ISRAEL: Model Nazi War Economy

The Israeli economy is a model economy, an economy whose industrial sector is dominated by the defense industry and the largely illegal diamond trade, whose debt service is skyrocketing—as is its inflation rate—whose standard of living is plummeting, and whose only real resource is a shrinking number of highly skilled, industrial, technical, and scientific cadre.

The Israeli economy is the model that the International Monetary Fund and World Bank have slated for application to every national economy—advanced sector to Third World.

The Israeli economy follows closely the policies developed by Nazi Finance Minister Hjalmar Schacht for Germany. Like Israel today, Schacht's program was marked by an emphasis on labor-intensive technologies, measures of austerity against the population, and a credit policy oriented not to economic growth, but to meeting the demands of debt repayment.

As these policies took their toll on the productive economy, Nazi Germany, like Zionist Israel today, turned increasingly to the industries of war and a policy of expansionism. The "lebensraum" ideology was the cover for the Nazis' war policy. For Israel, it is the Zionists' dream of dominion "from the Nile to the Euphrates"—Greater Israel.

Up to about the early 1970s, Israel could have opted for a Middle East peace settlement at a Geneva conference chaired by the Soviet Union and the United States. The terms of peace would have been internationally guaranteed borders for two sovereign states—Israel and Palestine—and a chance for Israel to apply its agricultural and technical expertise to projects to irrigate the entire Negev Desert/Sinai region. Cheap and abundant energy would have been available to fuel the industrial development of Israel.

But with each act of Israeli terrorism and war against its neighboring sovereign countries and as its military dictatorship over the West Bank piles up a bloody record of atrocities, that option has all but disappeared.

Israel's Zionist ruling elite today faces the economic crisis with no illusions. Their policy solution is a Schachtian economic solution with expansionism as a key political component of that solution. Again the analogy to Nazi Germany applies. A country embarks on a policy of war production and expansionism on the basis of the expected pay-off. Thus, Nazi Germany's drive to the east, with the expectation of looting its industrial, agricultural, and mineral resources.

Israel's original purpose was as a geopolitical strategem of the British monarchy in the 19th century:

create a toe-hold in a strategic geographical location as the basis for extending the interests of the Empire over the Mediterranean and Middle East regions. The Zionist leadership forced a policy of isolation on Israel—an autarkical policy that shaped Israel's present Nazi war economy. Thus, Zionist Israel's military actions and threats against Lebanon, Jordan, and the West Bank. More potentially lucrative is the post-Camp David decision by Egyptian President Anwar Sadat to all but hand the Egyptian economy over to Israel.

The same can be applied to South Africa, which, following the Zionist autarkical model, is about to embark on the military subjugation of southern Africa.

The cost of Camp David

This is the meaning of the recently concluded Camp David accords.

Camp David signifies a U.S. endorsement and an escalation of the role of the Zionist state as a spy, policeman, and terrorist controller for the British and British-influenced circles in the United States throughout the Middle East and Africa. Camp David *does not* mean any improvement in Israel's economic situation. An examination of the circumstances of the pact bears this out.

By any accounting measure, the economic prospects for the state of Israel are decidedly grim in the wake of the Camp David accord. Even Israeli spokesmen have stated that the settlement creates new, serious obstacles to any hope for fiscal normalcy appropriate to a state of peace. After some 30 years of cruel austerity conditions, the citizenry of Israel as well as its disenfranchised subjects are being asked for renewed belt-tightening. The threat of economic crisis and collapse is not at all mitigated by the existence of a vast illegal economy specializing in gun-running and diamond trading.

Israel is scheduled to receive $3 billion in U.S. aid designed to finance the implementation of the treaty, over and above its "normal" allocation of $1.8 billion from the U.S. Government. Of the aid, $2.2 billion, however, is a loan, payable over 20 years, after a 10-year grace period. Only $800 million is a grant. The immediate costs of the treaty are the uprooting and gradual pullback of Israel's extensive fortifications along its southern front in the Egyptian Sinai region. These fortifications include four very large air bases and the infrastructure—electricity, roads, and water pipelines—to service the defense line. Israel also receives credits, included in the $3 billion, for tanks, armored personnel carriers, artillery, and F-16s on an accelerated delivery schedule. Israeli sources estimate the cost of the Sinai move to be in the range of $3.5 to 4.5 billion.

This infusion of capital will not result in economic growth and may only succeed in pushing prices up. Israel has even announced that American construction firms may be awarded contracts for the job. In any case, Israel's construction workers will not become any more skilled or qualified even if in the end, they are awarded part of the job.

On the material loss side, Israel will be obliged to abandon substantial settlements built in Egyptian territory. By treaty, the Abu Rudeis oil fields are completely surrendered, with 45 foreign firms waiting to exercise concessions sold by the Egyptian government to work the field and conduct further exploration. None of the oil output will be owed to Israel.

> ***"Some people are doing very well indeed out of inflation—for instance anyone dealing in capital, real estate, or foreign currency...the victims belong to the productive sector of our society, the exporters, old-age pensioners, anyone living off a salary."***
>
> *—Yeruham Meshel, Secretary-General of the Histadrut,*
> New York Times, *March 31, 1979.*

On the political side are the consequences of an Israel unable to claim imminent disaster in its appeal for financial aid and immigration. The first ramification of this problem will be American taxpayer resistance to a package that, when Egyptian aid is added, totals about $13 billion in foreign aid in the next three years, excluding any additional economic aid. Iran formerly led the list of all-time leaders in receipt of U.S. military aid, with a total of $6.034 billion since 1950. Israel came in a close third, behind West Germany, with a total of $4.297 billion between 1950 and 1977.

Israel's justification for constantly increasing aid is its need to maintain a competitive edge over its neighbors' armed forces, whose total in mobilized regular troops far exceeds Israel's regulars and reserves. The Middle East arms race, moreover, is largely of the United States' own making. Saudi Arabia and, increasingly, Egypt will be recipients of huge aid, which the U.S. must top on the Israeli side.

What has Egypt got to offer Israel economically? Almost nothing. The *New York Times* quotes an Egyptian official: "We are two beggars." In agriculture, the two countries export the same products. Egypt might sell water from the Nile to Israel—passing through two facing defense lines—but there would still be the problem of financing the agricult
ture required.

Egypt is as poor in natural resources as Israel, and its population has proportionally fewer available skilled workers. Its military expenditures are exceptionally high, its GNP is coasting listlessly, and its debt burden is crushing. Egypt's trade deficit equals that of Israel, with a population over 12 times the size of Israel (and increasing at a rapid rate) and a per capita income one-tenth that of Israel.

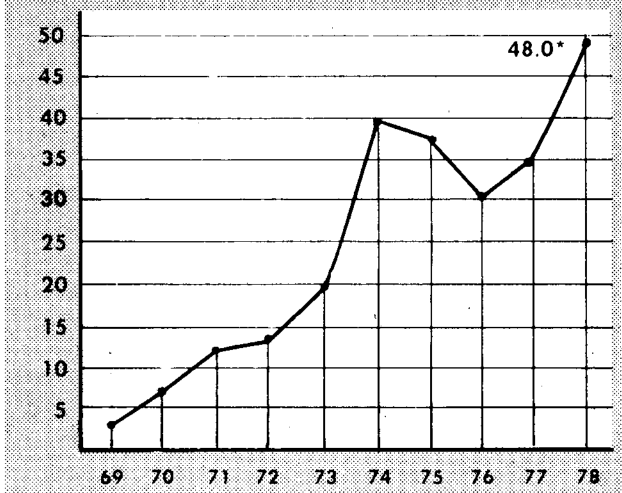
Former Israeli Premier Yitzak Rabin recently said that the only basis for economic cooperation immediately at hand is package tours of the Holy Land and the Pyramids. Some have pointed out that Israel has a surplus of vacant hotel space, while Egypt has a shortage, so the tourist trade would benefit the Israeli hotel business.

One proposal guaranteed to start riots in Cairo and Tel Aviv—for different reasons—is for Israeli businessmen to exploit cheap Egyptian labor by subcontracting industry out. This may indeed begin to occur, but the consequence will be the unemployment of an increasing proportion of Israel's less skilled labor force, primarily Sephardic and Israeli Arab workers. One can imagine the stability of a work-force in Israeli-owned sweatshops inside Egypt.

The economic dilemma

Israel's economic plight suggests a schoolboy riddle, perhaps the riddle of the Sphinx, where an array of incongruous characteristics is discovered to belong to the same unlikely entity. Israel is a country whose population is roughly the same size as the City of Chicago (or the state of Kentucky). It has one of the highest, continuously increasing costs of living in the world. And, over the last 30 years, it has received

Inflation: through the roof



Israel's ranks as one of the world's worst inflation rates. Most observers expect the impact of the Camp David settlement to send inflation soaring even higher.

Source (1969-77): Challenge Magazine *estimate

probably the largest allocation of military aid from the United States. Israel's military expenditures as a percentage of its Gross National Product far exceed that of any other nation. The country's rate of incurred debt exceeds its rate of capital formation.

The Sphinx's riddle—"What walks on four legs, then two, and finally three?"—applies in a very direct sense. From an infant economy sustained by outside aid and charity, Israel underwent something of an economic development in the 1950s—from which point it might have fully matured through a dynamic process of growth. But from 1956 to the present, the process shifts and Israel becomes a completely militarized garrison state wholly dependent on infusions of outside aid while its own internal productive component shrivels away.

Israel's economic prospects are cancelled by two overwhelming obstacles. Either one would be enough to make normal economic development impossible. Israel shares one obstacle with other Third World, "Fourth World," and ailing industrial economies of Western Europe: the dictates of the International Monetary Fund. The other is unique to Israel: its commercial effort is forced to proceed in the context of Israel as an autarkic state whose only natural resource is an ever dwindling number of educated and skilled labor.

The latter problem concerns us here. Zionism entered Palestine and earned the enduring hostility of its Arab neighbors and 18 percent of its indigenous population (37 percent if one includes the occupied territories). The present birth rate among the Jewish population of approximately 3.1 million persons is about one third of the rate of population growth among the 600,000 Israeli Arabs. The birth rate among West Bank Arabs, who number about 1,000,000, is the same as that of their cousins inside the 1967 borders ("The Green Line").

Israel's ability to merely man its battle stations depends, therefore, on immigration. While the immigration rate remains static, the number of persons permanently leaving the Jewish state is increasing. In 1977, 12,500 Jews had failed to return to Israel after four years. Similarly, the rate of Jews who succeed in getting out of the Soviet Union but who do not continue on to Israel is increasing. The number of applications pending for visas from Jews inside the Soviet Union is, in any case, less than 10,000.

A successful immigration program depends on the availability of jobs and housing for incoming *olim*. But housing is becoming impossible to attain in Israel. The quality of available jobs, much less the number of open positions, satisfies the rising expectations of the Jews from Arab and North African countries (Sephardim) no more than it satisfies the illusions of Europeanized Russian Jewish immigrants. The primary target of Zionist immigration appeals is Russia, followed by Jews in Iran and francophone North Africa. Little hope is placed in any movement in Western Europe or the United States.

Any expectation of increased immigration founded on the "economic benefits" of Camp David-style peace is groundless, since the treaty translates directly into further economic hardship for Israel. As for the potential elimination of "stress" in Israel resulting from the settlement, the unpleasant facts are that immigration and financial aid to Israel have always peaked during evident crises, and so it follows that the lack of any "danger" to the existence of the state itself will not help immigration or aid. Second, enmity arising from the disenfranchisement of West Bank inhabitants will, in the worst case, result in terrorism against civilians and tourists who must be taught that "nobody is safe anywhere in the Zionist entity," in the words of the "Rejectionist" faction of the Palestinian movement. But, at best, this disenfranchisement will lead to street demonstrations-cum-riots and strikes by the nationalist Arab population. Third, the appearance of "national security" for the first time is likely to provoke the endlessly self-sacrificing Jewish working class into a succession of strikes and job actions.

Historically, the hostility aroused by the founding of the Jewish state in Palestine forced a large proportion of the small settler population into national defense and security tasks, leaving a correspondingly small proportion available for productive labor. Foreign economic aid was similarly applied, leaving the country with an enormous military establishment to support with a proportionally miniscule productive apparatus. The difference was made up by incurring debt. (For instance, the estimated fiscal year budget for 1979 shows 39.9 percent of the revenues coming from borrowing.) To add to this seemingly impossible economic enterprise, Israel's only natural resource—besides the potentially arable desert land and a thriving, but insufficient agricultural production (in large part expropriated from the indigenous Palestinians)—is some partially developed phosphate deposits.

The productive activity of Israel suffers as a consequence from a heritage of labor-intensive methods and the ruralization of a working class that is 50 percent European in origin. A virtue was made out of this necessity: the virtue of "pioneering" and the romance of kibbutz building. The recent and present policies of the Labor and Likud governments have and will exacerbate this economic malady.

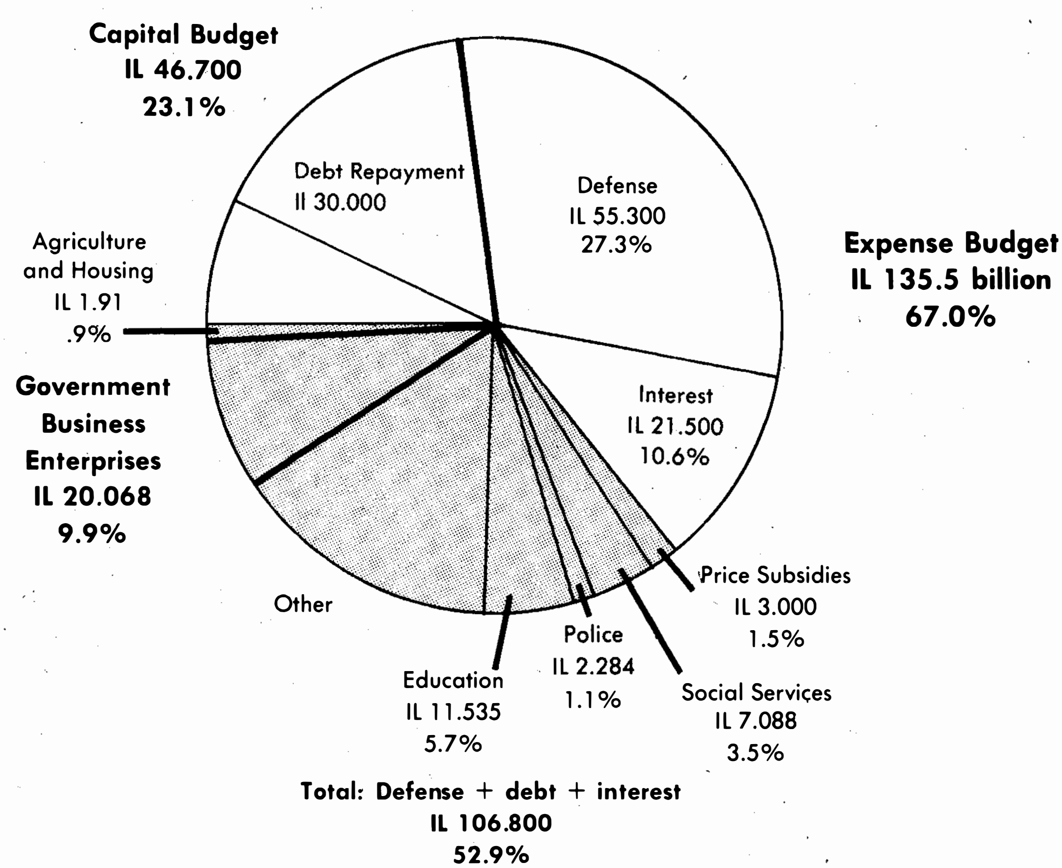
Of substantial influence on the tiny productive economy is international organized crime, for which Israel is a secure depot for illegal currency and arms transactions. The magnetic pull of these criminal enterprises on capital further debilitates the development of useful production (see box).

Schachtian economic policy

The government of Menachem Begin is faced with a 48 percent rate of inflation. In the month of January 1979, this rate increased to 6 percent per month. The ratio of imports to exports is roughly 10 to 7, due to the small productive base and massive credit needs. The result is a continuing yearly balance of payments deficit, a nearly impossible-to-meet debt repayment schedule, constant, growing budget deficits, an intolerable cost of living for all wage earners and people on fixed incomes, and a "closing circle" of opportunity for industrial investors.

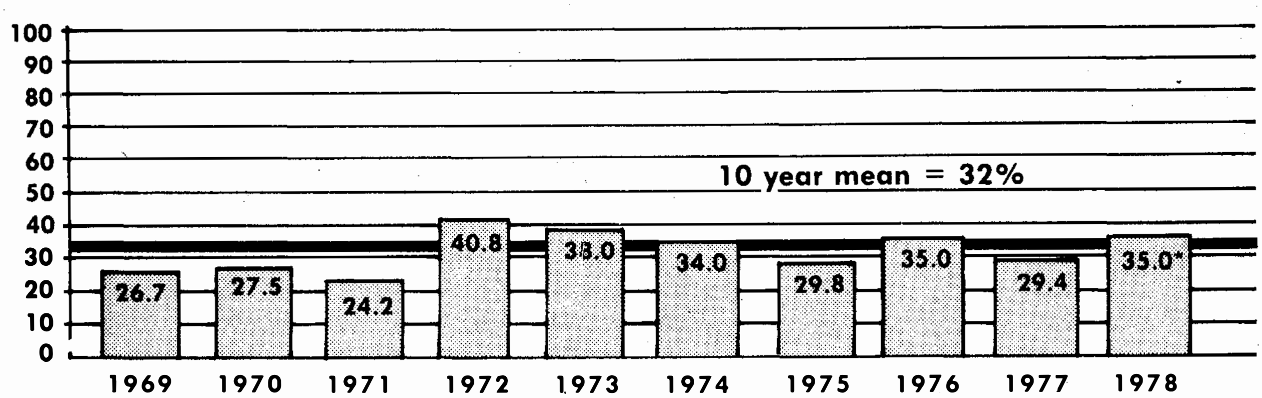
When Prime Minister Begin assumed office, his first move was to enlist University of Chicago's Milton Friedman as an economic policy advisor. Friedman, who has some vocal counterparts inside Israel, rendered the standard International Monetary Fund prescription for Israel's ailing economy: cut consumption and productive investment, cut government welfare expenditures, increase consumer prices, and decrease government credits for production. As 1979 began, Friedman's counterparts in Israel were calling for a 30 to 40 percent price increase in basic consumer items, *over and above* the rate of inflation. In his most recent syndicated column, former Minister of Information Schmuel Katz, who broke with Begin on foreign—but not economic—policy, decries the "evil spirit of consumption" among

Government expenditures concentrated on military and debt



A breakdown of Israel's estimated FY 1979 budget shows nearly 53 percent of government expenditures slated for military costs and debt repayment. Social expenditures get short shrift.

Military expenditures = 33% of all revenues



Source (1969-77): Challenge Magazine
*estimate

Military expenditures gobble up the proceeds of Israeli industry and agriculture. Military expenditures as a percentage of gross domestic product have averaged nearly 33 percent since 1969.

the citizens of Israel who are said to enjoy an increased standard of living.

Begin's response has been to either do nothing or partially implement the IMF's "bleeding" techniques. The most recent and decisive was a 25 percent price increase in basic foodstuffs, which provoked a one-day general strike by the Labor Party-controlled Histadrut labor federation. The other conspicuous act, which was more a recognition of reality than a policy move, was a formal devaluation of the Israeli pound (IL) by 2.8 percent. The exchange rate of Israeli pounds to one U.S. dollar has broken through the IL21 barrier. As recently as 1974, the conversion rate was IL5 to a dollar.

In fairness to Begin and Finance Minister Simcha Erlich, a Labor Government would not be in any better shape. Contrary to Keynesian wisdom, military spending and foreign aid has not stimulated consumer demand and production, but has pushed up the price of consumer goods and credit and shackled the state as a political hostage to those who hold the instruments of debt.

Under the earlier no peace, no war situation, the economy was sinking like a rock. Now the Camp David settlement has created a new dimension of collapse for the doomed economy.

Israel exports arms to foreign dictatorships

A concealed portion of Israel's manufacturing exports,—defense exports—are at the heart of Israel's role in international intelligence operations on behalf of the British oligarchy. Israel's market for its arms trade includes Taiwan, Bolivia, Ecuador, El Salvador, Nicaragua, Chile, Guatemala, Honduras, South Africa, and, until recently, Iran.

The amount, content, and profits of the defense exports are secret, which strongly suggests that Israel's function is to "launder" arms to countries like Chile, South Africa, and Nicaragua. A direct and public transaction by the governments of Great Britain and the United States would be politically embarrassing.

Israel claims that such sales amount to $320 million a year, but the authoritative *Aviation Week and Space Technology* magazine estimates the figure is closer to $1 billion. American manufacturers charge that some of the sales are made possible by Israeli pirating of designs, patents, and actual components from U.S. aid shipments for the production of merchandise for third countries—a practice forbidden by the terms of U.S. aid agreements with Israel

Israel's merchandise includes light weapons, but also Gabriel sea-to-sea missiles and Shafrir air-to-air missiles. Like the "kfir" jet fighter, the Hebrew nomenclature belies the U.S. origin of the designs of these weapons.

Government budget

The facts of the government budget illustrate the preceding points. The budget for this year is predicted to be IL180 billion ($8.6 billion, approximately). The Gross National Product is itself less than IL200 billion.

Government priorities, according to Milton Friedman and every Labor government, are governed by two political assumptions. The first is defense expenditures, which lately consumed 35 percent of the total budget—a decrease from the 1973 period. Also a priority is debt repayment, which accounts for another 30 percent. The remainder, which one would expect to be devoted to essential services, is further depleted by security expenditures disguised as "development," kibbutzes whose residents commute to work elsewhere, utility services for military needs, military occupation forces with "police" badges, and "archeological projects."

Fiscal practice is based on the IMF-Friedmanite dictum that investment in consumption-related areas and imports must be cut to improve the overall trade deficit and debt situation. This is mirrored in official government policy by a high internal prime lending rate—about 29 percent—and an attempt at a competitive credit policy toward outside investment.

The social effects of budgetary austerity—by past and present governments—have been much remarked: a decline in qualified technical personnel and especially scientific personnel beyond a thin, privileged elite involved in defense research.

The defense budget bite is only partially mitigated by U.S. grants of aid. As a proportion of the budget or the GNP, defense expenditures are the largest of any country in the world—about 30 percent. Next highest is Egypt, by comparison only 22.8 percent of the GNP. The Soviet Union spends an estimated 10.2 percent, and the U.S. spends 6 percent of their GNP. Whether the funds for this come in the form of loans or outright grants, the result is nothing but inflationary for any country.

Israel's debt service is another world's record. The overwhelming bulk of financial aid to Israel, since the 1930s, has come from the United States. By 1978, total loans reached $6.516 billion. In 1977 and 1978, additional debts of $.777 and $.769 billion were incurred, respectively, from the United States. Israel

The illegal diamond trade

Israel exports polished diamonds to the tune of $1 billion last year, far outstripping any other export or import item. Government subsidies to the diamond industry equaled subsidies to all other manufactures.

The average Israeli has never reaped the benefits of this trade. It is part of a very dirty business involving drug trafficking, money laundering, arms profiteering, and organized crime.

The Israeli press is full of speculation about the amount of unreported revenue associated with the business. There are months, for instance, when reported imports far exceed exports.

Where does Israel get their raw diamonds? From South Africa and Sir Harry Oppenheimer's De Beers Corporation, which runs 85 percent of the wholesale diamonds market. The De Beers-controlled international diamond cartel operates according to a pyramidal structure identical to that of the world heroin trade. By no accident, Oppenheimer is also chairman of the larger South African gold producers, Anglo-American. The Anglo-American and De Beers complex runs both the Hong Kong and Israeli sides of the money-laundering diamonds operation.

also borrows yearly from the International Monetary Fund, the United Kingdom, and West Germany.

Thus, under "normal" circumstances, Israel yearly incurs an enormous added increment of debt—about $2 billion public and private from the U.S. alone—a balance of payments deficit, and a budgetary deficit, while at the same time, its currency decreases in value, its real GNP and rate of domestic capital formation stagnate or decrease, and its labor force remains at a quantitatively and qualitatively static level. All this in a country surrounded by hostile neighbors and whose principal exports must compete with the economies of Mediterranean Europe.

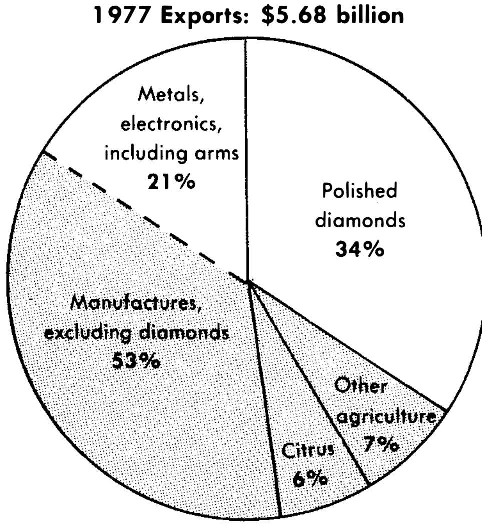
Total foreign exchange debt (principal and interest) due between 1978 and 2006 totals $12.910 billion, while internal public debt as of Jan. 31, 1977 was $3,508,046,900 at current rates or IL74,721,400 before adjustments for inflation.

The budget deficit approximated 35 percent of total expenditures in 1978, 30 percent in 1977, 31 percent in 1976, and 30 percent in 1975.

Keeping in mind that the Zionist's government policy—regardless of the party in power—dictates the taxing of the productive sector to pay for the depredations of the debt, defense sectors, and currency sectors, it appears inevitable that every move of the government propels the economy further toward the cliff's edge.

An economy based on arms and the diamond trade

1977 Exports: $5.68 billion

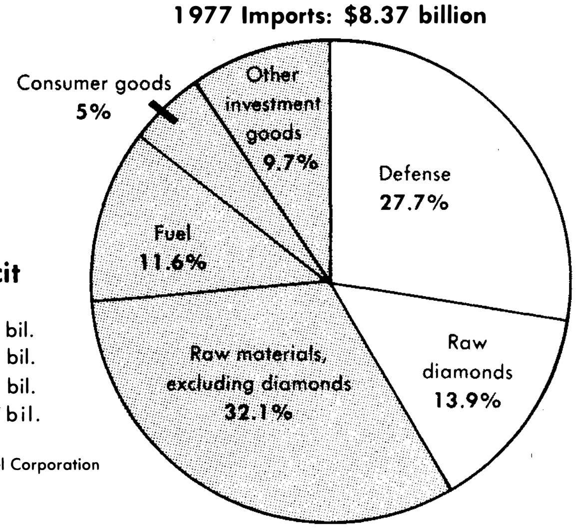


Trade deficit

1977	$2.69 bil.
1976	1.70 bil.
1975	2.20 bil.
1974	2.37 bil.

Source: Ampal-American Israel Corporation

1977 Imports: $8.37 billion



To the extent that it is not financed by charity (mostly U.S.), the Israeli economy is heavily dependent on the arms trade, and the underworld-tinged diamond trade. Even with these lucrative (in the short-term) lines, Israel runs a hefty trade deficit.

The garrison state

As the graph on capital formation illustrates, Israel's economic dilemma is a direct result of the Schachtian measures implemented at the strong suggestion of the IMF. Productive investment is declining both in absolute terms and in terms of the rate of growth of the GNP, which itself fluctuates from static to negative. For 1977, the percent change in real GNP after accounting for the money supply increase was negative .2. In 1976, it was negative 3.9 percent. If inflation is used as a deflator instead of the money supply increase, the 1976 rate is negative 7.5 percent and the 1977 change is plus 8.0 percent.

As noted above, Israel's productive apparatus depends on labor-intensive methods. Increasingly, the labor itself is Arab, which raises an entirely distinct set of problems stemming from immigration priorities, racial discrimination against Arabs, and discrimination within the Jewish population against Sephardic ("oriental") workers.

A look at Israel's imports and exports highlights the skewed nature of the productive sector. By far the largest item accounting for revenue is diamonds (see box), employing a small layer of skilled craftsmen, whose product has little to do with the standard of living of the general population, or with the advancement of their skill levels. Israel's imports show a small proportion of consumer or investment goods in the overall picture.

An equally dismal picture is presented by the fuel bill. The crisis in Iran eliminated 50 percent of Israel's oil supply. The ceded Abu Rudeis oil fields in the Sinai yielded another 20 percent of the supply. Israel must now turn to the non-Arab OPEC international market, including the energy-stricken U.S.

In the agricultural sector, Israel's citrus crop—which accounts for 6 percent of exports—will face competition from its peace partner, Egypt, but most seriously from prospective Common Market members Greece, Spain, and Portugal.

The hardest hit sector of the economy and the one which employs the most workers is construction. Normally, the government subsidizes 40 percent of the industry (including defense-related construction). The sector accounts for 60 percent of capital formation and 15 percent of the GNP. But since 1974, the peak year for the industry, area under construction declined by 27 percent, from 13.7 million square meters to 10.0 million.

Unemployment is at its highest level ever in Israel. Full employment, as noted above, carries an enhanced significance in a country desperately in need of immigrants. But the current rate of unemployment is between 3.5 percent and 4 percent, an unacceptably high rate for Israel. Underemployment, moreover, carries the implicit threat of an increasing number of dropouts, both residing in and en route to Israel.

Denied to the Israeli population are the economic benefits that could be accrued from the two most sizeable and dynamic sectors of the economy—defense exports and the diamond trade. Neither are accountable to the public, although, with arms transactions, there is a legal pretext to justify secrecy. The diamond business claimed fully half of the government's subsidies to manufacturing.

Consumption

It could be said that no body of people has sacrificed more with less tangible material returns than the people of Israel. While a slew of putative philanthropists have made a bundle on credit deals and housing bubbles, the population lives with an inflation rate that is currently 48 percent. In 1979, this rate could very easily surpass 60 percent. In 1975, the inflation rate, as registered in the Consumer Price Index, was 34.6. Giving 1972 a value of 100, the rate in 1973 goes up to 120, in 1974 to 167.6, in 1975 to 233.5, and in 1976 to 306.6. The 1977 index, broken down to basic consumer items, shows a 45.4 percent increase in the price of agricultural produce, 32.9 percent for meat, 38.2 percent for milk, 28.8 percent for clothing, 40.2 percent for shoes, 22.7 percent for housing, 35 percent for utilities, 32.4 percent for transportation (buses; there is no rail transport in Israel), 38 percent for health services, and so on. The cost of a new Volkswagen automobile in Israel is now $16,000; a two-bedroom apartment in a shabby neighborhood costs $50,000. Apartments for rent are simply not available; many adults are forced to live with their parents.

The defense and debt allocations in the budget are exempt from government intervention. Prime Minister Begin has announced—out of an apparent recognition of the "gap between rich and poor"—that he will not cut any social service allotments. This creates a quandry for a government that wants to implement a Schachtian economic policy to alleviate the debt burden and strengthen the currency. Finance Minister Erlich found the solution in cutting the government subsidies of price supports for consumer goods, resulting in a 25 percent price increase and cries of outrage across the country.

Price setting, currency devaluation, and taxes are the principal instruments of austerity in Israel, where labor contracts, borrowing transactions, and many investments are linked automatically to changes in the Consumer Price Index.

Official devaluations commenced in November of 1974 under the Golda Meir government, with a 30 percent cut. From June 1975 on, a policy of "creeping devaluations" was invoked, in the form of 2 percent bites into the value of the Israeli pound. By October of 1977, this was found inadequate and the pound was set loose to "float," resulting in an immediate 31.8 percent decrease in value. At that point, the exchange rate of pounds to dollars was 15.25, characterized by Bank Leumi as a "state of equilibrium." By December of 1978, the equilibrium level had dropped to 19.53. This past week it broke through 21.

The stated justification for the devaluations was to cheapen the price of exports and discourage imports, again reflecting the IMF's "remedy."

Concurrent with the "creeping devaluation," the government imposed a Value Added Tax on goods and services of 8 percent. In October of 1977 it was jacked up to 12 percent. Currently, a regressive real estate tax is being considered by the Knesset. Taxes already account for 48.4 percent of the Israeli government's revenue.

The Labor Party's fiscal time-bomb remedy to the fall in real wages has been to permit limited consumer credit access to most employed workers. Almost everyone is in hock equal to at least the sum of a month's wages. The government offers for sale low-denomination bonds that yield a 3 percent interest after inflation.

As the country's English-language newspaper, the *Jerusalem Post*, put it: "inflation, even hyperinflation, has become profit without effort, a sacrifice without a victim; the only victim of this conspiracy which has now become almost universal is the country's future, and that has no spokesman, no lobby, no electoral appeal."

—*Max Sawicky*

With the Nile secured,

The signing of the Camp David agreement secured for Israel its southern flank bordering Egypt. Now, this week, the Israeli government has begun to step up hostilities on its eastern and northern fronts. The motivation behind this step up in hostilities and the truth belying the claim that Camp David is a peace package was revealed by a report this week in the *Jerusalem Post*. "We need more room," claim the Zionist Israeli faction around Agriculture Minister Ariel Sharon.

In Nazi Germany, such a statement would have been identified with the "lebensraum" ideology that "justified" the Nazi war drive. It has the same meaning for Israel today.

The immediate effect of the Camp David accords has been, as Syrian Foreign Minister Khaddam has remarked, to make the nation of Egypt "an autonomous region of Greater Israel." Reportedly, Yitzhak Hofi, the head of the Israeli Mossad intelligence agency, is now in Egypt, a visit that coincides with the commencement of Egyptian provocations against its eastern neighbor Libya. Egyptian President Anwar Sadat has made the continual threats of retribution against those Arab countries which oppose his collaboration with Israel.

Eyeing the north

On Israel's northern front, the Israeli-backed Falangist army of rebel Major Saad Haddad has declared the strip of territory in southern Lebanon under its control to be a "prestate." The payroll for Haddad's antigovernment militia, which aided the Israeli Defense Forces in driving 500,000 Lebanese Arabs out of their homes in the south, is financed quite publicly by the Israeli government. Haddad's spokesmen have periodically stated their willingness to federate territory under their control to Israel.

For years, the Zionist Israeli government has given covert support to those political tendencies inside Lebanon that favor the partition of that country. Full-scale Israeli military invasions have dispossessed thousands of Lebanese Arabs. Terror and antipersonnel bombardment of civilian populations have been carried out under the Nazi principle of "collective punishment" for the deeds of a handful of Palestinian guerrillas who