

Wealth, Poverty, and the Zionist Vision

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The Zionist vision of the founders of the State of Israel was never monolithic, but goals that all agreed upon were economic stability, security, and minimal socioeducational gaps. Today unemployment is nearing 300,000 people, 1.2 million Israelis (531,000 of them children) are living under the poverty line, and the income gap between the wealthy and the poor increased by 23 percent in the past two decades. The poverty line is 50 percent of the median family income, or NIS 2,768 (\$575.00 U.S.), for a couple. Inequality is a sad reality in the Promised Land. Poverty in Israel is not a new phenomenon and is always relative. In the past it was accompanied by a need to absorb mass immigration,

build housing, create educational and health institutions, provide work, and defend the country.

Poverty today is caused foremost by the economic depression worldwide and the ongoing war with the Palestinians and lack of peace. This combination has been deadly for the Israeli economy, leading to a syndrome of lack of investments, business closures, flight of capital, down-sizing, unemployment, debt, and drastically increased welfare expenditure. The government, hampered by serial weak coalition governments (institutionalized by an archaic electoral system that allows dozens of parties into the Knesset), vainly attempts to counter this decline by instinctively increasing taxes, curtailing so-



cial insurances, tightening interest rates, and irresponsibly presenting the public with false forecasts of the economic situation. The budget cuts in social spending that were approved before the recent elections were a minor prelude to what is coming next – a \$4 billion cut in government spending. Ironically, despite the increase in government social spending from 32 percent in 1980 to 57 percent in 2002, poverty has continued to rise. Those who think that transfer payments (i.e. government grants to individuals for income maintenance, unemployment compensation, and other social insurances) can take the place of economic growth are headed for disaster. Transfer payments may keep the poor afloat but have not prevented more poverty. Incredibly high taxation to keep the government running and make social payments has made things worse, all leading to more unemployment and more poverty. This is the cycle that we are in now.

It is very important to understand that contemporary poverty comes after six decades of nation building and success in relating to the challenges that existed when the State was created. These efforts led to remarkable social insurance legislation, a relatively high standard of living, universal education, and good health services. The economy has moved from a quasi-socialist to a market economy, with private enterprise and the serious introduction of privatization. A large middle class developed that funds most of the benefits of the present post-welfare state, but it thirsts for tax relief.

The poverty of 1949 and 1960 is not the poverty of 2003. Masses of people are not selling wedding rings to make Shabbat, sharing courtyard toilets, living in tent cities, or living five to a room. Today many people will not take low-paying jobs, now filled eagerly by 300,000 foreign workers, and they view government subsidized unemployment insurance as a personal savings plan. There are problems with bloated government, low productivity, coalition waste, and privileged groups and unions. The lust for political power has often led to abuse of public and private funds, leaving the cats in the Knesset to guard the milk.

Until war and terrorism come to an end, we will continue to pay a severe economic price. Economic

attrition and decline is a weapon of the enemy. There is no possibility of maintaining the standard and style of living and services that existed before the war, and taxes and the welfare system will not be able to fill the gap indefinitely. Government will have to allocate resources to maintain a basic poverty line while changing the expectations, priorities, and values of many Israelis regarding communal and self-responsibility. It will have to concentrate on providing education to more people, creating jobs (including jobs instead of welfare for those who can work), tax relief, security, a real economic partnership with the nonprofit sector for the delivery of more services to the public, and electoral reform that will provide stable government with a capability for long-term social and economic

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planning. Creative thinking and planning is needed for relating to specific sectors of the "poor by virtue of social choice," including some (not all) *haredi* men, Arab women, and single-parent families, estimated in 1997 to constitute 40 percent of the poor. For example, it is important to create and subsidize skilled technical training for *haredi* men and women in separate private institutes and convince key rabbinical figures

that not all yeshivah students really want or are suited for lifetime yeshivah careers. Provision of capital, equipment, and interest-free loans for promotion of cottage-home industries could help thousands of Arab and Jewish ultra-Orthodox women become financially independent. Subsidized day care for children of single mothers and tax benefits would go a long way to protect these economically vulnerable families.

It will require rare leadership to meet these challenges, but economic reality will bring change one way or the other. Social work services and the voluntary sector will always be needed to help some people reach their maximum potential and participation in society, but they are hopeless if government leadership cannot guarantee basic economic and political stability, equal opportunity, and security. These are some of the current crises and challenges that we now have to overcome as our State continues to evolve.

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