

Israel Is NOT a Democracy

By [Washington's Blog](#)

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Israel's leaders hold the country out as a democracy ... just like the U.S.

Of course, America is officially [no longer a democracy ... as wealth is so concentrated that it has broken the political system](#).

The same thing is true in Israel ...

Lior Akerman – former Brigadier General and division head in the Shin Bet (Israel's Security Agency) – writes in the Jerusalem Post that Israel has [never been a democracy](#).

Forbes Israel [warned](#) of oligarchy in 2006.

In 2012, Amir Owen [wrote](#) in Haaretz:

Since last week, Israel has been governed by an oligarchy. These are self-styled lords of the manor who have power over civil and military sectors, and share the spoils of rule between themselves. The subjects can talk, but have no influence. Israel has been transformed from the only democracy in the region, to a democracy where power is held by only a few.

Bloomberg noted in 2013 [“Israelis rise up against the oligarchs”](#).

Alternet [noted](#) in 2013:

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About 21 percent of Israelis live in poverty, the highest among developed countries that are part of the Organization for Economic Cooperation and Development.

And the Israeli people's anger is increasingly being directed at the Israeli tycoons that hold an immense amount of wealth. Ordinary Israelis see the oligarchs as a testament to the vast gulf between the very rich and the rest

of Israel. For many, inequality is the main economic issue in the country. But the Israeli economy didn't always have such striking inequality. The country was a lot more equal when it was operating on a more social democratic model—at least for Jews—in the decades after 1948.

Today, about 20 Israeli families control a disproportionate amount of the Israeli economy. The families, whose holdings span the gamut of the Israeli economy, lay claim to about half the Israeli stock market and own one in four Israeli firms, [according to the Financial Times](#). In 2010, a parliamentary report found that 10 business groups, most of them owned by wealthy families, control 30 percent of the market value of public companies. The families have holdings in real estate, financial services, supermarkets, the airline industry, telecommunications and more.

What it all adds up to is an oligarchy, a system where a tiny slice of Israelis maintain a stranglehold over much of the Israeli economy.

These facts are no shock to Israelis. They live it everyday, made all the more apparent by the high cost of housing. The government has taken a keen interest in the problem, particularly since massive protests sparked by the high cost of living and inequality. They've convened committees, like the Knesset committee on economic concentration, established in 2010.

[A report](#) from that committee singled out business groups that control both financial and non-financial companies. In November 2013, Israeli Prime Minister Benjamin Netanyahu criticized the high level of concentration in the economy. "The primary factor in the lack of competition in Israel is economic concentration fostered by cartels or the monopolistic behavior of wealthy individuals," [Netanyahu told the Israel Democracy Institute](#). The OECD has also singled out Israel's concentration of wealth as a problem to be addressed.

The oligarchs' immense power, and the inequality that accompanies their economic might, stands in sharp contrast to what some Americans believe about the Israeli economy. In the American imagination, Israel's economy is a high-tech paradise. Books like *Start-Up Nation: The Story of Israel's Economic Miracle* have cemented that image.

Paul Krugman [pointed out](#) in March:

Israel is now right up there with America as one of the most unequal societies in the advanced world. And Israel's experience shows that this matters, that extreme inequality has a corrosive effect on social and political life.

According to [Luxembourg Income Study data](#), the share of Israel's population living on less than half the country's median income — a widely accepted definition of relative poverty — more than doubled, to 20.5 percent from 10.2 percent, between 1992 and 2010. The share of children in poverty almost quadrupled, to 27.4 percent from 7.8 percent. Both numbers are the worst in the advanced world, by a large margin.

And when it comes to children, in particular, relative poverty is the right concept. Families that live on much lower incomes than those of their fellow citizens will, in important ways, be alienated from the society around them,

unable to participate fully in the life of the nation. Children growing up in such families will surely be placed at a permanent disadvantage.

At the other end, while the available data — puzzlingly — don't show an especially large share of income [going to the top 1 percent](#), there is an extreme concentration of wealth and power among a tiny group of people at the top. And I mean tiny. [According to the Bank of Israel](#), roughly 20 families control companies that account for half the total value of Israel's stock market.

Meanwhile, Israel's oligarchs owe their position not to innovation and entrepreneurship but to their families' [success in gaining control](#) of businesses that the government privatized in the 1980s — and they arguably retain that position partly by having undue influence over government policy, combined with control of major banks.

In short, the political economy of the promised land is now characterized by harshness at the bottom and at least soft corruption at the top. And many Israelis see Mr. Netanyahu as part of the problem.

Professor Shelly Gottfried [owrote](#) in March :

Israel's economy and regulatory apparatus, which has become increasingly captured by special interest groups over the past two decades, enabled the rise of an [Israelioligarchy](#) comprising just ten pyramidal business groups, controlled by individuals or families – and affiliated professionals, such as accountants, lobbyists, lawyers, managers, consultants and other businessmen and business groups.

This oligarchy, whose power is embedded by the big banks, controls substantial shares of the market economy and the public's financial assets, managing tight relations with state agents. It is further linked to other powerful monopolies in the public sector.

And it's not only Israel's oligarchs who have skewed Israeli's political system ... it's [also Americanoligarchs](#).

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