

Causes of Present Problems and  
Policies for a Better Future

# **The Way Ahead For Israel**

Volume 1

## **Causes of Present Problems**

David Baram



***Social Organisation Limited***



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## THE WAY AHEAD FOR ISRAEL

### Volume 1     Causes of Present Problems

by David Baram

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April 1979

ISBN 0 85192 010 1

## Why Are We Not Doing Better?

The other day I was talking to a shaliach from Israel. There are many shaliachs. They are sent to help and guide us into the line of thought and action the movement or group which sent them happens to believe in. This one was a political shaliach, from one of the political parties. We were talking about Israel's need for new immigrants, for aliya. His idea for solving that particular problem was increased anti-semitism, increased persecution. He said "Once you are persecuted, you will all be coming flocking to Israel".

Well, he had a point. It so happens I don't agree with it. My suggestion for increasing aliya was to make life in Israel so good, so rewarding, of such high quality that people would want to go because of the higher standard of living and the better life.

He didn't quite see it my way. Perhaps he thought that improving life in Israel might require some effort on his part, might be much more difficult than sitting around waiting for fellow Jews to be persecuted. It always has been more difficult to build than to destroy.

For two thousand years we dreamed of returning to our country, transforming desert into rich earth, creating from poverty and sand a country in which Jewish people could live as free citizens, masters of their own fate, able to live and practice their faith without fear of persecution.

And so we went as individuals, in groups, by the boatload. The swamps were drained, the desert blossomed, we worked the land with plough and gun and always there was fear of attack, struggle against the elements, against the tough and challenging climate. And always there was the struggle against those who were against us, the struggle against those who wished to wipe out Jews and Judaism from the face of the earth.

Kibbutzim and co-operatives were effective under conditions of external threat, bare desert, small groups working to build a future for themselves and their people, free people hammering an existence out of nothing to be free and to remain free. Sharing what little there was, common ownership and co-operation worked and worked well and tents became huts and huts became flats and farms became rich and factories were started and others were employed.

Settlements grew, co-operatives flourished, cities were built, industries developed, the children grew up, the country changed. The country changed? People changed it!

Way back in 1973 the alarm bells started ringing<sup>1</sup>. Most Israelis worked hard indeed, work being exhausting, the climate demanding. Some Israelis were well off, the bulk were not. Poverty was increasing even then. Jew exploits Jew and it is known that life is tough. Persecuted Jews prefer to go elsewhere and more and more Israelis are finding their way to other countries, leaving Israel for the better working conditions and better life which can be obtained elsewhere. People work hard and some do well but most do not. The dream has faded. The cream has gone a little sour.

From the ghettos of Europe, from Africa and Asia, from the concentration camps, from utter and complete persecution we came and built the land, striving adventurously to build a better and secure life and future. Life in the kibbutz has lost its thrill. Crime and delinquency, prostitution and poverty, drug abuse and brutality of man to man have been increasing<sup>2</sup>. Life in the towns is getting just as unpleasant as it is elsewhere. Much joy has gone out of life. The dream has faded. Life is tough. The children have grown up looking for better opportunities and a better life elsewhere.

Is this what we have been fighting for? Is this the kind of life, the kind of country, the kind of future that we set out to build for ourselves and for our children?

Somehow that which we fought for, the good life, the quality, the government of, by and for the people, has eluded us. So what has been going on? How come? Why are we not doing better? What needs to be done to put things right?

1. Wake Up Israel, M. Davidmann

2. If You Want a Future, Read on ..., David Baram



## The Money We Give is Distributed in Israel

In 1973 we published our first report on the internal social, economic and religious problems of Israel. Events have proved us right.

We looked at the large sums donated by Jews in the diaspora, largely from America, South Africa and Britain. The amount concerned is of course very large, indeed vast, and we warned that the money was not really benefitting the people.

Five years later the government of Israel has wakened up to the fact that poverty and deprivation exist and is asking world Jewry to overcome poverty and need within Israel, to help the underprivileged to a better life.

But what has been happening to the vast sums that have been contributed in the past? How come that a country which absorbs such vast sums from abroad doesn't provide its citizens with a rich life of high quality, with a high standard of living?

It is quite simple. Look at what was said<sup>1</sup> so clearly in 1977. Let me quote a few simple figures, which are to the point, and tell you what they mean to you and me.

Take agriculture. Take the year 1975. In that year alone farmers received<sup>2</sup> US\$ 130 million in unlinked loans, about 83% of the total investment in agriculture. 'A good part of these loans were given by the Jewish Agency, for the traditional 50 years at 2%, unlinked of course, and with a grace period<sup>3</sup> of 20 years'.

Now what about industry. Unlinked loans to industrialists covered about half their investments but they got, in 1975 alone, US\$ 270 million. These were for shorter terms and at somewhat higher interest rates than those given to farmers but 'by 1976, well within the usual grace period of 18 months, that amount was already worth no more than US\$ 190 million' so that they gained US\$ 80 million from these loans in that year alone.

1. Who's afraid of inflation?, Meir Merhav, Jerusalem Post, 24/3/1977.
2. IL converted to US \$ at the then current average rate of exchange.
3. 'Grace period' means that during this period one does not have to pay back the loan or pay interest.

Some people can obtain loans for buying their apartments by means of unlinked housing mortgages. Between 1972 and 1975 over 150,000 of these had been granted. On a loan of US \$ 16,000 at an inflation rate of 40% 'the borrower makes a tax-free real profit of US \$ 5,000 in one year'. His net annual income was then about US \$ 10,000, this being well above the average. Compare this tax-free profit of US \$ 5,000 with his income in the same year of US \$ 10,000.

At Israeli inflation rates of about 40% each year all the loans mentioned are practically wiped out in 7 years, never mind 50 years. If they are not free gifts for all practical purposes, then what is?

It's not just farming and industry, there is the tourist industry as well.

The Bank of Israel's annual report for 1975 showed that at the end of 1975 the balance of loans granted on concessionary terms to agriculture, industry, households and tourism came to approximately US \$ 1,900 million, with the interest rate averaging less than 9%. The amount of free gift, of grant in just one year, in 1975, amounted to about US \$ 500 million. This will continue on the unpaid part of the increasing balance as more and more money is distributed in this way, year by year. The benefits to those who were lucky enough or influential enough or knew the right people to obtain such a loan continue year by year.

It is very clear that astronomical sums are being given away to those who can obtain them. For example, the money so freely given away in 1975 was roughly the same as the Jewish Agency's total budget for the whole of that year and this was US \$ 580 million.

## Israeli Enterprises Benefit

Now we come to a few simple and important questions which have to be answered. How is the money being shared out? Who benefits? In what way is the money benefitting the Jewish people?

Remember that money collected abroad for Israel provides funds which otherwise would have to be found by the Israeli government, in the end from taxation or borrowing. It doesn't matter how the money is spent, every £ or dollar received frees a similar amount of government funds which the government can spend on something else. The government does not have to pay for essential purposes when these are covered by donated funds. The money saved in this way can be spent on other things. If it is spent badly, if it is badly used or if it is squandered, if it does not benefit the people, then it is in effect the donated funds which are being wasted or misused.

In other words, if the Israeli government, the Jewish Agency and the financial institutions use their funds for giving away large sums to a selected few, then it is funds donated by world Jewry and money collected from Israeli taxpayers which are being handed out in this way.

So let us look at the way the money is being spent, looking at it firstly from the point of view of those who provide the money:- the highly taxed Israeli citizen, the diaspora Jew who donates so much, the American taxpayer whose government grants such large amounts.

The standard of living of the population as a whole is probably about half of that in America or Britain, Canada, Germany or Japan. This shows how cheap we are, how low our standard of living has become in Israel. And still the government aids foreign investors by giving them up to 75% of the required investment in grants and loans which are close to being outright gifts under the kind of terms mentioned already.

The standard of living being about half that in America, the Israeli producer has the advantage of relatively cheap labour, of low production costs. Exporting is that much easier and profits are that much higher. Who benefits from the corresponding gains?

The standard of living could be much higher, people could have much better lives. The record indicates that it is not the people but only a relative few who benefit.

So why is our money, yours and mine, provided by Israeli and American tax payers and from the hard earned income of world Jewry, being given away so freely? What kind of a return are we getting for these vast sums when you consider the low standard of living in Israel? Who benefits and for what reasons?

We saw that in 1975 alone 85% of the total investment in agriculture and as much as half the total investment in industry was in effect provided at interest rates far below the Israeli rate of inflation by world Jewry to the Jewish people living in Israel, in effect as a free gift. The simple point arises that the success of Israel's agricultural and industrial enterprises is based overwhelmingly on cheap capital provided largely as free gifts by world Jewry.

This of course gives Israeli producers and other Israeli enterprises another enormous advantage over their competitors abroad who do not have access to cheap capital. When capital is scarce at an inflation rate of 40% then the going interest rate could well be between 50 and 60% per annum. Compare this with the 2% and 9% which are being charged.

The profits made by Israeli agricultural and industrial enterprises are surely the result of obtaining cheap capital as a matter of charity from abroad. In the same way the profits ploughed back into these enterprises or reinvested elsewhere became available and are available because it is the so-freely given capital from world Jewry which is used, and because of the low standard of living of the Israeli people.

The money contributed from abroad, as well as the profits and assets which this money generates in Israel, are channelled into the pockets of only a selected few<sup>1</sup> who are too often already rich, secure and well-living compared with the rest of Israeli citizens.

1. This applies also to the kibbutzim.

Kibbutzim recruit seasonal workers from outside Israel. They recruit from among the young, from among those searching for a better way of life. But they also attract those who see in unrestrained kibbutz life an opportunity to escape from some of the restrictions society back home imposes so as to prevent people from misusing each other.

However, overriding seems to be that volunteers are profitable cheap labour and they are used to work both on the land and in the factories.

Profits and increased value thus arise not just from the use of cheap capital or from comparatively low wages paid to any Israeli employees but also to some extent from the use of cheap foreign 'volunteer' labour.

Here is another point of view. The money comes from Jews abroad. It comes from Jews who are to some extent suffering in poverty and who are struggling against anti-semitism. It is money which they contributed from their income for the people of Israel. It belongs to all and should benefit all.

## There is Much Inequality

Inequality is measured by the ratio of the share received to what should have been received if all had shared equally, i.e. if all had received the same amount.

Figure 1 shows that the top 4% of Israeli families had an income which was three times this 'equal share' at the expense of those at the bottom who received only about one seventh of the 'equal share', so that the top 4% of families received about twenty-one times the share received by the bottom 6% of families.

The high share taken by the top few families comes not only from those at the bottom but also from the bulk of the population. The share taken by the top 4% is about six times that received by the lower half of the population and is about four times that received by the lower 90% of the population.

These are very big differentials and such inequality cannot be justified as those at the top gain their large income at the expense of the bulk of the Jewish people instead of at the expense of Israel's competitors abroad.

Figure 1      Inequality Between Families (Total Gross Income)

Population (Families)	% of Total Country-wide Available Income	Inequality <sup>1</sup>	
		Between Levels	Relative
Top 4%	12.7	3.175	21
Bottom 6%	0.9	0.150	1
Top 4%	12.7	3.175	6.4
Bottom 50%	24.9	0.498	1
Top 4%	12.7	3.175	3.86
Bottom 90.6%	74.6	0.823	1

### Notes

1. Davidmann Measure of Inequality (see 'Appropriate Pay' by M. Davidmann, Social Organisation Ltd.).
2. The figures of 4% and 6% for the top and bottom parts of the population are the only ones for which official statistics are available. It is more usual to use the top 0.125% and 0.15% for comparisons and these would have shown a much greater inequality had they been available.

## Housing

Young couples, the bulk of the working population and new immigrants find it very difficult to buy their own apartment while those who are well off benefit most from existing government subsidies.

Prices depend not so much on the cost of building as on the 'desirability' of the locality. However, even modest apartments are out of reach of the lower and middle income brackets while those who are affluent invest in apartments which remain unoccupied for long periods. Many Jewish foreigners buy flats in Israel as a second home. Hence prices are unduly influenced by the higher standard of living in countries such as America, Canada and Britain, are geared to what foreigners can afford, are much higher in Jerusalem when compared with outlying areas.

What is needed are:-

1. Subsidised good quality housing and flats for renting to those who are badly off.
2. Grants and subsidised mortgages for newly-weds, immigrants and other first-time home buyers, dependent on social need.
3. Subsidised mortgages for middle income groups dependent on income.

What is needed is not just more housing but better quality housing to acceptable standards of space to avoid overcrowding. It should cater for the social needs of the family.

## Poverty and Social Security

In the year 1974/75 about 37,000 families received regular social security payments to bring their income up to the minimum required for mere existence.

Among the sephardim one out of every three families received such payments but among the ashkenasim only one in ten families was a steady welfare recipient.

In 1974/75 the 37,000 families received roughly IL 139 million which at the then current exchange rate of about 5 IL/US \$ amounts to US \$ 28 million or about US \$ 750 per year per family.

And now compare the US \$ 28 million paid in social security benefits with the US \$ 500 million distributed as free gifts to those comparative few who were lucky enough to obtain them. Remember that this has been going on each year for many years.

In 1978 we were told that as many as 45,000 families live in slums in 160 sites. They are to be rehoused over a period of 5 or 6 years at a cost of US \$ 1,200 million which is to be provided equally by the Israeli government and by diaspora Jewry.

This amounts to US \$ 100 million per year from diaspora Jews (in addition to usual donations) and to the same amount from the government of Israel. Compare this with the US \$ 500 million so freely given away in 1975 while remembering that this annual distribution has been going on for many years and that the amount is increasing each year.

In each case the amount allocated for the benefit of the many who are in need is much smaller than the very much larger sum distributed so freely to the comparative few.



## What Makes a Slum is ...

We pointed out in 1973 that poverty was increasing in Israel, saying:-

Some Israelis are very well off, the bulk are not.

Poverty seems to be increasing and about 50,000 families live in overcrowded conditions (1972).

Jewish beggars and slums are accepted as normal.

We then pointed out<sup>1</sup> that action would have to be taken fairly quickly, that the matter was urgent, that it was important to change the trend of events in Israel.

And five years later the government is encouraging Jews abroad to give each year even more than they did before. It is appealing to the Jewish soul to give, to look after the Jewish poor, to look after those in need. We are too busy fighting Arabs, the money we have must pay for armaments, keep our industry alive, is used to expand our industry and agriculture, is used for building up the country. We need to rebuild 160 deprived districts (slums) in Israel.

It was towards the end of 1978 that we were told more about this, about what was then called 'Project Renewal'. The idea was to 'rehabilitate' some 160 'distressed neighbourhoods' in Israel. To talk about 'rehabilitation' tends to give the impression of 'renewing', of 'making good'. It tends to centre attention on the slum itself, on its blocks of flats, on its apartments.

But it doesn't take long for the newest and most modern apartments, block of flats or whole district to turn into a slum as is well known to the Israelis. After all, in young, growing and developing Israel, these 160 slums were brand-new only a few years ago.

New and perhaps larger caves of concrete and steel remain caves just the same. Experience shows that merely rebuilding a district does very little for the people.

Admittedly, the Israeli building and construction industry had had a slack period for about three years and knocking down and rebuilding 160 slum areas would provide a lot of business and work for Israeli

1. Wake Up Israel, M. Davidmann

builders. It would channel large sums into the pockets of Israeli building and construction firms and thus into the pockets of those who own them, without doing much of real or lasting value towards changing the condition of the people.

Way back in 1973 we said<sup>1</sup>:-

The establishment .... presents Israel to Jews abroad as a state which protects Judaism, while at the same time discouraging religious observance. Jews abroad are given the impression that Israel is a state which protects Judaism and donate vast sums.

It used to be the case that Israel was portrayed world-wide as being the Jewish homeland where a Jew could be a Jew, where Jewish life was uppermost. It just doesn't work anymore. The rabbis are still raising funds but the congregation has been to Israel too often.

One can only conclude that the appeals are in reality made not from any kind of sincere care for the welfare of the people, but merely as a way of encouraging Jews abroad to give even more than they did before.

To me it seems as if there has been little change. Having perhaps inadequately controlled the spending of funds contributed in the past, with 'religion' having ceased to pull in the money, we are faced with what is in essence merely another way for the Israeli establishment to feather its own nests at the expense of world Jewry.

What makes a slum is not the tenement (block of apartments) but the attitude of the people who live in it, their feeling of desperation and protest against the society in which they live. You can move the same people, the same families, into new and better caves of concrete and steel but it is their sense of frustration, the reality of deprivation, oppression, hopelessness and lack of prospects, the reality of defeat and despair, the despair of improvement, of having no future, the hopelessness of even trying, the weight of those above pushing one down and holding one down, the seeming hopelessness of life itself, it is that which makes the slum.

What is needed is something much more fundamental than merely rebuilding 'distressed neighbourhoods'.

1. Wake Up Israel, M. Davidmann

### Here Are Some Other Comparisons

1. Just compare some of the sums already mentioned:-

	<u>US \$ (millions)</u>
Total welfare payments (1974/75) to about 37,000 families	28

Money given away virtually free (in 1975) to selected people	500
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That was in 1975. The amounts being given away are now much bigger than the country's overall government budget deficit which (1978/79) was about	620
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2. Net annual gain from aliya 6,000 people

Budgeted cost of aliya (1976/77), including housing for immigrants, was of the order of	150 million US \$
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Hence overall cost of each person gained was of the order of	25,000 US \$ (per person)
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This is so high because it includes what is only a small part of the social cost to the country which results from the loss of the 14,000 Israelis who left in the same year, i.e. because it includes what it costs to replace them with the same number of new immigrants.

Compare this with the average welfare payment paid out to a complete family during a whole year (1974/5) i.e. with about	750 US \$ (per family)
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3. Now compare the following:-

Net annual gain from aliya	6,000 people
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Number of abortions each year in Israel	40,000
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In other words, over 1 1/4 million potential citizens have been aborted since the founding of the state of Israel.

Remember that the overall cost of gaining just one new citizen was about 25,000 US \$ and then think of the social and economic loss to Israel of 40,000 abortions each year.

These sample comparisons show and emphasize that there are more effective ways of managing the country, that there are better economic and social policies.

## Look At It From the Point of View of the Israeli

Solel Boneh and Koor, as well as their subsidiary enterprises, together account for about 25% of Israel's economy. Both are owned by the Histadrut which is Israel's central federation of trade unions.

It so happens that the National Convention of the Histadrut, which is directly elected and whose decisions have to be implemented by the Histadrut's executive, decided way back in 1956 that in Histadrut enterprises the workers have to participate in management. Of course worker participation means by elected board members, elected by and from those who work in the enterprise.

What share have you got in the running and operation of these enterprises? Has anybody ever asked you for your opinion as to what should be done? Are you even aware of the problems? To what extent are you able to dispose of the profits which are being made?

Just think about how much of Koor's industrial assets and output has come from and is based on charitable funds provided by diaspora Jews either directly or indirectly.

To what extent have these enterprises benefitted from government subsidies, grants or loans at give-away rates of interest, from money provided by the Israeli taxpayer?

These funds provide power and patronage for the Histadrut establishment. To what extent does any of this benefit you?

What say have you got in the quality of the service you get? I have been told that the health service provided by the Histadrut in no way reflects the service or the quality of attention you are entitled to expect.

Here we are begging Jews abroad to provide more money to benefit Jews in Israel, to eliminate the poverty of those who are deprived. Did it ever occur to you to ask how much money has already been given to Arabs instead of Jews? Which Israeli government has ever told world Jewry how much it is giving away to Arabs? Are Jews abroad aware that Arabs are obtaining terms which are apparently better than an Israeli can hope to achieve?

Perhaps it is not important for us to know what is being done with our money or that Arabs seem to get better terms than Israelis. But it was reported<sup>1</sup> that Jerusalem's Mayor Kollek bluntly criticised Arab residents of Jerusalem for refusing to acknowledge in public the help they seek and receive from the Israeli authorities.

'The authorities have in fact aided 4,000 East Jerusalem families to build new houses or improve existing ones through mortgage loans. Yet this assistance is never mentioned in an Arabic newspaper or acknowledged publicly by an East Jerusalem leader.'

This money, he is reported to have said, 'came from Israeli taxpayers including poor taxpayers whose living conditions were worse than those of Arab families being helped by mortgages'.

A Housing Ministry official who was present was reported to have said 'that close to half the US \$ 23,000 cost of each house in the Beit Hanina project will be in the form of easy-term loans provided mostly by the Ministry of Housing, with some assistance from the municipality and the Histadrut. These terms are far better than most Israelis receive'.<sup>3</sup>

As pointed out already, the money comes directly and indirectly from Israeli taxpayers and from donations made by diaspora Jews in response to appeals for Israel.

The average annual income of a Jewish oriental (i.e. sephardi) family was US \$ 3,320 in 1974. Government statistics show that<sup>2</sup> the average annual gross income of an Arab family (US \$ 3,740) has surpassed that of the Jewish sephardi family<sup>3</sup>.

Israeli universities have largely been built by Jewish money contributed from abroad, are subsidised by Jews from abroad and by the Jewish people of Israel. But to a very considerable extent such education is provided for and benefits students who are neither Jewish nor Israeli while far too many Israeli Jewish citizens are unable to benefit because their parents cannot afford the university education or because there are not enough places for them. In this way the country's most valuable resource, the ability of its people, is being wasted.

1. Jerusalem Post Weekly 2/9/1975.

2. Statistical Abstract of Israel 1975.

3. IL converted to US \$ at the then current rate of 6.2 IL/US \$.

One would like to know how many non-Jewish students and staff from different parts of the world attend Israeli centres of learning for short as well as for degree courses and the extent to which they are subsidised<sup>1</sup>.

Look at this from the point of view of the Israeli. Ask yourself some simple questions. Did you receive an unlinked loan? Are you able to borrow capital at negligible interest rates when compared with the rate of inflation? If you are young and wish to marry, are you able to obtain such outright grants and loans to buy an apartment?

The next time you are refused a loan, the next time you haven't got the money or there isn't an apartment available where you want it at a price you can afford, just ask a few questions.

If life on a co-operative settlement is so secure while you are struggling, remember it was Jewish money coming from abroad which provided the foundation and still helps to build and extend the settlements' agricultural and industrial enterprises. If you are living in harsh conditions in a new settlement, if you have to move to another flat at the end of a year, if you are evicted, remember that it is Jewish money coming from abroad which somehow is directed into other channels, which goes to someone else.

Money which has been contributed for your benefit is being used to featherbed those who are already well off at the expense of those who are not, at the expense of the rest of the community.

1. Assuming that the actual cost of the facilities they use has to be recovered from fees as if none of the capital or running expenses were gifts or grants or provided under special terms, including subsidies in travel, accommodation, living and studying expenses.

## Immigration, Drop-out and Emigration (Aliya, Neshira and Yerida)

This is what we said<sup>1</sup> six years ago:-

Israelis are leaving Israel in increasing numbers for the higher standard of living and easier life which can be found abroad.

Now wherever Jews live there is an increasing colony of Israeli Jews who have left Israel and settled abroad for a freer life, for the greater opportunities, for the better life and higher standard of living which can be obtained.

They have direct family links with Israel, the country and its people are important to them. They love Israel and its people as much as we do, if not more. Once you have got to know them they will tell you how frustrating and cumbersome, tough and hard life is in Israel. The bulk of the people are pushed down and oppressed and have to labour much and long for very little. They point out that life is tough and hard and that there is no real reason for this being so.

The reality of life in Israel has penetrated to the furthestmost corners of the world.

This has affected the movement of those Jews who are able to leave Russia. Each year a greater proportion decide to go to other countries and this is shown by figure 2 'Drop-Out (Neshira)'. The proportion going elsewhere increased steadily between 1972 and 1979 from 1% to roughly 70%.

Add to this that recently about 14,000 Israelis have been leaving Israel each year (1975-1977) and the overall balance between immigration to Israel and emigration from Israel shows that in the three years 1975, 1976 and 1977 Israel gained only about 6,000 immigrants each year.

It isn't just that people are reluctant to uproot themselves and move to Israel. Roughly half of those who go to Israel as temporary immigrants return within three years to the countries they came from.

The serious economic effects of the emigration from Israel can be appreciated when one considers that the annual emigration from Israel

1. Wake Up Israel, by M. Davidmann



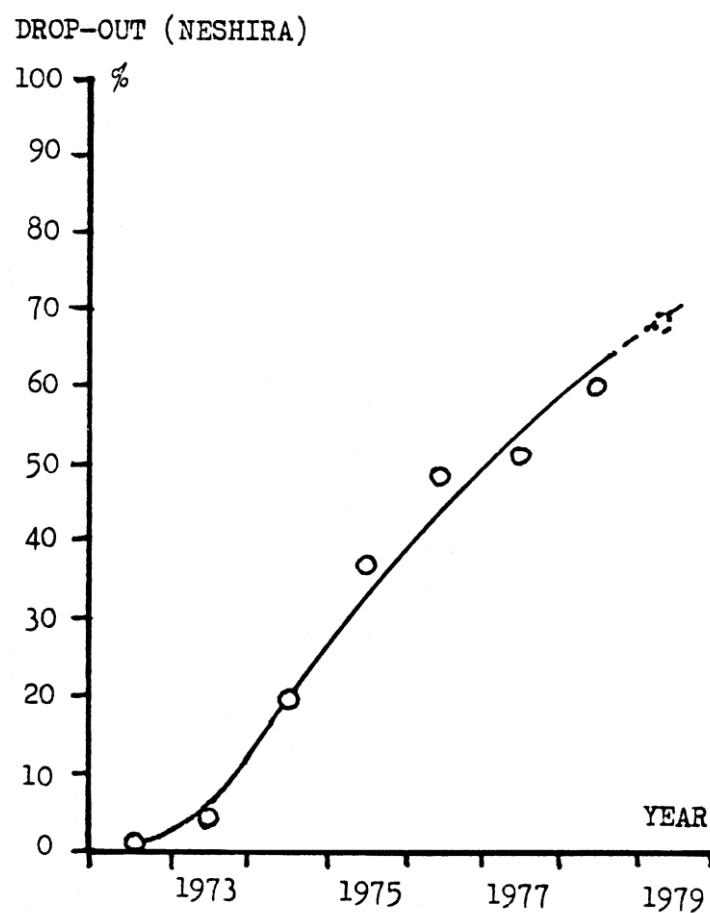


FIG 2. DROP-OUT (NESHIRA)  
SOVIET JEWS LEAVING RUSSIA  
BUT NOT GOING TO ISRAEL

of about 14,000 people would correspond to an annual emigration of about 250,000 people from the UK, or to about 1,000,000 people leaving the USA.

In other words Israel attracted 20,000 of the more than 29,000 Jews who emigrated from their home countries. But this resulted in a gain of only 6,000 because of those leaving, because of the high 'labour-turnover'.

The simple fact is that the state of the country is such that Jewish people emigrate to Israel when in need rather than by choice, go to Israel when there is no other place for them to go.

One large international American corporation had a similar problem in one of its European subsidiary companies. Labour turnover was very high. They attempted to correct the situation by increased expenditure on 'public relations', on prestige advertising to improve their 'image'. But matters got worse because by this time the professional people they wanted to employ had heard about the way the company was directed and managed. By this time labour turnover had increased to the point where managers spent so much time on interviewing, recruiting and training that they had little time to do the work they were supposed to be doing.

The company did not gain from the experience of its employees, the same mistakes kept on being repeated.

We would have been able to save them, their employees and their shareholders a lot of grief if they had only called us in at an earlier stage.

### Earnings are Low

The generally low level of wages and incomes in Israel can be seen from Figure 3 . These are for men in different occupations and are about ten years old.

However, there is little reliable information and these official statistics show how little was received by unskilled and agricultural workers, that skilled workers and professional employees even then received much less than corresponding employees abroad. Those working on their own account were much better off although they did not earn quite as much as they would have earned abroad.

Figure 3 Average Income for Men in Israel (1968/69)

	<u>IL/month</u>	<u>US \$ p.a.<sup>3</sup></u>
Unskilled and agricultural workers	466 - 484	1,600 - 1,660
Skilled workers and professional employees	571 - 1,380	1,960 - 4,730
Self-employed (craftsmen and producers, traders and manufacturers)	958 - 2,900	3,280 - 9,940

Notes 1. From 1972 Israel Central Bureau of Statistics report on Family Expenditure Survey 1968/69.

2. Total income from all sources, before deducting tax.

3. 3.50 IL/US \$

## Standard of Living

Figure 4 shows how the standard of living has been changing in different countries when compared with that in the USA. The illustration shows that the German standard of living has increased consistently and considerably faster than that in the USA, while that in Israel has been consistently falling when compared with the USA. The comparison allows for the way prices change in the countries and for the changing purchasing power of the individual currencies. The period illustrated is from 1966 to 1978 and the graph shows how the standards of living diverged during this period when compared with the standard of living the countries had in 1953.

The illustration shows how drastically the standard of living in Israel has been falling recently when compared with other countries, shows the disastrous effects of social and economic policies applied by successive Israeli governments, dramatically illustrates both the extent and the immediate urgency of the present economic crisis.

The bulk of the population is hardly aware of their falling living standards because in the past they have been losing ground only slowly but they are becoming aware of the difference between their own standard of living and that abroad.

The increasing income of the affluent apparently more than makes up for the loss of purchasing power of Israeli currency abroad. Hence it would seem that for the affluent the increasing differentials more than make up for the loss of purchasing power of the Israeli currency abroad but that the bulk of the population is losing out while being apparently unaware of the extent to which their standard of living is being wasted.

In 1971 it was clear to me that things were not going well and in 1973 we suggested some alternative policies which, however, were not adopted. Between 1974 and 1976 people in Israel became aware of some of the problems. Now they know that there has been little change for the better, that the position has deteriorated and is continuing to deteriorate. Each year makes it more difficult to reverse the present trend but we can still provide effective appropriate and fair remedies for putting the country's economy on a sound footing.

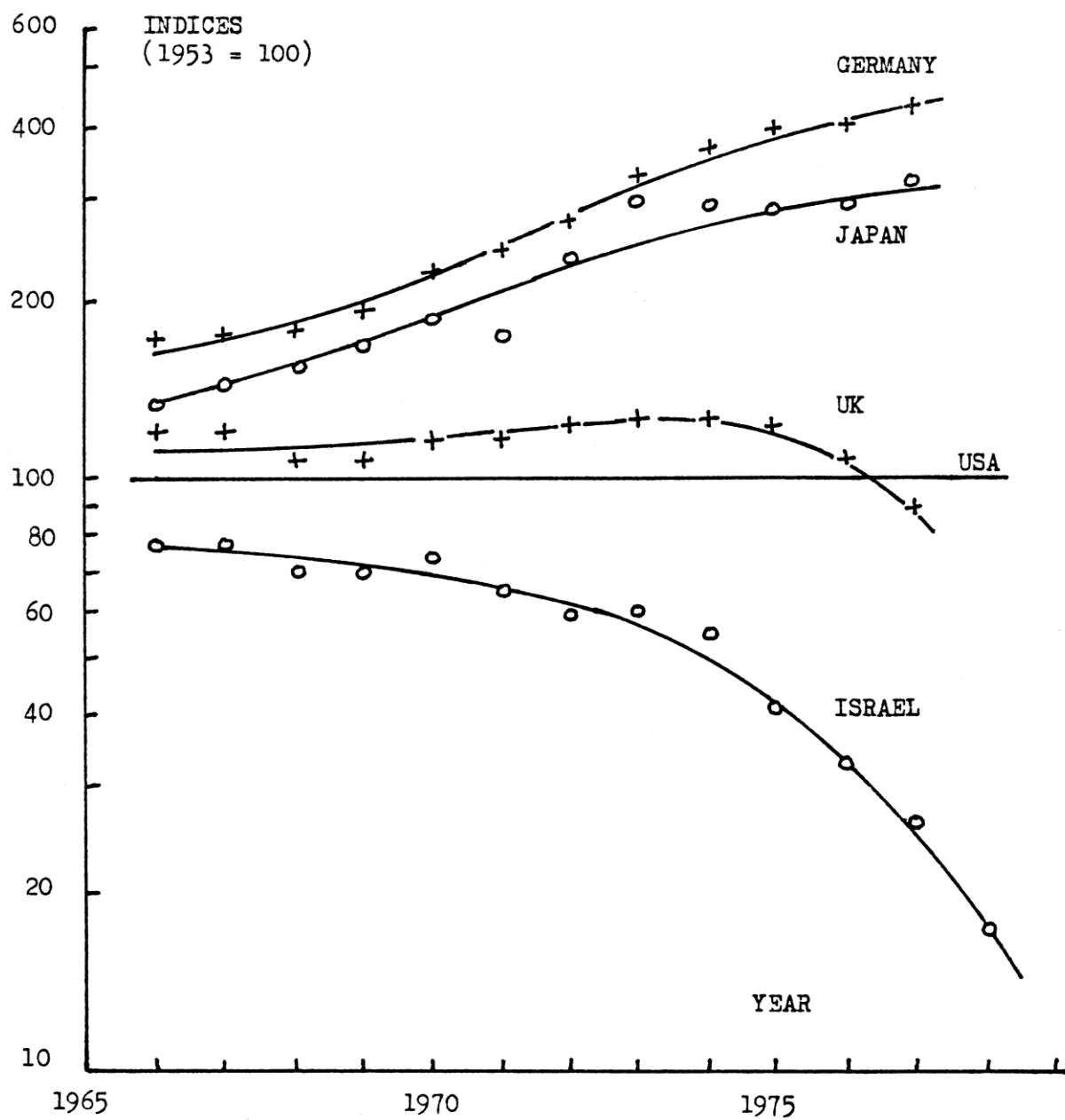


FIG 4. HOW THE STANDARD OF LIVING IS CHANGING COMPARED WITH THE USA

## No Effective Solutions Have Been Put Forward

What I am saying is in no way intended to be a comparison for better or worse between conditions in Israel and elsewhere but is part of the internal struggle for a better life, is part of the struggle for survival, for greater strength and security of Jews living in Israel and of Jewish people all over the planet.

One needs to judge a government, an administration, rulers, leadership or establishment by their performance, say by the moral background it creates and by the economic and social results it achieves. Some indicators for Israel have already been put forward<sup>1,2</sup>. The Israeli establishment comes off rather badly and fails to make the grade.

What stands out is that not one of the political parties in Israel has put forward policies which would consistently and effectively help the people either materially or from the point of view of a better life at some time in the future.

On the whole the sort of policies which have been put forward by the different parties are generally either tranquilising or socially divisive, disrupt the strength and fibre of the people and thus endanger the country's long-term prospects and its security.

The making of highly emotional charitable appeals for more money to be donated to the country as a kind of tranquilising gesture towards the disturbed population, largely at someone else's expense, merely reduces the pain but in no way cures the underlying sickness.

So how come that no political party in Israel has so far put forward effective policies for bettering the life of the people?

The government tends to rush from crisis to crisis, events overtake it and it tries to cope with the problems of the day long after they have caused a good deal of damage, long after they have become critical. This is very familiar and largely avoidable. They seem to have too little time to spare for doing what any responsible leadership should do, namely for looking ahead and providing the kind of guidance and leadership which people need and expect from them.

1. Wake Up Israel, M. Davidmann

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However, the Israeli political system is very democratic as it is based on proportional representation so that minorities have a voice in the Knesset. But at election time each party submits a list of candidates and people vote for a complete list from each party. The parties themselves are not really democratically run and the prospective Knesset members are generally selected by the party leadership and by its establishment.

Those who should represent the people owe allegiance first and foremost to the voters who elected them. The people should elect them and they should serve the people but in fact their overriding loyalty is to the party leadership and hierarchy on whom they depend for inclusion in the list and for their position on the list. Party leaderships and party establishments have become virtually self-perpetuating hierarchies. This undemocratic system of selecting members of the Knesset and of the government has defeated the otherwise very democratic system of proportional representation.

A constituency system of electing representatives would eliminate the smaller parties and minority representatives and so make the system far less democratic. The constituency system is open to manipulation by the way the constituency boundaries are determined and by whom and how the representatives are selected and appraised.

However, there are ways of increasing the effectiveness and accountability of government and administration at both the national and local levels.



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Established 1960, we are consultants on economic, social and management matters. We have published a number of reports on Israel's social, economic and religious problems, including

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## THE WAY AHEAD FOR ISRAEL

by David Baram

This report is published in two volumes:-

### Volume 1      Causes of Present Problems

Before one can resolve problems and move ahead one has to see the situation as it is. One has to know what is taking place, one has to know the causes and one has to know what one wishes to achieve.

Hence this first volume surveys the economic and social problems of Israel, illustrates trends, draws relevant conclusions and points towards the fundamental causes.

It looks at what has happened to donated funds, at poverty, inequality and social security, at drop-out, immigration and emigration, at the changing standard of living and at the housing situation, both from the point of view of the Israeli and from that of the Jew who lives outside Israel.

### Volume 2      Policies for a Better Future

In the second volume the author explores Jewish law in relation to present problems.

Some essential legislation has been misunderstood and at times misrepresented, and hence is misinterpreted and misapplied. It is this which helps to create and intensify the very problems which are now seriously threatening the future existence of the country.

Having now completed the analysis of the economic, social and religious problems, the concluding section contains the conclusions, aims and recommendations which together constitute an effective policy for a better future.