

# The Budget Crisis

## Reality and Prospects

*In the context of analyzing the Israeli economy and its crisis, this article deals specifically with the state budget. In coming issues, we will explore other aspects of the Israeli economy, especially its dependence on US imperialism. Please note that in the article below, the revenues referred to do not include foreign aid, i.e., the massive injections, mainly from the US, without which the Zionist state could not survive.*

The Israeli government plays an influential role in the economic and financial activity of the Zionist state. During the past 5 years, state revenues have reached 72% of the gross national product (GNP), while expenditures have reached 47% of the GNP. As a result of government activity, the deficit has enlarged to a great extent, reaching 16% of the GNP in the budgets of 1980/81 - 1984/85.

### The 1984/85 budget

As was the case with previous budgets, the 1984/85 budget was prepared in an atmosphere of increasing doubts about revenues, in view of high inflation. The 1984/85 budget planned to decrease the deficit by 4% of the GNP by decreasing expenditures and revenues by 6% and 2%, respectively. The primary results of the implementation of the 1984/85 budget indicate deterioration. The financial activities of the government show that the deficit is much greater than was expected, reaching its highest peak since the budget of 1973/74, and 6% higher than the planned deficit. Expenditure has increased by 8% in real terms and has passed the planned amount by 15%.

### The 1985/86 budget

This budget was planned under circumstances of continuing economic and financial crisis and high inflation. The main aims of this budget were: (1) to improve the balance of payments; (2) to decrease inflation by decreasing the surplus demand and the amount of money printed. To achieve those aims, many measures were taken in the way of collecting taxes and avoiding waste. These measures included:

- 1) Imposing a one-time tax on commercial assets like buildings, stores, machines and private cars. (The



revenue from this is expected to reach \$ 250 million.)

- 2) Enforcing stricter measures with regard to tax-collecting from companies, cancelling privileges formerly granted, e.g., the law of taxation under inflation. (Expected revenue from this source is \$ 350 million.)
- 3) Taxation of the welfare money of families with more than three children.
- 4) Imposing new taxes on people travelling abroad.
- 5) Increasing the rates of other taxes.

### General trends of revenues

Revenues ranged from 45 to 50% of the GNP in the last five years. The 1967 occupation only served to necessitate the increase of taxation, a burden whose signs are obvious. The revenues - steadily rising since the early 1970s - reached a peak in the year 1982/83, comprising 51% of the GNP - a negative sign since the bulk of the revenue is from taxes. This later dropped to 45% of the GNP during 1984/85. Experts estimate that the revenues are to comprise 48% of the GNP during 1985/86 period.

### General trends of expenditure

The amount of government expenditure in the Zionist state is very high. It has increased sharply since 1980/81, jumping from 65% to 72% of the GNP in two years. The budget of 1985/86 proposes to reduce expenditure by 10%.

The most important item on the agenda of government expenditure in the

Zionist state is military expenditure. The military budget ranged from 20 to 26% of the GNP during the past five years. This rate is 3-10 times the rate of military expenditure in the industrialized capitalist countries.

The deficit which has accumulated over the years has forced the government to borrow large sums of money from various sources. The government's domestic debt in the Zionist state is estimated to be 144% of the GNP for the year 1983/84, while the external debt has increased to 77% of the GNP for the same year.

So far, the many attempts to lighten the burden of the Israeli economy have failed. Nor can they be expected to succeed as long as this economy is based on directing a great proportion of its means to war and aggression. When planning the 1985/86 budget, the government reached the conclusion that reduction of the budget deficit is a precondition for (a) reducing inflation, (b) reducing debt services, (c) reducing current credit by reduction of local demand.

Another way the Zionist government will try to lighten the economic burden is by reducing the real value of wages through increased taxation and cutting subsidies. This aims to increase the market competitiveness of Israeli goods and improve the condition of the budget. Moreover, an increase in the rate of unemployment is also expected during 1985/86.

In short, the Zionist entity will continue to suffer from economic crisis. Any attempt to solve its economic problems will be at the expense of the Palestinian masses under occupation, who will suffer the brunt of Zionist economic solutions. Added to this, the Israeli economy also seeks refuge in the huge monetary aid offered by the USA at the expense of US taxpayers.