

Israel's permanent war on the Palestinians means permanent war on the working class at home

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Israel's wars used to have a beginning and an end. Not so with Israel's war of annihilation against the Palestinians in Gaza, now being extended to the Palestinians in the occupied West Bank, alongside almost daily hostilities against Hezbollah in Lebanon.

From the very start of the war, Prime Minister Benjamin Netanyahu and almost all Israel Defense Forces (IDF) chiefs warned the war would be a long one. Both Israel and its paymaster the US view the war against Hamas as a proxy war against Iran and the prelude to a wider war against the country and its allies in Syria and Lebanon.

The Bank of Israel evidently agrees, estimating the total cost of the present war with Hamas at NIS 250 billion (\$68 billion) over a two-year period.

Delivering the estimate last June, Professor Amir Yaron, the Governor of the Bank of Israel, added, "In addition, the future defence budget is expected to grow on a permanent basis, with macroeconomic impact."

State spending and borrowing have soared. The credit rating agencies have downgraded Israel for the first time in its history, from A+ to A, as a result of the widening of the fiscal deficit from 4.1 percent of GDP in 2023 to 7.8 percent in 2024.

According to World Bank data, in 2022, Israel's military budget accounted for 4.51 percent of its economy, the highest in the world, higher even than the US (3.45 percent), and well above the OECD average 2.39 percent. It accounted for a staggering 12.2 percent of its total annual budget, compared to the US's 12.17 percent and the OECD average of 8.31 percent. The large number of young men taken out of the civilian workforce for military service, the militarisation of Israel has led to a reduced level economic activity equivalent to a 5.7 percent loss of GDP per year, according to the Hebrew University economist Professor Yossi Zeira.

Israel's military, the Zionist state's highest priority, has long been the largest single item in the government's budget. This flows inexorably from the fact that Israel has been in a constant state of war with varying coalitions of Arab states: in 1948, 1956, 1967 and 1973; the two invasions of Lebanon (1982-2000 and 2006); and with the Palestinians: in 1948, the two intifadas of 1987 and 2000-2005, the military assaults on Gaza in 2008-9, 2012, 2014, and 2021, as well as the present war.

It was after the 1967 war, when Israel launched a long-planned attack on Egypt's air force parked on the ground at its base, that the defence budget became the main priority. Until then, Israel had been pre-occupied with the cost of absorbing the large wave of immigration into the country.

During the six-day war, Israel seized Syria's Golan Heights, the Jordanian-controlled West Bank and East Jerusalem, which it annexed, and Egypt's Sinai Peninsula (returned to Egypt in 1981), as well as the Egyptian-occupied Gaza Strip. It was a turning point in the development of a Greater Israel policy of permanently annexing the land seized and establishing colonial-style settlements in the newly conquered territories in defiance of international conventions. The settlements in turn created a social layer that had a vested interest in Israel's expansionary policy, providing a pole of attraction for some of the most reactionary forces, whose fascist heirs are in government today. They dictated policy, moving Israeli politics rapidly to the right in the 1970s, and increased social instability.

The occupation of Palestinian land in the West Bank and Gaza was enforced by the ruthless imposition of military rule, collective punishment, house demolitions, forced deportations and detentions without trial. This in turn required a huge investment in military personnel,

arms and ammunition. Whereas just eight companies secured Israel's borders in 1967, the number of companies needed to defend the new, far longer borders, soared to 92. By 2020, the ranks of Israel's regular armed forces swelled even larger, accounting for 4.24 percent of the work force, the 9th largest proportion out of 162 countries, higher even than that of the US.

Having demonstrated its superior military prowess over the Arab armies in 1967, Israel became the custodian of US interests in the Middle East and the recipient of the largest US aid package before the eruption of the US/NATO-led war against Russia in Ukraine--with most of the aid coming in the form of US dollars for the purchase of US-made armaments. This accounts for around 15 percent of Israel's defence budget, with almost \$4 billion a year pledged until 2028. But even this may not be enough to cover the cost of the war.

Israel's role as Washington's subcontractor has come with a cost—the servicing of the US-proxy war machine squeezing out the rest of the non-military civilian budget. In 2023, when the average civilian public expenditure in OECD countries stood at 42.2 percent of GDP (excluding interest and military expenditure), this was just 32.9 percent in Israel, three-quarters of the OECD average.

As a result of the war, the government is demanding a NIS 55 billion increase for the defence budget, which—together with the monies provided by the US—is expected to reach a massive NIS 125 billion (\$34 billion), a huge increase of 87 percent over the previous budget. In 2023, the actual defence spend was almost 32 percent higher than planned as a result of the October 7 war. But that is not all. Even after the war has been paid for, the warmongers and gangsters running Israel's finance ministry are talking about a permanent increase of NIS 20 billion a year for the defence budget, while the defence ministry is demanding an annual increase of NIS 60 billion.

Israel sits at the bottom of almost all the OECD rankings of socio-economic indicators. Education and social care suffer from a chronic shortage of staff as workers have quit in droves, no longer willing to labour for the miserable wages on offer by the public sector. Just days ago, as the school year started, educators staged a one-day strike in protest. Now public services and social welfare, already cut to the bone, face obliteration to pay for the war.

And all this is happening when the war itself has created additional needs: assisting hundreds of thousands of displaced persons, hundreds of thousands of unemployed

persons, thousands of small businesses with no way of making a living, not to mention the thousands of soldiers and reservists needing treatment and care for post-traumatic stress disorder after serving in Gaza. All cries for help are met with. “There is no money” and “You will have to fend for yourselves”.

One of the groups most affected by the budget cuts are Israel's Palestinian citizens, particularly the youth who have for decades faced unemployment rates far higher than those of Jewish Israelis. They face a proposed budget cut of 15 percent, higher than other proposed cuts, in services that were supposed to address the longstanding under provision.

According to the State Comptroller's Report, 25 percent of young Arab men and 34 percent of young Arab women are economically inactive, compared with 14 percent and 17 percent of young Jewish men and women. Moreover, the poverty rate for young (18 to 24-year-old) Arabs is 40.5 percent, compared with 14.8 percent for their Jewish counterparts. Unemployment has risen significantly among Israeli Arabs since the start of the war in October, meaning that the poverty rate will rise even higher.

More than 60,000 Israeli businesses are expected to go bankrupt by the end of the year as tourism has ground to a halt and consumption, trade and foreign investment have all slumped. While construction and agriculture, dependent upon 140,000 Palestinian workers from the West Bank and Gaza whose work permits have been withdrawn, have ground to a halt, almost every sector of the economy has been affected.



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