

THE ESTABLISHMENT OF THE TEL AVIV UNIVERSITY
ECONOMICS DEPARTMENT

DAVID PINES

EITAN BERGLAS SCHOOL OF ECONOMICS
TEL AVIV UNIVERSITY

1. INTRODUCTION¹

In November 2013 I was approached by Assaf Razin and Efraim Sadka to write an essay on the establishment of the Department. I was surprised that they approached me of all people, because my only advantage was that of being one of the Department's first three appointments: Abba Lerner, who was appointed as Head of the Department and Dean, Haim Lubin, and myself. (Aside from these three, Haim Ben Shahar (known colloquially as Habash) and Yoav Kislev also taught the Introduction to Economics course in the Department's first year, with both holding a regular appointment at the Hebrew University of Jerusalem and serving as external lecturers at Tel Aviv University).

I was also surprised because in the third year, when Habash and Eitan Berglas joined the Department, I went for advanced training to a research institution in Philadelphia. When I returned a year later there were already regular appointments of those with doctoral degrees and the status of lecturer, and I, with only an M.A. degree, did not belong to the group of decision makers. Even when I received my doctorate and tenure, I did not belong to the informal group of decision makers, particularly because in the critical year for the Department, 1973/74, I was on sabbatical. From this perspective, I was probably the last among the veterans who was suitable to write about the process of the establishment and consolidation of the Department from 1967/68 to the beginning of the 1980s. This in itself need not have been a problem had the events been documented. But they weren't.

With this limited background, Assaf suggested that I research the history of the Department by interviewing those members of the Department who were in the decision-

¹ I am grateful to Assaf Razin, whose helpful suggestions and comments were of beneficial use to me throughout this work, to Habash for his detailed comments, including those that prevented embarrassment for me due to imprecisions that remained in the penultimate version, to Yehuda Poch for his careful editing of this version, to those interviewed for this article (Zvi Eckstein, Habash, Elhanan Helpman, Uri Cohen Yoram Weiss, Leo Leiderman, Efraim Sadka and Razin), and for the helpful comments from Elhanan Helpman, Micha Michaely, Ephraim Kleiman, and Sadka. I am further thankful for the dedicated work of research assistant Shauli Shirazi, who recorded and edited the interviews, and for the assistance of Ziona Madar, Dafna Gal, and Natali Zeitzer, who assisted me in collecting and editing the material and in the use of various software programs. I also owe a debt of thanks to Zachi Gilboa, who was able to find the financing for the expenses involved in this study. Obviously, it is only the writer who bears responsibility for errors that may remain in this manuscript.

making circle, whether they were still on the faculty or had already retired. We discussed the appropriate issues to be included in the questions to the interviewees

Equipped with a definition of the assignment and how to execute it, and with the assistance of Ziona Madar, I approached the Tel Aviv University Archive to obtain a preliminary idea of the existing documentation. Despite the willingness to cooperate, on the part of Ya'akov Eisenstadt, past secretary of the faculty, among others, it transpired that the only material that could assist me on the period of establishing the Department was the series of course calendars and a series of interviews that Roni Eshel conducted with senior university personnel, including those who were directly involved with the establishment and management of the Economics Department in its first two years. These interviews revealed conflicting opinions about what took place at the time. Unfortunately, there was no reliable documentation to determine which view is valid. In those cases, I use my own judgment to decide which view prevails.

I derived great benefit from meeting with the director of the archive, historian Benny Haspel. He convinced me that it was not possible to describe the history of an institution such as the Department, without delving into the background to its establishment. I followed his advice.

Three main personalities, whose unique contributions cannot be exaggerated, were prominent in the establishment of the Department. One is Jonathan Shapira, who actually managed the Department of Economics in the 1965/66 academic year and the first half of 1966/67. He was responsible for formulating the academic program for the first year, 1965/66, and for the three-year Bachelor's degree that was published in the course calendar for 1966/67. In February 1967, the other two personalities prominent in the story joined the Economics Department at TAU: the late Eitan Berglas, for whom the present School of Economics is named, and Habash, in memory of whose daughter—who died at a young age—a sculpture stands at the entrance to the School. In joining the Department and in taking rapid action, they both succeeded in preventing an embarrassing situation in which the Department would not have been able to award the graduates of the first Bachelor's degree class a degree recognized by the Council for Higher Education (hereinafter, CHE). After having solved the short-term problem, Berglas, with the help of Habash, turned his attention to preparing a 5–6-year-plan for consolidating a faculty of teachers and almost fully implementing it. Habash, taking a long-term view, created the conditions for funding research and—no less important—encouraging intensive interaction between researchers specializing in different areas. Within a short time, Berglas and Habash succeeded in producing results that raised the status of the new Department to a respectable level in Israel and abroad.

Section 2 is concerned with the struggle of the Tel Aviv Municipality (hereafter, TAM) to establish an independent university in Tel Aviv. Section 3 describes the chaotic emergence of the Faculty of Social Sciences and the Economics Department at TAU (hereafter, TAUED). Sections 4–8 which constitute the study's core, portray the consolidation of the faculty and the research institutions, and provides some notion on the research achievements that rendered the Economics Department at TAU a respectable status internationally. Section 9 suggests some reflections on the reasons for the deterioration of the TAUED's status towards the end of the 20th Century.

2. THE STRUGGLE TO ESTABLISH AN INDEPENDENT UNIVERSITY IN TEL AVIV AND THE IMPLICATIONS FOR THE ECONOMICS DEPARTMENT

The first class of the TAUED commenced in the 1965/66 academic year. In that year the Tel Aviv extension of the Hebrew University of Jerusalem (hereinafter, HU) stopped accepting new students. From the establishment of the TAUED in 1965/66 until 2013, 13,633 students completed Bachelor's degrees in Economics², 841 completed Master's degrees, and 64 completed doctoral degrees. It is more difficult to quantify the quality of the teaching that the students received, but it is possible to obtain a partial idea from the level of their teachers' research achievements, which were reflected in the TAUED's high place in the world rankings of Economics Departments (which will be elaborated upon below). Based on the conclusions of this discussion, it can be argued that these students enjoyed exposure to the frontiers of economic knowledge.

Even though the TAUED started operating in the 1965/66 academic year, it is difficult to understand how it developed and how its character was shaped without understanding the events that took place in the thirteen years prior to its establishment. In briefly reviewing these events, I will mention three crossroads at which, luckily, the right paths were chosen that enabled progress toward the impressive achievements that TAUED produced in a relatively short time. I will also indicate the other available paths at the three crossroads, which, fortunately for TAU and TAUED, were bypassed by actual developments. Paradoxically, the actual favorable development at the first crossroads found disfavor on the part of those in the Municipality of Tel Aviv (hereinafter, TAM) who initiated the establishment of the university and struggled for its independence and wellbeing.³ The Municipality actually preferred a path which, had it been realized at the time, would have had a tremendously negative impact on the future of the Faculty of Social Sciences in general and the character of the TAUED, in particular.

The events during this period that had implications for the establishment of the TAUED and the shaping of its character in its initial stages, were connected to the tireless efforts of HU to prevent the TAM from establishing an **independent** university in Tel Aviv that would have all the powers and rights of the recognized institutions, i.e., HU, the Technion, and the Weizmann Institute. This policy of HU was motivated by its desire to maintain its hegemony over higher education in the fields of humanities, social sciences, law and medicine. Additionally, the Ben-Gurion government displayed a belligerent attitude toward the establishment of a university in Tel Aviv, with two motives. The first was the policy of dispersing the population: the government, led by Ben-Gurion, wanted to expand higher education in connection with the development of the periphery, and concentrating institutes of higher education in the large cities ran counter to that objective. The second motive was the narrow political aim of preventing the General Zionists, who at the time had control of

² Of whom 871 students completed a Bachelor's degree in economics having already obtained a Bachelor's degree in another academic framework.

³ The term "Municipality of Tel Aviv" here represents both the political-administrative body and the university institutes that were subject to the Municipality's Education Department, and out of which Tel Aviv University grew. The positions of these bodies were occasionally in opposition to each other, and there was tension between them to the point of personal hatred (Yavetz, 1974).

the TAM, from chalking up any achievements so that in time, Mapai (acronym for Workers Party of the Land of Israel) would be able to win control of TAM⁴ This position on the part of Ben-Gurion's government, was also typical of the other bodies under Mapai's influence, such as the Jewish Agency, and Mapai members, who were in opposition on the Tel Aviv City Council, while the General Zionists held power, until 1959. Once control of the Municipality passed to Mapai in the 1959 elections, the central government's political motive for opposing the establishment of a university in Tel Aviv disappeared, and only the motive of dispersing the population remained.

Mapai's Mayor, Mordechai Namir, continued to energetically pursue the policy of his predecessor from the General Zionists, Haim Levanon, to promote the establishment of a university in Tel Aviv. In order to achieve this aim, he needed to convince his colleagues in the government to remove their opposition due to the population dispersion motive or due to their support for the Hebrew University's approach. Alongside Namir's efforts to convince his colleagues, Zvi Yavetz—among the prominent personalities in the leadership of the Municipality's University Institutes—also acted to convince Ben-Gurion, through Shimon Peres, to withdraw his opposition to the establishment of a university in Tel Aviv. The efforts on both fronts bore fruit, and the central government and the State bodies under its control changed their positions and lent their support to the establishment of an independent university in Tel Aviv.⁵

It should be emphasized that apart from the HU's desire to maintain its own hegemony over higher education in the aforementioned fields, there were also academic considerations for and against the establishment of an **independent** university in Tel Aviv. On the one hand, representatives of HU were fearful that if an independent university were to be established in Tel Aviv, it would be based on the faculties of the existing higher education institutions in Tel Aviv, particularly in some of the natural sciences, law, and the social sciences. As it later transpired, there were grounds for this fear, at least with respect to the

⁴ The General Zionists were a center-right party that, in 1961, became "The Liberal Party" following unification with "The Progressive Party". In 1965, the Liberal Party merged with Herut to form "Gahal (the Herut Liberal Bloc). In 1973, the Likud was established as an alliance of parties for the purpose of the elections that were to be held in 1973. This alliance included elements of Gahal and other small parties. In 1984 the institutions of all of the parties comprising the Likud merged into what is today's Likud Party.

⁵ One of the bizarre episodes, associated with Yavetz success to change Ben-Gurion's hostile attitude towards the establishment of a university in Tel Aviv, was the appointment of "Dr" Israel Beer as lecturer in Military History, at the recommendation of Peres, who was then deputy defense minister. Beer served as a high-ranking adviser to Ben-Gurion and Peres. Nevertheless, there were a few high ranking officers in the Israeli Army, including Matti Peled, who cast serious doubts on Beer's credentials, especially after realizing that Beer could not interpret topographical maps, a fact that did not prevent him from analyzing historic battles in which topography played a crucial role in determining the outcomes. Yavetz was not disturbed by this deficiency and claimed that Beer helped him to understand the involvement of some important battles that he could not otherwise understand. Later, when Yavetz was interviewed, he admitted that, whatever were Beer's academic credentials, his appointment helped to change Ben-Gurion's attitude toward establishing a university in Tel Aviv. Eventually, Beer was arrested for espionage on behalf of the Soviet Union and sentenced to a long term in prison. According to the General Security Service's interrogation, his Vitae were completely falsified and, in particular, he was never awarded a Ph.D. degree by any known university.

Social Sciences, and had it been realized, it is doubtful whether the Economics Department could have been established in the way that it ultimately was.

Throughout the period all those involved recognized the need to increase access to higher education, and that there was room to establish additional institutions. In 1956 Education Minister Zalman Aranne appointed a committee headed by David Horowitz to examine the institutes of higher education, excluding HU and the Technion. The committee determined that "the number of people with higher education should be increased and teaching institutions should be established in greater numbers and geographically dispersed." In light of the report, the Knesset Education Committee decided in principle that Tel Aviv should also have an institute of higher education with a suitably high academic level.

This being the case, the controversy revolved around the question of the **independence** of these institutions and their geographic deployment. HU insisted that the bodies to be set up to supply these needs should be under the auspices of HU, which would supervise the curriculum and the level of the lecturers.

On the other hand, reasons were raised in favor of the independence of the university that would be established in Tel Aviv. Among certain groups, including within the national government, the feeling was widespread that the field of social sciences, and particularly economics, at HU exhibited a certain monolithic way of thinking, and the term "Patinkin's Boys" was not always a friendly nickname for those who received proper higher education, but rather indicated those whose view on economic matters was right-leaning.⁶ At least one minister in the Mapai government, Minister of Agriculture Peretz Naftali, openly supported the establishment of independent institutions in order to guarantee competition and a diversity of approaches in the social sciences, and especially economics.⁷

On the practical level a struggle took place between HU and the TAM over annexing the two higher-education teaching institutes that operated in Tel Aviv in the fields of law and social sciences: The School of Law and Economics (hereinafter, the School) which was established in 1935 and was independent, and the School of Social Sciences that was established at the end of the 1940s under the auspices of the General Federation of Labor (Histadrut).

In 1952 HU and the Histadrut Center for Culture agreed to establish a School of Social Sciences in Tel Aviv that would employ only teachers from the Department of Economics at HU (hereinafter, HUED). According to the arrangement between the bodies, teachers from the HUED (including Nissan Levitan, Micha Michaely, Yosef Atia, and Haim Lubin) would teach Introduction to Economics as a two-year course, following which the students

⁶ To be more precise, the term "Patinkin's Boys" relates to those who completed the MA program on the "Patinkin Track", which was open to those who studied, or were registered to study, prior to 1948, and who completed their studies under Don Patinkin (See Michaely (2007)). In the colloquial, the term "Patinkin's Boys" relates to someone who studies in Jerusalem according to the new school of thought led by Patinkin. For instance, in a job interview that took place at the beginning of 1962, Avraham Zabarski, Chairman of Bank Hapoalim, asked the young candidate before him whether he belonged to Patinkin's Boys, meaning whether he studied economics in Jerusalem.

⁷ In a letter from April 28, 1953 to Tel Aviv Mayor Haim Levanon, he recommended that the TAM provide the school with the necessary conditions for its development. (Naftali's personal interest in the matter cannot be ignored, seeing as he lectured for many years at the School of Law and Economics.)

were supposed to complete their studies toward the Bachelor's degree at the HUED.⁸ One of the graduates of this program was Habash, who in time became the Dean of Social Sciences at TAU and then president of the university.

For its part, the TAM began negotiations in 1953 with the heads of the School in order to establish a joint framework with the University Institute of Natural Sciences, which was under the auspices of the TAM (in fact administratively managed by the Municipality's Education Department under Shaul Levin). Despite reservations on the part of the TAM and the heads of the University Institute regarding the academic level of the School, TAM viewed the school as the basis for the Faculties of Law and Social Sciences at the university that it wished to establish. The negotiations dragged on for about two-and-a-half years and were concluded only in June 1956, with a draft agreement to merge the University Institutes (which at the time included the Biological Pedagogical Institute, the Institute of Natural Sciences, and the Israeli Cultural Institute) and the School into one body. On June 6, 1956 it was announced at a press conference that the two bodies had merged and that "**The University of Tel Aviv** is hereby established, and its academic institutions begin from today." The agreement included details of the roles and the powers of the academic and the administrative bodies. However, already on the following day, disagreements broke out over issues concerning the formal order of protocol status and the division of budgets. The ceremony beginning the 1956/57 academic year, at which an official declaration was meant to be made on the beginning of the regular activity of **The University of Tel Aviv**, was organized by each institution separately, each presenting itself as **The University of Tel Aviv**. The direct reason for this grotesque situation was that the two notables, Professor Israel Efrat, the designated rector of the municipal institutes, and Augusto Levi, "Head of the Academic Presidency" of the School, argued over the right "to run the ceremony". In reality, however, there were deeper reasons, including the desire of some of the municipal functionaries to create something new and not to perpetuate an institution with a shaky academic foundation that even after 20 years had not managed to take off and achieve even local recognition.⁹ The most concrete expression of this hesitation was the Tel Aviv City Council's refusal to approve the draft agreement. This ambivalent approach was reflected in practical terms by the fact that in the fundraising process Levanon took care only of the University Institutes. The Municipality's main contribution to the School was twofold. One was the option given to the School to make use of the municipal schools in the evenings; the second was the allocation of a plot adjacent to the Farmers' House on Dizengoff Street, which was later exchanged for a plot on which the Trubowicz Building was later constructed.

As we said, the reservations about the merger on the part of some of the Municipality's representatives in the negotiations arose from a low assessment of the academic quality of the School's teaching. This low assessment was based on the conclusions of a committee

⁸ Haim Lubin related sarcastically to this strange connection. For at that time the Histadrut considered the HUED, headed in practice by Don Patinkin, as the bastion of the capitalistic economic approach which was hostile to the labor movement.

⁹ This reservation about the level of the School was not shared by the group of young teachers from the Israeli Cultural Institute, including Meshulam Groll, Zvi Yavetz, and Shlomo Simonson, as will be elaborated upon below

established by HU toward the end of 1956 to examine the state of the institutes of higher education in Tel Aviv. The committee members, Benjamin Akzin and Alfred Boneh, who examined the state of the School according to the opinions of teachers who also taught at HU, decided that the School was not a university level institution.

From then onward relations between the two bodies that continued to call themselves "**The University of Tel Aviv**" deteriorated, and the dispute reached a climax when the American Congress decided to allocate IL 400,000¹⁰ from the funds of the American Contribution Fund for establishing chairs in Israeli universities, among them the two-headed "**University of Tel Aviv**". Ultimately the money went to the University Institutes, which were recognized as "The University of Tel Aviv" in order to be entitled to receive part of the grant.¹¹

In 1957 the HU Senate decided to extend its patronage to each of the institutions in Tel Aviv that complied with the HU's academic requirements. On the basis of this decision, HU President Binyamin Mazar met with Tel Aviv Mayor Haim Levanon and other representatives of the TAM. At the meeting Mazar clarified that he did not recognize **The University of Tel Aviv** and that in view of the Senate's decision, the negotiations would be conducted separately with each of the municipality's institutes as well as with representatives of the School, who did not agree that the TAM representatives would negotiate on their behalf. In this context, HU conducted negotiations with the School on obtaining patronage according to the conditions of its Senate.

The implication of obtaining the patronage that HU proposed to the School was that decisions about the curriculum, appointments, and promotions would exclusively be made according to the HU's accepted criteria. Thus, HU would grant appointment only to teachers from the School who met HU's criteria; the rest would retire. These, of course, were severe conditions from the School's perspective, and they were more effective in relation to the social sciences than in relation to law.

The School decided to accept HU's conditions and to finally relinquish the option of merging with the University Institutes in the framework of **The University of Tel Aviv** (which was actually fictitious). The main motive for this decision was the fear that the merger with the Institutes wouldn't be implemented before the CHE began operating and that the CHE would not recognize the School as an academic institution. This fear was based on solid grounds in view of the negative conclusions of HU's committee that examined the academic status of the School, and in view of HU's dominant representation on the CHE. In order to avoid the shameful situation in which the School would remain, as it had been until then, an institution with academic ambitions that were not recognized by any official body, its leadership decided to agree to all of HU's conditions for accepting the faculty of law and social sciences. HU's motivation for accepting the School was, among other things, to put an end to the continuing operation of a school with unjustified

¹⁰ The Israeli currency at the time was the Israeli Lira (symbol IL).

¹¹ In claiming to represent "**The University of Tel Aviv**", and hence the only body entitled to the grant, the School relied on the fact that in view of the draft unification agreement, the School was registered as a limited liability company under the name "The University of Tel Aviv School of Law and Economics". On the basis of this formal registration, the School's representatives claimed that it was the only legal body that could be called "**The University of Tel Aviv**".

pretensions of providing higher education, and at the same time to constrict and possibly prevent the establishment of an **independent** university in Tel Aviv.

The two institutions, HU and the School, reached an agreement in 1959 according to which the law and social sciences programs at the School and the parallel programs at HU would constitute two parallel extensions with a uniform curriculum and equal status for faculty members with equal academic credentials. With this move HU pulled the rug from under the feet of the supporters of the merger in the TAM, and also, rather amazingly, benefitted from the gift that the TAM gave to the School: the area on which the Trubowicz Building was built. In retrospect, therefore, it appears that the merger between the University Institutes and the School was an insignificant episode in practical terms, because they never operated in a single framework. It is surprising, therefore, that to this day the event of 1956 is regarded as the founding date of TAU.¹²

Even before the agreement between HU and the School was signed, information about the advanced state of negotiations between the two institutions leaked to lecturers from the Israeli Cultural Institute, among them Meshulam Groll, Zvi Yavetz, and Shlomo Simonson. They viewed progress in the negotiations as a serious development for which Israel Efrat, the Rector of the municipal arm of **The University of Tel Aviv**, who had tainted relations with the School in his pursuit of glory, was responsible.¹³ They feared that the agreement in the making between the School and HU would be a death blow to the establishment of an independent university in Tel Aviv. In a last-ditch to prevent the agreement with HU and to revive the merger with the University Institutes that was agreed to in 1956, this group of lecturers held discussions with representatives of the School at the end of 1958 and the beginning of 1959 with the aim of persuading them to change their positions.¹⁴ At one of these meetings, Ze'ev Zeltner, Dean of Law at the School and one of the initiators of the agreement with HU, rejected the attempted persuasion on the grounds that the agreement in the making was the only way of achieving recognition for the School's studies, given that the CHE was controlled by HU and that the group had nothing to offer in this respect.^{15,16}

In fact, the failure of the merger between the Institutes and the School and the absorption of the School by HU, which the group of lecturers saw as a disaster, was an important victory both for the higher education system in general, and for the emerging

¹² This is the view, for example, of Uri Cohen (2006) in his historical research on the relationship between HU and TAU. See also the entry "Tel Aviv University" in Wikipedia.

¹³ In a procedurally unprecedented step, Efrat was removed from his position as Rector in 1959. As stated, he was blamed by the group of lecturers for the failure of the merger of the university institutes and the School. But the direct cause of his removal was the use of the Institutes' meager sources of funds for frequent trips to the United States, while neglecting the affairs of the University Institutes themselves (Yavetz, 1974).

¹⁴ Yavetz calls this group "the Kitchen", at which, with the participation of Ben-Zion Katz (later the Rector of the university), the important decisions were made, while the formal groups approved these decisions as made or after slight changes of a formal nature.

¹⁵ According to Zvi Yavetz, Zeltner said: "Jerusalem wants a monopoly and I want recognition; I'll give them a monopoly and they'll give me the recognition," and "What have you got to offer?"

¹⁶ For the School's lecturers recognition meant that with their acceptance to the extension, they would be considered as having fulfilled HU's appointment criteria; for the students, recognition meant that their studies in the School prior to continuing in the extension would be recognized as if they had studied in an equivalent program to that of HU. See Lubin (1991) on the distortion created by this recognition.

university in Tel Aviv.¹⁷ From the viewpoint of higher education, it eliminated an institution that in all aspects connected to the social sciences, including economics, was of a provincial nature with teachers totally detached from frontline research.¹⁸ This institution was replaced by the HU extension in Tel Aviv, at which the HU curriculum was taught by lecturers who complied with what HU decided were acceptable criteria. The failure of the unification between the University Institutes and the School therefore prevented the continued operation of the School's pretentious curriculum (relative to the latest economic knowledge).

From TAU's perspective, the failure of the merger with the University Institutes prevented a situation in which the area of Social Sciences, including Economics at the emerging TAU, would be based on the School's shaky foundations. It is doubtful whether in that case there would have been any possibility of recognition by the CHE. This claim is based on several assessments. First, in the 1956 draft merger agreement it was stipulated that the academic powers would be in the hands of "the academic presidency" which was to be headed by Augusto Levi from the School, while the rector, Efrat, from the University Institutes was endowed with only representational powers. Second, at this stage (end of 1958 and beginning of 1959) if the school's representatives would have at all agreed to resume the merger process, they would have certainly insisted on a modification of the 1956 draft agreement in their favor, thus increasing their relative impact on the academic decision making process at the University of Tel Aviv. Third, the School could bring a dowry of more than 1,000 students and a large number of lecturers, as opposed to a far smaller number of lecturers and students at the Institutes. Fourth, the group of the Institutes' lecturers never expressed any reservations about the academic credentials of the School's Social Science studies. Under these circumstances, it is hard to believe that the merger would have raised the School's prevailing low academic standards. We can therefore conjecture that if the merger had been implemented the CHE, led by representatives of HU striving for exclusivity in higher education, would have withheld granting recognition to the **University of Tel Aviv**, and for good reason. It was therefore the university's good fortune that the group of teachers failed in their attempt to persuade the representatives of the School to resume the merger process. While this "failure" delayed the establishment of **TAU**, it created the conditions for establishing a Social Sciences Faculty, including an Economics Department, that would be able to challenge HU. However, until it was possible to reach this stage, it was necessary to skillfully navigate two additional problematic crossroads, as discussed below.

¹⁷ These conclusions are the opposite of those arrived at by Eshel (1974) in the chapter dealing with the School.

¹⁸ These views are based on criticism by the Benjamin Akzin and Alfred Boneh committee of the level of the School's social sciences, but mainly on this writer's familiarity with the curriculum at the School and at HU, having studied at both institutions. A student of economics completing his first year in the School and moving to Jerusalem would not be able to solve the first-year class assignments because he would be unable to differentiate between a positive sentence and a normative sentence, between demand and quantity demanded, between a perfect market and a free market, and would not be able to explain why the price of a product cannot be reduced by subsidy if its supply is perfectly inelastic, etc.

In retrospect, HU's achievement (the "monopoly" that Zeltner gave to Jerusalem) was unimportant. That year, 1959, Mapai won the municipal elections in Tel Aviv and Mordechai Namir was elected mayor. Under Namir's leadership, the TAM energetically resumed its efforts to establish an **independent** university. The first step was the appointment in 1960 of a three-man committee headed by MK Moshe Sharett, and whose members were the previous mayor Haim Levanon, who had worked hard to establish the university, and Moshe Avidor, former director general of the Ministry of Education, and director general of the Jewish Agency at the time the committee was appointed. The committee's mandate was to examine the state of the institutions of higher learning in the city and the relationship with HU. The committee's unanimous recommendation was to establish a single, high-level university in Tel Aviv incorporating diverse fields of knowledge, and that the university must be **independent**.¹⁹ The recommendation thus rejected Binyamin Mazar and Aryeh Dvoretzky's request to recommend that HU should have exclusive supervision and control over what would take place in the academic area in Tel Aviv.

This document became the charter of TAU. Armed with this document, Namir set about persuading members of his party to change their position supporting HU's policy. Once this aim was achieved, harmony was created between the TAM, the Knesset and the government. The Finance Committee unanimously expressed the wish, directed to the Minister of Finance, to extend the criteria in force at the existing institutions to the University Institutes in Tel Aviv and to Bar-Ilan University. This positive development was not yet implemented with respect to the distribution of resources by the Ministry of Finance, but did not prevent the development of what was the University Institutes, which were still subject to the TAM's Education Department. In October 1960, the CHE authorized seven departments to award Bachelor's degrees and one to award a Master's degree. By 1962, the number of departments authorized to award Bachelor's degrees had grown to fourteen.

A decisive step in the accelerating progress of the university-in-the-making toward establishing an independent university was the appointment in 1963 of George Wise as president of the University of Tel Aviv, after he was prevented from serving as president of HU. Strongly motivated and with some desire to prove what HU had lost, he devoted himself energetically to consolidating what already existed and to quickly developing new faculties to be headed mainly by young people at the frontiers of research, such as Yuval Ne'eman and Joshua Jortner.

From the time the School was absorbed by HU until March 1964 **The University of Tel Aviv** or, more properly, the University Institutes, was a municipal corporation operating under the auspices of the Education Department of the TAM, headed by Levin.²⁰ In order to

¹⁹ The conclusions of the Sharett Committee were also supported by Avidor, who, as director general of the Ministry of Education, recommended at the time to Education Minister Zalman Arrane not to accede to the TAM's request to include a representative of the **University of Tel Aviv** on the CHE. The reason he gave for this recommendation was that **The University of Tel Aviv** was already represented by Yitzhak Gelfat from the School (which was absorbed by HU according to the 1959 agreement).

²⁰ According to Yavetz, (1974) there were tense relations between the institutes and the Education Department headed by Levin.

guarantee its independence and to enable its independent fundraising, Namir and Wise took steps to separate **The University of Tel Aviv** from the TAM by registering it in April 1964 as a non-profit organization (Amuta) that would henceforth be known as **Tel Aviv University** (TAU). The TAM transferred to TAU the land designated for it in Sheikh Munis and other places free of charge, and the municipal employees who dealt with university matters transferred their employment to TAU. Since then TAU has been the owner of its assets and the employer of its workers, and has held full responsibility for achieving its objectives. In November of that year a festive inauguration ceremony took place at the university campus in Ramat Aviv, with the participation of Israeli President Zalman Shazar, Prime Minister Levi Eshkol, ministers, members of Knesset and other notables. This was a demonstration of respect for Wise's work and public support for the new university.

Simultaneous with the expansion of the activity of The University Institutes following the Sharett Committee, and particularly after TAU was formally established, the practical difficulties of managing the branch of HU in Tel Aviv increased. In view of the overcrowding in the Trubowicz Building, HU requested that it be allocated an adjacent area for an additional building. This request was rejected out of hand, because this area had been designated by the TAM for the local university that was about to be established, and not for its competitor from Jerusalem. Moreover, even though Patinkin tried to play down the difficulties of the overcrowding and to prove that the existence of the extension was in no way a burden on HU's budget, HU's president Eliahu Eilat claimed, at a meeting of the HU executive committee that took place at the end of 1964, that the branch constituted a heavy financial burden. Furthermore, contrary to the position of HU up to that time, Eilat dropped a bombshell by declaring that HU should not have exclusive rights over higher education in Israel and that negotiations should take place with TAU on transferring the branch into its hands. This revolutionary position astounded the listeners and was rejected at that meeting. It was, however, approved later at a meeting of the HU Senate, despite the spirited opposition of Dvoretzky, Mazar, Patinkin, and Zeltner. In light of the disagreements, the issue was brought to the Board of Governors, and following protracted discussions it was decided in 1965, already after the official founding of TAU, to adopt the position of HU's executive committee.

On the basis of this decision negotiations commenced with the Tel Aviv Municipality for liquidating the extension, and on the financial arrangements, including compensation to HU for the Trubowicz Building (which was built on a plot that the extension inherited from the School, which received it from the Tel Aviv Municipality!). It was agreed that starting from the 1965/1966 academic year the extension would stop accepting new students and TAU would open a first year of study, so that each subsequent academic year an additional class would study at TAU and one less at the extension. Thus, as of the 1967/68 academic year, the HU's extension in Tel Aviv ceased to exist. The Economics lecturers at the extension who had appointments at HU—Nadav Halevi and Yosef Atia—had two options offered to them by HU: to teach at the HU Economics Department or to join the new TAUED. The second option could only be relevant, of course, if those responsible for the new TAUED would like to recruit them. To the best of my knowledge, at least one of them was offered an appointment but both preferred to continue their career at the HU

Economics Department. Nevertheless, both continued to teach during some of the years as external lecturers at TAU. The two junior teachers, Haim Lubin and David Pines, who taught at the extension but did not have a regular appointment at HU, were offered appointments to the TAUED, the former as a lecturer and the latter as an instructor.

In summation, the outcome of its Tel Aviv adventure was that HU had to incorporate several faculty members who may not have been top priority had HU not been bound by the 1959 agreement, and to pay compensation to those who were not granted appointments, all without achieving its goal of absolute domination over the development of higher education in Israel in the humanities, social sciences, law, and medicine. At the same time, by eliminating the School, HU made an important contribution to Israeli higher education by raising the level of teaching in the social sciences in Israel, and indirectly assisted in the establishment the Social Sciences Faculty at Tel Aviv University on a solid academic foundation, enabling it a few years later to successfully compete with HU for integrating outstanding faculty members and students.²¹

3. THE CHAOTIC EMERGENCE OF THE SOCIAL SCIENCES FACULTY AND THE ECONOMICS DEPARTMENT AT TAU

In 1964, the Faculty of Social Sciences was established. There are at least two versions of how the establishment took place. According to Yavetz's version there was a hurried process to establish the Faculty, motivated by Wise's aspiration to challenge HU in the area of social sciences. Yavetz describes the process thus (the interview was not edited):

"...and there in the Botanical Gardens at Abu Kabir, in that forlorn shack, Wise got up one clear evening and said, 'Tomorrow I am establishing the Faculty of Social Sciences.' ... The next day, he told me that he had a faculty of social sciences, and they took Hershlag from the History Department²² and made him the first Dean of the Faculty of Social Sciences. That's the truth."

"And why Hershlag? Because I brought Hershlag from Jerusalem. Because Hershlag graduated from the Economics program there under Boneh. Other than that, he was a member of Tel-Amal at one point, and a member of Hashomer Hatzair and a member of Mapam together with me. He was not a historian, but I took him for Economic History because he graduated from Economics in Jerusalem before Patinkin got there, and belonged to a completely different group. They claim that he is not an economist, and he claims that they are not economists. So I said I wouldn't get involved in that... Since he was the closest person to the social sciences, Wise said that he would be Dean. But social sciences people

²¹ One member of the HU Senate proposed that in order to ensure the hegemony of HU, the principle should be established that HU would receive the best lecturers. For this purpose every outstanding lecturer would be transferred to Jerusalem. Final examinations would take place in Jerusalem. The Tel Aviv library would make do only with textbooks... Furthermore, lecturers who moved from HU to TAU complained about being punished by revocation of rights and so forth in an attempt to prevent TAU from challenging HU (Yavetz, 1974).

²² The names of Hershlag and Patinkin are distorted in the original.

from Patinkin and Eisenstatt's school of thought did not ascribe any importance to Hershlag and were not prepared to come to him."

According to Hershlag, who saw himself as part of the group of decision makers, there was already recognition of the need to establish a social sciences faculty (as opposed to the case of Law studies) in 1962/63. The need for this was two-fold: First, it was not possible to develop a humanities faculty without a social sciences faculty due to the very strong connection between them, unlike the connection between natural sciences and social sciences.²³ Second, the natural place for social sciences was in Tel Aviv, which contains the country's main business and cultural centers. In considering the composition of the faculty, all those involved in these deliberations agreed that a faculty core should be created, including departments that did not exist at HU or for which high-level faculty members could be recruited. Accordingly, it was agreed to establish the interdisciplinary Department of Developing Countries, the Department of Statistics that would rely on the existing mathematics core at the university, and a political science department. It was also decided to postpone the establishment of an economics department. Underlying this decision was the assessment that suitable faculty already existed to teach in the departments that would be established, which was not the case for economics.²⁴

If indeed there were discussions on these issues before Hershlag was appointed dean in practice, and not afterwards, then the picture presented by Yavetz regarding the hasty decision to establish a faculty from one day to the next seems exaggerated. But elsewhere, Hershlag claims: "In the spring or summer of 1964... I was concentrating at that time on the establishment of the Faculty of Social Sciences, which was a very difficult task, because I didn't have the people, I didn't have the resources, **and I didn't have plans** [emphasis added]," which hints that Yavetz's version of the decision "from one day to the next" without planning and in sloppy fashion is closer to reality than "the ends are thought of at the beginning" that is alluded to in Hershlag's version. Moreover, what emerges from Yavetz's description is supported by Jonathan Shapira's description of the extreme complete chaos that was prevalent in the first year after the Faculty was established.

Like the haste in Wise's appointment of Hershlag, a short time later, Hershlag lost favor with Wise. Apparently, the latter became aware that there was no chance of challenging HU in the area of Social Sciences while Hershlag headed the Faculty, the way he succeeded in doing so with the appointments of Yuval Ne'eman in Physics and Joshua Jortner in Chemistry. Wise tried to replace Hershlag with sociologist Amitai Etzioni, and when that also failed, Wise approached Abba Petahya Lerner, an economist with an eminent reputation, and offered him the position of Dean of the Faculty of Social Sciences' and the

²³ As will be seen below, Habash took the opposite approach, according to which the main connection of social sciences was to exact sciences and not to humanities.

²⁴ Hershlag joined The University of Tel Aviv in 1962 after working for 12 years at HU in which he reached the level of lecturer (in today's terms). After his full-time appointment to the University Institutes, he served at various times as Acting Head of the History Department and as Dean of Humanities. In addition, he filled various executive roles, including membership on the executive committee (the coordinating committee in today's terms).

Head of the Economics Department.²⁵ Again, Wise made a wrong decision. He was overwhelmed by Lerner's eminence as a theoretical economist, but was entirely unaware that Lerner is completely preoccupied by his research and had not the slightest interest in administrative issues, including decision making, which are crucial for establishing Economics Department from scratch.

Meanwhile, Hershlag resigned from his job as acting dean at the beginning of 1965, so that in the 1965/66 academic year when the Economics Department was established, he no longer held this post. According to him, the reason for his resignation was the non-implementation of the decision to promote him to Dean, despite the majority of the executive committee (the coordinating committee in today's terms) being in favor, due to the hesitancy of TAU's Rector, Ben-Zion Katz.

Hershlag rejects the claim that his resignation was due to being insulted in connection to Wise's lack of confidence and Rector Katz's hesitancy, but rather provides two substantial reasons to explain it: First, the violation of the principle that academic appointments are a purely academic matter and do not have to be made by the president, as was done by Wise; and second, his non-appointment as Dean, as opposed to Acting Dean, withheld from him the authority that he felt he needed in order to carry out his plans for developing the Faculty. Hershlag strongly denied the claim that his resignation was motivated by the approach made behind his back to Amitai Etzioni to serve as Dean, or to Lerner after negotiations with Etzioni broke down. Regarding Lerner's appointment, Hershlag claims that he was the first to raise Lerner's name as a candidate to be a central figure in the Economics Department so that it could compete with the HUED. He added that to the best of his knowledge, the option of appointing Lerner as Dean to replace him was never considered as long as he was Acting Dean. Rather, the intention was to bring in Lerner as a central figure in the Economics Department. The idea of offering Lerner the post of Dean only arose after Hershlag resigned, refused pleas to reconsider, and no one in Israel was found to replace him.²⁶

The affair of the appointment of Hershlag as Acting Dean and the issue of his resignation should be seen as a second crossroad from which TAU could have moved on a path that would not have led to the establishment of an Economics Department at a level that could compete with and even surpass the parallel department at HU. Inasmuch as he was entrusted at the time to establish the Faculty of Social Sciences as Acting Dean, he could have made decisions about the Faculty and could have had a decisive impact on the decision of whether or not to establish the Economics Department, and if it were to be

²⁵ The list of Lerner's contributions to economic theory is long and impressive (and includes, for instance, the Lerner-Samuelson Theorem that is attributed to Lerner). Lerner had prior connections with Israel. He served as economic advisor to the Israeli government, and then to the Ministry of Finance and to the Bank of Israel during the first half of the 1950s. In 1955/56, he served as visiting professor in the HU Economics Department and taught "Price Theory".

²⁶ The description of Hershlag's status before and after he joined TAU is based on the interview Eshel conducted with him on October 28, 1974. In that interview Hershlag strongly rejects what Yavetz said to the reviewer, according to which the plan to bring in Lerner was considered precisely at the time that Hershlag was serving as acting dean. Yavetz' version is corroborated by Shapira in his interview with Eshel.

established, what its character would be. Furthermore, prior to his resignation from HU, Hershlag had an appointment in the HU Economics Department, and at certain stages even managed the Department before Patinkin was appointed as Head.²⁷ Given this background, Hershlag saw himself as "rooted in economics", even though his original specialty was history.²⁸

With the powers of Acting Dean and his roots in economics, as he perceived them, it can be assumed that were Hershlag to decide to also establish an economics department in the Faculty that he says he initiated and administered, he would have preferred to establish an interdisciplinary economics department in the format and at the level of the Developing Countries Department. As mentioned above, Hershlag decided not to establish an economics department in 1964/65, and instead "to focus on economics in the Department of Developing Countries." For this decision, which arose from recognizing his own limitations and those of the lecturers at his disposal, he deserves full credit.

With Hershlag having resigned and Lerner only supposed to arrive in October 1965, close to the commencement of the first academic year in Economics, there was neither a Dean of the Faculty of Social Sciences, nor a Head of the Economics Department. In the interim, Shapira took on the Dean's affairs by his powers as deputy, together with his role as Acting Head of the Sociology and Political Science Departments (with formal appointments) and Acting Head of the Economics Department (with no formal appointment). Leading into the 1965/66 academic year, more than 1000 students had already registered for morning and evening classes, according to Shapira, and there was still neither a curriculum nor a list of lecturers. Shapira reported this to Rector Katz, who saw a catastrophe looming regarding the flow of registrants for whom TAU could not provide what they were expecting. With no alternative, the Rector approached Patinkin indirectly and asked him to either not close the extension or assist with lecturers from HU to open the first year of Economics and the other programs in Social Sciences. Recalling the bitter struggle for maintaining HU's hegemony and Patinkin's prominent role in this struggle, this step by Katz implied nothing less than "a Walk to Canossa". Furthermore, Katz's appeal to Patinkin for assistance was embarrassing when the new Faculty of Social Sciences at TAU was expected to challenge the HU Faculty by using Lerner's name. In any case, the closing of the extension (for accepting first-year students) was inevitable at that stage in view of the decision of HU's executive committee, which was backed by its Board of Directors. Regarding the alternative assistance that Katz requested from Patinkin, it seems that ultimately the response was positive as Shapira described it in his interview (Shapira, 1974).

At this stage Shapira tried to hasten Lerner's arrival, but to no avail. In desperation, in July 1965, Shapira approached Patinkin directly for advice and assistance. Shapira notes that, despite all the residues that remained from the bitter struggle to ensure HU's hegemony, Patinkin gave him backing and helped him both in his capacity as dean (formally, Shapira was only the Deputy Dean, but there was no functioning Dean as such)

²⁷ According to Michaely, if Hershlag had an effect at all on what was happening in the HU Economics Department, it was only in 1955/56.

²⁸ The quote is taken from the above interview recorded by Eshel.

and as the decision maker in the Sociology, Political Science, and Economics Departments. Under Patinkin's influence, some of HU's lecturers came to work on a part-time basis, which enabled Shapira to offer the students a modest but full curriculum (the reference is apparently to Sociology and Political Science). Regarding Economics, Shapira does not elaborate on how Patinkin assisted him in opening the academic year, except for a general statement regarding Patinkin's backing "that prevented the collapse of the Department".

Shapira claims that leading up to the first 1965/66 academic year and also the following year it was he who administered the Economics Department on his own, in consultation with two or three of "Patinkin's Boys", and without any assistance from Lerner who was formally both the Dean and the Head of the Economics Department in the first year. It is unclear to whom he was referring as "Patinkin's Boys" except for the fact that two of the Department's teachers who were the first to be appointed by Shapira to the emerging TAUED were in the past Patinkin's graduate students and there is a high likelihood that Patinkin was involved in Shapira's first appointments, as will be described in the following paragraph.

From the above and in light of further evidence, it turns out that, contrary to the conventional wisdom, once the die was cast Patinkin did not stand in the way of establishing the Department.²⁹ On the contrary, Patinkin was fearful of establishing a department with lecturers from the old guard, cut off from any connection with modern Economics research worldwide. In this respect, he was interested in having his students, or doctoral students who had completed their studies in the United States and Great Britain, constitute the faculty members in the department to be established. As reflected in the interview with Shapira, Patinkin was prepared to assist in achieving this objective. Moreover, it turns out that Patinkin, on his own initiative, approached one of the two junior faculty members to persuade him to complete his Ph.D. studies at the HUED, specializing in an emerging new economic area. For this purpose, Patinkin took care of some financial assistance from a research center, the only one in United States at that time that specialized in this specific area. Patinkin did this with the clear aim that after completing his Ph.D., the student will join the TAUED faculty.

Contrary to the claim that Patinkin discouraged lecturers from the HU Economics Department from teaching at the TAUED, after the extension stopped accepting new students, senior lecturers from HU taught at the TAUED. Among them were Menahem Yaari, David Levhari, and Eytan Sheshinski. Moreover, both Halevi and Atia, teachers at the extension that was now defunct (except for fulfilling its obligations from previous years), received partial appointments at the TAUED. It is difficult to imagine that they would ignore Patinkin's position. And finally, additional evidence that reinforces the above can be found in the recent interview with Habash and based on what Patinkin said to him when Habash informed him of his intention to leave HU and join the TAUED. (Ben Shahrar 2014).

At the same time, one should not be surprised that when it came to choosing between two departments, Patinkin preferred that the best would come to Jerusalem. As will be explained below, this preference was not always realized afterwards.

²⁹ Lubin (1991) holds the opposite opinion.

The TAUED's 1965/66 academic year opened on time, but on shaky foundations. There was still no three-year curriculum for the Bachelor's program, but only for the first year. Besides Lerner, who was the senior figure, only two junior teachers were appointed, both with only Master's degrees—Haim Lubin³⁰ and David Pines. In addition, two lecturers from the HU, Habash and Kislev, also taught at the TAUED as external lecturers.³¹

As far as the Faculty was concerned, there were not yet any institutions capable of dealing with administrative and academic issues. According to the curriculum published in course calendar for 1965/66 academic year, a student had to fulfill his obligations in two departments in order to obtain a degree. (The Faculty already had six departments: Developing Countries headed by Hershlag, Economics headed by Lerner but, in effect, managed by Shapira, Political Science headed by Shapira (as Acting Head), Sociology headed by Shapira (as Acting Head), Labor Sciences headed by Arye Globerson (as Acting Head), and Statistics headed by Yossi Yahav (as Acting Head).³² There was also a study framework called "The Journalism Track".)

Studies in the TAUED, which, as mentioned, referred to the first year, included Introduction to Economics, the only course given by TAUED in the first year. The booklet of exercises for the introductory course was copied almost exactly from the Jerusalem booklet except for "the Ricardian rent exercise", which was expanded by including the labor market in order to illustrate general equilibrium in three markets (land, labor, and wheat). The two other courses, Introduction to Statistics and The Theory of Logic, were service courses given by other units both in the Faculty and outside it.

In 1966/67 the Faculty expanded with the temporary addition of the Recanati School of Business Administration, headed by Yair Aharoni (studies toward a Master's degree and diploma studies), as well as courses in auditing, and journalism. Leading up to this year, a detailed course calendar was published which, for the first time, included a list of the faculty members, academic and administrative institutions and their staff (except for the section on the TAUED, which did not yet mention the lecturers who were supposed to teach the basic courses). The list of institutions included the committees for curricula, admissions, research, and the library. The Economics Department was represented only in the curriculum committee, by one of its junior faculty members, because when the course

³⁰ The use of the term junior refers to the academic status of the two. This term certainly does not apply to the colorful character of Lubin, who was from an earlier generation than most of the lecturers who joined the TAUED later on. As an 18-year-old, Lubin served in the Jewish Brigade of the British army in World War II. After being demobilized he studied at the Teachers Seminary. In the War of Independence he served as an officer in the signals corps of the Yiftah Brigade of the Palmach. He was one of Patinkin's first students and excelled as a teacher at the Histadrut School, at the extension, and in the new TAUED. (Among his students was Habash—later dean of the Faculty of Social Sciences and President of TAU.) He was widely known as an enthralling lecturer and his classes were always crowded.

³¹ There is no distinction here between external teachers or part-time teachers. What is common to both is that the role of teachers is restricted to teaching, without other commitments.

³² The Department Heads are not listed in the 1965/66 study program, and I have assumed that their status did not change between 1965/66 and 1966/67. Since the name of the Head of the Political Science Department did not appear in the course calendar for 1966/67, I have assumed, based on Shapira's interview, that he served as Acting head of the Political Science Department during that year.

calendar was published (during the first academic year), aside from Lerner, only the two junior faculty members had appointments for the second year, 1966/67.³³

The course calendar for the 1966/67 academic year already contained a full three-year Bachelor's degree program, including a timetable and the names of the courses' teachers in all the departments. The exception was the Economics Department, for which the name of the courses' lecturers were not specified. Instead, it was noted that the names of the lecturers would be published later on (indicating that at that time no new appointment, even temporary, had been settled).

The program was apparently put together by the junior faculty members who basically copied the Jerusalem program. There were a few changes in the first-year curriculum: The "Mathematics for Economists A" course replaced the Introduction to Statistics course, which was moved to second year, and the two semesters of The Theory of Logic were removed from the curriculum and replaced by two semesters of Accounting.

The second-year curriculum included Price Theory, Macro, and Introduction to Statistics (moved from first year). The third-year curriculum, not yet in operation, included The Israeli Economy, History of Economic Thought, and a choice between two semesters of The Fundamentals of Financing and two semesters of Marketing, as well as a choice to be approved of four hours from a list of fourteen courses, most of which were still not being really offered. The inclusion of a disproportionate number of courses in business management reflected the fact that when the course calendar for the 1966/67 academic year was published, the emerging School of Management was more influential than the Economics Department in the curriculum committee of Social Sciences Faculty. These courses were removed from the Economics Department's curriculum for 1967/68 academic year, when the Economics Department's faculty was consolidated by senior faculty members.

The Head of the Economics Department as listed in the course calendar for 1966/67 academic year still was Lerner, but he did not ultimately fill the position: Lerner resigned before the 1966/67 academic year commenced in order to accept an appointment as professor in the Economics Department at the University of California Berkley, which he retained until his retirement.

In assessing Lerner's contribution to the Department, from the outset, the expectations of him were tremendous, given his unique personality and his status as one of the most prominent and inspiring economists of his generation. According to Wikipedia, Paul Samuelson, who won the Nobel Prize in the second year it was awarded, said of him that: a) Lerner was more worthy of receiving the prize in the first year it was awarded than anyone else (including Samuelson himself); and b) He was denied a permanent appointment in any American university because he was a Jew, a socialist, and a bohemian. In his short stay Lerner demonstrated the first part of Samuelson's assessment, as well as the tail end of the second part.

On one level, it is difficult to exaggerate Lerner's contribution to broadening the horizons of those who came into contact with him. From this perspective Lerner's

³³ In spite having appointment as the head of the Economics Department, Lerner retired from TAU before the commencement of 1966/67 academic year.

contribution was very important for improving the level of teaching and deepening the understanding of the subjects in question, even in the introductory course. In contrast, Lerner was not organizationally inclined, and as Shapira described it, Lerner was unable to assist him in solving any of the administrative-academic problems that he encountered. Furthermore, Lerner did not appreciate the implications of the few decisions he did endeavor to make with regard to faculty recruitment. This was particularly pertinent in the case of the new Department, the staffing of which at the stage of its establishment would likely affect the nature of the candidates who would wish to join it in the future. For example, prior to Lerner's arrival, the junior faculty members made several attempts to persuade outstanding doctoral students abroad, including those who had been sent on behalf of HU, to consider joining the department that was about to be established at TAU. It is not difficult to imagine why those candidates responded negatively in view of the attractiveness of the TAUED at the time as opposed to HUED. And so, sometime later, Lerner, as Head of the Economics Department, recommended inviting a lecturer from the Developing Countries Department who had a Ph.D. degree to join the Economics Department. The two junior faculty members expressed their reservations about the idea on the basis of information regarding Patinkin's view of this candidate, which was widely known. The junior members worried that, holding a Ph.D. degree, he would be given the senior position in the department-in-the-making. This senior appointment would likely keep out candidates pursuing advanced studies at leading institutions abroad.³⁴ More specifically, the concern was that, under the leadership of that candidate, the Department would be developed along the lines that Hershlag used to build the Department of Developing Countries. According to this concept, study was geared toward broad interdisciplinary education, but necessarily superficial in everything pertinent to modern Economics. Eventually, it was decided together with Lerner to hold a joint meeting in which the candidate would be given the opportunity to refute the claims of the juniors. The candidate's comments at that meeting only reinforced the juniors' position and even failed to convince Lerner who, while not explicitly announcing his decision, chose to remove the problematic appointment from the agenda. Shapira also supported the juniors' position, although it is unclear whether he participated at that meeting. This was the third crossroad at which a choice was avoided that, in the assessment of this author, could not have led to the establishment of the TAUED at a level that could have competed with and even exceeded the HUED.

The case of Lerner can be seen as a kind of counter-example to the Platonic thesis that the ruler (the decision maker and administrator in the case in question) must be a philosopher. Lerner was a genuine philosopher, but not an administrator. To a great extent Hershlag was correct in viewing Lerner in advance as "a major economist" and "in a class of his own, but unsuitable for being a dean."

At the beginning of the 1966/67 academic year, the Department remained without a Head. It was managed on an interim basis by Shapira, the Deputy Dean, as he did in the first year of the Department's existence, while Lerner, though still present, was the Head of the Department in name only (Shapira, 1974). Because of the failure in recruiting suitable

³⁴ This concern was also mentioned by Yavetz in his interview (Yavetz, 1974) regarding the effects of appointing Hershlag, cited in Section 2 of this study.

faculty members until the first half of 1966/67, Shapira found himself in a helpless situation on the eve of the opening of the third academic year, as he was in the first year. At the end of this academic year Bachelor's degrees recognized by the CHE (or at least certification of entitlement to such a degree) would have to be awarded. In the current situation, following Lerner's resignation, the Department had only two appointments of junior faculty members, and all the other lecturers had partial appointments or appointments as external lecturers. Under these conditions, there was no chance of obtaining accreditation by the CHE for the degree that was expected by the graduate students.

In a dramatic turnabout, Habash and Berglas initiated a meeting with Shapira that took place in February 1967, in which they informed him of their willingness to join the Department. As Habash describes it, "Shapira nearly fell off his chair" in shock at the miracle that had occurred at the last moment, seeing that Berglas's main job at the time was Head of the Economics Department that the Ministry of Defense had established, having turned down Patinkin's offer to join the Economics Department at HU, and Habash had an appointment at the School of Business Administration at HU. Shapira saw the coordinated arrival of two Ph.D.'s (one from Chicago and the other from New York) as a significant achievement that would enable the Department to progress toward the CHE recognition that would be required for graduates of the program. In order to achieve this urgent objective and to consolidate the Department in the longer term, at Habash's initiative, Shapira appointed Berglas to head the TAUED, an appointment that justified itself beyond all expectations.

Following three years of service as Deputy Dean, in 1968, Shapira felt that he had exhausted his critical role in ensuring the initial foundations that were necessary to open the Faculty of Social Sciences. Shapira asked to be relieved of his duties and that they be transferred to Habash. In October 1968, Habash was appointed Dean of the Faculty of Social Sciences.

Shapira's contribution to managing the Faculty of Social Sciences, building several departments in the Faculty, including the Economics Department, and, to a certain extent, the Faculty of Management, during the chaotic conditions of the 1965/66 and 1966/67 academic years, cannot be overstated:

Upon his arrival at the Faculty of Social Sciences, Shapira found that the number of students registered for first year studies had already exceeded one thousand, while there were no programs for teaching those registered, and there were no teachers capable of carrying out such programs. Despite the difficulties, Shapira approached Patinkin, who helped him with advice in connection with his role as Dean, and with convincing teachers from HU to teach part-time at the Faculty being established at TAU. These were the Departments of Sociology, Political Science, and Economics.

In order to eliminate Wise's plan to build the School of Management with teachers who would come to Israel from the US for short periods and then return there, Shapira took the project on for a short time, despite his knowledge that this was a professional school that had no place in the Faculty of Social Sciences. For this purpose, Shapira turned to Ze'ev Hirsch, who was in the US, completing his Ph.D. at Harvard Business school and asked him to plan the establishment of a School of Management, and to find appropriate faculty members. Hirsch referred Shapira to Yair Aharoni, a Ph.D. from Harvard Business School,

and Shapira offered Aharoni to head the School of Management. - The course calendar for 1966/67 includes Hirsch and Aharoni as members of the Faculty of Social Sciences.

During the first year of Shapira's term as Acting Head of the Sociology Department, he recruited a number of young faculty members from Israel and abroad, and built the infrastructure of faculty members for the Sociology and Anthropology Department, together with Emmanuel Marcus.

When he arrived, Shapira found a number of professors who had left HU in key positions in the new faculties at TAU, mainly in the Political Science Department. He cancelled their appointments due to their poor academic record, and in their stead, he led to the appointment of Asher Arian, who was promoted a short while later to Head of the Department that he was tasked with establishing.

As Deputy Dean, Shapira was made aware of two interdisciplinary departments, "Developing Countries" and "Labor Sciences", which were established during Hershlag's term. The latter was inserted into the Faculty by the Histadrut, whose representatives intervened in academic and administrative matters. Shapira put an end to this intervention, and took care to appoint Arye Globerson as Acting Head of the Labor Sciences Department in order to give academic content to the studies in this Department.

Alongside his role as Deputy Dean, Shapira also managed the affairs of the Economics Department during 1965/66 and part of 1966/67. He assisted junior faculty members in blocking what they viewed as the inappropriate appointment that Lerner initiated, and other appointments that did not meet the acceptable HU criteria. Shapira excitedly acceded to Berglas and Habash's suggestion that they join the Economics Department, and led to the appointment of Berglas as Head of the Department. These two appointments contributed to satisfying the necessary conditions for the Economics Department to take off.

In addition, Shapira was able to put an end to the faulty, yet common, practice of giving promises that would not be fully implemented due to lack of authority or plain negligence.

Shapira carried out all of these tasks as a young faculty member with the rank of lecturer, some without an official appointment. Despite his insistence, it would not have been possible for him had he not acquired the trust of Rector Katz, who gave budgetary and academic backing to his decisions and was helped by the two skillful advisers, Berglas and Habash. In his actions to block the inappropriate appointments of professors who had left HU, Shapira was personally attacked both in the TAU Senate and in the written press. The Rector took his side on this level as well.

4. CONSOLIDATION OF THE TAUED'S FACULTY AND CURRICULUM IN THE SHORT AND LONG RUN

Following the delay in recruiting faculty in the years 1965/66 and 1966/67, Berglas and Habash energetically set about recruiting lecturers, the most urgent task being to establish a basis upon which it would be possible to submit a solid application to the CHE for accreditation of the Bachelor's degree. In the first stage, on a trip to the United States, Habash met with Eytan Sheshinski, David Levhari, Menahem Yaari, Yoram Ben-Porat and Meir Chet and suggested they join the TAUED. This approach, like the previous approach

of the juniors to Yoram Ben-Porat and Reuben Gronau was met with refusal. When Berglas and Habash understood that there was no chance of solving the problem of faculty for the long term, and in view of the urgency of recruiting faculty members with doctoral degrees on a scale and a level suitable for teaching Bachelor's courses and even to create a basis for Master's studies, Berglas, in coordination with Habash, approached Eitan Hochman and Uri Regev, who had completed their Ph.D. studies at Berkley, Gidon Fishelson, who had completed his Ph.D. studies at the University of North Carolina Chapel Hill, and Shlomo Malt (later Maital) who had completed his Ph.D. studies at Princeton. The four responded positively, and were given appointments for the academic year starting in fall 1967. The list of appointments in advance of the third year already included six faculty members with Ph.D. degrees. For the 1967/68 academic year, therefore, the Department had at its disposal a faculty that was capable of implementing the Bachelor's curriculum that was formulated in 1966/67, including replacing the third-year courses in financing and marketing with a new course, Economics of the Firm, and an important addition of Econometrics as an elective course.³⁵

Aside from the lecturers with full appointments, Atia and Halevi, who were lecturers from the former extension, also contributed to teaching the curriculum in that year. On the basis of this curriculum, after implementing it in practice, the Department could already approach the CHE and request accreditation for a Bachelor's degree. And indeed, Haim Barkai, who had been appointed on behalf of the CHE to evaluate the academic level of the TAUED's curriculum and faculty recommended to the CHE in the summer of 1968 to accredit the Economics Department to award Bachelor's degrees to its graduates. Despite this, accreditation was not granted before the third year of study was completed. Graduates of the first class, who had fulfilled all their obligations by the end of the 1967/68 academic year, were still unable to obtain confirmation that they were entitled to a degree accredited by the CHE.³⁶ The accreditation was granted only in 1969, fortunately before June, which is the usual month for awarding degrees, thereby saving the university some embarrassment.³⁷

The 5–6 year recruiting project and the tenure and promotion policies

Following the unsuccessful attempt to recruit faculty from HU, and simultaneous with the urgent recruiting of teachers in order to solve the short-term problems, Berglas and Habash initiated a new course of action in order to build a high-level faculty within 5–6 years. The plan was successfully carried out and in the first half of the 1970s a group of enthusiastic

³⁵ Economics of the Firm was a new course that Habash designed, and dealt with the application of Price Theory for solving concrete problems of the firm. Such a course did not exist in the Economics Department at HU.

³⁶ Yitzhak Oron, who completed his studies cum laude, was unable to produce this confirmation when applying for Master's studies in Economics at HU. Only his personal familiarity with the members of the admissions committee, among whom were his undergraduate teachers at TAU, enabled him to be accepted without the formal confirmation from TAU that he was entitled to a Bachelor's degree.

³⁷ The precise recognition date is still unclear. The author was unable to obtain this information either from the archives or from the academic secretariat of TAU, and not even from the CHE. (Manuel Trajtenberg informed me on behalf of the CHE that the material was destroyed in a fire that took place in the archives in Ma'aleh Adumim.)

researchers joined the TAUED, raising its academic level and bringing it into line with that of HU, at least in some areas, all within the first decade of its existence. At the same time, a rigid policy was formulated regarding tenure and promotion, setting high standards that did not allow for deterioration or even sluggishness, at least in the first three decades.

To implement their plan, Berglas and Habash approached several students who had excelled in their Master's studies at HU, and doctoral students who had excelled in their studies at the leading Economics departments in the United States, and offered them financial support for funding or completing their doctoral studies in exchange for a commitment to join TAUED. Included in the first group were Joel Mokyr, Elisha Pazner, Ya'akov Frenkel, and Alex Cukierman, as well as Adi Karni who, on completion of his studies, worked in Berglas's unit at the Ministry of Defense. Included in the second group were Isaac Erlich, Weiss, Razin, and Abba Schwartz, the first two having completed their Ph.D. studies at Columbia and Stanford, respectively, and the last two at Chicago. With the exception of Mokyr, all of them returned to Israel immediately, or after spending a year at an American university, to join the Department. Three left for universities in the US, two quite soon (Erlich and Frenkel) and one later on (Karni). These recruits were joined by two outstanding students from TAU, Efraim Sadka and Elhanan Helpman.

The first of the group of doctoral students that Berglas approached to join the Department as part of the 5–6-year-plan was Weiss, whom Habash met for the first time at Stanford on his visit to the US to seek candidates, and with whom he discussed the possibility of joining the Department. Later, on completion of his studies in 1968, Berglas sent him an urgent letter asking him to join. (According to Weiss, Berglas used the words "I need you, please come" to emphasize the urgency of the matter.) Weiss decided to forego the offers he had from Stanford and Princeton, returned to Israel and joined the Department in advance of the 1968/69 academic year. Schwartz, Razin and Isaac Erlich joined the Department consecutively in the following three academic years. Razin, on completion of his studies, requested that Berglas allow him to remain a while in the US in order to gain experience. He was appointed assistant professor at the University of Minnesota, and a year later, in advance of the 1970/71 academic year, joined the Department. Erlich returned to the US after one year.

The group of those completing their Ph.Ds from among HU's Master's graduates joined the Department in 1971/72 and 1972/73, among them Frenkel (who returned to Chicago four years later), Pazner, Cukierman, and Karni (who moved to Johns Hopkins in 1986).

In advance of the 1974/75 academic year, Helpman returned and joined the Department, after completing his studies, joined a year later by Sadka. The story of the recruitment to the Department's faculty of Sadka and Helpman attests to the initiative and determination of Lubin, Berglas and Habash in everything connected to the recruitment of faculty.

In 1968, during the vacation between the second and third years of study towards a Bachelor's degree in Accounting and Economics, Sadka was working at the Somekh accounting firm, all his attention focused on an accounting career. (At the time, Economics was considered by most of the Economics/Accounting students as a burden imposed on them in order to provide an academic touch to the profession they were really interested in pursuing). He received a surprising telephone call from his Economics teacher, Lubin, in which the latter suggested that he meet with Berglas. (Prior to this, Lubin drew Berglas's

attention to his student's potential and suggested that he meet with him.) Berglas invited Sadka to two meetings. The first took place that summer and the second at the end of Sadka's third year of study. At these meetings Berglas suggested that Sadka change his Economics and Accounting studies to Economics and Statistics, with the aim of having him join the reserve group of the Department's students who would replace the lecturers from HU after completing their Ph.D. studies in the US. Like Weiss, Sadka couldn't refuse the request from Berglas, whom he describes as "a very impressive person". He complied with all the conditions that Berglas demanded, and at the same time applied to all the leading universities to be accepted for the Ph.D. program. All responded positively, but without guaranteeing a stipend for the first year. (Sadka assumes they probably knew that the Department in Tel Aviv would finance his studies.) He chose MIT and Berglas promised him a generous stipend.

His colleague, Helpman, who began his undergraduate studies in the year following the inauguration of the Bachelor's degree program, continued without a break to Master's studies, which had just been inaugurated at TAU. In the course of his studies he applied to Harvard University in the US for advanced study. His application was accepted and he was promised a stipend. On arriving at Harvard, he found himself no less prepared for studies than the American students.

Seemingly, these two cases were an impressive achievement for a department that had only been in existence for five years. But without underestimating the special contribution of the Department's faculty member themselves, in order to be accepted by these two leading universities, both Helpman and Sadka needed recommendations from Mordecai Kurz, who was a professor at both Stanford and HU, and Sadka also needed a recommendation from Eytan Sheshinski, a professor at HU. It did not take much time, however, before the recommendations of the members of the Department carried sufficient weight to ensure the acceptance of its graduates to the best universities.

The 5–6-year-plan was designed to replace the lecturers, mainly those from the HU, whose assistance had been indispensable in implementing the graduate studies program, with new recruits to consolidate the TAUED faculty. And indeed, between 1967/68 and 1975/76 a faculty was consolidated that could already carry the burden of teaching toward higher degrees, among them Berglas, Cukierman, Helpman, June Flanders, Habash, Karni, Pines, Razin, Sadka, David Schmeidler, Schwartz, and Weiss.³⁸

1974 was a critical year in which the Department's position regarding appointments, promotion and granting tenure began to be consolidated. Razin, who then headed the Department, played a central role in formulating and implementing the policy. His position, which was supported by the Dean, Berglas, and by members of the Department holding tenure, including Weiss, Pazner, Karni and Schmeidler among others, was that a high bar had to be set for granting tenure by adopting the accepted criteria of the leading American universities. In this regard, opinions of leading economists in the candidate's area of

³⁸ Flanders joined the TAUED in 1970/71, and served as Head of the Department in 1972/73 and 1973/74. Schmeidler was recruited by Yossi Yahav, Head of the Department of Statistics, with a part-time appointment to the TAUED beginning in 1971/72. He was the pioneer specialist in Mathematical Economics in the Department.

specialization were requested. In assessing a positive opinion, the Department gave meager weight if the evaluation report did not specifically refer to the candidate's research achievements.

The height of the bar was not an effective obstacle for the group of distinguished students who completed their Master's degree in Jerusalem, for those who were recruited when they were already outstanding Ph.D. students in the US, or for the two outstanding students at the TAUED. All had attractive alternatives in the US (which most of them actually took up prior to or subsequent to retirement). But it was an obstacle for some faculty members who were appointed before the high bar was instituted. An ethical dilemma arose regarding them, connected to the retroactive implementation of the new policy. After much deliberation, the decision was nevertheless made to apply these principles retroactively. Applying the policy to previous appointments was justified, among other reasons, by claiming that had those who were denied tenure remained in the Department, it is doubtful that they would have felt comfortable in a department in which the level was determined according to Helpman, Razin, Sadka, Schmeidler, and Weiss, while in the Economics departments of other institutions they could have been very successful, as indeed happened in at least some cases. At the same time an effort was made to limit, as far as possible, the subjective harm to those whose tenure was not approved. (The Head of the Department, Razin, and the Dean, Berglas, found a way that was intended to prevent major harm by separating the decision regarding tenure from the decision on promotion to a higher academic rank).

Obviously the high bar did not apply to anyone who had obtained tenure prior to its placement, but only to those for whom the discussion on tenure was to take place after the criterion was applied. Table 1 shows that the percentage of those who were appointed in the first decade who then received tenure reached 82%, compared with 50% in the period from the end of the first decade to the 2000/2001 academic year. The high percentage of tenure recipients in the first decade was due partly to the appointments with tenure in that decade, but mainly thanks to the outstanding group that was chosen as part of the 5–6-year-plan. The low percentage of tenure recipients in the second decade was due to the fact that the relatively low bar for appointments was applied, while the uncompromisingly high bar for granting tenure was maintained. This integrated policy allowed the Department to also give an opportunity to those who had not been impressively successful at the start of their careers, without incurring the risks of disappointment in the long run.³⁹ Unlike the initial appointments after the Department was established, anyone receiving an appointment would have been well aware of the conditions required for tenure and the risks involved in accepting an appointment in the Department over somewhere else, or over choosing another career.

In the second half of the 1980s a principle question arose regarding the granting of tenure when, in several respects, a candidate whose tenure was under consideration was superior to candidates who had obtained tenure relatively recently, while at the same time, given the composition of the faculty in this person's area of specialization, he was not as

³⁹ At least in one case, a candidate was appointed who had not published a single article until then, but at the time his tenure was considered he passed the bar easily.

good as the existing tenured faculty members. This begged the question of how to weigh the needs of the Department in a variety of areas as opposed to the candidate's inherent ability compared with others. The principle that prevailed was that only a candidate who raises the average faculty quality in his/her own area of specialization would get tenure. This principle was problematic, however, even if we ignore the difficulties of its implementation, because it could theoretically lead to the following absurd situation: Assume that in a particular field there is one appointment of a faculty member who is better than any potential candidate in his area of specialization. Then, according to the above criterion, there will always be only a single appointment in that field.

If it were possible to formulate the objective function of the Department in terms of outputs of the different fields and the candidate's marginal contribution to the output of his field, and to measure the relevant variables, it would then be possible to grade the candidates according to the marginal output of the candidate in his field multiplied by the marginal contribution of the field to the Department's objective function. This seems meaningless in practical terms, but in reality every evaluation that is not influenced by extraneous considerations is an attempt to rank candidates according to this criterion.

By the end of the Department's second decade Itzhak Zilcha, Leo Leiderman, Zvi Hercovitz, Zvi Eckstein, and Manuel Trajtenberg were appointed (and in time passed the tenure bar), and brought an additional dimension to research and the learning experience.⁴⁰

Table 1
Appointments, Resignations, and Non-Receipt of Tenure, 1971–2000

Period	Appointments	Resignations	Growth in the Number of Faculty	Appointees Who in Time Obtained Tenure
1965–1974	22	1	21	18 (82%)
1975–1984	16	11	5	8 (50%)
1985–2000	21	20	1	10 (48%)
1965–2000	59	32	27	36 (61%)

Comment: Not included in the calculation are faculty members who resigned less than three years after being appointed.

The high bar that was set for obtaining tenure at the TAUED led to the percentage of tenure recipients among appointees being the lowest among the Israeli Economics departments. This policy and its implications for the composition of the TAUED's faculty until the end of the review period, led the Faculty and the university's institutions responsible for granting tenure and promotions to completely trust the Department's assessments and to consider its recommendations seriously. The few reservations about the Department's recommendations that were also backed by the Faculty arose in part from unrelated motives or from differences of opinion in evaluating academic writing (e.g., what

⁴⁰ Leiderman, for example, received the Faculty's Outstanding Teacher award at least twice, and the Rector's award on a least five consecutive occasions. Trajtenberg also proved to be a very popular teacher.

the minimum number of pages was that had to be included in an academic publication in order to be recognized in the vitae as a “book”).

5. DIVISION OF TIME SPENT IN ISRAEL AND ABROAD

The issue of the division of time between being in Israel and being abroad was connected to the question of the size of the Department. Given the number of faculty members, each stay abroad implied reducing the effective size of the Department's faculty in terms of teaching strength, advising students, and participating in committees of the Department, the Faculty, and the University. As opposed to the quantitative disadvantage, the time spent in leading North American universities had a qualitative advantage of widening access to the research frontier and the changes happening within it. The researcher spending time in these universities was aware of the research projects in real time and was exposed to new ideas that had not even been finally formulated. This came about through an exchange of opinions with eminent researchers, participation in courses and seminars in which the latest innovations were presented, and hearing guest lecturers from all parts of the continent and beyond. As opposed to this, the researcher who remained in Israel in the 1970s was nourished by journals, working papers, and mail correspondence with colleagues. Even participation in conferences, which the university funded originally by means of an “advanced study fund” and later through “allocations for international scientific contacts”, was not an appropriate substitute for sabbaticals, in that the research generally presented and discussed at the conferences had likely been completed much earlier.

The problem of remoteness from the places where knowledge is created has been eased to a large extent since the 1980s with the expanded use of the personal computer and the cellular telephone, which made it possible to transfer information through the Internet, together with cheap telephone calls and video conferencing, all of which are able to overcome the effects of physical distance. Air travel has also become cheaper, which facilitates frequent short trips.

The universities' way of dealing with the problem of geographical distance was by means of the sabbatical, according to which a faculty member was credited with two months of sabbatical leave against fulfilling academic tasks in Israel for a year. A faculty member was meant to devote the sabbatical year (or the part of the year that was authorized) for research work and continuing scientific education in Israel or abroad. He could take sabbatical leave for one semester every three years or a year's sabbatical leave every seventh year. The disadvantage of the frequent leave (every three years for a semester) was that the faculty member was faced with two unpleasant alternatives: to go alone or to take his spouse and children and disturb their regular routine (spouse's work and children's schooling). The disadvantage of leaving for a year was that the aim of the sabbatical in its more specific definition as described above was to some extent lost.

Given this background, towards the end of 1970s the Department discussed the desirable policy regarding time spent in Israel versus abroad. The following formula was arrived at: three years in Israel followed by two years abroad, part of which would be considered and funded as a sabbatical and the remainder as unpaid leave with the option of

a further year of unpaid leave. Obviously, had all the faculty adopted this ratio simultaneously, the average faculty inventory would have dropped by 40 percent and there would have been a need to immediately recruit additional faculty members to compensate for this decrease. In practice, however, only a few faculty members adopted this ratio, and even this not for the whole period under review and not simultaneously. Furthermore, the unpaid leave money could have been used to hire teachers as a temporary appointment and to fund short courses by visitors from abroad, and thus to at least ease the problem of the lack of lecturers resulting from the frequent trips.

Among the arguments raised by the supporters of this arrangement was the claim that the sabbaticals have a positive external effect, or as one of the interviewees for the present study expressed it, "in Israel we applied the knowledge that was acquired at leading institutions abroad, which helped the Department to develop." Even those who did not see things this way feared that limiting the faculty members' freedom of choice was liable to cause some of them to move their home research and teaching base abroad, as had happened in the past to some faculty members who were faced with alternative offers. Moreover, the option of maintaining close contact with institutions abroad was raised in many cases by candidates weighing the possibility of joining the Department. (Some who were invited to join the Department were not satisfied with the above arrangement.)

6. THE MASTER'S CURRICULUM

The TAUED offered a Master's program in the 1969/70 academic year, a year after the first graduating class had completed the Bachelor's degree. These graduates could thus not immediately continue on to Master's studies at the TAUED. The curriculum was divided into two sections: compulsory studies and elective specializations, each comprising of a set of courses. The compulsory studies included Micro, Macro Defined as Theory, the History of Economic Theory, Mathematics for Economists, Introduction to Econometrics, and Econometrics. The student was expected to write a seminar paper or a final paper under the supervision of a graduate studies adviser, and to pass a final examination in theory (micro and macro) as well as in two elective specializations (which were not yet specified at the time the requirements were formulated). The list of specializations, which was published only in advance of the 1970/71 academic year, included Public Economics, Labor Economics, Urban Economics, Theory of the Firm, and Operations Research. Some of the specialized courses were given by other units and were not an integral part of Economics studies.

The Master's studies program evolved on this basis in the following decades, although from the beginning of the 1990s certain changes occurred that were reflected in an intensification of theory (in the strict sense), and a decline in the more applied and policy-oriented courses.

When the Master's program was inaugurated in 1969/70, the major part of the first-year curriculum was taught by HU's lecturers, including Levhari, Kurz, and Sheshinski, who, together with Weiss and Regev, taught the theory, i.e., micro and macro. Already in 1970/71, when Razin joined the Department, the Department's lecturers outnumbered those

from HU in the theory subjects. This process, which had been defined as the objective of the approach made by Berglas to Sadka a few years earlier, was completed in 1971/72 by two Master's graduates from HU, who joined the Department after completing their Ph.D. studies in the US—Pazner and Frenkel—and by Schmeidler. Between the 1972/73 and 1975/76 academic years, the Master's curriculum (as well as the Bachelor's) was consolidated and diversified by additional elective specialization courses when Karni, Cukierman, Helpman, and Sadka joined the Department (despite the resignations of Erlich and Frenkel).

In Razin's assessment, there were no programs in the US that were comparable to the HUED's and the TAUED's Master's programs. At the time he arrived in Israel (1970) there were in Europe only a handful of institutions with comparable programs. The TAUED's program continued to develop, the result being that the Master's programs in Economics at the HUED and the TAUED were the best of the comparable programs.

7. ESTABLISHMENT OF THE RESEARCH INSTITUTES AND CHAIRS BY HABASH AND THE RESEARCH ACHIEVEMENTS

According to Habash, the major area he wished to promote in his position as Dean was research, which is "the heart, the anchor, and the nerve center of the university." For this purpose he strived to ensure two conditions for advancing research: first, being present at the university beyond what is required for giving lectures, participating in meetings, and in seminars related to the researcher's area of interest; and second, which to some extent is connected to the first, is to guarantee sufficient budgets for supplementing incomes, employing research assistants, and other activities for promoting research, such as inviting top-flight researchers, and organizing international conferences dealing with innovations in the various areas of research.

The first condition was meant to increase interaction between the researchers, who, in the nature of things, were interested at the start of their careers in the area in which they wrote their theses. Their presence in the physical area of the Department was meant to multiply encounters and the fruitful exchange of opinions between faculty members. The realization of this objective necessitated the allocation of a room for each faculty member in the design brief for the Peretz Naftali building that was to be built to house the Faculty of Social Sciences. However, underlying the preparation of the design brief was the accepted view at the time the university was established that in the humanities and the social sciences there was no need for a separate room for each lecturer. On this basis the design brief included mainly classrooms, rooms for the administration, and the library, with only a few rooms allocated for faculty. Had the Dean (Habash) not intervened and struggled stubbornly with the university authorities to have the three upper stories of the building allocated mainly for lecturers' rooms, those preparing the design brief would have repeated the mistake made with the HU's Kaplan building in Givat Ram. There, only a limited number of small rooms were allocated for lecturers, so that each room was meant to serve several lecturers, the result being that most lecturers preferred to work from home.

The claim raised by Habash that finally tipped the scales was that the social sciences faculty was similar to the sciences faculty and that the design brief should reflect this perception. Ultimately, the Director General of TAU (Aharon Doron) was convinced and approved the Dean's demand that three stories of the building should be allocated mainly for lecturers' rooms.

In Habash's view, this change in the design brief was essential for creating conditions befitting the research character of the Faculty of Social Sciences. And indeed, in all matters concerning the TAUED, the time spent together on the campus led to cross-fertilization of ideas that was reflected in joint research projects and broadening of the areas of interest of quite a few members of the faculty. Joint lunches became an institution (in the sociological sense) due to the time spent on the campus. Various issues were discussed over these lunches, from economic policy in Israel to arguments over the validity of the conclusions published in recent articles.

Most of the interviewees for this article chose to emphasize the importance of intensive interactions between the faculty members in enhancing their research output. The following are some statements made in his respect: "The research interaction was the most beautiful thing in the Department." (Sadka); "This cooperation was unique to the Department, even relative to Western universities, and was the major factor in the leap to almost first place outside the US, at a time of academic isolation." (Razin); "This was the golden era of the Department—young people and an exceptional research atmosphere. Many of us cooperated in writing articles and in offering mutual assistance." (Helpman).⁴¹

Habash pushed ahead with determination and succeeded greatly in achieving the second condition, namely, obtaining funding sources for establishing research institutes. The fascinating story of his work in this area against the backdrop of the economic regime that existed in Israel at the time is presented below.

a. The Foerder Institute

As mentioned, despite the need to promote research, budgets were not forthcoming for this purpose. Habash understood that the only way of obtaining research funds was through donations. He thus decided to enlist the help of Pinhas Sapir, the Minister of Finance and someone with great influence over the leaders of the economy.⁴² As one who was close mainly to people of action, Sapir was indifferent to the issue of research and its importance, even though he also wanted to rub shoulders with academics. As such, Habash moved cautiously to draw Sapir closer to the subject of research. Already at the start of his term as Dean, Habash invited Sapir to a dinner with young faculty members. Sapir was flattered by the invitation. Habash used the meeting to explain to the minister the importance of research, and that promoting research required budgets. Later Habash invited Sapir to meet with the Economics faculty to discuss economic policy. Here too Sapir responded willingly.

⁴¹ Weiss has reservations about the horizontal nature of the research interaction. Because the groups of researchers in the Department were homogeneous, "there was hardly any vertical interaction of new faculty members cooperating with senior faculty members."

⁴² Sapir built Israeli industry and decided on the allocation of budgets. As Habash put it: "He dominated the economy until 1974."

Sometime after these meetings, in June 1970, Dr. Yeshayahu Foerder, Chairman of Bank Leumi, died. Habash saw an opportunity for perpetuating his memory by establishing a research institute in his name. He met with the CEO of the bank, Ernst Yefet, informed him of his intention to raise IL 1 million, and requested that Bank Leumi allocate half of this amount (equal in today's terms to NIS 7.3 million) for this purpose, which would make it easier to raise the remainder of the IL 1 million from other sources. Yefet refused on the grounds that he preferred to distribute grants in the name of Dr. Foerder. Habash requested a meeting with Sapir and again received a positive response. On arrival, Habash found about forty people assembled in the waiting room for a meeting with Sapir—with fifteen minutes allocated for each person. And even then, Sapir devoted half of this time to answering telephone calls. Nevertheless, Habash managed to tell Sapir in brief about his discouraging meeting with Yefet, and asked for his help. Sapir replied, "It'll be all right" and with that the meeting ended. A few days later Habash received a telephone call from Yefet to inform him that the board of directors of Bank Leumi had decided to donate IL 250,000 for establishing the Foerder Institute. Knowing that this amount was insufficient, Habash called Sapir, thanked him profusely for his assistance, but added that to his disappointment Yefet had agreed to give only half of the requested amount. Sapir, as was his custom, replied, "It'll be all right". Several days later Habash again received a call from Yefet to inform him that he had reconsidered the matter and had decided to double the amount.

With this guaranteed sum in his pocket, Habash managed to raise IL 100,000 from Discount Bank, and, assisted by Yefet himself, further contributions from industrialists and from abroad. Ultimately the IL 1 million that Habash planned for were raised, and in 1971 the Foerder Institute was established. The Institute was set up as a non-profit organization, because regulations had not yet been formulated for institutes at the university. The money was deposited with Bank Leumi, and the interest financed the Institute's activity. Lecturers were given allocations for employing research assistants as well as supplements to their (low) salaries so that they would not have to take on additional work outside the university. A secretary was employed to type the articles as working papers that were sent in that format, or after being updated, to the economics journals for publication. It was only in 1980 that the personal computer came into use and Foerder funds made it possible to equip the researchers with computers.

As the Department expanded, the allocation per researcher decreased. (Until then the allocations were divided equally among faculty members.) Later the policy changed and the allocation to each new faculty member was increased for a few years by cutting the allocation to veteran faculty members. This policy was intended to enable the new faculty members to devote themselves solely to research despite their minuscule salary at the start of their careers, thereby making it possible for them to meet the severe requirements for obtaining tenure when the issue would arise.

During the time he served as President of the University (1975–1983) Habash intentionally refrained from raising funds for the Economics Department. For example, of the 40 chairs for which he raised funds, not one was designated for the Economics Department. The establishment of research institutes during the time he served as president,

and that were transferred to the Department at the end of his term in 1983, is discussed below.

b. The Sapir Center

In July 1975, several weeks after Habash took office as President, Sapir died. Habash set up the Pinhas Sapir Center for Development (and not "for Economics", even though members of the Department could receive support for research on development), with donations from banks and industrialists. A large sum was promised, part of which was eroded in real terms because considerable time elapsed between the promise to contribute and its realization, while in the meantime inflation raged. The Center was administered largely by people from the Economics Department. After Habash's retirement from the presidency, the Center came under the auspices of the Economics Department, even though it remained open to external researchers.

The Sapir Center ran many evening seminars (128 since 1979) on economic matters pertaining to the Israeli economy, as well as organizing 26 conferences and international congresses on various subjects, which produced 11 books, 9 of which were published by academic publishers (Academic Press, Cambridge University Press, MIT Press).

c. Other institutes and fundraising for chairs

As president, Habash worked toward establishing a research institute for economic cooperation in the Middle East when peace would come to the region. The idea aroused interest among wealthy Jews in the United States. In the summer of 1978 he met with Armand Hammer. The meeting took place after Sadat's visit to Israel, several weeks before the Camp David talks. As the person who established and developed Occidental Petroleum, which enriched itself from oil discoveries in Libya, Hammer could contribute large sums, but was reticent to contribute openly to Israel because of his connections with Gaddafi. (The rumor was that he contributed millions of dollars, but not in his name.) Habash told Hammer he believed there would be a peace process, and that it would be possible to initiate economic cooperation with Egypt and Jordan, and requested his assistance in establishing the research institute. Two months later the Camp David Accords were signed. Sometime later Habash again met with Hammer, at which stage Hammer was enthusiastic about the idea of establishing an institute for economic cooperation in the Middle East, and decided to openly declare his support and lead the project. At his request, all the wealthy Jews in Los Angeles were invited to a luncheon with Hammer. For them this was a special experience, because until that time Hammer had refused to appear in public on Israel's behalf. At the luncheon the participating donors contributed a million dollars and Hammer added the same amount. Thus the Armand Hammer Fund for Economic Cooperation in the Middle East was established. The money was not designated directly for the Economics Department, but enabled it to undertake research on this subject. The fund was managed jointly by Fishelson and Hirsch. In addition to the funds raised with the help of Armand Hammer, Habash, with the help of Yona Ettinger, raised half a million dollars from the Rubin Fund, which he attached to the activities of the Hammer Fund.

The fund operated successfully and prepared proposals for cooperation, some of which were realized, such as the import of gas from Egypt, and the textile plants that Dov Lautman (Delta) established in Egypt and Jordan. In 1993 following the signing of the Oslo Accords, a multinational committee was established for developing economic cooperation. The Hammer Fund submitted all its recommendations to the committee, a step that marked the achievement of its objectives. At this stage Habash took steps to place the fund's money under the auspices of the Eitan Berglas School of Economics (hereinafter, BSE) for the benefit of the economic research that the BSE would undertake. To do this he approached the then president, Yoram Dinstein, and obtained his agreement. Since then the Fund has been part of the BSE's research funds.

Toward the end of his term as president, Habash began to engage in direct fundraising for the BSE (then still the Economics Department). The Rauch Fund and the Rubinstein Fund, designated for popular presentation of economic issues, were established. In addition, having ended his term as TAU President, Habash worked to increase the research funds at the disposal of the Foerder Institute, and obtained donations from Bank Leumi, as well as raising an additional amount from the Sackler family to establish the Sackler Institute for Economic Studies, attached in practice to the Foerder Institute.

In addition, after Habash's term as president ended, he raised funds for three chairs for the TAUED: the Weisfeld Special Chair for Economics of Peace (a double-sized chair), the Salzberg Chair of Economic Theory, and the Henry Kaufman Chair in Capital Markets. In addition, upon the end of Habash's term as president, Monica Benderly, who was the manager of fundraising in France and Italy, raised funds for the Schreiber Chair for Public Economics (also a double-sized chair). Thereafter, this double chair was split into two regular chairs: the Schreiber Chair for Public Economics and the Schreiber Chair for Decision Theory. A few years later, the Rubinstein Fund was converted into the Rubinstein Chair for Economics. In summary: Habash's fundraising work placed about NIS 50 million in research funds at the disposal of the TAUED (Foerder Institute, Sackler Institute, Sapir Center, Hammer Fund, Rubin Fund, Rauch Fund), as well as six chairs. In addition, Habash raised \$2.5 million from Eliezer Fishman, which was paid in installments of \$250,000 per year to finance the Eliezer Fishman Doctorate Program.

The proceeds from the funds at the Department's disposal funded a range of programs that contributed directly and indirectly to the research activity. The areas of research were wide-ranging, including the organization of economic activity, economic theory, game theory, decision theory, technological changes and growth, labor economics, public economics, monetary economics, international trade, financial markets, and urban and regional economics. The results were published in the leading journals and in books published mainly by scientific publishers.

Publications in journals

Figures 1–4 survey the articles published in journals. A distinction is made between five journals of a general nature and six journals which specialize in various economic areas.

The five general journals are:

1. American Economic Review
2. Econometrica
3. Journal of Political Economy
4. Quarterly Journal of Economics
5. Review of Economic Studies

The six specialized journals are:

1. Journal of Economic Theory
2. Journal of International Economics
3. Journal of Labor Economics
4. Journal of Monetary Economics
5. Journal of Public Economics
6. Rand Journal of Economics

Figures 1 and 2 show the number of articles published and the number of authors in each year between 1965 and 2002 in each of the two groups of journals. From the two figures we see that both the number of articles and the number of authors in the two groups of journals reached a peak in 1978, still in the decade in which faculty members were being recruited as part of the Berglas 5–6-year plan. The two figures reflect a declining trend in publications, although more saliently in the five-journal group. While 1978 was the only peak year in the five-journal group, 1990 was an additional peak year in the eleven-journal group, and 1998 was a local peak year only slightly less than the two previous peaks.

Figure 1
Number of Articles, 1965–2002

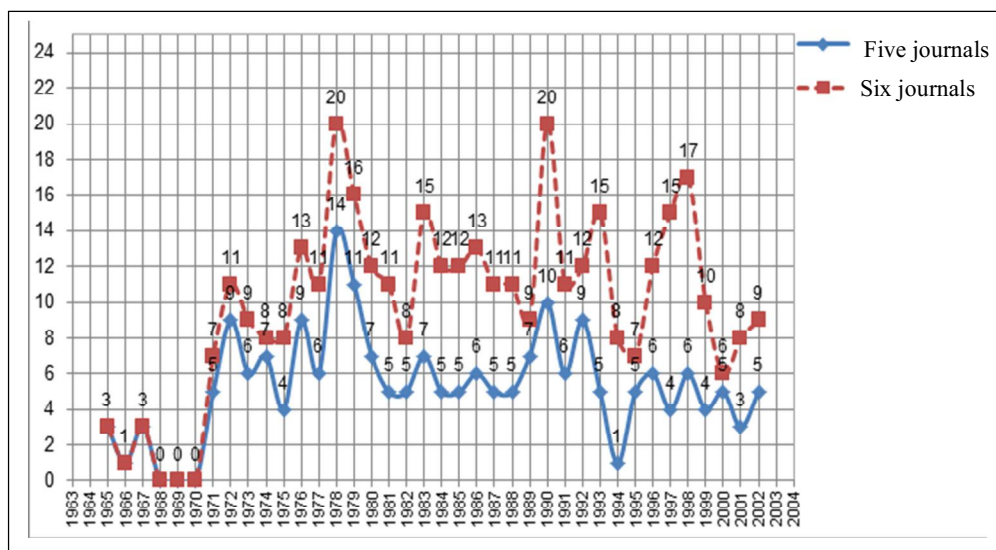


Figure 2
Number of Article Authors, 1965–2002

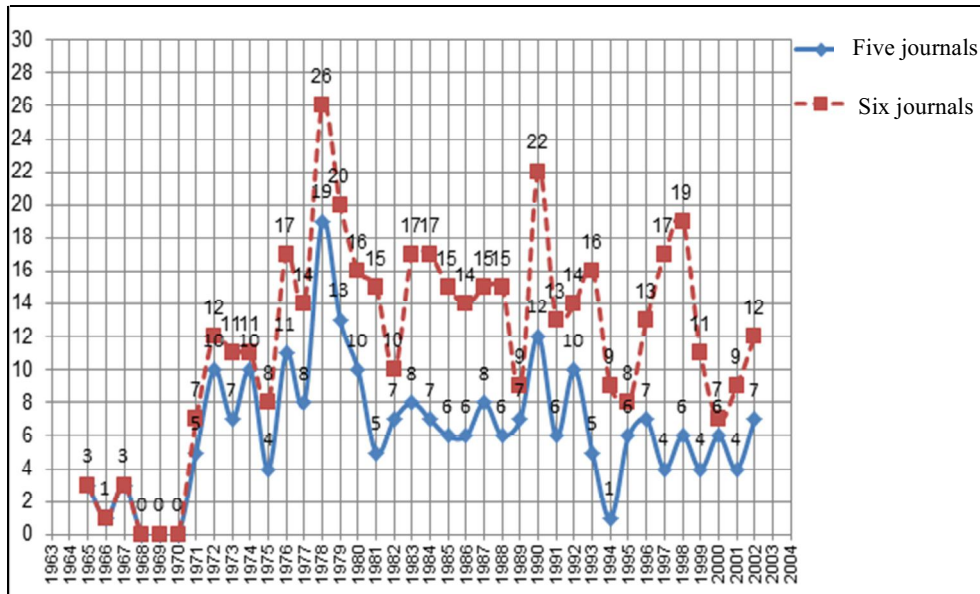


Figure 3
Number of Articles Per Faculty Member, 1965–2002

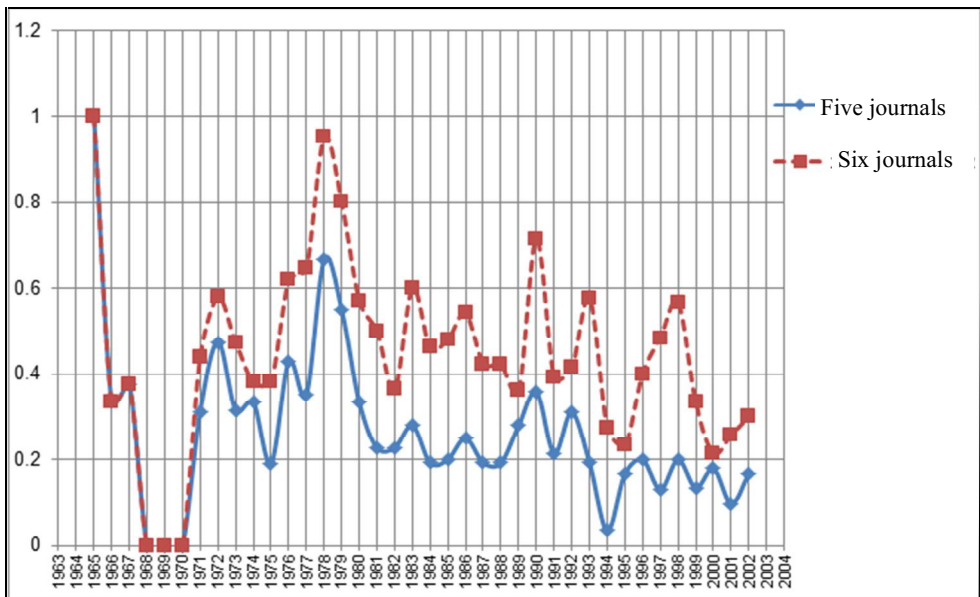


Figure 4
Average Number of Authors Per Article, 1965–2002

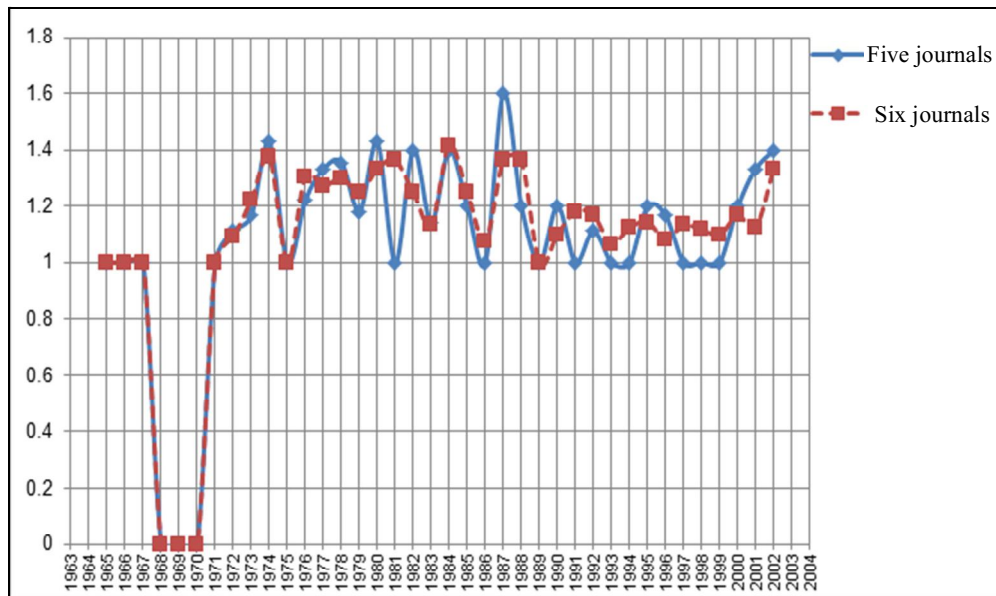


Figure 3 shows a decline in the number of articles per faculty member in the two groups of journals in the years 1965–2002. This decline is more pronounced than that reflected in Figure 1 because of the consistent growth in the number of faculty members.

Figure 4 shows the research cooperation and interaction. We see in both groups of journals in most years that each article was written on average by more than one author. At the same time, a decrease in the extent of cooperation can be seen during most of the 1990s compared with the previous decades. This index rose from the end of the nineties to the end of the review period.

The picture that emerges from the publication of journal articles does not fully reflect the research output, particularly the trend up to 2000. If we add publication in books the trend changes.

Books

In the diagrams relating to books, we differentiated between a small list that includes only books published by academic publishers and a wider list of all publishers. The academic publishers included:

1. Academic Press
2. Cambridge University Press
3. University of Chicago Press
4. Harvard University Press

The expanded list includes also books published by other publishers.

Figures 5 and 7 below both show an increasing trend, both in the number of books and in the average per faculty member, peaking in 1991 for both groups of books. Furthermore, Figure 8 shows an increasing level of interaction over that reflected in the writing of articles.

Figure 5
Number of Books, 1965–2002

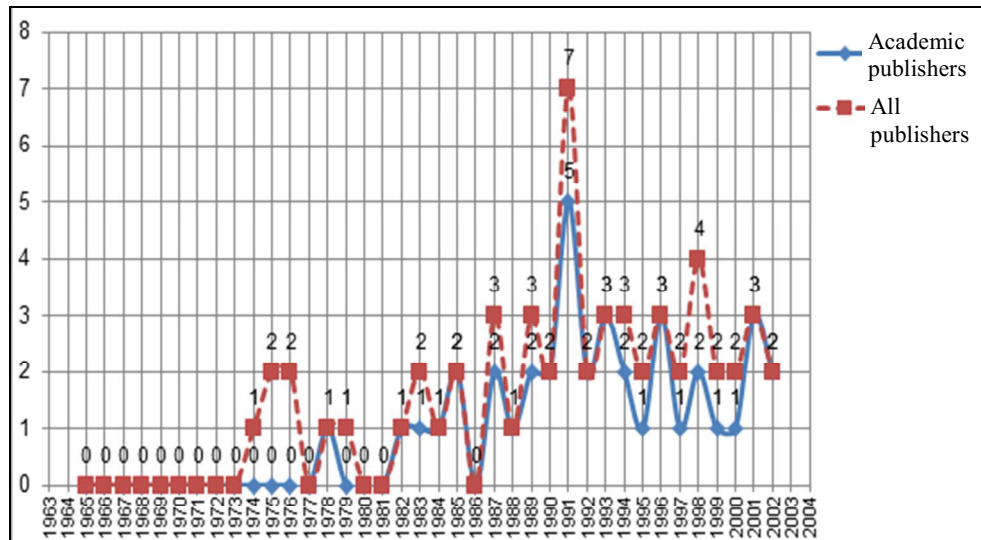


Figure 6
Number of Book Authors, 1965–2002

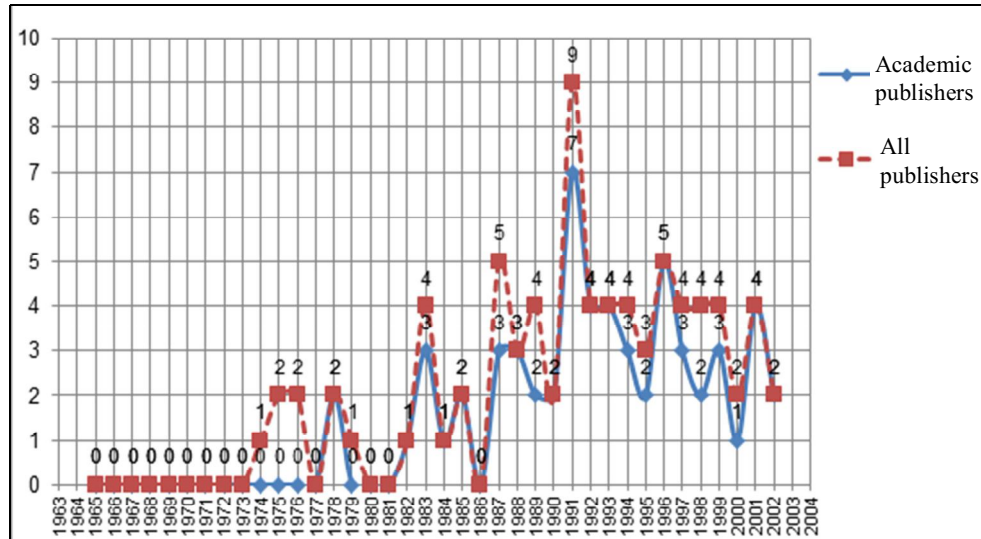


Figure 7
Number of Books Per Faculty Member, 1965–2002

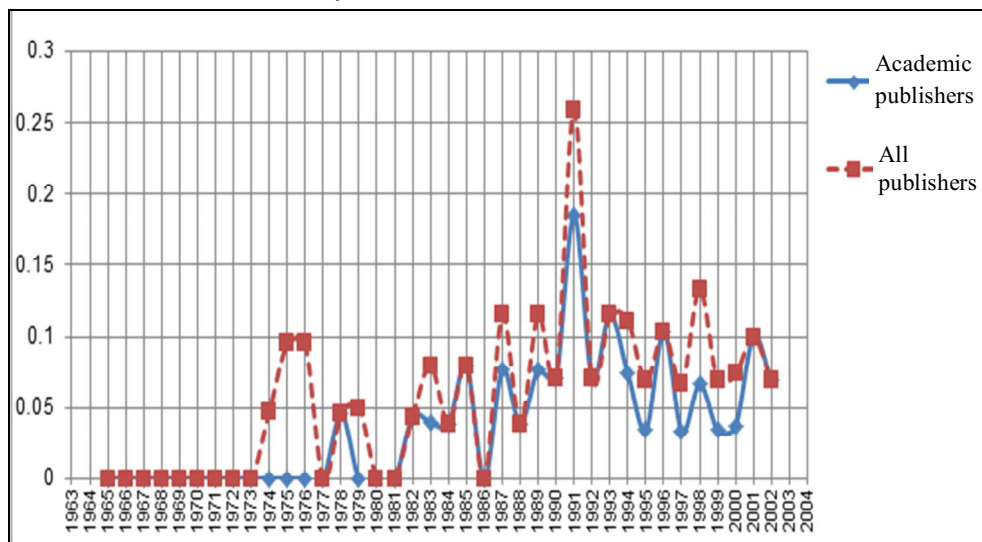
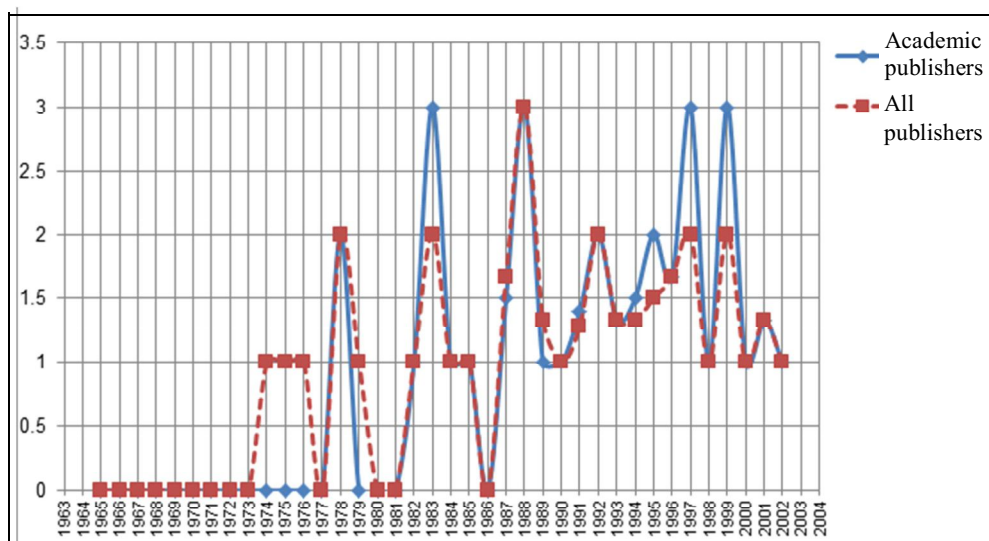


Figure 8
Average Authors Per Book, 1965–2002



By combining the diagrams relating to articles and to books, the general impression over the research period is that not only did the output not decrease, as could be reflected in

the number of articles alone, but it increased over the years, peaking at the end of the 1970s and again in the early 1990s.⁴³

Additional research activities

Besides the research projects themselves, the research funds were used to fund international conferences and guest lectures, including those delivered by Nobel laureates. In the 1970s, as part of the David Horowitz lectures, the Department hosted:

1. Gary Becker
2. Milton Friedman
3. Lawrence Klein
4. James Tobin

And in the 1990s:

1. Kenneth Arrow
2. Robert Lucas
3. Franco Modigliani
4. Paul Samuelson

In addition, lectures were delivered at seminars in memory of Berglas, Fishelson, and Pazner by:

1. Daniel Kahneman
2. James Heckman
3. Eric Maskin

8. THE EMERGING STATUS OF THE TAUED IN THE FACULTY, THE UNIVERSITY, ISRAEL, AND WORLDWIDE

Even prior to consolidation of the curricula for Bachelors and higher degrees, success in faculty recruitment, and impressive research achievements, the TAUED's status within the Faculty of Social Sciences and within TAU had been considerably enhanced, primarily due to the esteem in which Berglas and Habash were held.

⁴³ It should be pointed out that I did not claim to systematically assess the overall research output. An assessment of this kind requires complex research that goes beyond the scope of this study and the capability of this author. I will indicate just a few problems in refining the collection and assessing the data:

1. In-depth analysis is required for analyzing and classifying the data. Among other things, it was necessary to differentiate between editing books in which each chapter is a free-standing article, and books by one or more authors whose aim is to convey crystallized messages. For example, in order to compare articles to editing books, it might have been possible to evaluate the editing of a book according to the number of articles in the book written by the editors, and to count them as regular articles.

2. It is even more complicated to distinguish between books that present a new idea and those that integrate a series of earlier articles.

3. Quite a few of the books (and also the articles) were written in conjunction with authors outside the Department's faculty. In this case we dealt with the publication as if it were written only by members of the faculty. There may be room in a more in-depth assessment to reduce the weight of these publications as opposed to publications fully written by faculty members. In presenting the data and the above discussion, I have ignored these difficulties.

Leading up to the 1968/69 academic year the Faculty of Social Sciences was headed by Shapira, who had served as active Deputy Dean since the 1965/66 academic year. (He was preceded by Hershlag who was an Acting Dean, also with limited powers). Being only a lecturer, Shapira was unable to be appointed as a Dean with full powers, which were indispensable for raising the status of the Social Sciences Faculty vis a vis the other Faculties in the university. With the absence of any other suitable faculty member with the academic rank of Professor, Habash, who was already in the process of promotion to associate professor, was the only feasible choice. In the following two years the team of Berglas and Habash filled the roles of Head of the Department and Dean, both roles that Lerner filled ineffectively in the Department's first year.

Until Habash's appointment as Dean, a kind of political division existed in the university between the Faculty of Sciences, which also included the life sciences, and the faculties of Humanities and Medicine. The Faculty of Social Sciences had no influence on what took place in the university. This was a consequence of the fact that in the first three years of its establishment, the persons at its head had limited powers or did have powers but showed little interest in using them. As opposed to this, the Faculties of Exact Sciences and Humanities still had roots in the University Institutes that were the foundation for the emerging university. Furthermore, these two faculties, especially the Exact Sciences, had a higher status, with some of their department heads being prominent academic figures with defined policy objectives and decision-making ability (the Physics Department was headed by Yuval Ne'eman, the Chemistry Department by Joshua Jortner, and the Mathematics Department by Shalom Abarbanel), and the deans of the faculties having full powers. Under these conditions there was little possibility for the new Faculty of Social Sciences to influence what went on at the university, including the distribution of resources. This was similar to the situation at HU. The tradition at HU was that the Faculty of Social Sciences was to a large extent under the custody of Humanities in terms of appointments and curricula. It was freed from this domination only in 1968 (see Michaely (2007)).

Immediately on being appointed Dean, Habash found a common language with Ne'eman, Jortner and Abarbanel. It was clear to him that the Social Sciences need not be an appendage to Humanities, and that, academically speaking, they were a natural ally of the Exact Sciences. By the end of Habash's term of office as Dean, his objective of upgrading the status of the Faculty of Social Sciences at TAU had been fully accomplished.

The appointments of Berglas as Head of the Department and Habash as Dean consolidated the status of the Department, both directly within the Faculty, and indirectly, by consolidating the status of the Faculty within the university. ("Consolidation of status" means here that the Department's recommendations concerning appointments and promotions were considered properly made, and the Department's position on issues discussed at a University level was taken into consideration.)

Consolidating the status of the Faculty and the Department, which was to a large extent an outcome of the formal and informal status of Berglas and Habash and their skillful political maneuvering, could not eventually be sustained without reliable evidence of outstanding academic achievements. The flourishing period of the 1970s in the areas of curricula consolidation, successful faculty recruitment, and, most importantly, the impressive research achievements in some of the Departments in the Faculty, most notably

the Economics Department, provided the justification for the higher status the Faculty of Social Sciences achieved under the leadership of the Berglas-Habash team.

From 1978 to 1982 the TAUED was ranked worldwide in terms of research output only slightly lower than HUED (27th place as opposed to 25th).⁴⁴ From 1990 to 2000 a comparison using the same criteria showed that the TAUED had significantly overtaken the HUED in the worldwide ranking of Economics departments (38th place as opposed to 54th), even though both Israeli departments were already showing a decline in the world ranking. At the end of the above period different indices of research output appeared. The TAUED's rank was not higher than HUED's in all of them, but the superiority of the TAUED was maintained when only the most quoted journals were included in the number of quotes.⁴⁵ Moreover there were already defined areas, such as international economic theory, certain aspects of public finance, and macro, in which the TAUED surpassed the HUED.

The advantage the TAUED seemed to enjoy at that time was related, among other things, to the move of three faculty members from Jerusalem to Tel Aviv. The relationship was apparently two-sided. On the one hand, this was a group that raised the level of the TAUED in certain areas. On the other hand, it is difficult to assume that this group would have left as reputable a department as the one at the HUED had they not been convinced that the TAUED was not inferior to that at the HUED, or at least that it would surpass it following their move.

9. CONCLUDING COMMENTS

The TAUED reached the peak of its achievements in the mid-1990s, several years after it became the BSE. Toward the end of the decade a decline occurred in some of the major areas in which the TAUED had excelled in the past. The decline did not affect the area of theory (in the narrow sense), which obtained an additional boost and dominated the School with an international status at least equal to that of the TAUED in its heyday. The problem was that the areas that declined were, and still are, central in the study of Economics.

Opinions differ about some of the direct reasons that led to this situation, and the present writer is not in a position to judge who is correct. I will thus try to concentrate on several reasons that were mentioned in the interviews conducted for this study and discussions with other faculty members, including retirees—reasons that do not seem to this writer to display essential disagreement.

The period until the 1990s featured a unique set of circumstances that did not repeat itself in either the HUED or the TAUED, namely, a group of exceptionally talented students, who wished to develop their careers in Israel despite the options available to them abroad⁴⁶ Once their careers were fully developed, outstanding faculty members were

⁴⁴ See Hirsh, Austin, Brooks and Moore (1984).

⁴⁵ See Coupe (2003).

⁴⁶ As one of the interviewees said: "...I saw my future in Israel, something that characterized my generation as opposed to the new generations that didn't return to Israel."

confronted with offers they couldn't refuse⁴⁷, in the form of attractive offers from abroad or even from private colleges in Israel, as well as options in the private market and in public positions, that motivated them to take early retirement. These centrifugal forces intensified, among other reasons, because of the erosion of salaries in the universities relative to the United States and the relevant local private market.

Out of erroneous budget considerations, the universities encouraged early retirement without any connection to the faculty member's qualifications and in the absence of anyone with comparable qualifications among potential replacements. Naturally the most talented faculty members equipped with the attractive offers retired prior to the mandatory date. Furthermore, in order to avoid unsuitable appointments, the BSE chose not to immediately fill some of the vacancies created by retirement or denial of tenure from faculty members, due to the established high standards. The university automatically withheld such vacancies. This policy motivated lowering the height of the bar used for awarding tenure to veteran faculty members in order to retain the position rather than to lose it altogether.

These policies were responsible for a decline in the status of the BSE within the Faculty and the university.

The result was a vicious circle: The failure of the BSE to recruit candidates with academic capabilities equal to those who retired or left for other reasons lowered the status of the BSE. This lower status induced less responsiveness to the BSE's needs and withholding several established privileges it had enjoyed before, thus further diminishing its status.

Admittedly, the earlier success was accompanied by what can be perceived as a bit of arrogance. Then, when the BSE could not exhibit the same achievements as before, its requests were often denied, giving some a feeling of a sort of revenge. This was especially noticeable at the university level. In extreme cases, this reaction to the perceived arrogance of the TAUED's members in the past was reflected by mere contempt on the part of the Rector as head of the appointments committee for the School's recommendations regarding promotions. In one case, a recommended promotion was based, among other things, on the accepted criterion in the United States regarding tenure and promotions, namely, the alternatives that a candidate has in leading universities. This rationalization for the promotion was almost rejected as if it were inherently immoral. Luckily, the promotion was eventually approved and the resignation of a very worthy faculty member was avoided.

This same rector ignored, in the best case, and held in contempt, in the worst case, a report of a committee of respected academics from Harvard, MIT, Northwestern (the chairman) and Stanford that recommended preventing the continuing decline in the state of economics studies in Israel (as reflected in the drastic decline of the Israeli departments in the world ranking) by establishing research institutes.

⁴⁷ In one case the president of one of the world's leading universities offered a faculty member in the Department research conditions that would free him from all livelihood concerns. In another, less dramatic case, someone who took early retirement and joined one of the private colleges succeeded in more than doubling his overall income including pension relative to his university salary. About the growth in expected income for a retiree who moves to the private market, one can only dream.

Up to the beginning of the 1970s TAUED had an (informal) leadership that was accepted by all the faculty members, that worked in complete harmony, and that attained the achievements that are described in this study. From the early 1970s the leadership changed gradually as dictated by change in the faculty composition, and the new leadership continued to be accepted and to work in full harmony and with success. When the time came to pass the baton of leadership to those who had joined the TAUED in the 1980s and 1990s, there was no group to pass it to, because there wasn't a cohesive group that could work harmoniously with the full trust of the faculty members. This failure was mentioned by some of the interviewees recorded in this study and other past and present members of the Department as the major reason for the BSE's decline. There is, however, no agreement as to the causes for this or who was responsible for the failure in consolidating a new leadership that would have been able to take over the reins of the BSE in the mid-1990s.

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