
The Social Threat

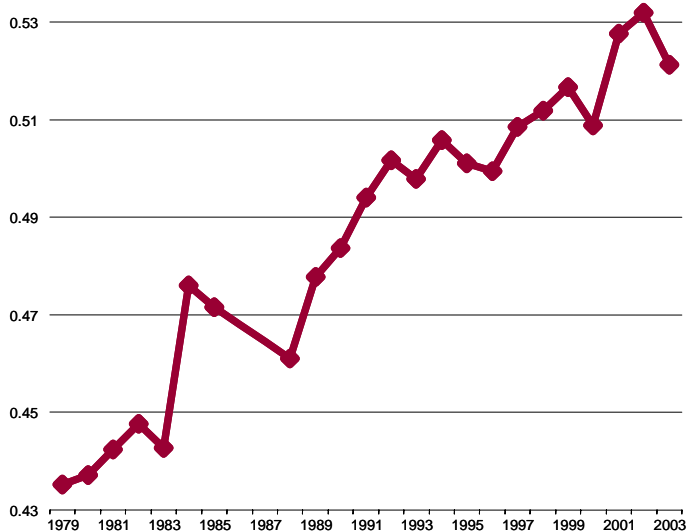
by

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Two of the primary socio-economic foundations in every democratic western country are high living standards and low income inequality. When one of these pillars weakens, the impact on society can be substantial. When cracks appear in both pillars, when the society in question receives the opportunity to live in a country of its own just once every two thousand years, and when this opportunity is provided only in a small oasis with few resources and many enemies, then this threat to the society's foundations becomes existential.

As I showed in Haaretz on February 4th ("The Economic Threat"), living standards in Israel have been falling farther and farther behind the leading western countries for three straight decades. At the same time, inequality in gross incomes (that is, before accounting for welfare payments and taxes) has become one of the highest in the west. As if this were not enough, income gaps within Israel have been steadily rising since the seventies, as can be clearly seen in the graph.

Gross Income Inequality in Israel, 1979-2003*



Source: Dan Ben-David, Tel-Aviv University
Data from Israel Social Security Institute

* Gini coefficient before welfare transfers and direct taxes. Old series until 1997 adjusted to new series that includes non-salary workers.

The poverty picture is similar. At the end of the seventies, just over one-quarter of the families in Israel lived under the poverty line according to their gross incomes. As a result of the steady, multi-decade, swell in the ranks of the impoverished, we have reached the point in which over a third of Israel's families now live below the poverty line according to their gross incomes. In lieu of dealing with the core issues that cause a large and growing portion of Israel's society to fall below the poverty line, we have to pay large and increasing amounts – that have long since surpassed our defense spending – in order to prevent this phenomenon from also manifesting itself in the net incomes that represent society's last line of defense in the war on poverty and inequality.

The poverty and inequality trajectories that we are on are unsustainable in the long run. A considerable share of the population is not receiving either the tools or the conditions for coping in a modern, open and competitive economy – and it is growing at a faster pace than the remaining share of the population that must shoulder the burden of financing an increasingly expensive welfare safety net that only provides symptomatic treatment. Taking into account the fact that the combined impact of these trends is augmented by the steady retreat, in relative terms, of Israeli living standards from those of the leading industrialized nations, and in light of expanding globalization that enables goods, capital – and people – to flow more and more freely to and from countries, then every possible alarm should be going off in the state of Israel. What we have undergone in recent decades is not the outcome of some preordained destiny but the direct result of our man-made national priorities since the seventies.

This is the anomaly and the promise called Israel. There is no other nation in the world with such dismal socio-economic features that is at the same time also the home to such bright points of light that are so essential for success. No other country outside the United States has better universities, more gifted doctors and researchers, higher quality technology, and greater potential – still.

We know what the problems are. We know where they can lead us. We also know how to solve them. What we need to know is that this anomaly cannot survive forever. Either the light will prevail and reach every corner of this small patch of land, or in the end it will flicker out – with all that this implies for the future of the third temple. It is all in our hands. I