

ment a more gradual method in a new wage-price package deal with labor and management. Yet by June, the US administration was beginning to show impatience.

The US-Israeli Joint Economic Development Group held serious deliberations. The group was headed by Undersecretary of State Allan Wallis and included Professor H. Stein and Stanley Fischer. Statistics showed the failure of Peres' gradualist approach: Inflation targets had been set at 12% for April, 5% for May, and 5% for June, but figures released by the Israeli Central Bureau of Statistics showed inflation at 19.4% in April, 10% in May and 25% in June, which projects an annual rate of about 400%. On this backdrop, the US pressed harder for a 10-15% devaluation of the shekel, and the removal of import restrictions and export subsidies.

The US administration was "determined to create maximum pressure in Israel for economic reforms," according to the *Washington Post*, June 9, 1985. Such pressure is viewed as necessary because of Israeli incapability and at times abdurance to implementing the needed measures. "The US... is far from assured that Israel... will take the strong measures the American and Israeli experts believe are needed to deal with Israel's underlying economic problems," according to Secretary of State Schultz.

## REAGANOMICS IN 'ISRAEL'

For the US and 'Israel', vital strategic interests are at stake in the Middle East. "That stake rests to a decisive extent on Israel," wrote the *Chicago Tribune* on May 13, 1986. "A strong Israel, in defending its own existence, plays a key role" in striking nationalist and progressive forces "that seek to undermine US and Western presence in the Middle East." In short, the overall economic and industrial structure must be changed qualitatively to enable this imperialist base to better serve US interests in the region. Steering industry towards this new course can only be to the benefit of the multinational corporations and the Zionist bourgeoisie.

Those Jews who have been painstakingly collected from the four corners of the earth are now being hard hit by austerity measures. Lower income strata are hardest hit by unemployment and de-indexation. Studies reveal that income distribution is even more unequal than in 1979-80, when unemployment last triggered an emigration wave. A study made by the Center for Social Policy Studies states: "36% of all reported income (net, after taxes) are accrued to the top-earning 10% of all families... The 30% at the bottom of the income scale has less than 4% of all net income."

On the other hand, a new breed of highly skilled labor is emerging. Probably most significant is that high-tech employees are hired on a contract basis. There are therefore no unions or workers committees. Science-based, non-unionized company employees "form a class of their own" according to *Midstream*, January 1985. The companies where they work are basically unaffected by economic turmoil. Their products are manufactured for foreign markets and paid for in dollars, insulating them from inflation and other problems. These companies are either joint Israeli-US ventures or subsidiaries of US companies.

"This is how American companies can make money despite the government policy," said the chairman of Ampal-American Israeli Corporation. Though these high-tech workers and employees are generally highly skilled, and receive benefits and enviable paychecks, they are not indispensable, or wholly protected from being replaced in the course of advances in technological development. The high-tech drive "... in short disrupts the social system which at present gives workers and salaried people some security in the fact of the economic crisis," in the words of Matti Peled.

"This is the shape of things to come," wrote one economic commentator. The high-tech era, projected simplistically as the 'silicon saviour' of the Israeli economy, has far-reaching economic and political implications. Obviously, it means further militarization of the Israeli economy, as the bulk of high-tech

industries have military, espionage or security applications. The imposition of Reaganomics in the Zionist state means not only its closer integration into the world imperialist market, but its becoming a subsidiary of the US military-industrial complex. Politically speaking, the margin of freedom enjoyed by 'Israel' vis-a-vis the US will be narrowed. Economic integration could provide the base for the emergence of a new type of Israeli leadership, less concerned about 'special' Zionist interests that have caused friction with US administrations in the past. We will see an even higher degree of cooperation on specific policy.

Concretely, this means a more obvious Israeli role in the Reagan Administration's anti-Soviet campaign, as already seen in Star Wars cooperation. There will be even more Israeli arms exports to reactionary forces around the world - from the apartheid regime of South Africa to Latin American military dictatorships and contra-type rebels. 'Israel' will be equipped with even more sophisticated means for infiltrating Africa and the Arab world. Besides aiming to further consolidate the Zionist occupation of Palestine, this new trend posits 'Israel' as an even more obvious danger to progressive forces and liberation movements around the world.



1 *International Zionism: Its History and Politics*, Academy of Sciences in the Soviet Union, Arabic edition published by Dar Ibn Rushd and Farabi, 1979, Page 11.

2 *Ibid*, page 11.

3 *Wall Street Journal*, March 22, 1985.

4 *Mideast Observer Legislative Update*, January 1, 1985.

5 *Wall Street Journal*, April 10, 1985.

6 *Midstream*, January 1985.

7 Statement before the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee, January 30, 1985.

8 *Washington Post*, June 9, 1985.

9 «Israel's Deadly Bargain,» *Guardian*, April 19, 1985.

