *[Iasi is a city located in north Romania, in southern Bukovina. This country was the easternmost crown land of the Austrian Empire. Iasi, before WWII, consisted of a hundred thousand individuals, half of which were Jews.*

*[The Iasi pogrom is the most infamous in the history of the Romanian Holocaust. On June 25, 1941 (three days after the outbreak of the war) rumors circulated that Soviet parachutists landed near the city of Iasi. The army ordered a search of all Jewish homes. Many believed that Jews in Iasi were "enemy allies" of the USSR, "Bolshevik agents, and "parasites on the Romanian nation."].*

My mother's maiden name is Leibovitch. She arrived in the Kibbutz just a few months after my father. My father, who knew Hebrew already from the Jewish high School in Kishenev became my mother's Hebrew teacher. My mother was the one who had to take sole responsibility of us, the children, while my father was absent for relatively long periods. She did not have the intellectual curiosity my father had. But she was an integral part of a household, not very typical in the Kibbutz society that educated its children under the banner that investment in schooling is of crucial importance. She also kept the family well tied together after my father died at the young age of 57. Thus she definitely was the Matriarch of our family. She was extremely proud of the skills that her own children acquired much through investment in human capital, while the average child of the Kibbutz was less educated.

I have never known my grandparents. My Parental grandparents ( Meir and Fruma Berezin) and my maternal grandparents (Leon and Ada Leibovitch) did not followed my parents in the migration to the (then) Palestine. My maternal grandparents, who lived in Iasi, Romania, under the Antunesco Puppet regime during the World War II, did not survive the war period. First there was a pogrom in Iasi, in June 1941. Then forced labor was done in an out of the city. The hunger and sub- human conditions that were widespread throughout the region, were plausibly the cause of their death. My parental grandparents, who lived in the city of Kishenev by the river Dniester, did not survive the war period either. The 1939 Molotov-Ribbentrop Pact assigned this region to the Soviet Union. In May 1941 Heidrich, following Hitler's plan to eliminate the jews , established the units of the Einsatzgruppen, to accompany the German army in Operation Barbarosa into the Soviet Union. Their specific mission was to execute not only

members of the Jewish community, but also communist leaders. Kishenev, like the rest of the region became a killing field, as Poland before it.

I do not know how precisely my grandparents' life ended, because my parents lost all communication with them during the war.

My younger brother Ehud (who is the Dean of Faculty of Medicine at the Hebrew University in Jerusalem) inherited my father's broad intellectual curiosity. My younger sister Hava (who is a fertility nurse-specialist in Hadassa Medical Center in Mount Scopus) inherited my father's good nature and my mother's legacy of how to raise a well educated family. All of us inherited the "optimism gene" from my mother. We tend not to complain about bad luck and always look forward with an optimistic sense of meeting new challenges ahead. I liked playing basketball, listening to music--Beatles' music, 1950s, 1960s and 1970s pop music, as well as Classical music, especially, Bethoven's Symphonies. (At the funeral of my son, Ofair, we played the third symphony, The Heroica). A member of Kibbutz Shamir, Yahali Wagman, a musical prodigy as a teenager, and a graduate of The Juilliard School of music, motivated us to listen to classical music. I learned to play the clarinet and became fascinated with Mozart's famous concerto for clarinet ([Wolfgang Amadeus Mozart - Clarinet Concerto in A Major](#)). In our class we were just 10 children with very distinct Israeli names: Ziva, Uzi, Ygal, Hillel, Amos, Oded, Amnon, Amit, Yuval, and I, Assaf, the youngest. I have had intensive social interactions with my peer group (in the Kibbutz system you can develop well your social skills, being together almost 18-20 hours a day with children of roughly your age; only in the remaining 4-6 hours a day did we spend a fair bit of time with our parents).

## **REGIONAL HIGH SCHOOL AND ARMY SERVICE**

Given that we were a very small group of first-born children in the Kibbutz, the Kibbutz could not afford to establish a separate high school just for the few of us. We moved to the boarding school in the adjacent Kibbutz, Kibbutz Amir. There the three Kibbutzim which belonged to the Marxist stream of the country wide movement that Kibbutz Shamir belonged to formed for the regional high school. The curriculum included history, literature, biology, chemistry and little math. There were no exams. Typically, we used to work in the Kibbutz' agriculture for 2-3 hours a day. A healthy majority of the entire generation of children who attended this High School class did not ever attended college, because they did not have reached the college admission standards. It is therefore an *amazing* coincidence that I became eventually a professor of economics. The coincidence has to do with the way I had to end the military service. I was drafted in 1958, before I was 18, and went to my military service in a combative unit as was expected of any young member of the Kibbutz. I managed to go through basic and NCO (non commissioned officer) training, in preparation of going to officer training. During the NCO training course, however, I was badly injured (from friendly fire, due in large measure of sloppiness in the enforcement of safety rules in the army at this time). I had been hospitalised for more than a year, in the Tel Hashomer hospital, unable to walk. Thus, after lying in bed for the months in the hospital I realised that I will not be able to follow the traditional track of every Kibbutz young person: serve the best you could in the military service, preferably in combative units, and soon afterwards return to the Kibbutz agriculture. The whole idea was that you are not supposed to take any job outside the Kibbutz. There was no industry or professional service jobs in the Kibbutz at the time. It is hard to believe that now days Kibbutz Shamir owns the majority shares of one successful public company (listed on NASDAQ) which produces eye lenses, and another public company which produces textile substitutes. (Shamir Optical' company's R&D department, which carries out R&D for lens makers, is considered one of the best in the world. Shamir Optical also makes half-finished lenses for laboratories.)

From my hospital bed I had therefore to rethink my future. I realized that my future must be quite different from the typical career pattern of almost all of the Kibbutz members. The Kibbutz High School system I graduated from was outside the state schools system, with a completely different curriculum, and without the state wide matriculation exam, a key requirement to attend college. (In fact there were no exams at all in the Kibbutz High School.) Therefore, I did not

have even the minimal pre-requisites for attending College. I had to study for the rather demanding high-school matriculation exam that was required in Israel from my hospital bed. I did my studies by correspondence with the British Educational Council. The British Council as we called it was one of the good institutions that the British Empire brought to former colonies. I passed the six exams with average grades only. It took a full year, or two, for me to rebuild up my physical stamina and to be able to walk. I then applied to the Hebrew University, and moved to Jerusalem.

I do not believe in a kind of “John Wayne individualism” where people pull themselves up by their own bootstraps, as is written in fairy tales. The coincidence that made me, eventually, successful as a scientist, had to do with the remarkable opportunities that modern global economies offer to increased number of people many backgrounds. Imagine in my case what would have been my career without the benefits I received from winning a fellowship from the University of Chicago?

## **The Hebrew University and the University of Chicago**

I am the only member of my high school class that was able to go to a university. I was still a member of the Kibbutz when I attended college. The nature of my college specialization had to be a co-ordinated collective decision by the Kibbutz and myself. We reached an acceptable compromise that I will be specializing in agriculture, which I pursued at the Faculty of Agriculture of the Hebrew University. But during my second year in college I became fascinated with economics. I realized that I have to study economics as rigorously as I could. I became also a student of economics. I then commuted every day from Rehovoth to the Tel Aviv branch of the Economics Department of the Hebrew University, which later on became the Department of Economics of Tel Aviv University. I still remember my great teacher in Introductory Economics, Yoram Ben-Porath (the President of the Hebrew University killed at a young age in a traffic accident near Eilat). At the same time in Rehovoth, I became a student of Yair Mundlak, who was influential in my decision at a later stage to apply to graduate studies at the University of Chicago. In the Rehovoth class I was one of the few to pursue an academic career. But, some of my classmate became very successful in the private business sector (one of them, Israel (Laly) Makov, is now the CEO of Teva pharmaceuticals, a large multinational).

At this stage important stage of my life I married Shula Hachlili (from Kibbutz Ein Hachores). We returned to Kibbutz Shamir. I had a position as a senior economist in the regional office of Ministry of Agriculture. We had our first child Ofair. He lived a relatively short life and died at the young age of 30 from a progressive form of multiple sclerosis. This remarkable person was able to go through the military service, as an officer, and the very demanding academic education while fighting day by day a progressive form of Multiple Sclerosis that eventually led to his untimely death. He was awarded a Ph.D. in economics from the Department of Economics in Georgetown University in 1996. (Susan Collins, his adviser, is a well known international economics professor.)

My parents did not swallow the “pill” of my leaving the Kibbutz and going to a premier school in the USA. They saw in it the unfulfilling of their *idée fixe* about the superiority of life in a Kibbutz system. They were pressured by their peer group in the Kibbutz to such an extent that they stopped any meaningful contacts with Shula, my wife, Ofair, my 6 month son, and me. Relationships gradually restored after 4 years, when we returned to Israel. That was very painful to my mother, obviously. If it were to be her choice she would have not severed the relationship in the first case. But my father was torn between two conflicting forces, his standing among his colleagues in the Kibbutz (and the ability to function in the Kibbutz if a member deviates from the consensus) and his private feeling towards us. The break in our relationship has never completely mended. I grew up in the generation of the most acclaimed Israeli novelists Amos Oz and Abraham B. Yehoshua (born a bit before me, in the 1930's; I also read with great interest a young novelist, Amir Gutfroind), both of whom I greatly admire. They, like me, experienced the height of the kibbutz movement, the post-World War II immigration to Israel and the heady years that followed Israel's creation. They wrote critically about the suffocating environment of the “reut “(meaning: togetherness; not literally)” system, where individual aspirations were sanctioned. The founding ethos

were dedication to the group, whether the kibbutz, the military, or the labor movement. From my parents' perspective, when I planned to move up to graduate studies in economics at the University of Chicago I was departing from the ethos. It was a bitter pill for them to swallow. Because, they were disappointed that I did not follow their ideology based way of life. It was also a setback to them since it reduced their stature among their peer group in the Kibbutz. In the absence of any pecuniary incentives in the Kibbutz system, the respect and trust among you peers, a substitute to pecuniary incentives, was highly important.

I begun graduate school in the University of Chicago in the Fall of 1966, with my wife and our 6 month old son, ofair, planning to live on a relatively small fellowship from the University of Chicago (about \$1,500.00, in 1966 dollars), and no other source of support.

The year 1967, my first year as a graduate student at the University of Chicago, was tough for me —trying to establish good record and pass the demanding “core exam” (the device used for screening first-year graduate students at the University of Chicago at the time) by the end of the year. End of the year came with an unexpected war in Israel. Luckily it was short and I could go back to prepare for the Core Exam.

(The Six Day War War was fought in 1967 between [Israel](#) on one side and [Egypt](#), [Jordan](#) and [Syria](#) on the other side. From its beginning to the end, the war lasted 132 hours and 30 minutes (less than 6 days). But the duration was shorter on 2 of the 3 fronts: on the Egyptian side only 4 days, and on the Jordanian side only 3 days. It was only on the Syrian side that the war lasted the whole 6 days. In Israel and the West the war is called the Six Day War. In the Arab world, it is known as the June War, or simply as "the Setback." Never has a conflict so short, unforeseen and largely unwanted by both sides so transformed the world. The Yom Kippur War in 1973, the wars in Lebanon in 1982 and 2006,, the Camp David accord with Egypt in 1981, the Camp David Accords with the Palestinians in 1993, and the one that had not been reached in 2000, the controversy over Jerusalem and Jewish settlements in the West Bank, the Palestinian-initiated turmoil (“*intifada*”), in 1987 and in 2000, and the rise of Palestinian terror: all are part of the outcome of those six days of the intense Arab-Israeli fighting in the summer of 1967.)

At this point of time I am in a new stage of my life as a graduate student in the University of Chicago. At the University things were much different, as one may expects. I found, as many people did before me, that the interactions among bright and motivated classmates in a graduate school is extremely important for transforming an ordinary economist into a scholar, who is able to carry out state-of-the-arts research. Many of my classmates at the University of Chicago later became well known academic economists. Among them: Michael Mussa (a former chief economist of the IMF), Rudiger Dornbusch (one of the most important international economist of his generation; died at a relatively young age), Jacob Frenkel (a former chief economist of the IMF and a former Governor of the Bank of Israel), Rachel McCulloch (Brandeis University), Doug Purvis (who died a few years ago, in a ski accident), and Claudia Goldin (Harvard University). University of Chicago was at that time one of the leading institutions in the world. For a young student in economics, these years provided heady interactions with the giants of the profession: Milton Friedman, Robert Mundell, Hirofumi Uzawa, and George Stigler. The experience also instilled in me a first rootedness in the academic world and the state of the art research issues, that served me well throughout my academic career. I had an opportunity to indulge in my love of theory and my engagement in the live policy questions affecting social welfare. Members of the Chicago faculty: Hiro Uzawa, Harry Johnson, Bob Mundell (Noble prize winner), Al Harberger, Zvi Griliches, Milton Friedman (Nobel Prize Winner), Frank Knight, T. W. Schultz (Nobel Prize Winner), Robert Fogel (Nobel Prize Winner), George Stigler (Nobel Prize Winner), Lloyd Metzler, and Henry Theil. However the Nobel Prize in economics did not existed yet when I started graduate school in Chicago at the end of 1969. As for Milton Friedman, his politics may have generated public controversy, but his scientific contributions yielded a consensus of admiration among his professional colleagues. When students today are taught about the determinants of consumer spending, the history of monetary policy, or the relationship between inflation and unemployment, they owe much to the intellectual legacy of Milton Friedman. I still remember the graduate economics course he gave in 1967 that was later the

basis of Friedman's AEA presidential address, in which he demonstrated how short termish is the inflation-output tradeoff if market participants internalize future inflation and wage expectations into the wage and price contracts. I felt that I am witnessing a breakthrough in economics thinking of this much debated issue. Zvi Griliches, without a single year in high school enrolled as a freshman in the Faculty of Humanities in the Hebrew University, at the end of Israel War of independence. (Born in Lithuania, Griliches was a holocaust survivor who lost his parents in the Dachau concentration camp. Following the liberation of the camp in 1945, Griliches was sent to a British internment camp where he taught himself to read English. He then became a student of history in the Hebrew University, and stayed in Jerusalem for just one year. The story about this straight A student is that when his adviser at Berkeley gave Zvi the only B grade in the entire record, Zvi raised the issue with the adviser that this will complicate his applications to graduate schools. The adviser told him, "well, this would make your record appear more like a human being record...". But after a second check of how he graded Zvi's exam the grade was restored to an A. Zvi received a fellowship as an undergraduate student in agriculture in Berkeley, which did not require high school credentials. He did very well in graduate studies at the University of Chicago where he wrote an amazing dissertation on the "Diffusion of Hybrid Corn Technology," and almost immediately became an academic superstar. Some of us in the profession were critical of the Nobel-prize committee for not awarding him the prize.) We had a thing or two in common: we both were handicapped by the lack of rigorous schooling before college, and we both turned into the economics profession through college level agriculture.

In a looser sense, the term "Chicago School" was associated with a methodology which is relatively averse to general equilibrium reasoning in favor of more economics intuition obtained from partial equilibrium analysis. The "Chicago School" has had various phases with quite different characteristics. In the 1960s it was dominated by the monetarist approach.

During my student period of 1966-69, the adherence to neo-classical economics meant that you should be critical of the Keynesian economics' ad-hockery. Importantly, the Chicago approach emphasised the role of expectations' dynamics in macroeconomics. I was especially fascinated by Milton Friedman's course "money and national income" (he always disliked the term, coined by Bent Hansen, "macroeconomics"), where he taught us the remarkable ideas of what later became his 1968 AEA presidential address on the expectations-augmenting Phillips Curve.

(In his survey, Malcolm Rutherford describes the leadership position Milton Friedman took in Chicago like this: "The key to the development and eventual dominance of the 'Chicago View'" in the post World War II period was the uniting of Friedman, Stigler, and Wallis on the Chicago faculty. Friedman took the leadership in promoting the Chicago View, particularly in his price theory course, his work on macroeconomic and monetary economics, and his methodological viewpoint. Friedman's main targets were Keynesian economics, the work of those associated with Cowles [a pre-eminent theory group that produced some of the best theory work in the 1950s], and the imperfect competition theories. Unlike Frank Knight [the best research persona in the first Chicago School], both Friedman and Stigler undertook considerable amounts of empirical work. The empirical orientation of Friedman and Stigler can be seen especially strongly in their early connections with the National Bureau of Economic Research [known as the NBER, with whom I have been associated since the early 1980s]. Friedman's contact with the NBER began in 1937 when took over Simon Kuznets' study of professional income. Later, at Arthur Burns' urging, he took on the study of the monetary aspects of the business cycle which resulted in Friedman and Schwartz's *Monetary History* (1963).)

Hirofumi Uzawa, the distinguished economic growth theory scholar (whom Kenneth Arrow brought to Stanford as a young Japanese mathematician with no background in economics) had the greatest influence on my research at the early stage. The summer after my first year as a graduate student was one of the most exciting. Hirofumi Uzawa received an NSF grant to bring around a dozen graduate students from around the country to work together on growth theory. There I met several bright young students that were working on cutting edge research projects: Lenny Mirman (Rochester), Bill Ethier (Rochester), Guillermo Calvo (Yale). Hiro got stranded in Japan. He asked Miguel Sidrauski (his former student, and then the young star from MIT, who died from cancer less than two years afterwards) to lead the "Summer Camp". We, the students,



and Miguel, our leader, were highly interactive. It was an exciting first experience of an interaction within a research group. (The particular style of Uzawa, which followed the great tradition of Robert Solow - simple and concrete models, was directed at answering well defined questions. Styles of the economics taught in most of the universities were quite different. Either the abstract general equilibrium models, for which Berkley was then noted, or the simpler partial equilibrium models for which Chicago (minus Uzawa) was famous.)

Michael Mussa and Russ Boyer, Jacob Frenkel, Rachel Larsen, Hugh Mc Culoch, Rudi Dornbusch, Ron Hanson, Doug Prvis were graduate students together at the University of Chicago from 1966 to 1971 (I stayed in Chicago from 1966-1969). Much of the interaction of the international economics students took place in the International Economics Workshop; which was organized by Harry Johnson and Robert Mundell. These persons were the leading international economists in the world, at the time. The leading international economics model was the Mundell-Fleming model. My classmate Russ Boyer told me that "the first time I heard Fleming's name was from Jacob Frenkel in 1969 in the corridor outside the seminar room in which the workshop met each Monday. The name came up in the context of a discussion of Richard Cooper's (1969) newly published volume of readings, *International Finance*". In those days there were only very few readings books. They were indispensable in the classroom. A remarkable aspect of the volume, Jacob pointed out, was that it did not contain a single paper by Mundell. Being a well-informed student of international finance, Russ wondered about the glaring omission of Mundell's magnum opus, "Capital Mobility and Stabilization Policy Under Fixed and Flexible Exchange Rates" (published in 1963). To his surprise Cooper had found an alternative for that publication in the form of a paper by Fleming (published in 1962). The hallmark of the Mundell-Fleming model (the name was coined by Rudi Dornbusch; the model could also be called Fleming-Mundell model) is that it incorporated into a Keynesian open economy model capital mobility. Most of my work later in the area elaborated on the role of capital mobility in the globalization era. However, Mundell research direction has been reversed after he made the contribution to the Mundell-Fleming model. He almost never came back to deal with the capital mobility issue. So I realize now that I have not benefited as much from the International economics seminar which was regarded as a launching track for the rest of my colleagues research career. Few economists are aware of the extent of Mundell's reversal with respect to capital mobility. Russ boyer observes: "In his capital mobility paper, Mundell writes that the assumption of perfect capital mobility has the merit of posing a stereotype toward which international financial relations seem to be heading". That view set the research agenda in international finance for at least 30 years. In stark contrast, Mundell's own research moved in just the opposite direction; he assumed thereafter that the economy under analysis was in a situation of zero capital mobility." Such an assumption is made in his analysis of growth and the balance of payments, which laid the groundwork for the monetary approach to the balance of payments. In fact the defining feature of the international economics seminar, according to Harry Johnson, was this approach, which essentially is due to the classical treatment of fixed exchange rate without capital mobility by Hume.

Ronny, my second son was born during our last few month in Chicago. He is a Princeton Ph.D. and now an assistant professor of economics at NYU. In 2005 he joined the economics department of LSE in London as a tenured faculty member. I am proud of his devotion to scholarship and the way he is mustering meaningful political economics problems at the cutting edge of economic research. In our profession, as well as in others, we tend to have an established way of doing things. Often the academic establishment is hostile to new approaches. There are two major ways open for freshly minted graduates from a Ph.D program. One way is to choose topics and approaches in line with the current fashion. Accordingly, the safest route to publish (something that healthy share of the economists cannot ever do) is to do a minor extension of a published work written by an established leader. At a latter stage, when a number of publications are already secured, an attempt sometimes is made to deviate from such leader-follower track. But many times an attempt at original work at a late stage is not working well. A second way is to stick to a research agenda independent of the current fashion. I was always attempted to follow this approach. Ronny's first three publications in leading journals (*Econometrica*, *The Journal of the European Economic Association*, *The Journal of Economic Theory* and *the American Economic Review*) deal with genuinely fundamental issues.

Here are two examples of early difficulties that I faced when attempting to do what I believed a meaningful, but not mainstream research.

Issues of human capital and growth were the subjects of my first academic work. An influential paper by Hero Onawa demonstrated how a centrally planned economy can efficiently affect growth through the allocation of the economy's resources between a sector that produces know how and other productive sectors. In my doctoral thesis I applied these ideas to a de-centralized, market-based, equilibrium model of an economy which accumulates human capital and physical

capital. I noted that “economists have long noticed that people play an important role in the process of production, and in return they are rewarded by an amount which constitutes the largest fraction of income.” I guess I heard it from T. W. Schultz. In my model the accumulation of human capital is the driving force behind a *permanent* rate of increase in income per capita. This feature was dubbed in the 1980s as endogenous growth. My job-market paper went through three rounds of reviews in the leading journal, the American Economic Review. The third revision was however rejected by the editor. (I believe that growth economics was much beyond his area of expertise. For more than a decade, he served as the managing editor of the American Economic Review; which perhaps made him a bit opinionated and intolerant to new ideas). I decided to divide my Ph.D. Dissertation into two papers, and published them in less visible journals than the AER. One short piece went to the Review of Economic Studies. Unfortunately, the more integrative piece among the two went to *Metroeconomica* (a second-level outlet for research at the time which sunk into complete obscurity afterwards). These papers turned out to be important, because one stream of the Endogenous Growth Theory in the 1980s grew out of the Chicago “school” that Uzawa started, and I followed in my Dissertation. But I always felt that I did not get the right credit for this fundamental contribution. Two years later, however, another endogenous growth paper of mine (with endogenous population growth as a driving force) was published in the same American Economic Review, and became well-cited. I learned first-hand how frustrating the publication process tends to be in our profession, especially for young economists.

Another example of the less-than-perfect outcome came in 1975, when Elhanan Helpman and I worked on the research project about international trade under conditions of uncertainty. At this point in time there were several papers showing the basic propositions about specialization by a country according to the principle of comparative advantage in the presence of international trade that have been known since David Ricardo, break down in the presence of technological and demand uncertainty. Applying cutting edge ideas from finance, Elhanan Helpman and I were able to show how you can restore the basic propositions of trade and industry specialization in the presence of financial markets that enable risk sharing between countries, and which were ignored in the trade literature. The editor of the Journal of Political Economy (who belonged to a generation that one diagram could be used to make an economic argument, rejected our paper on the ground that the Journal is not interested in modeling per se; and what remains when the argument is stripped down worth only a note. But, when we received the letter from the editor we already wrote several important extensions and applications. Thus we decided to write a full fledged book, which came out 3 years later, and made some impact. The editor **happened to be Harry Johnson. Ironically, although Harry was then one of the most cited in the profession, he has not not much cited since he died.) This is possibly an example of distortions arising from “market power” . In this case it is the "market" of Journal editing. Economists often tend to criticise market power in when they play the role of policy advisers but pot when such a distortion involves themselves. The paper eventually appeared in the Review of Economic Studies. But by the time the paper appeared we already developed many more ideas that warranted a book. This book would not have been written if the journal publication process were to be smooth. The book turned out to be a gem.** It is very rewarding to see that now days, when the real business cycle approach spread into international finance, **that** the basic notions that we analyzed in our book are resurfacing in the research of new **Ph.D dissertations**. However, it is a bit frustrating that many times the young economists never heard of the Helpman- Razin work because they do not read the literature carefully, except what they were exposed to in the graduate school. An anecdote comes to mind. In the book we developed the first truly dynamic general-equilibrium model of the stock markets. The book appeared in 1978. Very few read the entire book and therefore missed the last chapter. Three years later Bob Lucas independently developed a similar model in the journal *Econometrica*. It attracted tremendous attention by the profession and the young guys in the profession referrer to the stock market model as the “Lucas Tree Model”); although a similar model appeared earlier in our book.

## First Academic Appointments

Minnesota was my first academic job. As I mentioned before, University of Chicago did not offer any rigorous course sequence in general equilibrium theory. In Minnesota I took advantage the courses in general equilibrium theory that Hugo Sonnenschein (who at the time worked on the Walrasian Theorem that market demand functions are essentially shapeless) and Leo Hurwicz (who at the time developed single-handedly the new field of mechanism design), Interestingly, University of Chicago did not however had a meaningful course sequence in general equilibrium theory; taught in such a masterful way. Minnesota in those days had a remarkable faculty. The mature department leaders were Leo Hurwicz and John Chipman. With Anne Krueger (the Deputy Managing Director of the IMF in the years 2001-2006) I have maintained a life long friendship.

There, in Minnesota, I was also greatly influenced by Tom Sargent and Neil Wallace, who, along with Bob Lucas, developed the most exciting field in macroeconomics at the time, rational-expectations macroeconomics. Greg Mankiw describes the transformation of the field of macroeconomics like this : “At the time the three new classical waves were first hitting shore in the 1970s and 1980s, one of their goals was to undermine the old Keynesian macroeconomic models both as a matter of science and as a matter of engineering. The field has evolved through the efforts of two types of macroeconomist—those who understand the field as a type of engineering and those who would like it to be more of a science. Engineers are, first and foremost, problem-solvers. By contrast, the goal of scientists is to understand how the world works.”

In Minnesota, Chris Sims then introduced elements of the new dynamic macro-econometrics into the graduate curriculum. Students were extraordinary: Andreu Mas Collé, Rob Townsend, Lars Hansen, John Roberts, Rich Kihlstrom, Salih Neftci, Matt Canzoneri, and more. With Andreu, who was a second year graduate student at the time he took my course on growth economics, I wrote a paper on the dynamics of growth in the presence of investment costs of adjustment.

I continued to have a position in Minnesota for a few years, jointly with becoming a lecturer at the then young Department of Economics at Tel Aviv University in 1970. To these days, I still feel nostalgic about the intellectual environment in Minnesota in those days. Why did I decide to move to Tel Aviv at this early stage of my academic career? Israel was the place that my parents immigrated to at a young age, to start something new, the Kibbutz. I grew up in the Kibbutz, a border settlement in which I sharpened my commitment to contribute directly to the country. It was therefore a relatively simple decision to return to Israel as a young economist. I have never regretted this decision.

In Tel Aviv in 1973 our daughter, Einat, was born. She now has a stable job in one of the Banks in Israel. We are happy about the way she matures to be an independent person who aspires to make progress in her career.

In Tel Aviv University when I started, there was an aura of something very new. We were assembled as young economists all of whom educated in the US graduate schools. I had terrific interactions with Elisha Pazner (died at the age of 35 after a very illustrious career) and Eitan Berglas, who founded the Department of Economics at Tel Aviv University and was one of the best academic economists that contributed to public service in Israel (He died at the age of 63). Later with a new crop of brilliant economists joining the Department I maintained an almost life long collaboration with my best friends Elhanan Helpman and Efraim Sadka. My vitae reflect well on the extent of these remarkable scientific collaborations. About 9 years after I started my academic career I was invited by the finance minister, Simcha Ehrlich to serve as the Chief Economic Adviser to the Government of Israel and the Director of the Economic Planning Authority (Israel’s equivalent to the US Council of Economic Advisers), located in the Ministry of Finance. At that time, about year and half after the “maapach” whereby a Likud right-wing party unseated the Labor party that ran the government for 29 years, since the establishment of the state; and also for decades in the pre-state period. I was an activist in the “peace now” movement at the time, but the top echelon of the ministry of finance was still professional civil servants that were inherited for the old regime. Simcha Ehrlich was liberal in his political views and market oriented. He asked me to join the ministry staff, even though he was fully aware of

my political views. However, he was completely inexperienced in his job and the government of Menachem Begin was extremely populist in its economic policy orientation. High inflation erupted within a few months after I took up the position of an economic adviser. I was in opposition to the policy mixture that the government adopted. Fortunately, for my integrity as an economist I left the position within 6 months. The inflation picked up to triple digit rates and stayed at the high plateau for a few years, until the radical stabilization policy the Shimon Peres, as a prime minister, implemented in 1985. This as close as I got to politics to realize that my comparative advantage is in the academia.

### **A (Short) Stint in the Israeli Government**

In January 1979 I was invited by Simcha Ehrlich, the finance minister to serve as the chief economic adviser (something like the chairman of the Council of Economic Advisers in the US). I thought hard whether to accept the offer. I was in political opposition to the newly minted, first Likud led government in the history of Israel, after 29 years of Labor party political domination. The 18th government of Israel, from June 20, 1977 to August 5, 1981 consist of: Menahem Begin, Prime Minister; Meir Amit, Minister of Transport and Communications; Aharon Abuhazeira, Minister of Religious Affairs; Zevulun Hammer, Minister of Education and Culture; Yigael Hurwitz, Minister of Trade and Industry; Ezer Weizman, Minister of Defense; Simcha Ehrlich, Minister of Finance; Gideon Patt, Minister of Construction and Housing; Eliezer Shustak, Minister of Health; Israel Katz, Minister of Labor and Welfare; Ariel Sharon, Minister of Agriculture; Shmuel Tamir, Minister of Justice; Moshe Dayan, Foreign Minister; Arieh Naor, Cabinet Secretary. Menachem Begin surprised everybody by initiating peace talks with Egypt. This made him “kosher” in my view. The top civil service at the government, inherited from previous governments, was at that time extremely competent. The top two persons in the Finance Ministry, Amiram Sivan, the Director General, and Eitan Berglas, The Director of the Budget, who was a colleague and friend, were regarded as the most qualified persons. It looked to me a good opportunity to shape up economic policies. I accepted with great enthusiasm. Indeed, as soon as I started I found easy access to policy makers, and I was frequently invited to cabinet meetings. But as a month or two elapsed I realized that a big problem started to emerge: a quick entry to hyperinflation stage, unless some budget and monetary policies are enacted quickly. Menachem Begin was not interested in economics at all. He was not the one to lead a radical anti inflation policy package. Indeed, Simcha Ehrlich, the finance minister, even did not try to push for any such package. I left the government position after I went public with my warnings. The rest, the big hyper inflation that lasted until 1985, is, as they say, a history. The experience did solidify my determination to stay out of politics, for ever. I found out during this intensive but short experience in public life that my own integrity is at danger if I stay in public office. I knew that such integrity is to be kept if I return to academia. And I enjoyed life in the academia so much more. I have never regretted the way I conducted myself in this short episode.

Later on I occupied temporarily some academic administration positions. I was the Dean of the faculty of social sciences in the early 1990s and the deputy provost of Tel Aviv university in the early 1990s. You could speculate that in these positions I suffered from my lack of interest in marketing myself to the academic “constituency” and doing the necessary quid pro quo deals with deans, provost and president; although I had some management skills and a clear reform agenda. Over all, though, I was never in my element in these positions. I am happy that I did not get absorbed into the world of some power, but very little intellectual challenge.

### **A Tragedy, Memories, and Memorials**

Throughout life we inevitably suffer losses. That is true for most of us. Many can gently let go of what they have lost and develop new passions to replace their losses. But it is never easy. The greatest tragedy in my family’s life started when our oldest son, Ofair, was diagnosed with progressive multiple sclerosis at the young age of 21. Ofair Razin, was born on January 27, 1966 in kibbutz Shamir in Israel, the place where I was born too. At the age of six months we took him with us to Chicago, where I started my doctorate studies. When we returned to Israel he attended pre and primary schools, and later the Alliance high School at Ramat Aviv, a suburb of

Tel Aviv. After graduation from high school he started his army service where he became an intelligence officer and served almost 4 years. We, his parents, could very well have had an early warning signal about his problem in the Summer of 1984, but the doctors missed it completely. In the summer of 1986 I participated in the NBER Summer Workshops in Cambridge. We spent a happy summer there. But in the middle of it Ofair felt sick and he lost his eye sight; it turned out to be a temporary loss. The source of his problem was not diagnosed as Multiple Sclerosis (MS) at this time. No one suggested using MRI tests, which are now a days routinely used in such cases. The actual diagnosis had to wait until Ofair's last year in the army. In the next year when he graduated from high school and was drafted to the army, as every young person in Israel at this age is supposed to do, Ofair's enlistment to the army had been postponed because of the Cambridge episode. But he decided to volunteer and made a smooth transition to a career as an intelligence officer. Although already handicapped, he had to undergo an intensive officer-training course. He did it because he wanted to make the army service a meaningful service. But in the fourth year of service (as required for officers) the eye infection episode came back. At that point, the MRI diagnosis of multiple sclerosis had been made with certainty. It turned out later to be one of the most debilitating forms of the MS disease. With the MS diagnosis confirmed, Ofair then started a real marathon race against time to complete his college education and built a career. His physical condition was deteriorating almost steadily: first he had to use a stick, then a walker. I still remember our experience in the first Persian Gulf War.

*The First Persian Gulf War, Jan.–Feb., 1991, was an armed conflict between Iraq and a coalition of 32 nations including the United States, Britain, Egypt, France, and Saudi Arabia. It was a result of Iraq's invasion of Kuwait on Aug. 2, 1990; Iraq then annexed Kuwait, which it had long claimed. Iraqi president Saddam Hussein declared that the invasion was a response to overproduction of oil in Kuwait, which had cost Iraq an estimated \$14 billion a year when oil prices fell.*

Saddam Hussein fired Scuds missiles at Israel every night continuously for 6 weeks, and Tel Aviv was targeted for obvious strategic reasons. Everybody in the A-zone of the country (Tel Aviv being one of them) braced every afternoon for the Scuds to hit the targets in the evening, when dark sets in on Iraq and the launching sites can be discovered by the anti-Saddam coalition forces. During the period of terror Ofair stayed first on the second floor of our house (address: 16 Pilichovsky Street, Ramat Aviv, Tel Aviv). He had to rush two floors down the first few nights to the bio-chemically secured shelter in the basement. After a few nights he moved himself to the basement to save the nightly trips down and up to and from the sheltered basement.

How many roads must a man walk down before you call him a man? (as Bob Dylan asks in Blowin' in the Wind). The answer my friend is indeed that Ofair had to walk (up and) down unusually treacherous roads, already as a teenager; this how he became a man.

Ofair attended college at Tel Aviv University, double-majoring in Economics and Psychology. After graduating, he entered the Ph.D. Program in Economics at Georgetown University. He and I moved together to Washington DC, where he was supposed to begin graduate studies in economics at Georgetown University, in the Summer of 1991. Ronny, my second son, who is very technically skilled helped to equip the Toyota car that we bought second hand with devices so that Ofair would be able to get the wheel chair into the trunk, and then walk to the driver seat. In a matter of months he lost the ability to walk. With all the things you have to pay for in University, paying for health insurance is typically small potatoes. But what's last on the list for healthy students. Pre-existing conditions are not covered. We knowingly spent a lot of money outside the realm of the insurance coverage, on all sort of treatments and experimentation. A shocking episode came once after Ofair participated in a medical trial on a drug. Ofair had to stop taking all other drugs during the trial, where he could have been only in a placebo group of the patients; and therefore risked a further deterioration in his condition which was very grave. After the end of the trial period the NIH doctor in charge of the trial told the two of us that because commercial companies are going to continue the trial for a few more years, and they would like to demonstrate success of the treatment the hard stricken patients could no longer

continue with the treatment. Ofair was among those who were thrown out. The Doctor brought the news as a matter of fact. We left the NIH campus in Bethesda, Maryland, in great despair!

My former student from Minnesota, Matt Canzonneri, then the department chairperson, was extremely helpful in easing the transition period for Ofair once the school year started. Ofair then faced two challenges; the increased level of incapacitation and a rigorous course of study. During the final stage of the doctoral program, Ofair worked mostly at home under the guidance of his dissertation advisor, Professor Susan Collins. In the summers while at Georgetown, Ofair had the opportunity to work in the research department of the World Bank. He gained good experience of dealing with data, which was useful for writing his dissertation. The dissertation was completed a few weeks before his death on December 16, 1996.

Ofair, all alone by himself, made the fatal decision to end his life. He had fulfilled all commitments he took while still in control of his body. Rather than falling into the imminent stage of complete paralysis, while still in control of himself he decided that he should go. On the very last day he sent an e-mail to Ronny who was at Princeton as a graduate student of economics, and Ronny immediately called us in Tel Aviv. I still remember the telephone very well. An hour later I was already on a TWA flight to New York, and then through a connecting flight to Washington DC. In Ofair's apartment I met Ronny and Dafna, who already arrived a few hours before me. Letters to the family members (including one to my mother, the only surviving grandparent), bills to be paid, and checks, were lying on his desk ready to be delivered. A complete Ph.D. dissertation manuscript was ready to be sent to Georgetown University. The funeral (at which I asked for Beethoven's Eroica to be played out loud during the funeral) took place in Kibbutz Einat (for a secular burial), and the Jewish tradition of the seven days sitting after the dead (the *shivah*) took place at our home at Tel Aviv. The *shivah* was an opportunity for us to see a few hundred of our friends, from different stages of our life, who all came to our home during the week.

The official Ph.D. degree was awarded to Ofair by Georgetown University posthumously. The main chapter of his dissertation was prepared by Professor Collins for publication after his death. It now appears as Chapter 3: "Real Exchange Rate Misalignments and Growth," by Ofair Razin and Susan Collins, in *The Economics of Globalization: Policy Perspectives From Public Economics* (Assaf Razin and Efraim Sadka, eds., Cambridge University Press, April 1999). The book, the Razin Prize in Georgetown University, and The Ofair Auditorium in the Eitan Berglas School of Economics' building at Tel Aviv University, are all dedicated to my son's memory. Past Speakers over the last 9 years in the Razin Prize event at Georgetown University are leaders in our fields: Jacob Frenkel, Kaushik Basu, Ken Rogoff, Paul Krugman, Jeff Sachs, Michael Mussa, Elhanan Helpman, Stan Fischer. (I gave the first annual lecture.) Our friend Bob Flood has been at every one of the events. He knew Ofair well; he is one of my heroes for the way he has conducted himself in pursuing a brilliant research career, notwithstanding the daily struggle with MS.

I feel that this is a tiny bit of what I owe Ofair for his courage and for what I learned from him throughout his short life, as to how one can conduct oneself with dignity under a non stop stream of adversities, and still be such a charming person to talk to.

How many years can a mountain exist before it's washed to the sea? The answer, my friend, is a 30 year of lifetime that is blown in the wind (in paraphrasing Bob Dylan again).

At the time when Ofair's illness became more and more acute I shifted my place of work more and more from Tel Aviv University to America : first, one stint at Yale University and several stints at the University Chicago; second, a year long visit at the IMF in Washington DC(to be even closer to Ofair). I had to quit my position as deputy provost at Tel Aviv University, which originally was supposed to put me on a track to top university administration positions), in order to stay with Ofair in the US. Ironically, the shift of emphasis in my career, back to full-fledged academic activities, has been an extraordinarily good move. I must admit that I much more enjoy academic life over academic administration! My academic activities led to a level of professional recognition and intellectual fun, that the son of two Kibbutz pioneers never dreamed would be possible.

## END OF THE “FIRST SEMESTER” OF LIFE

At my 60<sup>th</sup> birthday conference, I noted that in the Jewish tradition everyone lives for 120 years, and I viewed the conference on my sixtieth birthday as “a wonderful break between two semesters.” I briefly summarized the highlights of my research career—one in which I have written a dozen books, edited a dozen others, and published over 120 articles. I observed that a rejected paper in 1975 led to my first book on globalization—a subject that still fascinates me. *A Theory of International Trade Under Uncertainty*, written with Elhanan Helpman, argued that as capital markets became more integrated, there would be a strong tendency for countries to specialize according to their comparative advantage. Three subsequent books continued to explore the implications of global integration. *Fiscal Policy in an Integrated World Economy: An Intertemporal Approach*, written with Jacob Frenkel in 1987, looked at the dynamics of the current account in a flexible price world; *International Taxation*, written with Jacob Frenkel and Efraim Sadka, examined the constraints that globalization imposes on the conduct of fiscal policies (the main problem is a “race to the bottom” among national tax authorities in a globalized tax market); and, more recently, *Labor, Capital, and Finance: International Flows*, coauthored with Sadka, analyzed the side effects (good and bad) of globalization.

## Research: Past and Present

Like a few other peripatetic Israeli scholars, I have, over the course of my career, combined an academic affiliation at home (Tel Aviv University) with visiting positions at several U.S. (Minnesota, Penn, Northwestern, University of California at Berkeley, University of Chicago, Yale University, Harvard University, Stanford University, and now a days Cornell University) and European institutions (University of Stockholm and London School of Economics), including many stints as a visiting scholar at the IMF, World Bank, Bank Of England and Hong Kong Monetary Authority. My professional life as an economist is covered in my vitae, as I already indicated in the opening sentences. A Bio, which addresses a non professional audience, is not the right forum to go into a serious discussion of my research. Nevertheless, I would like to highlight what I consider to be my main contribution to research.

In the early 1970s I made a contribution to the theory of endogenous economic growth that became popular in the 1980s and 1990s. The book “*A Theory of International Trade under Uncertainty*”, jointly written with Elhanan Helpman, dealing with what is now called “Globalization” (the market regime where both goods and financial assets are internationally traded in the presence of uncertainty), which put research in international economics on a new track, is still cited today. Our other project on the comparison between fixed and flexible exchange rate regimes (*The Canadian Journal of Economics*, 1979; *International Economic Review*, 1982; and the *American Economic Review*, 1987) was quite influential in the literature which attempted to nail down fundamental differences across exchange rate regimes. My joint work with Lars Svensson (*The Journal of Political Economy*, 1983; *Economic Letters*, 1983), followed by my joint work with Jacob Frenkel (*Fiscal Policy In the World Economy: Inter-temporal, dynamic, Approach*, 1986), set up very early on (and independently of the great contributions by Jeff Sachs and Maury Obstfeld) the inter-temporal approach to the analysis of the dynamics of the balance of payments.

## On Going Research

In 2005 I completed a monograph, *The Decline of the Welfare State: Ageing and Globalization*

with Efraim Sadka. The main theme of the book is this: In much of the developed world, the proportion of the population aged 60 and over is expected to rise dramatically over the coming, which may necessitate higher tax burdens and greater public debt to maintain national pension systems at current levels. Low-skill migration produces additional strains on welfare-state financing because such migrants typically receive benefits that exceed what they pay in taxes. Higher capital taxation, which could potentially be used to finance welfare benefits, is made unlikely by international tax competition brought about by globalization of the capital market. Applying a political economy model and drawing on empirical data from the EU and the United States, we draw an unconventional and provocative conclusion from these developments. We argue that the political pressure from both aging and migrant populations indirectly generates political processes that favor trimming rather than expanding the welfare state. The combined pressures of aging, migration, and globalization will shift the balance of political power and generate public support from the majority of the voting population for cutting back traditional welfare state benefits.

In my earlier joint work with Efraim Sadka (Economics Letters 1989, and the book: International Taxation, 1991), about tax harmonization was viewed by many as a standard model to evaluate tax competition when national capital markets are integrated, set a trend in research. The book Population Economics, written jointly with Efraim Sadka in 1995, became quite influential in the public economics literature. My work on international migration with Efraim Sadka, in *Labor, Capital, and Finance: International Flows*, provides a useful analytical framework in which migration policy can be rationally discussed. My work with Efraim Sadka on the political economics of the welfare state (integrated into the 2005 MIT Press book: *The Decline of the Welfare State: Demography and Globalization*) has been a great intellectual joy to write. I am also very excited about my current research on foreign direct investment, and on the political economics of the welfare state, and the evaluation of exchange rate regimes. Re-evaluation of exchange rate regimes and capital market liberalization, a century old subject, is especially fun to do. **The most recent research project has been the analysis of foreign direct investment a major engine and outcome of globalization. The project started a few years ago by an attempt to find the unique aspects of foreign direct investment (FDI) that distinguish this type of international capital flows from bank loans and portfolio flows. The process of developing the ideas worked through the writing of several working papers (a few of my own, a few with Efraim Sadka, a few with Prakash Loungani, and a few young economists, Yona Rubinstein and Itay Goldstein; Itay was my student at Tel Aviv University. As a reviewer of my forthcoming book with Efraim Sadka *Foreign Direct Investment : Analysis of Aggregate Flows* (Princeton University Press, forthcoming) writes: "It is commonly heard in policy circles that FDI is illiquid and that foreign direct investors trade off any potential cost or other advantage they may bring against the fact that their investments will be illiquid. This chapter provides a very nice model that captures this intuition formally. In particular, ownership is modeled as conveying earlier access to information about the productivity of the firm. This conveys a benefit in terms of planning investment. However, because this information is private to the foreign direct investor, it also leads to a market failure phenomenon known as lemons problem. That is, if the investor needs to sell the project, they face the problem that potential buyers fear that the sale is motivated by private information about low productivity (instead of a genuine need for liquidity). This means that firms that are sold attract a lower price than otherwise: they are illiquid. In the light of this and other issues, this book seems especially topical and ambitious."**

### **Frank Knight is Right**

The new additions to the family, my grandchildren Iddo and Neeve, who live in London, are Really cute! I am telling myself that life has not been all bad for me, so far!!

Frank Knight (the great University of Chicago economist) put it succinctly when he said: "The Ultimate Difficulties of any rational reconstruction of society center around maintaining social continuity in a world where individuals are born naked, helpless, untrained and must spend a third of their lives in acquiring the prerequisites of a free contractual existence. The existing order, with the institutions of the private family



and private property (in self as well as goods), inheritance and bequest and parental responsibility, affords one way for securing more or less tolerable results in grappling with this problem."

My aunt Gita Alexandroni, who is now the only person who can testify about how helpless and totally untrained I was when I was born in

Kibbutz Shamir, in 1941, and what was the role played by my father and mother (and by my aunt during my father's service in WWII) in my upbringing. But I have also traveled a long distance since then.

At the age of 65, I feel a bit like Bob Dylan (almost exactly my age) when he writes: "You think I'm over the hill/You think I'm past my prime/Let me see what you got/We can have a whoppin' good time".

## **Two Historical Transformations**

Two of the Israel greatest institutions, the Kibbutz and the Israel Research Universities, which during almost my entire life I have been affiliated with, are currently undergoing thunderstorms of major transformations. These changes are so fundamental that some say that the very principles behind them are being challenged.

The Kibbutz system, a unique institution in the history of mankind, is now in the midst of an irreversible privatization process. The transition, as in the case of the collapse of communism in East Europe, is painful. Many of the Kibbutzim are virtually bankrupt. Even in those that are not, there is no minimal pension system in place. Patched up benefits to retirees are even below the minimum wage. I am thinking about my parents (Kibbutz Shamir is still an exception).

*A defined-benefit pension system should be backed up by funding plans that are demonstrably capable of meeting the promise to pay the retiree certain fraction of her /his wage in most circumstances. We expect trustees to give the interests of the pension scheme their proper status: any shortfall must be recognized as a key material unsecured creditor of the business. In designing a pension system there are concerns of two types: the sponsoring employer is concerned that the pension rules may be too generous and as such will impose burdens on business; and the potential retiree's concern is that the employer will not put sufficient cash outside the firm to be able to meet its obligation . There must be a Pension Regulator, which regulates the funding regime for any defined benefit firm pension scheme, be it in a Kibbutz, or in the rest of the economy. None of these exist during the present transition of the Kibbutz from collective system to a privatized system.*

How lucky they are that they died before they had to see members of their generation fall into poverty because solidarity among members of the Kibbutz and egalitarianism vanish, while modern social insurance institutions are yet to be developed. The working age population, to a large extent, lacks skills necessary to rebuild decent rewarding life. A counter-factual in which I am still a member of the Kibbutz at an old age, makes me feel that I am lucky. I gave my children and grandchildren a more sustainable and rewarding way to live, than my parents gave to me.

Another great Israeli institution, the research university is currently enduring a big change. The biggest problems are the internal organization and the role of national politics. A grand coalition of politician from left to the right of the political spectrum, joined by vested interest groups within the academic institutions, block necessary structural reforms by repeatedly raising equity or student accessibility issues for the wrong reasons. But the case of providing large-scale subsidies to higher education, in the form of low tuition is dubious, because subsidies for higher education are fundamentally regressive. The vast majority of students in higher education belong to the richest half of the population. They can afford to pay real cost tuition. The state does not provides the requisite funds (as Scandinavian countries do), or allow universities to charge realistic tuition (as the US universities do). The German-based model of how to organize higher education and research is an anachronism. We did not adopt the more successful US model that provides access to higher education to those who deserve it (poor and rich), provides salary incentives to faculty members to concentrate their intellectual energy on advanced teaching and research. Brain drain from Israel Universities is becoming widespread. Perhaps, in my generation our identification with the life in Israel helped us to trade off a fulfilling life in Israel for better academic career abroad. But this is not the case today. We are not able to get anyone who is academically successful abroad to our department among the bright economists of my son's Ronny generation. I was blessed by remarkable academic interactions with colleagues such as Eitan Berglas, Elisha Pazner, and especially, Elhanan Helpman and Efraim Sadka. Such a caliber of the first rate colleagues is not to be found now days at Tel Aviv University in all area of applied economics (except for pure economic theory; a non-mainstream area of

economics).

The main reason for the success of the US-based research university Model lies in their superior organization. The first principle is that the government plays a limited part, which means the tuition and philanthropy are an important part of the funding, especially the teaching aspect of a University. The second principle is better incentives in the internal allocation of the budget among the different scientists. But the hurdles for a change are paramount. Political parties typically compete for the student votes, swing voters in national elections. This political setup does not allow top-up tuition. The existing egalitarian internal allocation system is explained by the “tyranny of the majority” among faculty members within the university; which is self governed. This is a barrier to introduction of more efficient incentive system, which could have attracted young scientists with good academic alternatives abroad, by offering them better working conditions. It seems that the decades old era of the great economics department at Tel Aviv University is to become a one-shot episode in history; unless the Israel policy makers in Israel could get its act together. I really hope I will have been proven wrong on this.

It is not likely that in the current higher education system Israeli universities will be able to recreate centers of excellence. Because to do this they will need greater freedom: for example to increase tuition fees and differentiate salaries in a new internal governance structure. Their governing structure will need to become more effective and less beholden to the union.

In this context I look at the way my son Ronny has been developing a splendid academic career (now tenured in LSE), as something that I would have liked to be doing in my time, had not the shape of Tel Aviv economics not been then so excellent in terms of its academic environment, with great colleagues, great students. Indeed, in the last two decades the Tel Aviv School of Economics was ranked at the top of non-US economics departments, along with LSE. But, currently, our school is dramatically deteriorating. A whole generation of top economists is stepping out, with no new academic staff with the same academic caliber in sight. No leader who can turn things around has emerged. Recently, my colleague, Elhanan Helpman, commented on the quick response of Hezbollah, immediately after the recent Lebanon war ended, where they started to give money to refugees to rebuild their homes, which were severely destroyed in the month-long war. Hezbollah has been the fastest and, without a doubt, most effective organization doling out aid to the shattered towns and villages of southern Lebanon. In contrast, the Lebanese government which already secured grants from rich Arab countries and from Europe and the USA was not even in the planning stage of the reconstruction effort. This shows how a small and dedicated number of people with great motivation can always outperform governments manned by officials without the right motivation. This is in analogy to what we have had in the Department of Economics in Tel Aviv University. At the initial stage of its development (I was the chairman in 1974 to 1976) we had a group of well motivated members (Elhanan Helpman and Efraim Sadka among them, together with a good leadership from Eitan Berglas, who was older than us) that cared about recruitment of new members, promotion, research facilities and research centers, etc. Today, with all these facilities already in place, governed a bit mechanically by members of the new generation that lack similar motivation, the crisis in the system gets no constructive response from its officer holders.

*Built to Last* is the title of a best-selling management book that analyses what makes a company succeed over the long term. It also happens to two great institutions in Israel: the Kibbutz system and graduate economic departments, that unfortunately were not built to last.

### **The Never-Ending Military Conflict**

A keen observer of the global conflict, Anthony Cordesman, writes: “It is now all too clear that the war of attrition between the Palestinians and Israel that began in September 2000 unleashed a “war process” that will be difficult to turn into any kind of peace process for years to come. The death of Yassir Arafat clearly solved nothing. The weak, corrupt and divided Palestinian Authority he left behind cannot be fixed by a handful of

good leaders. Hamas may not reflect a Palestinian majority, but it and the Palestinian Islamic Jihad have much better internal discipline and are widely seen as an alternative to a hopeless peace process.”

For many of us who have lived in Israel from birth, there was a grim awakening, after Yassir Arafat rejected the only feasible solution offered by Bill Clinton for the decades long conflict. Arafat not only rejected the peace proposal, but he also started the second Intifada. First by proxies, such as Hamas military wing, and then by his own PLO militia.

For most of my adult life I have been involved in trying to push our own government towards accommodation with our neighbours. I have been always against the occupation of the West Bank. I was active as one of the leaders of the then emerging “Peace Now” movements in the 1970s. Indeed met in 1990 the PLO leadership in a Dutch town Nijmegen, when meeting a PLO leader was outlawed in Israel. We bypassed the law by meeting them in a group; like in an academic seminar. When the Oslo peace track started, followed by both sides, the Israelis and the Palestinians, I remember how hopeful I became. The most difficult conflict is now moved into a “peace process”. I will see peace in my life; an almost like a dream comes true.

Intellectually, I feel now a bit guilty of the fact that I ignored completely in my political thinking one aspect of the complexity of the Israel Palestinian conflict. That is, the inability of the emerging Palestinian Authority to create democratically run institutions, such as one army under well structured civilian control, checks and balances, well functioning and transparent institutions, etc. Once you build such an institutional set up it is very difficult to allow yourself to resort to war, rather than peace.

Arafat’s leadership in the period of transition from the diaspora to statehood was nothing but a disaster to his own people. Because he made himself a dictator who pursues his own agenda, which never focused on bread and butter issues such as improving the well being of his own society. He was unwilling to confront the growing opposition to peace in the form of Hamas. He was making strategic miscalculations because he surrounded himself with only yes men.

In sharp contrast, remarkably, successful, transparent, and democratically run institutions were built in the then Palestine by the Jews, when Israel emerged as a sovereign state from its war of independence in 1947-1949. This is in my way of thinking, the “secret” of Israel’s remarkable development in years to come; a performance which is almost unmatched by the new states that gained independence since 1949 for a country constantly at war with its neighbors.

I took the Israeli experience for granted; as something that every other society, including the Palestinian society, which faces similar challenges, would do. Especially because the Palestinians had such a favorable initial conditions: the support and advice of most of the civilized world around them. But the Palestinians failed so miserably to meet the challenge to peace by Hamas, in their own backyard. My optimism throughout most of

my adult life about the possibility of reaching an end to the conflict sadly evaporated. Peace, it now seems, will come during my children life time, not mine.

## Appendix

Scholarly books that I wrote over the years are:

1. Elhanan Helpman and Assaf Razin, A theory of international trade under uncertainty Academic Press, 1978;
2. Jacob Frenkel and Assaf Razin, Fiscal Policies and the World Economy MIT Press, 1987, Japanese Edition 1990, Spanish Edition, 1991, Second Edition, 1992, Third Edition 1996;
3. Marc Nerlove, Assaf Razin and Efraim Sadka, Population Policy and Individual Choice : A Theoretical Investigation, (Research Report/International Food Policy Research Institute, 60) Paperback (June 1987), International Food Policy Research Institute;
4. Marc Nerlove, Assaf Razin, and Efraim Sadka Household and Economy: Economics of Endogenous Fertility (Economic Theory Econometrics, and Mathematical Economics), Academic Press, 1988;
5. Jacob Frenkel and Assaf Razin, Spending, Taxes, and Deficits : International-Intertemporal Approach (Princeton Studies in International Finance, No 63), (December 1988) Princeton University, International Finance;
6. Jacob Frenkel and Assaf Razin, Fiscal Policies and Growth in the World Economy: An Intertemporal Approach 1986, MIT Press;
7. Amnon Neubach, Assaf Razin, Efraim Sadka, Israel's Economic Growth (Hebrew) "Maariv" Publishing House, 1988.
8. Amnon Neubach, Assaf Razin, Efraim Sadka, Challenges to the Economy of Israel (Hebrew) "Maariv" Publishing House, 1990.
9. Jacob Frenkel, Assaf Razin, Efraim Sadka International Taxation in an Integrated World (January 1992) MIT Press;
10. Assaf Razin and Efraim Sadka The Economy of Modern Israel: Malaise and Promise Hardcover (September 1993) University of Chicago Press;
11. Assaf Razin and Efraim Sadka Population Economics (January 1995) MIT Press;
12. Gian Maria Milesi-Ferretti and Assaf Razin Current-Account Sustainability (Princeton Studies in International Finance, No 81) (November 1996) Princeton University, International Finance Section;
13. Jacob Frenkel and Assaf Razin, Fiscal Policies and Growth in the World Economy 2nd edition (1992) MIT Press  
Third Edition, with the cooperation of Chi-Wa Yuen (October 1992) MIT Press;
14. Assaf Razin and Efraim Sadka Labor, Capital, and Finance: International Flows Cambridge University Press, Paperback (September, 2001) Chinese ed. 2003
15. Assaf Razin, and Efraim Sadka, THE DECLINE OF THE WELFARE STATE: POLITICAL ECONOMICS OF DEMOGRAPHY AND

GLOBALIZATION, MIT Press, 2005.

16. Assaf Razin and Efraim Sadka

Foreign Direct Investment: Analysis of Aggregate Flows  
to be published in Princeton University Press, 2006.