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Abstract

Political analysis of the interaction between politicians and bureaucrats in Israeli healthcare policy reveals asymmetry of information in favor of the bureaucrats at the Ministry of Finance (MOF). This asymmetry is due, inter alia, to a lack of transparency in the national budgeting process. We present the balance of power between the players in the Israeli health policy arena, pointing to the MOF bureaucrats as the most dominant players – though their power is not as absolute as it seems. Quite a few indications points to the 'non-democratic' strategies of these bureaucrats in their interactions with the other players. The empirical findings show that, alongside bureaucrats' expertise, strategies based on concealment, manipulation in presentation of information, lack of transparency and "buying" politicians ('bribes for budgets') establish the dominance of the MOF's bureaucrats in the policy arena. This behavior contributes to extreme distrust between the various players in the Israeli health care policy arena. Under structural conditions of centralization, the other players tend to find alternative solutions for promoting the public policies they seek. Sometimes, they even choose to cooperate with the MOF bureaucrats and to adopt their strategies.

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Introduction

Politician-bureaucrat interactions have been suggested as characterizing all policy outcomes. Politicians are often faced with the problem of how bureaucrats are doing their jobs, and it is costly to acquire information about this issue. Moreover, the information is asymmetrical. Bureaucrats are more likely to be experts in their policy areas than are politicians and will always have private information about their own performance which they do not share with politicians (McCubbins, 1985). This imbalance creates the potential for an ineffective decision-making process, as policy may lean toward the various interests of the bureaucrats (Dunleavy, 1992; Peters, 2001) and decrease the social welfare (Niskanen, 1971).

The literature also suggests that the bureaucrats' expertise helps them to adopt strategies of concealment and lack of transparency regarding the manner of implementation of public policies, and especially the budgetary aspects of their activities. However, most of the research which examines this issue pays more attention to the strategies and lack of transparency of bureaucrats from other offices and less to the strategies of the Ministry of Finance (hereafter: MOF) bureaucrats. While most OECD national budgets are much more transparent in the 21st century than formerly, and the process is more exposed to outside influence, they are not yet fully open (Schick, 2003: 30). Indeed, the literature shows that politicians can use interest groups, courts, and budgets to assert political control over bureaucrats. However, what happens when the bureaucrats are not an 'ordinary' budgeted agency, but rather the ministry which is responsible for budgeting all other ministries?

As in most places around the world, the bureaucrats at the Budget Division in the Israeli MOF are very powerful players in the public policy arena. Despite their important role and the fact that without them it is very difficult to maintain a responsible and balanced budget, their great political power and their controversial conduct arouse a lot of criticism. Since 1985, the power of these bureaucrats has increased because, *inter alia*, of a new policy tool, as will be described next. Despite claims about their dominance in the public policy design process (Gabbay, 2009), their ideological support of market theory as a mechanism for efficiency and quality (Gross, Rosen and Shirom, 2001: 6) and the strategies they use to promote desired policy (Avnimelech and Tamir, 2002), there is a basic lack of any systematic analysis of these elements, as well as of the world view of these bureaucrats, their interactions with other players in the health policy arena and the attitudes and perceptions of the other players toward these powerful bureaucrats.

A recent study found that Israel is characterized by both low transparency regarding its national budget and fiscal imbalance. Benito and Bastida (2009) find a positive relationship between national government fiscal balance and budget transparency. Transparent budgets enhance politicians' commitment to be fiscally responsible. Lack of transparency and voter confusion can interfere in a negative way with effective budget control, particularly when substantial fiscal adjustments are needed. The more information the budget discloses, the less the politicians can use fiscal deficits to achieve opportunistic goals.

This paper describes and explains the conduct, worldview and the impact of the MOF's bureaucrats on health policy in Israel. While focusing on the issue of transparency in the national budget process, the paper will provide indications regarding the interactions between MOF bureaucrats and other players in the arena, and describe the different strategies used by them. Incidentally, we will provide a snapshot of the balance of power in Israeli healthcare policy as it appear from the personal perspectives and attitude of the main players in the arena. In addition to interviews with politicians, bureaucrats, decision makers and researchers, the empirical analysis is based on textual analysis of literature, reports, records of the *Knesset* (Israeli parliament), print and online media and rulings.

The paper is structured as follow: focusing on the issue of transparency in the national budgeting process, **Chapter 2** offers a theoretical basis and discusses the issue of politician-bureaucrat interactions. **Chapter 3** presents a current snapshot of the balance of power in the health policy arena, based on analysis of interviews with politicians, bureaucrats and other decision makers in the Israeli health care system, as well as leading researchers in the field. **Chapter 4** focuses on the Budget Division bureaucrats in the Israeli Ministry of Finance and presents some of their worldview, motivations, and the considerations that guide them. In **Chapter 5** the article goes further into focusing on the effective policy tool which is used largely by the Budget Division bureaucrats – the Economic Arrangements Law – and describes the conduct of the Division in its use of this law. One of the claims this paper makes is that, despite the fact that all agree that the MOF bureaucrats are the dominant player in the Israeli health policy arena, their influence is not as absolute as it seems. Moreover, this office's influence is not always intentional and is sometimes ineffective as a result of its strategies of "improvisation", lack of transparency and concealment. The final chapter is devoted to a summary and discussion.

Politicians, bureaucrats and public policy

One of the most central topics in public administration literature has been politician-bureaucrat interactions and relationship. The traditional perspective for many years held that there was, or at least should be, a clear dichotomy between politics and the administration. According to this dichotomy, the politician, as sovereign representative of the public's values and interests, is in charge of policy shaping, while the bureaucrat is a subordinate policy executor, whose major concern is to implement that policy with efficiency. In Woodrow Wilson's (1887: 210) words: "Administration lies outside the proper sphere of politics". Following this rationale, Simon (1947) relying on Barnard (1938), argues that authority comes from below, claiming that politician-bureaucrat relationships can clearly be seen in similar terms, and conceptualizes this relationship between superior and subordinate as reciprocal, with both actors shaping aspects of their joint action.

This classical dichotomy has of course long been challenged (Peters and Pierre, 2004). Aberbach, Putnam, and Rockman (1981) pointed to the growing involvement of civil servants in what had traditionally been described as 'political' roles. Thus, the Woodrow-Weberian ideal distinction between politicians who make policy and bureaucrats who merely implement it does not realistically describe their roles in modern democracies. Yet the proposition that the roles have converged completely was also rejected: if some functions, such as formulating policy and brokering interests, have come to be shared by both politicians and bureaucrats, others still tend to be the preserve of one or the other elite. Bureaucrats still tend to dominate policy and implementation, whereas politicians still tend to be the articulators of ideals (Aberbach, Putnam and Rockman, 1981: 239).

Another challenge toward the Woodrow-Weberian ideal distinction was suggested by Peters (1987). According to his "administrative state" ideal-typical model, bureaucrats dominate the policy process thanks to their expertise, making the role of political leaders marginal. Similarly, theoretical models of delegation and agency-politics relationships have been developed (Bendor, Glazer, & Hammond, 2001; Moe, 1995).

However, the most significant contribution to the literature regarding politician-bureaucrat interactions was that of Niskanen (1975; 1971). Niskanen explains that most bureaucrats in the government sector have a strong incentive to expand the organization for the sake of their power and positions, which is why bureaucrats endeavor to maximize their budget.

Although politicians do have ways to monitor bureaucracies, they are costly. Thus, social welfare will not be at Pareto optimum because of the structural imbalance between politicians and bureaucrats. Whatever their genesis, agencies face the pending problem of gaining a minimum level of autonomy, which is the capacity to change the agenda and preferences of politicians and the organized public (Downs, 1967). Hence, by adopting the notion of "rent extraction" into this discussion, one can see the interaction between politicians and bureaucrats as a struggle between two rent extractors. The creation of rent-seeking contests in order to "profit" from the rent-seeking activities elicited is called rent extraction (McChesney, 1997). Because government officials benefit from most government sponsored rent-seeking and status-seeking contests, they have good personal reasons to create such contests and to maintain (and seek) authority to create contests in which they can determine winners and losers. Hence, it is authority or power asymmetries that may allow such unbalanced interaction to be created (Congleton, 2010).

Politicians and bureaucrats usually interact in a world of asymmetric information. Following this rationale, when the politician's cost of auditing the agency is high, the agency can extract more, and politicians anticipate this by adapting to it in their design of agencies. The cost of auditing depends on the technology available for monitoring, and the ability of an interest group to monitor the agency's choices and performance and relay that information to politicians. If politicians can audit the bureaucracy, then they may be able to reduce the bureaucratic agency's exploitation of the information asymmetry for its own purposes. But if auditing is costly, neither politicians nor the agency can extract all of the political gains: some resides with the agency, and some resides with politicians. The cost of auditing induces the agency to either accurately or inaccurately represent the truth: the higher the cost of auditing, the more the agency can exploit the information asymmetry and extract political gain (Banks and Weingast, 1992).

Given this reality, it seems that bureaucrats will always be relatively much powerful than politicians. However, this asymmetry does not always happen. The information a bureaucrat holds is based on expertise, not formal authority (Altfeld and Miller 1984) so politicians seek defenses against expertise-based manipulation (Bendor, Taylor, and Van Gaalen 1987). Hence, effective interest groups can provide the politicians with information about optimal delegation (Austin-Smith 1997; Banks and Weingast 1992; Bennedsen and Feldman 2002; McCubbins, Noll and Weingast 1987; McCubbins and Schwartz 1984) and balance between these two players.

From a principal-agent theory, another action politicians may use in order to balance the information gap between them and the bureaucrats is political appointments (Wood and Waterman 1991). According to Moe (1985), the key mechanism of executive control is the power of appointment and removal. Modern presidents select political leadership not only for their expertise and to reward supporters but also for their ability to administer the president's plan. In order to ensure that bureaucrats respond as they desire, politicians can also use direct orders (Chaney and Salzstein 1998), or “deck-stacking” administrative procedures (Balla 1998).

However, what happens when the bureaucrats are not an 'ordinary' budgeted agency, rather the ministry which responsible for budgeting all other ministries?

The Finance Ministry Bureaucrats' Power, Asymmetric Information and Motivations

As described by Wildavsky (1993), participants in the budgetary process play two main roles: they are either guardians of the treasury (*savers*) or advocates of program spending (*spenders*). Hence, he argues, budgetary outcomes should be analyzed by focusing on the interplay of budget players performing the highly stylized institutional roles of guardians and spenders of the public purse. In this context, the '*savers*' are usually the Ministry of Finance.

Ministry of Finance staff are in most cases the most powerful, if unpopular, bureaucrats. As guardians of the national Treasury, they must often tell politicians and bureaucrats that the state lacks the resources to carry out projects they desire (Wildavsky, 1975). The MOF has a number of resources it can use to affect decision-making in public policy. These bureaucrats are traditionally considered by other ministries and agencies as dominant and powerful players in the public policy arena. Hence, strategically, agencies do not usually request all the money they feel they could profitably use. If an agency continually submits requests far above what it actually gets, the MOF loses confidence in it and automatically cuts large chunks before looking at the budget in detail. It becomes much more difficult to justify even the items with the highest priority because no one will trust an agency that repeatedly comes in too high (Wildavsky, 1974).

The information the MOF possesses is likely to be better than that of other ministries. While every other ministry or agency is generally confined to its specific ministry/agency responsibility, the MOF holds the big picture at the macro-national level. Control over this information is a major source of power for the ministry. This does not mean that the MOF

always has the final word on economic matters. Politicians and bureaucrats of other ministries have ways of evading, ignoring, or otherwise dealing with opposition from the Ministry of Finance.

MOF bureaucrats are special players in the public policy arena. These bureaucrats are quite different from most other bureaucrats. The main difference lies in the fact that they recognize their ability to control and restrain the public budget as a very important element of their professional and personal success. Of course, this does not mean that they do not seek to increase their own organizational resources and budget as do all other bureaucrats. However, during socialization processes within their organization, restraining the national budget becomes the most important goal. Often, these processes lead them to focus on short-term objectives such as reducing the annual national budget, instead of more long-sighted calculations of economic efficiency and cost-effectiveness, and cost-benefit analyses. Moreover, given an organizational culture which usually emphasizes the importance of budgetary control as a "holy value", other values and policy objectives, such as equality or distributive justice, will be neglected. Transparency, as will be shown later, will also be a value to be ignored when cuts to the annual national budget are on the table.

Transparency in Government Financial Process

A budget is a proposed action plan for government, defined in financial terms, that gives direction to the execution of policies and programs. The public budget is a fiscal statement describing the revenues and expenditure of all governmental units, as well as mechanisms for controlling, managing, planning and evaluating the activities of each governmental unit. Budget transparency is the public availability of information regarding governments' decision-making procedures and transactions (Premchand, 1993). The case for fiscal transparency rests on fundamental principles of public finance: stability, efficiency and fairness. Overall, fiscal transparency tends to be associated with fiscal discipline and enhances good governance, thus contributing to improved economic performance (Kopits and Craig, 1998: 4). Lack of transparency in the public sector, particularly in financial management, means the perpetuation of costly inefficiencies. Transparency is important not only for the tasks of competent economic authorities but also to reduce incentives to be fiscally irresponsible and thus control budget deficits (Rogoff, 1990). If only elites exercise the option to participate, than the self-interest of those participants can accentuate the propensity of policymakers to follow incentives other than welfare maximization.

In order for a budget to be transparent, its data should allow the systematic and timely release of all relevant fiscal information, room should be given to an effective role for the legislature (scrutinizing budget reports, discussing and influencing budget policy, holding government accountable); and there should be an effective role for civil society through the media and non-governmental organizations (influencing budget policy, holding government accountable (Blöndal, 2003). These three elements work together. The scrutiny of fiscal information by the legislature and by civil society can only take place if the information is released in the first place. Similarly, released budget information is only of value if it is effectively scrutinized by the legislature and by civil society. The legislature and civil society have a very similar function, the former is responsible for shaping budget policy and for holding government directly to account while the latter performs this role indirectly (ibid: 21).

However, transparency regarding the public policy and budget is usually not recognized by politicians and bureaucrats as a good self-interest strategy. A long time ago, Lasswell (1936) noticed that politics play a major role in any collective budget process. Wildavsky (1961) and Good (2011) noted that officials soon learn that budgetary control means policy control. Formulation of a budget proposal within the executive, presentation and approval of the budget in the legislature and implementation of the budget by the bureaucracy are all highly political stages. The complexity which characterizes the budgets of most modern economies allows for the implementation of practices that aim to hide the real budget balance and government liabilities (Benito and Bastida, 2009). Policy makers benefit from ambiguity even in the case of a rational electorate, a scenario which of course does not always exist (Caplan, 2007). By obscuring the way policies translate into outcomes, policy makers can retain a strategic advantage over rational but not fully informed voters. Several “tricks” may influence taxpayers and voters’ perceptions, such as overestimating the expected growth of the economy, underestimating the future costs of expenditure programs, or keeping items “off the budget” (Alesina and Perotti, 1996). The public sector is criticized for a lack of clarity in specifying both departmental outputs and reliable performance indicators (Scott, Bushnell and Sallee, 1990).

Fiscal rules operate at the crossroads of politics and economics. The relationship between rules and political and economic conditions is bilateral. Every rule has the potential to redistribute political power, alter budget outcomes and other policies, and influence economic conditions. But the reverse also holds: political and economic conditions influence the effectiveness of budget rules (Schick, 2003). Contemporary democracies have much more active groups now than they had in the past, many of which have greater access to budget makers than they once did. While most national budgets are not yet fully open, they are much

more transparent than they used to be, and the process is more exposed to outside influence (Schick, 2003). However, in many cases, and especially in the Israeli case – as will be shown next – MOF bureaucrats have little incentive to issue simple, clear, and transparent budgets.

The Israeli Healthcare Policy Arena: The Players and the Balance of Power

The analysis presented next is based on 71 unstructured interviews with ministers, heads of *Knesset* committees, senior officials in the Ministry of Health, senior officials in the MOF, directors of various departments of Health Services, decision makers in non-governmental organizations and researchers of health services and the health policy arena in Israel. It will be later indicated that of the 71 interviewees, 47 were, *inter alia*, queried about their positivist evaluation of the balance of power in health care policy. The interviewees were selected according to their willingness to participate in the research (convenience sampling) and on the 'snowball' sampling method (Cohen and Arieli, 2011). There was an aspiration to reach the maximal representative sampling quota of the important participants in the healthcare policy arena. Most of the interviews were face-to-face and their important parts were transcribed. A few were telephone or postal interviews. This big sample is used as a new database for the positivist examination of occurrences in the healthcare arena in Israel. There is a list at the end of this paper of the interviewees who are quoted in it. Due to its length, the complete list of interviewees who were sampled for this research are detailed in another research paper (Cohen, 2010: 193-195).

The interviews revealed four main trends. The **first** emerging trend is the frequency of essential positivist and normative differences between the perceptions and beliefs of various players – even though they sometimes belong to the same groups or organizations. There are gaps between the comments of the various interviewees about the current reality and their perceptions of the essence of the ideal situation. One way to explain this may be the fact that healthcare policy is a very wide field with many aspects, perspectives and disciplines, and which interfaces with a wide range of areas. Hence, it is difficult to find players who clearly identify the various trends in the overall view. It is particularly hard to find players who are of one mind. In this context, one of the most interesting points is the prevailing disagreement about the definition of health funds and the normative nature of their activities. Serving MOF bureaucrats who were asked about the subject clearly define the health fund as a private organization or an organization which "can absolutely be considered as private" (interviews: Cogan; Bar Siman-Tov). However, the bureaucrats from the Health Ministry consider them as

non-profit organizations or even a public organization because: "...this is not a pure non-profit organization. You get the money from the State..." (interview: Lifshitz).

The **second** trend is that all the players including Treasury officials, consider the bureaucrats in the MOF as the most dominant and influential players in healthcare policy. Among the interviewees who were asked and agreed to answer the question: "Who do you think are the most influential players in healthcare policy in Israel?", all 47 interviewees mentioned the Treasury officials as the most essential players in the arena. Interestingly enough, those who did try to lessen the authority of the Treasury and claimed that "it has a certain influence" were mainly MOF officials. No Treasury official claimed that the Treasury is an extremely dominant influential player. It is likely that the interviewees in service will be extremely motivated to lessen their relative power because they do not wish to empower those who object to them. This matter also emerges in interviews with employees who quit their job in the MOF. Therefore, one can assume that MOF bureaucrats do not consider their power as absolute, as it is described by other players. Hence, external players do not identify the MOF's restrictions and the various constraints they have to encounter. In addition to the MOF officials, some other players are evaluated as influential on healthcare policy in Israel. In the paper, they will be graded according to their relative importance.

Table 1: The main players in the Israeli healthcare policy arena.

Players	Relative Grading	Number of Interviewees Identifying them as Players	Percentage
MOF bureaucrats	1	47	100%
Ministry of Health bureaucrats	2	31	66%
Directors of Health Funds	2	31	66%
Israel Medical Association	4	27	57.4%
National Nurses' Union	5	21	44.7%
Farm Workers' Organization and Administration	6	20	42.6%
Medical Insurance Companies and Manufacturers of Medicines	7	15	31.9%
<i>Knesset</i> Committees	8	14	29.8%
Finance Minister (the politician)	9	8	17%
Israeli Judicial System	9	8	17%
Organizations of Sick People (Israel Health Consumers Association)	10	5	10.6%
The media	10	5	10.6%
Academy (including the Israeli National Institute for Health Policy Research)	11	3	6.4%

As demonstrated in Table 1, the Health Ministry and the health funds are in second place of importance as influential players. This is seen when 31 of the 47 interviewees defined them as an influential player (66%). Essentially most of the interviewees emphasized that the *Clalit* and *Maccabi* health funds are very significant players and lessened the power of the *Leumit* health fund as an influential player/participant. It is also important to indicate that many employees of the health funds, as well as employees of the Ministry of Health or senior officials in those organizations, do not consider the Ministry of Health and the health funds as important players in the overall view. This was argued by former Health Ministry General Director (interview: Shemmer): "...The Health Ministry is not pertinent" and "...it should be deleted..." [from the list of players who influence healthcare policy]. The same applies to directors of health funds who: "as a group are not a player..."

Directors of governmental hospitals were graded in third place of the most influential players. In this case 28 (**59.6%**) of the interviewees who responded consider governmental hospital directors as influential players on healthcare policy; however there were also reservations in this grading. Another former Health Ministry Director explains that the main players are: "...the four health funds, the healthcare and the Treasury..." The rest are not significant players. They are "players who can obstruct changes and oppose them. Nevertheless, they do not make policy..." (interview: Shanni). Shemmer agrees and claims that hospital directors (similarly to the directors of the four health funds) "...as a group – they are not a player...only as soloists..."

The next player to be graded was the Israeli Medical Association (hereafter: IMA). Twenty-eight (**57.4%**) of the interviewees who responded define this association as an influential player on healthcare policy. Even here there are interviewees who do not consider the IMA as a significant player (interview: Shanni). Some of the interviewees, such as Haim Oron, an Israeli parliament member, claim that the IMA has become a more essential player in the last decade (interview: Oron). The next associations to be graded as important players were the National Nurses' Union (**total 44.7%**) and Farm Workers' Organization and Administration (**total 42.6%**). Even though most of the interviewees did not indicate that the latter associations are influential players, it is clear that these two associations cooperate and join forces. Therefore, they become a more powerful player, as explained by Cogan, Israeli MOF bureaucrat which was in charge of health budget policy (interview: Cogan). The next to be evaluated as an essential player are the private insurance companies (**total 31.9%**). This is an important fact because their relative importance as a player does not appear in research literature. Their reversal to a player in recent years is in step with the characteristic

privatization of the Israeli healthcare system (Filc, 2001) and with the fact that the private part of the national expenditure on healthcare needs has increased in recent years. Regarding private insurance companies, some of the interviewees do not evaluate their ability to be a significant player. For instance Shanni explains that: "the insurance companies too... [are not important players]. They only take advantage of the weakness of the system for whatever way they can benefit from it...".

Many interviewees (**total 29.8%**) also evaluate the *Knesset* Committees. This is an interesting finding because no interviewee explicitly introduced the Health Minister as an influential player. A possible reason for this is that some of the interviewees place him under the Finance Ministry. Another plausible reason may be that the Minister is simply not evaluated among the majority. In this context, most of the interviewees claim that the majority of politicians in Israel are not interested in being the Health Minister because of cost/benefit considerations.

The Finance Minister and the courts are also suggested as influential players on the healthcare system (**total 17%**). Even though not everyone attributes importance to them, the General Director of the Health Ministry clearly claims: "...the court room is remarkably important [as a player]... The Justice Ministry and the Attorney General also have very strong positions. Some things are accepted and some things are rejected – according to the decision of the Attorney General". (interview: Yisraeli). The importance of the media and organizations of sick people, for instance the Israel Health Consumers' Association, are graded next. A similar number of interviewees (**total 10.6%**) responded that they are influential players. The Academy and the Israel National Institute for Health Policy Research receive a low percentage (**total 6.4%**), as do the Civil Service Commission, Local Councils and the Office of the Prime Minister (**each of them with a total of 2.1%**). The National Insurance Institute of Israel charges health taxes. Nevertheless no interviewee assessed it as an influential player.

It is not surprising that none of the interviewees claimed that the public in Israel is an influential player in the healthcare policy arena. However, although empirical findings indicate that the Israeli public would like to enhance the State's involvement in providing health services, and is even ready to pay more taxes, nevertheless the public does not directly affect occurrences in social policy in Israel (Cohen, Mizrahi and Yuval, in press).

The **third** trend is a severe basic distrust between the various players in the arena. Politicians distrust bureaucrats; bureaucrats distrust other bureaucrats, and so on. The prevailing assumption is that, concerning the formation of healthcare policy, the MOF

bureaucrats, the dominant players in the arena, demonstrate aggressiveness and centralization. The general consensus is that the influence of the bureaucrats in the MOF is greater than the influence of the MOF Minister. Furthermore, in order for the MOF Minister to stop them, it is necessary to have two simultaneous conditions – a Minister with a strong political power and the support of the Prime Minister. The power of these bureaucrats is mostly found in the weakness of the politicians and the political instability in Israel. Practically most of the power of the MOF is possible due to the absence of a dominant political presence whose policy must be applied. In this context, most of the interviewees assume that the relative power of the Health Ministry is an extension of the MOF. This extension has kept in line with the MOF in recent years. The **fourth** trend is that most of the interviewees agree that in recent years there has been retreat and reduction in the public character of health services in Israel. Those interviewees emphasize the ongoing trend of the privatization of the healthcare system. The minority that disagrees with this claim includes mainly bureaucrats from the MOF.

The Budget Division in the Israeli MOF – between Ideology and Interests

The Budget Division acts as a central professional unit in the MOF and is responsible for setting the government's economic policy. As such, the Division is often portrayed as an autonomous unit which does not always act according to the Finance Ministry General Director's authority. The burden and responsibility imposed on these bureaucrats is great, and the criticism directed to them from politicians, other bureaucrats, various different interest groups and NGOs is significant – though not always justified. At the beginning of 2011, this situation also served senior MOF bureaucrats outside the division as the basis for a claim that the MOF should perform extensive structural change in its organizational structure. An allegation raised by the MOF Director General himself was that the policies shaped today by the Division lack strategic research backup, and that the MOF should not be satisfied with the economic advice of the Budget Division only. The argument was that since the Budget Division is too small, it has no critical mass, therefore its effect on MOF tasks is too small (Bassok, 2011).

Many of the MOF's bureaucrats are talented young people who consider their duty as a combination of a public mission and an opportunity to promote their professional career. However, even if the claim is that only ideology and values dictate the activity of all the bureaucrats in the MOF (interview: Cogan), many emphasized that for some of the young bureaucrats, their duty in the MOF is only a "springboard" for the rest of their career

(interview: Friedman). Personal interviews conducted by serving bureaucrats in the Budget Division are an important sorting stage affecting the recruitment of new candidates. Preservation and stabilization of the political power of the Ministry were perceived as an important motif in its activity (Abulafia, 2008: 68). The criteria for the evaluation of the quality of the functioning of the bureaucrats in the Treasury are not only concentrated in their contribution to the public welfare. They are based on various measures, such as the credit rating of Israel by various international credit rating companies, measured mostly by the reduction of deficits (interview: Loewenthal). Therefore, the bureaucrats concentrate their maximal efforts on restraining the annual national budget, and not necessarily on maximizing the public welfare by long-term cost-benefit calculations. It is a fact that a number of them publicly declare that "within five to ten years" they will be interested in working in the private sector (*The Marker*, 2008). According to the previous principle, it is likely that they will focus on the objectives which will be evaluated by their prospective employers – in the private sector, public welfare is usually not the only criterion which reflects the worker's success. This pattern of conflict of interests is not, of course, unique to MOF bureaucrats, as already suggested by Stigler's (1971) 'regulatory capture theory' and discussed by Peltzman (1976) and others (Niles, 2002; Mullins, 1997; Olson & Trapani, 1981). However, in the Israeli case, the clear asymmetry in the balance of power in favor of the MOF's bureaucrats increases the potential of this problematic issue.

Moe (1995: 143) explains that when a new agency is created, the "political world becomes a different place". That is also the case when an agency or bureaucratic agency is reformed. Since the mid 1980's, the political power of the MOF has increased and it has become the dominant player in the public policy arena in Israel (Ben Bassat and Dahan, 2006). The 1985 stabilization plan (and in its formal title: the Emergency Economic Stabilization Plan) was both accepted and implemented, contributing decisively to the subsequent radical liberalization of Israel's political economy. The program aimed to explicitly seek to break with prior approaches to resolving a major economic crisis, and was launched under conditions usually viewed as conducive to far-reaching institutional change: instability, uncertainty, and erosion of prior conceptual frameworks (Mandelkern and Shalev, 2010).

Despite the traditional concern of the Treasury officials about the National Health Insurance Law, as explained by a former MOF General Director (interview: Lifshitz), since its legislation, the MOF has strengthened its position as the strongest player in the healthcare arena (Horev & Babad, 2005). This does not mean that the MOF always has the final word on all social and economic matters. Politicians and bureaucrats of other ministries have ways of

evading, ignoring, or otherwise dealing with opposition from the Ministry of Finance. The bureaucrats in the Budget Division define themselves as a "leading partner" in the formation of healthcare policy in Israel (interview: Cogan). However, the Treasury is, in practice, evaluated as the most dominant and influential player in the healthcare system in Israel (interviews: Oron; Balshar; Bin-Noon; Sneh; Rammon), even though it is sometimes restricted by various constraints such as public opinion (Shanni) or sanctions of the *Knesset* Finance Committee (interviews: Gissin; Shvarts).

An interesting finding in this context is that the power of the MOF also emerges from its organizational culture. The perception is that members of the Budget Division "speak with one voice". Hence, as explained by the Budget Division bureaucrats, even though there are controversies between them – "as soon as a decision is made – everyone keeps in line with it..." (interview: Friedman; Cogan). In contrast, the Health Ministry is often perceived as a ministry which "is not on the same wavelength ...", as explained by one of its senior officials (interview: Frost). However, throughout the years, MOF bureaucrats often failed in passing proposals which they considered important, and as a former Deputy Director General of the Division explains, they were sometimes passed by one vote (interview: Peletz).

Throughout the years, incremental policy and budget have been dominant in most countries, including Israel (Gal-Nur, 2011: 139). Similarly there is a marginal change in the health budget, as is claimed by Treasury officials (interviews: Lifshitz; Friedman; Cogan). Therefore, they assert that they can "play" with only four to five percent of the budget (interview: Friedman). Still the MOF has a remarkable ability to influence many aspects of the healthcare system (interview: Gannor). In the interviews, MOF bureaucrats compare their activity in the healthcare system to "steering a heavy cargo ship" (interviews: Peletz; Friedman; Cogan). One can expect that the most successful changes will largely be the incremental ones. This is expected because of the complexity of the healthcare market, the level of the sophistication of the players, their fast learning and the potential of each change to lead to unexpected results (interview: Pelez; Friedmann; Cogan,).

Lindblom (1979, p. 518) explained that people do "strategic analysis" by limiting their analysis to "any calculated or thoughtfully chosen set of stratagems to simplify complex policy problems". Indeed, MOF bureaucrats often restrict (or do not update) the budgets of the healthcare system in a similar manner. The common claim is that they do it by "trial and error" while examining the threshold of the system's tolerance (interview: Ma'or). The reductions are made by the "salami strategy" (interview: Sneh). The central claim they make is that there is no evidence that the healthcare system does not benefit from "extra fat"

(interview: Lifshitz; Pelez; Friedman; Cogan). Hence, the Health and Finance Ministries do not reach a consensus on national policy, as expected in a well administrated state (Chernichovsky, 2005: 5).

In essence, the MOF bureaucrat's world view is based on neo-liberal ideas of free market economy, as stated in the interviews (interviews: Bar Siman Tov; Friedmann; Cogan). The 1980's economic crisis, which occurred partly as a product of MOF weakness when faced with irresponsible politicians, contributed some additional understandings to the 'organizational memory'. For instance, MOF bureaucrats internalize that in order not to deviate from the budgetary framework, "...it is necessary to demonstrate determination, even inflexibility..." because "...in the long run the system should receive a reliable message – that there is no use violating agreements and coming to Jerusalem...". Furthermore, one ought to remember all the time that "...as a stimulus for improvement and efficiency, it is imperative to create budgetary pressure on the system..." (interview: Peletz). However, this line of reasoning does not always prove to be successful. The MOF's influence is not always systematic and deliberate and its policy does not always serve national economic and social goals. This is not only because of the great burden of budgeting a complex health care system, but also as a result of the conduct of the Division itself.

The Economic Arrangements Law and Transparency in the National Budget

The Economic Arrangement Law (hereafter: EAL) is one of the most powerful and influential institution affecting health policy in Israel, mainly through its influence on the National Health Insurance Law (Sperling and Cohen, in press). This powerful policy tool achieves quick results for the MOF in a short period of time. Mizrahi and Cohen (in press) found that from the time the *Knesset* passed the National Health Insurance bill into law (June 15, 1994) to August 1, 2008, there have been **403** legislative acts that may be considered amendments to the law. Among these, 276 were indirect amendments, passed by the EAL or under economic-recovery laws. Unless these are approved, the governmental coalition will be badly damaged. Politicians are therefore forced to pass them. Nevertheless the EAL suggests structural changes which ought to be intensively discussed in the *Knesset* (Shalev & Chinitz, 1997). This institutional change resulted as a part of the 1985 Israel Economic Stabilization Plan (Meydani, 2008; Nachmias and Klein, 1999: 7). Formally the law is not violated, but many politicians and bureaucrats consider this arrangement and the tactics which accompany it (and are taken by the MOF) to be improper action (interviews: Bin-Nun; Galanti; Gafni; Vafner; Sneh).

The proceedings which accompany the EAL are described as hasty and inappropriate (Sinai, 2002), harm the principle of separation of powers and mainly damage the principle of the participation of a *Knesset* Member in the legislation procedure. The Israeli Supreme Court of Justice stated that: "...the use of an accelerated legislation system which helps various economic laws [the EAL] often arouses difficulties from the aspect of normal democratic proceedings... Many of the problems which result from this system of legislation emerge from the multiplicity of subjects, the fact that those subjects are en bloc and the short time that the *Knesset* and the Government have to discuss them. This fact often harms the process of decision making at the stages of the integration of the law proposal in the *Knesset* discussion. This is a legislative proceeding which seriously hampers the existence of an intensive and exhaustive debate and hence the ability of decision makers in the government and the *Knesset* to establish a stable position regarding each subject in the law..." (Supreme Court of Justice ruling, 4885/03). In other cases, the Supreme Court stated that the procedures regarding the EAL: "teach about inappropriate legislative proceedings". It also emphasizes the need to act for limited use of the EAL when not for the objectives it was designed for and states that: "...as a matter of course in the reduction of the Arrangements Bill the role of the *Knesset* as a legislature is reinforced..." (Supreme Court of Justice ruling, 4927/06). The EAL was described by the former Deputy Director of Economics and Insurance in the Health Ministry as "a draconian and anti-democratic means which grants irregular power to one government ministry. This ministry uses the law in order to avoid public debate and discussion in the *Knesset*..." (Abulafia, 2008: 70).

One of the common tactics used by MOF bureaucrats is to include, each year, changes in the proposed EAL, described by the other players as "spins". Hence, every year, during the budget discussions, the MOF includes a series of proposals, some of which, it is clear, will eventually be thrown out – in order to serve as a basis for negotiations with the other players (interview: Balshar). Another tactic is to develop a 'mass of change' in the proposed EAL by including in it the changes which were rejected in previous years, hoping that at least some of them will eventually pass the *Knesset* (interview: Wafner). In practice, each of the other players (politicians, bureaucrats and various other interest groups) "sit on the fence" when it comes to removing or changing sections that are important for them – while other sections are left alone and pass.

Another problematic tactic is "buying" politicians by what can be called: 'bribes for budgets'. In this context, MOF bureaucrats hide information by closing secret deals during the process of passing the EAL whose purpose is the passing of the entire law en bloc in

exchange for profit in specific subjects (interviews: Oron; Eldad; Balshar; Wafner; Leventhal). The following is recounted by a member of the Lobby of Public Health in the *Knesset*:

"...The supervisor of budgets or his deputy comes and says to me: Listen, Gafni, you are interested in Yeshiva guys, aren't you? We reduced the... Do you want it back? - So support the EAL... They do the same thing to all the *Knesset* Members..." (Interview: Gafni).

A former Health Minister describes a similar trend:

"...Before the voting on the EAL, they take one person at a time and whisper to him in the small conference room: "tell me what is your baby?...Take 100 Million NIS for it for the next year and vote for the law..." (interview: Sneh).

By speaking publicly on the podium of the *Knesset*, another former Health Minister noted:

"...I realize that they are legislating the Health Insurance Law again. Where? In the EAL. I would like to say to the *Knesset* Members: In the previous government there was a joint committee of the Finance Committee and Labor Welfare and Health Committee which met and discussed the Law for nearly a year. They are trying to do here whatever the MOF officials wanted to insert into the Health Insurance Law and I did not permit them – all the 'wet dreams' of the MOF officials who wanted to cancel the law even before it is created. They are killing the law with those amendments..." (Records of the *Knesset*, 30.10.1996).

One of the most common claims concerning various procedural aspects which accompany the legislation of the EAL is that the time of the legislation and the manner of its publication do not permit the politicians properly to prepare for it and react to it. Thus, for instance in April 2009 the *Knesset* member of the *Labor* party, Shelly Yachimovich, claimed that:

"...The MOF keeps distributing the law by fax and not by an accessible computer file. Government Ministries receive only the draft which appeals to them. Hence the MOF prevents the ministers from seeing the entire picture..." (Azoulay, 2009).

The Reaction of Other Players to the Economic Arrangements Law

Predictably, given the asymmetry in the balance of power, the common reaction of other players to the aforementioned is protest. One of the repeated claims among various players in the healthcare arena refers to the lack of system in the Treasury. It emphasizes that most of the activities initiated by the Treasury often develop without a long-term organized thoughtful process. For instance, many of the players claim that the remarkable incremental reductions in the budget of the healthcare system in Israel are not a result of a planned long-term process. Rather they are a result of experience and ad hoc short-term decisions made by various bureaucrats (interviews: Oron; Gafni; Israeli; Shani; Sharf). The Israel State Comptroller also agrees with the concept of the lack of long-term planned policy in the Treasury and the healthcare system. Thus, for instance, when the State Comptroller mentioned the increase in inequality of the healthcare system, he claimed that: "...**In a gradual process which was not the result of a deliberate policy nor of an overall view** [*emphasis by the author*] there is a serious decrease in the rate of public financing in healthcare. Simultaneously sick benefits increase..." (State Comptroller report for the year 2007: 422). One of the senior researchers of healthcare policy in Israel who related each year to the enterprises of the Treasury as seen in the Arrangements Bill even went as far as to claim that: "It is hard to know whether the aim of the finance boys is to entertain us or just enjoy semi-ripe ideas which are spoken of the cuff..." (Chinitz, 2008). The General Director of the Health Ministry (who is also in charge of the health funds) mentioned the Treasury's intention to distribute the budget of the health basket to the health funds according to their capacity in order for each health fund to have its own health basket. This was an extremely sharp remark. In this context, the senior employee claimed that the Treasury proposal is "an insane and unreasonable proposal which will create differential health baskets between the health funds..." Furthermore he claimed that it is motivated only by: "Personal bookkeeping of the Treasury with the members of the Health Basket Committee..." (Linder-Ganz, 2007).

In the players' opinion, it is important to realize that the dominant and powerful player, which works in a very disorganized and unplanned manner, also influences their behavior. This is explained by an Attorney General in the Health Ministry:

The system is managed in this way, [*various enterprises of the MOF and others which take place without planning or thinking in an organized way; author*]. This causes me to think of underhanded opportunism... The constraints around the system dictate working in this way... Therefore I am presently trying to achieve things without thinking in the long

term... I don't know what is going to happen within a year... Thus we start relating to things unsystematically... since I cannot overcome everything – I promote things I see as most important..." (Interview: Sammoch).

However, in recent years, after understanding that protest is not an effective strategy, a new pattern of behavior has emerged as a reaction to the comprehensive use of the EAL. Interestingly enough, despite the mass criticism of the EAL in and out of the healthcare system, the critics of the EAL often use it themselves. Thus, bureaucrats of the Health Ministry, the health funds, the Medical Association and other organizations which are interested in promoting various policies and enterprises, send those proposals to the MOF bureaucrats, hoping that their proposals will be included in the final EAL proposal. This strategy has been used especially when the other players believe that it will be difficult or ineffective to pass their proposals through the 'regular' political channels, and assessing that the MOF will be interested in promoting these suggestions (interviews: Israeli; Friedmann; Keidar). Although not indicated by this research, inevitably politicians also use this strategy. A senior bureaucrat in the Health Ministry explains it as follows:

"...The regular legislation is terribly frustrating, and you say – why should I go for it? If I overcome the obstacle of the Health Ministry – the story is over – This [the EAL] is a bill which is used by the Health Ministry itself... whenever we want to pass things on through the MOF... This way it is possible to pass things within 7-8 months. If we used regular legislation, it would take two or three years. Imagine that each time a minister is replaced, a government collapses or a committee chairman is replaced – and everything needs to be started again..." (Interview: Lifshitz).

This description reveals that the activity of the MOF is an integral part of Israeli political behavior. This activity consists of one-sided enterprises and decision making in order to achieve mostly short term aims while often ignoring normative procedures and 'normal' government orders of decision making. This statement is reinforced by the fact that additional players in the arena are also trying to use this means.

Summary and discussion

Following Wildavsky's (1974) focus on explaining 'how the budgetary process actually works', this paper describes and explains the conduct, worldview and impact of MOF bureaucrats on health policy in Israel. As the literature has indeed suggested, the bureaucrats' expertise helps them to adopt strategies of concealment and lack of transparency regarding the manner of implementation of public policies. Most research has paid more attention to the strategies and lack of transparency of bureaucrats from other offices and less to the strategies of MOF bureaucrats. While focusing on the issue of transparency in the national budgetary process, we provided some indications regarding the interactions between MOF bureaucrats and other players in the health policy arena, and describe the different strategies used by them. Incidentally, we provided a snapshot of the balance of power in Israeli healthcare policy as it appears from the personal perspectives and attitudes of the main players in the arena.

Political analysis of the interaction between politicians and bureaucrats in Israeli healthcare policy reveals asymmetry of information in favor of the bureaucrats at the MOF. This asymmetry is also due to a lack of transparency in the national budgeting process. While presenting the balance of power between the players, we point to the MOF bureaucrats as the most dominant and powerful players – though their influence is not always intentional and is sometimes ineffective as a result of its strategies of "improvisation", lack of transparency and concealment. Quite a few indications point to 'non-democratic' strategies made by these bureaucrats in their interactions with the other players. We go further in focusing on the Economic Arrangements Law, and describe the conduct of MOF in its use of this powerful policy tool. The empirical findings show that, alongside bureaucrats' expertise, strategies based on concealment, manipulation in presentation of information, lack of transparency and "buying" politicians ('bribes for budgets') establish the dominance of the MOF's bureaucrats in the policy arena. This contributes to a severe lack of trust between the various players in the Israeli health care policy arena. In such an environment of mistrust, and under structural conditions of centralization, the other players tend to find alternative solutions for promoting the public policies they seek. Sometimes, they even choose to cooperate with the MOF bureaucrats and to adopt their strategies.

We may suggest that such behavior depends on the nature of the given political culture. A participatory political culture may decree lack of transparency and centralization, whereas a non-participatory culture will encourage such activities from the dominant players. Research on Israeli society shows that Israeli society has gone through learning processes at

the national/political level that have led to the internalization of a problem-solving approach characterized by unilateral solutions (Ben-Porat & Mizrahi, 2005; Cohen, 2011; Mizrahi & Meydani, 2003;). As a result, participation by the public in the political arena has focused on the use of 'alternative politics'.

Israeli political culture can best be described by what we term the alternative provision of public services or alternative politics. Specifically, during the 1980s and 1990s, many groups and individuals in Israeli society employed non-institutionalized initiatives to create alternatives, often illegal or semi-legal, to governmental services. The 1980s were characterized by a significant growth in the black market economy – particularly the illegal trade in foreign currency, black market medicine – expressed in the illegal, private supply of health services using public facilities (Cohen, 2011), and "gray market" education – expressed in the employment of privately paid teachers and the evolution of independent private schools, and private cable networks – all of which were alternatives to inadequate governmental services (Lehman-Wilzig, 1992). In the 1990s and 2000s, this mode of behavior spread to other policy areas.

Under these circumstances, Israeli citizens, as well as various 'weak' players in the arena, do not feel that they have a real say in decision-making processes. On the other hand, they utilize a direct, do-it-yourself approach in the form of gray and black market medicine very effectively. This twofold process calls for careful planning about the possible ways of integrating existing do-it-yourself initiatives into healthcare reforms in a positive manner that will also increase levels of trust. Further research will elaborate on such integration.

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List of interviewees

(Names are listed in alphabetical order. Positions are accurate as at the time of the interview unless expressly stated otherwise).

1. **Mr. Moshe Bar-Simantuv**, Health Affairs Coordinator, Budget Department, Ministry of Finance, May 4, 2009 (telephone interview).
2. **Dr. Yoram Belsher**, Chairman, Israel Medical Association, February 10, 2008, Ramat Gan.
3. **Prof. Gabi Bin Nun**, Deputy Director General, Budgets, Ministry of Health, December 4, 2007, Jerusalem.
4. **Mr. Reuven Cogan**, Health Affairs Coordinator, Budget Department, Ministry of Finance, March 2, 2008, Jerusalem.
5. **Prof. Aryeh Eldad**, member of Knesset Labor, Welfare and Health Committee, May 18, 2008, Jerusalem.
6. **Mr. Yuval Friedman**, former Health Affairs Coordinator, Budget Department, Ministry of Finance, February 26, 2008, Jerusalem.
7. **Prof. Joseph Frost**, head of the Jerusalem district, Clalit Health Services, 03/16/2008, Jerusalem.
8. **Rabbi Moshe Gafni**, member of Knesset Lobby for Public Health, May 1, 2008, telephone interview.
9. **Mr. Isaac Galanti**, chairman of the Knesset Labor, Social Affairs and Health committee, the Knesset, Mars 23, 2008, Tel Aviv.
10. **Mr. Yitzhak Ganor**, Director of Additional Health Services, Maccabi Healthcare Services, November 22, 2007. Tel Aviv.
11. **Mr. Medad Gissin**, chairman of the Union of **Israel Health Consumers**. November 2, 2008 (telephone interview).
12. **Prof. Avi Israeli**, Director General, Ministry of Health, November 11, 2008, Jerusalem.
13. **Mr. Kidder Nir**, health economics coordinator, Ministry of Health, September 16, 2008, Jerusalem.

14. **Dr. Alex Leventhal**, Director, International Relations Department, Ministry of Health, September 3, 2008.
15. **Dr. Yaakov Lifshitz**, former Director General, Ministry of Finance, November 26, 2007.
16. **Mr. Yoel Lifshitz, Adv.**, Deputy Director General for Supervision of Health Funds, Ministry of Health, October 12, 2008, Jerusalem.
17. **Mr. Haim Oron**, Member of Knesset and member of Knesset Finance Committee, January 24, 2008, Tel Aviv.
18. **Mr. Haim Peltz**, former Deputy Supervisor of Budgets and Healthcare Coordinator, Ministry of Finance, January 1, 2009, Ben Gurion International Airport.
19. **ADV. Nathan Samoch**, A legal adviser, Ministry of Health, September 3, 2008, Jerusalem.
20. **Prof. Mordechai Shani**, former Director General, Ministry of Health, and member of Netanyahu Commission, April 22, 2008, Sheba Medical Center at Tel Hashomer.
21. **Prof. Joshua (Shuki) Shemer**, former Director General, Ministry of Health and Maccabi Healthcare Services, June 13, 2008, Sheba Medical Center at Tel Hashomer.
22. **Dr. Michael Sherf**, Director, Soroka University Medical Center, June 5, 2008, Beer Sheva.
23. **Prof. Shifra Shvarts**, researcher, Ben-Gurion University of the Negev, July 21, 2008, Sheba Medical Center at Tel Hashomer.
24. **Dr. Ephraim Sneh**, former Minister of Health, February 26, 2008, Jerusalem.
25. **Ms. Leah Wapner, Adv.**, Secretary General, Israel Medical Association, February 10, 2008, Ramat Gan.