



Adva Center
Information on Equality and Social Justice in Israel

A MILITARY BUDGET FOR A PERMANENT WAR

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Israelis consider themselves a western nation. And there is strong evidence to support that belief: Israel has a stable - though stormy - political regime, an advanced economy, a reasonable infrastructure, a relatively educated population, a modern public health system, and a comprehensive social welfare system.

Yet in most of these areas, Israel lags behind the West: just to take one example, Israel's social welfare system includes most of the services expected of a Western welfare state, but its level of public funding is such that most beneficiaries live below or barely above the poverty line.

The main reason behind the relatively low social welfare budget has to do with the main competitor for public money: the military budget, which enjoys the highest priority. That priority, in turn, derives from the fact that with very few exceptions – the decade after the Sinai War of 1956 and the decade or so after the 1973 Yom Kippur war - Israel has been in constant conflict with varying coalitions of Arab states: in 1948, 1956, 1967 and 1973 - and with the Palestinians: in 1948, 1987, 2000-2005, and 2023-2024. In addition, there have been numerous low-intensity confrontations like the two intifadas and the two invasions of Lebanon (1982-2000 and 2006); and presently (2023-2024), a higher intensity war by proxy - Hamas - with Iran.

The defense budget did not always enjoy top priority: up to 1967, Israel was mainly occupied with the absorption of huge waves of immigration that necessitated the provision of food, shelter and employment. That is, a civilian agenda. It is told that soon after the war of 1948, Yigal Yadin, the then chief of staff of the IDF, came to Ben Gurion to ask for a larger defense budget, in view of a possible “second round” against the Arab armies. Ben Gurion refused the request, arguing that he needed the money to absorb new immigrants. Yadin resigned, and Ben Gurion proceeded with his civilian agenda.

The war of 1967 turned out to be a watershed: Having occupied the Sinai Desert and Gaza Strip from Egypt, the Golan Heights from Syria and the Palestinian West Bank from Jordan. Israel's initial decision was to hold on to them all, at least as bargaining chips, a decision that soon turned Israel into a major actor in the Middle East. With a larger standing army and a powerful American-supplied air force, Israel became a different country. If the well-known sociologist Erik Hobsbawm could quip that Zionism took the Jews from *Shtetl* to *Statel*, now the Jewish state, though no more than a *Statel* in size, had become a regional power.

The new geopolitical status did not come for free. It required a huge investment in military personnel, arms and ammunition. As Amir Oren wrote in *Haaretz*,¹

“It took a mere eight companies – paratroopers, Golani and Border Police. They secured the open, fragile borders of Israel...right up to May 1967 ... That was the entire ground force the Israel Defense Forces was asked to commit to maintaining security along the confrontation lines with Jordan, Egypt, Syria, and Lebanon. There was no fenced, electronic obstacle line covered by air power...”

That changed as soon as Israel opted to keep the new territories: as Amir Oren stated, the number of companies needed to defend the now longer borders then jumped to 92:

“Ninety-two is more than eleven times eight – and 92 companies is the force the army needed after the Six Day War to guard the new lines and patrol the conquered”²

Half a century later, in 2020, the size of Israel’s regular armed forces was much larger, comprising 4.24% of the labor force, a figure that ranked 9th out of 162 countries. No other OECD country ranked this high.³

The military budget became the single largest item in the Israel’s annual budget. Impressed by Israel’s military performance in 1967, the US adopted Israel as its major proxy in the Middle East. The adoption came with a large aid package - the largest in the world before the eruption of the Ukrainian war. Most of the aid package came in the form of US dollars for the purchase of US-made armaments. But there was also a cost paid in Israeli shekels: fueling, training, and maintenance of the gift.⁴

Let us look at the numbers. There are two main ways of comparing military budgets: as a percentage of GDP or as a percentage of the total national budget. Israel stood high on both: in 2022, Israel’s military budget amounted to 4.51% of its economy – the highest percentage among OECD countries.⁵ That same year, Israel’s military budget stood at 12.2% of its total annual budget.⁶

1 Oren, Amir. April 13, 2004. “Surrender to Terror, Back to 242.” *Haaretz*. Tel Aviv. (In Hebrew)

2 Ibid.

3 Armed Forces, percent of labor force – country rankings. [The Global Economy.com](https://www.theglobaleconomy.com)

4 See box below on US aid to Israel.

5 [The World Bank](https://www.worldbank.org), May 2024

6 This expenditure does not include expenditure on internal security and public order. [The World Bank](https://www.worldbank.org), May 2024

And that is not the whole story: Economist Yossi Zeira points out that the above GDP figure is partial, as it does not take into account the loss of GDP caused by the fact that a large number of young men are outside the civilian labor force, a fact that translates into a 5.7% loss of GDP per year.⁷

Once the defense budget is determined, not much is left for other, non-military civilian budgets. In 2023, while the average civilian public expenditure in OECD countries stood at 42.2% of GDP (not including interest and military expenditure) in Israel it stood at 32.9% - a quarter less.⁸

Biden: We have your back

With all those resources, Israel finds it hard to finance the full costs of maintaining its “imperial” military status without foreign assistance.

Today, foreign financial and non-financial military aid comes mainly from the US. In the past it had more varied sources: In 1956, such aid came from France and Great Britain and from 1967 on, from the US.

According to the US Council on Foreign Relations, US aid accounts for some 15 percent of Israel’s defense budget.⁹ At the time of this writing, the US has signed a memorandum of understanding assuring Israel nearly \$4 billion a year through 2028.¹⁰

As for the actual fighting in the present war with Hamas, the US provided Israel with tank and artillery ammunition, bombs, rockets, and small arms, and was considering further supplies, including fifty F-15 fighter aircraft.

Enough to keep the fighting going.

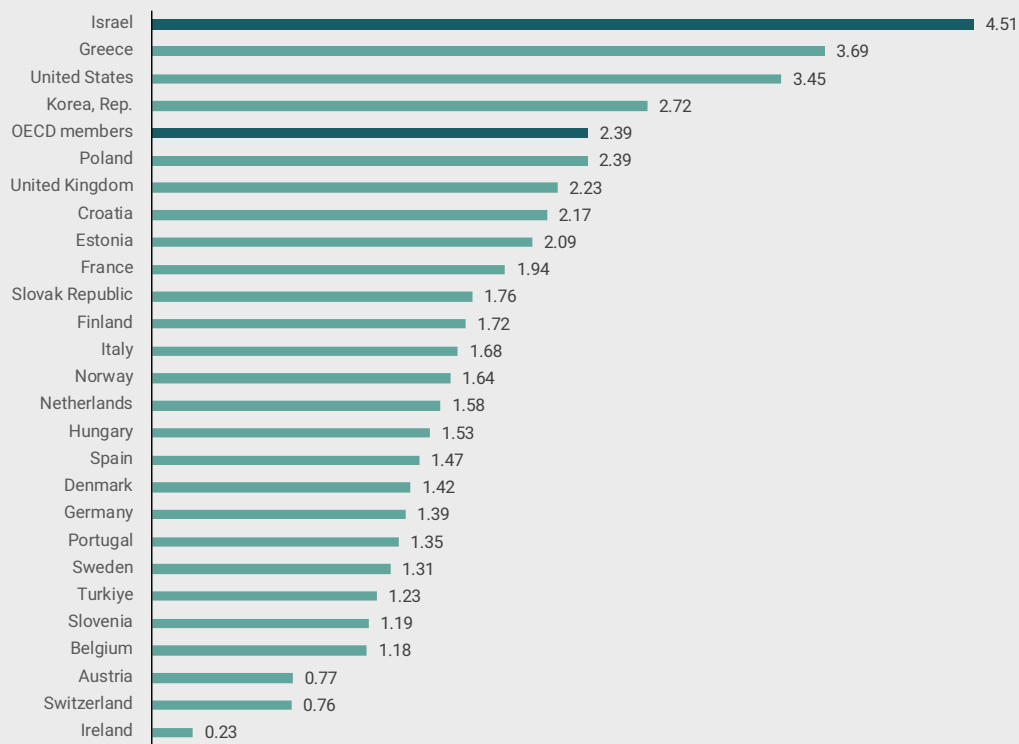
7 Zeira, J. (2018), *The Israeli Economy*. Books In the Attic. p. 126. (In Hebrew). Not counting the reserves.

8 Bank of Israel (2024). [Bank of Israel Annual Report 2023](#).

9 Council on Foreign Relations, April 11, 2024. [US Aid to Israel in Four Charts](#).

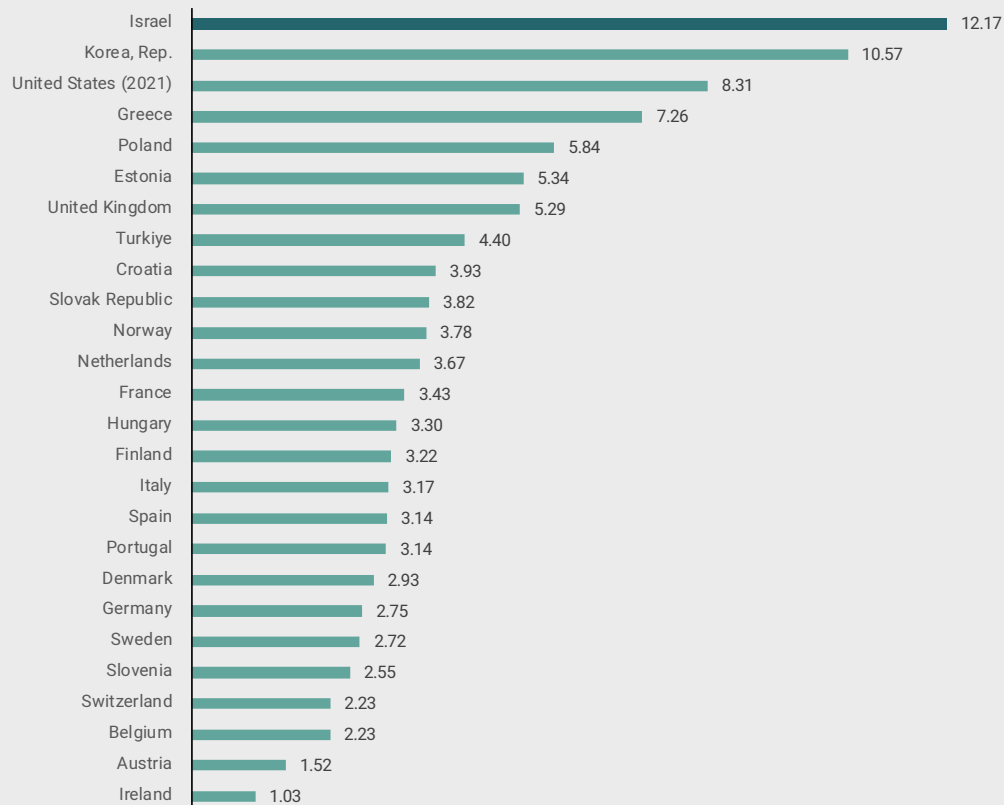
10 *ibid*

Military expenditure as a percentage of GDP. Israel and OECD, 2022



Source: [The World Bank](#), May 2024.

Military expenditure as a percentage of General Government Expenditure: Israel and OECD, 2022



Note: There is no average figure for the OECD members.

Source: [The World Bank](#), May 2024.

Permanent Wars, Permanent Distantiation from OECD

Wars in our area used to have a beginning and an end. Even the Yom Kippur war. Certainly the so-called Six Day War. Now it appears that there are wars with no expiration dates.

From the very beginning of the present war, Israel's prime minister and almost all IDF generals have frequently warned that the war will be long. The Bank of Israel seems to agree, as it recently published a figure of 250 billion Shekels for the total cost of the present war with Hamas – if the war lasts until 2028.¹¹ Which means a permanent very large military budget. And continuous large aid packages from the US. And growing pressures on the budgets for social services, demands for which increase as a result of the ongoing war and seemingly unending dislocations.¹²

The need for a massive investment in Israel's social services is well-known. On most socio-economic indicators, Israel is located at the bottom of the OECD scales. The situation is such that even if there are no budget cuts, the services suffer from a lack of man – and mostly woman – power, as a growing number of professionals are no longer willing to work for the low salaries offered by the public sector. Which means that Israel's chances of reaching the higher echelons of OECD social and economic scales will grow dimmer and dimmer year by year, as the hostilities continue and the military budget maintains its first-priority status.

11 Bank of Israel (30.5.2024). [Israel's economy: economy in the shadow of war](#). Presentation

12 For further reading, see publications by the [Adva Center](#)

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