ISRAEL AND DOLLAR DIPLOMACY

VICTOR PERLO

With an Introduction by LOUIS HARAP

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ABOUT THE AUTHOR

This pamphlet by Victor Perlo is based on a series of five articles which appeared in the progressive monthly magazine, *Jewish Life*. The author, a leading economist and political analyst, is widely known for his articles and lectures. In 1951, he authored *American Imperialism*, published by International Publishers, New York.

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INTRODUCTION

By Louis Harap

This pamphlet by Victor Perlo is a solid, unassailable economic analysis of the critical situation facing Israel today, and the path it must take to work its way out of the crisis. The significance of the problems he deals with has been enormously enhanced by the shocking exposure in recent days of Zionist involvement in the plots against Czechoslovakia and other people's democracies of Eastern Europe and against the U.S.S.R.

The facts brought to light in this pamphlet, which appeared originally as a series of articles in the magazine *Jewish Life,* have been a revelation to many Jews. Many would have regarded with skepticism both Mr. Perlo's conclusion that the Ben Gurion regime is ruining Israel and his proposals for putting Israel on the road to peace, democracy and a prosperous future. Certainly, Mr. Perlo's analysis clashes sharply with accepted and widely-propagandized Zionist approaches to the problems of Israel. But even the most skeptical will find it hard to refute the hard facts and documentation with which Mr. Perlo presents his views.

At the least, many Zionists were disturbed by these articles. Why is this so?

The attitude of Jews toward Zionism and the settlement of Jews in Palestine has undergone deep changes since the thirties. It could hardly be said prior to the thirties that Zionism was of much immediate concern to the majority of Jews. Only in the post World War II period have large numbers of the Jewish middle class and many Jewish workers considered themselves "Zionists" and manifested interest in Palestine and subsequently Israel. It is not surprising that the greatest of all catastrophes suffered by the Jewish people, Hitler's extermination program, aroused deep and active sympathy for the survivors and sharpened the sense of Jewish identification all over the world. It was the slaughter of one third of the world's Jews and Palestine's anti-imperialist war of liberation that caused such large numbers of Jews to consider themselves "Zionists" and to place their confidence in the Zionist movement as the vehicle for making an independent democratic Israel a refuge for homeless and persecuted Jews.

The Zionist movement has encouraged the assumption that Zionism is the same as belief in the right of Israel to exist as an independent nation. But this is a baseless assumption. *Jewish Life,* for instance, from its inception in 1946, has never disguised its anti-Zionism and yet has supported to the utmost the right of Israel to exist as an independent nation. This attitude toward self-determination in Israel was not special pleading for Israel because we believe in this self-determination for all nations, including the Arab nation of Palestine. Thus Zionism is only one of several possible attitudes toward the State of Israel and not by any means synonymous with the right of Israel to exist as an independent state, as the Zionists have tried to make the people believe.

Together with this belief, the Zionist organizations have subjected the Jewish people to a multi-million dollar propaganda barrage in order also to persuade the Jewish people that there is only one way to put Israel on its feet economically. That way is by complete dependence on investment of foreign capital (chiefly American), by tremendous loans from Washington, private financial contributions and, more recently, by purchase of Bonds for Israel. An advertisement in the *New York Times* of January 11, for instance, states that "United Jewish Appeal dollars are the lifeblood of Israel's new, dynamic society. They are vital to Israel's growth." So intense has propaganda of this kind been, that the ordinary Jew not only fails to see any other conceivable alternative way to assure the development of Israel, but even resents criticism of current plans to "help" Israel.

This is the problem to which Mr. Perlo addresses himself in this study: is the program of the middle class Jewish organizations, Zionist and non-Zionist, really the only way by which Israel can develop economically? Is this way helping the people of Israel to achieve that happy, prosperous and peaceful life which the masses of Jews are concerned that Israel should realize?

After his sharp analysis, rigorously supported by undeniable facts of economic life, Mr. Perlo demonstrates that the program of dominant groups among the Jewish people of the capitalist world, especially in the United States and Israel, was not carrying Israel into healthy economic channels. More, the program of financing has actually worsened the conditions of the workers and people of Israel. Mr. Perlo shows that in reality the program of those groups were no different from the techniques of those who exploit colonies anywhere for tremendous profits. He found that Zionist economic policies were in fact no different from those in other countries who collaborate with imperialist bleeders of colonies for profit at the expense of the welfare of the majority of the people of the country thus victimized. American Jews who invest in Israel on the surface seem charitable friends of that country. Beneath the surface, however, Mr. Perlo's very specific and concrete analysis shows that monopoly capitalists, predominantly American, through the medium of Jewish capitalists among them, are making Israel a colony of the United States, with the subjection in the political and social, as well as economic, spheres, that this implies.

Of course, this view is not easy for the ordinary Jew, who is inundated with Zionist propaganda, to accept. Yet, if the ordinary Jew really cares for the welfare of the people of Israel, Mr. Perlo's analysis is a challenge to him. If Mr. Perlo's facts and figures are correct and irrefutable, as we believe they are, then there is something radically wrong with the program and parties governing Israel. By the same token, Mr. Perlo's study throws great doubt on the professions of the dominant leadership of the Zionist movement, who propagandize and execute this policy among Jews in Israel and elsewhere.

Mr. Perlo tears the mask of benevolence from the drive of the Zionist leadership—with the State Department at its back—to make Israel an economic, political and social dependency of the United States. The price that the dominant Zionist leadership is making Israel pay is impoverishment and a lowered standard of living. And more, this program falls in with the policy of Washington of making all countries within its economic sway—including Israel—a pawn in its global anti-Soviet strategy.

The workers and farmers of Israel know well enough how much "benevolence" has resulted from the millions of dollars in "aid" in various forms from American Jewish capitalists and from Washington. As a result of dollar imperialism they have experienced a steady decline in their standard of living since the establishment of the state. Israel has persisted in a state of chronic crisis that not only shows no signs of abating, but grows more aggravated each day. Mr. Perlo shows that present methods of financing can only result in worsening conditions and intensifying colonialization. He shows that financiers behave no differently when Israel is involved than anywhere else. Business is strictly business, even in Israel.

The upshot of Mr. Perlo's series is that, as a result of the penetration of American capital in Israel through Washington "aid," through Bonds for Israel, and the various fund raising organizations, the Ben Gurion government has become completely subservient to Washington. To one who had studied Mr. Perlo's analysis, therefore, the revelations of the Prague trial and the exposure of the doctors accused in Moscow which showed that the Ben Gurion regime and Zionist organizations had lent themselves to espionage and economic sabotage under the aegis of United States intelligence to weaken the economy of Czechoslovakia and the Socialist countries, should not come as too great a surprise. For complicity by Zionist agencies in such conspiracies is only another phase of the policy of placing the country at the service of Amreican capital and serving its purposes.

But Mr. Perlo's analysis is not wholly negative. He shows that there does exist an alternative to dollar subservience in Israel. Prosperity is possible in Israel, he shows. "The main requirements," he says, "are the energy and skill of the people, access to natural resources, people's control of industry, foreign trade on an equal basis [with both socialist and capitalist countries—L.H.] and coordinated development with . . . neighboring Arab states . . . and peace."

Concern of the ordinary Jewish person for Israel also carries responsibilities. Among the first of these is the obligation to face facts. Not to face facts is to do the people of Israel a profound disservice. For it is only on the basis of realities that the well being of Israel's workers and farmers can be realized. Every sincere Jew must ask himself whether he prizes his prejudices more highly than he does the genuine welfare of Israel's people. The facts presented by Mr. Perlo can be ignored only at the price of the bread and lives of the working people of Israel. The masses of Zionists, as well as non-Zionists, must therefore weigh Mr. Perlo's conclusions very carefully.

ISRAEL AND DOLLAR DIPLOMACY

By VICTOR PERLO

I. Foreign Capital Over Israel

ALMOST two billion people living in countries that have been colonies or great-power spheres of influence are striving for emancipation. During the past decade there has grown a world-wide realization of some vital facts. True national independence requires more than formal political independence. It also demands a balanced economic structure. Starvation cannot be cured with charity but only through social change and independent economic advance. No country can flourish while its resources are in the hands of foreign corporations which drain the country's wealth. Progress requires curbing or eliminating foreign corporations while broadening the scope of economic activity under domestic control. This new understanding is expressed in the demands of the progressive political forces in all countries. It is reflected in the actions of almost all governments, even the most reactionary, which are impelled by popular pressure to go through the motions of attempting to meet the urgent needs of the times.

The United States government, supported by European colonial regimes like Great Britain, France and Holland, appears on the world scene today as the main opponent of this drive for emancipation. Washington exerts pressure on other governments to make everything cozy for United States corporations, to increase their grip on other peoples' economies, to permit them to extract profits without hindrance. It opposes social progress on a world scale. The people thus invaded by United States corporate wealth are told that somehow the concessions they make to the invaders will redound to their benefit. The argument is an international version of the theory by which Herbert Hoover once tried to convince

Americans that Reconstruction Finance Corporation loans to great corporations would "trickle down" and ease their depression-born hunger.

Hardly anybody is buying this "trickle-down" theory today. Even such Washington-dominated governments as those of Saudi Arabia and Liberia have recently demanded revision of concessions and the latter has denounced the failure of the iron ore concession to yield the "indirect" or "trickle down" benefits that were supposed to come. Recently, in the UN Economic and Social Council, the underdeveloped countries by a wide margin led the passage of a resolution calling for *United Nations* handling of financial aid and loans to underdeveloped countries, in preference to leaving it to private corporations and their sponsor governments. The United States government, which can usually twist arms to its side in the UN, vainly opposed this resolution.

Only one government of a small country is operating against the trend and basing its policy on the "trickle-down" theory: the Israel government.

CONCESSIONS TO U.S. CAPITAL

Early in the career of the new state, its leaders called for private United States capital to develop the country. United States advisers such as Robert R. Nathan called for multi-billion dollar investment programs.

In 1950, the Knesset enacted the law to encourage foreign investment by granting to foreign investors (1) exemption from customs duties on imports of machinery and raw materials; (2) exemption from payment of taxes on property for 5 years; (3) permission to charge double the ordinary depreciation rates for three years and completely to write off investments in five years, thus avoiding payment of taxes in a large part of profits, and (4) a ceiling of 25 per cent on income taxes and permission to withdraw from Israel 10 per cent of the investment in foreign currency as profits, amortization and interest in each year.

Jewish people in the United States are told that American Jewish capitalists support the state of Israel, want to give it unselfish help. Surely they would not take advantage of such generous provisions for their capital offered by the Israel government!

But in September of the same year, with these concessions already in effect, a delegation of 50 American Jewish capitalists, representatives of Zionist and non-Zionist Jewish organizations, went to Jerusalem to confer with the Israel government on its economic development problems. Premier Ben Gurion put forward his $1.5 billion development program, of which $1 billion was to come from the United States in the form of Bonds for Israel, private investments and United Jewish Appeal funds.

The visitors promised the billion—but with their fingers crossed and at a price. Reporting to the subsequent meeting of the national executive committee of the Zionist Organization of America, the late Judge Morris Rothenberg explained: "I don't know whether we will raise a billion dollars. . . . And I may say that there was much criticism of the present government with regard to investments. They were told very frankly that they had not done enough to create the proper climate for investments and I think Mr. Eliezer Kaplan and Mr. Ben Gurion and other members of the government took it very much to heart.

"In a private session which we had with Mr. Kaplan, he confessed that they had not done enough to encourage investments, but he pleaded in extenuation that they had so many problems, so many immediate pressing problems, the matter of day-to-day existence, that it was impossible to remove all the red tape which he admitted existed and he said that they would do their best to create a more favorable climate for investment." (*New Palestine,* October 1950.)

Immediately the Israel cabinet made the required revisions. One was to increase the 10 per cent limit on extraction of profits in foreign currency. Another permitted foreign companies to invest in Israel without putting up a dollar of United States money. The investor can bring in his own machines. For working capital he can bring in any kind of goods to sell on the Israel markets in order to get the Israel pounds to pay wages, buy materials, etc. Often these imports compete with Israel goods in plentiful supply, such as textiles.

An article emanating from the Jewish Agency and published in *The New Palestine,* October 1950, then the official organ of the

Zionist Organization of America, warned that from the operations of this provision, "Israel can well lose millions of dollars of vital exchange during the coming year." Speaking of the new concessions as a whole, the article said: "These new concessions, added to those allowed in the new Investment Law, make Israel one of the few places in the world where private American investors (1) will be subject to no more taxes in Israel than in the United States; (2) will be allowed to convert Israel profits into American dollars in worthwhile amounts; and (3) will be able to obtain foreign exchange with which to purchase raw materials and equipment for production."

In addition, special tourist shops were set up with unrestricted trade in foreign currency. The *New York Times* report in October 1950, commented: "The decisions on non-payment for imports and the tourist shops imply that the government is ready to tolerate uncontrolled business side by side with controlled trade."

"AUSTERITY" AND PROFITS

In short, while "austerity" against the people of Israel is continually tightened, there are no controls at all against the operation of foreign capital. *The announced purpose of "austerity" to strengthen Israel finances is turned into its opposite. It becomes a sieve through which the wealth of Israel is drained. Investments bring no foreign currency, but goods which drive Israel firms out of business.* Foreign investors pay virtually no taxes, hire labor at "austerity" wages, take out at least 10 per cent profits on capital goods for which they set their own value. The uncontrolled tourist shops, as shown by the experience of Western Europe with United States Army installations, become a powerful center for breaking down price control, creating black markets and ruining the national currency.

The proof of the pudding is in the eating. The "great friends of Israel" who did so much of the investing showed no restraint. Much more money was taken out of Israel than came in. The United States and other foreign investors took full advantage of the right to set up enterprises within Israel without supplying any foreign funds. They took full advantage of the 10 per cent plus withdrawal of profits provision and of the loopholes permitting the escape of millions. The huge sums supplied by American and other Jews to help Israel become just so much additional money for the foreign capitalists to get out of Israel. The foreign currency holdings of Israel—reserves of dollars, British money and other monies needed to pay for imports—fell from $80 million at the end of 1949 to $2 million at the end of February 1952. For a country, such a small reserve isn't even till money. Israel was left utterly bankrupt, unable to pay for its next shipload of food or petroleum imports.

One might think that the Israel government would learn from the disastrous results of its past policy. But its political dependence on foreign, especially United States, bankers was too great. It met the crisis with still more concessions to foreign capital. The Israel pound was devalued from $2.80 to $1.40 or $1.00 for transactions involving foreign capitalists. Now they could buy Israel labor for half or one-third the previous price. But the pound was left unchanged in value for imports of essentials, so that Israel workers—paid in cheap money—must buy food with dear money. Price controls were largely abandoned. Prices zoomed 50-100 per cent. Only foreign investors are sure of getting imported raw materials. Israel firms cannot get enough and the Israel government discriminates against them as being "less efficient."

As an example, in June 1952, the Lodzia Textile factory announced that it might be forced to close down because of irregular and insufficient supply of raw materials despite the fact that its exports cover the cost of imported raw materials. This company has capacity to supply Israel with all its requirements in socks and 60 per cent of the underwear but can operate at only half capacity because of her raw material allocation. (*Jewish Agency Press Digest,* week ending June 20, 1952.)

The American capitalists who visited Israel also impressed upon the Israeli officials the need for fostering increased productivity—in the peculiar, one-sided way known by American workers and by workers in Marshall Plan factories in Europe. Again, immediately after the conference, the government set up jointly with Histadrut and the Manufacturers Association an "institute for production efficiency," encouraged labor-management agreements setting output quotas and tied wage increases to increased productivity.

American union labor knows full well that this is a glorified formula for speed-up, reduction in real wages and soaring profits. An Israel government survey found that the food rationing system provided 2,400 calories late in 1950, about four-fifths of the amount needed for basic nutrition. However, 24 per cent of the families (a larger per cent of the people) consumed less than 2,400 calories. These people could not afford to buy the full ration or were not used to the particular foods provided. The survey found the situation worse than a year earlier (*New York Times*, September 17, 1951).

Since then the situation has deteriorated still further. Francis Ofner wrote from Tel Aviv to the April 30, 1952, *New York Post*: "Israel's half-million wage earners are expected to have an even smaller purchasing power in the near future. This will follow the government wage freeze and inadequate cost-of-living allowances, which purposely do not keep pace with the general rise in official prices."

The same theme was emphasized in the semi-official brochure, "Economic Trends in Israel," put out in September, 1952 to help promote sales of Bonds for Israel. It describes the *purposes* of the currency devaluation of February 1952, and the compulsory loan of June 1952: "in a nutshell . . . to make consumer goods more expensive, thereby cutting consumption, and to encourage foreign investments and productivity of labor . . . to mop up . . . people's surplus spending power . . . to reduce production costs by lowering wages (relatively speaking). . . ."

The housing situation is even worse. With the tremendous influx of immigrants and with new construction limited to houses in the upper price range, decent housing has become a monopoly of the upper fringes. Even those workers who had apartments under the Mandate have been forced to give them up in order to get the "key money" (payment for transferring an apartment) which they needed to supplement wages in order to eat. In makeshift *ma'aborot*, 250,000 immigrants are still housed, 36,000 of them under canvas. All new immigrants are being placed in tents. Only 8,200 dwelling units are under construction, and prospects for next year are even bleaker, since no new projects have been announced. In May and early June 1952, discharged soldiers and war invalids conducted a country-wide strike to protest the betrayal of promises that houses would be supplied them. The *Business Digest,* Israel's economic semi-monthly, on May 14, 1952, conceding that Israel is a country where proper accommodation is restricted to the rich, states: "The government's own 'popular building scheme' so widely advertised six months ago, is taking on the appearance of a large hoax; with several million pounds advance payments in its coffers, government makes no sign of starting construction of the houses, for which they have no budget, no materials, limited resources."

From these descriptions of the conditions of the Jewish workers, one can only imagine the misery of the Arab workers, jimcrowed in the trade unions and subject to a 50 per cent wage differential. The Arab people are also subjected to special taxes and are fined by military courts if they move their residences without special permission.

All these sufferings are presented as necessary sacrifices on the part of Israel workers to strengthen the Israel economy. However, the facts show that the operations of foreign capitalists in Israel do not build up the country or improve its finances. They only increase the exploitation of Israeli workers, increase profits and deepen further Israel's financial crisis. This is illustrated by the workings of two United States enterprises, which have been quite well advertised in the United States.

The Barton Company, a well known United States firm, will manufacture candy in Israel for sale in 52 shops in New York, Detroit and Newark. Machinery will be sent from Switzerland and Belgium while the concern's New York Offices will supply recipes, raw materials and technicians. Mr. Stephen Klein, president of the company, interviewed in Tel Aviv, expected to sell $100,000 of Israel candy in the first year. "Mr. Klein said Israel's recent economic reforms, which reduced the exchange rate for export industries from $2.80 to $1, had made the project possible. At the new rates, union salaries in Barton's enterprise here will be $18 for a 47 hour week as compared with a minimum of $30 for 40 hours a week in the United States." (*New York Times,* April 24, 1952.)

Far from developing the Israel economy, this project is nothing but a runaway shop on the Puerto Rican pattern. Raw materials are shipped to the low-wage area, processed there, and then shipped back to the source of the materials for sale. Through the Washington-sponsored wage freeze, productivity and devaluation measures Barton's can get a lot of labor cheaply and realize unusual operating profit.*

ISRAEL AS CHEAP LABOR MARKET

Even more significant is the case of the two leading United States investment trusts operating in Israel, Palestine Economic Corporation (PEC), and American Palestine Trading Corporation (AMPAL), which jointly own the American Israeli Shipping Co., Inc. through which they established an Israel flag shipping line. As the line expanded, they brought in other capital, foreign and Israeli, and set up a new operating company, Israel America Line, Ltd., with U.S. share and loan capital still dominant. For publicity purposes, this line represents the acquisition by Israel of "its own" shipping line. What if it is owned by United States companies? They are "friends of Israel."

But as the fleet grows, so does its foreign currency cost to the State of Israel. The net payment balance on shipping and insurance account increased from 100,000 Israel pounds in 1949 to 2,500,000 Israel pounds in 1951. In reality this is no more an Israel fleet than the Panama-registered tankers of Standard Oil are Panamanian —it is merely another case of United States shipowners using foreign registry as a device for paying a fraction of United States wages. In this case they pretend to do it as a favor to Israel.

Among the directors of the two investment trusts are officers of the United Jewish Appeal, the American Jewish Congress and the Zionist Organization of America. But these wealthy American Jews do not partake of Israel "austerity." Each investment trust reported record profits in 1951. AMPAL's increasing 19 per cent, and PEC's profit before taxes increasing 98 per cent. PEC realized the follow-

* It has been argued that Barton's cannot properly be termed a runaway shop on the Puerto Rican pattern because while expanding in Israel, it is expanding in the U.S. at the same time. This is not unusual. Textron, Inc., a leading textile concern, built plants in Puerto Rico in 1947 while still expanding in the United States. But last year Textron closed down many of its New England plants while putting the Puerto Rican plants on a three-shift, 6-day a week basis. The New England workers are victims of the runaway shop just as surely as if the plants had been picked up and bodily moved to Puerto Rico. The 38c per hour paid by Barton's in Israel compares with a 35c *minimum* for the food industries in Puerto Rico.

ing rates of profit (before taxes) on stock investment in its main Israel subsidiaries during 1951: Loan Corporation, Ltd., 48 per cent, Bayside Land Co., 31 per cent, Mortgage and Savings Bank Ltd., 14 per cent, Union Bank of Israel, Ltd., 23 per cent. The "charitable friends of Israel" do not shy away from typical colonial profiteering.

Israel statistics report that about $138,800,000 of foreign private capital has been invested in Israel since the establishment of the State. This is a partial accounting. The foreign investments have included almost all of the large, decisive economic projects. Together with the positions held by foreign capital under the Mandate, they assure control of Israel economy by outside interests. Foreign capital completely controls the banking industry, electric power, oil and shipping, and is influential in mining and in ownership of water for irrigation, to speak only of the key sectors of the economy.

About 34 per cent of the private foreign investments have been by United States capitalists, with the remainder scattered among many countries. United States capital has taken over the leading position from British capital. This results not only from the amount of investment. The $350 million of United States government loans and grants, plus the hundreds of millions contributed by United States Jews and used to purchase Bonds for Israel, assure the primacy of United States capital. Corporate reorganizations within Israel have shifted the balance from British to United States capital in mining and banking and have started the process in electric power.

The full amount of profits on foreign investments is not made public but an idea of the amount and trend can be obtained from balance of payments statistics. In practice most payments for purposes other than the purchase of commodities, when made by a country dominated by foreign capital, represent open or concealed transfer of profits. Total current payments by Israel on non-commodity accounts increased from 6.4 million Israel pounds in 1949 to 14.2 million Israel pounds in 1951. The latter figure represents 85 per cent of Israel's exports in 1951. In other words, for every dollar's worth of goods exported, 85 cents had to go to pay profits and related foreign claims and only 15 cents was left to buy goods abroad.

The new masters, the United States capitalists, occupy a peculiar position. As "friends of Israel," they are quite at home, dictate economic policies to the government, and even step in and run key sections of the government. The Israel government's Investment Center reviews for approval all investments, domestic and foreign. It thus controls the direction of economic development and the interests which shall control it. Mr. Harold Goldenberg is director of the Investment Center. He is a wealthy Minneapolis business man, former vice president of the Palestine Economic Corporation and chairman of the UJA campaign cabinet. He is the owner of a detergent factory in Haifa.

Thus this United States capitalist, closely connected with leading financial groups, who has helped collect hundreds of millions from American Jews to "aid Israel," is now himself directly profiting from investments in Israel and at the same time controlling in the name of the Israel government the flow of capital into new industry!

The course of Israel's economic policy has resulted from the orientation of the Israel government on United States and other foreign capital. American Jewish capitalists have successfully pressed Israel for new concessions to the point where Israel is an oasis of milk and honey for foreign capital in a world where the people's resistance to colonialism is threatening to dry up the flow of profits abroad in many countries. The much-advertised investments in Israel by American capitalists, far from building up the country, divert Israel workers into sweatshop enterprises and increase its dependence on imports. Far from stabilizing finances, they have brought Israel to bankruptcy. Far from easing the conditions of the immigrants, they have brought increasing poverty to the people, old settlers and immigrants alike.

The American capitalists most instrumental in bringing these disasters to Israel are the very ones most influential in collecting funds from millions of American Jews under the guise of "helping Israel." They have established control over the Israel economy and move toward more detailed control over Israel government operations by instruction from the outside and holding key Israel government posts.

"BENEVOLENT" INVESTORS

Who are the key figures among these American Jewish capitalists and whom do they represent?

Some of the foreign investments in Israel are made by companies without prominent Jewish participation—e.g., Coca Cola, Philco, General Tire and Rubber. But American Jewish capitalists are usually put in the limelight, appearing as disinterested friends of Israel. Actually they represent leading groups of United States finance capital, supported by similar groups in the British Commonwealth. Consider the leading United States investment trust operating in Israel, the Palestine Economic Corporation (PEC). The directors are Jews prominent in charitable and civic affairs. However, their underlying interests include:

Lehman Brothers: a merger of Jewish and non-Jewish financiers, one of the 17 Wall Street houses on trial in Federal Court for conspiring to control and divide among themselves the nation's securities markets. This firm's influence is expressed on the PEC Board by Senator Herbert H. Lehman and Robert Szold.

Kuhn Loeb: one of the eight main centers of finance capital in the United States, financier of key railroads, represented on the PEC Board by two Warburgs, Hans J. Meyer and Albert Schiff.

The Mellons of Pittsburgh: represented on the PEC Board by Leon Falk, Jr., a director of the Mellon National Bank and Trust Co.

The Boston Group of the Cabots and Lodges: represented on PEC by Samuel Zemurray, president of United Fruit Company, leading industrial holding of the Boston financial group.

Cleveland financiers, represented on the Board of PEC by Moses P. Epstein, vice-president of Industrial Rayon, in which the principal positions are held by the M. A. Hanna interests of Cleveland. Leading personage in this group is the new Secretary of the Treasury Humphrey.

Leading Jewish financiers are quick to emphasize that they are Americans first, Jews second. It would be more appropriate to say that their first loyalties are to the great combinations of United States finance capital, in which they are often only secondary figures. Jewish financiers place their investments as "friends of

Israel" but they place them for groups which are notorious exploiters of colonial and semi-colonial peoples all over the world.

Kuhn Loeb is a leading shareholder and organizer of American Metals. Lehman Bros. participated in the financing of Rhodesian Selection Trust. These combines make huge profits from the enslavement of Africans in the mines. Samuel Zemurray is famous as the builder of the United Fruit monopoly, which established its position in Central America on the bayonets of United States marines and which specializes in the organization of "revolutions" against any internal reform movements in Central American countries.

The Kuhn Loeb and Lehman groups, most influential in PEC, control American Potash and Chemical, operator of a notorious company town potash and borax mine in the California desert at Trona. For the past 16 years this concern has been in almost continual proceedings before the National Labor Relations Board for unfair labor practices and at the present time is involved in an attempt to get the militant Mine, Mill and Smelter Workers Union out of its enterprises.

Who is so naive as to believe that Jewish and Arab workers at the largely PEC controlled Dead Sea potash mine will be treated more gently than their American brother at Trona?

Nor could one expect better from the late Sir Robert Waley-Cohen K.C.B. (Royal Dutch-Shell group—second largest international petroleum trust), or from James DeRothschild and Viscount Samuel—all veteran British colonialists allied with PEC in Israel enterprises. The same applies to the South African Jewish capitalists in holding company deals with PEC. These gentlemen share in and excuse the evil odor of the Malanazi regime of South Africa.

Increasingly, PEC ventures are conducted jointly with corresponding Canadian, British and South African holding companies. Despite the Jewish individuals, the forces are similar to those linked in the Anglo-French-American Iraq Petroleum Company and in the British-American-South African metals trusts—giant international colonial cartels.

PEC boasts of these ventures in its 1950 annual report: "The ambition of the Palestine Economic Corporation is to be the nucleus around which business activities of similar groups throughout the world, interested in private capital and private initiative, may gather."

United States finance capital, in Israel as throughout Asia and Africa, aspires to be senior partner in colonial exploitation.*

II. Who Gains from Israel Bonds?

IT IS TRADITIONAL for big financiers to collect little people's money as a source of profits for themselves. During recent years this has been done on an immense scale through United States government loans and grants to "reliable" foreign governments, paid for through taxes by the American people as a whole. Some of these loans are used simply to provide dollars to the foreign countries so that they can pay out the profits of the United States corporations operating there. Others are designed to fit the foreign investment theory projected by the National Association of Manufacturers. In this scheme, certain kinds of projects, like railroads and power plants, are often singled out for financing by United States government loans. Only moderate rates of profit can be expected from enterprises of this type but they are necessary for the operation of mines, plantations and other colonial-type enterprises on which high rates of profits are made and which are reserved for private investment.

The $135,000,000 of Export-Import Bank credits to Israel and sundry United States grants in addition have been used in both of these ways. But the financiers interested in Israel have an added, special source of funds. Thousands of American Jews interested in helping Israel trustingly place these funds at the bankers' disposal. At present these funds are raised mainly through Bonds for Israel. Already over $125 million have been sold through a high pressure promotion campaign featuring mass rallies and support from leading public figures.

Actually the Bonds for Israel campaign is the biggest financier's bonanza since the foreign bonds promotions of the 1920's, which cost the small American investors billions and put huge profits into

* For more details on the interconnections of foreign investors in Israel, see the excellent account in Chapter VII of A. B. Magil's *Israel in Crisis*, International Publishers, New York, 1950.

the coffers of Wall Street investment houses.

Today it is usually difficult for investment bankers to collect a wide profit margin on the sale of new bonds and stocks. When an investor buys a newly-issued corporation security, 98½ cents of his dollar go to the borrowing company, only 1½ cents go to pay expenses and profits of the investment bankers. These are average figures for 1950 compiled by the Securities and Exchange Commission. Distribution costs on state and municipal bonds are even less, typically under one cent on the dollar.

The original underwriting agreement for Bonds for Israel provided a banker's discount or commission of 3½ cents on the dollar, which was more than twice the prevailing commission rate on corporation securities. However, the State of Israel, by March 31, 1952, had advanced more than twice the official commission to the American Financial and Development Corporation for Israel, the underwriter, and its holding company, the American Committee for Aid to Israel Immigrants.

Recognizing the "inadequacy" of the commission, the agreement was revised in April 1952, to allow for commissions of 6 per cent. In addition the State of Israel must pay: "all charges, expenses and fees in connection with the issuance of the bonds, their registration under the Securities Act of 1933 and state securities statutes, the preparation, printing, publication and distribution of prospectuses, newspaper prospectuses, advertising, all taxes and stamps required in connection with the sale of the bonds and all sums payable to the fiscal agent, the district banks and the community banks."

In short, the State of Israel must pay all the expenses of the high pressure advertising campaign and all technical fees, over and above the 6 per cent discount. The latter is exclusively for the provision of profits to underwriters, brokers and other dealers, and to the lawyers of the Development Corporation.

This means that the Israel government gets less than $94 out of every $100 Bond for Israel bought by an American. But it pays 3½ per cent interest on the full $100, including the part it doesn't get. And when the bonds become due, Israel must pay back not only the money it received, but the more than $6 per $100 it never got in the first place. Because of this, the real or "effective" rate of interest Israel has to pay on the money it gets is not 3.5 per cent, but more than 4.1 per cent. The total actual cost will not be known until all the details of expenses are released, including the payments to the fiscal agent, which happens to be the Rockefeller-controlled Chase National Bank.

Running the Bonds for Israel syndicate is the same interlocking directorate found in "charitable" and foreign investment activities. Henry Morgenthau, Jr., former secretary of the treasury and now a New York banker, is chairman of the board. He was in 1949 chairman of the board of Palestine Economic Corporation. President of the Bond syndicate is Rudolf G. Sonneborn, now a director of Palestine Economic Corporation.

In fact, a large part of the proceeds, after reaching Israel, are turned back to the same fund raisers for use in their private investments in Israel.

The first $140,000,000 of funds appropriated from Bonds for Israel include the following:

$13,594,000, the largest single amount, to Palestine Electric Corporation (controlled by foreign capital, with PEC the leading investor).

$3,794,000 to Dead Sea Works, Ltd. (formerly known as Palestine Potash), involving Israeli and foreign capital, with PEC in a prominent role.

$2,100,000 to Fertilizers and Chemicals, Ltd., Israel's largest industrial plant, controlled by PEC, together with South African, Canadian and British capital. This company has also received $5,615,000 in loans from the U. S. Export-Import Bank. These loans amount to six times the original investment of the participating companies. By using low-interest credits for most of the capital, PEC and its partners can preserve the bulk of the operating profit for return on their relatively small investment, realizing actual rates of return of 100% or more.

$1,400,000 for construction of a road to service the Dead Sea Works.

$560,000 for Sephen Ltd. Masonite factory, controlled by AMPAL.

$112,000 for expansion of Assis Alcohol Manufacturing, Ltd., owned by PEC.

These projects listed account for a total of $32,340,000, or 58 per cent of the total credits classified as for industry and electric power.

How many of the other projects are actually controlled by foreign capital cannot be determined from available information since the names of the factories cannot always be connected with the controlling holding companies. $10,780,000 was loaned to the government-owned Israel Mining Corporation for operations in the Huleh area and in the Negev. But in May 1952, the Belgian Continental Mines and Metals Company signed an agreement with an Israel Mining subsidiary to participate in development of the Negev copper resources. The Jewish National Fund of America in 1950 bought up from the Israel government the 60,000 dunams (15,000 acres) of the Huleh region. And recently terms for granting Israel oil concessions to foreign companies were announced. Thus the stage is set for the Israel government to use this part of Bonds for Israel not for genuinely national mineral development but to assist foreign companies in organizing the exploitation of Israel's resources for their profit instead of Israel's.

The dependent character of the Israel economy has its most pronounced expression in the truly fantastic deficit in international payments. In 1951, exports and other current receipts yielded 24.6 million Israel pounds. Imports and other current payments cost 136.8 million Israel pounds. The deficit, therefore, was 112,200,000 Israel pounds, or $314 million. The deficit increases from year to year. In 1949, it was 73.5 million Israel pounds, in 1950 it was 93.6 million Israel pounds. The 1951 deficit amounted to one-fourth of the national income. It is as if the United States went into debt by $50 billion each year.

The theory of huge foreign borrowings is that they will put the account in balance. Goods formerly imported will be produced in Israel so that dollars and other foreign currencies will not be needed to pay for them. Surpluses will be produced in many products so that exports can be increased, leading to increased receipts of foreign currencies.

Promotional literature for the bonds stresses this point, estimating that for various projects the savings per year will amount to from 30 to 100 per cent of the amount of the loan.

But this is an illusion. In the first place, it assumes that all of the surpluses can be sold in foreign markets at recent peak prices. Since most of the products to be made are highly competitive, this is a dubious assumption at best. Moreover, the natural market for the products would be largely in Middle Eastern countries, which are cut off from trade with Israel by their own insulated semi-colonial economies, as well as by the aggravated relations between Israel and neighboring countries.

Furthermore, even if the products were sold, very few would be sold in the United States for dollars. Israel, on account of its huge purchases and borrowings from the United States, will have a mounting annual payment in dollars, with no prospect of earning the dollars. As the recent experience of European countries shows, a "general" balance of payments, even if achieved, is useless to prevent financial crises if accompanied by a big dollar deficit.

Economic Trends in Israel claims that under the export drive: "Israel will be able in particular to deal with countries short of dollars. It pursues a consistent policy of negotiating commercial agreements with such countries."

An excellent idea, but *inconsistent* with huge obligations for paying dollars on Bonds for Israel, Export-Import Bank loans, and United States private investments. The private investors do not have to worry about this little inconsistency—they are protected by the investment guarantee. But who will protect the Bonds for Israel buyer from the fruits of this untenable economic policy?

BACK-BREAKING DOLLAR BURDEN

The mounting burden of dollar payments will take the following form. The figures are illustrative rather than precise but they are conservative estimates. $14.5 million per year will be needed for interest and repayment of capital on the $135 million Export-Import Bank loans. At least $17.5 million per year will be needed to service the Bonds for Israel, assuming they are all sold and making *no allowance* for set-a-side of funds for repayment. A minimum of $30 million per year must be figured for spare parts and replacements of United States machinery imported under the various loan programs.

The bond drive is paralleled with the campaign to lure private

United States capital. If investments of $500 million are obtained, there will be a minimum cost of $50 million per year for the profits which the Israel government formally permits to be taken out. This is very much a minimum since United States corporations are expert at getting around currency restrictions and also additional dollars will be allotted for materials and equipment wanted by the United States investors.

Adding the specified items shows that the minimum dollar servicing costs on account of all dollar capital imports will be $111.5 million. This approximately equals the value of imports from the United States in 1951. Thus the dollar burden will be doubled.

What actually happens is that as the dollar deficits resulting from previous investments increase, new loans instead of building the economy and improving the dollar balance, are used as stop-gaps to pay the debts resulting from the old loans.

Thus the United States Congress granted $64,700,000 to Israel for refugee relief and resettlement, economic development and Point Four technical aid. Through successive diversions approved by Washington, by mid-May 1952, all but $8,800,000 of this fund had been shifted to payment of debts and for current supplies of basic consumers goods.

Using Jewish figures as a front, a number of Wall Street financial groups are getting control of the Israel economy. To the relatively small funds they invest are added hundreds of millions of dollars loaned to Israel by the United States government or by American purchasers of Bonds for Israel. Part of the money spent by Americans for bonds is siphoned off by the promoters through excessive commissions, another large part is turned over to United States investors in Israel and the whole is used to strengthen the position of foreign investors and guarantee payment of profits to them.

III. The State Department Sews Up Israel

DURING September 1952, a National Economic Conference for Israel was held in Atlantic City. Attended by leaders of the Israel government and of American Jewish financial and philanthropic interests, the conference aimed to promote the sale of Bonds for Israel.

Events leading up to the conference as well as speeches and data emerging from it emphasize the conclusion already made. And they bring out an additional vital point—United States financial domination is intimately connected with United States military domination, with the enlistment of Israel in the front ranks of the Atlantic Pact warriors.

A few weeks before the conference, on August 10, 1952, the United States and Israel governments signed an agreement guaranteeing United States investments in Israel, similar to one-sided agreements signed by the United States with 14 other countries. The investing companies are the only interests that get anything out of it, while the people of both countries pay.

Here is how it works. Suppose an imaginary Zephyr Razor Blade Company wishes to move its factory from the United States to Israel to take advantage of lower wages and taxes. The company applies to the Israel Investment Center, directed by Harold Goldenberg, former United States businessman. The center approves and the investment is made. Under the agreement Zephyr Israel Razor Blade can send out 10 per cent of its investment in profits to the United States each year, in dollars. The Israel government guarantees this drawing out of dollars through a law previously enacted. The United States government guarantees Zephyr further on payment of a small insurance fee. In case there just aren't any dollars in Israel to pay the profits, the United States government will pay the profits to Zephyr out of American taxpayers' money and then proceed to pressure Israel for payment.

There is a further guarantee against expropriation by the Israel government. If such expropriation takes place, the Israel Government agrees to negotiate diplomatically with the United States government for compensation. If the two governments cannot agree, the Israel government agrees to submit the dispute to international arbitration. Since such international arbitration tribunals as the World Court are dominated by the great capital investing powers, this is tantamount to agreeing to pay such a price that no nationalization would be worth while. The United States government agrees to represent Zephyr in the negotiations, to shoulder all the risk and pay Zephyr the full amount of the investment, again at the cost of the American taxpayers.

This issue of expropriation or nationalization is not here raised as a question of socialism versus capitalism. The right to expropriate—known in this country as the right of eminent domain—is the ultimate recourse of any government against a company which disobeys the law of the land. By virtue of the agreement, this right of the Israel government loses its force. Zephyr can do what it wishes, ride roughshod over Israel's national interests without fear of financial penalty.

Following signing of the investment agreement, the Zionist Organization of America called an extraordinary conference of its National Administrative Council, which established an economic program as follows: "Aimed to attract widespread interest and activity in private investment and initiative, the organization's economic program calls for close cooperation with the Palestine Economic Corporation as its investment arm." (*New York Times,* Aug. 25, 1952.)

As shown in the previous section, Palestine Economic Corporation is a merging of interests of leading United States centers of finance capital. The conference also created a new department to encourage investments in Israel by United States Zionists. Speakers stressed the vital role of Bonds for Israel in this program.

The specific role of Bonds for Israel was made very clear at the National Economic Conference for Israel held three weeks later. Rudolf G. Sonneborn, president of the Bonds for Israel organization, set the keynote when he revealed that his thinking had experienced a "significant clarification." Israel, he said, is now "a worthy field for the investment of the most hard-headed and unsentimental, as well as for those of us to whom Israel holds a special meaning."

The previously mentioned Mr. Goldenberg told the conference that the success of private industry in Israel could be attained if the Bonds for Israel proceeds created the roads and other basic facilities to assure modern industrial development. (*New York Times,* September 14, 1952.) The relationship is made even more explicit in the brochure *Economic Trends in Israel*:

"The Israel Government seeks to promote private investments in a variety of ways (Encouragement of Investments Law, credit facilities, etc.). However, to develop a country, a great deal must be done on a public or semi-public level (harbors, railways, agriculture). It is also necessary to start industries which are not immediately attractive to the private capitalist, but may become so later."

Thus, through purchase of bonds American Jews of moderate means are asked to put up the money for enterprises which will not yield a high rate of profit, but which are necessary for big-money American Jews to get a high rate of profit on their investments. And later, if the enterprises financed by bonds should turn out to be very profitable, it is hinted, they may be sold to the private investors. Add to the picture the Israel-United States investment agreement, which guarantees the big-money private investor collection of profits and principal, but which guarantees the little buyer of bonds nothing at all.

FIXING THE COLONIAL PATTERN

Official publicity handouts recently boasted of the first shipment of tires from General Tire and Rubber's plant near Tel Aviv. General Tire and Rubber is a $200,000,000 per year enterprise with its home office in Akron. It is aggressively managed and growing rapidly, especially in the foreign field, where it is now the third largest United States rubber firm. It is a good example of the "hard-headed and unsentimental" investor Mr. Sonneborn is striving to encourage. The *Wall Street Journal* revealed on September 15, 1952, the real character of this investment.

General Tire, said the paper, has "ten affiliated plants located in Mexico, Canada, Chile, Spain, Portugal, Israel, South America [?] and Venezuela. Foreign operations, including United States exports, currently account for 17 per cent of General's profits. The figure might be twice as high if all General's foreign profits could be brought home and consolidated. . . . Rubber companies operating abroad make two or three times the profits they make on comparable United States operations, according to Cy O'Neil (president and chairman). Labor costs are cheaper . . . and taxes are lower; tires bring a higher price abroad; they wear out two or three times as fast on poor roads; sales costs are lower because competition is not as keen. . . ."

From Mr. O'Neil's point of view, Israel is no different from Spain, Mexico, or Venezuela, where long histories of subordination to foreign capital have brought the direst poverty to the masses of the people. Even the involvement of Israel capital as a "partner" is merely part of General Tire's usual technique, begun in Mexico in 1930, of teaming up with local capital so that the company can appear "not as foreign operators, but as co-workers with local people."

A slight correction—General Tire has one minor interest in the special character of its Israel investment: "General Tire expects to send 500 of the pure natural rubber tires to the United States, hopes sympathy for the Zionist cause will lead Americans to pay a little more for the 'Made in Israel' label" (*Business Week,* August 16, 1952).

The brochure tries to argue away the effects of a "development program" where most of the capital comes from abroad: "The above general outline of Israel's investment plans may suggest to some excessive reliance on foreign aid. . . . All countries of immigration have had the same experience. Even the United States —today the wealthiest community in the world—had to be built with foreign investments, and was still a debtor country as recently as 1914."

The comparison is wholly invalid. Foreign investments played an important role in this country's *early* history, when modern concentrated industry and finance did not exist, and when small-scale agriculture, domestically financed, was the major economic activity. Moreover, the United States had already established its political and military independence of the main investing country, England. The basic modern industries of the United States, such as steel and chemicals, were built almost wholly with domestic capital.

Israel, by contrast, is talking of building its entire economy with foreign capital, and modern monopoly capital to boot. And Israel is a weak country, far from independent of the main investing country, the United States, politically or economically. Throughout this century United States capital has acquired political and military domination abroad together with economic control.

Today, more than ever before, the big stick and the dollar go together and Israel is no exception. The government agency which handles United States investment guarantees in Israel is the Mutual Security Agency, whose main function is the distribution of military supplies to countries of the North Atlantic Pact and other military alliances. All the countries having similar investment agreements are in military alliance with the United States. All of them have United States military missions and most have United States bases and are occupied by United States troops.

On July 23, 1952, shortly before the investment agreement was signed, Israel and the United States signed an agreement under which Israel may purchase armaments from the United States government.* As early as February 1952, the Israel government requested grants of arms. For this purpose, a United States military mission must go to Israel and the Israel government must sign an agreement formally tying itself to United States strategic aims. The delay here is not caused by the Israel government, but by United States diplomatic considerations of avoiding "favoritism" between Israel and neighboring Arab states. The American "friends of Israel," who are so busily promoting United States investments in Israel, are equally alert in promoting Israel's military involvement. On August 27th the American Zionist Council sent a memorandum to Secretary of State Dean Acheson urging favorable action on the Israel government's request for grants of arms. Rep. Jacob H. Javits said at the September Bonds for Israel Conference:

"Israel has settled the question of where it stands as between the East and the West. . . .

"Israel's vital importance to the West is based on its strategic location, the character of its people, its military effectiveness and its capacity for industrial production. Its armed forces are estimated at 200,000 effectives and are given a high rating in Near East defense. Officers of Israel's army, navy and air force are studying in military schools in the United States and over 160 of such officers have

* Plus whatever secret provisions may be involved. The Department of State informed the author on Nov. 13, 1952, that copies of this agreement "are not available as yet," and none has been received by mid-January 1953.

already graduated from such military schools. It is clear that United States military authorities recognize and value the military capability of Israel. The Mutual Security Act would permit Israel to obtain arms and munitions for its needs in the United States and in view of the effectiveness of its forces it is certainly to be hoped that the United States will give Israel appropriate recognition in this respect."

From this we see that United States official interest in Israel is based on: (1) Israel's strategic position for the billionaire oil companies controlling other Middle Eastern countries; (2) the abandonment of "neutrality" by the Ben Gurion government and the open adherence to the anti-Soviet war preparations of the United States government; (3) the Israel Army, which consists of more than one-fourth of the entire male population;* and (4) the fact that Israel-United States military collaboration is already well-advanced, with the large-scale training of Israel officers in the United States. To this should be added the temporary suppression last spring of the Israel Communist newspaper *Kol Haam* for reprinting a conservative British newspaper's report of the building of a large airfield in Israel capable of use by United States atom bombers. And even more recently, the threat to outlaw the Communist Party of Israel because it dared to expose the hoax of "Soviet anti-Semitism" unleashed by the U.S. State Department following the apprehension of its intelligence agents in Czechoslovakia, Poland, East Germany and the USSR, operating as "Zionists."

Following the lead of its masters in Washington and the incitements of the kept press in the U.S.A., the Israel government launched a campaign of insult and vilification against the Soviet Union, creating an atmosphere in which, on February 12, 1953, the Soviet legation in Tel Aviv was bombed. The USSR, in breaking off diplomatic relations with Israel, charged "direct participation of the representatives of the government of Israel in inflaming hatred toward the Soviet Union and instigating acts of hostility against the Soviet Union (*N. Y. Times,* Feb. 12, 1953). The Soviet

* It is typical of American-Israel relationships that an American, Mr. Javits, revealed what has been a closely guarded Israel government secret, the size of its army. Similarly, Israel government agencies got their statistics on the foreign financial balance of their country from data published here in the prospectus for Bonds for Israel.

note charged that the bombing was carried out with the "connivance" of the Tel Aviv police.

Does utter servility to Wall Street in economics, military affairs and diplomacy buy Israel "protection" and security? On the contrary. It is not only that the only kind of "protection" provided by imperialism is that now being given to South Korea—through the utter devastation of the country. More immediately, the Government of Israel cannot buy favoritism over its Arab State rivals. Truman may seem "friendly to Israel," Eisenhower to the Arab States, – these political fluctuations are not decisive. The interests of the Rockefellers and Standard Oil in the Arab States are *incomparably larger and more decisive for U.S. imperialism* than Wall St. investments in Israel, present and potential.

The Rockefellers require puppet governments in the Arab States, which in an emergency can use conflicts with Israel to divert their peoples from the real exploiters. The U.S. Government – so long as it represents big business – will not hesitate to use the time-tested technique of divide and rule, to stir up national conflicts in the Middle East when necessary, to back the billions invested in Arabia against the people of Israel, who represent smaller potential profits.

An Israel Government willing to be a counter in the imperialist rivalries of the Middle East cannot be more than a pawn to be sacrificed in the interests of larger profits.

That is why, despite the increasing and utter servility of Ben-Gurion, the U.S. and Great Britain found it expedient to sell 50 jet airplanes, not to Israel, but to Egypt's Naguib, the Pentagon's new-found hopeful for lining up the Arab States in its war plans.

Mr. Javits is wrong on one point, however. That is his assertion that the foreign policy course of the Ben Gurion government "apparently has the full support of the population of Israel." This would hardly follow from the fact that 400,000 of the people of Israel signed the petition opposing the rearmament of Germany and favoring a five-power peace pact, representing one of the highest proportions of the population in any capitalist country.

The United States government is pressing for a Middle East Defense Pact to add to its string of war bases for assault on the Soviet Union. The national liberation movements in the Arab

States have made it impossible for any of the governments of these states to go along with this scheme. But the Israel government, which has not even been formally asked, has already requested permission to join this proposed military alliance.

The increased militarization of Israel can only impoverish the people further, as it has done in other countries converted into United States aircraft carriers and naval bases. It paves the way for the use of Israel troops in United States-sponsored military adventures, as Turkish troops are being used now in Korea. It makes more likely a third world war and assures Israel's deep involvement and probable destruction in such a war, should it come. By its economic consequences, it increases dependence on the dollar, and removes the last barriers to unlimited profiteering by American capital.

IV. How Israel Can Prosper

ONE common rationalization for the draining of Israel's income by foreign capitalists is that in any case foreign investment is building Israel's economy, which someday the people of Israel can take for their own. Unfortunately, there is no foundation in fact for this belief. This does not mean that all foreign investments are in useless fields. On the contrary, a number of those financed by private funds and by Bonds for Israel are in fields that could contribute to the development of Israel's economy. But such foreign investments are not integrated into an overall economic program without which Israel can not achieve economic independence.

Most important, foreign capital does not provide balanced basic industry, which Israel lacks. The key industries required for economic development are the capital goods industries, principally steel and machinery. Without them, there can be no independent economy and a country must remain an economic colony. The history of the past half century shows that the big capitalists of the investing countries systematically seek to prevent the development of steel and machinery industries in their colonies and semi-colonies.

The United States financiers—Jewish American included—are no more interested in such development in Israel than in Latin America or other areas where they have been ruling the roost for many decades without appreciable development of basic industry. For instance, out of the first $140,000,000 expenditures from Bonds for Israel allocated for spending through March 1953, less than $1,500,000, or about one percent, were allocated for metal and machinery industries—and that mainly for small handicraft establishments. In contrast, $4,900,000, or over three times as much, was allocated for expansion of tourist facilities and hotels, which will serve mainly the United States capitalists and official "experts" running the show in Israel.

Actually, foreign investments in Israel are concentrated in two fields, typical of colonial-type operations:

1. Extraction of minerals—including a large proportion diverted to an accelerated hunt for strategic minerals for the Pentagon war program.

2. Assembly operations, taking advantage of the low wages in Israel and its financial difficulties.

In addition there are investments in consumer luxury products and realty deals such as the hotel projects mentioned above.

Some of the projects based on the use of local materials, such as the projected fertilizer and chemical plant, pulp and paper mill and various construction material projects—are worthwhile. But they are not characteristic of United States investment. They remain outside of Israel control and exclude serious enterprises in the key metal and machinery industries.

ISRAEL HAS THE PEOPLE

Is it possible for a small country like Israel to achieve real economic development? Unconditionally yes. But the principal requirement for this is not foreign capital, as claimed by apologists for American investors. The main requirements are the energy and skill of the people, access to natural resources, people's planned control of industry, foreign trade on an equal basis and coordinated development with neighboring countries.

This has been proved incontestably by the experience of the USSR, of China and of such former backward countries as Bulgaria and Rumania, which have built or are building modern industry and creating strong economies without the investments of foreign capitalists.

Let us test the situation in Israel against these requirements.

Israel is well supplied with people, who came filled with enthusiasm to build and are now thwarted through enforced idleness or unproductive labor. Indeed, the people of Israel have an advantage over the peoples of some other countries that have already developed much further. In Israel there are many skilled workers, many technicians, engineers, accountants. Tens of thousands were specially trained to prepare them for building their country. Moreover, there is plenty of manpower. In addition to the 22,000 registered unemployed, there are 200,000 immigrants not yet absorbed into the economy and tens of thousands of Arabs only casually employed.

There are frequent slanders against the people of Israel to the effect that they tend toward shopkeeping and white collar work rather than industry and agriculture. Such statements reflect more anti-Semitism than facts. "Inefficiency" of labor in Israel today has nothing to do with any "national characteristic." Speaking of the low productivity in the Kaiser-Frazier plant in Israel, *Business Week* reported (May 24): "Some officials lay part of the blame to the lack of food for plant workers. They point out that workers' output is greatest in the morning, then fades fast through the rest of the day. The plant managers suggested that K-F Willow Run provide extra food for the men to piece out their Israel rations. Willow Run replied with vitamin pills—last heard from, they were snarled in customs."

Obviously, this problem will not be cured by slick speed-up schemes—or vitamin pills—imported from the United States. Israeli workers will not suffer starvation to produce for the profits of foreign capitalists. But the workers will undoubtedly reveal their real potential when their labors go to build their own economy and are directed to raising their living standards instead of imposing ever-more "austerity."

NATURAL RESOURCES ARE THERE

Israel has reserves of potash, phosphates, copper, manganese, iron ore, peat, sulphur, limestone, probably oil and other basic minerals. Actually, Israel's full resources will not become known until the people of Israel take control of them and start to use them. Imperialists have a good nose for those raw materials they wish to extract for export—like oil in the Middle East. But their geologists are strangely myopic when it comes to the materials which the less developed countries need for their own development.

Thus American geologists repeatedly assured the Chinese people that China could never develop a basic industry because the country lacked iron. But people's China is today rapidly developing its basic industry. Already United Nations charts show that China has 1.8 billion tons of iron ore in "probable"—readily available—reserves, almost half as much as the United States.

Even with relatively little exploration, enough is known to establish the basis for a steel industry in Israel, not to speak of the Middle East in general.

Steel could be produced in Israel with iron ore from the Negev or from Asswan in Egypt. Coking coal could be obtained by sea from Zonguldak in Turkey or from the Ukrainian Black Sea ports. Some such arrangement would be desirable if Israel were to construct a large scale steel mill to supply part of the needs of other Middle Eastern countries as well as Israel's needs. Alternatively, if smaller quantities of steel were planned, new processes could be used based on Middle Eastern oil instead of coking coal.

DOES THE HISTADRUT CONTROL INDUSTRY?

What about control of industry? We have shown that the real centers of control are abroad. But an illusion has been created that the Israeli workers have a large share in ownership of industry through the business activities of the Histadrut, the trade union center. Huge sums contributed by workers have been accumulated by the Histadrut in finance and industry—to the point where the Solel Boneh, one of the Histadrut holding companies, is known as the largest employer in Israel. Actually, Solel Boneh operates as a construction contractor. Its important industrial investments are in junior partnership with private capital and Solel Bonch never has management control. Objectively, the Histadrut merely contributes funds for the private capitalists, Israeli and foreign, to use in the more efficient exploitation of the worker-members of Histadrut in the industries involved.

David Hacohen, member of Knesset, director general of Solel Boneh, assured a reporter of the New York *Daily Mirror* (April 18, 1952) that his organization never wanted a controlling share but was content to remain a partner in private industry. As for some day taking control of the foreign investments, Hacohen has no such idea: " 'What,' he practically shouted. 'They say we want to nationalize industry? They're crazy. We don't think of nationalization. That's a weak argument by weak people who don't know my country.' "

In almost every semi-colonial country there are powerful movements to nationalize the foreign-owned enterprises which bleed these countries. But the majority of the leadership of the Israel trade union movement, whose Mapai Party rose to power with slogans of "Socialism," consider nationalization "crazy."

Like private Israeli capitalists who take minority shares in foreign controlled companies, the Histadrut leaders act as fronts and sales agents for the foreign corporations. They are *compradores.** While American capitalists give instructions to Israeli comprador capitalists and to the Israel government, American trade union bureaucrats transmit the orders to Israel's comprador trade union leaders.

Here is an example. George Meany, secretary-treasurer of the AFL, delivered a speech in Chicago on March 26, 1950, at a "dinner attended by a vast turnout of AFL friends and supporters of Israel and the Histadrut," reported the *American Federationist* of April 1950. "The AFL leader plainly stated," continued the paper, "that the Histadrut's continued membership in the so-called World Federation of Trade Unions is 'very strange.' . . . Mr. Meany called upon the Histadrut to put an end soon to the anomalous position in which it now finds itself. 'The Histadrut (must) carry out its unmistakable fraternal obligations. I am sure that the Histadrut

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* Funk and Wagnalls *Dictionary* defines "comprador" as: "A native agent and intermediary in a business house, consulate, or the like, in China." Actually, the term is used in all colonial and semi-colonial countries. Today it no longer applies in China.

understands this and that the Histadrut, which has never turned its back on duty before, will not turn its back now.'"

Did the leaders of the Histadrut protest this brazen interference in their internal affairs? They did not. They promptly withdrew from the World Federation of Trade Unions. Thereby they cut off Israel's workers from the overwhelming majority of the world's organized workers and in particular from the struggling trade union movements of nearby Middle Eastern countries, which have found a real home, real assistance within the World Federation of Trade Unions.

PEOPLE'S CONTROL OF THE ECONOMY

What is the real path to control of the economy by the people of the country for the people's welfare? The fundamental steps, based on the experience of other countries that have achieved liberation from foreign control, can be outlined:

1. Israel must expropriate the foreign-owned power and mineral industries and banks.

2. Capital for basic metal and machinery industries can be raised at home by a progressive tax program and by diverting sums now wasted on military expenses and payment of profits to foreign capitalists.

3. Key enterprises would have to be government-owned, with labor and farmers having the decisive voice in government.

4. The national capitalists—those who are not stalking horses for foreign capitalists—should be encouraged. They should be helped to get needed raw materials and protected against dumping of competitive imports.

Does this program mean that American and other foreign friends of Israel have to be cut off from helping Israel together with the elimination of foreign capitalists in key industries? By no means. With a general program such as that outlined above, foreign capital can play an auxiliary role in the form of loans without control of Israel enterprises. Investments like Bonds for Israel, if used to aid Israel people's-owned basic industries' purchase of supplies abroad, would have an entirely different meaning than at present, when they are mainly supplying added capital for the foreign capitalists controlling Israel's economy.

Of course, big Jewish American financiers would not be likely to make a big hullabaloo for bonds for a *people's Israel.* But Jewish American small business men, professionals and skilled workers could buy such bonds with a clear conscience and a real sense of financial security, unlike the present situation when they are asked to buy bonds for a foreign capitalists' Israel.

FOREIGN TRADE NEEDED

Even with the best internal measures, a small country like Israel needs cooperation from abroad. The slogan of an independent economy must not be confused with the false slogan of autarchy, that is, total self-sufficiency. Israel needs extensive foreign trade. For example, even with a serious program of developing basic industry, Israel would have to import machinery of most types for a period and of many types after development of its own machinery industries.

The capitalists of the imperialist centers have a long-standing reluctance to export machinery to countries which they regard as preserves for investment of surplus capital and sources of cheap raw materials. They do not want to see new competitors arising. The history of all under-developed countries is one of painful scrambling to purchase second-hand, second-rate machinery and equipment at several times the regular price and waiting several years for that. Plenty of good machinery is exported—but for the use of the foreign corporations investing in such countries as Israel.

Today the semi-colonial countries can shake off the dead hand of foreign capital and get the goods needed from abroad for development. This is possible if Israel could buy in the world market at the best prices what it needed for its economic development. Whatever one's views may be, one must recognize that today there exist countries which make and offer for sale to all comers, without strings, machinery and other necessary commodities. Those countries are the socialist countries, the USSR and the people's de-

The Soviet Union has proved that it can assist the development of backward areas. This is graphically illustrated by the growth of modern industry in the Soviet republics of Central Asia, formerly colonies of the tsar just as down-trodden as the nearby Middle Estern countries. Today, the five Central Asian Soviet Republics, with 17 million people, produce three times as much electric power as Turkey, Iran, Pakistan, Egypt, Iraq, Syria and Afghanistan, with their combined population of 156 million.

Poland is building a new steel mill at Krakow with equipment supplied by the USSR. The 1.5 million metric tons capacity of this steel mill will approximate the entire 1951 steel production of all Latin America after 50 years of United States domination and "economic aid" to that region. Similar genuine aid for economic development is advanced by the USSR to other people's democracies and to people's China. The trade of the socialist world aids development of countries with other political systems also. Today Czechoslovak farm equipment is sold in Argentina, Soviet typewriters in Belgium.

The same can apply to Israel. It was proved in 1948, when supplies from abroad, especially of arms, were a matter of life or death. In that year, little Czechoslovakia stood third in exports to Israel, supplying more than half as much goods as the United States. As is well known, the goods supplied by Czechoslovakia were the arms most needed by the Israeli independence fighters. Ironically, the United States government, then engaged in a major campaign of incitation against Czechoslovakia following its governmental reorganization in February 1948, was putting people in jail for shipment of arms to Israel.

As the Israel government came increasingly under United States domination, it acceded more and more to the Washington-imposed embargo policy. Israel imports from the USSR and the people's democracies dropped steadily, from 15 per cent of total imports in 1948 to 10 per cent in 1949, 6 per cent in 1950, and 4 per cent in 1951.

BENEFICIAL TRADE WITH SOCIALIST WORLD

The Israel government not only limits trade with the socialist countries, but conducts it so as to benefit American capitalists more than the Israeli people. Here is one recent example. Citrus fruit has been Israel's leading export product. As a result of war damage and the government's agricultural policies, citrus acreage is one-half of pre-war. But there is great difficulty in marketing the remainder. In September 1952, the USSR placed an order for 400,000 cases of oranges, which exceeded 10 per cent of Israel's entire citrus exports in that fiscal year. This order the Ben Gurion government could not turn down. Even the State Department could not call oranges "war materials" and get away with it.

But the Soviet government offered to pay for the oranges with wheat, which Israel needs desperately to feed the people. This offer Israel turned down and insisted instead on receiving foreign currency, to which the USSR agreed. The hungry people of Israel will not benefit but the foreign investors will have currency to take out their profits.

With a give-and-take, friendly attitude, trade with socialist countries could be developed enormously. At the International Economic Conference held in Moscow last April, the Soviet spokesman, Mr. Nesterov, stressed his country's desire to expand trade with Asia and the Middle East. Given normal conditions of trade, he said, the USSR "might, in particular, in the next two or three years supply machinery and equipment to an amount of 3,000 million rubles [$750,000,000] to Southeast Asia and the Near and Middle East."

He specified all the typical export products of these countries, for which the Soviet Union offered to supply industrial goods and equipment: "particularly for the metallurgical, fuel and chemical industries and also for the light and food industries. This would make it possible for these countries to proces stheir raw materials."

He also offered technical assistance and equipment for agriculture. He proposed trade for barter or to accept the currency of the buying country and spend that money there: "Considering that many countries are experiencing foreign exchange difficulties, barter transactions and payment in local currencies should contribute in no small measure to the expansion of trade."

This general program is made to order for Israel.

Thus, we see how Israel has, or can get, four of the five main requirements for genuine economic development—the people, natural resources, control of industry and foreign trade. The fifth requirement, cooperation with neighboring countries, will be discussed in the next section.

V. Israel Needs Bread and Peace

WE CONCLUDE our discussion with the problem of cooperation with neighboring Arab States, application of the principles discussed to Israel's agriculture and the crucial role of the struggle for peace in all these questions. A billion and a half dollars worth of oil is produced in the Middle East each year. Today only one per cent of that oil is consumed there while the bulk of the steel employed in the Middle East is used by the foreign oil companies. Just think what the Middle Eastern countries could accomplish, if they controlled their own oil! This oil could be used to supply fuel for a vast expansion of transport and industry in an area where coal is scarce. In fact, under people's democratic or socialist governments really large-scale factories could be built with the entire area as a market instead of the present market of individual countries.

Even under present conditions cooperation of Israel with its local Arab neighbor states is essential. To achieve this, much of the initiative must come from Israel itself. The Arab-Jewish conflict is not really a popular one. The people of the Middle Eastern countries *are* aroused but the edge of the people's anger is directed against the British and American imperialists. The people are demanding nationalization of oil, expulsion of foreign troops, ending of imperialist military and economic domination.

The governments of the Arab states, based on feudal landlords and propped up by foreign imperialists, deal with this popular movement in two ways. They repress it with armed force and they attempt to divert it with discrimination and attacks against Jews living in their countries and with incitations against the state of Israel.

The Israel government follows essentially the same policy. It makes no real concessions to the mass demonstrations of various sections of its own population against worsening economic conditions. Instead it seeks to divert them with the grossest discrimination against the Arab population of Israel and with incitations against the Arab States. We thus have the sorry spectacle in the UN of Arab and Israel delegates, instead of working together, spending much of their time making speeches against one another.

Eighty per cent of the 176,000 Arabs in Israel live in restricted areas under the rule of military governors, without freedom of movement. Arab workers are paid lower wages than Jewish and are treated as second class union members when admitted. Arab peasants are exploited by absentee landowners and by the Israel government, which rents them a small part of the land of the Arab refugees.

In short, the situation of the Israel Arabs, 11 per cent of the population, has shocking parallels to that of the American Negroes.

Any government in Israel which followed a policy of genuine equality toward the Arab people and which followed an anti-imperialist policy in foreign affairs would thereby win the friendship of all the peoples of the Middle East. No Middle Eastern government would be able to incite its people to war against such an Israel regime. The progressive forces of the Arab countries would in turn be greatly strengthened and the more speedily could acquire anti-imperialist governments glad to develop cooperative trading relations with Israel.

FOOD AND AGRICULTURE

A genuine partnership of the Jewish and Arab people of Israel is also crucial to solution of another serious problem, that of the food supply.

Israel has an unusual degree of dependence on imported food. It supplies its own milk, vegetables and fresh fruit. But 40 per cent of the potatoes, 55 per cent of the small supply of meat, 85 per cent of the bread grain, 85 per cent of the oils and fats and all of the sugar are normally imported. Food is the largest item in the import budget and one main source of the state's chronic financial crisis.

There is no need for this. Israel has the resources to feed its entire population and even a much larger population than now lives there. For example, the Lowdermilk Plan for a Jordan Valley Authority would provide water to irrigate 750,000 acres, about five times the present irrigated area. Full use of irrigation in the Negev desert, draining of swampland and use of arable land now idle for various reasons would multiply two or three times the amount of land under cultivation and through irrigation greatly increase the yield.

The expulsion of the Arabs, who did most of the farming, left a large part of the land idle. Much of this has now been put back into cultivation, largely by Jewish farmers. But the cultivated area is *still ten per cent less than in* 1946-47! Earlier plans for a rapid increase in the cultivated area have been abandoned. Instead, according to *Economic Trends in Israel*: "For the next few years . . . no great expansion of the cultivated area is to be expected." Indeed this report, representing official government thinking, regards the arable land as limited to 4,500,000 dunams (a dunam is equal to one-fourth of an acre) or roughly that actually cultivated before establishment of the state; and only 22½ per cent of the total area of Israel.

Production of citrus, the leading export crop, *remains at only one-half the pre-World War II peak* and is not being expanded rapidly.

Why the failure of agriculture? The ability of the Jewish people to be good farmers was proven by the history of the kibbutzim, cooperative farms. They were praised by the American reclamation expert Dr. Walter C. Lowdermilk as having "done the finest reclamation of old lands that I have seen in four continents, indeed the finest reclamation work of modern times" (quoted in Robert Brittain, *Let There Be Bread,* p. 132).

Clearly, the failure is not to be found in the old chestnut that "Jews do not make good farmers." If tens of thousands of new potential farmers are not found among the now idle immigrants, it must be because there is no real perspective opened up before these people to stimulate them to learn farming and develop agriculture.

There has been an intensified recruitment of new farm laborers at a time when thousands of hired hands are being let out by the citrus groves and coming to towns to look for work. The object appears rather to increase the supply of cheap labor so as to increase the profits of capitalist farms and plantations. Here is how the *Jerusalem Post* (June 2, 1952), conservative English language daily, explains the situation:

"Only a few of the people who are to be diverted into agriculture will be full-fledged farmers from the start. Many of them are to be employed as hired hands, partly by the Hakal Company, which has gone in for vegetable growing on a large scale during the last year and which proposes to double its 10,000 dunams.

According to this paper, Histadrut propagandists were trying to persuade the immigrants to go to work as farm laborers, but that propaganda would not be enough. It feared that they would do this only if they have no other choice. Consequently the possibility of forced farm labor is already being discussed openly.

It should be obvious that this is no way to solve Israel's food problem. The immigrants will hardly leave even their canvas shelters for the dubious privilege of toiling as farm laborers for large corporations. And these will push agriculture only to the point of highest profit, which thrives on food shortages instead of plenty.

What policies are necessary to attract the immigrants to the land? Land should be made available to them without charge. Kibbutzim and other types of co-operative farms should be encouraged with credit and water made available at low cost by public bodies, by government assistance in construction of irrigation facilities and other necessary works, guaranteed minimum prices for farm products, access to farm machinery and ample assistance in learning the technique of farming.

ARABS AND THE LAND

Dr. A. G. Black, chief of the United States Food and Agricultural Mission to Israel, was asked when Israel could become self-sufficient in food. He answered that it depended on unknown factors, including a peaceful settlement with Israel's Arab neighbors. This is the really decisive factor—if it is interpreted to include a just settlement with the Arab population of Israel.

The Israel Year Book for 1951 shows almost 40 per cent of the population of rural settlements residing in Arab villages. But the Arab peasants remain under the thumbs of Arab landlords or are employed as hired laborers by Jewish capitalist farmers. Only one-sixth of the non-irrigated land planted to field crops is in the hands of Arabs, and even a smaller portion of the more productive irrigated land. Moreover, over half the Arab dry-farming land is in the arid Negev, where Arab acreage is three times Jewish acreage. In the crop year 1949-50 only 10 per cent of the value of farm products came from Arab-operated farms.

This small value of product results not only from leaving the Arabs inadequate acreage of poor land, but also from the gross discrimination against the Arab peasants in the pricing of farm products. According to Israel government statistics, in the crop year 1949-50, Jewish farmers were paid more per unit than Arab farmers by the following percentages: vegetables, 33 per cent; milk, 35 per cent; fruits (excluding grapes), 65 per cent; meat, 115 per cent.

The Arab peasants should be granted immediately a sharp reduction in rents. Their debts to moneylenders and banks should be cancelled. All price discrimination should be ended. Above all, the Arab peasants need land. Ultimately, land owned by absentee landlords and large corporations should be distributed rent-free to the peasants.

Even more important, there are huge acreages, approaching the area of all presently cultivated land, now not in use, owned either by the Jewish National Fund, a Zionist organization, or by the Israel government. The Jewish National Fund makes land available to co-operative farms on easy terms. *But its charter prohibits renting to non-Jews.* In the present situation in Israel, that is just as bad as restrictive covenants in the United States. The Jewish National Fund remains controlled outside of Israel, in the last analysis by the wealthy elements who supply the funds for the Zionist movement.

What is required? The lands owned by the State, the Jewish National Fund and other large holders, should be put under the centralized control of a progressive government, developed in units suitable for efficient agriculture, regardless of previous boundaries, and made available to Arab peasants as well as Jews without discrimination.

PROGRAM FOR AGRICULTURE

It is not enough to end existing discrimination against Arab peasants. They require also special help, special advantages to compensate for their present poverty and complete lack of any private outside help. They should be supplied with use of farm machinery, with help in irrigation, etc., on *specially* easy terms.

This is not only a matter of justice. It is a matter of need for the people of Israel as a whole. For no program of agricultural development for Israel can really succeed unless it involves to a large extent the Arab peasants, who have the greatest stake in land reform and can make a vital contribution to the development of food production.

Such a program will provide the social basis for rapid development of the millions of dunams of land not in use and improvement of those already in use.

Israel today is not really dependent on huge loans from the United States for agricultural development. Since the War for Independence, farm equipment supplies have increased roughly tenfold. By 1950, there was one tractor for every 230 acres, still below the United States standard, but well above that of most European countries. Much can be done to improve the water supply even in advance of completion of huge projects such as the Lowdermilk Plan.

In China 2,000,000 peasants have completed construction of a canal from the Huai River to the sea which will immensely increase the arable land in a formerly drought and flood-ridden area. The peasants who did the work will hold and till the land. In seven months, with very little equipment, they completed a project virtually on the scale of the Suez Canal which took ten years.

Give the immigrants and poor peasants and farm laborers, Arab and Jewish, a real stake in the results, and there would be no difficulty in mobilizing tens of thousands of people for the rapid construction of extensive irrigation and drainage works in Israel, using available equipment and materials for construction of dams, canals, etc.

Such cooperation of Jewish and Arab working people within Israel, on a basis of equality, would hasten creation of conditions for carrying out international projects for regional development such as the Jordan River Project, for the cooperative work of Israeli, Egyptian and other scientists, workers and peasants to make a garden of the deserts of the Middle East.

PEACE IS A BASIC NECESSITY

Even if foreign credits are not needed, development projects have to be financed internally. *The main source of such financing is at hand, by diversion of the swollen military budget.* Which emphasizes the central fact about any program for Israel today.

Above all the people of Israel need peace. In the event of war everything that has been built in Israel might be lost. We have shown that along with the financial penetration of Israel, United States militarists are converting the country into a base for war against the Soviet Union—and for possible attacks against the national liberation movement in other Middle Eastern countries.

As with the Western European countries, military involvement brings with it financial burdens that result in a chronic fiscal crisis and inflation and foreclose the possibility of peaceful economic development.

In the current fiscal year, April 1952-March 1953, the Israel ordinary budget includes 45,000,000 Israel pounds for defense, plus 34,100,000 in the special budget, which includes defense as well as certain other items. Since this is the fund which was formerly kept secret to hide part of the defense expenditures, it may be assumed that the bulk of the 34 million pounds are for military purposes, making a total of up to 79 million Israeli pounds. In contrast, combined expenditures for education and culture, health, social welfare, pensions to war victims' families and religion are 26,756,000 Israeli pounds. In short, spending for war is equal to three times the spending for welfare. With police and Justice Department expenditures added, military financing comes to more than half the ordinary budget.

Converted into dollars at the $1.40 rate, the military and special budgets are equivalent to $111 million, which may easily exceed the total amount of Bonds for Israel sold during the fiscal year.

The increased ties of Israel to the United States war machine effected in summer, 1952, had their counterpart three months later in the worst of the series of blows to the living standards of the population. On November 25, 1952, the government raised the price of bread 20 per cent, bus fares 25 per cent, and gasoline 20 per cent. Sugar and fat prices also went up and shoes and most clothing were taken off rationing.

While the drive to sell Bonds for Israel in the United States is intensified, the Israel government is quietly moving towards scuttling the development the bonds are supposed to finance. *New York Times* reporter Dana Adams Schmidt writes from Tel Aviv (November 26, 1952) that owing to the danger of more inflation and the increasing pressure of the foreign short-term debt, "the government has decided temporarily to forego some big development projects, such as preliminary work on the southern part of Migdal Ascalon, as one high official said, 'even at the risk of not having as much to show as we would like in the direction of eventual economic independence.'"

The decisive effect of militarization in ruining Israel's economy is broadly recognized in that country. Thus the *Business Digest,* conservative organ of Israeli capitalists, writes in its issue of May 12, 1952: "If our financial position was very serious during the past months, it has now become critical." Some of its proposals for dealing with this situation are typical conservative demands for more prudent handling of investments, less corruption, etc. But its main substantive proposal is sound enough: "We need an immediate reduction in our military establishment, not only with regard to purchases in foreign currency but with regard to local labor, today unduly conscripted into reserve and ordinary service."

Today money contributed by American Jews for capitalist-controlled investments and loans helps in effect to bind Israel to war and poverty, regardless of the good intentions of the bulk of the individual contributors.

Today the main contribution the American people can make to the people of Israel is not financial—but a struggle for peace within our own country; for an end to the pressure of the United States government and big capitalists on Israel for excessive militarization and the turning over of military bases; for an end to pressure for financial concessions to foreign investors in Israel—for freedom for Israel to develop her own economy on a peaceful basis independent of foreign capitalist control.

Given those conditions, the people of Israel will surely develop and execute a program for economic development, for the welfare of the people, Jewish and Arab. Given those preconditions, and not before, American Jews could render genuine financial aid to the people of Israel.