

Central Bank Warns

According to Dec. 30 reports from wires and Israel's daily *Ha'aretz*, the governor of the Central Bank of Israel has warned that a major Israeli bank could go bankrupt in the immediate period ahead, and—more remarkable—has called for a national economic infrastructure investment policy as the only means to stop the economic collapse which has characterized Prime Minister Ariel Sharon's term. Sharon immediately mooted replacing the governor, David Klein, with a Likud party figure.

David Klein had told *Ma'ariv* in a Dec. 27 interview that "it is not beyond the realm of belief that a major bank will collapse." This, within an environment in which the Israeli shekel has been collapsing against the dollar for over a year, caused another loss of 0.55% as of Dec. 27. Later, the Central Bank governor qualified the statement, saying that he was not identifying a specific bank, but was making a generic warning.

But in the more important statements on Dec. 30, Klein

urged that Israel immediately begin to make investments in physical infrastructure—railroads and other ground transportation, electricity, gas, water, sewage, ports, and communications—insisting that overcoming the deficit in these areas is a precondition for economic growth.

Klein also called for reducing the number of government ministries; creating a socioeconomic cabinet, divided away from the security cabinet; and blocking the use of cheap foreign laborers, by raising the costs of hiring them (presumably by taxes or by forcing employers to pay higher wages).

Prime Minister Sharon responded angrily to the publication of these policy proposals, demanding an explanation from Klein. *Globe-online* reported that Sharon's office "is using crude language to describe [Klein]."

Sharon, according to the same reports, is now considering replacing Klein with Yaakov Ne'eman. A former finance minister, Ne'eman is a go-between for the Likud and American dirty-money donors, such as Merv Adelson, for whom Ne'eman was formerly an attorney. Ne'eman is on the World Bank central committee.