



STATE OF ISRAEL  
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS  
DEPARTMENT

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**Press Release**

**Finance Minister Steinitz Met with Nobel Prize Winning Economist Prof. Stiglitz to Discuss How Israel has Coped with the Economic Crisis and its Resource Tax Policy**

**Nobel Prize winner Prof. Joseph Stiglitz praised the way the Israeli economy has dealt with the crisis and said that Israel should continue to focus on long-term plans. In the meeting, Stiglitz stressed the importance of the work of the Sheshinski committee and said that resource tax policy should be updated**

Minister of Finance, **Dr. Yuval Steinitz**, and **Prof. Joseph Stiglitz**, Nobel laureate and senior staff member of Columbia University Business School, discussed and exchanged views on the burning economic issues on the agenda for the global and Israeli economy, during a meeting in New York.

Issues discussed included natural gas royalties. Prof. Stiglitz expressed the importance of reexamining the system of fiscal rules applied to existing drill sites. This has already been done in many countries, with the latest example being Australia. Regarding drilling in Israel, Prof. Stiglitz suggested the possibility of not applying a trajectory of direct tax reductions to gas drilling.

With regard to the way the world's governments have coped with the economic crisis, Prof. Stiglitz stated that long-term planning is crucially important, along with the certainty and credibility imparted to the plans. According to Prof. Stiglitz, the dividend tax cuts temporarily led by the Bush administration brought about the opposite result: many companies released dividends to shareholders, who avoided reinvesting them, because they knew that profits in the form of dividends would be taxed in the future. Prof. Stiglitz holds that the expansive monetary policy of the American Federal Reserve is also not helping to resolve the main problem – the shortage of credit for small businesses. Interest-rate reductions do not push the banks to grant loans to these businesses; instead, they should have been given tax incentives to encourage lending. Another point noted by Prof. Stiglitz is the need for governments to focus on creating investments rather than on encouraging consumption.

Prof. Stiglitz further stated that the Israeli government's approach to long-term planning is correct. A downward trajectory of taxation over the years, a biennial budget, and a multi-year falling deficit curve all illustrate the way governments should bring about growth-supporting changes during a crisis.



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Enclosed are three photos from the meeting:

