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Design of Public Policy:
Conceptual Framework and the
Case of the National Health
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Abstract

The main aim of this article is to suggest a theoretical conceptual framework to facilitate the description and explanation of the influence of policy entrepreneurs on the formulation and design of public policy. The analysis focuses on the behavior and political participation of players as a sort of human behavior which designs, directly or indirectly, a given social, collective reality. The conceptual framework uses theoretical tools of public policy and administration as well as new institutional approaches. In this context, the article defines *policy entrepreneur*, identifies the main characteristics of entrepreneurial activities, describes various strategies which the policy entrepreneur may employ, and characterizes a model of successful and effective policy entrepreneurship. The article emphasizes the importance of policy entrepreneurs in the public policy arena and suggests several insights regarding the conditions for their activity, their motivations and main strategies. The theoretical framework and main insights regarding the processes of institutional change in public policy are used in the analysis of the design of the Israel National Health Law of 1994 as a case study.

KEY WORDS: policy entrepreneurship, policy change, health care policy, reform, institutional change.

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Introduction

Over the last decades the concept of *entrepreneurship* has diffused into scholarly discourse that deals with public policy and management. Since the 1980's, a variety of studies have used this idea to explain different case studies and policy results. Concepts such as *political entrepreneur* (Schneider and Teske 1992), *institutional entrepreneurship* (Campbell 2004; Di Maggio 1988), *public entrepreneurs* (Ostrom 2005; Roberts and King 1991, 1996; Schnellenbach 2007; Schneider, Teske and Mintrom 1995), *policy entrepreneurs* (Kingdon 1984/1995), *evolutionary policy maker* (Witt 2003) and *executive entrepreneur* (Roberts and King 1991) are being used by many scholars as a new perspective for understanding different phenomena related to the worlds of politics and administration. However, it seems that the literature often uses the same concepts to explain various phenomena, making it difficult to clearly define and understand policy entrepreneurs (Barzelay and Gallengo 2010, 2006; Crowley 2003; Dyson 2008; Gallengo and Barzelay 2010; Goldfinch and Hart 2003; Leiber, Gress and Manouguian 2010; MacKenzie 2004; Mintrom 2000; 2006; Mintrom and Vergari 1996; Meydani 2008; Oliver and Paul-Shaheen 1997; Petchey, Williams, and Carter 2008; Rabe 2004; Reinstaller 2005; Ringius 2001; Zhu 2008). For now, we define *policy entrepreneur* as "an individual who exploited an opportunity to influence policy outcomes in order to maximize his/her self interests – without having the resources required for achieving this goal alone".

Recently, Mintrom and Norman (2009: 654-658) presented an integration between *policy entrepreneurship* and five different theories of policy change. At the end of their article, they claim that this concept is yet to be broadly integrated within analyses of policy change. New insights have also started to emerge concerning the sequencing of policy entrepreneurship over long periods of time and the ways that the broader political climate can affect the context for policy entrepreneurs, how they frame problems, and how they work with others. Yet, room remains for more conceptual development and empirical testing concerning policy entrepreneurship. Mintrom and Norman suggest two directions for fruitful future work. First, there is a need for closer study of the motivations and strategies used by policy entrepreneurs; second, there is also a need for more study of the interactions between policy entrepreneurs and their specific policy contexts. They also mention that significant insights can emerge from historical studies and from studies that involve a time frame

of several decades (Mintrom and Norman 2009: 660-662). This paper focuses on this need.

On June 15, 1994 the Israeli parliament (*Knesset*) passed the National Health Insurance Law (hereafter: 'NHIL'), after decades of attempts and efforts to legislate or arrange national health insurance. The application of the NHIL to all residents of Israel marked the end of a struggle of almost 70 years' duration, which began even before the State of Israel was established (Shvarts 1998). NHIL is a socio-democratic law, which had come into force during a neo-liberal era in Israel. The intense debate over why such an important law was enacted at precisely that time has been ongoing in the literature for over 15 years. Apart from a few works, the literature did not supply an analysis of this interesting case study based on the theoretical tools from the field of public policy and administration. Such an analysis, integrated with the concept of policy entrepreneurs is likely to enrich insight gained from this case and could even shed new light on it.

The primary aim of this article is to analyze the design of the NHIL on the basis of a conceptual framework using theoretical tools taken from public policy and administration, and new institutional approaches, while focusing on the concept of entrepreneurs. In this context, the article will provide a definition for the term *policy entrepreneur*, outline the main characteristics of entrepreneurial activity, describe the various strategies available to the political entrepreneur, and create a model for successful and effective entrepreneurial activity.

In addition to the article's theoretical contribution, it will also contribute from the empirical point of view by using, and cross-referencing with one another, primary and secondary sources, some of which are presented here for the first time. There is considerable emphasis on the analysis of primary sources from recent years. The textual sources used in the analysis include legislative documents, reports and the minutes of various committee meetings in and outside of the Knesset, print and online press sources and professional and lay literature (e.g. biographies, autobiographies and non-research related books on political topics), including excerpts from the draft of a currently unpublished book by former Health Minister Haim Ramon. Also comprising part of the analysis are 44 interviews with politicians, bureaucrats, decision makers and researchers.

The article is structured as follow: **Chapter 2** offers a theoretical basis for the design of public policy and presents the key players active in the public policy arena.

Chapter 3 denotes the *policy entrepreneur* as a special player in the policy arena. This section also offers a definition of entrepreneurial activity and describes characteristics and principal action strategies of policy entrepreneurs. **Chapter 4** reviews the main rationales behind the formulation of the NHIL as provided in the literature to date. This review also provides the reader with the historical background that preceded the period when the Law was formulated. In **Chapter 5** the article goes further into the historical background, describing the main processes involving in formulating the Law. The main chapter of this article, **Chapter 6**, examines the conceptual framework that was developed. The final chapter is devoted to a summary and discussion.

The design of public policy

The basis of every policy decision made by a politician is the interaction or reciprocal relationship between the politician and the public. That relationship is based on a mechanism of demand (from the public for a specific policy) and supply (the politician's response to that demand) (Downs 1957). Since this is one of the politician's primary motivations, and since the politician is in effect dependent on public support, every policy decision made by the politician will strive towards an alternative that represents the median voter. In other words, politicians will choose the alternative which they subjectively consider will garner the maximum number of votes for themselves. Following this pattern, over time and in various policy areas, politicians can be expected to maximize their chances of election. Since the first goal of politicians is not to enhance efficacy or improve social welfare, but to maximize the chances of being elected, then *a priori* public policy should not be expected to be optimal in terms of financial or even social efficacy.

The need for state intervention via public policy usually arises where there is a shortage of public goods (Weimer and Vining 2005: 78). Where public goods are concerned, most people will not make an effort to assist with their supply, but will make every effort towards their consumption (the problem of *collective action*). The centrality of self-interest, coupled with the fact that every individual can enjoy goods without participating in their production, creates (in different members of the public) the motivation to be *free riders*. Accordingly, the problem of cooperation arises (Olson 1965; Axelrod 1984). This behavior results in a shortage of public goods

alongside a lack of interest in creating public pressure (collective action) to change the situation. As a consequence of this phenomenon – frequently expressed as indifference and passivity among the public – information about public demand and preferences regarding various policies is not always accessible to politicians. It is in fact the different interest groups that succeed in overcoming the problem of collective action. In the absence of public demand, such groups gain strength and manage to exert considerable influence on public policy.

Two principal approaches clarify interest groups' influence on public policy. the 'Chicago school' and the 'Virginia school' (Mitchell and Munger 1991). Both assume reciprocal relations between interest groups and politicians – the interest groups supply financial or electoral support to the politicians, while in return the latter supply preferential policies (privileges) to the interest groups. The Chicago school maintains that in certain conditions competition between interest groups enables maximum financial efficacy, i.e. contributes to social welfare.

The Virginia school, by contrast, assumes that politicians are interested in maximizing their chances of election, and interest groups wish to maximize the regulatory services which government provides to their benefit. Accordingly, politicians create benefits for interest groups which contribute significantly to their chances of election, supplying them in return with enhanced regulatory services. Such regulatory services have a negative impact on financial efficacy, so that other players in society are damaged by this interaction. It is not unusual for social welfare to be compromised by an interest group in the process.

Even after such decisions are made, in response to demands, other players may have extensive influence on politicians in their choice of policy. Some such major players are bureaucrats, who are charged with the implementation of policies and guided by interests that differ from those of politicians. Niskanen (1971) identifies budget maximization and centralized control as the prime motivation of bureaucrats. This is because government administrators use those means to grow stronger, while indirectly also maximizing the material rewards they receive. Thus, a bureaucrat will usually implement policy or influence its design in a manner that will lead to the maximum possible increase in the government agency's budget. Later models (Miller and Moe 1983; Bendor, Taylor and Van Gaalen 1987) indicate the ability of politicians to adopt sophisticated strategies to control bureaucrats. Hence the balance

of power between politicians and bureaucrats favors the politicians in order to sway policy in their interests. This tendency also results in prejudice toward social welfare.

To sum up, public policy will never be optimal in terms of financial efficacy, both because politicians have no interest in such efficacy to begin with and because of the many conflicting interests among the various players involved in the process. Accordingly, the policy planner can achieve no more than a degree of improvement but can never reach an optimum solution. This background could represent an opportunity for *policy entrepreneurs* to take action and exploit the situation for personal benefit.

Policy entrepreneurs and the design of public policy

Entrepreneurship and public policy

The concept of *entrepreneurship* has been applied in various studies to diverse players who engage in very different activities and perform very different functions in the political system. The term *political entrepreneur* was first used and introduced into the political and social science vocabulary by Robert Dahl (1961: 309). However, in the public policy and administration literature, the concept of entrepreneurship appears to be more dominant as part of the discussions regarding interest groups.

Salisbury (1969, 1984) characterized entrepreneurs as individuals who attempt to supply collective goods for members of interest groups, in exchange for personal or political profits. Those individuals were the leaders or organizers of the group. An entrepreneur may be willing to bear the costs of organizing and maintaining the group because of the enhanced influence and credibility that are not attainable when acting alone. Such an entrepreneur recognizes the disproportionate costs he will bear relative to other group members and still moves forward because the net benefits of creating the group remain positive (Schneider, Teske and Mintrom 1995). Similarly, Moe (1980: 37-39) identified a *political entrepreneur* as an individual who sees the potential for a group and is able to satisfy the selective demands of potential members well enough to create an organization capable of pursuing the collective benefits. He emphasizes the usefulness of the communication link between the interest group entrepreneur and the membership, arguing that this link can become useful to other individuals and that the entrepreneur can charge a fee in return for access to it (Moe, 1980: 40). In this vein, Wilson (1973, 1980) suggests that the activities of interest

groups depend on whether the benefits and costs of a policy are concentrated or distributed. He suggests that when the benefits are distributed and the costs are concentrated *entrepreneurial politics* will be required (Wilson 1980: 367-370). Other discussions identified lobbyists (individuals who represent the group and serve as a communication link between the group member and the government) as *interest group entrepreneurs* (Ainsworth and Sened 1993).

Other discussions focus on innovation and entrepreneurship in public administration (Downs 1976: 15). Thus, *public entrepreneurs* are described as bureaucrats who wish to reorganize and improve governmental services and reinvent government (Osborne and Gaebler 1993). In many cases these entrepreneurs are described as individuals who seek by actions to expand institutional or personal power (Downs 1967; Lewis 1980; Nakamura and Smallwood 1980; Ramamurti 1986). The public entrepreneur not only recognizes valuable opportunities, but also succeeds in leveraging the resources required to realize them (Bernier and Hafsi 2007: 498; Koehn 2009: 420; Luke 1995: 150).

Based on the *Garbage Can Model* developed by Cohen, March, and Olsen (1972), Kingdon (1985) presented his *Policy Streams* model. The model is based on three distinct, but complementary streams (processes) in policy-making: *stream of problems*, *stream of policies*, and *stream of politics*. It is the coupling of these streams that allows, at a given time and in a given context, for a particular issue to be turned into a policy. The *policy entrepreneurs* play a key role in connecting the streams by linking the problem and solution – given a window of opportunity and by emphasizing the importance of new ideas. Thus, *policy entrepreneurs* are willing to invest their resources in return for future policies they favor (Kingdon 1995). Although no single person receives full credit for the formulation of policy, most policy scholars view the entrepreneurs as central figures in the drama.

The concept of entrepreneurs has become popular in a variety of contexts and studies all over the world to describe and explain varied phenomena. Schneider and Teske (1992: 737) changed the term *policy entrepreneur*, originally presented by Kingdon into the term *political entrepreneur* and defined it as "an individual who changes the direction and flow of politics". Mintrom (1997) used the term *policy entrepreneur* and proposed a broader definition that does not require the direction and flow of politics to change. His definition was: "political actors who promote policy

ideas” and “people who seek to initiate dynamic policy change” (Mintrom 1997: 738-9).

Roberts and King (1991: 147) explain that *public entrepreneurship* is the process of introducing innovation – the generation, translation, and implementation of new ideas – into the public sector. In their classical study (1991: 152) they distinguish between *policy entrepreneurs* and other categories of entrepreneurship. Hence, *political entrepreneurs* are individuals who hold elected leadership positions in government, *executive entrepreneurs* are those who hold appointed leadership positions in government, *bureaucratic entrepreneurs* hold formal positions in government, although not leadership positions and *policy entrepreneurs* work from outside the formal governmental system to introduce, translate, and implement innovative ideas into public sector practice.

Policy entrepreneurs

Kingdon (1995) explains that policy entrepreneurs could be in or out of government, in elected or appointed positions, in interest groups or research organizations. However, their defining characteristic, much as in the case of a business entrepreneur, is their willingness to invest their resources – time, energy, reputation, and sometimes money – in the hope of a future return (Kingdon 1995: 122). Following his work, Mintrom and Norman (2009: 652-654) suggest four elements which are central to policy entrepreneurship.

Displaying social acuity means that the entrepreneurs are well-versed in the social-political context in which they are interacting and demonstrate high levels of social acuity in understanding others and engaging in policy conversations. Thus, the entrepreneur can identify "windows of opportunity" (Kingdon 1995) for introducing innovative policy within the existing social order. The entrepreneurs use relevant information from their "policy networks" as well as their thoughts of the ideas, motives, and concerns of others in their local policy context, and therefore are able to respond effectively. Policy players who get along well with others and are well-connected in the local policy context tend to achieve more success in securing policy change than do others.

Defining problems refers to the act of problem description, which affects how people relate specific problems to their own interests. Viewed in this way, definition

of policy problems is always a political act. Defining (or redefining) the problems can involve presenting evidence in ways that suggest a crisis is at hand, finding ways to highlight failures of current policy settings, drawing support from actors beyond the immediate scope of the problem and in general developing a rationale for intervention.

The third element is *building teams*. Policy entrepreneurs are team players. Their real strength comes from their ability to work effectively with other players in the policy arena. Thus, they operate within a tight-knit team composed of individuals with different knowledge and skills, who are able to offer mutual support in the pursuit of change, as well as use their personal and professional social networks. Policy entrepreneurs also recognize the importance of developing and working with coalitions to promote policy change. Furthermore, policy entrepreneurs often work to gain support from groups that might appear as unlikely allies for a cause. Used effectively, the composition of a coalition can help to deflect the arguments of opponents of change. This observation is consistent with the argument of Schneider and Teske (1992: 742) that a successful entrepreneur needs to create a political coalition by which to challenge the status quo.

The last element is *leading by example*. This means that the policy entrepreneur is often characterized by taking actions intended to reduce the perception of risk among decision makers. When they lead by example – taking an idea and turning it into action themselves – the entrepreneurs signal their genuine commitment to improved social outcomes. This can do a lot to win credibility with others, and hence build momentum for change. When policy entrepreneurs take the lead by example, the risk calculations of legislators can often switch from a focus on the consequences of action to a focus on the consequences of inaction.

Similarly, Weingast (2005) considers *political entrepreneurs* to be important players who influence institutional change, and lists four elements essential to their success in persuading decision makers to bring about institutional change: a high probability that a proposed idea will improve the existing reality in the future; the existence of evidence in the field indicating such improvement; the offer of extensive benefit to be gained from adopting the change; and an exchange of roles for key players, meaning that the decision makers are persuaded to support the change proposed by entrepreneurs.

Mintrom and Norman (2009: 651) claim that in any given instance of policy change, it is usually possible to locate an individual or a small team that appears to have been a driving force for action. But in all such cases, the individuals, their motives, and their ways of acting will appear idiosyncratic. Thus, the study of these activities often reaches a dead end, since the unique behavior is not a good basis for theorization and comparison with other cases. In order to break this theoretical impasse, policy entrepreneurship had to be studied in a manner that paid attention simultaneously to contextual factors, to individual actions within those contexts, and to how context shaped such actions (Mintrom 2000, 1997; Mintrom and Vergari 1998; Schneider, Teske and Mintrom 1995).

Policy entrepreneurs: characteristics, strategies and motivations

Business Administration literature supplies us with a variety of definitions of the terms *entrepreneur* and *entrepreneurship*. Of these, the most successful for our purposes is that proffered by Hart, Stevenson and Dial (1995: 53), designating three elements in the activity of an entrepreneur who acts out of choice: 1) exploiting an opportunity; 2) to create a profit; 3) without regard to *alienable* resources currently not in their control. That is, an entrepreneur always acts in conditions of risk and uncertainty. Hence, entrepreneurship is a process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources currently controlled (Stevenson and Jarillo 1990: 23). Adopting these definitions in the world of public policy necessitates a definition of the term *policy entrepreneur*. Accordingly, in this article we will define a policy entrepreneur as “an individual who exploits an opportunity in order to influence political results for his/her own benefit, in the absence of the resources required for such activity”.

According to this definition, and based on the above review, we can identify three characteristics for the timing of an entrepreneur’s appearance: the desire to maximize personal benefit as a result of activity whose purpose is to influence policy outcome; a total absence of the resources needed to influence policy outcome; and the existence of an opportunity to influence policy outcome. It should be noted that a policy entrepreneur may also choose not to take action to promote some institutional change or another, but in fact act to prevent it. However, since one of the main conditions of such entrepreneurship is the existence of an opportunity, it is reasonable to suppose

that entrepreneurial activity will strive to bring about a political change that aims to influence political outcome, as it is reasonable also to suppose that the opportunities will lead to a change in the status quo rather than its preservation.

Entrepreneurs who are (or intend to become) politicians will probably act primarily to increase their chances of election, whereas entrepreneurs who are bureaucrats will seek to ensure that the results of their actions will serve their interests (i.e., increase their centrality and administrative power). It is important to be aware that benefit may derive both from change itself (the results obtained) and from the actual activity (even if the results obtained are less than ideal in the eyes of the entrepreneur). Thus, when entrepreneurs recognize the activity itself as being in their interests, they deem it appropriate to compromise on the nature of the results of the change, even if these are not considered ideal. From these considerations – with the knowledge that a policy entrepreneur, according to our definition, has none of the resources needed to perform the entrepreneurial activity – it is clear that successful entrepreneurial activity must be based on persuasion, pragmatism and willingness to compromise.

Given that entrepreneurs do not have access to the necessary resources, they will need to negotiate, persuade, compromise and be flexible in a variety of areas. Hence the entrepreneur's skills, ability to distinguish between the essential and the non-essential in the nature of the proposed institutional change, and willingness to relinquish the non-essential in order to succeed in implementing the policy change are clearly a recipe for successful entrepreneurial action. The non-essential, in this sense, refers to various elements related to policy change which the entrepreneurs do not consider likely to cause material damage to realizing their interests. Policy entrepreneurs are therefore frequently characterized by their instrumental approach to policy making – meaning that they are willing to compromise and concede maximization of social welfare if that will enable them to realize personal interests.

In this context, participation in decision making may contribute to success. Since on their own entrepreneurs lack the necessary resources to effect the change, in order to succeed they will have to attract the support of “key players” in the policy arena, especially where factors opposing the change and favoring preservation of the status quo are powerful. Even where the entrepreneurial activity, by definition, carries a calculated risk, consolidating a coalition in support of change could reduce the risks.

Furthermore, the more politically powerful the supporters, the easier it will be for the entrepreneur to recruit the resources needed.

A third important condition for success is the existence of opportunity. This automatically includes the potential to create a value for the entrepreneur, from the point of view of both timing and result. Such an opportunity may arise from developments in the political system (the political arena), in the socio-economic power system (the local or global arena) or both (a combination of opportunities). The greater the opposition to change, the more it may be expected that the entrepreneur will suggest that such change will be socially beneficial in comparison with the existing reality.

The combination of motivation and a window of opportunity is the key to the entrepreneur's success in effecting policy change. Successful entrepreneurial action is therefore characterized by identifying the needs of significant groups in society and the political potential inherent therein to fulfill their needs. In the awareness that interactions and conflicts of interest also exist among politicians and among bureaucrats, as well as between politicians and bureaucrats – as is clear from the literature – this article claims that identifying an opportunity for change could also take the form of identifying dynamics different than those of the entrepreneur (e.g., a conflict of interests between players) and exploiting these in effecting change. The existence of opportunity could also affect the entrepreneur's willingness to take risks so that, to a certain extent and in a calculated manner, entrepreneurs can be expected to adopt strategies which may appear outwardly to entail greater 'risk' than the entrepreneur estimates because they could produce greater benefit due to the opportunity identified.

The design of the National Health Insurance Law in Israel – the common explanations

The literature is divided as to the reasons that led to passing Israel's NHIL in 1994. At one pole, Shvarts (Shvarts 2000; Shvarts, Doron and Davidovich 2005: 104; Shvarts and Davidovich 2005; Shvarts 1998) attributes the passing of NHIL to Haim Ramon, Israel's Health Minister at the time, and his activities to promote the Law out of a desire to further his personal interests as a politician (interview: Shvarts). In the second corner of the research arena, Rosen and Bin-Nun (2005: 122) explain that the

legislation “cannot be attributed to a single central factor” and that Ramon’s activity is not the key or the sole explanatory variable (interview: Bin-Nun). Moreover, in its final format, the Law was different than the preceding bills, mainly in its capitation formula and in more controlled competition (interview: Rosen). They claim that the crisis in the healthcare system, the publication of the recommendations of the investigation commission (the *Netanyahu* commission), the impact of other reforms around the world, political backing (especially from the Minister of Finance), the impotence of factors/groups opposing the Law (the General Labor Federation – *Histadrut* and the established health funds), pragmatism and compromises made in the process of its formulation, and economic growth (together with the euphoria of the *Oslo* peace accords) were the factors that created the window of opportunity that made legislation possible and without which the Law would not have been passed (ibid: 123).

In fact, Rosen and Bin-Nun, as well as others attribute the success of the legislation to support from Avraham Shochat, Israel’s Minister of Finance at the time, rather than to Haim Ramon (ibid: 115; Geva-May and Maslove 2000; interview: Israeli). Similarly, Bin-Nun, Berlovitz and Shani (2005: 175) claim that the *Histadrut*’s declining power, the profound economic crisis of *Clalit*, the largest healthcare fund in Israel, and the Finance Ministers’ support of the Law were the main contributing factor to the NHIL legislation. These scholars suppose that “if it had not been Haim Ramon it would have been someone else... the situation was catastrophic...” (interview: Shani). Some even believe that the many crises would have led to passing the Law within a few years, even if Ramon had not taken action (interview: Oron). On the other hand, the literature examining the success of reforms in public administration indicates that this type of reform is most likely to succeed with the backing of the Prime Minister (Galnoor 2011: 159-64). Alongside the focus on Ramon’s activity and Shochat’s influence in passing the NHIL, a key question is: what was the role of former Prime Minister, Yitzhak Rabin, throughout this process?

Chinitz does not agree that the structural conditions were sufficient to pass the Law, even without Ramon’s activity (interview: Chinitz). He and Chernichovsky attach more weight to the change in political power ratios and the declining power of the *Histadrut* (Chinitz 1995; Chernichovsky and Chinitz 1995) which, *inter alia*, blocked the ability of various interest groups to promote the law. Likewise, alongside an examination of the roles of “shareholders” in implementing the Law, Horev and

Babad (2005) explain that in addition to the financial collapse of the *Histadrut*, which controlled *Clalit*, the largest healthcare fund, as well as many strikes by doctors, the Labor Party's (*Haavoda*, hereafter: LP) power surge in 1992 was also a contributory factor in passing the Law (interview: Horev).

Zalmanovitch (1997) emphasizes that beyond the desire to arrange a single overall health insurance, the main reason for passing NHIL was actually the wish to deal with the major crisis facing *Clalit*. Focusing on *policy networks* (Zalmanovitch 1998), he further suggests the rise of the *Likud* Party in 1977 as a turning point that changed the relationship between strong players in the field and the *Likud*'s aspiration to reduce state funding of the healthcare system in order to undermine the Labor alignment (Zalmanovitch 2002: 123-130). In this vein, Geva-May and Maslove (2000) argue that it was not economics but political factors that led to passing the NHIL. The economic crisis in fact provided a window of opportunity for political groups seeking to introduce reform. Accordingly, the *Likud*'s attempt to weaken Labor power was also a major factor deserving attention in any analysis of the success of the reform. Shirom (1995) points to Israeli lawmakers' pragmatism and compromises throughout the legislation process, as additional contributing factor to the passage of the NHIL. For instance, the lawmakers sacrificed the expansion of the health services basket and accepted the *Clalit* health basket in order to avoid arousing greater opposition from the Finance Ministry. Thus, according to Shirom, it was the choice of decision makers to adopt incremental change that made it possible to pass the NHIL (interview: Shirom).

Yet, despite the many political explanations offered, an analysis of the legislative process using public policy tools could shed light on additional aspects and insights, especially in comparison with the failure of initiatives in other public policy areas. The majority of the above studies also refer to the existence of a "political constellation" that was created alongside the reform as a principal explanatory variable in passing the Law. However, in order to provide a more in-depth, systematic analysis of such a constellation, as well as the strategies, considerations, constraints and structures within which the players comprising it acted, we suggest using *policy entrepreneurs* as theoretical tools.

Background to the formulation of the NHIL – ongoing crises and attempted reforms

Doron (1996) shows how the influence of organized power in the medical profession prevented, perhaps inadvertently, the formalization of the Law in the 1950s. This was caused by the Israel Medical Association (hereafter: IMA) since, as a significant veto power, it considered the initiative damaging. Beyond that, the literature suggests two primary reasons for the historical failure of most legislative health reform initiatives. The **first reason** is related to the effective opposition of the *Histadrut*, a major, powerful interest group which felt that severing the connection between it and *Clalit* would be a mortal blow. The *Histadrut* was afraid of losing members who, under the existing system, were obliged to become members in order to be entitled to *Clalit*'s health services, and sought to preserve alliances with the National Religious Party (*Mafdal*) and extreme religious parties that benefited from the LP's control of the *Histadrut* (Ramon, un-published). Apart from that motivation, there was also a fear in *Clalit* that its nationalization could create a decrease in its budget and its autonomy. The **second reason** can be found in the traditional, long-established, opposition of the Finance Ministry and in particular the Budget Department. As a powerful bureaucratic body (Maman 2002), the Finance Ministry feared a move that would increase public expenditure on healthcare while creating an adverse effect on its own control and centrality. This claim is further reinforced by interviews with politicians (Oron; Eldad; Ramon), bureaucrats (Ziloni; Lifshitz; Spivak; Cogan; Shani), and researchers (Doron; Chernichovsky; Kaye).

Despite the highly problematic nature of the healthcare system in Israel at a macro level, for most players connected with the health care system a change in the status quo meant a worsening of their situation. Even among those who called for change in the crisis situation, there were many who benefited from the lack of any legal basis for the system's activities, from a lack of clarity about the scope of services every citizen was entitled to, and from the fact that the Health Ministry was also a service provider. Thus, for instance, although many declared their support for removing government hospitals from the government, in fact for bureaucrats at the Health Ministry, especially the Director Generals, it was traditionally very difficult to give up control of the hospitals (interview: Haber). The power of those opposing change to block the initiation of such change froze the existing institutional status, at

least superficially, and for some time. However, beneath the surface many events were underway to prepare the way for change in the health care system.

When the *Likud* Party came to power in 1977, government support for *Clalit* Health Services waned. *Likud* government members “dried out the healthcare funds... there were drastic cuts in funding and in particular the *Histadrut*...” (interview: Ziloni). And yet, there were also quite a few *Likud* members (especially members of the General Federation of Workers in Israel – *Histadrut Ha'ovdim Haleumit*), who benefited from the existing status. Against the background of this set of circumstances, and despite the problematic nature of the situation and their outward declarations, policy makers were in no hurry to act for change (interview: Haber). In this way, the rise of the *Likud* contributed to the economic crisis at *Clalit*, which had begun even before *Likud* came to power.

During the 1980's the Israeli healthcare system was characterized by financial crises that led to growing dissatisfaction in Israeli society (Chernichovsky 1991; Chinitz and Israeli 1997). Long lines, strikes and various sanctions became routine during that period (interviews: Oron; Doron; Sneh; Shemer). In effect, the crises affected not only the **funding** of the healthcare services, but also their **organization**.

A number of developments led to the existing crisis, similar to processes occurring in other countries. In those years, one universal problem was an accelerated process of “skimming the cream” which was underway in the healthcare system. **Firstly**, in Israel, the *Maccabi* and *Meuhedet* Health Funds were known for having above average income members from higher socio-economic backgrounds. **Secondly**, there was a widespread phenomenon of finding low health risk members (mainly because they were young), especially in *Maccabi* and *Meuhedet* (Ofer and Rosen 2002: 14). But, as mentioned above, despite the crisis situation, which was described by many as “anarchic” (interview: Haber), the strong interest of dominant players in the arena in leaving the status quo undisturbed prevented the introduction of change.

The “stabilization program” of 1985 dictated a government policy that tried to fight rising inflation, with the Budget Department aiming primarily at reducing the budget deficit rather than renewing economic growth. Halting inflation further intensified the budget crisis in the healthcare system (Greenberg 2007: 179), but the stabilization program was also aware of the impact on the existing institutional structure. In order to resolve structural problems that led to financial crises without paying a heavy political price, politicians gave the bureaucrats from the Finance

Ministry a free hand in administering the State economy. This crossroads also influenced the healthcare policy arena, in that these bureaucrats became the most dominant player.

In 1988 the then Finance Minister, Moshe Nissim, brought before the government a proposal to set up a State commission to investigate the causes of the breakdown of the health care system and make recommendations to build a new and effective system (the *Netanyahu Commission*). In his proposal, Nissim hoped that this commission would submit its conclusions within one year, until which time the system would get by on a kind of “industrial quiet” status (*Haaretz* August 21, 1990, p.5a). The Netanyahu Commission differed from its predecessors, mainly because it was a government commission and because it was headed by a judge, two characteristics that contributed to its widespread public perception as an apolitical State commission. The reason for those characteristics was the understanding that any other solution would fail to achieve for decision makers the “industrial quiet” its initiators sought. The initiators of the commission, as described above, formed the solid foundation for supporters of the NHIL. It therefore follows that short term considerations led to the creation of a critical junction which would in the long term affect the form of the policy change that was to come.

Design of policy change and policy entrepreneur: the NHIL

On June 26, 1994 the Official Government Gazette (Codex 1994, no. 1469) published the enactment of the NHIL, thus heralding a rare, formal, institutional change in the country. In an age when the economic trend in Israel favored privatization, cuts, and a withdrawal from welfare policies towards neo-liberal projects (Filc 2006: 199), a universal “welfare state” law was passed that promised basic healthcare services to all of the country’s residents (Shalev 2003: 3). The *Knesset* Chairman at the time called it “a law that would go down as a cornerstone in the annals of social legislation in Israel” (*Yedioth Ahronoth* June 16, 1994, p.5). Moreover, it appeared on the face of things that this would be the only law enacted in Israel (since the 1990s and of such magnitude) that opposed the wishes of the Finance Ministry and its Budget Department bureaucrats. This section illustrates how the historical process that preceded the policy change influenced and paved the way for policy entrepreneurs who would exploit structural conditions in order to further personal interests. I will

demonstrate that such change, in opposition to a general neo-liberal trend, occurred less because of ideological shifts or economic crises and was much more due to the successful activity of Haim Ramon, as a policy entrepreneur in an environment ripe for change.

Motivations for policy change: self interest as prime motivation of the entrepreneur

The Ministry of Health does not attract many Israeli politicians (interview: Haber). Among other things, they are deterred by the fact that it is harder for a politician to reap benefit there for himself and his supporters (interview: Shani). This phenomenon applies also to the Ministry of Social Affairs and Social Services (interview: Ben Shalom). It is hardly surprising then that for a large part of the 21st century to date Israel has had no Minister of Health. The position presumably does not offer as many opportunities as others to pursue self interests. It is also dubious whether it was an ideological mission that placed most of the Ministers of Social Affairs and Social Services in their position. For instance, when a Member of *Knesset* who served as Minister of Social Affairs several years ago was asked why he wanted to be Welfare Minister at that time, he replied: “Political constraints... I was offered either that or [Minister of] Construction and Housing...” (interview: Orlev). But it is clear from interviews with many politicians, bureaucrats and researchers that since the mid-1980's there were only two politicians who sought and aimed intentionally and of their own free will to serve as Health Ministers: Ehud Olmert and Haim Ramon (interviews: Eldad; Bin-Nun; Leventhal; Lifshitz; Sneh; Pinchasi; Ramon; Shvarts).

In fact, some claim that Ramon, had he so wished, could have been appointed Minister of Finance in lieu of Avraham Shochat (Barzilai 1996: 251). In the draft of his book (as yet unpublished) Ramon himself explains that: “even then [1992, *author*] the Ministry of Health was not considered a ‘prominent’ ministry. When Rabin contacted me as the government was being formed to ask which Ministry I would be interested in, there were also others that were considered more ‘important’. But I came to the conclusion that only in the Health Ministry would I be able to bring about a real revolution and implement ideas that I believed in and for which I had pushed in the past, according to accepted socio-democratic principles in most western countries...” (Ramon, unpublished).

Ramon claims that he reached the decision to try to push for enactment of the NHIL even before he became a Member of Knesset, after he understood that “State healthcare insurance was the only thing that Ben Gurion [Israeli first prime minister, *author*] did not have time to implement ...” (interview: Ramon). In similar spirit, Bin-Nun (2003: 21) explains that the enactment of the Law represented an ideological struggle between socialist and liberal attitudes. But it is actually not only ideologically based considerations and motives that appear to have guided Ramon’s actions as a “policy entrepreneur”. The claim that he was concerned for the uninsured public is refuted by many, who argue that this public constituted only 300,000 people, the large majority of whom were Arabs and ultra-Orthodox Jews, and for whom a solution could have been reached even without enacting the Law (interviews: Elkayam; Gafni; Doron). A greater understanding of what was going on in the LP and *Histadrut*, as offered here, is based on that claim.

At the end of the 1980's the Israeli LP was divided between supporters of the Shimon Peres and supporters of Rabin (Beilin 1997: 63). As a generalization, the *Histadrut* was identified with the Peres camp (interviews: Gelman; Ziloni; Maor), although – like Ben Gurion and others before him – Peres did not want the *Histadrut* to grow too strong (interview: Doron). Accordingly, had Peres beaten Rabin in the 1992 primaries, there was no chance that Peres would have appointed Ramon, a man who opposed the *Histadrut* system and was identified with the Rabin camp (Greenberg 2007; 180), as Minister of Health.

Ramon identified the clash with the *Histadrut* as a lever that could enhance his personal benefit. More than once he cited the ideological claim that the *Histadrut* waived the interests of employees and even supported the growth of settlements in order to preserve its power. But in fact that ideological claim did not stand in the way of Ramon’s continued support of the *Histadrut* when he considered it worthwhile. Thus, alongside his many abilities as a “political animal”, some considered him to be lacking in a consolidated world view or ideology (Galnoor 2003: 430).

Ramon, as Olmert before him, was aiming for the top of Israel’s political pyramid, hoping for a “major maneuver” that would lead him to the head of the Party (Klein 2002). While still serving as Secretary of Young Labor, he was singled out as someone who might later replace Rabin (Kadmon 2009: 7). But the prevalence of the security dimension in Israeli society presented both Ramon and Olmert with a similar problem: they both lacked military experience. Ramon was not unaware of this

disadvantage and on more than one occasion declared: "... it is impossible to achieve national leadership if you are not an army man... without bringing about at least one significant revolution in some area..." (interview: Oron). Already in his first years in Israeli politics, Ramon therefore recognized the confrontation with the *Histadrut* as his springboard to political leadership (interview: Ziloni). Not only did he succeed in presenting himself as someone who succeeded where Ben Gurion had failed (interview: Gelman), but when a player chooses such a major and powerful opponent on an equal level, he becomes much more powerful (interview: Doron).

This is a classic example of a policy entrepreneur exploiting an existing opportunity to sway the political outcome to his benefit in the absence of the requisite resources for action. In this case, it was an opportunity to create a revolution in the healthcare system and the existing institutional structure in Israeli society, in order to increase his chances of election at a stage when he lacked any of the necessary resources to effect institutional change. Ramon identified the healthcare system as a player in a broader game (interview: Belsher), a lever that could raise him to the very peak of the political leadership pyramid. However, whether he saw healthcare as an important political area from an ideological point of view is doubtful. His confrontation with the *Histadrut* was not coincidental; it took place "in the knowledge that this was the brick in the wall which, if knocked out, would bring down with it the entire historical wall of *Mapai* [the dominant party in Israeli politics until its merger into the LP, *author*]..." (interview: Oron). Moreover, the decline of the *Histadrut*, whose legacy Rabin did not feel a part of (interview: Haber) and which left him in the "political wilderness" (interview: Zhulani), was also in line with Rabin's ambitions (interview: Maor). Ramon saw himself as the chosen future successor to Rabin, who had turned seventy years old in 1992 (interview: Gelman). That aspect further strengthened his resolve to weaken the *Histadrut* and its members, most of whom were not Rabin supporters. Furthermore, as he would later say in his famous "beached whales" speech in January 1994, Ramon saw the insistence of his party's members on preserving the status quo in contradiction to public opinion, which did not support the *Histadrut*, as "political suicide" on the part of the LP (Barzilai 1996: 314). This insistence earned the LP a negative image, both in the eyes of the Ashkenazi (Eastern European Jews) middle class and in those of the more peripheral *Mizrahi* (of Middle East descent) public (Greenberg 2007: 179). The reason that no one had previously taken any such strong action against the *Histadrut*, despite those claims, was that then

too “the *Histadrut* had enough power to say: Dear friends, we will not let this go by unmarked! And if anyone stands against us – we will bury him...” (interview: Oron).

This analysis illustrates how the creation of political coalitions between a small number of key players in politics, united around a common interest in implementing change, increases the chances of success for that change. This theoretical premise helps explain, to a degree, the action plan and conduct of a policy entrepreneur in the case of the NHIL. Aside from the personal aspect (the slogan: “the LP headed by Rabin”) and the *Likud*’s attack on the management of the Madrid Conference and relations with the United States (Rabinowitz 1998: 67; Barzilai 1996: 249), the LP’s slogan in the 1992 elections was “A Change in Priorities”. The party focused attention on the transfer of resources from settlements to an investment in education, healthcare and employment.

The election victory created the “determining trio” in the case of the NHIL: Ramon as Minister of Health, Shochat as Minister of Finance and Rabin as Prime Minister. The first two were also among those who formulated the healthcare clause in Labor’s platform (interview: Bin-Nun). This “triangle” also won the support of the Minister of Justice at the time, David Libai, who accelerated the legal framework for the Law (Barzilai 1996: 270). The “triangle” constituted one of the essential preconditions for this kind of reform – political support for the initiator of the reform. It is a fact that without the political support of the Prime Minister, it is very hard to introduce reform into public administration in Israel (interview: Ben-Shalom; Sneh). Ramon also explained: “Throughout, I had absolute backing and support of the Prime Minister, and without Yitzhak Rabin’s support it is doubtful whether the Law would have been passed...” (Ramon, unpublished). Thus, for instance, he spoke openly to [*Histadrut* Secretary General] Haberfeld when the latter threatened to resign from the LP if Ramon did not cease his activities (Barzilai 1996: 270). But Rabin’s support was not proffered out of purely ideological considerations. Understanding that his lack of control of the *Histadrut* was a major reason for his fall as Prime Minister (1974-1977), Rabin was greatly interested receiving assistance from the LP’s young guard to free himself of his dependency on the *Histadrut* organization which opposed him within the party, and in particular Ramon, who had declared that if he failed to pass the NHIL that would break the link between the *Histadrut* and *Clalit*, he would resign (Greenberg 2007: 180).

Preparing for policy change: political activity promoting the law

The policy entrepreneur's skill in promoting new policy is crucial to the success of policy change. When he entered office, Ramon began to perform a number of simultaneous acts to promote the Law. He submitted the draft law to Rabin and all other ministers and undertook a round of talks with them. The talks were effectively aimed at: preparing the groundwork for the proposed change; identifying the principal points of dissent; and arriving at compromises with opponents of the change in the government, in the form of incremental amendments to the Law. At that stage the *Histadrut* already understood that enactment of the Law was a very real possibility (interviews: Gelman; Ziloni), and began trying to disrupt it or alter its format. Another step taken by Ramon was to form a coalition among opposition parties to formulate a bill very similar to his own, to be submitted by them in the event that the LP should reject his bill (Barzilai 1996: 271).

To avoid complications and potential damage to his plans, Ramon set up a new committee called the "Labor, Social Affairs and Healthcare Committee", which included representatives from other *Knesset* committees. He appointed Amir Peretz to head the new committee, while Haim Oron was appointed as Chairman of the sub-committee which addressed the size and scope of the healthcare basket (interviews: Achdut). Others supporters of the Act were also placed in key positions (interview: Haber). Ramon's placement of those two figures, recruited to further the interests of the Law, in influential committee positions, assured good progress in that channel. He also called on powerful bureaucrats in the Israeli healthcare system, such as Mordechai Shani, who was Director General of the Ministry of Health in 1993-94. Shani contributed to formulating the Law and was perceived by many as a "bulldozer" wielding great influence in the matter (interview: Eldad). Thus, a policy entrepreneur's ability to manipulate the political agenda and the rules of the game in force at the time facilitates the implementation of change. The absence of any potential veto factors can also make the entrepreneur's work easier. The fact that Foreign Minister Shimon Peres – who could potentially have been the biggest hurdle to advancing the Law – was largely focused at that time on the Oslo Accords (Peres and Naor, 1993) was a helpful element for Ramon in creating "industrial quiet".

Ramon was faced with two principal alternatives. The first was to try to carry out the recommendations of the Netanyahu Commission's Majority Opinion, which

inclined towards far-reaching changes in every organizational aspect of the bureaucratic health system. The second was to promote the recommendations of the more incremental Minority Opinion in all matters related to organizational and institutional change. Given that this analysis points towards Ramon's being motivated by his public perception as a powerful reformer, the question arises: why did he not choose the more deep-rooted change? A rationalization of his considerations could provide an understanding that in this context there was a calculation (perhaps rightly so) that an institutional change so far-reaching as to destroy the existing structure of the health funds would arouse very strong political opposition and make it too difficult for him to act (interview: Doron). Accordingly, Ramon did not insist on destroying the existing order, as recommended in the Majority Opinion (interview: Chernichovsky) and as a result, in the eyes of many players in the arena at the time, the Law in fact proposed no significant organizational change (interview: Shani).

In addition, Ramon also prepared bureaucrats and interest groups connected with the healthcare system. Evidence of how much importance he attached to such bureaucrats is seen in his extensive activity to prepare the groundwork for change by holding meetings with the forum of hospital directors, the forum of regional heads and various workers' committees (interview: Gelamn). His personal skill also helped him confine possible opposition from the leaders of the nurses' and administrators' organizations (interview: Haber). A confrontation with an alliance of those players could have ruined all of his maneuvers.

It is interesting to discover that the Israel Medical Association (hereafter: IMA), as a powerful interest group, was a relatively minor element in Ramon's efforts to prepare for change. That being so, the question arises of why he did not act with the same intensity in the face of such an important interest group. Moreover, prior to 1995 the IMA was considered a purely professional union (interviews: Belsher; Wapner). The reason he was less active against this group is that the application of the Law in its existing format would have had no adverse effect on the IMA. "As soon as they [the doctors, *author*] were promised the same health insurance funds and the same salaries, they calmed down..." (interview: Doron). In those circumstances, Ramon was spared further potentially strong opposition that could have ruined the Law, as happened with other proposals.

In the public arena Ramon tried to preserve and reinforce support for the Law (interview: Filc), which was very popular with the general public, in the government

and the *Knesset* (Greenberg, 2007: 180). Ramon also had to contend with the ultra-Orthodox population and Israeli Arabs. The first did not, in general, support the Law, also because “the public in question was largely Arab, for whom other solutions could have been found” (interview: Gafni), but primarily because their agreements with *Clalit* dictated significantly lower membership fees than the rest of the population (interview: Svarts). Ramon encountered no special difficulties among the Arab public and its political representatives, mostly because that sector would benefit more than anyone else from the Law (interview: Bin-Nun).

The health funds were players – albeit not significant ones – in everything concerning the Law (interviews: Shemer; Shani). Their position on the Law derived to an extent from their financial status. While *Leumit* Health Fund’s financial status allowed it to support the Law enthusiastically (interview: Elhayani), and *Clalit* also recognized the inherent financial advantages for it (interview: Doron), the better established funds, *Maccabi* and *Meuhedet*, feared that the Law would compromise their financial status (interviews: Shani) and they joined forces to oppose it (interview: Gross). *Maccabi* even tried to recruit the *Likud* politicians to their side, but for the *Likud* the Law represented a blow to the mechanism that had worked against them politically for many years, so they had no desire to assist *Maccabi* in contesting the Law. Moreover, for the *Likud* it was a case of “let them get on with it...” (interview: Gelman). Accordingly, when *Maccabi* approached the *Likud* to request their help in the political arena to block the initiative, the answer they received was: “We don’t want the Law, but we do want to weaken the *Histadrut*...” (interview: Kaye). Ramon, aware that the initiative had many supporters among the opposition, tried to institute a dialog between his own party and opposition parties so that *Knesset* members from all parties would vote “at their discretion and according to their conscience” (*Yedioth Ahronoth* January 6, 1994, p.4).

Preparing for policy change: neutralizing the Ministry of Finance

The compromises Ramon made were not only with the political echelons. He identified the bureaucrats in the Finance Ministry as major players whose traditional opposition to the Law must be defused. It is widely assumed that the Finance Ministry was neutralized at that stage in a manner that was simple but quite rare in Israel – by the Minister of Finance (Shochat) dictating policy to his staff: “There will be

obstacles to the Law, but there will be a NHIL! You will not stand in its way...” (interview: Rosen). Such an act on Shochat’s part is not self-evident, as his bureaucrats could move to undermine his public image as a Minister who did not act in his Ministry’s favor. In fact, this was the only time (on such a large scale) when a Law was passed which appeared to contradict the wishes of the Israeli Ministry of Finance bureaucrats. Moreover, despite Ministry claims that Shochat was more attentive to other ministries’ needs during his first term of office as Minister of Finance and took less care to preserve funds (interview: Lifshitz), in this matter he – a political ally of Ramon and Rabin – stood particularly firm in the face of his staff’s obstinacy. This was probably because his understanding included the fact that by helping Prime Minister Rabin and his probable future successor, Ramon, he would increase his chances of maintaining his political status. When Finance Ministry bureaucrats tried to appear before the government and the Ministerial Committee for Legislation and persuade them, in the early stages, not to pass the Law (interviews: Freedman; Cogan), Shochat prevented them from doing so and forced them to fall in line with him (interviews: Bin-Nun; Leventhal; Sneh; Rosen). Notwithstanding attempts by Finance Ministry bureaucrats, in March 1993 Ramon’s bill passed the first stage of legislation – government approval – and was transferred for handling to a special committee headed by Peretz (Barzilai 1996: 270).

Although the literature maintains that Finance Ministry bureaucrats opposed the NHIL, not everyone feels that the Law was necessarily enacted against their wishes. This is because they were seriously afraid that the *Clalit* would collapse and cause a major crisis (interview: Shvarts). Indeed, there seems to have been a turning point in the Finance Ministry’s position towards the end of 1993 from its traditional opposition to support for the Law. This support came once Ministry staff understood that they would be allowed influence in areas important to them and that perpetuating the existing crisis would damage their interests too. Further, it appeared that tactical needs arising from their desire to maximize their influence in the matter made them try to hide the switch in their position from other players and the general public. A look at the printed press of the time shows that close to the time of passing the Law, the Ministry’s opposition to it dwindled.

At the beginning of 1994 some recognized that the Finance Ministry was in fact supporting the Law (interview: Avital). The strongest basis for this claim comes from the person who was formerly Deputy Head of the Budget Department at the Ministry.

He says that the Ministry's position in the matter did indeed turn around at the end of 1993, explaining that: "...at first the Ministry had reservations about the Law. In the beginning I opposed it. But the more I studied the material and familiarized myself with it, the more I supported it. I am telling you that I was not against the Law. And if I say that I was not against it – then the Ministry was not against it... Ramon might be surprised to hear me say so, because he believed that I was against it, but I was not..." (interview: Peltz).

Ramon appears to have understood that in order to obtain the Finance Ministry's cooperation, especially in light of its traditional opposition to the Law up to the end of 1993, he must include the powerful Ministry bureaucrats in the reform process. To that end, Ramon made many compromises *vis-à-vis* the Finance Ministry. It is therefore worth asking why Ramon accepted compromises on some matters while refusing to do so on others.

The answer to that question offers further insight into the policy entrepreneur's successful activity: focusing on key points of the change while compromising on the aspects that are less crucial to the factor (or individual) introducing the reform in order to advance the proposed change. In the present case, Ramon undertook a large number of compromises as long as they did not affect his main goal – severing the link between the *Histadrut* and *Clalit*. For instance, he allowed the Ministry of Finance to "freeze" the existing budget so that additional sources would not be added to those that already existed in the Law (interview: Bin-Nun).

However, Ramon's most important compromise was connected with the issue of updating the health basket. One of the most significant compromises he made *vis-à-vis* the Finance Ministry was the agreement that the health basket would be updated subject to Ministry approval (interview: Sneh; Shani). For the Ministry, that compromise was one of the two greatest and most important impacts in formulating the healthcare policy. It was agreed that the basket would be updated once a year, according to the healthcare cost index, all other updates to be made "according to need and within the framework of budget priorities, not according to an automatic formula" (Ministry of Finance 2006: 58).

In effect it was not financial considerations that were at the basis of this strategy on the part of the Ministry, but a political analysis of the existing players in the arena. Bureaucrats at the Ministry understood that as part of the structural change, the method of linkage to price indices would not fully compensate the health funds

(discounts on the cost of the healthcare basket) for the increase in the cost of a day's hospitalization. The motive of linking the update to health fund costs (doctors' pay, price of a day's hospitalization and so forth) created a new reality whereby the health fund themselves became a factor fighting and struggling against the rising cost of a day's hospitalization and an increase in doctors' pay, since if wages in the healthcare system rise above the average pay in the economy, this definitely damages the health funds which will have to pay more to their doctors (and receive no compensation for it). Thus, "...when hospital directors wish to raise the cost of a day's hospitalization, no supervisor or healthcare coordinator should contend with that on his own, but the health insurance funds themselves should join in and oppose it. When there is a discussion on doctors' pay, the health insurance funds cooperate only with us [Ministry of Finance, *author*] and fight against prices rising..." (interview: Peltz). This insight demonstrates that when a policy entrepreneur wishing to effect a change, he forfeits parts of the reform that he does not consider to be essential and can offer more conservative factors a compromise that they may consider critical. Finding areas of difference and being willing to compromise on them can be a good formula for successful policy change.

Another compromise was the agreement that no additional sources would be added to the *Clalit* health basket (interview: Ovadia), although it was perceived as less "wealthy" than the baskets of other funds (interview: Shemer). Further compromises were made in relatively close cooperation between the Ministries of Health and Finance, such as leaving the matter of excess insurance payments open while determining a fixed premium, a uniform basket with competition at the level of service, and more. In fact, creative activity on the part of bureaucrats at those two ministries during the almost three-year period leading up to the enactment of the NHIL contributed significantly to its implementation (interviews: Bin-Nun; Haber). This was mainly attributable to the good working relations that Ramon had developed with the Head of the Budget Department during the time he served as Minister of Health (interview: Haber). This was better described by the Deputy Head of Budgets, who was in fact responsible for most of the Finance Ministry's approach, when he explained: "Ramon was wise enough to make sure that the Ministry of Finance would be included in the legislation process, that its voice would be heard and taken into account. In so doing he neutralized any possible opposition from the Ministry by offering it the possibility of making amendments where it [the Ministry] wished to do

so... it became a struggle between Ramon and the *Histadrut*, with everyone sitting on the sidelines not believing that Ramon would succeed..." (interview: Peltz).

'Trojan horse strategy and the resolve of policy entrepreneur: the defining act in enacting NHIL

A policy entrepreneur often must take calculated risks and act with resolve in order to bring about change. How necessary are that resolve and risk-taking if the entrepreneur's actions are to be effective? As we will soon see, an examination of Ramon's acts illustrates the theoretical insight presented in this article regarding alternatives and strategies on the part of policy entrepreneurs in various decision-making scenarios. This section focuses on the 'Trojan horse' strategy, describing the policy entrepreneur's entry into an institutional body comprised of powerful people, in order to neutralize opposition from the inside. In other words, new forces enter into old institutes and break through the institutional framework to replace it from the inside. Such a strategy is needed mainly in situations of changes that will be considered by the players as reaching deep down to the roots and potentially damaging them.

The *Histadrut* leadership, with Haim Haberfeld at its head, also tried to frustrate Ramon's activity. Aside from raising initiatives to insure uninsured populations in order to dampen Ramon's ideological claim (interview: Ziloni), they obtained enough support from members of the LP center in July 1993 that they were able to force a special conference of the party committee before the bill was submitted for first reading in the *Knesset* (Barzilai 1996: 272). Ramon did succeed in postponing the conference until after the first reading, but the understanding that without taking control of the *Histadrut* the Law would not be passed led him and Amir Peretz in his wake to propose the latter as a party candidate for Head of the *Histadrut* (ibid: 276). In January 1994, internal elections were held in the LP for Secretary General of the *Histadrut*. Against the sitting candidate, Haberfeld, Ramon and the so-called "octet" (eight dovish LP members) put forward Peretz, who pledged support for the NHIL (Greenberg 2007: 181). It came as a surprise when the unpopular Haberfeld beat Peretz in the election (Barzilai 1996: 288). This event was perceived by many at the Ministry of Health as the blow that would put an end to two-year-long efforts to formulate the Law (Bin-Nun; Rosen).

Another fear at that time was that Rabin would withdraw his strong support of Ramon because of concern that *Histadrut* opposition would jeopardize the Oslo Accords with the Palestinian leadership (Goldstein 2006: 415). During that period the *Histadrut* also intensified its efforts to recruit public opinion against the Law. *Histadrut* pressure left its mark both on Rabin himself, who at that point was probably afraid of the wrath of senior *Histadrut* members (interview: Peltz), and on government ministers, including those who had hitherto supported Ramon. Thus the Prime Minister's support (which is referenced as an essential precondition to passing reform in Israel) gradually dissipated to the point of utter lack of support, as evidenced by his refusal to support the Law in January 1994, when Ramon made his famous "beached whales" speech protesting the powers opposing change in the LP and the *Histadrut* (Kadmon, 2009). The Minister of Finance, Shochat, also explained that in the current constellation the chances of the Law being approved in its present format were slim (*Maariv* February 1, 1994, p.5). The "iron triangle" in the form of the Prime Minister, Minister of Finance and Minister of Health began to fall apart. In January 1994 the Chairman of the *Knesset* announced his intention to remove discussion of the government bill from the government agenda.

In situations where an entrepreneur encounters serious opposition from key players, a successful political initiative can employ original and unfamiliar tactics, coupled with a certain willingness to take risks. A determined entrepreneur willing to take risks can be expected to encounter success in different extreme scenarios. Under this principle, at this point, when Ramon lost Rabin's unreserved and uncritical support, he made a move which, more than any other, proved his perseverance and determination to pass the Law. On February 8, 1994, despite attempts to prevent him from doing so (Beilin 1997: 277), he resigned his position as Minister of Health and returned to run for the post of head of the *Histadrut*, with a new party, together with Amir Peretz and probably with Rabin's blessing (interview: Ziloni).

This maneuver does not contradict one of the characteristics of the policy entrepreneur, whereby he is guided by increasing fulfillment of his own self-interest. In fact, from the political point of view, he did not take a great risk and the risk he did take was rational and calculated. True to his belief that only after completing implementation of real change would the public consider him eligible to serve at the peak of political leadership, Ramon understood that he would return in the future to a more senior government position after completing implementation of the Law. In a

similar manner, the then Minister of Tourism, Uzi Baram, explained that Ramon was in fact “not taking a political risk... he chose resignation with a high premium insurance certificate in his pocket...” (*Maariv* Weekend Supplement, February 4, 1994, p.2). Ramon himself consolidated this position when he explained his rationale: “... when you are ready to pay the price, even if that price is your position as Minister of Health, you add authenticity to the struggle. I would not have succeeded in bringing the Law to that high point had they [members of the government] known I would resign. That was why they stopped me only at the last minute...” (*Ibid:* p.3). Furthermore, the charismatic Ramon’s challenge of “grey” party members seemed like a fairly safe gamble (interview: Peltz).

Ramon’s entry into the *Histadrut* was in effect that most important act leading to the enactment of the Law. In May 1994 Ramon’s faction won the *Histadrut* elections, beating out the LP headed by Haberfeld, and winning 46% of the votes (Barzilai 1996: 398). It is interesting to note that at that point Haberfeld had a chance of trying to form a coalition with Ramon’s opponents (including those from the *Likud*) and so continue to oppose the NHIL (interview: Oron; Gelman). But Rabin then imposed party discipline (interview: Sneh) and instructed Haberfeld that for ideological reasons “the party would not enter into a coalition with the *Likud*” (interview: Ziloni). For reasons that remain unclear – perhaps because of his health – Haberfeld accepted his fate. And so Ramon became the *de facto* and *de jure* ruling Chairman of the *Histadrut*, with the intention of severing the organization from *Clalit*.

On June 15, 1994, the NHIL passed its third reading in the *Knesset* and was finally approved – a dramatic policy change had taken place in Israel. Not a single *Knesset* member voted against it. Sixty-eight *Knesset* members voted in favor and 27 *Likud* members abstained (*Yedioth Ahronoth* June 16, 1994, p.5). The majority of the dissenters were the extreme religious parties, which opposed the NHIL (interview: Gafni), fearing that the preferential healthcare fees they had hitherto enjoyed would be adversely affected (interview: Shvarts). But at that stage they were not major players in the policy arena and could not stand alone against the change. A socio-democratic law had come into force in a neo-liberal era.

Summary and discussion

This article has discussed the influence of policy entrepreneurs on designing public policy while focusing on their characteristics, strategies and motivations. After defining the essence of what comprises a policy entrepreneur, the article specified the principal characteristics of entrepreneurial acts and described what constitutes successful and effective entrepreneurial activity. A policy entrepreneur is presented as a person who may emerge from among the general public, some interest group or another, or from among decision makers – politicians or bureaucrats who are active in the public policy arena. A combination of three characteristics in the creation of political entrepreneurs is suggested here: the existence of an opportunity to influence political outcome; the total absence of the tools needed for the purpose; and the desire to maximize personal benefit through activity with the declared goal of influencing political outcome. From those characteristics, our analysis has shown a number of main action strategies undertaken by entrepreneurs.

The theoretical framework and principal insights developed in relation to policy change served as an interesting case study of formulating the NHIL in Israel in 1994. The article stresses the importance of self-interest as the primary motivating force of players, in both the nature of the institutional change and the results obtained as an outcome thereof. In the same way as entrepreneurs in the business arena act in order to maximize their benefit, the policy entrepreneur will never ignore his/her self interest. We see that the narrow interests of politicians, essentially aimed at increasing their chances of election, are the prime motivating force behind their action. The article illustrates how an entrepreneur's ability to create small alliances of powerful players, who join forces on the basis of common interests, in the Israeli case, and in particular the support of the Prime Minister, increases the chances of success in effecting change. The article details the important strategies and structural conditions necessary to the policy entrepreneur's success and describes, by way of example, Haim Ramon's interesting activity as a gifted policy entrepreneur towards enacting the NHIL.

Some two years after the NHIL was passed, many incremental amendments were made to it that were identified with neo-liberal approaches of privatization, competitiveness and the free market (Mizrahi and Cohen, in press). This trend is not unique to health policy (Doron 1999). In response to it, supporters of the welfare state

try to recruit influential players to strengthen and influence the public policy arena, and they are especially keen to attract people identified with an ideology that supports an expanding social state. The practical-operative contribution that may be gleaned from this combination of those forces is the conclusion that that strategy is not in itself effective. In order to establish a social-democratic value-based social policy, it is necessary to refer to, seek and even create a system of incentives for influential politicians and bureaucrats based not only on ideologies but also on their personal interests. In the practical political test, the ideological dimension itself could be the very aspect that lets down those who rely on it and only on it.

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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. **Prof. Leah Achdut**, former Deputy Director of Research and Planning, National Insurance Institute, April 10, 2008, Jerusalem
2. **Mr. Eyal Avital**, former Deputy Director, Budgets Department, Ministry of Health, October 15, 2008, Modi'in.

3. **Dr. Yigal Ben Shalom**, Director General, National Insurance Institute, January 11, 2007, Jerusalem.
4. **Dr. Yoram Belsher**, Chairman, Israel Medical Association, February 10, 2008, Ramat Gan.
5. **Prof. Gabi Bin Nun**, Deputy Director General, Budgets, Ministry of Health, December 4, 2007, Jerusalem.
6. **Prof. Dov Chernichovsky**, former member of Netanyahu Commission, November 12, 2007, Beer Sheva.
7. **Dr. David Chinitz**, researcher, Hebrew University of Jerusalem, August 17, 2008, Jerusalem.
8. **Mr. Reuven Cogan**, Health Affairs Coordinator, Budget Department, Ministry of Health, March 2, 2008, Jerusalem.
9. **Prof. Avraham Doron**, researcher, Hebrew University of Jerusalem, May 4, 2008, Jerusalem.
10. **Prof. Gideon Doron**, former member of Yitzhak Rabin's strategic team, February 13, 2008, Tel Aviv.
11. **Prof. Haim Doron**, former Director General, Clalit Health Services, February 17, 2008, Sheba Medical Center at Tel Hashomer.
12. **Prof. Aryeh Eldad**, member of Knesset Labor, Welfare and Health Committee, May 18, 2008, Jerusalem.
13. **Dr. Asher Elhayani**, Director of Central Region, Clalit Health Services, March 29, 2007, Tel Aviv.
14. **Mr. Danny Elkayam**, Director of Insurance and Health Department, National Health Institute, November 27, 2007, Jerusalem.
15. **Dr. Danny Filc**, researcher and board member of Physicians for Human Rights – Israel, June 5, 2008, Beer Sheva.
16. **Rabbi Moshe Gafni**, member of Knesset Lobby for Public Health, May 1, 2008, telephone interview.
17. **Mr. Gershon Gelman**, Chairman, Histadrut Tel Aviv and Jaffa region, January 13, 2008, Tel Aviv.
18. **Prof. Revital Gross**, senior researcher, Smokler Center for Health Policy Research, Myers-JDC-Brookdale Institute, December 28, 2008, Jerusalem.
19. **Mr. Shraga Haber**, former Assistant Director General and Head, Division for Planning, Budgeting and Health Economics, Ministry of Health, February 12, 2009, Jerusalem.

20. **Dr. Tuvia Horev**, Acting Director, Taub Center for Social Policy Studies in Israel, September 12, 2008, Jerusalem.
21. **Prof. Avi Israeli**, Director General, Ministry of Health, November 11, 2008, Jerusalem.
22. **Dr. Rachele Kaye**, Deputy Director General, Planning and Economics, Maccabi Healthcare Services, November 22, 2007, Tel Aviv.
23. **Dr. Dan Koren**, former Labor Party Member of Knesset, March 20, 2008, Tel Aviv.
24. **Dr. Alex Leventhal**, Director, International Relations Department, Ministry of Health, September 3, 2008.
25. **Dr. Yaakov Lifshitz**, former Director General, Ministry of Finance, November 26, 2007.
26. **Mr. Yoel Lifshitz, Adv.**, Deputy Director General for Supervision of Health Funds, Ministry of Health, October 12, 2008, Jerusalem.
27. **Mr. Zvi Maor, Director**, Sharon-Shomron Region, Clalit Health Services, October 18, 2007, Netanya.
28. **Mr. Zevulun Orlev**, Chairman, National Religious Party (Mafdal), former Minister of Social Affairs and Social Services, January 8, 2008, Jerusalem.
29. **Mr. Haim Oron**, Member of Knesset and member of Knesset Finance Committee, January 24, 2008, Tel Aviv.
30. **Dr. Baruch Ovadia**, former Director of Social Services, Clalit Health Services, March 16, 2008.
31. **Mr. Haim Peltz**, former Deputy Supervisor of Budgets and Healthcare Coordinator, Ministry of Finance, January 1, 2009, Ben Gurion International Airport.
32. **Mr. Aryeh Pinchasi**, Head of Human Resources Department, Ministry of Health, November 6, 2007, Jerusalem.
33. **Mr. Haim Ramon**, Deputy Prime Minister and member of Foreign Affairs and Defense Committee, March 2, 2008, interview by mail.
34. **Dr. Baruce Rosen**, Director, Smokler Center for Health Policy Research, Myers-JDC-Brookdale Institute, February 5, 2008, Jerusalem.
35. **Dr. Ran Saar**, Director, Central Region, Maccabi Healthcare Services, October 11, 2007, Givataim.

36. **Prof. Mordechai Shani**, former Director General, Ministry of Health, and member of Netanyahu Commission, April 22, 2008, Sheba Medical Center at Tel Hashomer.
37. **Prof. Joshua (Shuki) Shemer**, former Director General, Ministry of Health and Maccabi Healthcare Services, June 13, 2008, Sheba Medical Center at Tel Hashomer.
38. **Dr. Michael Sherf**, Director, Soroka University Medical Center, June 5, 2008, Beer Sheva.
39. **Prof. Aryeh Shirom**, former member of Netanyahu Commission, December 21, 2007, interview by mail.
40. **Prof. Shifra Shvarts**, researcher, Ben-Gurion University of the Negev, July 21, 2008, Sheba Medical Center at Tel Hashomer.
41. **Dr. Ephraim Sneh**, former Minister of Health, February 26, 2008, Jerusalem.
42. **Prof. Avia Spivak**, former Deputy Governor, Bank of Israel, February 26, 2008, Jerusalem.
43. **Ms. Leah Wapner, Adv.**, Secretary General, Israel Medical Association, February 10, 2008, Ramat Gan.
44. **Efraim Ziloni, Adv.**, Chairman, Economic and Social Division, Histadrut Laborers Federation, February 27, 2008, Tel Aviv.