

# Israel's foreign policy linked to its growing social inequality

Jean Shaoul  
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Unprecedented social protests sweeping across Israel against soaring housing costs, social inequality, and declining living standards have focused on Prime Minister Benjamin Netanyahu's embrace of "free market" reforms—and the resulting stranglehold of Israel's dozen or so billionaires over the economy.

Little has as yet been said about one of the key factors behind this assault on Israeli workers' living standards: the enormous economic strain coming from Israel's brutal suppression of Middle Eastern workers in neighbouring countries, as part of Israel's broader alliance with US imperialism. In recent years, the Zionist regime has spent billions of dollars on occupying and suppressing the Palestinian people, invading Lebanon, and building up a large military machine. Its crimes have been financed at the expense of the working class.

Moreover, these policies have been carried out largely in violation of the will of the Israeli population. In particular, repeated polls have shown that the majority of Israelis want a peaceful resolution of the long-running Israeli-Palestinian conflict.

A report by the Adva Centre's Shlomo Swirski, *The cost of occupation: the burden of the Israeli-Palestinian conflict, 2010 report*, exposes the social cost to Israel of occupying Palestinian land—excluding East Jerusalem, which Israel has annexed directly.

Swirski says that both sides are paying a heavy price, although "Palestinians are paying the heaviest price". But his report shows how the occupation's costs have been placed squarely on the backs of the Israeli working class, via a sustained assault on its wages, working conditions, social, education and health care.

Military expenditure in the Palestinian territories took off primarily after the first Palestinian uprising or Intifada in 1987—before which Israeli bosses had

profited by using Palestinian cheap labour to drive down Israelis' wages. After the Intifada, however, the Israeli Defence Force (IDF) stationed two special units permanently in the Occupied Territories. Moreover, the expansion of Israeli settlements in Palestinian territories after the 1993 Oslo Accords came at the expense of investment in peripheral towns in Israel itself and required more military spending to protect them.

The suppression of the second Intifada starting in September 2000 led to extra security costs and an economic downturn to which the government reacted by slashing all civilian spending. The cuts amounted to NIS 65 (\$18) billion between 2001 and 2004, which the report described as "an unprecedented retrenchment". From 2001 and 2005, child allowances were cut by 45 percent, unemployment benefits by 47 percent and income maintenance by 25 percent—cuts that the Ministry of Finance admitted were made to pay for the defence budget.

The 2001 levels of spending were not restored after Israel's bloody suppression of the uprising. Social spending per capita has fallen every year following 2001, while defence expenditure has risen.

Israel receives \$3 billion a year in aid from the US, much of it for military expenditure, but this in no way covers Israel's total military budget, believed to be at least \$13 billion or approximately 7-8 percent of GDP, one of the highest in the world.

Swirski adds that the prolonged conflict also prevented the integration of Palestinian Israelis into Israeli society, and their social and economic advancement. This marginalisation of 20 percent of the population has further undermined Israel's economic development.

The occupation's precise cost is unknown, however,

because the military budget is never published. All that is published is the “additional special expenditures” for the occupation. These *additional* appropriations alone came to NIS 45 (\$12.6) billion in 2009 prices between 1989 and 2010. The report notes that this is “larger than the total budgetary outlay on elementary, secondary and tertiary education in Israel”.

The 2005 “disengagement” from Gaza cost NIS 9 (\$2.5) billion; the Brodet Commission estimated the cost of building the Separation Wall between Israel and the West Bank at NIS 13 (\$3.7) billion, a sum equivalent to the health care budget.

The 2006 Lebanon war to eradicate the pro-Palestinian infrastructure in Southern Lebanon cost NIS 8.2 (\$2.3) billion; Operation Cast Lead against Gaza in 2008-09 cost a further NIS 4.5 (\$1.3) billion, plus an additional NIS 1 billion (\$280 million) to fortify the area adjacent to Gaza.

The impact of such military spending has been nothing short of catastrophic for all layers of Israeli society—save the very rich. The Israeli government does not represent the interests of its citizens, or even of all its Jewish citizens, but those of a section of Israel’s financial elite, a corrupt and venal clique that operates as international gangsters on behalf of its masters in Washington.

Adva’s *2009-10 Annual Social Report* shows that inequality is high and growing, not only between rich and poor but between different sections of the working class: Jewish Israelis of European origin, of Middle East and North African origin, Palestinian Israelis, migrant workers, the impoverished orthodox Jews, and the 3.5 million Palestinians in the West Bank and Gaza. In 2010, Israel’s Gini coefficient was 39 percent, making it one of the most socially unequal of the world’s wealthy countries.

The gross average income of 80 percent of workers fell in 2009, with the income of the poorest 40 percent declining most. The middle income group has shrunk from 33 percent of all households in 1988 to 27 percent in 2009, with the share of total income falling from 28 percent to 21 percent.

While 52 percent of Israelis are poor or very poor, the annual per capita income of Palestinian Israelis is about one third that of Jewish Israelis. They face discrimination in terms of employment and education, social welfare and housing investment budgets. Half of

all the 850,000 poor children are Palestinian Israelis.

All levels of education, another key focus of the protest movement, are almost universally acknowledged to be dreadful. Teachers’ pay is low relative to other developed countries, while classroom sizes are above average. Students, including Israel’s top students, perform badly by international standards. Some 54 percent of 17 year olds failed to graduate from high school in 2009, reflecting even more starkly the income disparities between social groups.

Access to healthcare is no better, as reflected in average household expenditure on supplemental healthcare insurance, which has continued to grow as public provision has declined. While the poor spend a higher proportion of their income on healthcare, their more limited insurance buys them significantly fewer benefits.

The elderly have been particularly badly affected as the state pension is far below even a minimum standard of living, and the income of the majority is so low that they are unable to save for their retirement. According to Adva’s report, the bottom 20 percent saved almost nothing towards their retirement.

These conditions underscore that a successful struggle against social inequality in Israel poses the urgent necessity of a united struggle by the Israeli, Palestinian, and Arab working masses against the bourgeois Zionist state and the criminal policies of world imperialism.



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