

# Savage cuts in Israel follow Gaza war

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The war on Gaza cost Israel a staggering \$2.5 billion, or \$50 million for each day it was waged. This is even higher than the estimates the Israeli media were making in early August before the fighting ended.

Most of the cost came from the more than 6,000 attacks, mostly airstrikes, Israeli forces carried out on targets in the Gaza Strip. At least \$60 million was due to the Iron Dome missile defence system. According to Defence Minister Moshe Ya'alon, it cost \$100,000 for each of the 600 Palestinian rockets that the Iron Dome defence system shot down.

The Israel Defence Force (IDF) has asked for \$2.5 billion to meet the cost of its operations in July and August, plus an 11 NIS (\$3.05) billion hike in its 52 NIS (\$14.16) billion budget for next year for its operational deployments in 2015, as well as a budget increase of NIS 20 billion (some \$5.6 billion), making a total of 83 NIS billion (\$23 billion) for 2015, an increase of 60 percent.

The Palestinian Authority (PA) has estimated that the cost of rebuilding just the 17,000 Gazan homes damaged or destroyed by Israeli bombings would be \$2.5 billion, with the reconstruction of Gaza as a whole, including an international airport and sea port, costing about \$7.8 billion.

In the aftermath of war, the Israeli working class is being targeted for savage cuts. A new austerity programme will intensify the economic plight of the poor, further fuel the social inequality that is already the highest among the 34 members of the OECD, and bring about an acute political crisis for the Zionist regime. Prime Minister Benjamin Netanyahu's cabinet has agreed on \$561 million "savings" in the 2014 budget, to be achieved by a 2 percent cut in all budgets except defence and domestic intelligence. The hardest hit of Israel's already emaciated social programmes will be the education budget, which will lose \$200 million.

Only a few months ago, a government appointed commission recommended a \$2 billion a year increase in social expenditure to alleviate poverty. The new proposals mean jettisoning the report and condemning Israel's poor, above all the Palestinian Israelis, ultra-orthodox Jews and those Jewish Israelis from the Middle East and North Africa, to destitution.

Netanyahu dismissed opposition to the cuts, saying, "Security comes first."

The \$561 million cut is only 20 percent of the cost of the war and in no way addresses the massive increase that the IDF is demanding for next year. There has as yet been no mention of how these costs are to be met.

Netanyahu has also faced calls for a higher compensation package for towns in Southern Israel close to the Gaza Strip that were most directly affected by rocket and mortar fire. Despite the ceasefire, many families have yet to return to their homes.

Finance Minister Yair Lapid based his electoral campaign in the aftermath of the 2011 social protests on finding "where the money went" and curbing defence spending. He has refused to raise taxes and has instead called for a larger budget deficit for 2015 of 36 NIS billion, above the 3 percent of GDP limit of 31 NIS billion (\$8.7 billion) set by the government—to be financed by loans. His plan is opposed by Netanyahu, Economy Minister Naftali Bennett and Bank of Israel governor Karnit Flug. The original plan for the 2015 budget had called for a deficit cap equal to 2.5 percent of GDP.

Lapid has threatened to resign from the cabinet if he is overruled, pulling his Yesh Atid party out of the coalition and potentially precipitating an early election if Netanyahu cannot find a replacement coalition partner. The budget discussions, which usually start earlier in the year, had been postponed until the end of August because of the war and the fraught relations between Lapid and Netanyahu. Cabinet will discuss it

again on September 11, in preparation for the draft budget, which must by law be presented to the Knesset by the end of October.

The austerity budget comes amid signs of a slowing economy, which had already fallen to 1.7 percent growth in the second quarter of the year, with exports and the hi-tech sector badly affected by the global recession and the dollar's ongoing slide. The war is believed to have cost Israel's economy \$1.3 billion, particularly travel and tourism. This in turn will reduce the government's tax take next year, further fuelling the deficit.

Should a war of attrition follow peace talks with Hamas, which controls the Gaza Strip, that fail to resolve the outstanding issues—and Netanyahu has already indicated that he will refuse to accede to Hamas' demands—the economy and the government's finances will be further imperilled.

At the end of August, the Bank of Israel cut interest rates to an all-time low of 0.25 percent, following a similar cut in July, in a bid to stimulate the stagnant economy, fuelling fears of consumer debt and a spiralling property bubble, and higher housing costs.

Netanyahu faces falling popularity in opinion polls, although higher (42 percent) than that of his rivals, both on the right (11 percent) and the so-called left (12 percent). His even more right wing coalition partners, Foreign Minister Avigdor Lieberman of Yisrael Beiteinu and Economy and Trade Minister Naftali Bennett of the Jewish Home party, had called for an even harsher military campaign to topple Hamas and reoccupy the Gaza Strip, and are furious at his decision to end the war. Bennett is seen as the one who has gained the most out of the war, and he is now preparing to change the constitution of his party to appeal more to secular Jews and thus win more votes in the next elections.

Criticism of Netanyahu has been no less vociferous within his Likud Party. Danny Danon, the former deputy defence minister Netanyahu sacked during the war for briefing against the government line, has called a conference for September 15 to “discuss” the war.

Last week, in a move widely seen as aimed at appeasing the right wing settler movement, Netanyahu announced the expropriation of nearly 1,000 acres of land adjacent to the Gush Etzion settlement bloc between Bethlehem and Hebron in the south of the

occupied West Bank, the biggest land grab since the 1980s. The intention is to use the land for a new settlement, Gvaot, part of his broader plan to encircle East Jerusalem. Netanyahu followed this up with the publication of tenders for 283 new homes in Elkana settlement in the north-west of the West Bank.

US Secretary of State John Kerry opposed the takeover and called on Netanyahu to reverse his decision, which could jeopardise the possibility of reaching a deal with the Palestinian Authority to police Gaza and so disrupt Washington's plans for a wider offensive in Iraq and Syria.

This could drag Israel's working class into a war on the Golan Heights, which Israel seized from Syria in the 1967 War. Syrian “rebel” groups, including the Al-Qaeda-linked Al Nusra Front and the Free Syrian Army, have captured the border crossing in Quneitra province from the Syrian army after fierce fighting.



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