

Israel Institutes Pre-War Austerity Program

Israeli Finance Minister Simcha Ehrlich last week unveiled the new economic package of the Likud Party government — a formula for unrelenting austerity. The chief feature of the package was the across-the-board 25 percent cutback of government subsidies for most foodstuffs, fuels, and other essential commodities. Correlate features include the imposition of price controls, the relaxation of regulations concerning foreign currency brought into Israel, new taxes on domestic credit, and a reduction in government expenditures, including an unprecedented cut in spending for defense.

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Although the announced measures were drawn up in large part by the former Labour Party government earlier in the year, they also reflect more recent arm-twisting from Wall Street and Carter Administration forces to make Israel slash living standards in return for more "credit."

With the highest foreign debt per capita in the world, Israel either will go the way of debt moratoria and a search for credits outside Wall Street channels or will find the austerity measures to be only the first in a series of autocannibalist raids on the country's economic resources and potential.

This critical reality is underscored by the fact that one of Ehrlich's top advisors is Chicago University's Milton Friedman, the architect of Chile's genocidal economic reforms.

The Bottomless Pit

The immediate danger of the austerity measures is that they will open up a bottomless economic crisis that will force the Israelis into military production as the sole means of motivating the economy and into war as the only way out of a desperate financial crisis. Recent Italian press reports alluded to this danger and urged the European Economic Community to step up EEC-Israeli economic cooperation as a means of ensuring a viable Israeli sense of national economic sovereignty.

Similarly, the German Democratic Republic newspaper *Neues Deutschland* warned earlier this week that the Israeli government would lurch toward war to

"resolve the country's economic crisis." The East Germans have recently been publicizing Israel's excellent industrial and agricultural potential as a contrast to the austerity-driven war push.

As long as Israel does not locate its economic survival on the basis of a nest of deals with the Europeans, the Soviets, and the Arabs in the context of an overall peace, the country remains in the stranglehold of Milton Friedman, the U.S. Agency for International Development, the pro-dollar faction within the EEC, Chase Manhattan, and the International Monetary Fund — all of which joined the Carter Administration's insistence on austerity in return for credits. This Wall Street policy is tantamount to credit strangulation, and stands in stark contrast to the U.S. Labor Party's recent programmatic outline for the Middle East. The Labor Party program calls for granting several billion dollars in credit to Israel to encourage the nation's industrial viability and economic self-confidence.

Making matters painfully tangible, the *London Financial Times* reported July 19 that the heads of leading commercial banks inside and outside Israel are finding the recent austerity package only a beginning that "only goes part way in curing the country's economic ills." According to the *Times*, the future must see more layoffs, higher "productivity," and cutbacks in the civil service.

Destabilization

Finally, the country's economic weakness introduces a wide range of possible destabilization options for the Carter Administration in Israel, geared to breaking the back of the nationalist-industrialist backers of Premier Begin. The Administration will then bring into power a malleable U.S.-run faction headed by former defense minister Shimon Peres and Yigal Yadin, head of the fascist Democratic Movement for Change. Notably, Peres has led the opposition Labour Party's attacks this week on the government's economic policy, and Yadin is being pushed publicly by every prominent member of the Rothchild-"Our Crowd" conduit concerned with Israel. Most recently the Israeli correspondent for the *Economist* magazine, run by "Our Crowd's" Lazard Freres, mooted Yadin as Israel's soon-to-be new premier, coming into power in alliance with the Likud's "shopkeeper" Liberal Party wing.