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Curriculum Vitae

EYTAN SHESHINSKI

Personal

Date of Birth: June 29, 1937
Place of Birth: Israel
Citizenship: Israeli
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Education

1961 B.A., Economics (with distinction)
The Hebrew University, Jerusalem

1963 M.A., Economics and Statistics (with distinction)
The Hebrew University, Jerusalem

1966 Ph.D., Economics
Massachusetts Institute of Technology, Cambridge, Massachusetts
Thesis: *Essays on the Theory of Production and Technical Change*

Current Academic Position

Sir Isaac Wolfson Professor of Public Finance
The Hebrew University, Jerusalem, Emeritus
Member, Academic Committee, Center for Rationality, The Hebrew University, Jerusalem

Current Management Position

Member, Board of Directors and Investment Committee, Psagot Provident Fund, , Ltd.

Past Academic Positions

1965 Research Fellow (Summer)
Center for Advanced Study in the Behavioral Sciences Stanford University

1966	Assistant Professor Department of Economics, Harvard University
1967	Lecturer Department of Economics, The Hebrew University, Jerusalem
1969	Senior Lecturer Department of Economics, The Hebrew University, Jerusalem
1970	Visiting Associate Professor Department of Economics, Harvard University and Stanford University (Summer)
1971	Associate Professor Department of Economics, The Hebrew University, Jerusalem
1972	Visiting Professor Department of Economics, Stanford University and University of California at Berkeley (Summer)
1974	Full Professor Department of Economics, The Hebrew University, Jerusalem
1976	Visiting Professor Department of Economics, Stanford University
1978	Chairman Department of Economics, The Hebrew University, Jerusalem
1980	Oskar Morgenstern Distinguished Fellow Mathematica, Princeton University
1981	Fellow Center for Advanced Study in the Behavioral Sciences, Stanford University
1985-	Visiting Professor (Fall) Department of Economics, Stanford University
1986	Department of Economics, Massachusetts Institute of Technology
1988	Visiting Professor Department of Economics, Harvard University
1989	Visiting Professor (Fall) Department of Economics, Columbia University
1993	Visiting Professor (Fall)

Department of Economics, Massachusetts Institute of Technology

- 1994-1997 Visiting Professor (Fall),
John F. Kennedy School of Government ,Harvard University.
- 1997-2010 Visiting Professor (Fall),
Department of Economics, Princeton University,
- 2011- Visiting Professor (Fall),
Department of Economics, Brown University.

Past Management Positions

- Chairman of the Board of Directors, Koor Industries Ltd., Israel, 1990–1995
- Chairman of the Board of Directors, Koor Capital Markets Ltd., Israel
- Member, Board of Directors, Tadiran Ltd. and Makhteshim, Ltd., Israel
- Director, Harvard Institute of International Development (HIID),
International Program on Privatization and Regulatory Reform, 1996-1999
- Director, Workshop on Privatization and Regulatory Reform, Woodrow Wilson School,
Princeton University, 2001-

Honors

- Fellow of the Econometric Society
Overseas Fellow, Churchill College, Cambridge University
Council of the Econometric Society, 1979–81
Wicksell Lecture, Stockholm, 1980
Oskar Morgenstern Distinguished Fellow, Princeton University, 1980–81
Walras-Bowley Lecture, Econometric Society, 1981
Foreign Member, Royal Swedish Academy of Sciences, 1984
Foreign Honorary Member, American Academy of Arts and Sciences, 1984
Doctor Honoris-Causa, Stockholm School of Economics, 1984
Member, American Philosophical Society, 2001
Robert Mundell Distinguished Lecture, International Atlantic Economic Society, 2008
Jon M. Huntsman Presidential Lecture, Utah State University, 2011
Foreign Honorary Member, American Economic Association, 2011
Richard Musgrave Lecture, International Institute of Public Finance, 2012
Elected "Knight of Good Governance" by the Society for Good Governance, Israel, 2011

Editorial Positions

- Co-Editor — *Econometrica*, 1977–1981

Associate Editor — *Journal of Public Economics*, 1972–1996
Co-Editor — *North Holland Series in Public Economics* , 1975-1990

Organizational Affiliations

Chairman
Conference of Public Economics at Kiryat Anavim, June 1975

Member of the Executive Committee
International Seminar on Public Economics (ISPE)

Member of the Board
Israeli Economic Society, 1977–1978

Member
Council of the Econometric Society, 1977–1978

Chairman
Workshop on Capital Taxation
(sponsored by CNRS, ISPE, and NBER) Paris, 1981

Member of the Board of Overseers
Murphy Institute of Political Economy at Tulane University
New Orleans, 1980–1984

Organizer
Workshop on *The Theory of Price Adjustments*
Ceasarea, Israel, 1987

Chairman of the Board, Hevrat Ha'ovdim (Economic Corporation of the Trade Union,
Histadrut), Israel, 1990–1992.

Director, The Hebrew University — Koret Foundation Program on *Structural
Reforms in the Israeli Economy*, 1995–1999

Organizer: Workshop on *Twenty-Five Years of the New Public Economics*, Jerusalem, 1996.

Member, Visiting Committee, Fiscal Affairs Department, International Monetary Fund,
2005-2008

Public Service

Economic Consultant to the Israel Knesset, 1972–1974

Consultant on Welfare Policy
The Israeli Prime Minister's Office, 1985

Consultant, Secretaria de Programacion y Presupuesto, Mexico, 1986

Chairman, Committee of Experts on Tax Personal Reform
Appointed by the Israeli, 1987

Member, Committee on the *Privatization of State-Owned Enterprises*
(Options' Committee), appointed by the Minister of Finance, Jerusalem, 1995.

Chair, Committee on Gas and Oil Royalties, Israeli Ministry of Finance, 2010-2011
Law on Taxation of Oil and Gas (the "Sheshinski Law"), passed by the Knesset, Israel,
March 2011

Consulting Work

HIID Workshop on Privatization, Kuala-Lumpur, Malaysia, March 15–25, 1996.

HIID Workshop on Privatization, Harvard University, Cambridge, Mass.,
July 1996, 1997 and 1998.

Social Security Privatization, La-Paz, Bolivia, August, 1996.

Pro-Democratia project in Romania (Privatization, Restructuring of State Owned Enterprises
and establishment of Pension Funds), 1997 - 1999.

Publications

I. Books

Optimum Pricing, Inflation, and the Cost of Price Adjustment
Sheshinski, E. and Y. Weiss (eds.), M.I.T. Press, 1993.

2. *Entrepreneurship Innovation and the Growth Mechanism of Free Market Economics* ,
Sheshinski, E. and W. Baumol (eds.), Princeton University Press 2006.

3. *The Economic Theory of Annuities*, Princeton University Press, 2007.

4. *Report of the Committee on Gas and Oil Royalties*, Ministry of Finance, Israel, 2011

II. Articles

1. "The Nature and Implications of the Reswitching of Techniques," *Quarterly Journal of Economics*, November 1966, 80, 526–559 (with M. Bruno and E. Burmeister). Reprinted in P.

Newman (ed.), *Readings in Mathematical Economics*, Johns Hopkins University Press, Baltimore, 1968, Part II, 68–95.

2. "Optimal Accumulation with Learning by Doing," in K. Shell (ed.), *Essays on the Theory of Optimal Economic Growth*, M.I.T. Press, Cambridge, 1967, 31–52.
3. "Economic Growth and Factor Substitution," *International Economic Review*, June 1967, 8, 242–251 (with M. Kemp and P. Thanh).
4. "Balanced Growth and Stability in the Johansen Vintage Model," *Review of Economic Studies*, April 1967, 34, 239–248.
5. "Tests of the Learning by Doing Hypothesis," *Review of Economics and Statistics*, November 1967, 49, 568–577.
6. "On the Sensitivity of the Level of Output to Savings: Embodiment and Disembodiment," *Quarterly Journal of Economics*, August 1967, 81, 524–528 (with D. Levhari).
7. "On the Individual's Lifetime Allocation between Education and Work," *Metroeconomica*, October 1967, 20, 42–49.
8. "The Badly Behaved Production Function — Comment," *Quarterly Journal of Economics*, August 1968, 82, 524–525 (with M. Bruno and E. Burmeister).
9. "A Non-Substitution Theorem in a Model with Fixed Capital," *Southern Economics Journal*, January 1969, 35, 273–276 (with E. Burmeister).
10. "Stability of Growth Equilibrium in the Neoclassical Vintage Model," *International Economic Review*, June 1969, 10, 141–143.
11. "On the Sensitivity of the Level of Output to Savings: Embodiment and Disembodiment: Comment," *Quarterly Journal of Economics*, May 1969, 83, 347–348 (with F.M. Fisher and D. Levhari).
12. "A Theorem on Returns to Scale and Steady State Growth," *Journal of Political Economy*, February 1969, 77, 60–65 (with D. Levhari).
13. "The Relation between the Rate of Return and Rate of Technical Progress," *Review of Economic Studies*, June 1969, 36, 363–379 (with D. Levhari).
14. "Switching of Techniques and Consumption Per Head: An Economic Clarification," *Quarterly Journal of Economics*, August 1970, 86, 533–535.
15. "A Microeconomic Production Function," *Econometrica*, May 1979, 38, 550–573 (with D. Levhari).
16. "The Factor Price Frontier with Embodied Technical Progress," *American Economic Review*, December 1970, 60, 807–813 (with D. Levhari).

17. "Welfare Aspects of a Regulatory Constraint," *American Economic Review*, March 1971, 61, 175–178.
18. "On the Theory of Optimal Income Taxation," 1971, *Journal of Public Economics*, forthcoming.
19. "Lifetime Excess Burden of a Tax," *Journal of Political Economy*, January 1972, 80, 139–147 (with D. Levhari).
20. "A Production Function for Repairmen Problem," *Review of Economic Studies*, July 1972, 39, 241–250 (with K.J. Arrow and D. Levhari).
21. "The Optimal Linear Income Tax," *Review of Economic Studies*, July 1972, 39, 297–302. Reprinted in the E.S. Phelps (ed.), *Economic Justice*, Penguin, London, 1973, ch. 17.
22. "Relations between a Social Welfare Function and the Gini Index of Income Inequality," *Journal of Economic Theory*, February 1972, 4, 94–100.
23. "Optimum vs. Equilibrium Land Use Pattern and Congestion Tolls," *Bell Journal of Economics and Management Science*, Autumn 1973, 4, 619–636 Reprinted in E.T. Verhoef (2009), *Economics of Traffic Congestion*, a book in the *International Library of Critical Writings in Economics* (Elgar).(with D. Pines and Y. Oron).
24. "Congestion and the Optimum City Size," *American Economic Review*, Papers and Proceedings, May 1973, 63, 61–67.
25. "An Example of Income-Tax Schedules which are Optimal for the Maxmin Criterion," 1973, *International Economic Review*, forthcoming.
26. "Experience and Productivity in the Israel Diamond Industry," *Econometrica*, March 1974, 41, 239–253 (with D. Levhari).
27. "The Economics of Queues: A Brief Survey," in M.S. Balch, D.L. McFadden and S.Y. Wu (eds.), *Essays on Economic Behavior under Uncertainty*, North-Holland, Amsterdam, 1974, 195–212 (with D. Levhari).
28. "Short and Long-Run Effects of Interest-Income and Estate Taxes," *Metroeconomica*, December 1974, 26, 109–129.
29. "The Effect of Nuisances Associated with Urban Traffic on Suburbanization," *Journal of Urban Economics*, 1974, 1, 382–394 (with D. Pines and Y. Oron).
30. "A Note on the Progressivity of Optimal Public Expenditures," *Quarterly Journal of Economics*, February 1975, 89, 138–144 (with J. Green).
31. "Competitive Inefficiencies in the Presence of Constrained Transactions," *Journal of Economic Theory*, June 1975, 10, 343–357 (with J. Green).

32. "Demand Fluctuations, Capacity Utilization and Industry Equilibrium," *American Economic Review*, December 1976, 66, 731–742 (with J. Dr̄ze).
33. "Income Taxation and Capital Accumulation," *Quarterly Journal of Economics*, February 1976, 90, 138–149.
34. "Direct Versus Indirect Remedies for Externalities," *Journal of Political Economy*, August 1976, 84, 797–808 (with J. Green).
35. "Integration Effects of Firms Subject to Regulation," *Bell Journal of Economics and Management Science*, Spring 1976, 7, 308–313 (with Y. Peles).
36. "Price Quality and Quantity Regulation in Monopoly Situations," *Economica*, May 1976, 43, 127–137.
37. "The Supply of Communal Goods and Revenue Sharing," in M. Feldstein and R. Inman (eds.), *Economics of the Public Services*, MacMillan, London, 1977, ch. 11, 253–273.
38. "Adverse Selection and Optimum Insurance Policies," in A.S. Blinder and P. Friedman (eds), *Natural Resources, Uncertainty and General Equilibrium Systems: Essays in Memory of Raphael Lusk*y, Academic Press, New York, 1977, 113–122.
39. "Inflation and Costs of Price Adjustment," *Review of Economic Studies*, June 1977, 44, 287–304 (with Y. Weiss).
40. "Budget Displacement Effects of Inflationary Finance," *American Economic Review*, September 1977, 67, 671–682 (with J. Green).
41. "Taxation, Monetary Policy and Inflation," in A. Sandmo (ed.) *Essays in Public Economics* (D.C. Heath and Co., Lexington, 1978), ch. 15.
42. "Note on Two-Part Tariff, Regulation and Distribution," *Journal of Public Economics*, forthcoming.
43. "Inflation and Taxes in a Growing Economy with Debt and Equity Finance," *Journal of Political Economy*, April 1978, 87, 53–70 (with M. Feldstein and J. Green).
44. "Efficiency in the Optimum Supply of Public Goods," *Econometrica*, March 1978, 46, 269–284 (with L. Lau and J. Stiglitz).
45. "A Model of Social Security and Retirement Decision," *Journal of Public Economics*, December 1978, 10, 337–360.
46. "Optimal Redistributive Taxation when Individual Welfare Depends upon Relative Income," *Quarterly Journal of Economics*, November 1978, 92, 589–601 (with M. Boskin).
47. "Optimum Capital Gains Taxation under Limited Information," *Journal of Political Economy*, December 1978, 86, 1143–1158 (with J. Green).

48. "Note on the Relation between Quantity and Price Anomalies under Externalities," *Economics Letters*, December 1978, 1, 111–115.
49. "Demand for Fixed Factors, Inflation and Adjustment Costs," *Review of Economic Studies*, January 1979, 46, 31–45 (with Y. Weiss).
50. "Approximating the Efficiency Gain of Tax Reforms," *Journal of Public Economics*, April 1979, 11, 179–196 (with J. Green).
51. "Corporate Financial Policy and Taxation in a Growing Economy," *Quarterly Journal of Economics*, August 1979, 93, 411–432 (with M. Feldstein and J. Green).
52. "Uncertainty and Optimal Social Security Systems," *Quarterly Journal of Economics*, May 1981, 95, 191–206 (with Y. Weiss). Also in Collard, D., R. Lecomber and M. Slater (eds.), *Income Distribution: The Limits to Redistribution*, Scientehnica, 1980, 71–80.
53. "Inflation, Costs of Adjustment and the Real Price Amplitude: An Empirical Study," in Flanders, J. and A. Razin (eds.), *Development in an Inflationary World*, Academic Press, 1981, 195–207 (with A. Tishler and Y. Weiss).
54. "Inequality Within and Between Families," *Journal of Political Economy*, February 1982, 105–127 (with Y. Weiss). Also in Helpman, E., A. Razin and E. Sadka (eds.), *Social Policy Evaluation: An Economic Perspective*, Academic Press, 1983, 255–276.
55. "The Effects of Public Sector Wage Policy on Income Distribution and Labor Allocation," in R. Haveman (ed.) *Public Finance and Public Employment*, Wayne State University Press, 1982. Also in Helpman, E., A. Razin and E. Sadka (eds.), *Social Policy Evaluation: An Economic Perspective*, Academic Press 1983, 299–309.
56. "Optimal Tax Treatment of the Family: Married Couples," *Journal of Public Economics*, April 1983, 20, 281–298 (with M. Boskin).
57. "Optimum Pricing Policy under Stochastic Inflation," *Review of Economic Studies*, July 1983, 50, 513–529 (with Y. Weiss).
58. "On Industry Equilibrium under Uncertainty," *Journal of Economic Theory*, June 1984, 33, 88–97 (with J. Dre'ze).
59. "The Normative and Positive Aspects of Taxation of Imputed Rent on Owner-Occupied Housing," *Journal of Public Economics*, June 1985, 27, 1–24 (with D. Pines and E. Sadka).
60. "Second-Best Theory: Ramsey-Boiteux Pricing," in Arrow, K., and M. Intriligator (eds.), *Handbook of Mathematical Economics*, 3, North-Holland, 1986, ch. 25 (with K. Hagen).
61. "Towards a Theory of Planning," in Heller, W.R. Starr and D. Starrett (eds.), *Equilibrium Analysis: Essays in Honor of Kenneth J. Arrow*. Cambridge University Press, 1986, ch. 7. 135–158 (with M. Intriligator).

62. "Earnings Uncertainty and Intergenerational Transfers," in Helpman, E., A. Razin and E. Sadka (eds.), *Economic Effects of the Government Budget*, MIT Press, 1988, ch. 5.
63. "A Simple Model of Optimum Lifecycle Consumption with Earnings Uncertainty," *Journal of Economic Theory*, October 1989, 49, 1, 169–178.
64. "Production Externalities and Long-Run Equilibria: Bargaining and Pigovian Taxation," *Economic Inquiry*, July 1989, 17, 453–571 (with J. Hamilton and S. Slutsky).
65. "Note on the Shape of the Optimum Income Tax Schedule," *Journal of Public Economics*, November 1989, 40, 201–216.
66. "Optimum Earnings and Capital Income Taxes in a Life-Cycle Model," in Krause-Junk (eds.), *Public Finance and Steady Economic Growth*, Proceedings of the International Institute of Public Finance, 1989.
67. "Treatment of Capital Income in Recent Tax Reforms and the Cost of Capital in Industrialized Countries," *Tax Policy and the Economy*, 4, National Bureau of Economic Research, MIT Press, 1990, 25–42.
68. "Staggered and Synchronized Price Policies under Inflation: The Multiproduct Monopoly Case," *Review of Economic Studies*, April 1992, 59, 331–359 (with Y. Weiss).
69. "Externalities and Compulsory Vaccinations," *Journal of Public Economics*, 1991, 45, 69–90 (with D. Brito and M. Intriligator).
70. "Towards Privatization: Decentralization of Large Conglomerates and Debt Allocation," *Proceedings of the Tenth World Congress of the International Economic Association*, September 1992.
71. "Quantity Competition in a Spatial Model", *Canadian Journal of Economics*, 27, November 1994, 403-417 (with J. Hamilton, J. Klein and S. Slutsky).
72. "Economic Aspects of Optimal Disability Benefits," *Journal of Public Economics*, 1995, May 1995, 57, 1–23 (with P. Diamond).
73. "Privatization and the Distribution of Income in the Commons," *Journal of Public Economics* May 1997, 64, 181–206 (with D. Brito, and M. Intriligator).
74. "Alternatives to the Strait of Hormuz", *Energy Journal*, 1998, 19, 135-147. (with D. Brito).
75. "Romania's Pension System: From Crisis to Reform", in M. Feldstein and H. Siebert (editors), *Social Security Pension Reform in Europe*, The University of Chicago Press, 2002, 401-438 (with G. deMenil).

76. "Privatization and its Benefits: Theory and Evidence" in Basu, K., P. Nayak and R. Ray (eds.) *Markets and Governments*, (Oxford University Press, 2003), pp. 185-243, Also in *CES Economic Studies* (2003), 49, 429-60. (with L.F López-Calva)
77. "Atmosphere Externality and Corrective Taxes" *Journal of Public Economics*, 2004, vol. 88, no. 3, pp. 727-734
78. "Annuities and Retirement", in D. Aliprantis, K. Arrow, P. Hammond, F. Kubler, H-M Wu and N. Yannelis (eds) *Assets, Beliefs, and Equilibria in Economic Dynamics* (Springer, 2003), 27-54.
79. "Optimum and Risk-Class Pricing of Annuities", *The Economic Journal*, 2007, 117, 240-251.
80. "Note on Longevity and Aggregate Savings", *Scandinavian Journal of Economics*, 2006, 108, 353-356.
81. "Private Information, Coasian Bargaining and The Second Welfare Theorem", *Journal of Public Economics*, 2006, 90, 871-895 (with D. Brito, J. Hamilton, M. Intriligator and S. Slutsky).
82. "Transfers as a Means to Combat European Spillovers", *Journal of Economics and Statistics*, 2005, 225, (6), 699-710, (with D. Rübhelke).
83. "Planning for the Optimal Mix of Paygo Tax and Funded Savings", *Journal of Pension Economics and Finance*, 2005, 5(1), 1-25 (with G. DeMenil and F. Murtin).
84. "Optimum Delayed Retirement Credit", in Fenge R., G. DeMenil and P. Pestieau, (eds.) *Pension Strategies in Europe and in the United-States*, (MIT Press, 2008) .
85. "Pharmaceutical Patenting in Developing Countries" in Sheshinski, E. and W. Baumol (eds.) *Entrepreneurship Innovation and the Growth Mechanism of Free Market Economics* (Princeton University Press, 2006).
86. "Quasi-Hyperbolic Discounting and Social Security Systems" *European Economic Review*, 2007, 51, 1247-1262. (with M. Schwarz).
87. "Optimum Commodity Taxation in Pooling Equilibria", *Journal of Public Economics*, 2007, 91 (7), 1565-1574.
88. "Refundable Annuities", *Journal of Public Economic Theory*, 2010, (1), 7-21.
89. "Environmental Protection and the Private Provision of International Public Goods" *Economica*, 2010, 308 (77), 775-784, (with M. Altemeyer-Bartscher and D. Rübhelke)

Unpublished Papers

1. "On the Optimality of (S,s) Price Adjustment Policies," Research Report No. 166, May 1987, Department of Economics, The Hebrew University of Jerusalem (with A. Caplin).
2. "An Explanation of the Behavior of Personal Savings in the United States in Recent Years", NBER Working Paper No. w3040 , July 1989 (with Vito Tanzi).
3. "Note on the Optimum Pricing of Annuities", August 1999.
4. "Bounded Rationality and Socially Optimal Limits on Choice In A Self-Selection Model", January 2000, Revised November 2002.
5. "Note on Income Taxation and Occupational Choice" September 2000, Revised: December 2002.
6. "Policies To Internalize Reciprocal International Spillovers" *CESifo Working Paper No. 2058*, CESifo, Munich, 2007 (with M. Altemeyer-Bartscher and D. Rübhelke).
7. "Limits on Individual Choice", 2010

Conference Volume

1. "Proliferation, Technological Change and Foreign Policy," Conference on *Foreign Policy Challenges at the End of the Century*, Baker Institute for Foreign Policy, Rice University, November, 1995.

Publications in Hebrew

1. *Lectures on Public Finance*, Academon Press, The Hebrew University, Jerusalem, 1970.
2. "Price Theory," in *The Hebrew Encyclopedia*, 1977.
3. "Approximating the Efficiency Gain of Tax Reforms," *Tax Quarterly*, December 1977, 10, 99–105.
4. "Price Adjustment Policies under Inflation: Theory and Evidence from Israeli Experience," in N. Halevi and J. Kop (eds.), *Essays on the Israeli Economy*, The Maurice M. Falk Institute for Economic Research, 1978.
5. "Social Implications of Fiscal Policy in the 1980's" Report of the Center for Social Policy Evaluation (JOINT), September 1983 (with J. Gabbay).

6. "Abba Lerner's Contribution to Economic Thought, National Debt and Intergenerational Transfers," *Economic Quarterly*, April 1983, 499–506.
7. "Tax Discrimination of Owner-Occupied Housing: Resource Allocation and Income Distribution Effects," *Bank of Israel Survey*, August 1984, 75–90 (with D. Pines and E. Sadka).
8. *Personal Income Tax Reform: Report of the Committee of Experts*, Ministry of Finance, Israeli Government, 1988.

Addendum to Professor Eytan Sheshinski's
Curriculum-Vitae

Experience in Corporate Restructuring:

Professor Sheshinski was Chairman of the Board of Directors of Koor Industries, Israel's largest industrial conglomerate (\$3.2 billion annual sales) from 1990 to 1995. At the time he became chairman the company was in bankruptcy procedures, having stopped (in 1989) payments on its \$1.4 billion debt. The company was wholly owned by Israel's Trade-Union ('Histadrut'), with more than one hundred subsidiaries operating in diverse areas such as telecommunication, electronics (military and civilian), chemicals (pesticides and septicides), construction inputs (steel, cement, ceramics, etc.) food and more. The company was centrally managed and served as a clearinghouse, with profitable companies subsidizing losing ones ('cross-subsidization') and an inflated work force, in excess of 35,000 employees.

The new Board of Directors, headed by Professor Sheshinski and a new management team, negotiated a Comprehensive Financial Agreement with a consortium of the creditor banks (concluded in September 1991), which swapped stock options for debt. The turnaround plan adopted by the new management changed Koor's structure and performance dramatically. Koor became a decentralized holding company, with thirty-five autonomous core-subsidaries. Losing companies have been sold or closed and the number of employees was reduced to 17,000. All cross-subsidization was eliminated. Professor Sheshinski was intensively involved in the restructuring of Koor, in particular in the design of a model that was used to optimally parcel the debt of the holding (Koor Industries) among its subsidiaries, a pre-condition for the selling of shares to the public. To repay the debt, Koor raised capital on the Israeli and the U.S. stock markets by means of public offerings of shares amounting to \$500 million in 1993 (a quarter of all the capital raised that year in the Israeli stock market). Today, most of Koor's subsidiaries are publicly traded. Koor's shares are currently traded at a company value of \$1.2 billion. Incentive plans for management and workers were successfully implemented. Less than two years later, Koor became the most profitable Israeli industrial corporation (net profits were \$160 million in 1993 and \$140 million in 1994). The Comprehensive Financial Agreement, which stipulated a twelve-year period of banks' control of the company, was terminated in 1992, less than two years after its initial adoption! This dramatic turnaround became a case study at Harvard's Business School.

In June 1995, Shamrock Holdings of the U.S. bought a controlling interest in Koor industries and its president replaced Professor Sheshinski as Chairman of the Board of Directors. His main mission completed, Professor Sheshinski remains, however, a strategic advisor to Koor Industries and is on the board of its two major subsidiaries (Tadiran — electronics and telecommunications and Makhteshimn — chemicals and pharmaceuticals).

Professor Sheshinski, an expert on Public Economics and Privatization, was appointed by the Israeli government as a member of a committee whose task was to recommend methods to

accelerate the sale of state-owned enterprises, including the free distribution of stock options of these enterprises to the public ('mass-privatization', different but with some similarities to the East European experience).

Consulting at Harvard Institute of International Economic Development (HIID)

In 1996, Professor Sheshinski was appointed Director of the International Program on Privatization and Regulatory Reform at the Harvard Institute of International Development of Harvard University. The program engages in educational, consulting and research activities in the area of Privatization, i.e., the sale of State Owned Enterprises (SOES). In the case of infrastructure monopolies, privatization entails the establishment of regulatory schemes. Regulatory regimes differ across countries and are the subject of much research and policy.

Professor Sheshinski organizes an annual one-month workshop on Privatization at Harvard University (Cambridge, Mass.) in July, aimed at top policy makers, managers of SOEs and economists from around the world. Similar workshops have been conducted in Kuala Lumpur (Malaysia) and Cairo (Egypt). The program has consulting agreements with USAID (jointly with KPMG-Pete, Marwick) and with *Pro-Democratia*, a European consulting group (headed by Georges de Menil), which operates in CEE (East-European) countries on restructuring and privatization. Work has focused on Romania and is currently engaged in targeting privatization proceeds and capitalization for the initial funding of a mandatory Pension System.