

**Israel and Terrorist organizations 2005-2011: Political competition, “Social Justice” revolt and Government’s reactions on terror<sup>1</sup>**

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*The paper presented is further development of our previous reports on terrorism problem: terrorists, elected politicians and bureaucrats’ incentives, new facts, new terrorists’ tactics (terror supply technological shift), new governments’ reactions etc.*

*The key point of the paper is explanation of inefficient terror-preventing strategy choice by arising incentives to spend more and more for . The democratic government which could afford to chose priorities including not to defend the personal safety but invest more for “social justice” redistribution programs shouldn’t be qualified as democratic. The claim of the government to choose which life is worth to be protected, which death is worth to be retaliated indicates pretty weak political (and media) competition. Public choice analysis of the government behavior tended to be so independent on voter and taxpayer is based on the Long Run trend of government expenses structure. We are focusing on the basic choice of the government task – to protect or to care? Pure public goods provision appears to be poor compatible with everlasting mixed public goods provision expansion.*

## **Introduction**

The any of leftists' ideologies core idea *to care about everybody and everything* could be translated in the Economics' language as requirement to spend more for mixed public goods provision instead of pure public goods.

This idea realization in the Israel (case of Israel war on terrorism) is the main subject of the report. Restricted democracy political institutions in the Israel (restricted political and media competition) shapes the country history and predetermines significant peculiarities of general

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trend of budget history ("social" spending instead military and, then, rising debt swallows all marginal incomes of budget turning off the largest spending of government).

This peculiarity is leftists' political hegemony in 1948-1977 as unchallengeable monopoly in parliament, government and bureaucracy, court system, police, army, media and education (University and School). The monopoly caused kind of "encompassing interest" and control on the country as leftists (Labor party more correctly) corporate owned enterprise.

So till 1977 general leftists preferences to spend on "government supplied butter instead guns" was suppressed.

Since 1977 Labor (Mapai – Maarah - Avoda) party lost its hegemony in the parliament (Knesset) and Government respectively. The Army (Israel Defense Army, IDF) is still controlled by leftists elite, as majority of generals still stand on leftists or even extreme leftists political positions<sup>5</sup>. New trend of skyrocketing increase of the right-wing and religious officers' share becomes leftists' nightmare<sup>6</sup>.

So since 1977 general path of leftists strategy is to move the decision making authority and real power as far from elected bodies as better. Since mid 1990-ties Supreme Court regularly discretionary (in the absence of written constitution) nullifies Knesset passed legislation<sup>7</sup>,

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<sup>5</sup> See for example gen. Nitzan Alon defending PLO from financial sanctions in the USA: <http://www.nytimes.com/2011/10/12/world/middleeast/israels-west-bank-general-warns-against-radicals.html> generals Ilan Paz, Uri Sagi, Avi Kostlitz defending the HAMAS treasury (Arab Bank) from the HAMAS victims' relatives suit (<http://freecourtdockets.com/DocketSummaries/VVP-Linde-v-Arab-Bank-PLC-1-04-cv-02799-New-York-Eastern-Federal-District-Court-Docket-Case-Summary-54631.htm>): Israel Maariv (NRG site) journalist reaction: <http://www.nrg.co.il/online/1/ART2/135/241.html> (Hebrew)

<sup>6</sup> See Israel Shahak's vision: [http://members.tripod.com/alabasters\\_archive/shahak\\_messianism.html](http://members.tripod.com/alabasters_archive/shahak_messianism.html) (ultra-left); to compare with mainstream Van Creveld (2002) who wrote (p. 318): "... at least some religious officers became torn between the orders of their superiors and rabbinical teaching (for example, during the evacuation of Hebron) ... as long as IDF retains ... an army short-time conscripts and reservists, any danger it will lead to a coup remains minimal... However it is not impossible to imagine a day when a mainly right-wing, orthodox, nationalist officers corps will command and all-volunteer rank and file consisting as tends to be the case in so many developed countries, primarily of the down-and-out. Should that come handwriting clearly will be on the wall."

<sup>7</sup> See for example: <http://elyon1.court.gov.il/files/99/310/010/E14/99010310.e14.pdf> : the Supreme Court (SC) decision overturning Knesset legalization of the conservative radio station "A7" (Channel 7, in Hebrew; English commentaries: <http://www.offshore-radio.de/israel/column.htm> ). SC reasoning is based on the government's right to license discretionary radio broadcasting (which derives from a ruling dating back to the British Mandate) and the Israeli Freedom of Occupation Basic Law with its guarantees of fair competition (which means that discretionary unauthorized broadcasters may violate the rights of a discretionary authorized broadcaster if permitted by the overturned law; the logic of the decision: any improvements in business regulations and any market entry barriers removal should be prevented to avoid harming an incumbent firm's interests). This decision left untranslated in English in spite huge majority of SC decision are translated routinely.

usurping legislatures' power partly. Government minister and Knesset deputies horrified by credible threat of discretionary punishment (cases of Haim Ramon, Moshe Kacav – "sexual harassment", pseudo-"rape" etc.<sup>8</sup>). Non-leftist military elite impressed by cases of jailed officers (for excessive use of force etc). The latter practices (see US Army SSgt. Wuterich case<sup>9</sup> or IDF 1<sup>st</sup> Lieutenant Adam Malul similar case<sup>10</sup>) is quite in general trend so not needed to be commented. In the Israel court pressure on Army reached its maximum during 2-nd Lebanon war and then weaken after during "Cast Lead" operation in Gaza 2008 (causing drastic fall in military casualties of IDF: 119<sup>11</sup> vs. 650-750 enemies killed in Lebanon 2006; 10<sup>12</sup> vs. 311 terrorists' casualties in Gaza 2008-2009<sup>13</sup>).

So, bureaucracy, court, media coalition efficiently runs the country<sup>14</sup> but already without public support lost both as a result of objective demographic trends and chosen antidemocratic political strategy.

Encompassing interest turns off broken, but political control still preserved.

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<sup>8</sup> The proofs never been even expected by the Court in the case based on complaint filed 7-10 years after the supposed "crime events". See, for ex.: <http://www.globalpost.com/dispatch/news/regions/middle-east/israel-and-palestine/111207/former-israeli-president-katsav-begins-rape-sentence>

<sup>9</sup> Let compare position of the people, which looks like, assured they needn't army and defense protection: <http://www.dailymail.co.uk/news/article-2091333/Frank-Wuterich-trial-Stunning-denial-US-Marine-Haditha-massacre-court-martial.html> (at least US Army's' protection); SSgt's colleagues position: [http://warchronicle.com/DefendOurMarinesExclusive/Trial\\_of\\_SSgt\\_Wuterich/SSgt\\_Wuterich's\\_Choice.htm](http://warchronicle.com/DefendOurMarinesExclusive/Trial_of_SSgt_Wuterich/SSgt_Wuterich's_Choice.htm) (assured Wuterich are innocent) and Geneva Convention (IV) relative to the Protection of Civilian Persons in Time of War. Geneva, 12 August 1949 (pay attention on Articles 5, 27, 28, 29 moving responsibility for civilian on the "party to the conflict in whose hands protected person (i.e. children in the case) may be", and stressing that "**The presence of a protected person may not be used to render certain points or areas immune from military operations.**")

<sup>10</sup> See two respective visions of the case – left-wingers: [http://www.btselem.org/english/Beating\\_and\\_abuse/20100318\\_jag\\_appeal\\_light\\_sentence\\_in\\_security\\_forces\\_violence\\_case.asp](http://www.btselem.org/english/Beating_and_abuse/20100318_jag_appeal_light_sentence_in_security_forces_violence_case.asp); and right-wingers: <http://www.theyeshivaworld.com/article.php?p=50924>

<sup>11</sup> Biddle, Friedman, 2008 p. 33;

<sup>12</sup> See full list of IDF soldiers fallen: <http://frgdr.com/blog/articles/fallen-cast-lead/>

<sup>13</sup> IDF spokesman "THE OPERATION IN GAZA: FACTUAL AND LEGAL ASPECTS" p. 94

<http://dover.idf.il/NR/rdonlyres/14998311-6477-422B-B5EE-50C2F1B31D03/0/FINALDRAFTwithclearance.pdf>

<sup>14</sup> As a result public are generally indifferent to political scandals demonstrating lack of real political competition. For example Kadima party primary elections and parties' "as if elected" leader Tz.Livni's claim "to govern Israel by a one-vote victory": a ballot box destroyed in a polling station in a heavily pro-Mofaz (Livni's leading rival) area contained 430 voters' paper ballots; Livni won by 431 votes <http://www.ynetnews.com/articles/0,7340,L-3599629,00.html>; The Likud party retroactively (!) changed voting outcome registration rules to prevent right-wing candidates from joining the Knesset <http://www.jpost.com/LandedPages/PrintArticle.aspx?id=125400> . Current Likud leader and acting prime minister B.Netanyahu promised to initiate the Party's Statute Amendment to forbid the primary elections participation for the Likud party members failing to prove they voted for Likud on general elections (see his interview for the Knesset Channel February, 7 2012) [http://www.youtube.com/watch?v=hSBrCwKmRZw&feature=player\\_embedded](http://www.youtube.com/watch?v=hSBrCwKmRZw&feature=player_embedded) .

This specific construction of the Government caused trends both of the state supplied public goods structure, priorities and quality.

Last summer political campaign for radical redistribution demonstrates further deviation of left-leaning Israel elite from political and economic responsibility minimal standard (see further information on the issue below).

The Israel case of poor compatibility of pure and mixed public goods provision is not unique for as for modern democracy as for broad scope of authoritarian regimes since ancient times (see Table 1. Below).

**Table 1. List of some economically advanced but military weak states since Ancient Epoch**

Historical case	Mixed Public Goods provided	To compare with military power of:	references
Ancient Egypt	Channels, burial vaults, temples	Persian, Macedonian, early Roman Empires; succeeded against the most primitive and weak tribes in Lybia and Sudan (Upper Nile) – Egypt; Babylon – once against Egypt	(1), (2)
Babylon	Channels, temples		(1), (2)
Ancient Israel (Judea Kingdom)	Religious studies	Classical period of united Israel Kingdom; early Hashmonaims' dynasty Kingdom	
Athens after Pericles	Welfare programs (at the cost of Marine union)	Athens till Pericles; Sparta; Thebes republic; Macedonian Kingdom	"Elements of general history: ancient and modern", Volume 1 By Lord Alexander Fraser Tytler Woodhouselee
China	Channels, temples	Northern roving bandits (Mongols, ... Manjurs)	(1), (2)
India			(1), (2)
Roman Empire (late)	Public building, public shows, Welfare	Roman republic and early Empire	Money and Government in the Roman Empire By Richard Duncan-Jones;

Historical case	Mixed Public Goods provided	To compare with military power of:	references
			The Lives of the Twelve Caesars, Complete by Gaius Suetonius Tranquillus
Aztec empire,	Temples; mass sacrifices	Spanish military enterprises; Araucanian (Mapuche) tribes union	A history of Latin America: c. 1450 to the present By Peter John Bakewell; Yu.Berezkin Inci. Istorichesky opyt imperii (Incas: Historical experience of Empire, in Russian)
Inca Empire (late)	Channels, expensive cult of dead and death; social and economic experiments (centralized economy)		
Modern Gaddafis' Lybia, Gulf monarchies	Welfare programs	Egypt, Syria	

Other sources:

- (1) Istorija Drevnego Vostoka: teksty i dokumenty (Ancient East History: texts and Documents, in Russian, ed. By Kuzishin V., Moscow, 2002)
- (2) "Ancient Civilizations" ed. By Bongard-Levin G., Moscow, "Mysl" Publishing, 1989

Among the reasons of the Army underfunding by the dictators listed fear of strong military cast formation and military coup danger sometimes. Inter-bureaucracy Competition for power, for budget resources, for best young people etc...

## Israel case: terror challenge and reaction

### *The state of the problem*

A number of researchers focused on motivating factors which "supply" and prevent terror. During the decade before and even after September 11th, a new approach to the problem of terrorism predominated. This approach is based on the assumption that terrorism is caused by poverty and frustration. Concessions are supposed to mitigate the frustration, and Foreign Aid ("social policy promotion") is thought to strengthen the "doves" faction while weakening the "hawks" (Garoupa, Gata, 2002). Free-trade supporters believe that free-trade agreements

encourage underdeveloped Muslim countries to make a reasonable political choice (Lindsay B. 2003).

The traditional approach is based on the assumption that terrorism is a dangerous form of criminal activity. Therefore, we can apply the “Crime and Punishment” economic approach (Becker 1968) for the analysis. Various other politicians (Brandt (1980), Thatcher (2002)) argue the opposite viewpoint. Brandt believes in the efficiency of large-scale aid programs, while Thatcher is convinced that the institutional and personal failures of underdeveloped countries and their leaders cause backwardness.

E.L. Glaeser (2002) analyzed individual motivating factors of politicians and their supporters, which provide the basis for terrorist activity. He considers the supply and demand of hatred as the mechanism necessary for mobilizing support for violent action, like revolutions, etc.

Jack Hirshleifer (2001) stressed that “there is another way to get rich,” which is that you grab the goods that someone else has already produced. Appropriating, grabbing and confiscating what you want – and, on the flip side, defending, protecting and sequestering what you already have – is economic activity, too. Machiavelli’s version of the Golden Rule is that “He who gets the power will get the gold.” Sageman (2004) shows that terrorism is not caused directly by poverty itself or by lack of hope.

We believe that the fundamental precondition for the due protection of private property and hence for modern economic growth is personal immunity (Mau, Yanovskiy 2002; Yanovskiy, Shulgin 2008). Incentives to invest in good business environment couldn’t be maintained without appropriate guarantees of personal immunity. The violence, which couldn’t be limited by law, destroys the chances for the “Rule of Force” societies to find the path of sustainable growth (“modern economic growth”). So foreign assistance or even better conditions for export could empower and enrich the Bandit (Olson, 2000) who governs in the Rule of Force society. The fact that his ambitions and propensity to violence could be elevated by new economic chances should not be undermined.

## **Statistical analysis of violence and the explanation of terrorism in previous researches**

Since we presented our very first report devoted to the statistical analysis of anti-terrorism governmental strategies – to deter or to appease terrorists (March 2004<sup>15</sup>), a number of publications using the same approach were issued.

Hoffman (2005) and Enders, Sandler (2006) analyzed ITERATE data collection on international terrorism<sup>16</sup>.

Hoffman researched the relationship between the numbers of victims of terrorist attacks and the employment of anti-terrorist, military action by the State. He also researched the factor of settlement growth in the disputed territories and found that there exists no statistically significant relationship between the number of Jewish settlers in Judea and Samaria and the number of terrorism victims...

Jaeger, Paserman (2005) tested Granger causality on the daily Betzelem statistics from September 29, 2000 to January 15, 2005. Our view is that the narrow focus of this research leads to misleading conclusions. A sample of daily statistical observations is not an optimal basis for the evaluation of political or military strategy. The choice of daily statistics assumes that the actions of both the State of Israel and the Palestinian factions are motivated by immediate emotions—like anger and the desire for revenge—felt by the leaders or the people, rather than by a deliberate strategy previously chosen. The starting point of the observation (September 29, 2000) implies that Ariel Sharons' visit on the Temple Mount was the major (if not only) cause of terror, and that before September 2000, this phenomenon either did not exist or was not worthy of the researcher's consideration. Since organized terror in Palestine/Israel is observable at least since the 1920's, if not earlier, the starting assumption of the research project is objectionable.

Our report concerning the statistical analysis of the dynamics of civilian casualties is focused on the strategic choice of the State of Israel. Thus, we exclude the earlier stages of the pre-independence period.

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<sup>15</sup> <http://www.pubchoicesoc.org/papers2004.html>

<sup>16</sup> International Terrorism: Attributes of Terrorist Events  
<http://www.sscnet.ucla.edu/issr/da/index/techinfo/I79471.htm> Inter-university Consortium for Political and Social Research (ICPSR)

## **Data previously used for statistical analysis**

Statistical basis for the terror deterrence - appeasement strategies evaluation is based on the statistics of terror victims recorded in Israel's National Insurance reports (Bituah Leumi - BL<sup>17</sup>) since 1948. BL times series was corrected by month-by-month data comparison with the International Counter-Terrorism Academic Community (ICTAC)<sup>18</sup> time series (incidents' collection).

We use the Time Series Data on the terror victims in the years 1949 – 2004 (yearly and monthly statistics) and separately on Qassam-rocket attacks in the years 2000 – 2010; we also look at the monthly statistics on the number of persons and type population endangered and the time spent in shelters.

US Department of State Historical Background Office of the Historian Bureau of Public Affairs  
Significant Terrorist Incidents, 1961-2001: A Brief Chronology

<http://www.state.gov/r/pa/ho/pubs/fs/5902.htm>

We tested cases of military deterrence and appeasement strategies, when each one was used individually, as well as when used together. We tested the impact of military actions and peaceful initiatives on a monthly basis. We also applied Granger analysis to assess causal dependence of the factors in previous reports for PCS session 2006.

## **Actors' incentives**

Our study focused on how media coverage, of dominating enforcement practices in the Rule of Law democracies can influence the choice of the suboptimal strategy of political and military leaders. In previous papers, we tested the hypothesis that the "supply" of terror is a function of the expected expenses of political advancement in the long run and of the "Memorable Story" i.e. the impressive coverage, in the short run.

We argue that the Rule of Force societies i.e. societies where a leader or dictator is legitimated and supported by primarily force and violence in underdeveloped countries make the rules of "hawks" the only stable equilibrium. Incentives to invest economically are absent due to the lack of personal immunity or guarantee of property rights in the Rule of Force society (Mau,

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<sup>17</sup> Bituah Leumi (National Insurance company under the Ministry of Labor of Israel  
[http://laad.btl.gov.il/show\\_item.asp?levelId=28553](http://laad.btl.gov.il/show_item.asp?levelId=28553)

<sup>18</sup> [http://212.150.54.123/ARAB\\_ISR/incidentsearch2.cfm](http://212.150.54.123/ARAB_ISR/incidentsearch2.cfm)



Yanovskiy, Javoronkov 2002, 2003; Yanovskiy, Shulgin 2008). Therefore, in these countries, violence cannot be prevented through economic progress only.

Some regimes and individuals with a specific preference profile make investments in terror. Investors want confirmation that their funds are spent efficiently. So both investors and leaders of terrorist organizations need a credible channel of information. In this case, international mass media reports casualties. The mass media attention attraction cost per capita is lower for civilian victims than for combatants. Therefore “**Type 2**” terrorist groups<sup>19</sup> i.e. those attacking civilians for maximization of victim number, have been replacing “Type 1” terrorist groups<sup>20</sup>, those aimed at military victory and fight against military personal only. A “Type 2” terrorist group, or the "modern terrorists", appears to win the competition for the specific investments due to a better reporting effect: greater media-coverage return per victim (Yanovskiy, 2004).

**Table 2. A summary of the major actors' incentives**

<b>Actor</b>	<b>Actor's motives</b>
Actor (game player)	Described incentives
Terrorist leaders	Control over territory and population (necessary); Reputation of strongest leader strengthening and cash inflow maximization in the short run; Expected expense of decisive victory in the long run.
Terrorists' sponsor	Maximization of the media effect in the short run and expected expenses of decisive victory in the long run.

<sup>19</sup> Type 2 terrorist groups are groups aiming for the maximum number of civilian victims as an all-sufficient intermediate goal. The ultimate goal of these groups is civil society demoralization, and the destruction of the Rule of Law system and the democratic state. This group includes, but is not limited to, Sendero Luminoso (Peruvian), HAMAS, and Hizballa (Arab). Terrorism of Type 2 is based on the “Spider Web Theory” that describes Western society as vulnerable due to the high value of an individual's life and cowardice, a spider web which could be easily destroyed by terror (see Gen. M. Yalon’s interview to Ha’aretz from August 30, 2002, <http://www.cdn-friends-icej.ca/isreport/aug02/yaalon.html>).

<sup>20</sup> Type 1 terrorist groups are groups aiming for power seizure by means of demoralization and destruction of armed forces and security services. They mainly attack military leaders and politicians. The difference between the two terrorist groups lies in their willingness to attack in the face of a high probability of concurrent civilian victims. Type 1 groups include the Kurdish Labor Party and, initially, the IRA, which evolved to Type 2 group (see CDISS Terrorism Programme web-site <http://www.cdiss.org/terror.htm>).

Actor	Actor's motives
Political leaders of targeted countries	Reelection: A general failure of media coverage and avoidance of conflicts.
Military leaders of targeted countries	Career opportunity as a function of military achievements, casualties which can include OR exclude enemy controlled population losses i.e. respective military justice & enforcement practices.
Media of Democratic countries	Selected coverage monitoring; cost difference and "Memorable Story's" induced bias.
Voters of Democratic countries	<ul style="list-style-type: none"> <li>• Rational choice of pro-defense (pro-deter) parties which mostly suffered from terror and budget - endowing groups</li> <li>• Rational choice of pro-appease parties by budget dependent; relatively easily touched by terror groups</li> </ul>

## Technological shift in terror supply since counter-terrorist operations 2002

HAMAS leaders faced pretty moderate retaliation for suicide bombing attacks in 2002. Terrorists leaders unwillingness to meet houris now is pretty well proved.

2008" Cast lead" operation<sup>21</sup>

Up to 85-90% suicide bombers were intercepted (2003-2006 – see IIEC, 2008, p.35)

2004: Terrorists got the prime minister Sharon's signal to surrender territory (Gaza strip)

Shift activity from suicide bombers' attacks to regular Quassam (random) bombing.

Terrorists' leaders Flexibility: New challenge - New opportunity - New tactics

- 2000-2010 escalation of use Qassam offensives and breaks; Gaza terrorists – Israel Government strategic game.

*Sources:* Monthly statistical data of Qassam rocket attacks.

<sup>21</sup> The story: <http://www.mfa.gov.il/gazafacts>

- Analysis of the reasons for the replacement of suicide bombing and gunmen activities by rocket attacks. A comparative analysis of the danger of suicide bombing and permanent rocket attack as “pure Public Bads”.

The most cost efficient way of terrorist activity reported in 1994-2002 was suicide bomb attacks. Since the Israeli Government declared in 2004 its intention to ethnically clean Gaza from Jewish settlements and executed the so-called “Disengagement” plan in 2005, terrorists began using a completely different strategy. Before 2005, the IDF<sup>22</sup> watchposts situated near and efficiently supported by the Jewish settlements in Gaza strip provided early detection and prevention of the terrorists’ activity. After 2005, because the infrastructure was dismantled, new technology of Qassam rockets, previously applied in small scale became very popular. One cause of this change could be that Qassam rockets proved to be more efficient than suicide bombings. It is important however to analyze alternative reasons for the tactical changes. For example, Qassam rockets are actually a less effective terrorism strategy and were chosen because terrorist groups experienced a general decline and therefore had to use a weaker strategy.

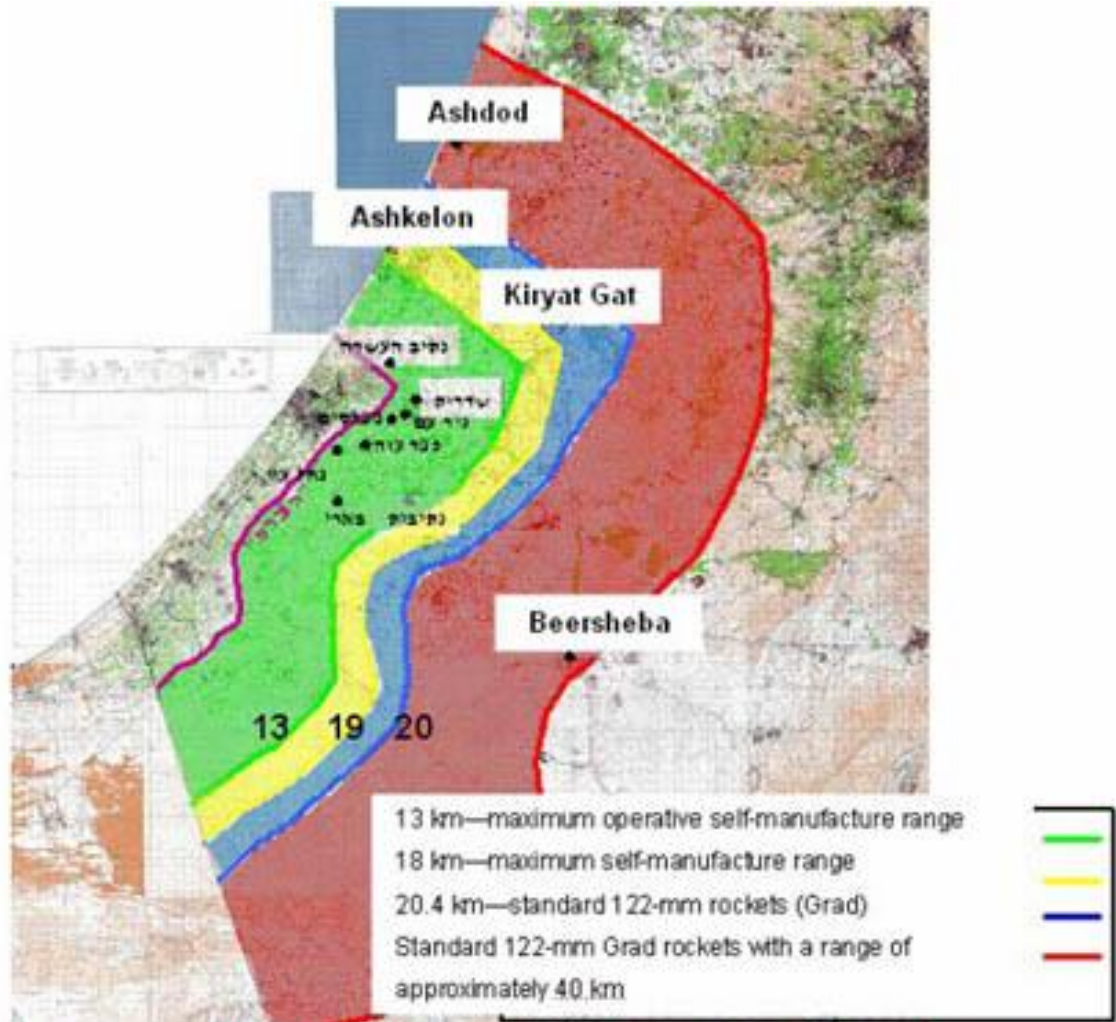
Among the considered advantages of the new terrorist tactic and technology are:

- Cheaper production of the necessary parts;
- Cheaper labor (lower compensation, reuse);
- Better control of the crucial stage of attack;
- Lower cost of the parts' delivery (see "Defense systems vs. offense strategy" section below);
- Increase of the cost of IDF's reaction (including the design and production of expensive defensive system “Iron Dome”).

The advantage of the Qassam technology for “Public Bads” provision should be researched. It causes, first and foremost, a considerable decrease in life quality for a significant part of the targeted population, including people living in large cities such as Ashqelon, Ashdod, Beer-Sheba, and possibly Tel Aviv. Qassam attacks planning by the terrorists’ leaders give them opportunity to draft out schedule of IDF retaliation media broadcasting.

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<sup>22</sup> Israel Defense Army



**About one million Israeli civilians threatened by rocket fire**

Picture 1. The map of the terrorists' rockets coverage; source: IDF Spokesman report, July, 2009 p. 18

The disadvantages (from the terrorists' point of view) of the Qassam rockets are threefold: fewer people are killed; the casualties are usually only slightly wounded, and there is no longer the dramatic effect the media loves to demonstrate. As a result, the leading Western mass media channels couldn't always be exploited as a means of reporting to the terrorists' sponsors.

Technological shift in the terror against Israel supply provides more reasons to qualify terrorists as rational players.

## Questionable rationality of Israeli government

- The state responsibility for security has been substituting by the Peace Process Success priority needs since 1992.
- Terrorists negotiation ban cancelled (1992 - retroactively)
- IDF unable to finalize its successes; Unproportional use of force
- Disproportionate exchanges (Gilad Shalit case)
- Defense instead Offense: inefficient strategy choice
- 2011 Summer radical campaign for global redistribution destroying moderate Netanyahu market reforms;
- Iranian threat and US military assistance cancellation threat as a means to prevent military and economically efficient strategies

## "Rationalization" of the governments' choice: Statistical analysis

Hypotheses tested:

1. Long term Labours' control over parliament and government, state bureaucracy, court and police, public media and education **caused encompassing interest** and some incentive to provide Pure public goods<sup>23</sup>. Mixed public goods share in government spending surged since Labours (leftists' coalition) lost control over parliament, government (still preserving all the rest systems under control) because of encompassing interest was broken.
2. Break in national consensus regarding security since 1-st Lebanon war and clear manifestation of Labours' resolution to subordinate pure public goods provision to mixed public goods provision were another indications of the same phenomena: being prevented from large scale social services promotion by responsibility and exogenous factors leftists shifted to the most radical opposing the pure public goods priority and quality provision since lost responsibility in 1977-82.

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<sup>23</sup> The interest caused by Israel political regime peculiarity was strong enough to overcome natural leftists' inclination to the social spending (but it never overcame their inclination to redistribution).

**Table 3. Variables' description**

#	Variables	Comments
1	Defense expenses as share in total Government expenses	
1.1.	The same, lagged	L.share_def_spend
2	Military Expenditures, %GDP (50-87 - GNP)	Dependent, % GDP (50-87 - GNP)
2.1.	The same, lagged	L.military_expenditures
3	Labours faction in Knesset; mandates number	Independent (of total 120 seats in the Knesset)
4	Electoral support of leftists parties	Independent (share of votes, %)
5	Labour Party leads the government or influence it strategically by direct participation (coalitions with Sharon and Kadima 2005-2008)	independent dummy; Sharon, Peres and some Labour and Likud high rank deserters formed Kadima counted here as separate entity in the Knesset only
6	Negotiate terrorists and "rotate as propellers"	independent dummy (since 1993 = 1) – Law prohibition to contact PLO terrorists cancellation and prime minister declaration he is not care voters doesn't believe he ever got mandate for strategic retreat and terrorists rewards (to appease them) in exchange for peace declaration.
7	Security out of consensus	1982 (Lebanon War first time Labours undermined the IDF security operation), independent dummy

**Table 4. Military expenditures share variation explanation**

VARIABLES	Regressions												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	military _expenditures	share_def _spend	military _expenditures	military _expenditures	share_def _spend	military _expenditures	share_def _spend	military _expenditures	share_def _spend	military _expenditures	share_def _spend	military _expenditures	share_def _spend
L.military_ expenditures	0.917***			0.891***		0.883***		0.915***		0.854***		0.930***	
	[0.0534]			[0.0518]		[0.0609]		[0.0539]		[0.0642]		[0.0534]	
L.share_def_spend		0.872***			0.690***		0.799***		0.809***		0.717***		0.814***
		[0.0875]			[0.0993]		[0.107]		[0.0972]		[0.127]		[0.0881]
Security out of consensus			<b>-4.436**</b>	<b>-2.098**</b>	<b>-</b> <b>4.707***</b>								
			[1.893]	[0.788]	[1.559]								
neg_terrorists						<b>-1.170</b>	<b>-2.867</b>						
						[1.013]	[2.454]						
leftists_electoral_ support								<b>0.0315</b>	<b>0.159</b>				
								[0.0619]	[0.113]				
labour_mandates										<b>0.0787*</b>	<b>0.187</b>		
										[0.0457]	[0.113]		
labour_lead_ government												<b>1.337</b>	<b>2.934**</b>
												[0.852]	[1.404]
Observations	60	37	61	60	37	60	37	60	37	60	37	60	37
Adjusted R- squared	0.833	0.732	0.070	0.849	0.783	0.834	0.735	0.831	0.740	0.838	0.745	0.837	0.756

Regressions (4) and (5) show that even under past dependence counting "Security out of consensus " variable still significant and negatively influences military spending share (Table 4).

Regression (13) shows, the Labor government variable significant and defense share in total government spending positively interdependent with it.

Electoral support for leftists parties fall causes break in national consensus about defense priority (see regressions 1 – 3, Table 5) caused cancellation of PLO terrorist negotiation and, respectively decrease of defense spending share.

**Table 5. Labours and generally leftists' electoral support influences dummy variables**

VARIABLES	Regressions					
	(1)	(2)	(3)	(4)	(5)	(6)
	Tobit security	Tobit security	Tobit security	Tobit neg_terrorists	Tobit neg_terrorists	Tobit neg_terrorists
leftists_electoral_support	<b>-0.334***</b>				<b>-0.294***</b>	
	[0.0847]				[0.0766]	
labour_mandates		<b>-0.152***</b>		<b>-0.200***</b>		
		[0.0483]		[0.0608]		
labour_lead_government			<b>-1.362***</b>			-0.445
			[0.373]			[0.345]
Observations	62	62	62	62	62	62
Pseudo R-squared	0.526	0.375	0.170	0.517	0.642	0.0217

[ ] – Standard deviation

**Table 6. Mutual influence of electoral support and dummy variables on military spending test**

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	military _expenditures	military _expenditures	military _expenditures	military _expenditures	share _def_spend	share _def_spend	share _def_spend
L.military_expenditures	0.884***	0.885***	0.896***	0.872***			
	[0.0511]	[0.0646]	[0.0541]	[0.0663]			
L.share_def_spend					0.674***	0.771***	0.690***
					[0.103]	[0.110]	[0.108]
Security out of consensus	<b>-3.308***</b>	<b>-1.988*</b>	<b>-1.937**</b>		<b>-4.378**</b>		
	[1.047]	[1.010]	[0.915]		[1.651]		
neg_terrorists				-1.620		-1.959	<b>-4.348*</b>
				[1.452]		[2.586]	[2.349]
leftists_electoral_support	<b>-0.134*</b>			-0.0383	0.0711	0.130	
	[0.0778]			[0.0880]	[0.109]	[0.120]	
labour_mandates		0.00999					



	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		[0.0566]					
labour_lead_governme nt			0.336				<b>3.575**</b>
			[0.953]				[1.400]
Observations	60	60	60	60	37	37	37
Adjusted R-squared	0.854	0.846	0.846	0.831	0.779	0.737	0.772

Table 6 presented regressions show the Political preferences of ruling groups (leftist elite) and strategy change are negatively (naturally) correlates with military spending size and share (of general spending of Central Government).

### Social Justice or Security for every citizen? Further radicalization

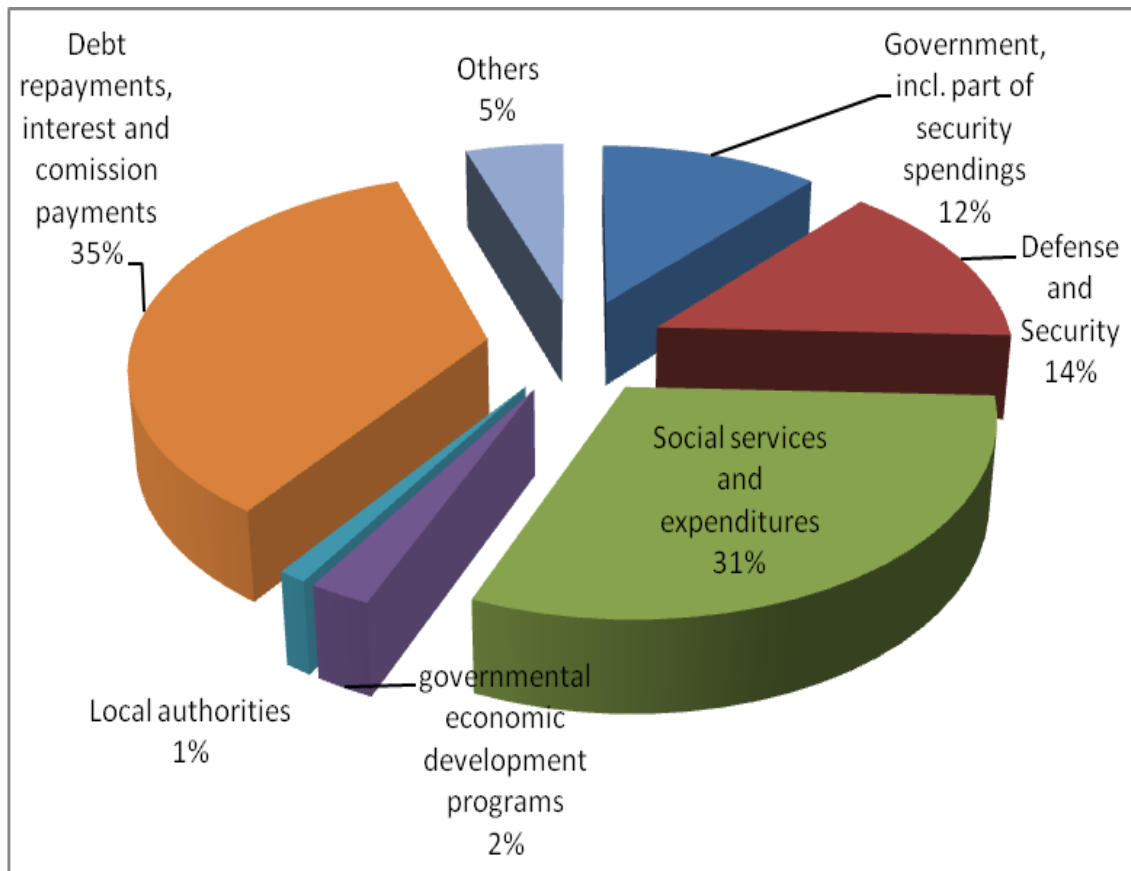


Diagram 1. 2011 Expenses Budgetary Structure

Sources: Israel Finance Ministry

[http://www.mof.gov.il/BudgetSite/StateBudget/Budget2011\\_2012/Pages/Budget2011\\_2012HP.aspx](http://www.mof.gov.il/BudgetSite/StateBudget/Budget2011_2012/Pages/Budget2011_2012HP.aspx)

(Hebrew) Grand total 348,185 billion NIS (roughly \$95-97 billion)

<http://www.knesset.gov.il/committees/heb/material/data/kalkala2011-07-06.pdf>

***"Tent protest" (Israel earlier version of "occupy... everything" leftist movement, Summer 2011; "TP")***

**Table 7**

#	The issue (the problem)	Reason/ Decision of the problem	Government proposal and "TP" leaders reaction	"Trachtenberg commission" proposal and "TP" leaders reaction	"Tent protest" leaders demands
1	"Mass feeling of injustice" (means "feeling of unequal distribution of wealth)	New branches (High Tech) arising in the Israel and new prospering groups of population respectively; first time in the Israel history incomes not depend on bureaucracy and politicized oligarchy, controlling Public and other leading Mass media resources	Enhance "progressivity" of taxation (two new "brackets" of the scale); references on "biblical prophets" (as if the prophets ever were communists, demanded equal distribution not equal treatment in the court only) / too little too late;  Moderate economic liberalization reversed		To break the trend of incomes inequality
2	To substitute security agenda by "social justice" agenda	New security challenges caused by Islamic fundamentalism rising to the power around the Israel; the TP leaders urged "to repeat success of Tahrir Square in Israel" <a href="http://www.guardian.co.uk/world/2011/sep/04/israel-protests-social-justice?INTCMP=ILCNETTXT3487">http://www.guardian.co.uk/world/2011/sep/04/israel-protests-social-justice?INTCMP=ILCNETTXT3487</a>	Shares the TP leaders rhetoric; actual cuts of military spending till not happened		
3	Cheap	At the same time demand to break	Actual freezing in	-	No

#	The issue (the problem)	Reason/ Decision of the problem	Government proposal and "TP" leaders reaction	"Trachtenberg commission" proposal and "TP" leaders reaction	"Tent protest" leaders demands
	(subsidized) dwelling	building in Judea and Samaria <a href="http://www.guardian.co.uk/world/2011/aug/04/tel-aviv-tent-city-protesters?INTCMP=ILCNETTXT3487">http://www.guardian.co.uk/world/2011/aug/04/tel-aviv-tent-city-protesters?INTCMP=ILCNETTXT3487</a>	building in Judea and Samaria; liberalizing of building projects procedure (see the bill draft: <a href="http://www.knesset.gov.il/committees/heb/material/data/kala2011-07-06.pdf">http://www.knesset.gov.il/committees/heb/material/data/kala2011-07-06.pdf</a> - Hebrew)		liberalizing <sup>24</sup> , no Judea and Shomron building, subsidizing only
4	Free pre-schooling child-care (since 3 years old)				

***More sources on the Issue:***

Ori Chudy (29 August 2011) (on TP leaders demands)

Trachtenberg commission reports <http://hidavrut.gov.il/> (Hebrew)

TP own "panel of experts" (see for example <http://www.haaretz.com/news/national/alternative-experts-panel-vows-to-address-israel-s-unacceptable-economic-policy-1.378729>); no any plan published as a result;

<sup>24</sup> <http://southjerusalem.com/2011/08/the-vandal-law-and-the-note-on-the-door/>; saved (cached) copy: <http://webcache.googleusercontent.com/search?q=cache:EQrqX5DoaxcJ:southjerusalem.com/2011/08/the-vandal-law-and-the-note-on-the-door/+vandal+law+note+door&hl=en&strip=1>

Jerusalem Institute for Market Studies: Trachtenberg's Plans Will Be Costly Failures JIMS Cites Report's Faulty Logic, Offers Alternatives <http://www.jims-israel.org/pdf/trachtenbergPR2english.pdf>

Hillman (2010) "expressive behavior" (means voting or rioting for leftist agenda just "to look fine" in spite of the majority of Israeli voters never shared these values and not interested in the agenda issues) concept reflects Israelis' habit to the leftists ideological indoctrination<sup>25</sup>. Leftists ideological indoctrination ("state provided butter better than guns" or "war is no solution" etc) means practically change the national agenda from security issues to welfare-redistribution issues and substitute the pure public goods by mixed public goods.

Mixed public goods provision defined and interpreted by leftists as "moral" and pure public goods provision (reliable defense and security provision) as "vigilantism", "militarism" and even fascism<sup>26</sup>.

## **Defense systems vs. offense strategy**

Threat of prosecution and punishment for the most cost efficient decisions increases attractiveness of moves military bureaucrats and high command to avoid it developing more and more sophisticated and expensive defense systems. The Military are experiencing regular difficulties to reason the latter programs in the USA (see GAO, 2006; GAO, 2008, GAO 2011) but still go further. In the Israel "Iron Dome" failed to be an alternative to a major offensive action (Rubin, 2011<sup>27</sup>). The price of interceptor – up to \$100,000 (Sharp, 2010) are incomparably higher than intercepted Qassam rocket (five missiles could cost \$4,000 roughly<sup>28</sup> under selective interception). So, it looks like the defense system fails to meet the Nitze

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<sup>25</sup> The media shift and leftist indoctrination guaranteed in Israel by "public" media and "public" schools (Rabins' – Peace lessons etc).

<sup>26</sup> See, for example, typical leftist's journalists' reflections: <http://www.haaretz.com/print-edition/opinion/the-truth-i-e-kahane-won-out-1.403418>

<sup>27</sup> Uzi Rubin is the natural supporter of the defensive missiles, so his confession is especially worthy.

<sup>28</sup> What are Qassam Rockets? <http://www.jewishpolicycenter.org/prr/qassams.php>; see also Dr. Adam Reuter analysis outcomes <http://www.globes.co.il/news/article.aspx?did=1000637352> (Hebrew). So Dr Reuter decided that "... cost of each Iron Dome rocket needs to be measured not against the cost of a Qassam, but according to the cost of every structure destroyed by a successful Qassam hit" <http://www.cidi.nl/CIDI-in-the-media/Iron-Dome-success-attracts-foreign-clients-.html?lang=en>

criteria "... to produce a defensive interceptor at less cost than for the enemy to produce an additional offensive ballistic missile" (Spring, Bendikova, 2011). The new invented way to defend wasting money – to consider " The value of what is being defended" (ibid.) shows failure to prove defense universal "advantages" vs. offensive deterrence.

## Conclusions

For terrorists leaders the damage inflicted on Israel is a well observable evidence of force and, respectively, important reason to claim the leadership, the power and, at least the endowments.

They doesn't meet adequate state of Israel reaction (through deterrence, tit-for-tat strategy) partly because security agenda lost its' priority for the groups of interests and political coalitions traditionally preserving their control over executive powers' bureaucracy, activist court system, police, public media and education, (i.e. bunch of unelected means of control in the state).

To clarify the machinery of security agenda deactualization we tested two hypotheses:

1. Long term Labours' control over parliament and government, state bureaucracy, court and police, public media and education **caused encompassing interest** and some incentive to provide Pure public goods<sup>29</sup>. Mixed public goods share in government spending surged since Labours (leftists' coalition) lost control over parliament, government (still preserving all the rest systems under control) because of encompassing interest was broken.

2. Break in national consensus regarding security since 1-st Lebanon war and clear manifestation of Labors' resolution to subordinate pure public goods provision to mixed public goods provision were another indications of the same phenomena: being prevented from large scale social services promotion by responsibility and exogenous factors leftists

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<sup>29</sup> The interest caused by Israel political regime peculiarity was strong enough to overcome natural leftists' inclination to the social spending (but it never overcame their inclination to redistribution).

shifted to the most radical opposing the pure public goods priority and quality provision since lost responsibility in 1977-82.

Both hypotheses tested shouldn't be rejected on the ground of acceptable statistics.

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## Annex 1. Initial statistical data and descriptive statistics

Table 1. Initial statistical data

year	Military Expenditures, %GDP (50-87 - GNP)	Defence spending % Government consumption	Defence spending % GNP	political process turning points	military justice left turns	Leftists' electoral support	Labor mandates	labor lead government
1948								1.0
1949						55.6	46.0	1.0
1950	10.0		10.0			55.6	46.0	1.0
1951	8.2		8.2			58.5	45.0	1.0
1952	6.8		6.8			58.5	45.0	1.0
1953	6.7		6.7			58.5	45.0	1.0
1954	7.0		7.0			58.5	45.0	1.0
1955	8.0		8.0			48.4	40.0	1.0
1956	14.5		14.5			48.4	40.0	1.0
1957	9.2		9.2			48.4	40.0	1.0
1958	7.7		7.7			48.4	40.0	1.0
1959	7.3		7.3			51.7	47.0	1.0
1960	7.5	23.5	7.5			51.7	47.0	1.0
1961	9.8	26.5	9.8			56.5	42.0	1.0
1962	10.5	31.0	10.5			56.5	42.0	1.0
1963	11.0	32.0	11.0			56.5	42.0	1.0
1964	9.2	28.0	9.2			56.5	42.0	1.0
1965	9.5	27.0	9.5			50.1	45.0	1.0
1966	10.5	27.0	10.5			50.1	45.0	1.0
1967	19.2	41.5	19.2			50.1	45.0	1.0
1968	19.5	39.5	19.5			50.1	45.0	1.0
1969	21.0	43.0	21.0			52.1	56.0	1.0
1970	26.0	43.5	26.0			52.1	56.0	1.0
1971	24.0	39.5	24.0			52.1	56.0	1.0
1972	21.6	35.5	21.6			52.1	56.0	1.0
1973	33.0	43.0	33.0			47.6	51.0	1.0
1974	32.5	41.0	32.5			47.6	51.0	1.0
1975	32.0	42.0	32.0			47.6	51.0	1.0
1976	34.0	36.5	34.0			47.6	51.0	1.0
1977	22.5	30.5	22.5	1.0		43.4	43.0	0.0
1978	24.0	32.0	24.0			43.4	43.0	0.0

year	Military Expenditures, %GDP (50-87 - GNP)	Defence spending % Government consumption	Defence spending % GNP	political process turning points	military justice left turns	Leftists' electoral support	Labor mandates	labor lead government
1979	21.8	27.0	21.8			43.4	43.0	0.0
1980	23.0	30.5	23.0			43.4	43.0	0.0
1981	24.2	31.5	24.2			46.6	48.0	0.0
1982	21.8	28.0	21.8	1.0		46.6	48.0	0.0
1983	18.7	26.0	18.7			46.6	48.0	0.0
1984	21.7	27.5	21.7			45.2	44.0	1.0
1985	21.5	30.5	21.5			45.2	44.0	1.0
1986	15.0	24.0	15.0			45.2	44.0	0.0
1987	18.0	31.0	18.0		1.0	45.2	44.0	0.0
1988	15.4	26.0	15.2			44.9	39.0	0.0
1989	12.9	22.0	12.5			44.9	39.0	0.0
1990	12.5	22.5	13.0			44.9	39.0	0.0
1991	15.3	22.0	12.5			44.9	39.0	0.0
1992	11.3	21.0	11.7	1.0		48.3	44.0	1.0
1993	11.6	21.5	12.0			48.3	44.0	1.0
1994	9.9	19.0	10.5		1.0	48.3	44.0	1.0
1995	8.5	20.0	11.0			48.3	44.0	1.0
1996	8.7					42.4	34.0	0.0
1997	8.6					42.4	34.0	0.0
1998	8.4					42.4	34.0	0.0
1999	8.3					39.2	26.0	1.0
2000	7.9					39.2	26.0	1.0
2001	8.2					39.2	26.0	0.0
2002	9.2					39.2	26.0	0.0
2003	8.6					42.3	19.0	0.0
2004	7.8					42.3	19.0	0.0
2005	7.7					42.3	19.0	1.0
2006	7.9					35.3	19.0	1.0
2007	8.6					35.3	19.0	1.0
2008	8.0					35.3	19.0	1.0
2009	7.4	14.5				35.3	19.0	1.0
2010	7.8	15.1				23.6	13.0	0.0
2011		14.2				23.6	13.0	0.0

Sources:

**Table 2. Descriptive statistics**

variable	N	min	max	mean	standard deviation
military_expenditures	61	6.70	34.00	14.24	7.66
share_def_spend	39	14.20	43.50	29.14	8.25
share_def_gnp	46	6.70	34.00	16.23	7.83
security	62	0.00	1.00	0.50	0.50
neg_terrorists	62	0.00	1.00	0.31	0.46
new_military_justice	62	-1.00	1.00	-0.31	0.90
leftists_electoral_sup	62	23.60	58.50	46.42	7.29
labour_mandates	62	13.00	56.00	39.44	11.19
labour_lead_gov	62	0.00	1.00	0.65	0.48

**Table 3. Correlations table**

variable	military_expenditures	share_def_spend	share_def_gnp	security	neg_terrorists	new_military_justice	leftists_electoral_sup	labour_mandates	labour_lead_gov
military_expenditures	1								
share_def_spend	0.7701*	1							
share_def_gnp	0.9973*	0.7398*	1						
security	-0.2918*	-0.6891*	-0.0354	1					
neg_terrorists	-0.4885*	-0.6151*	-0.1728	0.6647*	1				
new_military_justice	-0.4990*	-0.7270*	-0.2201	0.7787*	0.9358*	1			
leftists_electoral_sup	0.0749	0.5238*	-0.4822*	-0.6669*	-0.6664*	-0.7082*	1		
labour_mandates	0.5907*	0.7438*	0.5740*	-0.6119*	-0.7953*	-0.8188*	0.7690*	1	
labour_lead_gov	-0.0602	0.3541*	-0.1941	-0.4719*	-0.1651	-0.2930*	0.4681*	0.2721*	1

## **Annex 2. Israel Knesset General Elections history**

[Downloadable here](#)