

## Menachem Begin driving Jews out of Israel

by Mark Burdman

During the middle of last month, the Israeli Knesset passed a resolution calling upon Jews abroad to respond to anti-Semitism by exercising the “aliyah option”—emigration to Israel.

The passage of the resolution was greeted with skepticism and wry amusement by certain circles in Israel, who pointed to one remarkable phenomenon of Israeli society after three and a half years of rule by Menachem Begin’s government: for the first time in Israel’s history, the rate of Jews *emigrating* from Israel per month is surpassing that of Jews emigrating *to* Israel, from the Soviet Union and other points of departure.

Ironically, Menachem Begin, the most ardent fundamentalist Zionist of them all, has become a clear and present danger to the Zionist dream of a prosperous and thriving Jewish state that would be a source of pride to Jews all over the world.

As Israel’s citizens begin to prepare for the next round of national elections—formally scheduled for November 1981, but possibly to take place sooner if a government crisis intervenes between then and now—they are faced with perhaps the most distressing social and economic circumstances Israel has ever had, thanks to the policies devised by Begin and his cabinet under the tutelage of Milton Friedman.

Three and a half years of Menachem Begin have brought Israel’s municipal, industrial, and farm sectors, and its skilled labor-force capabilities, to a state of disaster with potentially pernicious effects on the country’s ability to maintain its usually well-oiled defense and

security machine at full readiness.

At the same time, organized crime and its accomplices have come closer than ever before to finding Israel a haven for illicit activities, to the point that Menachem Begin may soon share with Fulgensio Batista the dubious distinction of being this century’s best friend of organized crime.

These stark realities have led an increasing number of Israelis to assert that from both the political-military and social-moral standpoints, Menachem Begin has become the biggest security risk to the Jewish state.

### The Khomeinization of Israel

Israel under Begin is becoming an eerie mirror reflection of Ayatollah Khomeini’s Iran: a regime driving its own citizens into an unwanted exile.

As in Iran, this phenomenon has led to increasing talk of a “brain drain” undermining Israel’s productive labor and technical capacities.

Although immigration and emigration statistics are hard to come by, one estimate, by the Jewish National Agency, which deals with immigration and emigration for Israel, is that the number of *native* Israelis who have left Israel this year has *doubled* from the number who left last year, reaching a total of nearly 6,000 for 1980.

This statistic, shocking enough for a country whose national pride rests in attracting Jews to its shores, hardly expresses the whole picture.

For one, it does not take into account approximately 80,000 more Israelis who have lived abroad for more



*Israeli slumdwellers.*

than a year, and whose living intentions have not yet been pinned down.

Second, it does not take into account non-natives who have had a shorter, more "experimental" attitude toward settling in Israel, and who have decided not to do so. According to one estimate by a Washington, D.C.-area source with ties to top-level Israeli intelligence circles, "four out of ten Americans who have gone to Israel to consider living there have come back."

Third, it omits the calculation of what percentage of Israelis are now considering, actively or passively, emigrating from the country. Estimates obtained by *EIR* from investigators in Israel have ranged from 5 percent—not an insignificant figure for a country whose total population is less than four million—to a whopping 30 percent.

Whatever the current emigration projections, estimates are that there are presently 800,000 ex-Israelis living permanently or semipermanently abroad. This figure, almost entirely comprising Israelis living in Europe and North Africa, contains a significant percentage of trained professionals and skilled operatives. Hence the growing fear of a "brain drain" in Israel.

Simultaneously, an increasing relative percentage of immigrants into Israel are those committed to a fundamentalist vision of Zionism similar to Ayatollah Begin's. So, while Israel's Jewish population is at best holding stable or slightly growing (taking into account birth rates internally), the *qualitative* distribution of that population is changing—a factor that is only likely to

worsen the vicious cycle in which Begin's Israel is now entrapped: the government will be more and more obsessed with fulfilling its ideological objective of "settling Judea and Samaria," and will commit havoc against the developed institutions of traditional (pre-1967) Israel. Its ideological pursuits will create an economic sinkhole, and Israel will disintegrate as a result.

### **Triaging the real economy**

Unquestionably, the main factor behind the emigration drain is Israel's economic condition, characterized by inflation rates of 125-plus percent that are only partly compensated for by a bizarre and complex linkage-and-indexing system whose overall net effect is only to contribute to the inflationary spiral. When treated with the Hjalmar Schacht-modeled policy prescriptions of Milton Friedman protégé finance minister Yigal Hurvitz, Israel's economic plight is becoming untenable for an increasing number of middle-income professional and technically trained Israelis.

Under Friedman's overall guidance, Hurvitz's team over the past year has gutted industrial production and equally vital supportive services and infrastructure—the *real* economy—while prioritizing advantages for those sectors of the economy that either are short-term speculative (for example, the overseas-oriented banking sector) or otherwise nonproductive: arms and diamond trade, illicit or otherwise; real estate; entertainment (discotheques, hotels); and so on.

As a result, Israel's capacity to produce *tangible wealth* is being undermined, leaving the country vastly more vulnerable to the shocks caused by increased prices for domestic oil and other "external" factors. The vast amounts of grants, donations, and favorable-term loans that Israel gets from international Jewish-Zionist fundraising and aid operations only partly shelter the country from the shocks that Hurvitz has delivered.

Additionally, the "outside aid" factor is today complicated by the organized crime factor. As criminal elements increasingly make Israel into a haven for laundering crime-derived income, an added inflationary trend similar to the tendencies witnessed on the New York real estate market over the past few years is beginning to take hold. The phenomenon in question was described by Israeli mobster Samuel Flatto-Sharon, in a frank statement to France's *Le Figaro* newspaper in May 1979: "Eighty percent of the funds invested in Israel are those from Jews who send abroad the currencies of their countries in an illegitimate manner." This process is bound to encourage inflation.

Hurvitz's answer has been the classic Schachtian-Friedmanite response: loot the real economy. The effects of this can be seen across the board in all sectors of the Israeli economy, as attested to in many cases by government-supplied statistics:

**Employment and wages:** According to a late-October report issued by a team of government economists, unemployment has been at its highest rate in years over the past months, with 11,150 unemployed officially registered in the labor exchanges, compared with only 3,968 one year earlier, with a higher percentage of those registered being out of work for an extended period of time. (The overall figure is low since it doesn't reflect women and other components of the work force who often don't register on the exchanges.)

The same team of government economists reports that there has been a 9 percent drop in real wages during the first half of 1980 as compared to the first half of 1979. A mid-October report issued by the Central Bureau of Statistics corroborated that average real wages were down by 9 to 10 percent compared to a year ago, with the figure running as high as 15 percent for salaried workers in the public sector.

Overall private consumption was down in real terms by 8 percent, with the breakdown in percentages for the following items of consumption giving a graphic picture of how living standards are collapsing: fruit and vegetables, down 12 percent; milk, 13; fish, 19; consumer durables overall, 29; cars, 60; and clothing and footwear, 25.

**Industrial production:** The same Central Bureau of Statistics report claimed that investment in industry declined by 11 percent over the past year, while industrial output had shrunk by 6 to 7 percent.

A report issued in the third week of October by the Israeli Manufacturers' Association found these statistics to be understating the case. The IMA reported a 15 to 20 percent drop in real investment in industry as compared to a similar period of 1979, combined with a 7 percent drop in the number of workers employed in industry over the past 12 months (correlated with a rise in employment in the services sector).

The IMA report also claimed a continuous drop in industrial exports over six months.

Release of the IMA findings reportedly drew alarm from Israel's economic planners about the potential consequences of this trend for the future survivability of Israel's economy.

**Housing construction:** Figures for the third quarter of 1980 released by government economists showed approximately 600 housing starts by private concerns per month, down from over 1,100 a year ago. Government starts averaged 414 a month for the third quarter, down from almost 9,000 a month during the corresponding quarter of last year!

The pace is expected to pick up following a just-concluded agreement reached between Housing Minister David Levy and construction firms, but at the cost of the housing ministry's granting loans at 72 percent for two years for each apartment built to the firm! It is hard to fathom how that interest-rate cost will be passed

onto the prospective apartment buyer.

**Agriculture sector:** On Oct. 19, Yehud Sa'adi, the head of the Histadrut (national labor confederation) affiliated Agriculture Centre, which speaks for some 75,000 agricultural workers, blasted "the government's disastrous agricultural policy." Sa'adi, whose charges were endorsed by the 12,000-member Farmers Federation, claimed that the costs of production (seed, fertilizer, etc.) for Israeli farmers had risen 140 percent, while income had only risen 125.

Sa'adi lambasted the government for failure to provide tax credits and cheap financing for farmers, who were forced to take short-term loans to pay for seeds and fertilizers, which was increasing costs "tremendously." This process was making exports less profitable, leading to a precipitous drop in exports of such mainstay items as vegetables, poultry, and citrus.

**Municipalities:** In October, the cities of Haifa and Tel Aviv were hit with strike threats and/or actual strikes by workers protesting nonpayment of September salaries. Haifa workers bluntly threatened; "The subway won't be running, garbage won't be collected, and no city services will be extended."

Nonetheless, the austerity pressures mount.

According to the Oct. 8 *Jerusalem Post*, the attitude of Hurvitz's pals in the treasury is that "the citizenry gets too many services—and does not pay enough for them." These austerity pressures are liable, in the coming months, to turn the municipalities' poorer quarters into tinderboxes; already, they are rife with uncontrolled crime.

**Universities:** All of Israel's major universities, which have been a source of pride for the country, are threatening to shut down if they don't get substantial new government aid.

The presidents of Haifa, Ben-Gurion, and other universities have warned that "without a massive injection of government funds, there is no way the university can get through the academic year."

In an Oct. 27 editorial titled "Universities in Trouble," the *Jerusalem Post* noted the "tremendous note of fear for their financial future," especially since "higher learning in this country is not a luxury but a vital necessity," a fact that should be "borne in mind before the universities are told by the treasury that there is no money."

**Medical services:** Israel's health care, especially as provided by the national Kupat Holim sick fund, has also been traditionally of very high quality. Yet, through much of October, Kupat Holim was crippled by a strike called by doctors who, the *Jerusalem Post* reported, "could not get the wage arrears due to them because the treasury refuses to allocate the sick fund the necessary cash." Instead, the *Post* affirmed, the treasury attacked "the average Israeli's voracious appetite for medicine." Because of this treasury attitude, the *Post*

noted, Israel's hospital services in general were in danger of "grinding to a halt," and the poor and disabled veterans were forced to rely on much more inefficient forms of health care.

On Oct. 26, the head of the Disabled Veterans Organization, speaking for the wounded from Israel's wars, charged that there had been a "scandalous" breakdown in government care for veterans. "The amount of medical care and vital drugs given us has been cut by half."

It is not known at the time of this writing if the treasury responded by accusing the veterans of using too much medicine.

### **A national economic emergency?**

The economic situation became so untenable that the Begin government was forced to undergo a mid-October no-confidence motion in the Knesset to answer for its economic policies.

By rallying all the component parts of the coalition to its side, the government survived the motion. Doubts are being raised in Israel, however, about whether Israel will survive Begin and Hurvitz.

Hurvitz's knee-jerk response to the crisis has been to seek by every possible means to pass the burden on to the middle and lower-income family, rather than to penalize the speculators and money-laundering interests. He has sought either to obtain price rises in vital commodities not subsidized by the government or to find ways to end subsidization of certain items, such as

fuel consumption of all kinds.

During the month of October, Hurvitz won price rises ranging from 15 to 40 percent on items ranging from bread and other foodstuffs to public transport, plus an agreement by the cabinet to raise prices *regularly every month* on several categories of vital food and other commodities.

These decisions came on top of announced statistics that show that since Hurvitz took over as financial czar of Israel one year ago, prices for electricity and fuel have gone up respectively 235 and 190 percent, with shock-wave repercussions into many other key sectors.

On Oct. 21, at a cabinet session, Hurvitz insisted that the government not "surrender to the people's reluctance to lower its standard of living" and accused the Israeli population of having "chosen to live beyond our means."

Under the growing economic crisis conditions, Hurvitz is beginning to sound the alarm that Israel's defense apparatus, which now consumes 30 percent of budgetary allocations, will have to be streamlined, to conform to the austerity regime. Talk is beginning to surface in Israel that certain drastic measures may have to be taken to keep the country on a high level of military mobilization while imposing austerity on the population. At an Oct. 27 seminar, the head of the treasury's planning authority, Ezra Sadar, suggested that Israel needed a five year "combined defense-economic plan" that would involve "all aspects of the economy, society, and defense."

## **Jerusalem Post attacks Friedman-style policy**

*In an Oct. 20 editorial entitled "Tunnel Without End," Israel's English language Jerusalem Post newspaper attacked Finance Minister Yigal Hurvitz's adaptation of Milton Friedman's economic policies to Israel.*

*The Post editorial attack is particularly interesting in view of the fact that Hurvitz was installed as financial czar of Israel only days after U.S. Federal Reserve head Paul Volcker began his credit squeeze and international interest-rate warfare policies. The Post's concern over the "socially intolerable" consequences of Hurvitz's Friedmanite policies sheds some additional light on the international consequences of Volcker's Friedman-modeled policies.*

*Excerpts from the Oct. 20 editorial follow.*

As far as inflation is concerned, Hurvitz's policy has been a patent failure. . . .

With real wages down by 9 percent in the first half of the year, with private consumption down by 8 percent per capita (including food), it must be asked where is the excess demand that Mr. Hurvitz is seeking to mop up?

It is certainly not in the pockets that he seeks to hit by slashing the remaining subsidies. Moreover, investments have fallen by 11 percent, industrial output has shrunk by 6 to 7 percent, and even exports in real terms have just held their own.

The adulterated Milton Friedman-type policy that Mr. Hurvitz has sought to pursue for a year could never have worked in Israel's economy, even if its social implications were ignored. . . .

His policy can so far claim the dubious achievement of lower wages and higher unemployment. This, however, can neither last nor can it go much further without becoming socially intolerable and politically intolerable.

At the Knesset no-confidence debate one week earlier, a member of the ultrafundamentalist Tehiya (Renaissance) Party, Moshe Shami, was more blunt in his message to the government: "Tell the people the truth. We are under siege and in an emergency situation. A national economic emergency must be proclaimed and inflation fought by ending the gallop of taxes, prices, and wages."

### The crime epidemic

As Israel's economic crisis sharpens and Hurvitz makes life easier for speculators and related illicit laundering activities, Israel's mafia is having a field day. As budget cuts hit the country's police forces, the capabilities for combating this phenomenon within Israel itself is eroding, especially as the mafia increasingly implants its own agents inside the police force.

By late October, the treasury was warning of "severe budget cutbacks" in police and prison allotment. Simultaneous with this warning, the commander of a police district in Jaffa municipality, who has responsibility for 430,000 residents, was warning that if "needed funds" were not forthcoming for his area, "the underworld will take over."

Jaffa commander Avraham Musafia reported a near epidemic of criminal activity in the area, including a rise in trafficking and in use of heroin, LSD, and amphetamines. Because of the "poor means at my disposal," he stated, the situation could soon become "very bad—awful, in fact."

Jaffa has been the scene, prior to these pessimistic appraisals, of repeated episodes of car bombings and gangland murders, which have spread terror in the municipality's population. But it is not unique in this respect: last month, a gang was uncovered in Tel Aviv that had been plotting out a series of murders so extensive that it was called "unprecedented in the history of the state."

The Begin regime's top-down friendliness to organized crime makes this problem much harder to handle. Since coming into power, Begin has, to cite a few examples: appointed a "counterterror" adviser, Rafael ("Dirty Rafi") Eytan, who has been involved in real-estate swindles on the West Bank and who is tightly associated with friends in Israel of mobster Meyer Lansky; smoothed the way for Lansky's entrance into Israel, despite warnings that this will reinforce international organized crime in Israel (in October, the Israeli supreme court officially okayed Lansky's visa for entry into Israel); and harbored and sheltered the fugitive from French justice Samuel Flatto-Sharon, a man who has been indicted by French courts for real-estate fraud.

Mobster Flatto-Sharon is one prominent Israeli (another is industrialist Shaul Eisenberg, whose star has risen substantially during the "Begin years") whose

business interests are reportedly used for the laundering of tens of millions of dollars skimmed off drug trafficking and other organized crime activities.

Begin's friendship with crime has unquestionably perverted Israel's police/intelligence anticrime monitoring capabilities. According to the Paris-based publication *Israel and Palestine*, the police "have had to undergo repeated reorganization and have often been charged with penetration by Israel's Mafia. . . . The role of MATAM [the police force's Department for Special Tasks, which deals with the political implications of criminal activity—ed.] has acquired a new, and ambiguous importance: on one hand, it may become the body fighting the Mafia, in spite of high-level police passivity elsewhere; on the other, it may be taken over, too, by negative elements."

*Israel and Palestine* locates this process in the general context of Begin's usurpation of intelligence coordination functions, much to the dismay of the professionals in Israel's Mossad (foreign), Shin Beth (internal security), and Aman (military intelligence) bureaus.

A glaring example of the kind of process *Israel and Palestine* is mooted in respect to Israel's police forces is the role of retired general Rehavam Ze'evi. Ze'evi was earlier this year appointed to be a special adviser to the Interior Ministry's police liaison division, which coordinates relations between the police force and Interior Ministry. This appointment was made despite the fact (or, some might argue, because of the fact) that Ze'evi was widely identified in the Israeli press from 1976-77 as a linchpin of Israeli mafia operations. Since that period, Ze'evi had served as a security affairs and arms-purchasing adviser to several Latin American governments, and had been frequently linked to illicit arms trafficking and the international drug trade.

During the month of October 1980, Ze'evi's name suddenly made its way back into the headlines of Israel's Hebrew language press, when he was identified as a friend of a top Israeli mafia figure who has recently been implicated in the murder of two other mafia figures. Ze'evi hastily denied that he is involved in the whole affair, and has spent most of October in London on unidentified business interests.

It would not be easy for Interior Minister Yosef Burg, who appointed Ze'evi (and who first granted Lansky his visa), to dismiss or investigate him. Burg himself is now under investigation by a Knesset team for having used Interior Ministry funds to establish, in the words of the *Jerusalem Post* "a vast politico-religious spoils system" for his National Religious Party.

If Menachem Begin remains in power much longer, organized crime at least might find Israel an attractive country to immigrate to. Israel's younger and better citizens, however, will increasingly take the opposite route.