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Case Analysis

Analyzing the Israeli Protest Movement from a Political Economy Perspective

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ANALYZING THE ISRAELI PROTEST MOVEMENT FROM A POLITICAL ECONOMY PERSPECTIVE

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Introduction

The aim of this paper is to examine the sources of the current protest movement in Israel, its causes, and its relations with the shifts in Israeli economic policy over the last two decades. The protest movement came as somewhat of a surprise upon the current Israeli scene; on the one hand, neither the general economic conditions, the particular economic disparities, the changes in economic policies, nor the country's tax policies constituted a reason for a political or social protest movement over the last three decades. On the other hand, the unconventional nature of the current protests has emerged in their identity and geography, given that they have sprung from the middle classes of western Ashkenazi origins, and from the economic core of Israel as a result of the transformations in the state's economic policies. It has so far been clear that the demands of the protest movement have been limited to the introduction of reforms to Israel's economic regime and the restoration of several social fields of employment to which the state had cut funding and entrusted to the private sector. In other words, the protest movement and the current actions seek to push the current economic and social regime to a new equilibrium point between the market economy and the social economy, an equilibrium that meets the needs of the Israeli society, the Israeli state, and the Zionist project as well. The protest movement does not reflect a situation of conflict or crisis that is new to the Zionist project, given that the leaders of this project have always shown pragmatism in their approach to economic matters, always finding a suitable balance that ultimately serves the Zionist project and its goals.

Seeking Equilibrium Between the Market Economy and the Social Economy

Our analysis starts off from the premise that the context of the current protest movement in Israeli society is part of the attempt to find a new equilibrium point between the requirements of a free market economy and integration into the global economy, on the one hand, and, on the other, the need for a minimum of social solidarity through the state's provision of public and social services for the welfare of the citizens of the state. In other words, it is a movement to find a balance between the notion of personal self-interest and wealth maximization, and a system that sets limits to the greed of the market in favor of social solidarity. This movement comes in the wake of horizontal and vertical capitalist expansion in the Israeli economy and society to a point beyond that which can be born by the middle classes in the context of the increasing erosion of the market system's credibility and immunity in the heat of the global financial crisis. As such, these are not the protests of the poor and the landless, nor are they the protests of those without the means to influence public policy and public opinion in the state of Israel. On the contrary, these protests comprise the most effective and influential elements of Israeli society, situated at the economic, social, and political heart of the country.

The search for a balance between a market economy and a semi-socialist social economy is nothing novel to the Zionist project. These discussions, debates, balances, and differences between different ideological currents have accompanied the Zionist project since its inception. What has dominated Zionist economics throughout the project's history has been socio-economic policy that serves and achieves the goals of the Zionist project without necessarily

being in any way the outcome of a decisive victory for one particular ideological current or another. This reflects the pragmatism that underlies Israeli decision makers' approaches to political economy and economic thought.

Neither free market nor liberal economics are foreign to Zionist political thought, nor are they a new approach for the state of Israel. The historical roots of the free market economic current in Zionism lie in the Revisionist Movement (led by Zeev Jabotinsky), the historic rival of the Zionist Labor current, and extend further beyond that, as some believe, to the writings of Theodor Herzl.¹ Historically, however, the success of the Israeli Labor Party, in its various stages, in almost unilaterally controlling the reins of the Zionist project's leadership until 1976, meant that the social and economic policies that were preferred were those that had a society-oriented socialist bent, in which the state played a central role without completely eliminating the private sector and its functions.² The political-economic system was thus a kind of collective settler socialism in the sense that the state controlled economic resources, capital, industry, and land in its quest to bring about a welfare state. This was because the leadership of the Zionist project realized at the time that the establishment of the state of Israel depended on the implementation of such an approach. This leadership also recognized the importance of the need to maintain the private sector, regardless of how small and limited its resources were, and how dependent it was upon the resources of the state.³ As can be expected, the state's control of the economy, industry, and development initiatives reduced the importance of the foundations for a free market, strengthening the separation between politics and the economy.⁴ The state played a central role in the development of specific branches of industry, directing and encouraging the private sector, mediating this process through its "visible hand".⁵

In spite of the proclivity of the leaders of the Zionist project for a national semi-socialist economy in the first decades of Israel's founding, the state's policies were not too accommodating of welfare policies and programs. For example, decision makers did not sympathize with the idea of income security programs and unemployment benefits. The government was forced to provide these benefits because of the contribution they would make to the achievement of national goals, mainly in the periods of mass migration (in the first decade after the establishment of the state).⁶ In its early years, the state of Israel did not institute a policy of comprehensive unemployment insurance, preferring instead to link the unemployed with the

¹ Hzoni Yoram, "One hundred years of the state of the Jews," *Tkhelet Quarterly*, No. 13, Spring 1997; Yehezkel Dror, *The Renewal of Zionism*, (Jerusalem: The Zionist Library, World Zionist Organization, 1997).

² Fadl al-Naqib, *The Israeli Economy in the Context of the Zionist Project*, (Beirut: Institute for Palestine Studies, 1995); Michael Shalev, "Have globalization and liberalization transformed the Israeli political economy into a normal one," in: Danny Feilek and Uri Ram (eds), *The Power of Capital: The Israeli society in the Era of Globalization*, (Jerusalem: Van Leer, 2004), p. 115-84.

³ David Levy Vaúr, *The Visible Hand: The Politics of Manufacturing in Israel*, (Jerusalem: Institute Yed Ben Yitzhak, 2001); Y. Aharoni, "The changing political economy of Israel," *Annals Of the American Academy Of Political and Social Science*, Jan 1998, 127-146.

⁴ *Ibid.*

⁵ David Levy Vaúr, *The Visible Hand: The Politics of Manufacturing in Israel*, 2001.

⁶ Frankel Ami, *Unemployment Benefits in Israel: Perspectives and Changes in the Law: 1985-2000*, (Tel Aviv: Adva Center, 2001).

Office of Social Affairs under the control of the Mapai Party with the intention of maintaining control of the institution and the maintaining citizens' and immigrants' dependency on the generosity of the ruling party: Mapai (the Workers Party of the Land of Israel). The change in the state's policies toward unemployment insurance came in the wake of the economic downturn in 1966-1967 when workers from the middle classes joined the ranks of the unemployed. In 1972, the Knesset (Israeli parliament) passed the unemployment insurance law, which came into force on January 1, 1973 as a result of coordination between the government, the Histadrut (the main trade union) and the Coordination Committee of Economic Organizations.⁷

Transformation of Political Economic Ideology in Israel

Israeli governments continued to follow economic policies that tended towards socialism while leaving room for the private sector to work. This lasted until the 1980s, when the Israeli economy came close to bankruptcy and collapse. At that time, and because of the Israeli need for US economic support to save the Israeli economy, Israel's national coalition government was forced to accept a comprehensive economic rescue plan that was initiated by then Prime Minister Shimon Peres and Finance Minister Yitzhak Modai. The adoption of the plan marked the beginning of a larger shift toward a free market system and liberal economy, without both the government's withdrawal from its economic responsibilities and the abolition of the welfare state. Since then, the pace of the Israeli economy's transformation into a capitalist market economy has increased, a transformation that has involved the privatization of state companies and the state's retreat from its central role in the management of the economy, ostensibly handing this role over to the forces of the market. In return, Israeli governments have worked to decrease their budgetary spending, reduce the accumulated deficit, and reduce the budgets allocated to welfare and national social security benefits, in particular. This period also saw an increase in the Israeli economy's exposure to international markets, and a process of intensified liberalization of the Israeli currency and its domestic markets.⁸

This shift in the ideological convictions of Israeli policy-makers also penetrated the political culture of the Israeli public, after the semi-socialist system had begun to constitute a burden on the middle classes, who were in a position of dominance at the time, and an obstacle to their advancement.⁹ The shifts taking place in the external-international environment at the outset of the 1990s, the triumph of liberal economic thought, and the acceleration of the globalization process all had a significant impact on the shift in the Israeli economic system and political economy. The state withdrew from many of its previously central economic functions, handing

⁷ *Ibid.*

⁸ Uri Ram, "The new: global capital, post-Fordist system, and inequality" in: Danny Feilek and Uri Ram (eds), *The Power of Capital: The Israeli society in the Era of Globalization*, (Jerusalem: Van Leer, 2004), p. 16-34; Danny Feilek, "Israel Model 2000," in: Danny Feilek and Uri Ram (eds), *The Power of Capital: The Israeli society in the Era of Globalization*, (Jerusalem: Van Leer, 2004), p. 34-56; Michael Shalev, "Have globalization and liberalization transformed the Israeli political economy into a normal one," in: Danny Feilek and Uri Ram (eds), *The Power of Capital: The Israeli society in the Era of Globalization*, (Jerusalem: Van Leer, 2004), p. 115-84.

⁹ Daniel Goitein, "Post-Zionism, privatization and the social left," in: Tobias Weirleger (ed), *A Response to a Post-Zionist Colleague*, (Tel Aviv: Yediot Aharonot, 2003).

these functions over to the new partner: “the private sector and international capital”. Meanwhile, the state was still responsible for ensuring that the necessary conditions for the success of the economic tasks at hand were made available, including the provision of a comfortable working environment and an appropriate fiscal policy.

From that period onwards, the Israeli economic arena and its component parts witnessed significant developments. There was a noticeable movement towards a consumer economy and a more encouraging environment for initiatives in the investment sector. Regardless of the ruling party’s identity, the state’s economic ideology tended more and more towards competition and market forces,¹⁰ retreating to a large extent from the idea that the state is directly responsible for economic well being, the latter being the idea upon which the former ideology of socialist Zionism was built.¹¹ This transition to a neoliberal economic governance system and the ascendance of a “neoliberal / post-capitalist”¹² model to a position of hegemony included as some of its most prominent features: the decline in the state’s intervention in the market, the reduction in direct taxation and budgets for social spending, the sale of state property to the private sector, and the reduction of labor costs in order to provide a favorable and attractive climate for foreign investment.¹³

The pace of these changes accelerated during the first term of the current Prime Minister Benjamin Netanyahu (1996-1999), intensifying without any deterrent when Netanyahu served as finance minister in Prime Minister Ariel Sharon’s government in the period between 2003 and 2005, bringing us to the current premiership of Netanyahu. It is worthwhile at this juncture to delve deeper into the economic thought of Netanyahu, a review of which shows that he understands, and indeed finds to be justified, the socialist era in the early decades of the state of Israel’s existence according to the logic that there was a necessity for state intervention in order to absorb the influx of migrants and to bring stability to the state.¹⁴ For Netanyahu, Israel has faced no such necessity since the 1960s, and as such the state should rid itself of this way of operating and of this strong state presence in overseeing economic activity. Thus, the state should take all measures to eliminate and divest itself from the socialism of the Labor Party and the populism of the Likud Party, and work to bring Israel into the club of free market economies. This can only be achieved, according to Netanyahu, if the state enters into a severe economic crisis akin to those of that prevailed in Eastern Europe or were faced by the authoritarian regimes of South America. The opportunity presented itself to Netanyahu in the 2002-2003 period when the Israeli economy entered a severe financial crisis as a result of the recession effected by the Palestinian intifada and the global economic crisis. Once again, the Israeli government needed US support, requiring guarantees for bank loans worth \$11 billion. It was that the United States,

¹⁰ Arjan Asher, *Israel’s Second Republic*, (Haifa: Zamora Bitan, 1997).

¹¹ Y. Plessner, *The Political Economy of Israel: From Ideology to Stagnation*, (New York: State University of New York Press, 1994).

¹² Danny Feilek and Michael Shalev, 2004.

¹³ Shimshon Bikhler and Jonatan Nitzan, “Israeli capital and globalization,” in: Benjamin Cohen, *A Return to Marx*, (Tel Aviv: General Oved, 2001), p. 290-233.

¹⁴ Benjamin Netanyahu, *A Place under the Sun*, (Tel Aviv: Mskhal, 1995).

perhaps with the prompting of Finance Minister Netanyahu himself, that imposed conditions upon Israel that required it to introduce additional adjustments to its economic structure, demanding the reduction of the government's deficit and spending. This was Netanyahu's golden opportunity to implement the policies of a free market economy, policies that he predicted would tempt Jews around the world to immigrate to Israel in this period.¹⁵

Although free market policies in Israel are linked to the personage of Netanyahu, the fact of the matter – given the current map of Israeli political parties and their stances towards government policies – is that there is no difference between the major parties with regards to economic ideology.¹⁶ The situation in Israel is that it is experiencing an era in which only one ideology celebrates its victory and hegemony: the ideology of economic liberalism and political extremism. We have entered the era of conservative neo-Zionism. In other words, there is no difference between right and left in Israeli reality, whether in terms of socio-economic or political doctrine.

The most significant policies and economic changes that took place at the outset of the third millennium that have worked to translate the ideological shift into a lived reality on the ground were those that pertained to the area of taxation and the distribution of resources and income. The most significant of these policies and changes, according to a report released by the Adva Center for the study of equality in Israel, are as follows:¹⁷

Cuts in government spending:

1. Annual government per capita expenditure stood at 32,235 New Israeli Shekels (NIS) in 2001, declining in 2009 to 29,960 NIS. This spending is expected to increase slightly during the two years 2011 and 2012 though not to the 2001 level.
2. Total social spending per capita annual in 2001 stood at 12,162 NIS, dropping in 2009 to 11,436 NIS. This spending is expected to increase slightly during the two years 2011 and 2012, but will not return to the 2001 level.

Cuts in the social spending budgets at the ministerial level, including:

1. Decline in the funding of teaching hours at the primary and secondary school levels in the education budget from 9,639 NIS per student in 2001 to 8,162 NIS per student in 2006. Since 2006, spending per student has gradually increased, but has not yet reached a level that would compensate for the hundreds of thousands of teaching hours lost.

¹⁵ *Ibid.*

¹⁶ David Ohana, "The Face of Globalization and Brutal Capital," *Journal of Meevna*, April 2003, p. 18-22.

¹⁷ "The people want social justice," A publication of the Adva Center (Information on justice and equality in Israel) (in Arabic), 7.8.2011, <http://www.adva.org/default.asp?pageid=1003&itmid=657>.

2. The Ministry of Education's construction budget (the development budget), shrunk by almost half from 2001 to 2008. This budget has increased since then, but is still very low as compared to what it was in 2001.
3. The budget for higher education, as calculated for each student, fell from 44,712 NIS in 2001 to 37,241 NIS in 2008. Institutions of higher education during these years have lost hundreds of lecturers' teaching hours. It is not expected to return to the 2001 level in the foreseeable future.
4. The budget of the Ministry of Health, calculated on a per capita basis, in 2009 was equivalent to 95 percent of its value in 2001.
5. The budget of the health basket, which finances health services provided by health maintenance organizations, in 2009 was 8 billion NIS less than it should have been had a full update of the prices of the basket been carried out.
6. The National Insurance Institute, which in 2001 succeeded in reducing the poverty rate by 57.2 percent, was only able to reduce the poverty rate by 46.7 percent in 2008 due to significant reductions in its allocations.

Taxation reduction for business owners and high-income earners:

1. In the period between 2003 and 2010, the finance minister at the time, Benjamin Netanyahu, adopted a plan to reduce taxes. The major beneficiaries of this plan were the high-income earners. Those whose wages were twice as high as the average income received a 22,971 NIS increase on their income. Meanwhile, those who earned six times the national average received an annual income increase of 74,131 NIS. In contrast, the Treasury lost a cumulative amount of 46.2 billion NIS.
2. In 2009, the government adopted a policy of further reducing taxes for the years 2011-2016. As a result of this policy, those who get paid six times the national average wage will receive an additional 20,923 NIS in the year 2016. This will be in addition to what they received as a result of the tax cuts over the 2003-2010 period. On the other hand, the vast majority of the population, those who receive wages equal to or below the national wage average, will receive nothing.
3. The government has also cut corporate taxes. Today, there are companies that are actually reaping huge profits, but pay very low taxes. According to reports published in the media, for example, the company "Teibe," whose capital is up to 54 billion NIS, paid 4.8 percent in taxes in 2009 while the percentage prescribed by the law is 26 percent.
4. High-income earners pay less than they paid in the past, while the ordinary citizen pays more – through indirect taxes and especially the value added tax. It is expected that in 2011 the state's revenues from indirect taxes (104.6 billion NIS) will be higher than the state's revenues from direct taxes (103.5 billion NIS). This calls our attention to a significant historic transformation – for at least the past two decades, state revenue from direct taxation has always been higher than that from indirect taxes.

Data on inequality:

1. National earnings increased by 33 percent in the period from 2000 to 2009, but the workers' share of this income increase was 24 percent, while the share of employers rose by 44 percent.
2. The 1 percent of employees at the top of the wage scale account for 8.7 percent of the total wages of wage earners. This rises to 8.12 percent of the total income of wage earners if we include independent professionals to the calculation. On the other hand, the wage earners making 2/3 of the average wage constituted 26 percent of all wage earners in 2009, and their share of total earnings was no more than 7.7 percent.
3. Between 2000 and 2009, the total earnings share of the bottom four-tenths of wage earners dropped from 17.0 percent to 16.3 percent respectively, while the total earnings share of the top tenth rose from 28.0 percent to 28.5 percent respectively during the same period.
4. The size of the middle class (defined as those families whose income lies between 75 percent and 125 percent of the national mean income) has diminished. While middle class households accounted for 33.0 percent of the total households in Israel in 1988, this has dropped to 26.6 percent. Furthermore, the middle class's share of total national earnings has dropped from 27.9 percent in 1988 to 20.5 percent.
5. In 2009, the average monthly income of civilian Ashkenazi wage earners (born in Israel to a father born in Europe or America) was higher than the average monthly income for all civilian wage earners by 41 percent while the rate of income of their Mizrahi counterparts (born in Israel to a father born in Asia or Africa) reached 3 percent above the average monthly income. The monthly income of Arab civilian wage earners, however, only accounted for 67 percent of the average monthly income.

The Economic and the Social: Not an Israeli priority

Neither economic policies, economic inequalities, nor tax policies proved to be sufficient reason for a social or political movement in recent years. A review of public opinion polls conducted prior to each election in Israel, from 1992 up to 2009, shows that the Israeli voter ranks economic and social matters in third or fourth place, as far as electoral priorities are concerned, behind security issues, foreign policy issues, negotiations with the Palestinians, and the internal relations within Israeli society. Furthermore, in 2006 Israeli society did not give enough votes to the Labor Party, headed by Amir Peretz, to win the elections and form a government, although this party ran its electoral campaign for that year using economic and social issues as the key issues the party would tackle if elected to the helm of government. A study on voting patterns in the Israeli society in the years 1996 and 1999 argued that Israeli society displays an absence of "economic voting" in which voters punish or reward the ruling party depending on the prevailing economic conditions.¹⁸ The point here is that, to date, neither social nor economic issues have come forth as fundamental political issues within the Israeli society.

¹⁸ Mtans Shehadeh, "Economic voting in the Jewish community in Israel," Master Thesis, University of Haifa, 2005.

The lack of action and protest against the liberal economic policies in Israeli society, or the fact that economic disparities failed to become the subject of political demands, can be attributed to a number of reasons. One of these reasons is that there was a change in Israeli culture and society, which has become more open to the liberal order, supporting the culture of the market, competition, and individual self-fulfillment, leading to the acceptance of the existence of economic disparities, a change that is akin to the transformation that occurred to the leaders and political parties. According to Daniel Goitein (2003) and Uri Ram (2002), there has been a profound change in the perceptions of the citizens of the state of Israel through which these citizens have come to accept the competitive culture of the market and to abandon the welfare state. This shift has not been confined to a particular group in Israel's Jewish society, but has indeed spread to the majority of the state's citizens without discrimination as to the rightward or leftward leanings of the groups involved. This has been the result of the new reality on the ground, which crystallized in the late twentieth century as a result of the coincidences and connections of the phase of globalization, the peace process, economic growth, and privatization, combined with the "demise of official nationalism and with it the welfare state". Also contributing to the previous absence of the protest movement has been the primary place occupied by security and military affairs, foreign policy, and the negotiations process in the political conscience of Israeli society.

In addition to the reasons outlined above, the past inertia of the Israeli society and the absence of protest movements against the economic and social conditions prevailing in the country can be explained by pointing to the fact that, until recently, the economic disparities within the Jewish community in Israel were small, given that the major economic disparities within the Jewish community in Israel existed between the ultra-Orthodox Jews (the Haredim) and the rest of society, and between the Jewish community and the Arab community. For example, the Gini index coefficient (measuring inequality) for Israel in 1998 was at approximately half of one point, rising to 0.053 in 2001 and 2002, falling again since 2002 back to 0.5.¹⁹ This means that there has been a major shift in inequality between 1998 and 2009, given that this indicator includes the Arab citizens of Israel, meaning that the rate of inequality within the Jewish community alone is much lower. The data on poverty also indicates that the percentage of poor households within Israel's Jewish community has remained almost unchanged from 2000 until now, hovering around 15 percent of the total of households. Thirty percent of these Jewish households living in poverty are comprised of orthodox households whose poverty is a function of cultural factors, such as the lack of participation in the labor market for religious reasons, the relatively high number of family members, and the reliance on allocations from the state. As such, the rate of poverty among the Jewish community in Israel is only around 10 percent, a proportion that is considered acceptable even in developed countries. Among the Arab Palestinian citizens of Israel, poverty rates reach as high as 54 percent of households, and have been on the rise since 2000.²⁰ We also find that most of these Arab families are in the lowest

¹⁹ Report "Condition of the state's economic, social and public policy", Taub Centre 2010 (Hebrew).

²⁰ National Insurance Institute reports on poverty and income distribution in Israel.

rungs of the income ladder, accounting for nearly 30 percent of the seventh (and lowest) tier of earnings, while no more than 7 percent of those in the upper (second and third) tiers of earnings are from the Arab community; they are completely absent from the first (and highest) tier.²¹

On the other hand, we find that the disparities within the Jewish community result from the very high levels of earnings for those at the top of the income ladder, and not from the low level of earnings at the bottom. This means that there has been no significant decline in the income of most Jewish families that has accompanied the massive rise in earnings among Jewish high wage earners.

The purpose of providing this information is to make clear to the reader that there were no pressing economic reasons for the launch of a collective protest process, and that the protests do not pertain to the poor and downtrodden within Israeli society because the proportion of these within the Jewish community is quite small. The protests are those of a middle class facing an erosion of its purchasing power due to high commodity and product prices, the higher prices for housing and the current tax policy. This brings us to the next reason for the absence of a protest movement in previous years, namely the fact that the current middle strata turned into the middle class due to the liberal economic policies, the globalization of the Israeli economy, and the transformation of the Israeli center into a globalized metropolis.

An additional reason for the lack of protest was the nature of the economic fault lines in Israeli society, which always manifested itself as a function of ethnic identity. As such, political reaction was usually steered towards questions of identity. In other words, the classes in Israeli society are determined to a large extent according to the origins of Jewish families, more specifically that the rich and middle strata of Jewish Israeli society were of western Ashkenazi origins, while those of the poorer classes were of eastern Mizrahi origins. As such, the economic downturn was translated politically into the tendency for poorer Jews of eastern origins to support right-wing parties that emphasized Jewish identity, and the economic dissatisfaction was manifested as the emphasis on collective Jewish identity rather than protests against the economic regime. Right-wing parties that express the identity of weaker groups have also had an almost continuous and stable presence in circles of power since 1976, so explanations and justifications of the protests as an outcome of discriminatory Ashkenazi policies against Mizrahis – policies and practices that were indeed in place up until the 1970s – are easily refuted. The political and class alignment has produced a political division between right and left that differs from the traditional division in Israeli society; we find that the working class and the poor and lower classes tended to vote for the rightist Likud party, the one more closely linked to the liberalization of the economy towards a free market system (i.e., they voted in contradiction to their economic interests). The upper classes, meanwhile, were largely supportive of the Labor Party, which has tended towards a semi-socialist economy, state intervention, and the welfare state.

²¹ National Insurance Institute, Income Surveys.

Why Protest Now?

There are a number of logical explanations for the start of the current wave of protests. These include the influence of the revolutions in the Arab world, the accumulation of sectoral and professional grievances and protests, the rise in the prices of housing and goods, and the widening socio-economic gaps. In addition to the traditional causes, however, I think that one of the causes of the protests is the Israeli society's need to find a new equilibrium point between the free market system and a more equitable distribution of income and the provision of more acceptable living conditions that can safeguard the interests of all segments of the Jewish community in Israel and their demands. This need stems from the middle class's (and other segments') belief that the widening economic gaps, and the retreat of the state from its role as provider of social services, began to cause economic damage to several sectors of society, and that the continuation of this process could harm the national interests of Israeli society. In the view of those groups, the further entrenchment of the liberal system and the market economy could hurt both the Israeli economy and its national interests in the case that the economy enters into a severe economic and financial crisis, as has been the case in some European countries and the United States. Therefore, the protest movement has called for reforms to the economic system, not necessarily that this system be completely changed. Indeed, there is no serious demand for the transformation to a socialist economic system or for the state's return to its role as controller and administrator of the economy. The protest movement recognizes that there can be no turning back of the clock, and that at most what is required is that the interests of the middle classes be taken into account, because in recent years they have been somewhat affected in terms of the decline of the purchasing power of their income. Therefore, the demands of the protests center on expanding the privileges of the middle classes, raising the standard of living by cutting taxes and lowering prices, and particularly the prices of apartments and houses that have risen in the center in an unprecedented way.

It is also important to point out that these protests and their demand to circumscribe the expansion of the market system coincides with the erosion and decline of the global neoliberal system, and rising fears of future economic and financial collapses. This means that the liberal order is now fragile and is the subject of increasing legitimate criticism. This in turn has facilitated the possibility of criticism of the liberal order within Israeli society, after a period in which such criticism was confined to very small ideological groups that belonged to the intellectual or Marxist extreme left that have usually been seen as unrealistic and unable to adapt to changes that have taken place in this world. The successive international economic crises have also contributed to the decline of stock markets in the Tel Aviv Stock Exchange, and their transformation into a source of middle class loss and instability after years of being a source of additional income for these middle class households. We also find that a number of the largest investment companies in Israel have faced difficulties in retrieving stock options that they had made available on the market. These companies are now demanding that their debt to the public be reduced by 50 percent, which increases the fears of those from the middle class who have directly invested in private sector stock and bond options, or who have done so indirectly

through credit, insurance, and pension funds.²² As such, the risks associated with the Israeli liberal economic order now constitute a burden upon the shoulders of several layers of Israeli society. The coincidence of these burdens, the high cost of living, and the erosion of the purchasing power of middle and lower class income have contributed to the resort to the means of direct popular action, the resort to filing into the streets to demonstrate and protest, as these have become the acceptable and recognized mechanisms for change since the start of the Arab revolutions.

The current state of protest in Israeli society is only the culmination of the accumulation of many small or medium size protests witnessed by Israeli society in recent years that were unfruitful attempts to change the existing balance in the Israeli economic system. We recall here such moments as the strikes of the teachers' union, the university students, social workers, municipal authority personnel, and doctors. In most cases, the protests and demands were fuelled by their opposition to the state's adoption of neoliberal economic policies, the retreat of the state from the many benefits offered by the former welfare state, the decline of organized labor and the decline in the power of trade unions. The state has handled the demands put forward in recent years as being tools of a conservative liberal economy in its attempts to weaken the monopolistic power of some of the large corporations while offloading more tasks upon the private sector and using its state tax policies as the tool for stimulating consumption (while rejecting the use of any other mechanisms for this end). As such, the small sectoral protests came to a dead end, a boiling point that had to be translated into a larger mass movement.

The geographic and demographic characteristics of the protests, to a great extent, came as a surprise. No one expected the protest campaign to be launched from the heartland of the modern Israeli economy: Tel Aviv, the globalized city whose companies emulate those of the globalized world market. Nor did anyone expect a protest movement composed of youth belonging to the middle and upper classes. According to deeply ingrained Israeli cultural notions, Tel Aviv is not a city of poverty and despair; it is the city of dreams. These surprises indicate that it was not poverty that triggered the political social movement.

It is likely that there will be a search for solutions to these protests at the end of the day, through the introduction of amendments to the taxation system, in both its direct and indirect varieties, the imposition of a progressive value added tax that would also be lowered on essential commodities, and the addition of some social services to the functions of the state. It is not, however, expected that the new equilibrium point will depart from the liberal order and the free market. Most of what can be achieved is that the market will come under additional control and that the power and influence of big business will be reined in. These protests are not expected to bring about profound changes in the Israeli political system. Just as the need for the success of the Zionist project in its infancy produced an economic model in which state control over the economy existed in harmony with the private sector, and just as the market economy existed in

²² Irit Avishar, "Investment companies leave the private sector bond options market," *Globes* Economic magazine, July 17, 2011, www.globes.co.il/news/article.aspx?did=1000665047.

harmony with the remnants of the welfare state since the 1980s, Israeli society will work to find a new equilibrium point that satisfies the largest number of parties and maintains the national goals of the state of Israel while coping with the global economic system with its changing forms and structures.

It is not expected that the protest movement will alter the way in which it has strictly separated between its socio-economic demands, the Israeli political system, and the Israeli occupation of Palestine. This separation is not only due to the protest movement's leaders' recognition that the politicization of the movement will threaten the local coalitions that have been established in every locality, but because most of the groups participating in the protest, while not necessarily all the leaders, do not see the issue of the occupation and the settlements as a cause of either economic distress, the high housing prices in the center, the decline in the purchasing power of earnings, or of the general decline in economic conditions. We can also say that the success of the protests, so far, has been due to the existence of a neo-Zionist political consensus in Israeli society, one that is based on the importance of maintaining the Jewish character of the state, the internal unity of the Israeli society, and broad agreement on the Israeli conditions that have been placed upon the negotiations with the Palestinian Authority. Another widely accepted part of this neo-Zionist consensus (at least until the outset of the mass protests) has been neoliberal economic policy. In the current state of affairs in Israeli society, we find that political differences or schisms exist at a bare minimum level. It would otherwise not have been possible to produce a consensus on the socio-economic demands. This means that these protests came as a result of the victory of the culture of conservative new-Zionism, which has succeeded in creating a supportive environment (albeit without thus far achieving the implementation of their demands), and this is precisely because the protests do not deny, oppose or challenge this culture, nor do they offer an alternative to it; at most, they call for this conservative neo-Zionism to be somewhat tamed.

Conclusion

The wave of social and economic protests swept Israel after many years in which neoliberal economic culture dominated much of the country's elite and its political parties, as well as a majority of its citizenry, regardless of their right or left wing alignment. This wave is not reflective of a fissure or cracks in Israeli society, but an attempt to correct the course of the liberalized economy's development to fit the needs of Israeli society, specifically to reform the existing economic system without completely changing the existing rules of the game (i.e., it is an attempt at taming the status quo). The protest movement has also thus far distanced itself from linking its social demands for the restoration and revitalization of the welfare state with demands concerning political issues such as the occupation and the Judaization of the Galilee and the Naqab (Negev). To date, then, it has been a purely socio-economic phenomenon related to the situation of the middle classes and what remains of the poor and vulnerable layers of Jewish Israeli society that enjoys the support of large segments of that society.

In terms of the political impact of these protests, given that economic protests in the past have had a markedly ethnic character that was translated into political support for the national right

wing parties, we can expect that the existing political parties and structures will successfully manage to contain the current protests by amending their social and economic discourse and implementing changes to the present policies in response to some of the protest movement's demands; particularly those demands that will not lead to the disruption of the existing balance in the economy. Among such changes, for example, could be amendments to the taxation system, the value added tax, the announcement that the state will offer support in the field of housing and support the construction of new housing projects, particularly in the Naqab and Galilee. We should, therefore, not expect the current wave of protest to change the political and party balances on the Israeli scene, nor that the economic demands of the protest movement will be further developed and represented through a new political party. The discussion is not one about adopting contradictory positions on the poles of the spectrum of economic thought, with a right wing liberal ideology pitted against a left wing socialism. The existing political party system will find an equilibrium point, as did the Zionist project from its very beginnings, between social and liberal discourse, between the greed of the markets and the need for social and economic functions to be performed by the state, and for the provision of acceptable living conditions that will ensure the continued presence of the Jewish collectivity in Israel.