

# Israel: Sharon government creates ever widening social inequality

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The Israeli government's subjugation of the Occupied Territories and the defence of its illegal settlements has not only brought untold misery and suffering to the Palestinians. It has severely exacerbated economic difficulties and social contradictions within Israel itself.

After two decades of growth, Israel's economy is now in deep recession and is heavily reliant on US aid for its survival. Even during the period of economic growth—when GDP rose from \$5,612 to \$16,926 per capita on average and saw Israel join the ranks of the developed nations—only a narrow social stratum saw the benefits, whilst the position of the vast majority either stagnated or declined. Moreover, between 2001 and 2002 when GDP declined, the affluent still saw their share of the national wealth rise.

The last few years of recession were brought about by a combination of a downturn in the world economy and the continuing intifada in the occupied territories that was deliberately provoked by Sharon to scupper any last chance of a negotiated settlement with the Palestinians.

Israel is ranked as the 16 wealthiest country in the world, and has a higher GNP than the combined GNP of its neighbours, Egypt, Lebanon, Syria, Jordan and the Occupied Palestinian Territories. Despite this, over one third of Israelis live below the poverty line, defined as one half of the median wage, i.e., the wage level above which half the population earns more and below which half earns less. Many of those in poverty are in work.

The Adva Centre for information on equality and social justice's annual report for 2003 is a damning indictment of the state of Israeli society. In 2002, the poverty rate amongst families was 33.9 percent and amongst children it was 39.7 percent, an increase of 15 percent and 83 percent respectively over the past two decades.

Between 1990 and 2002 the top decile of the population saw their income grow by 5.6 percent to NIS 502,000 (\$106,000) per annum, or 30 percent of total income. The next decile saw no growth whatsoever, and the remaining 80 percent of the population actually witnessed a decrease in its income. The bottom decile earned only NIS 37,300 (\$8,000) per annum, 2.2 percent of total income.

In 2002, the income of senior managers in the top 100 companies on the Tel Aviv Stock exchange averaged NIS 2.9 million (\$644,000). Between 1994 and 2002 the wage cost of senior managers rose from 13 to 17 times that of the average wage, and from 30 to 36 times that of the minimum wage.

The average wage, currently NIS 83,616 p.a. (\$18,500), is deceptive as it is skewed upwards by the huge salaries of the top earners. In fact 72 percent of all Israeli employees earned the average wage or less in 2001, and almost 30 percent earned less than the minimum wage—defined as 45 percent of the gross average wage.

Israeli society is further fragmented by ethnic class, and religious inequality. In general terms, Arab citizens are the lowest paid, and have seen a decline in their position over the period 1990 to 2001. Mizrahi Jews (Jews of African or Asian descent) have seen a small improvement, whilst

Ashkenazi Jews (Jews of European or North American descent) are the highest paid, and have seen a 10 percent rise in their pay. In 2001, Ashkenazi Jews received on average one and a half times the income of Mizrahi Jews and twice that of Arabs.

In keeping with the neo-conservative outlook of Israel's paymasters in the Bush administration, Sharon's policy has been to roll back the state, curtail its obligations to its citizens, and reduce and reverse its limited redistributive policies from the poor to the rich.

In a two year period between 2001 and 2003, the Sharon administration has made a series of deep cuts in social spending:

- \* the budget cuts of September and then December 2001,
- \* the "Economic Defensive Shield Plan" of June 2002,
- \* the cutbacks of the 2003 budget,
- \* the "Plan for the Recovery of the Israeli Economy—Stage 1" in June 2002, and
- \* the "Plan for the Recovery of the Israeli Economy—Stage 2" in September 2003.

The cuts were accompanied by a propaganda campaign aimed against Israel's poor, depicting them as a non-productive burden on the state, weighing down on those "who work and serve in the army."

The attacks were often focused on Arab citizens, ultra-Orthodox Jews and single mothers, who are amongst the poorest sections of society. Some of the most swingeing cuts have been in income support payments to low income families, which were reduced by 30 percent in 2003, and in child allowances, which were cut by 12 percent.

The government has also introduced a series of cuts in corporate and income taxes that will benefit only the highest earners. Economists at the Bank of Israel have calculated that this will cost NIS 4.55 billion in 2004, NIS 6.7 billion in 2005, NIS eight billion in 2006 and NIS seven billion in 2007 and 2008 (\$7.39 billion over five years). This will not only widen the gap between rich and poor, but will also make it impossible for a future government to provide a social safety net.

The cuts have been likened to "a coup designed to satisfy the government's immediate need for cash," with little regard for their social impact. They have led to the impoverishment of broad layers of the Israeli population and have had devastating consequences in all social areas including, employment and wages, the social "safety net", education, health and social welfare and the pension system. The cabinet has proposed raising the pension age from 65 to 67 for men, and from 60 to 67 for women.

Allowances which have not been cut have been frozen until 2006, at which time they are to be linked to the Consumer Price Index (CPI) rather than the average wage. Since the average wage has risen much more than the CPI over the last two decades, this will serve to further reduce the value of such benefits that remain and increase the social polarisation in Israeli society.

A recent article in *The Guardian* newspaper in Britain headlined "Trolley dash: the last resort of hungry Israelis" painted a grim picture of

the rapid decline of Israel's welfare state. A group of single mothers in Beer Sheva, whose benefits have been cut by 40 percent, have taken to approaching supermarket managers and making their plea: "We're in trouble. We're Israelis with families and we don't have any money. We intend to fill our trolleys with food and we don't intend to pay. We don't care if we get arrested but we would be very grateful if you didn't stop us." Then they fill their trolleys and charge out of the door.

Managers have largely been sympathetic to their plight. One manager, Yaish Biton, listened to their plea. He said he understood how hard life was for many Israelis today: "We used to have a special trolley next to the door. Customers were invited to put a tin of food in it for the poor. When the trolley was full, the food was delivered to the poor. Now there are so many hungry people they come to the supermarket and take the tins out of the trolley. It never fills up any more. A lot of people eat food straight off the shelf. They even bring can-openers. We don't stop them."

*The Guardian* cited Hazon Yeshaya, a voluntary welfare organisation that feeds about 5,000 people per week with hot food, the majority children. They report a 65 percent increase in people approaching them for assistance over the past year. Its founder Abraham Israel explained:

"It used to be we helped those who were falling through the cracks; the old, the sick. In the past six months we are getting people who had jobs and were making it over the poverty line due to the assistance of social benefits. But the government has cut all these benefits."

A recent opinion poll found that nearly 80 percent of Israelis believe that the government is being cruel to the weaker members of society, and three-quarters say that Israel is in the midst of economic collapse.

The budget cuts were ostensibly a response to shrinking tax revenues following the downturn in the economy, and were carried out under the banner of "the public coffers are empty." However, this is belied by the tax cuts to the rich.

Furthermore, the government found additional funds for its defence budget and for its ongoing illegal occupations. "The conflict itself," observes Adva, "is presently the main factor contributing to Israel's continuing recession and to the shrinking of its economy... Continuing confrontation means continuing economic instability and continuing large outlays for defence."

The defence budget, including that for the secret services, is the only budget to have experienced significant growth in recent years. Between 2001 and 2002, it rose by seven percent, from NIS 44.8 billion to NIS 47.9 billion (\$9.95 billion - \$10.64 billion).

The Israeli withdrawal from south Lebanon in 2000 and last year's US-led attack on Iraq were both supposed to mean that Israel could cut its massive defence budget, as it no longer faced any serious threat. But the Sharon government has increasingly diverted funds towards its occupation of the West Bank and Gaza Strip, to further its policy of a creating a Greater Israel.

The illegal settlements in the West Bank and Gaza require a disproportionate allocation of resources for their defence, and to make them attractive to settlers in the first place. Many settlers have stated that they only moved into the West Bank and Gaza because of government incentives, and would happily move if they were compensated.

Adva has pointed to huge overspend in the Occupied Territories. The 2001 figures show that central government gave twice as much per capita to local government in the Occupied Territories than to Israel proper, and that investment in home construction in the West Bank and Gaza was 5.3 times that of Israel proper. Between 1991 and 2001 public over-funding of home construction in the West Bank and Gaza totalled NIS 5.8 billion (\$1.3 billion).

The construction of the highly controversial wall that divides Israel from the Palestinian Authority, that incorporates many illegal settlements deep in the West Bank, is costing billions that are largely diverted from social spending, as are the sums needed to build the roads and infrastructure for

these same illegal settlements.

The attacks on the working class, including the traditionally better-off sections of unionised skilled labour, have led to a series of ongoing labour disputes. These involve most local government workers connected to the Histadrut union federation, and also bank workers, professors, teachers and port workers.

Municipal welfare workers in Lod, Yehud and Arabeh local councils have not received salaries in almost a year, forcing the High Court of Justice to order the state to explain why not. The workers wish to be paid directly from the Social Affairs Ministry's budget rather than via the empty coffers of local government, since they fear that money intended for salaries is being used for other purposes.

Unemployment is officially 10.9 percent, though it is believed to be closer to 16 percent. The last seven years has seen official Jewish unemployment rise by almost 50 percent from 6.7 percent to 9.8 percent, while Arab unemployment has more than doubled from 6.2 percent to 13.4 percent.

To facilitate lower labour costs and higher corporate profits, the government is attempting to dismantle the trade unions and restrict the right to strike. Public sector strikes are to become illegal, unless 20 percent of all public sector workers in their sector vote for it in a secret ballot, e.g., Fifty workers may have a gripe with management, but they can not strike unless a further 10,000 civil servants approve.

Sharon's administration is an unstable coalition of extreme right wing parties, the constituencies of which include many poor ultra-Orthodox Jews who have come under attack from the government's budget cuts. Sharon recently survived a no confidence vote, only due to the abstention of 37 MKs (Members of the Knesset) including seven far right National Union MKs, six pro-settler National Religious Party MKs, alongside MKs from Sharon's own Likud Party.

Despite its civilian gloss, the Israeli political establishment is controlled by a military clique representing an extremely corrupt and undemocratic layer. The last three prime ministers have been investigated for corruption and Ariel Sharon could soon face charges for corruption.

Israel functions as little more than a garrison state in the Middle East in the service of US imperialism. It acts as a testing ground for US military know-how, not least for urban-warfare techniques, and relies heavily on US economic military and political support. Israel receives over \$4 billion in aid from the US per annum, of which over \$2 billion is in direct military aid. The rest also allows Israel to free up money from elsewhere in the budget for use on defence. Israel has the largest fleet of F-16 fighter planes outside of the US—around 200, with a further 100 on order.

US direct military aid to Israel amounts to more than it gives to Sub-Saharan Africa, the Caribbean and Latin America combined. Israel receives over one third of total US aid to foreign countries, even though it constitutes just 0.001 percent of the world's population.

Since 1949, the US has given approximately \$85 billion in aid to Israel. The loan interest, which is borne by US taxpayers, amounts to an additional \$50 billion. Since 1992, the US has also given \$2 billion per annum in "loan guarantees," though nearly all past loans have been forgiven prior to the due date for repayment. In 1997 alone, the total of US grants and loan guarantees to Israel amounted to \$5.5 billion, or \$15 million per day.

Israel is unviable without these enormous sums and even now is close to bankruptcy. This would have been unavoidable without the recent \$10 billion in loan guarantees from the US. In short Israel, with all its cultural advantages, educated workforce and massive aid, is an economic and political disaster dominated by enormous social inequality and led by a corrupt and venal clique that operates as international gangsters on behalf of its masters in Washington.



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