

Is Shakespeare's Shylock writing the economic policy of Israel?

by Mark Burdman

There are numerous individuals who have, over the past couple of years, claimed credit for designing Israel's present economic policy. One is U.S. Secretary of State George Shultz, who, in turn, sometimes gives credit to his own undersecretary of state for economic affairs, W. Allen Wallis. In Israel itself, Finance Minister Yitzhak Moda'i, or Industry Minister Ariel Sharon, and many others, might attempt to vie for the honor.

In *EIR's* view, all these gentlemen should step aside, and give credit where credit is due. We have ascertained that the real author of Israel's austerity regime is Shylock, the usurer hungry for his "pound of flesh," in Shakespeare's *Merchant of Venice*.

This authorship became indisputably clear, when Finance Minister Moda'i rose in Israel's Knesset (parliament), to present the State Budget on Jan. 20, and revealed that no less than 40.8% of the entire budget would be earmarked for debt service payment.

Unfortunately, departing from Shakespeare's script, no Portia arose to protest that the "quality of mercy" would dictate tearing that budget into shreds, and replacing it with one fit for human beings. As a result, Israel has entered a period of perilous economic crisis, the implications of which are dangerous for the Middle East-Mediterranean region as a whole.

The Jan. 21 *Jerusalem Post* said it all in its headlines: "No Early Rise in Living Standards Envisaged," "Tough Steps Must Go On, Moda'i Warns," "Semi-Recession [*sic*] Is Likely To Continue," "Cuts in All the Social Services." *Post* economic reporter Avi Temkin commented: "In overall terms, the structure of the budget reflects the trends of the last years, with the share allocated to debt repayment going up and the share of investments and defence going down."

The "logic" of the budget was presented by *Post* Economic Editor Meir Merhav in the same kind of "newspeak" used by those who depict the Gramm-Rudman bill in the United States as "balancing the budget" and saving the U.S. economy: "As in the 1985/86 budget, and particularly since last

July, most of the cuts in budgetary spending are to be achieved not by reductions of public-sector spending, but by shifting expenditure to the public through a further slashing of subsidies to basic goods and services such as education and health."

A *Post* commentary explained the extraordinary thinking behind this argument. The health budget will be cut by \$23 million, while the population will be obliged to pay higher fees to national and local health funds. So, in the future, "If a financially troubled health system under the burden of past debts and current shortages, the Treasury is likely to say that such a crisis is 'artificial' or 'not real.'"

Try to explain the distinction between "artificial" and "real" to the AIDS virus!

The conjurer's tricks go on. As Merhav puts it, one of the "policy purposes" of the budget is "creating an economic atmosphere in which the public's expectations will be of continued stability." This is called, by one senior Treasury official he quotes, "stabilization of the stabilization," the second of the two "stabilizations," referring to the state that ostensibly had been achieved when the Shimon Peres government first launched its "economic recovery" (read: "austerity") program in July 1985.

This mysticism was elaborated by Treasury Director-General Emmanuel Sharon, during his press briefing on the budget, which, he claimed, reflected the "battle between defence, welfare, and economy."

If Israel had a constitution, its founders would now be turning in their graves, on hearing such a remarkable "policy purpose" of a national government!

'Think big' is dead

The "public's expectations" are one key to what is really happening as a result of the budget, or as a reflection of the broader processes, of which the budget is a symptom. The cultural paradigm of the Israeli population is being shifted, toward a negation of the higher purposes which some among

Israel's founding fathers thought Israel should embody.

Days before the budget was released, *Post* reporter Temkin told the story, in a Jan. 13 feature entitled, "'Think Big' is Dead." Said Temkin:

The dinosaur era in Israel came to an end when the Cabinet yesterday decided to adopt the recommendations of a report by former Bank of Israel governor Arnon Gafni regarding a new coal port. Beyond the immediate implications of the report, the document makes it clear that in future it will be difficult for anybody to propose "dinosaurs," i.e., huge and costly projects that are ill-adapted to economic realities. . . . Back in the early seventies, it was fashionable for every organization to build a monument to its own greatness. . . . Thus, when the need for coal unloading facilities arose, nothing was more natural than to fall back on the "Think Big" mentality. It is this kind of solution that the Gafni report has ruled out. . . . The most important conclusion to be drawn from Gafni's report [is that] the "Think Big" era is dead.

In the past weeks, indeed, several large-scale projects have died, or have been slated for a rapid death.

One is the Mediterranean-Dead Sea Canal, an enterprising conception, that would have entailed building a passage between the two seas, and that, in one blueprint, would have been accompanied by nuclear power plants along the canal. This could have had significant spinoffs, not only in energy-related areas, but in technologies related to irrigation and water development. Since apparent shortage of water is one of the Middle East's most persistent problems, and an underlying impulse toward conflict in the region, development of water resources has both economic and strategic significance. Also, since the project would have reached the Dead Sea, it would have opened up potentials for future cooperation between Israel and Jordan.

In late December 1985, however, the project was interred, according to Israeli press reports, even though hundreds of millions of dollars, accrued over past years, had been earmarked for the project. Not surprisingly, reporter Temkin remarked on Israel's nuclear energy plans in the same past-tense, obituary tone as is now being reserved for the Med-Dead Canal project: "Prime Minister Peres as recently as some months ago still talked about building atomic power plants."

Other projects, at one time or another on the books, and now being ruled out, Temkin indicates, include Israel manufacturing submarines, and Israel manufacturing its own jet, the Lavi. While the latter's demise might not be mourned, considering that it had been planned as the hub of a giant Israeli arms-marketing complex, and that it has been strongly opposed by the U.S. Pentagon and even by powerful factions within Israel's military, nonetheless, the trend of triaging a "great projects" approach in Israel is cause for concern.

The words "Think Big" sum up that feature of Israel

which was most unique and positive, in the country's first three decades as a state. It was that conception, embodied in the notion of "making the deserts bloom," that enabled Israel to absorb hundreds of thousands of immigrants, and produce the highest percentage of scientists, engineers, and technicians, per capita, in the world. End "Think Big," and the national identity that must come in its stead, can only be harnessed for destabilization and terror.

Operation Independence

The dilemma is typified by the current activities of Economics Minister Ga'ad Ya'acobi, one of Israel's more serious and competent economic planners.

In an interview with an *EIR* team visiting Israel in June 1984, Ya'acobi had endorsed a "Great Projects" approach to reversing Israel's economic policy crisis (*EIR*, June 19, 1984). Since Ya'acobi was relatively new at his post at the time, his comments, then, raised the hope, that Israel would venture,

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again, on the path that represented the best instincts of some among its founding fathers.

Now, however, Ya'acobi's chief task is to administer a so-called Operation Independence, a swindling mechanism whereby Israel will become more less dependent on official state aid (mainly from the United States), by selling itself to the international drugs-and-dirty-money mafia!

The chairman of Operation Independence, Max Fisher, is a kingpin of the U.S. branch of the international narcotics-trafficking cartel, via his powerful position in the United Brands company. Fisher's fortune has also risen, from his erstwhile chummy relationship with Libya's Muammar Qaddafi, through Fisher's hegemonic position, through 1982, in Marathon Oil.

A co-chairman of Operation Independence is Charles Bronfman, of the organized crime-connected Canadian

Bronfman clan. Bronfman's brother Edgar, head of the World Jewish Congress, is a go-between for the Gorbachov regime in Moscow, with the Israelis.

A third chief architect of Operation Independence is Occidental Petroleum's Armand Hammer, whose organized crime activities on behalf of Soviet interests would require an entire book to describe.

The power of these individuals in the Israeli scene is reflected in the fact that Fisher and Bronfman were the first individuals to meet Israeli Prime Minister Shimon Peres on Jan. 31, on Peres's return from a 10-day visit to Western Europe.

The Israel envisioned by these individuals, the Israel of the "post-Think Big" era, would emerge as some hybrid of ancient Sparta and more-recent Venice, with the prevailing ideology of the nation being that of the bestialist British philosopher Thomas Hobbes, whose notion of society was "The War of All against All." Israel would imitate Sparta, in its commitment to a kind of lawless militarism, dependent on fomenting regional wars in various parts of the world and selling armaments to all sides, while taking an increasingly active role in fomenting international terrorism. It would imitate Venice's diplomatic intrigue, trickery, cleverness, and pseudo-imperial ambitions, as a satrapy of Gorbachov in the Mediterranean region.

The underpinning of all this is the increasing involvement of Israeli financial institutions in illicit banking activities, linked to drug trafficking and drug-money laundering. According to one Israeli investigator, Israeli banks have emerged, during the 1980s, as linchpins of money-laundering activities, especially in the Americas. The heads of one of the leading institutions reputedly involved in such activities, the Salonika-born Recanatis of Discount Bank, have been masters of such chicanery for generations. By the same token, the internal composition of employment in Israel, during the 1980s, has shifted more and more to involvement of Israeli citizens in banking and other financial service activities.

Lawlessness threatens to become endemic, especially for a reason alluded to above: Israel's lack of a constitution. A constitution, such as that of the United States, guarantees the national patrimony, or wealth, by being an institutionalized barrier against robbery by usurers. Even if, in the United States now, that patrimony is being assaulted by the Gramm-Rudman bill, that robbery can be challenged by invoking the Constitution, since it insists upon the federal government's guarantee of the defense and welfare of the nation.

To the extent that a constitution represents the guarantee of the wealth of the nation for that nation's citizens, the lack of a natural-law constitution in Israel is the underlying reason that Israel is used as a playground for speculators and thieves. This is proof of German historian-poet Friedrich Schiller's contention, that Lycurgus' Sparta and Solon's Athens are the two models of society competing in history.

Which is why the director-general of the Israeli Treasury

can defend a murderous budget, claiming it reflects a "battle between defense, welfare, and economy"—and not get lynched!

'Almost to the point of collapse'

Under such conditions, Peres's own stated ambitions for economic progress and development must be sabotaged by his own Cabinet's policies.

On Jan. 22, Peres gave a speech before the Royal Institute of International Affairs in London, in which he called for "economic development, the widening of the industrial base and technological infrastructure of the countries in our region. . . . Europe, the United States, and the Middle East countries can join hands in an imaginative new Marshall Plan for the development of economic and technological infrastructure in our region, thus advancing economic progress even prior to the solution of all political differences. Indeed an improved economic foundation may produce a better psychological setting for the difficult political decisions required."

As far as that goes, on paper, the policy is no different from that repeatedly advocated by *EIR* founder, presidential candidate Lyndon LaRouche, for an economic development-based solution to the Middle East crises.

Peres, however, cannot have this vision and Max Fisher, Charles Bronfman, and Armand Hammer, all at the same time. Nor can such plans come to fruition, when his Cabinet's own policies are causing the collapse of Israeli health care, devastation in Israel's construction sector, and so on.

Immediately, this contradiction could be the cause of Peres's own downfall. On Feb. 5, a minister from his own Labour Party in Israel's coalition government, Minister of Absorption (Immigration) Ya'acov Tsur, called on the prime minister to resign and call new elections, because of the "deteriorating economic situation." The *Jerusalem Post* noted on Feb. 6 that Tsur "became the first Labour Party minister to call openly for the dismantling of the government on economic grounds." Tsur's main focus was on "agriculture and the construction industry, both of which, he said, had been allowed to degenerate almost to the point of collapse."

There have also been repeated grumblings during the first weeks of 1986 from Israel's military leadership, which has warned that the Treasury's policies had created "unprecedented risks" in Israel, by necessitating severe cutbacks in active duty reserve days, cuts in the size of the permanent army, and a reduction in soldiers' living standards.

There are also repeated threats from Israel's Histadrut labor confederation, which usually provides the mass base of the Labour Party, that there would be general strikes to protest against the budget.

These protests and mutterings, however, can have no positive effect, unless and until someone arises to demand that the power of Shylock be exorcised from Israel's inner policy sanctums.