

The Lean Years

MVZ248 Week 3

Building an Economy

Lacked foreign currency reserves

Export revenues was less than a third of costs of Imports

Deficit covered by Jewish loan system “Collections”

Financing obtained by foreign banks and gas companies who refused by 1952 to expand available credit.

Austerity implemented (1949-59)

Failure but with advantages of integration

Economic test

1950 immigration brought total 700,000 (doubled size)

Israeli government controlled and distributed necessary resources

Rationing (1,6000 calories a day)

Black market (success despite Govt. Office and Courts)

War reparations

Germany

Reparations Test

Practical and Logical

Needed money + Foreign relations (enemy)

“Two approaches...one is the ghetto Jew’s approach and the other is of an independent people. I don’t want to run after a German and spit in his face. I don’t want to run after anybody. I want to sit here and build here. I’m not going to go to America and take part in a vigil against Adenauer”

David Ben Gurion (Mapai central committee, 1952)

Agreement

Resettled 500,000 Holocaust survivors, absorbing costs

\$3,000 per person (approx. \$27,700 today)

Israel owed \$1.5 billion dollars by Germany. Additionally, 6 billion dollars worth of Jewish property had been pillaged by the Nazis

West Germany, Government of Israel, representatives of World Jewish Congress

Over 12 years, West Germany paid 3 billion marks (\$111.5bn today)

Reparations Test: Protests and Riots

Public debate was fierce. “Did it forgive Germany and Nazis of crime?”

Against reparations were Herut and Mapam notably.

M. Begin led protesters after passionate speech.

Turned violent with arrests following stone throwing and police using gas

Riots resulted in 200 protesters and 140 police injured

Source: Yossi Sarid, “Israel’s great debate” Haaretz



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Put to Good use

Reparations and loans and bonds paid for industrial and agricultural projects leading to economic self-sufficiency.

Aid paid for Hadera power plant and port development in Haifa, Ashdod and Eilat

Infrastructure projects

Industrial areas such as Ashkelon, the Negev and Galilee

Textile industry (cotton very profitable) one of the largest industrial branches

1950s and 1960s

Economic growth (10% annually)

International loans, also bonds

Reparations (example 87% of Israeli income in 1956)

‘Pioneer ideal’

Political monopoly

Mapai (Labour)

Sinai and Suez campaigns

Foreign relations test: Suez

British and French

Economic and diplomatic positions

Strategic position

Canal (shipping, influence)

Military success

International humiliation

End of Empires

Foreign Relations: objectives

Canal was conduit of oil (UK and France). Additionally, stop anti-colonial Egypt.

Israel wanted re-open to Israeli shipping and strengthen its southern border and weaken a dangerous, hostile state, attacks from Egyptian Gaza against Israeli citizens (1,3000).

Narrow window of opportunity for all three nations to achieve its goals.

Realism theory

National self-interests

Chaim Herzog and Shlomo Gazit, *The Arab-Israeli wars: War and peace in the Middle East from 1948 to the present* (2008)

Enter America

Kennedy and Meir

‘Special relationship’

The 1967 Six-Day War

Neutrality ended

Hawk missile sale

Further reading

Nana Sagi (1986). *German Reparations: A History of the Negotiations*. Palgrave Macmillan.

No. 2137 and No. 4961 (PDF) *Treaties and international agreements*. United Nations Treaty Series.

Patrick Tyler (2012). *Fortress Israel: The Inside Story of the Military Elite Who Run the Country*. Farrar, Straus and Giroux

Zeev Maoz (2008). *Defending the Holy Land*. The University of Michigan Press.

Barry Turner (2006). *Suez 1956 The World's First War for Oil*. Hodder & Stoughton.