
Israel

Shamir launches a Schachtian policy

by Judith Wyer

Following the outbreak of the economic crisis in Israel last month, Israel's new prime minister, Yitzhak Shamir, is imposing economic measures prescribed by the International Monetary Fund and by a special State Department commission devoted to Israel's economy. Shamir acted after chaos erupted with the near-collapse of the Israeli stock market on Oct. 9.

With a debt of \$21.5 billion, the highest per capita in the world, and an inflation rivaling that of the most afflicted Ibero-American economies, Israel has embarked on an unprecedented austerity program. But it appears that funds for Israel's military buildup and illegal land grabs on the West Bank will not be cut; it is Israel's civilian workforce and state sector that will be hit.

With this policy, Shamir's new government has put Israel on an economic course identical to the one Hitler's Economics Minister Hjalmar Schacht steered Germany in the 1930s.

The Israeli parliament on Oct. 18 approved the appointment of Finance Minister Yigal Orgad-Cohen, picked by Shamir to replace Yoram Aridor, who resigned last week after he sparked a feud in the Israeli cabinet over how to deal with the economic crisis. Israeli sources report that Orgad-Cohen is a ferocious advocate of austerity, and, like Shamir, an opponent of the Camp David Treaty. Orgad-Cohen's hard-line profile makes him quite amenable to the land-grab policies begun under Menachem Begin, including the illegal purchase of land on the West Bank and Israel's occupation of southern Lebanon.

Following Shamir's announcement that the Israeli shekel would be devalued by 23 percent and all subsidies on food and other basic commodities would be cut by 50 percent, the Israeli trade union federation, the Histadrut, called a protest strike. The Shamir government has ordered the stock market to remain closed for fear of a new run on bank shares and another run on the shekel. Since the announcement Oct. 11 of the initial devaluation of the shekel, its value continues to slowly drop with the persistence of capital flight.

Begin's economic policy was shaped, since 1977, by the self-avowed Schachtian economist Milton Friedman and his

University of Chicago Department of Economics, which advocates stripping Israel's large state sector and doing away with the Histadrut, in favor of a "privatized" economy. That policy has been accompanied by aggressive military expansion and an explosion of organized crime in Israel. The invasion of Lebanon, which cost \$1 million a day, has put extreme pressure on the economy, and the growing illegal drug trade in Lebanon has begun to spill over into Israel, exacerbating an already serious drug plague there.

The Lavie gameplan

The policies now being dictated to Israel by the IMF and the State Department are calculated to increase the military expansionism witness of the Likud coalition government by proposing that Israel become a gendarme not only for the Middle East but now for Africa.

One reason for the drastic shekel devaluation was to bring it into line with various dollar-pegged African currencies. This is supposed to ease the sale of Israeli arms to Africa. The IMF and a State Department Policy Planning Council, composed of Kissinger protégés Paul Boeker, Peter Rodman and Steve Bosworth, favor the build-up of Israel's arms industry to enable Israel to build a medium-range missile launching capability. It is argued that increased Israeli arms exports, already ranking seventh in the world, will net more income and solve Israel's worsening trade deficit.

Both Secretary of State Shultz and his mentor, Henry Kissinger, joined by the IMF, favor the controversial Lavie jet project, which would give Israel advanced technological knowhow to build fighter jets and missile launchers to deliver nuclear warheads. According to this scheme, the Middle East and Africa would come under Israel's nuclear umbrella. Shamir and his Defense Minister Moshe Arens are the leading Israeli advocates of the project. Shortly after the Soviet Union deployed SS-21 missiles to Syria last month, it was revealed that Shamir and Arens would ask the United States for Pershing II missiles when they visit Washington some time over the next month.

Military government in the wings?

Shamir is said to be imposing policies which Washington insiders say Begin was "not prepared to do." Begin's popular support was based on his periodic lifting of taxes and increasing subsidies right before elections. But Shamir's behavior indicates that he is not concerned in the least about early elections, which could come any time, given the shakiness of his coalition government.

Shamir's economic medicine is producing conditions under which no civilian politician can rule. Not long after the economic crisis erupted, a commentary from a former aide to Israeli Labor Party leader Yitzhak Rabin appeared in the *New York Times*, suggesting that the military would have to step in and take the reins of power. A military regime in Israel would not only enforce austerity, but facilitate the Kissinger-IMF role for Israel as a nuclear-armed regional gendarme.