

By Yossi Melman

In June 2006, three months after losing the Israeli national election, Likud party leader Benjamin Netanyahu said in an interview that Israeli business leaders tried to bribe him when he served as Minister of the Treasury in the previous government.

Reporters who knew the media-obsessed Netanyahu assumed he was seeking to grab headlines and place himself once again at the center of Israeli social and economic discourse. Nevertheless, such a statement would have led to a public outcry and demand for police investigation in any Western democratic country.

Though Israel considers itself part of the Western democratic world, the news was received with widespread indifference. Many Israelis share the feeling that in their country “anything goes,” even an attempt to bribe cabinet ministers, and no human failure or wrongdoing surprise them any longer.

These feelings long ago transformed into a notion that in terms of corruption—whether personal greed, political patronage or abuse of power—Israel is a third world country.

Some context: The last five prime ministers all came under police investigation, either while in office or after they left. Shimon Peres, Ehud Barak and Ariel Sharon were investigated for receiving illegal donations to their election campaigns; Benjamin Netanyahu for accepting expensive gifts and abusing state property.

The current premier Ehud Olmert is under three separate investigations for receiving presents (for his prized pen collection), receiving bribes in dubious real estate deals (selling his posh Jerusalem flat to American billionaire Danny Abraham), and giving government jobs to cronies.

Sharon's investigation was particularly serious because of suspicions—never proven—indicating he had received kickbacks from Austrian casino kingpin Martin Schlaf.

Further investigations are underway on similar charges against three former cabinet ministers, at least 10 mayors and two dozen senior government officials. Additionally, five members of parliament (out of 120), including Omri Sharon, son of the former premier, have been indicted on various charges ranging from frauds to kickbacks, from falsifying university degrees to cheating on parliamentary votes.

The widespread corruption at the top is expressed as what is termed in Israel as the “tumorous” connections between capital and government (the words rhyme in Hebrew). Israeli business executives’ access to and intimate relations with government officials give them inside information about future land deals, privatization, tax favors and other financial benefits.

As a result, a revolving-door tradition has been established. Take for example the case of Nir Gilad. Gilad was a young graduate from a local university who joined the Ministry of the Treasury twenty years ago and eventually reached the rank of deputy director general. He led a massive privatization process during his term which included the sale of Israel’s national refineries to the Ofer brothers, of one of the country’s five richest families. The state lost nearly \$120 million on the sale because the tender was sloppily drafted. What did Gilad receive for his shoddy work? A job as deputy director general of the Ofer brothers’ empire.

Naturally, these worrisome trends are not confined to the power elites. Like malignant cells, they have spread to all walks of society in a system known as *macherim*, a Yiddish word originating in the Jewish Diaspora.

Macherim signifies everything Israel as a modern state wished to negate. The word means “fixers,” or middlemen who build a network of contacts with low-level government officials. Because of corruption, bureaucracy, lack of awareness and negligence, citizens struggle to get what they are entitled by law. Obtaining a driving license, construction permit, hearing with the tax authorities or court appeal increasingly requires the fixer’s intervention.

The results is that Israeli society has changed beyond recognition. Israel was once a role model, one of the most advanced and sophisticated social democracies that was proud of its modern welfare system and tried to maintain as equal and just a society as possible.

The *kibbutz*—a rural community guided by the principle that each receives according to his needs and give back to society according to his abilities—was the jewel in Israel's crown. Today, the idea of the *kibbutz* is dying.

Israel now worships the golden calf of the free market: privatization and sink-or-swim competition, what British Prime Minister Edward Heath once called the “ugly face of capitalism.” The country’s economy is under the influence of a handful of families who, like robber barons, rob public assets, utilities and national resources, all with the help of corrupt officials and ministers.

To understand how few hands the country’s wealth is concentrated in, one has to read the Israeli business daily The Marker. The paper estimates the accumulated wealth of the 500 richest people in the country at around 283 billion shekels (US\$65 billion). By contrast, Israel’s GDP is 567 billion shekels (US\$130 billion), while its 2006 national budget is only 262 billion shekels (US\$60 billion).

Israel is now in the top ten nations with the widest socio-economic gap. Pensions have been reduced. Social security benefits have been cut.

In 2005, Israel produced more millionaires per capita than any other country. But it also pushed more people under the poverty line than any other western nation in the last decade.

Israel’s Social Security Institute defines the poverty line as an income of 1,744 shekels (US\$400) per month per individual and less than 4,361 shekels (US\$1000) per family of four. One and half million people, or 20 percent of the population, live under the poverty line. Thirty four percent of Israeli children live in poverty.

Fewer and fewer financial resources are allocated to public education, health, transportation and infrastructure. More and more go to the wealthy through tax cuts and other benefits aimed to protect capital gains. But perhaps the most worrisome aspect of the reduced public funds is its impact on law and order.

Israeli police, already overstretched by Palestinian terrorism, lack the budget to fight crime. Police officers are underpaid and understaffed. They drive old cars or travel by bus to crime scenes. The notion of a friendly neighborhood police officer is unheard of; police officers are barely seen in the streets except after terrorist attacks. More and more police officers are under investigation for using excessive force against innocent citizens who come across their path.

No one answers the police emergency number. Thefts, car accidents and burglaries are no longer considered investigation-worthy. The very notion of law and order is being privatized; security companies now provide basic services like street patrols and investigations to wealthy communities and corporations.

Major investigations and corruption cases are frozen by a lack of resources or a lack of will. Rather than investigate a real estate case worth 305 million shekels (US\$70 million) involving well-connected lawyers and politicians, the police prefer to focus on petty crimes, like small-scale social security fraud.

The few courageous police officers willing to work against the current find themselves under constant attack from politicians and wealthy billionaires, such as the Russian-French-Israeli fugitive Arcadi Gaydamak .

And when they seek support from one of the rare enclaves within the Ministry of Justice supposed to fight corruption, they are met by Minister of Justice Haim Ramon, known for his friendly ties to rich and powerful families. A few years ago, as a member of parliament, Ramon attended a wedding by an arms dealer in Monte Carlo. When asked by the House's ethics committee to pay back the expenses—private jet, luxurious hotel—he refused. In the summer of 2006, he came under investigation for sexual abuse of one of his secretaries. So much for justice.

Israel is still a vital democracy, but it is a democracy in decay. The champions of law, order and justice, the fighters of corruption, struggle upstream. In Israel, integrity is losing ground.