

Israeli cabinet reveals draconian austerity budget

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Israel's cabinet has approved austerity measures aimed at increasing taxes by NIS13 billion (\$3.25 billion) and slashing state expenditure by NIS12 billion (\$3 billion).

Its targets for lower budget deficits after 2013 guarantee even harsher measures in the next few years. The budget, to be discussed in parliament in October, is expected to be opposed by some of Prime Minister Benjamin Netanyahu's coalition partners, particularly the religious parties, whose supporters are desperately poor and depend on Israel's already inadequate social safety net.

The budget will hit both middle- and low-income families, while exempting the super-rich.

VAT (a sales tax) will rise from 16 to 17 percent. Finance Minister Yuval Steinitz ordered an immediate tax hike on cigarettes and beer. As it is, revenues from indirect taxes, which affect the poorest the most, are higher than direct taxes on income and higher than in most other Organisation for Economic Co-operation and Development (OECD) countries.

Income tax rates for those earning more than the average wage (NIS8,881, or \$2,220 a month) will rise by 1 percent, and by 2 percent on higher earners (NIS67,000 or \$17,000 a month). Such is the enormous inequality that just one quarter of wage earners are paid more than the average. To put this in perspective, the tax cuts for the rich introduced in 2003 have led to a cumulative loss of more than NIS40 billion (\$10 billion). The top rate of tax will remain unchanged at 48 percent.

All government departments except defence, education and housing, face cuts of at least 5 percent.

Following the social protests last summer, the Trajtenberg Commission recommended free education for all from the age of three, to be funded out of a NIS2.5 billion (\$625 million) cut in defence. But the government has increased defence spending, not cut it. Now the funding for education will come from cuts to the rest of social services.

Israel's militarism—its illegal occupation of Palestinian and Syrian territory captured in the 1967 war, constant wars against its neighbours, and preparations for further military adventures—exact a heavy toll on the economy. Defence spending takes a massive 16.7 percent of the budget, compared to an OECD average of 3.8 percent, and is now set to rise. Over the last decade, the per capita spend on defence grew more than the per capita spend on social services. Over the last two decades, the military expenditure on the occupation alone is more than the annual budgets of both health and education.

As a sop to public opinion, the government has promised to pursue corporate tax evaders, but there is little chance that anything significant will be collected.

The budget deficit will increase to NIS40 billion (\$10 billion), or 3 percent of GDP, leading Israel's Central Bank chief Stanley Fischer to warn that interest rates might have to rise. The budget sets a target of 3 percent in 2013, declining thereafter to 1.5 percent in 2019. Today, of all the major countries, only Germany has a lower budget deficit.

Israel's central bank reported that the economy, which has thus far largely escaped the worst of the global recession, is beginning to feel the downturn in its two largest trading partners, the United States and Europe. The report is forecasting slower economic growth for 2012, at 3.1 percent, compared with 4.8 percent in 2011. This will reduce tax revenues, pushing the deficit closer to NIS58 billion (\$14.5 billion), or 4 percent.

The cabinet has set in place the mechanisms to decimate public spending on everything but defence and security, and impose a crippling burden of taxation on the broad mass of the population.

Netanyahu's budget comes after last year's mass demonstrations, involving nearly 500,000 people in a country of less than 8 million, protesting against the lack of affordable housing, the high cost of living, Israel's

oligarchs, and social inequality.

Last June, protesters once again started to flow into the streets of Tel Aviv on Saturday nights, trying to revive last year's social movement. But they were brutally put down by the authorities. Last month, Moshe Silman set himself on fire at a rally marking the first anniversary of last year's protests, becoming a symbol of the government's inhumane social policies and prompting further demonstrations.

However, the leadership of the protest movement, despite winning widespread support from workers and youth, articulated the political and social interests of a narrow layer of the better off. Like the Occupy Wall Street and the "Angry Ones" in Spain and Greece, the leaders insisted on "no politics" so as to ensure that there was no fundamental challenge to the capitalist order within which they sought their own social advancement.

The real argument of these forces with Israel's oligarchs was that they were not sharing the spoils with the upper-middle class layers as they had in the past. All these movements have suffered a major decline, largely because many of the leading figures found the niche they sought—leaving the more genuine elements increasingly isolated.

To cite one example, Itzik Shmuli, the Student Union chairman, who is close to the Histadrut federation of trade unions, has received \$200,000 from one of Israel's foremost tycoons for a project. Along with a number of other leaders, he has openly embraced patriotism and militarism. Their rallying call has become not only equal rights, but "equal responsibility" in the form of compulsory national service for all men, including religious Jews, who until now have been exempt if they pursue religious studies, and Palestinian Israelis.

These forces played a major role in a rally organised by secular reservists and attended by about 20,000 people, calling for an end to exemptions from military service for Orthodox Jews under the banner, "We are no longer suckers". They insisted that everyone should share "equally in the burden of defending the state."

By taking up the demand for compulsory conscription, Shmuli and other leaders of the social movement are fostering divisions between religious and secular Jews and creating conditions for the persecution of Palestinian Israelis who refuse to serve for obvious political reasons. They divert the as yet unfocused social and political discontent into an alliance movement based upon secularism—and ultimately social patriotism and militarism. In this way, they are subordinating the

working class to bourgeois forces, while both the secular and religious parties defend the interests of their wealthy patrons.

It was no accident that the rally came just days after some in the protest movement sought to appeal to the Palestinians, and called for an end to the occupation in a demonstration that attracted 2,000 people. It was held under the banner "No Social Justice Without Ending the Occupation."

Nir Nader, one of the leaders of the anti-occupation protesters, said, "You can't have social justice for just 7 million people who are Israeli citizens. You have to take everyone under Israeli rule into consideration."

It is impossible to fight against Netanyahu's pro-business and austerity measures while defending the Israeli state and capitalism. The working class can defend its rights and social gains only when it is organized independently of all wings of the ruling class. Workers must unite with their class brothers and sisters regardless of religion or ethnicity within Israel, the occupied Palestinian territories, and countries in the region. They must fight for a socialist programme for the establishment of workers governments to expropriate the banks and corporations and organize the economy according to social need, rather than the demands of the financial aristocracy.

This requires the building of a political leadership that articulates the independent interests of the working class, a section of the International Committee of the Fourth International in Israel.



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