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ISRAEL'S ECONOMIC
AND
FINANCIAL PROGRAM
ARCHIVES

Address to

JERUSALEM CONFERENCE 1953

October 26th, 1953

by

Mr. LEVI ESHKOL
Minister of Finance



ISRAEL'S ECONOMIC AND FINANCIAL PROGRAM

By LEVI ESHKOL, Minister of Finance

It is a distinct pleasure to welcome the men and women of this Conference. As Minister of Finance I have had reason to be grateful to each of you for the work you have done and the funds you have mobilised to help make the task of building our country possible. Please accept from me not merely a formal but a deeply personal expression of thanks for your labors.

My function this afternoon is to lay the foundations for a discussion of our economic programs and financial needs. I trust you will bear with me as I present our balance sheet to you.

Five years ago, with the establishment of the State, we were faced, among others, with four major tasks:—

- a. Bringing in hundreds of thousands of immigrants, and their maintenance during the first period of absorption.
- b. Assuring a minimum supply of goods and essentials to the growing population.
- c. Securing and defending the country, its population and its borders.
- d. Last but not least, the launching of a huge development program, as the first step on the road to a self-supporting economy.

IMMIGRATION

During these five years, the Jewish population in Israel increased by 820,000 souls, 720,000 of whom were new olim. At least 30% of the Jewish population in Israel in the year 1947 was not yet rooted in the country's economy.

Thus the task before us was: To resettle, to colonise and to create an economic basis for nearly one million souls.

The major part of the newcomers reached the shores of Israel almost naked and without possessions. Many of them were tired, heartbroken and depressed by the sufferings of the prolonged journey of the eternal Jew. Not all brought with them the chalutzic zeal so characteristic of previous waves of immigrants. They possessed neither the technical and professional training for Israel, nor did they bring with them the material goods and the capital necessary for the development of a country.

Moreover, owing to the transfer of entire communities and dias-

poras, we have had to absorb tens of thousands of people who were mentally and physically incapable of constituting the basis of colonisation in a new deserted land.

Many tens of thousands could find their place only in the crannies and loopholes of an existing economic structure. Being themselves unable to contribute actively to the building up of the economy, they were a burden on it.

The large sums of dollars and pounds which were spent by the Jewish Agency and by the Government in order to provide the bare necessities for these hundreds of thousands of immigrants, did not contribute much to the strengthening of our economy.

The absorption of olim was a three-stage process.

We first placed the immigrants in camps and reception centres, fed and cared for them.

In order to make room for the constant flow of people still coming, we were then obliged to move them to temporary dwellings and create for them a temporary means of livelihood.

Only then were we able to embark upon the *actual* absorption of olim in the various sectors of our economy.

In order to fulfill this last task, it was of vital necessity to speed up the development of the country and its natural resources.

AGRICULTURE

First we turned to the land and agriculture. Zionism has meant from its very beginning the creation of a homeland and a return to the soil. The land deserted by the fleeing Arabs, called for hands to cultivate it.

As with a magic wand a blitz-colonisation plan was prepared by the Colonisation Department of the Jewish Agency in full co-operation and partnership with the Government. A large movement to organise the new immigrants to go to the land was initiated. It was gratifying indeed, to see tens of thousands of immigrants respond to the call, leave the camps and ma'abaroth, and settle on the land.

346 new settlements have been established during these 5 years; many existing kibbutzim and moshavim have been expanded by new settlers. 28,000 family units, i.e. more than 120,000 souls, were thus transferred to agricultural life and work. It is worthwhile pointing out that during this period of 5 years, more new settlements were established than during the whole 70 years of colonisation before the State was founded. These settlements are distributed in all parts of the country. They comprise olim of all the seventy countries which the Prime Minister mentioned in his speech last night.

During the years 1949—1953 close to 200 million pounds (at current prices; a substantial part of it in dollars) were invested in agriculture. The cultivated area increased from 1,650,000 dunams to 3,500,000 dunams. The irrigated area grew from 250,000 to 550,000 dunams—and by the end of this year 700,000 dunams of land will be under irrigation. The total output of mixed farming more than doubled its value.

The new immigrant on the land is gradually becoming a seasoned farmer. A substantial part of the increase in agricultural production is accounted for by the new settlements. In the year 1952/53 they cultivated approximately 37% of unirrigated field crops, 28% of irrigated fodder crops, and about 40% of the total vegetable area.

The essential point of this record of progress is reflected in the balance sheet. The food imports *per capita* dropped from \$ 52.4 in 1949 to \$ 39.1 in 1953. Even more striking is the drastic cut in foreign currency spent on fodder for livestock, due to the expansion of our own fodder crops—from \$ 12 *per capita* in 1949 to \$ 3.4 in 1952.

Three years ago our groundnut crop was insignificant. This year already 35,000 dunams of groundnuts are being grown and next year we hope to grow more than 100,000 dunams which will enable us to supply almost half our edible oils. Flax has already passed the stage of experimentation and pilot growing; cotton, too, is being grown in Israel for the first time.

This year we saved \$ 300,000 by producing alcohol from locally grown sugar beet. Our next step is to refine our own sugar.

CITRICULTURE

In the last five years we grossed \$ 84 million from overseas sales of citrus and its by-products. In 1939 Palestine had 300,000 dunams of citrus. After the War of Independence we were left with 130,000 dunams, part of which was in a state of neglect. We have now embarked on a program to plant 100,000 dunams of new groves. Last season we exported 5.3 million cases. In the coming season we expect to surpass this and to export approximately 7 million cases.

INDUSTRY AND QUARRYING

In a review of development, the essential questions are: What can we produce now that we have not produced before? How important is it to our balance of payments and how can we obtain markets for our products?

In 1947 we had 67,000 gainfully employed in industry; in 1952—120,000. In 1947 we used 86 million kilowatt hours of electricity for

industrial production; in 1952—177 million. In 1948 our power capacity totalled 70,000 kilowatts. At present it totals 180,000. Next year it will increase to 230,000 kilowatts.

In 1948 we produced no phosphates in the country. At the moment we are mining our own phosphates. Similarly we are mining all our own glass-sand and clay for ceramic ware. Until two years ago these raw materials were being imported.

In 1948 the "Fertilisers & Chemical" plant in Haifa was an infant. Now it represents a 12 million pound industrial complex which utilises our phosphates from the Negev.

This plant will shortly be providing the country with all the fertilisers needed, and will be able to export part of its products.

The cement producing capacity of "Nesher" in Haifa will be more than doubled by the commissioning of two new plants: Nesher at Ramleh, which has already started production, and Shimshon at Har Tuv, which will be ready in 6 months. We are already exporting cement and it will be one of our chief exports in the future.

Since attaining statehood, we have acquired as major industries two tire plants, an automobile assembly plant, a first-class paper mill, a new ceramics sanitary fixtures plant, a masonite and wall-board factory, an insecticide plant, large steel pipe factories and who may be the largest factory in the world for the production of concrete prestressed pipes. This list is far from complete. All this contributes to our balance of payments; saving dollars we had to spend for imported goods and earning dollars through exports.

Industrial production increased from about IL. 150 million in 1949 to IL. 570 million in 1952, at current prices. The added value rose from IL. 62 million to IL. 202 million.

HOUSING

The housing problem of the new immigrant has received the most urgent attention of the Government. First, in order to meet the pressure of the great mass aliya, the Government was compelled to build temporary and semi-permanent housing. Some tens of thousands of tents were erected and 53,000 small corrugated iron, wooden and canvas huts were constructed. In providing permanent housing for ma'abarth dwellers great progress has been made. The large tent-cities of immigrants have disappeared completely in the last year from Israel's landscape. Close to 100,000 permanent housing units for olim have been built by Government.

Only 14,000 families will remain in iron and canvas huts in the ma'abarth at the end of this year. More than IL. 100 million at cur-

rent prices, a substantial part of it in dollars, were spent by the Government for housing in the last five years. The Government inaugurated a "Popular Housing" program for the older established population living in houses unfit for habitation (with the participation of the tenants), and some 6,000 houses are already in a stage of completion. Another 5,000 houses will be constructed within the framework of the "Popular Housing" scheme next year.

TRANSPORT AND COMMUNICATIONS

The State inherited a transport and communications system which was already inadequate to meet the country's needs. Between 1949 and 1952 IL. 47,000,000 were invested in these two branches (exclusive of road building).

Hundreds of kilometers of asphalt road were laid during the same period, increasing the total length of highways to 1,861 kms. The establishment of the State found 238.5 kilometers of railroad at its disposal. By March 1953 the network was more than doubled. A new line is being laid from Naan to Beersheba (80 kms.). It is later to be extended to Kurnub, the centre of the phosphate and potash area, to provide cheap haulage facilities for the Negev minerals.

Cargo handling equipment was brought and installed in Haifa port, and operations were completely reorganised and modernised. As a result, the port was transformed from a primitive harbor into a thoroughly mechanised port.

Israeli ships bring some 60% of our imported goods and serve a considerable part of our passenger traffic.

Lod has been transformed into a modern airport. The Israeli line El-Al has acquired experience, and links Israel with five continents.

Many new schools have been built in order to accommodate the increased number of pupils, who numbered 340,000 in 1952/3 in comparison with 135,000 in the school year 1948/9. Hospital beds increased from 4,626 in January 1949 to 10,956 in January 1953.

AND NOW A WORD ON FOREIGN TRADE

Our achievements in agriculture, industry and other sectors of the economy are directly reflected in our trade balance. This balance is still heavily adverse, which is a natural phenomenon in a developing economy absorbing a large immigration. However, the extent of our progress speaks for itself.

The physical volume of imports in 1952 was only 17% larger than it had been in 1949, while the population increased during that period by 54%. The volume of imports *per capita* actually declined by 23%.

This achievement is explained partly by the decrease of consumption as a result of our austerity policy. But the important factor has been the shifting of consumption from imported to locally-produced goods.

During the first eight months of this year we imported goods totalling \$ 185 million compared with \$ 252 million in the corresponding eight months of 1952. On the other hand, the income from our exports totalled in the first eight months of 1953 \$ 42 million, compared with \$ 35 million during the same 8 months of 1952. Thus, the trade deficit in these 8 months was lower by a third than the deficit in the corresponding months of 1952.

After deducting income from our exports, which constituted a sixth of our imports, our net trade deficit in the last five years amounted to \$ 1,180,000,000. An additional 10% of this sum has been paid in interest payments and other charges during these five years. Thus, our net deficit amounted to \$1,300,000,000 approximately, or on an average 260 million dollars per annum.

CAPITAL IMPORT

In order to cover our foreign currency deficit during the 5 years, we have had to rely on capital import from Jewish and other sources.

From the United Jewish Appeal in the United States and from similar appeals in other countries through the channel of the Jewish Agency and Joint Distribution Committee, we have received during the past 5 years close to 340 million dollars. From other Jewish institutions such as Hadassah, the Hebrew University, the Weizmann Institute, the Technion Society, Pioneer Women and others, we have received 35 million dollars. The use of this money was exclusively restricted to philanthropic and charitable causes of absorption and the resettlement of new olim. Thus the total gift money was 375 million dollars. This is a tribute to the deep feeling of responsibility among world Jewry, and particularly among American Jewry, towards the State.

Independence Bonds which were launched in May 1951, as the investment arm of the State, have brought in close to 125 million dollars up to the end of September, 1953. This is a great achievement and the result of real daring and imagination.

At the same time, a substantial number of the most important industrial enterprises in the country were built by private Jewish capital from abroad. If we add immigrants' goods and others—the total sum received from this source during the five years was approximately \$ 200 million.

We have also received generous material assistance from the U.S.

Government. That country was not merely the first to recognise us formally, but sealed that diplomatic and political gesture with loans and grants which have been of immense importance. From the Export-Import Bank we received two loans amounting to \$ 135 million. From Grants-in-Aid authorised by the U.S. Congress we received \$ 155 million.

The Reparations Agreement with Germany which was concluded early this year has thus far provided \$ 60 million.

Under pressure of need, the Government has converted frozen savings which had accumulated in Great Britain until 1947, and other securities held by Israelis. From this source we have realised 120 million dollars.

To fill the still remaining gap, we obtained short and medium-term loans totalling 130 million dollars.

Let me say now in passing, and I will elaborate this point further in my address :

These short-term loans are the most hampering and burdensome problem of our financial activity. The high interest rates, the other additional expenditures caused by purchases at higher prices,—all this just increases the heavy burden. Everything possible must be done in order to find a solution to this urgent problem.

To Recapitulate our Capital Import :

	<i>In Million \$</i>	<i>%</i>
From gift money	375	29
From loans : Independence Bonds, Export & Import Bank, and other loans	390	30
From private investments (including immigrants)	200	15
From Grant-in-Aid	155	12
From conversion of Israeli frozen savings and securities	120	9
From German reparations	60	5
Total	1300	100

The total sum of the capital imports amounted during these five years to \$ 1,300,000,000.

More than half of this amount, namely some \$ 700,000,000, was spent for *basic investment* purposes, and enabled us to reach all the achievements which I just tried to enumerate. The remainder was spent for the first unproductive stages of the absorption of immigrants.

FOREIGN CURRENCY BUDGET 1953/54

The principal problem of our economy is the closing of the gap in our balance of payments. We have probably passed the half-way mark

on the road to supplying our own needs with home products. The foreign currency budget for the twelve months of the year 1953/54 is \$ 310 million. This will give us the food we cannot produce here, and the raw materials, spare parts and replacements to keep our factories running. This will help us to buy the fuel which is basic to our functioning. This will help to equip us against dangers. This will enable us to pay our interest charges and our debts. We have also included in this budget an amount for development which is the lowest possible figure consistent with our not remaining stagnant. The amount should be much larger. Our State cannot live if we walk on a treadmill. We must go forward, if we are to progress on the road to self-sufficiency.

In addition to the hundreds of millions of our own currency which we put into the running of this country and its development, we also earn foreign currency through exports, tourism, etc. We feel that we may count on about \$ 40,000,000 from this source. Thus, the sum of \$ 270 million will be needed.

It is the irreducible minimum for our existence and progress.

The closing of the gap in the balance of payments is dependent upon the development of our economy enabling it to produce more goods to replace imports and to enlarge exports. There exists a possibility, indeed, of restricting consumption by further lowering the population's existing standard of living. Certainly, there must be a rock bottom below which we cannot go if we wish to maintain a population healthy in body and spirit. It is our feeling that we are very close to the limit.

Let us keep in mind the fact that we are not only an economy in the making, but a nation in the making as well. We are engaged in the most difficult task of moulding olim from 70 countries into one nation. Within a short period we have to raise the educational and cultural standards of people coming from primitive and undeveloped countries. The country's safety depends on its being a community well developed technically, economically, physically and morally. Integrated development of this country in the economic as well as in the cultural sphere is therefore a matter of life and death for us. The achievement of a real and permanent political independence is conditioned by a rapid arrival at economic independence.

INTRODUCING THE PLANS

There has been prepared for this Conference a volume entitled "Data and Plans." It has been distributed to each one of you. In this document, plans are presented for the development of the different

branches of our economy. We hope that while we are carrying out these various plans in each field, a general plan for the development of our economy will emerge.

The development plans for the next seven years are based on the assumption of two million souls in Israel. This number is expected to be reached in 1960/61 by natural increase alone. We certainly want and expect immigration from different countries. The State was founded first and foremost to be a home for every Jew who needs and wants one. We are in dire need of numerical and intellectual enforcement. But while accepting basic assumptions for the development plan, we have chosen the number of two million people.

I trust that every one of you will read the details of the plans that have been prepared. I would like to touch on some of the highlights.

AGRICULTURE

Our country is a small one and its cultivated area is limited. Only through intensive development of the land will we be able to earn our livelihood. To supply food for one person it is necessary to cultivate nearly one dunam of irrigated land. Hence development is based on the enlargement of the irrigated area of the country during the next seven years to 1,850,000 dunams. We expect to establish 200 additional villages, and to expand many existing villages and citrus plantations, which will absorb some 42,000 additional families into agriculture.

In seven years we expect to reduce the net deficit in food supply for a population of two million people from 70 to 20 million dollars approximately. The investment necessary for the development of agriculture and irrigation as outlined in this program, including the beginning of the work on the countrywide conduit, \$ 201 million and IL. 422 million.

POWER

The plan for the development of electrical power in Israel envisages an increase from 180,000 kws. to 420,000 kws. of power production in 1957. Additional investment required for this purpose is 50 million dollars and IL. 29 million.

QUARRIES

The development of our natural resources in the Negev, is of vital importance. The additional investment needed for development of our natural resources in \$ 25 million and IL. 37 million.

INDUSTRY

The character of industry as a project subject to the investment of private capital makes it hard to draw up a detailed plan for a long term. Plans for the development of industry in the next two years will require close to \$ 50 million and IL. 80 million. For the period of the next seven years a sum of \$ 150 million and IL. 270 million will be the estimated investment needed in order to be able to build an industry which will exert a substantial influence on our balance of payments.

COMMUNICATIONS

In addition, we have to invest in the development of our sea and air communications, important dollar-savers and earners, in expanding our railways and buses, and in the development of our harbors and airports. The investment required for this purpose is \$ 125 million and IL. 50 million.

HOUSING

The closure of the Ma'abaroth and the satisfaction of the most urgent needs of the population living in slums and overcrowded dwellings, will require a Government investment of \$ 22 million and IL. 70 million, in addition to the participation of the tenants. We shall also have to invest in the development of the country's highways, including approach roads to agricultural villages and industrial areas, a sum of IL. 36 million.

INVESTMENT PLAN

In all, we shall need for 7 years a total sum of \$ 765 million and IL. 1,092 million, analysed as follows :

	<i>In million \$</i>	<i>In million IL.</i>
Agriculture	170	294
Irrigation	32	128
Industry	150	270
Power	50	29
Quarries	25	37
Housing	22	70
Road Construction	—	36
Communication	125	51
Reserve	191	177
	<hr/> 765	<hr/> 1,092
	100	100

EXPANSION OF EXPORTS

Should these sums be invested and invested *in time*, and I repeat *in time*, and should the branches of our economy develop as projected, what will be the affect on our balance of payments?

The export of agricultural produce, mainly citrus, is expected to increase to \$ 50 million annually. The added value of our industrial export including the export of minerals, is expected to increase to \$ 53 million. Invisible exports, namely, earnings of our ships and air-planes and of the development of the tourist industry, are estimated at about \$ 18 million. Thus, the total earnings from exports will amount to \$ 121 million.

NET DEFICIT IN 1960

The total need for imported consumption goods in 1960 is estimated at \$ 196 million. After deducting our estimated earnings from exports, the net deficit for consumption will decrease from 145 million dollars in 1954 to \$ 75 million in 1960.

We will thus reduce our deficit for consumption purposes by \$ 70 million within seven years, or by an average of \$ 10 million per annum. This, I believe, is a conservative estimate. It takes no account of the possibilities of discovering oil in Israel, the drilling work for which has already started. It does not yet include the fruits of all the investment made; for example the major part of the citrus groves planted will be in bearing only a couple of years later.

SUMMARY OF REQUIREMENTS

What, therefore, will be our requirements in foreign currency for the satisfaction of our consumption needs and for carrying out of the investment program indicated above in the next seven years?

For consumption we shall need a sum of \$ 735 million (let me remind you that the deficit will go down from \$ 145 million to \$ 75 million; on the average the deficit will be \$ 105 million; thus, in seven years, \$ 735 million). For investment a sum of \$ 765 million is needed. A sum of \$ 210 million, namely, \$ 30 million per year, must be allocated for payment of debts. The total is \$ 1,710 million in seven years.

SOURCES OF INCOME

While preparing plans—a couple of months ago—how these requirements in foreign currency could be met, the following sources of income were envisaged :

	\$ million
From German Reparations in 7 years	420
From private investments	230
From Grants-in-Aid in the next 2-3 years	185

For the remainder of \$ 875 million or \$ 125 million per year we will have to rely on World Jewish sources, and mainly on the Jews of the United States.

In 1952 we received \$ 72 million from the Grant-in-Aid of the U.S. Government. We do not yet know if and what may be expected for 1953/54, nor can we predict what may be expected in the next year or two after.

Addressing myself for the moment very largely to those from the United States, I would say that our hope is, that American Jewry, for a number of years to come, will put up \$ 125 million a year in *net* income for Israel. It may mean that these sources will have to raise more than \$ 125 million in order to meet their obligations, and finance their other activities outside Israel.

Last night we heard the Prime Minister say how unbending Israel would be when her sovereignty and self-respect were involved, no matter what difficulties might come to us as a result of it.

If we are placed in a position that because of our refusal to bow, *we stand to lose the ring*,—I speak for every man, woman and child of Israel,—we shall proudly accept this extra burden. I am furthermore convinced that, if such a situation should arise, world Jewry will not let us bear the brunt of it alone. You will surely share the burden with us and at least meet us half-way.

The sums appear big. However, we should not be so overwhelmed by the magnitude of our plans and the size of our figures that we lose sight of the daily, practical tasks that each of us can perform—leading to the achievement of the larger goal. It is important that we make every Jew realise that the part he plays is significant and that whether he is in the United States, in England or in the Argentine, his work, his money, his support are indispensable for the realisation of our aims.

125 MILLION DOLLARS

The minimum sum that will be required from World Jewry is \$ 125 million as compared with some \$ 90 million a year provided by the various Jewish channels last year. We are asking for an increased effort, to keep up the existing level and to increase it by some \$ 35 million *each year*.

Since United States Jewry is the chief source of income, I lay special stress on that country, although our friends from the many other countries represented here should know that we are no less appreciative of their fine work.

It is not my function to tell American Jewry how it may extend its aid, which is based on a voluntary assumption of responsibility. I can only state that we need more money through the United Jewish Appeal and more money through Bonds. It is, however, for you to determine that. May I be allowed to ask you to think in broader patterns, to take into account the political, security and economic situation with which you are becoming familiar during the course of this Conference. How can American Jewry raise its sights? How can it galvanise the remarkable forces within it? How can it mobilise to an even greater extent the superb moral and material support which, on so many critical occasions in the past, has been forthcoming?

As you do your thinking, may I encourage you to re-examine old ways and to explore new ones?

In September 1950 a conference was held here. It resulted in the adoption of a program involving the United Jewish Appeal, Israel Bonds, private investments and inter-governmental aid. Has experience proved this program wrong? Does it need to be revised, strengthened, or abandoned?

MAXIMUM SUPPORT TO U.J.A.

We have steadily urged upon Jews our hope that they would give maximum support to the United Jewish Appeal and maximum support to Israel Bonds. We felt then, we feel now, that these are two expressions of the same body and soul. They are both essential for our economy. They both express the Jewish realisation of a common will with Israel. The leaders of the United Jewish Appeal and of the Israel Bond organisation have given of themselves in exemplary measure. They have mobilised great resources. They have shown patience, skill and courage.

If we are to achieve our minimum objective of \$ 125 million as the Jewish share of the foreign currency budget, what possibilities exist for increasing the income of the United Jewish Appeal?

Without infringing upon your sovereign rights, but in order to help clarify some of the problems I ask: What measures can we take to increase the individual sense of responsibility to the United Jewish Appeal that more money will be given? In view of the fact that the United Jewish Appeal raises funds on the Jewish community chest principle, what help can we give to assist the United Jewish Appeal

to receive a larger portion of the funds that will enable it to provide a greater part of our foreign currency budget?

MAXIMUM SUPPORT TO ISRAEL BONDS

Let me now deal separately with one avenue of financial support with which the Government of Israel has a close relationship: it is the Israel Bond Issue. This is our means of raising investment capital for our development. It has provided us during the past two and a half years with a substantial supply of dollars and has laid the basis for a great part of our economic development activities. The Government is contemplating another Bond issue at the termination of this one. Is this a wise step in your judgment in the light of our experience? Should we abandon it? What should we set up to replace it if it is decided that it no longer has usefulness?

We, for our part, cannot visualise how we can seriously plan our development budget in the years ahead without some such income as has been forthcoming from the Israel Bond Issue. If it is to be continued, how can this activity be organised to provide a far more substantial sum of money?

We cannot compel any Jew abroad to do anything on our behalf. We can only express the hope that Jews abroad will be guided by our conception of what is in our best interest.

Our conception is: Give a maximum contribution to the United Jewish Appeal within your means and buy our Bonds to the largest extent that your capital resources permit. If you do *both* these things, you will be speeding up the development and the stability of our State.

PRIVATE INVESTMENTS

There is another sphere on which I would like to touch, namely, our need for the broad expansion of private investment. What sort of economy have we in this country? What are its fundamental characteristics? It is basically an economy of free enterprise and equal opportunity for everyone. In it everyone is free to use his creative initiative to build and develop. Every experiment resulting in the expansion of agriculture, industry, etc., is welcomed and supported by the Government.

It is our declared policy and ardent desire to encourage private investment from abroad. In the past we have done everything possible to spur on investment both by the "Law for Encouragement of Investments" and by setting up an Investment Center.

We feel that we have done and are doing much to encourage the serious investor. If it needs repetition, I should like to repeat: the Israel Government needs and wants a maximum number of private investors to come to our country and to share in its development. If there were a great influx of private capital, there would be an automatic expansion of our productive facilities and a shortening of our period of economic struggle.

But whenever and wherever the flow of private capital is not adequate, public funds have been called upon to fulfill the task of development. We can't afford to lose time. Thus a great part of the burden and much of the responsibility for the development of the country's natural resources, water, quarries, power, agriculture and even to a large extent its industry, will continue to fall upon the Government.

SHORT-TERM DEBTS

There is a last problem, already mentioned, that I should like to submit for discussion.

One of the gravest problems with which we are confronted is that of the burden of short-term indebtedness. These debts had to be incurred during the period of large-scale immigration when the influx of capital lagged so considerably behind the influx of population and the scope of assistance from abroad was insufficient.

Within a period of 12 months the maturities cover an amount of about 100 million dollars. The revolving of these debts causes an unproductive expenditure of millions of dollars in the form of open and concealed interest. Moreover, our order of priorities as well as our whole economic planning are detrimentally affected by these recurrent operations.

Our credit standing is suffering and the dangers inherent in such a situation must unduly absorb the energies and attention, which should be devoted to more creative purposes.

The short-term indebtedness resulting from Israel's readiness to take upon itself the great risk involved in the operation "rescue and salvation", which we successfully carried into effect, should rightly become the responsibility of Jewry as a whole.

A solution to this problem must be found shortly—and once and for all the danger which constantly hangs over us, of not being able to meet our commitments on time, must be removed.

CONCLUSION

In conclusion, I would like to ask :

How can we best achieve our objectives?

During my visit to the United States last May, I tried to see what could be done to improve our prospects there. I had a series of discussions with friends, together with several of my colleagues. I then proposed that all the forces working for Israel in America should work with collective responsibility. I felt that out of common counsel, joint planning and mutual action, could come the larger funds that we need to keep going and developing.

In the face of the mounting political and financial problems that loom ahead of us, we need more than ever before the understanding and the cooperation of the whole American Jewish community.

What is it that we ask? It is that the American Jewish leadership, which is so widely represented here, should develop a collective sense of responsibility for *all* the work on behalf of Israel. Each doing his own job performs a valuable service. All working together, with a common responsibility—I believe—can help us attain higher achievements.

I address myself to the men and women in this room :

To accomplish the work that needs to be done, we need a sharing of the planning and acting for Israel. We have in the United States two great instruments: the United Jewish Appeal and Israel Bonds. Each is vital to us. Each is led by people of devotion and vision. Is it not possible that their combined wisdom, their shared sense of responsibility for our work, would add that measure of help which we so desperately need?

If, out of this conference in Jerusalem, can emerge a spirit of unity, and a heightened sense of consecration, we in Israel shall indeed be fortified against all struggles.



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JERUSALEM CONFERENCE 1953

October 25, 1953

Dear Conference Guest :

Welcome to Israel and the Jerusalem Conference 1953. We are certain that your coming and your deliberations here will be of greatest importance to the future of Israel.

During the conference period — Sunday, October 25 through Friday, October 30, — you are the guest of the Government of Israel and all normal hotel charges will be assumed by the Conference Organizing Committee.

Meanwhile, the Conference Organizing Committee, along with everyone you will meet in Israel, is anxious to make your stay here the most enjoyable possible.

The best services that Jerusalem offers have been placed at the disposal of the Conference. But we must ask you to remember that Israel has not yet achieved a standard of hotel accommodations to which you are accustomed in your own country.

For example, owing to the unusually large number of delegates who have responded to the Israel Government's invitation to come to Jerusalem, it has not been possible to house all the delegates in the Conference Hotel. We have no doubt that you will discover other inconveniences — but we ask you to bear with them.

However — a word about the services that you will find available at the Conference :

You will find a Conference Information and Reception Desk at both the King David and Eden Hotels. They are there to serve you.

All meals will be provided Conference guests at the King David Hotel. Please consult the enclosed programme for the times of Conference meals.

You can exchange your currency or travelers checks at the cashier's desk in the lobby of the Conference Hotel.

About laundry :— express service can be secured at your hotel if you request it.

Transportation arrangements have been made under which Conference guests who are not staying at the Conference Hotel will be brought to and from their lodgings to the conference sessions. Please consult your hotel desk who will arrange transportation for you.

Telephone facilities to all parts of Israel are available to you free of charge. But please bear in mind that it sometimes takes a while to put through calls outside of Jerusalem.

Return transportation arrangements should be confirmed as early as possible at the Conference Transportation desk.

A special counselor will be glad to answer your questions about shopping in Jerusalem.

A special Women's Hospitality Committee has been set up to enable the wives of delegates to enjoy their stay here.

May we call your attention to the following enclosed items :

1. Your Conference Invitation — (Please carry it with you, and have it available for all Plenary and Executive Sessions.)
2. Conference Programme
3. Road map of Israel in Hebrew
4. Road map of Israel in English
5. Programme of Tours
6. Souvenir emblem of the Conference

Again, we express the hope that you will find your stay here an enjoyable and an inspiring one.

Cordially,

THE ORGANIZING COMMITTEE

FC/FILE
SPD

DECLARATION OF PRINCIPLES

Adopted Unanimously by Jerusalem Conference

October 29, 1953

Having assembled in Jerusalem at the invitation of the Prime Minister of Israel to consider the economic position of Israel in a critical hour for the State of Israel;

Having considered the reports presented to us on the course which Israel must follow to achieve its goal of economic independence;

Having been profoundly moved by the courage and determination of the people of Israel in pushing forward with their program for the absorption of immigrants and the building of a sound and democratic stronghold;

Heartened by the evidence at this Conference that Jewish communities throughout the world are unified in their furtherance of Israel's progress,

This Jerusalem Conference, keenly aware of the central role of American Jewry in the future development of Israel, calls for the fullest measure of devotion and service to the tasks of strengthening Israel's economic foundations. We further urge that a supreme effort be undertaken, in mutual cooperation and understanding, to meet the increased needs of Israel through the two principal channels of financial assistance—the United Jewish Appeal and State of Israel Bonds.

In view of the fact that the Government of Israel has emphasized the vital importance of the United Jewish Appeal and State of Israel Bonds to the upbuilding of Israel, and in view of the fact that the Finance Minister has presented an outline of needs and plans that require the raising of the sights of American Jewry in its generous support of Israel, we hereby call upon the Jews of the United States—

(1) To work for and give on an increased scale to an intensified United Jewish Appeal in order that the greatest amount of money possible be made available for Israel's upbuilding, for the colonization of the land, expansion of agricultural activity and the care, resettlement and absorption of Israel's immigrants;

(2) To support in the fullest measure the new issue of State of Israel Bonds, which have proved vital to the economic development of Israel, so that the progress already registered in agriculture, industry, irrigation, mining and transportation may be carried forward to speed the country's economic independence;

(3) And finally, recognizing the acute burden of short term indebtedness incurred by Israel as a result of the War of Independence and mass immigration, to make an urgent effort to consolidate these short term debts by seeking loans from American Jews to the end that Israel may be free to pursue a normal economic course.

Mindful of these responsibilities, aware of the great and historic work in which we are engaged, inspired by the achievements of the past and the opportunities of the future, we pledge ourselves to do all in our power to implement all phases of this program and summon all American Jews to dedicate themselves to its successful attainment.

FROM THE DESK OF

Mr. J. Edward Jonkon

Ret. to Jack
Krantz
Dallas

March 3, 1954

Dear Bernie:

I thought you would be interested in the enclosed analysis of the recent "Economic Conference" held in Israel at which some one hundred and fifty-five representatives from all over the world, including America, were present.

Sincerely yours,

[Handwritten signature]

IET:tb

Mr. Bernard Schanen
4701 Maron Drive
Dallas, Texas

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If you belong to a Reform temple, or one or more of a number of the usual philanthropic or "community relations" organizations of Jews in the United States, it is probable that "you" were in Jerusalem last October 25.

The occasion was the latest in a series of "Economic Conferences" where the chief participants were -- as in previous conferences of the same type -- members of the Israeli government, top Zionist officials, Israeli and American brands, and representatives of "American Jewry."

The 1953 version of this conference involved "over 150 representatives from nine countries . . . including heads of the American United Jewish Appeal and of the Independence Bond Drive -- all the Cabinet ministers, the Chief Rabbi, the Chief of Staff, and leaders of the Jewish Agency, were present," according to the Jewish Agency's Digest of Press and Events, for Nov. 6, 1953.

More specifically, among those listed by the same source as being present were the President of the Central Conference of American Rabbis; Colonel Jacob Arvey, Illinois political boss; the executive officers of Jewish community councils in a number of larger cities; Dr. Joseph Schwartz, Executive Vice-Chairman of the United Jewish Appeal; Mr. Edward M. Warburg, the general chairman of the UJA; and a number of rabbis serving local congregations.

The agenda for the conference, again judging by the reports in the same reliable source, ranged over an expanse of subject matter which, to the innocent, would appear to have little relationship to the "philanthropy" of the UJA, the original "coordinating" functions of "Jewish Community" Councils, the advancement of Reform Judaism or the spiritual welfare of local congregations in Milwaukee or New York.

Mr. Ben-Gurion gave a two-hour speech, reviewing the accomplishments of the State of Israel. There was a lecture "on security problems" of the State of Israel illustrated with "a large map of Israel and her neighbors to show clearly the potential dangers facing the country." The foreign Minister, Mr. Sharett, "discussed the political problems facing Israel now, her position in the Middle East, and ties with the world." Mr. Levi Eshkol, Finance Minister, gave a detailed resume of Israel's financial position, trade deficits, tourist income, dollar and sterling accounts and ended with a plea for \$125,000,000 annually, "from world Jewry." The Minister of Commerce and Industry, Mr. Peretz Bernstein, called for an increase of "private investment." He informed the conference that "the Government was seriously endeavoring to reduce controls as far as possible" to create a more hospitable climate for private capital investments.

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In addition, the Ministry of Finance had prepared for the Conference a very elaborate, highly specialized book of 227 pages, called "Data and Plans." Here are to be found the most minutely detailed statistics covering every phase of Israeli economy.

Under proper auspices, and within the proper terms of reference, there is nothing wrong with such a conference. For the Israeli governmental officials to review the state of their country's economy, its international relations and security problems with its own citizens is a perfectly normal procedure.

It is even conceivable that, for some very legitimate reasons, guests who are citizens of other nations, may be invited to such a full dress review of the problems of a country. Military, financial, technical specialists are frequently put at the disposal of friendly nations by other states of which the particular specialists are citizens.

But this is about the extent to which conferences may normally take place between a sovereign state and its own citizens or, more particularly, the citizens of other states. And a superficial examination of the list of Americans present at this elaborate briefing on Israeli problems, fails to reveal many names distinguished for expertness in the highly technical fields which supplied substance to the meetings. The persons listed above -- and others -- may have hidden talents, or the organizations they head may have concealed capabilities in the fields of establishing national fisheries, drilling the Negev for oil, balancing imports with exports, obtaining U. S. grants-in-aid, the maintenance of diplomatic relations between Israel and her Arab neighbors or analysis of the details of Israel's security problem. But in view of the absence of evidence of such talents, the innocent again must suspect that the groups of rabbis, "Jewish community leaders," and presidents of fraternal and welfare organizations in the United States, were invited and transported to this particular conference for some less obvious reasons.

An indication of what those reasons were may be found in some of the speeches delivered to the conference under the more or less technical categories of subjects listed by the Jewish Agency Digest's report of the agenda.

The former Prime Minister of the State of Israel, for example, according to the Digest, "stressed the unity of the Jewish people, in fighting for the State and in building it. In the name of the Government and the people he welcomed the Conference participants for coming 'to discuss ... matters of common Jewish concern.'" (my italics)

"This gathering is very significant of the historic partnership of world Jewry . . ." the Prime Minister is quoted as having said.

Further, he added, "It is sheer nonsense to think of a Jewish State without Jerusalem. King David made it the capital 3000 years ago. No Jew can undo now what he did then."

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The Prime Minister added, according to the same reliable source, that "The Israel Defense Forces . . . did not disappoint the Jewish people in 1948 and will not disappoint them should we be attacked." (*my italics*)

Mr. Eshkol, after listing the reasons why Israel would have a deficit of \$270,000,000 for 1953-54, gave these American Rabbis, presidents of social service agencies and philanthropies another reason for having been invited. Faced with the possibility of increasing tensions between Israel and an American foreign policy of "impartiality" in the area, Mr. Eshkol said, "Regarding the grant-in-aid. . . should the people of Israel lose this support we shall proudly accept this extra burden." That this was no editorial "we" was made clear immediately, when the Israeli Finance Minister added the hope that "world Jewry would help bear the brunt of the load. . ." by "maximum contribution to the UJA and a buying of Bonds to the limit of capital resources."

"If, out of this conference in Jerusalem," he concluded, "a spirit of unity and a heightened sense of consecration can emerge, we in Israel shall indeed be fortified against all struggles."

So the reason why private American citizens -- among private citizens of other countries -- were invited to a full dress technical review of Israel's internal and external problems begins to emerge. These people were there because they were Jews; and because the fundamental purpose of this conference was to deal with these problems of the Israeli State on a basis of "unity" and "partnership." The purpose of the Conference was to give the Israeli governmental officials an opportunity to say that all Jews had been proud of Israel's Defense Forces in the past and would be proud of them in the future. Ergo, the Israeli State was entitled to the help of all Jews in supporting an economy heavily burdened by the necessity of maintaining a large military establishment. The purpose of the Conference was to inform all Jews that Jerusalem was a part of the State of Israel because of Old Testament history; to link the three-thousand-year history of the Judaism which evolved from the Old Testament to the Israeli defiance of the United Nations' 1947 resolution for internationalizing Jerusalem.

Having been so briefed by Israeli experts, it might have been expected that one of these Americans, paid by, or serving organizations financed by, tax-deductible American dollars, would have said something to this effect:

"Mr. Prime Minister of Israel, or Mr. Finance Minister of Israel, or Mr. Foreign Minister of Israel, you have embarrassed us, as Americans. You have asked us here to share information which should properly be the concern of Israelis. In telling us your national troubles, you have assumed we are members of a national partnership with you. From that basic assumption you have told us that your state intends to pursue policies in the future, or adhere to policies already pursued, which may be contrary to the policies of our Government. Now that is a perfectly justifiable position for you to take as the responsible leaders of a sovereign state. But it is hardly in good taste to ask us -- Americans -- to come here and to be part of a Conference where such decisions are announced.

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"Above all, it is hardly proper for you to inform this Conference, to which you have invited us, that you hope we will help 'bear the brunt' of any unforeseen, additional deficit that you may incur by reason of any decreased grant-in-aid from our country and because of an increasingly strained relationship between your country and ours. We do not believe it is in good taste for you to have invited us here and to complain to us -- Americans -- that our country demanded of you that you abide by the U.N. before additional aid was released to you. We respect these opinions, as yours; as Israelis. But, in all politeness and in deference to your responsibilities to your people, we ask your leave to withdraw from this Conference since we also respect the responsibilities of our Government to the American people, of which we are integrally and inseparably a part."

Somewhere in the proceedings, it might be imagined one of these representatives of American institutions might have made such a firm but polite statement. Patriotic emotions, pride, respect for the heavy burdens of the United States in all parts of the world -- all these might seem to have impelled one or more of the American delegates to some such response. At the very least, the simple obligation of adhering to the purposes of the charters of the various organizations they head might have indicated their withdrawal from a discussion which assumed that the national problems of Israel are the organizational problems of American philanthropies, synagogues, rabbinical associations, "community councils," and welfare organizations.

For most American Jews who belong to one or more institutions of organizations of this kind are under the impression they are not involved nationally in the affairs of any nation but the United States of America. They do not suspect that if they belong to a synagogue, the Baltimore or Philadelphia or Detroit Jewish community council or contribute to the UJA or their local welfare federation, they are vicariously in Jerusalem, being briefed on Israeli problems of diplomacy, finance, industry and military logistics.

If you belong to American organizations in any of these categories, the likelihood is, to paraphrase the name of a popular television program, "you were there." You were in Jerusalem. These observations of these Israeli officials were directed at you. You were assumed to be a member of the partnership. It was taken for granted that your pride was a matter of consideration to the Israeli Defense Forces; that your Judaism justified the Israeli occupation of Jerusalem; that the Israeli bitterness at American "impartiality" in the Middle East, is your bitterness.

But the rabbis, officers or directors of your organizations, did not, in any reported moment, stand up with a disclaimer for you. None of them, insofar as the record reveals, politely asked to be excused out of regard for your Judaism or your emotions or attachments to the dignity and sovereignty of your citizenship in a State, foreign to these Israelis.

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Looking further, you did not even remain silent. "You" were spoken for -- glowingly, obsequiously, uncritically.

Dr. Joseph Schwartz, for example, Executive Vice-Chairman of the United Jewish Appeal expressed his and -- if you are a UJA contributor -- your gratitude for being invited to this Conference.

Hear Mr. Schwartz -- no internal revenue officer for the State of Israel, but the paid officer of an American institution presumably serving philanthropic purposes which entitle its contributors to deduct their gifts when they compute their American income tax.

"It is going to be difficult to provide the Ministry of Finance with the amount of money required. I think he said 125 million dollars. Somebody else said 135 million dollars. I am sure it doesn't make any difference because Mr. Eshkol could use 135 just as well as 125. Whatever the figure is, it is not going to be easy to raise it.

"The Prime Minister said last night that this is a partnership, a long-term partnership. This is a partnership that will require a generation or two generations, or even more, and at the same time we are asking people to give more money. There is a contradiction in those two propositions because remember that when we raised our maximum amounts of money in those glorious campaigns of 1946 and 1947 and 1948, we did so to a very large extent on a 'one-time emergency' basis. In 1948 we told the people 'this is a one-time campaign.' Now we are trying to tell the people: 'You have to continue giving money during your lifetime and the lifetime of your sons. At the same time you must give more.'

"When an individual takes on a permanent obligation, he is likely not to give more one year than the second year.

". . . I came here to listen and to learn. What have we learned? That we must have an enlarged UJA for 1954, which will raise more money than in 1953. We have learned there will be a Bond Issue in 1954. I hope everybody here is determined to raise more money than in 1953 and to support the new effort to remove the burden of the short-time indebtedness from Israel.

"We have to take the UJA for 1954 for granted, the Bond Issue for 1954 for granted, determine to make them both as successful as possible, and to devote our thoughts and our work from now on to the question: How can we set up the kind of machinery and the kind of approach to solve this problem of short-term indebtedness?"

"For me this has been a very rewarding conference. I do not think any Jew from the USA, or any other country, can have any regrets for having come here. It is not just a bus trip. Not everybody can stay here. You have had a high level of discussions. You have heard from the Prime Minister, the Minister of Foreign Affairs, the Minister of Finance, the Minister of Commerce and Industry, and others, some interesting and important things, so necessary for us to know to be able to carry out constructively the tasks lying before us in 1954.

". . .The overwhelming majority of people in the United States share the determination to carry on this work to help Israel in every way possible, not because there is an emergency today, but because we mean to measure up to the situation. We shall not let Israel down.

"It seems to me the preponderance of Jewish sentiment in the United States, with a few exceptions which we do not have to take into account, believes that the most important thing in Jewish life today is the preservation of this Jewish State, built with so much toil, devotion and sacrifice."

Or take Mr. Henry Montor. Mr. Montor is the vice-president of a private corporation established to market Israeli Bonds in the United States. This is a perfectly legitimate procedure, as far as it goes. But Mr. Montor, in Jerusalem for this Conference, did not speak as the Vice-President of the American Financial and Development Corporation for Israel. He spoke publicly, in the record, as follows:

"I imagine that in years to come ... this will be known as the Unity Conference of American, and perhaps of world, Jewry.

". . . All of us feel that tradition and present realities compel us to unite in a sacred union in defense of the stability and the independence of the State of Israel. Everyone here has subordinated himself, his interests, his differences in the recognition that Israel demands of each of us a loyalty greater than the one we have had to ourselves or to our ideas.

"Above all, I think the press and the people of Israel need to realize that the devotion, the money, even the dreams of American Jewry have been intertwined with the people of this State. They feel this State is endangered and they have rallied -- they have closed ranks, they stand shoulder to shoulder to see that this danger shall be averted. We plan to act as the Roman Phalanx -- our shields together and wherever arrows fall, they shall fall not upon Israel alone, but upon all of us outside of Israel as well.

". . . We have now closed a partnership for a lifetime. This is not for a year -- this is not for seven years. This understanding of our mutual obligations -- we to Israel and Israel to us -- is, for us, as long as we as a collective group live together. That has been one of the principal achievements of this conference and second only to the attainment of the ideal of all Jewish community life -- unity.

". . . The selflessness that has been displayed at this conference by those who have attended it, the leadership that has been given it in matchless form by those who represent the American Jewish community, represent one of the greatest days in the history of the American and the Israel Jewish communities."

There was a third American who, according to reports, also spoke at length. He too might have politely withdrawn from the Conference after voicing a firm delineation of the proprieties. But we would expect it least of him, for he is the paid executive officer of the Jewish Agency, a registered foreign agent. He is present at the meetings of many organizations of American Jews and is frequently in collaboration with representatives of that group known as "non-Zionists." He is Mr. Nahum Goldmann.

You were there again, according to Mr. Goldmann, unless you have taken steps to disclaim Mr. Goldmann publicly and to separate yourself from him publicly. For he said:

" . . . in reality the major political problems are far from a solution, and, I am afraid, will remain so for some time to come All of us who have worked for the establishment of the Jewish State must be ready even on the political scene to mobilize our strength and our influence to enable Israel to solve its political problems. There may be many more crises to come and Israel will require the full support of the Jewish Communities of the world in these crises. In this respect this momentary crisis, with all its negative aspects, may also have a salutary effect in awakening the people of Israel and the Jews all over the world to face the reality that it will require years of supreme effort, great wisdom, statesmanship and courage until Israel is politically consolidated, has achieved real peace with the Arab world, and is integrated on the basis of full equality and sovereignty as a member of the family of nations in this part of the world.

"There was a time when our campaigns were run under the naive slogans: 'This is the year,' or 'One more year's effort and the job is done.' These were dangerous slogans, shortsighted and bound to boomerang. It is good that finally we have to begin to learn the truth that the consolidation of a new state is a long process which requires more patience, standing power and stubbornness than the heroic effort of the establishment of the state. And therefore it was essential that plans for many years ahead were submitted to this conference. Nobody can say if it will take 5 years or 7 years till Israel is politically and economically solidly established. And it is most gratifying to be able to state that this conference showed that we can take the truth and not get frightened. The main message which must come out from this conference to the Jewish people everywhere must be that the task of seeing Israel through and helping it to solve its inevitable initial problems is a task at least for our generation and maybe for the following generation too.

" . . . The Prime Minister's opening address was based on the fundamental idea of the partnership between the Jewish people and Israel. This conference accepted this idea. And I am sure Israel will accept it too. . . Without this partnership the task of consolidation of Israel will not be fulfilled. Without the Jewish people behind it, the 650,000 Jews in Palestine would not have proclaimed and established the Jewish State. Without the Jewish people backing it, the nearly 1,500,000 people in Israel today will not overcome their difficulties. This partnership can only be fulfilled by a sense of the partnership of both parts of the Jewish people. But this partnership . . . involves understanding and obligations for both partners. For Jews outside it means a relation to Israel which is more than philanthropy, more than charity, more than the generous readiness to help suffering Jews. It means solidarity and common responsibility. It means the taking in of Israel as a part of our life, both collectively as Jewish communities and individually. For everyone of us it means the realization that the prestige and the dignity, the moral and the intellectual position of the Jewish people stands and falls with the future and destiny of Israel.

"But partnership. . . can't only mean the attitude of asking and demanding, of claiming and accepting things. It means solidarity and joint responsibility of Israel with regard to the vital Jewish interests and needs of the Jewish people as a whole. It means for Israel to keep always in mind the feelings and opinion of the Jews outside of Israel. In every great decision Israel cannot just act solely from the point of view of its own interest, but has to keep in mind the well-being and the position of the Jewish people as a whole. The methods of this partnership have not been worked out. . . but the essential thing is to develop and strengthen the spirit of such partnership, both outside of Israel and in Israel itself."

Now it must be admitted that no one can speak more clearly or plainly or candidly than these men. And American Jews have the responsibility now of answering some candid questions:

Were Mr. Schwartz, Mr. Goldmann and Mr. Montor speaking for you when they admitted they have been wrong in the past; that the campaigns for "emergencies" were ill-advised; that Jews are in for a pull that may last as long as a generation?

Were they speaking for you when they admitted they should not have rushed to the American people in 1948 with easy and assuring cliches that Israel, now a sovereign state, would fight its own, political battles?

Were they speaking for you when they admitted it to be a basic fallacy that there could never be a conflict of interests between the United States and Israel?

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Were they speaking for you when they admitted that the attachment of American Jews they seek to foster with Israel -- the "partnership" to which they all referred -- is not alone "sentimental" or "charitable" or "philanthropic"?

Were they speaking for you when they admitted even more trouble is to come?

Were they speaking for you when they admitted that the United Jewish Appeal is now planning its 1954 campaign to put money into the Israeli treasury in order to help re-finance 275,000,000 of short-term Israeli debts?

Were they speaking for you when they admitted there was no practical difference between Zionism and non-Zionism?

They admitted all of these things -- freely, gleefully. They made their miscalculations appear as virtues and their misrepresentations, five and six years ago, of the nature of "Jewish" nationalism, look like exhilarating prophecies. But no one can indict them for concealing any of the facts -- or the implications of the facts.

If they did speak for you, they should know of your approval of their candor. And if they did not speak for you, they should know that too: For they are proceeding with the next "partnership" enterprise; the next step is to implement the Jerusalem conference program.

According to the Jewish Telegraphic Agency Daily News Bulletin for January 11, 1954, "a decision was reached to convene a three day National Planning Conference in Washington, D. C. on Friday, March 26, to initiate a program of mobilizing Jewish communities to participate fully in the economic expansion of Israel." (my italics)

Once again, American Jews are served with candid notice that through the "front" device of the "Jewish Community" -- "you will be there," at this National Planning Conference.

The Jerusalem Conference, apparently, was simply to set the stage. It was simply to import "Jews" to Israel, in return for which the national planners for Israel will now, at a conference in our nation's capital, presumably import Israeli nationalism into the United States in a direct play for a solid front of American Jews mobilized behind the national needs of Israel.

It is no secret why Washington is to be the scene of this demonstration of the "partnership" in "Jewish" nationalism between the Israeli government and private organizations of American Jews. There were abundant references, in the Jerusalem Conference, to the increased need of Israel for "political" support from American Jews, in view of the increasing gulf between the national interests of the United States and Israel. And Congress will be in session, in March. The eyes and ears of America will be centered on Washington. 1954 is an election year.

The likelihood, unless you do something about it, is that "you will be there"-- represented in a "National Planning Conference" for Israel right on the doorstep of your Congressman and Senator who will be conscious of the fact that in November he may be running for re-election.

Little more need be said. There has rarely been so well coordinated, a "front" as the one displayed for 1954, beginning with this Jerusalem Conference in October of 1953.

"Fronts" can "get away with it" only so long as the people they represent remain uninformed, passive and confused. But there is no excuse for those Americans who are members of the organizations represented in Jerusalem last October to continue to be uninformed, passive or confused. The purposes of the 1954 model of the "Jewish" nationalist front were clearly and candidly explained there, in detail.

You were there. Few American Jews have done anything, as of this writing, to puncture the illusion of the solidarity of the "partnership" advertised at the Jerusalem Conference. They will have another opportunity between now and March 26.

Each American Jew must do everything possible, to the limits of his influence and ability, to make it clear to the leaders of any organization to which he belongs, that unless that organization is chartered for supporting and consolidating the economy and politics of the Israeli state, it should stay out of the National Planning Conference in Washington.

If this is done, it will be clear that no Jew, no organization of Jews and no "front" of many organizations of Jews can speak for all American Jews. And if organizations conceived, founded and chartered for entirely different purposes are restrained, by alert members, from becoming part of this "partnership" front, the Israeli National Planning Conference, scheduled to convene on March 26, will appear for what it should really be, a group of private American citizens who are satisfied to sit under the direction and guidance of a foreign agent to plan for the welfare of a foreign state.

There is nothing wrong with such a meeting, if all Americans know that it is the instrumentality of a foreign agent; if those who participate in it are satisfied to act in that capacity and have it known that they are acting in that capacity. But then the status of Jews and Judaism in the United States of America will be separate from, and not dependent upon, the economic, security, military and diplomatic destiny of a foreign state.

It is for each American of Jewish faith to determine whether or not, after the proposed Washington meeting, the Congress, the Executive branch, the press, public opinion makers of the United States of America will be able to say to him "you were there," and to hold him responsible for the decisions made at such a meeting.

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EMBASSY OF ISRAEL
WASHINGTON, D. C.

שגרירות ישראל
ושינגטון

AE/1387

December 10, 1953

Dear Dr. Schwartz:

I have been asked by Mr. David Ben-Gurion to convey to you the following personal message:

"I wish to express to you once again my thanks for your participation in the Jerusalem Conference 1953.

"The alacrity with which you - and the other leaders - accepted my invitation and came to hear the reports on the progress made in Israel in the past five years and the plans for the future, also the spirit of sympathetic understanding that you and your friends evinced for the problems of Israel, are encouraging evidence, if such evidence were necessary, of the solidarity of purpose between Jews abroad and the people of Israel.

"I hope you will agree that the Government of Israel and the Executive of the Jewish Agency did their best to place before the Conference all the relevant facts and considerations so as to enable all participants to arrive at a sober evaluation of the position. For our part we certainly took care not to gloss over our difficulties but tried to take the Conference fully into our confidence and present it with a true picture of the situation and prospects, in all their lights and shades.

"My colleagues and I, and indeed the people of Israel as a whole, were heartened in particular by the unity of purpose and the strength of determination revealed in the Declaration made by the Conference.

"I feel convinced that you came away from the Conference enriched by first-hand knowledge of the manifold problems with which the Government of Israel is trying to grapple, determined to do your utmost to assist Israel in her trials and endeavours, and reinvigorated in your faith in the ultimate triumph of our joint efforts."

Yours sincerely,

Abba Eban

Abba Eban

Dr. Joseph Schwartz
165 West 46th Street
New York, N.Y.



CONSULATE GENERAL OF ISRAEL
11 East 70th Street
New York 21, New York

Trafalgar 9-7600

קונסוליה כללית
של ישראל

October 8, 1953

Mr. Joseph Schwartz
United Jewish Appeal
165 W. 46th St.
New York, N. Y.

Dear Mr. Schwartz:

Supplementing Ambassador Eban's letter to you of October 7 regarding the Conference in Jerusalem which is to be held from Sunday evening, October 25 through Friday, October 30, it is my pleasure to advise you that you will be the guest of the Government of Israel for the duration of the Conference. The tentative program for the Conference, as set up at present, is as follows:

Sunday evening - formal opening of the Conference in Jerusalem
Monday and Tuesday - conducted tour of the country
Wednesday, Thursday and Friday morning - full schedule of meetings in Jerusalem
Friday afternoon - visit to Dr. Weizmann's gravesite in Rehovoth on the first anniversary of his death

The Consulate will be very glad to assist you in making all necessary arrangements. In this regard I would like to send you the following pertinent information:

1. Passports - If you do not have a valid passport, please apply for a new passport or a renewal of your old one immediately and let me know that you have done so. If you have a passport which was issued between two and four years ago, it must be renewed; if it was issued more than four years ago, you must apply for a new one.

Application for a passport may be made at special passport offices of the State Department in Washington, New York, Chicago, Boston and New Orleans or at any U.S. District or Circuit Court. The filled in application should be presented IN PERSON, along with proof of citizenship (birth certificate or naturalization papers), two pictures which are 2½" square and a fee of \$10. If application is made at a U.S. Court the fee is \$3 in the form of a money order made out to the U.S. Secretary of State. When applying for the passport you should be accompanied by a witness who is an American citizen, over 21 years of age, who has known you more than two years.

A request for renewal of your passport must be accompanied by an application and a fee of \$5.

2. Israel Visa - As soon as you have your passport, please send it to me by registered airmail so that I can enter a free Israel courtesy visa in it. Please address the envelope to Mr. Reuven Dafni, Consul of Israel, 11 East 70th Street, New York, N.Y. Your passport will be returned to you by registered airmail within 24 hours of receipt.

3. Vaccination - Both Israel and the United States require that you have a doctor's certificate, issued within the last three years, indicating that you have been successfully inoculated against smallpox. Be sure to have this certificate with you at all times.

4. Clothes - Since fall weather in Israel is as unpredictable as it is in the United States, I would suggest that you be prepared for both the rainy cold season which may have begun by October 25th and warm, sunny weather. In packing, it would be wise to keep in mind the weight limit on baggage of 44 pounds on tourist planes and 66 pounds on first class planes. It is, of course, possible to pay for overweight on baggage. However, since no formal occasions are being planned, it is suggested that clothes be as simple as possible. A raincoat, a sweater or light jacket, walking shoes and sunglasses are suggested "musts".

In view of the possible inconveniences which may be encountered on the two day trip through the country, away from the major cities, you may want to take along a hand towel, soap, tissues and all your toilet articles as well as a pencil size flashlight. If you are taking your camera, please remember to bring an adequate supply of film. You may also want to bring your particular brand of cigarettes. The limit allowed for each visitor is 200 cigarettes (one carton).

5. Hotel accommodations - For the duration of the Conference you will be the guest of the Government of Israel and every effort will be made to provide for your comfort. However, I would like to remind you that accommodations are still limited in Israel and it is not always possible to obtain hotel rooms with private baths.

6. Transportation - If you are interested in making the trip in as short a period of time as possible, I would like to advise you that El Al is arranging a through-flight, leaving New York on Friday, October 23 at 6:00 p.m., arriving in Israel Sunday, October 25 at 9:30 a.m., with no stop-overs in Europe. El Al will also have a plane leaving Israel immediately after the Conference on Friday, October 30, arriving in New York Sunday, November 1.

All other airlines, with the exception of KLM, carry only tourist flights into Israel from Europe. Attached is a schedule of a number of departure and arrival times for the week prior to the Conference. The round-trip fare for an all first class flight to Israel from New York is \$1,164.60; for an all tourist flight, \$842.80; for first class to Europe and tourist from Europe to Israel, \$1,058.80.

A member of our staff is being specially assigned to handle transportation arrangements and problems. If you have any questions, please telephone Trafalgar 9-7600, extension 101, and Mrs. LaCalamita will be very glad to help you.

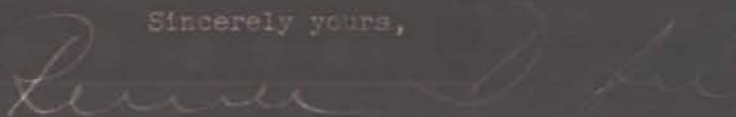
You can, of course, make travel arrangements through your own travel agent. In that event, it is necessary that we know the exact time of your arrival so that we can arrange for your hotel accommodations in Israel and meet you at the airport.

Since the tentative program for the Conference allows for only two days of conducted tour through the country, you may want to remain in Israel after October 30 to see it more thoroughly. In that event we will be very glad to arrange for your continued stay. A transportation office will be set up during the Conference to help you with your return trip arrangements.

Because the time remaining before the Conference is so short, it is very important that we have the information requested on the attached questionnaire as quickly as possible. Will you, therefore, give us your full cooperation and return it to us immediately, by special delivery and airmail, if necessary. If you are enclosing your passport, be sure to register the envelope with the post office.

If there are any additional questions or suggestions that you have, please do not hesitate to contact me or my office.

Sincerely yours,



Reuven Dafni
Consul

HD:rt

FOR PARTICIPANTS IN THE JERUSALEM CONFERENCE - October 25 - 30, 1953

In order to enable us to help you in your arrangements, please return this questionnaire IMMEDIATELY by special delivery, airmail (if necessary) to Mr. Reuven Dafni, Consul of Israel, 11 East 70th Street, New York, N.Y.

Name.....

Home Address.....

Business Address.....

Home Telephone.....

Business Telephone.....

Accompanied by.....

If your passport is not valid, when do you expect to receive the renewal?.....

If you have no passport, when do you expect to receive it?.....

If you have a valid passport now, please enclose with this questionnaire for a free Israel courtesy visa to be entered. It will be returned to you by registered mail within 24 hours of receipt. If you are enclosing your passport, BE SURE TO SEND IT BY REGISTERED MAIL.....

Do you wish us to make flight reservations for you?.....

Shall we reserve a place for you on the El Al through-flight leaving New York

October 23?.....

If you prefer another airline, please see attached schedule and indicate date and flight you desire.....

Please check type of flight accommodation you desire:

First class all the way (\$1,164.60).....

Tourist accommodation all the way (\$842.80).....

First class to Europe, tourist from Europe to Israel (\$1,058.80).....

If you are making your own transportation arrangements, what is the date, airline and flight number of your arrival in Lydda? (Please note that the opening session of the Conference will take place Sunday evening, October 25)

.....

Do you wish to remain in Israel after the Conference? Yes.....No.....

If so, how long?.....

Have you ever visited Israel before? Yes.....No.....

SUGGESTED FLIGHT SCHEDULES

Other schedules are available and you may consult our
Transportation Department about them (TRafalgar 9-7600 Ext. 101)

El Al Through Flight: Leave: Idlewild 10/23 Fri. 6:00 pm EST
Arrive: Tel Aviv 10/25 Sun. 9:30 am

Leave: Idlewild 10/23 Fri. 6:00 pm EST Pan American Airlines #114
Arrive: Rome 10/24 Sat. 6:45 pm (First Class)
Leave: Rome 10/25 Sun. 1:00 am LAI #434 (Italian Airlines)
Arrive: Tel Aviv 10/25 Sun. 8:10 am (Tourist)

Leave: Idlewild 10/23 Fri. 12:00 m. EST Pan American Airlines #062
Arrive: Rome 10/24 Sat. 1:55 pm (Tourist)
Leave: Rome 10/25 Sun. 1:00 am LAI #434 (Italian Airlines)
Arrive: Tel Aviv 10/25 Sun. 8:10 am (Tourist)

Leave: Idlewild 10/21 Wed. 5:00 pm EST Air France #046
Arrive: Paris 10/22 Thurs. 11:00 am (First Class)
Leave: Paris 10/22 Thurs. 10:15 pm El Al #216
Arrive: Tel Aviv 10/23 Fri. 11:20 am (Tourist)

Leave: Idlewild 10/20 Tues. 2:00 pm EST KLM #632
Arrive: Amsterdam 10/21 Wed. 9:15 am (First Class) and (Tourist)
Leave: Amsterdam 10/21 Wed. 11:00 am KLM #285
Arrive: Tel Aviv 10/21 Wed. 9:45 pm (First Class) and (Tourist)

Leave: Idlewild 10/19 Mon. 12:30 pm EST Trans World Airlines #920
Arrive: Paris 10/20 Tues. 10:20 am (First Class)
Leave: Paris 10/20 Tues. 8:00 pm Trans World Airlines #922
Arrive: Tel Aviv 10/21 Wed. 8:35 am (Tourist)

Leave: Idlewild 10/19 Mon. 3:00 pm EST BOAC #524
Arrive: London 10/20 Tues. 9:15 am (Tourist)
Leave: London 10/20 Tues. 2:00 pm BOAC #316
Arrive: Tel Aviv 10/21 Wed. 6:25 am (Tourist)

DECLARATION OF JERUSALEM CONFERENCE

Adopted at Jerusalem, October 29, 1953

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Having assembled in Jerusalem at the invitation of the Prime Minister of Israel to consider the economic position of Israel in a critical hour for the State of Israel;

Having considered the reports presented to us on the course which Israel must follow to achieve its goal of economic independence;

Having been profoundly moved by the courage and determination of the people of Israel in pushing forward with their program for the absorption of immigrants and the building of a sound and democratic stronghold; and

Heartened by the evidence at this conference that Jewish communities throughout the world are unified in their furtherance of Israel's progress,

This Jerusalem Conference, keenly aware of the central role of American Jewry in the future development of Israel, calls for the fullest measure of devotion and service to the tasks of strengthening Israel's economic foundations. We further urge that a supreme effort be undertaken, in mutual cooperation and understanding, to meet the increased needs of Israel through the two principal channels of financial assistance -- the United Jewish Appeal and State of Israel Bonds.

In view of the fact that the Government of Israel has emphasized the vital importance of the United Jewish Appeal and State of Israel Bonds to the upbuilding of Israel, and in view of the fact that the Finance Minister has presented an outline of needs and plans that require the raising of the sights of American Jewry in its generous support of Israel, we hereby call upon the Jews of the United States;

(1) To work for and give on an increased scale to an intensified United Jewish Appeal in order that the greatest amount of money possible be made available for Israel's upbuilding, for the colonization of the land, expansion of agricultural activity and the care, resettlement and absorption of Israel's immigrants;

(2) To support in the fullest measure the new issue of State of Israel Bonds, which have proved vital to the economic development of Israel, so that the progress already registered in agriculture, industry, irrigation, mining and transportation may be carried forward to speed the country's economic independence;

(3) And, finally, recognizing the acute burden of short-term indebtedness incurred by Israel as a result of the War of Independence and mass immigration, to make an urgent effort to consolidate these short-term debts by seeking loans from American Jews to the end that Israel may be free to pursue a normal economic course.

Mindful of these responsibilities, aware of the great and historic work in which we are engaged, inspired by the achievements of the past and the opportunities of the future, we pledge ourselves to do all in our power to implement all phases of this program and summon all American Jews to dedicate themselves to its successful attainment.

JERUSALEM CONFERENCE 1953

Address by: Dr. Joseph J. Schwartz
Executive Vice Chairman
United Jewish Appeal

Morning Session
October 27th, 1953

Mr. Prime Minister, members of the Government and dear friends. Some time during the course of today's discussions but not for very long it seemed to me that last night we heard the Prime Minister say several times what we all knew, that the Jews are a difficult people, and today it seems to me that we are trying to prove it. I think we are difficult and we also are so carried away at times by the subject matter that we are discussing, that we tend to over-paint and exaggerate the actual situation.

For example, you have heard a lot of talk today about unity. I do not know any Jew in America who is against unity. Everybody is for unity, but sitting here and listening to the discussions you would get a picture of the United States and of the Jewish community of the United States as a community that is torn by conflict, by all kinds of dissensions and divisions; that people don't talk to each other; that the feeling that exists between groups is really so terrible that we have no community - we only have a group of warring factions. In the light of these descriptions I am not at all surprised that Dr. Keyserling said that as an American Jew he bows his head in shame. If that were really the picture of the Jewish life in the United States I, too, would be ashamed.

But I must say that the picture that has been presented, Mr. Prime Minister, is not only an exaggeration, it is a distortion. I think we have achieved a degree of unity in the Jewish community of the United States which is remarkable. That doesn't mean that we don't have differences of opinion. That doesn't mean that we don't have different approaches and thoughts and views on various problems that come before us. But basically and fundamentally we have more unity than some dream of, and while I do not pretend to speak for the five and one-half million Jews in the United States, I would say to you that the vast, vast majority of the Jews in the United States are at one in their devotion to Israel, and in their feeling for Israel, and in their desire to do everything within their power to assure the existence, the growth, the development, the stabilization of the Jewish State.

Dr. J. Schwartz (contd)

Sam Rothberg has said, and quite correctly, that he is a person who has worked and worked valiantly both for the United Jewish appeal and for Bonds.

I say to you that Sam Rothberg is one of an army of people who have worked, and are working, for both causes, in many instances day and night and every day in the week.

Who are the people who work for Bonds? If you examine the list you will find, with perhaps few exceptions, that they are the same people, by and large, who work for the United Jewish appeal. Who are the people who work for the UJA? They are the same people who are the most devoted workers in the Bond. It is not true that there is this split in the Jewish Community. It is not true that just because you have a Bond organization and a UJA that the Jewish community is torn apart. That is a fiction. In the last few days, Henry Montor gave an interview to the press in Israel, and he said that there is complete harmony between the UJA and the Bond organization. I have made that statement on a number of occasions. It is unfortunate that the more statements that Henry and I make about harmony, the more people think about disunity and perhaps that is a reflection on both of us.

There is, as the Prime Minister and the Minister of Finance told us, a necessity for mobilizing the greatest amount of cash that we can, for the development of Israel. Mr. Ashkol set the figure for the United States at \$125 million. I contend that the way to get the maximum amount of money to be raised in the United States is not through some organizational "gimmick" and not through some structural changes. It may very well be, and this is the opinion of a lot of people, that a change in the structure of our organizations as we have them in the United States will result not in more money for Israel, but in less money for Israel. There is a solid body of opinion to this effect among the Jews of the United States. You may agree or disagree with these people that you cannot mix philanthropy with investment; that the two things must be kept apart. But if you have difficulty because one salesman shows you a child in need and another shows you another thriving country, how much more difficulty will you

Dr. J. Schwartz (contd)

have when the same salesman will have to show you both sides of the coin?

There are many, many people who are of the opinion, and it is an opinion I think that should be taken into account, that a change in organizational structure will result in less, rather than more, money for Israel. After all what is basically what we are interested in? I believe it is the maximum amount of our capacity and our ability so that the \$125 million that the Minister of Finance told us represents his minimum need.

Now there is another thing that I would like to mention if only in passing and that is the subject of the welfare fund that has been mentioned here. It is true that most American Jewish Communities are organized on a Welfare Fund basis. In other words, you have one campaign for local needs, for national needs, for overseas needs, and in that way you avoid the duplication about which some of the speakers justifiably complain.

I submit that we ought to think very, very carefully before we take a step that will mean the severance of appeals for Israel, whether through the UJA or through another medium, or through welfare fund campaigns. It seems to me that from the point of view of achieving the maximum unity in the American Jewish Community, it is a questionable procedure to divide Jews into those who are interested in local institutions and those who are interested in Israel. We are all interested in both. We want a sound, healthy, strong American Jewish community, we want to see Israel built on solid foundations, and we want to see the day when Israel will achieve true economic independence. It is not a light matter for us to presume to decide at a meeting of this kind, important as it is, that our organizations are going to divorce themselves from the welfare funds, and I think that that is something to which we ought to give very serious consideration.

What does Henry Montor mean and what do I mean when we say that there is harmony by and large between the Bond organization and the United Jewish Appeal. There is harmony because we are both working for the same cause. I, for one, am most anxious to see the maximum number of bonds sold in the United States, not

Dr. J. Schwartz (contd)

only for the dollar value of the bonds but also, as the Prime Minister said on another occasion, because such action cements the relationship between Israel and the individual bond holders. I, as well as Henry Montor - when I mention myself and Montor I use our names as symbols - both, I am sure, want to see the maximum amount of money raised for Israel. There is harmony. Of course, there are also conflicts but it seems to me that these conflicts are of a minor nature. There are conflicts in timing. There are sometimes conflicts in arranging meetings, but by and large the conflicts are mere detail and do not affect the fundamental situation. What conflict there is, exists on the local level, and I think that most of you, especially my friends from the United States, realize that no matter what kind of committees you set up and no matter what kind of organizational changes you make, the UJA as a national organization cannot legislate for the local Jewish organizations. We are not in a position to tell Detroit or Baltimore or Cleveland or San Francisco how they should conduct their affairs. And if coordination is needed, and I believe it is needed, it should be primarily at the local level because that is where the conflict exists. It does not exist in a couple of offices in New York City, as someone has stated. That is not where the conflict lies, and I think we ought to get that clearly fixed in our minds.

It is going to be difficult to provide the Ministry of Finance with the amount of money required. I think he said 125 million dollars. Somebody else said 135 million dollars. I am sure it doesn't make any difference because Mr. Eshkol could use 135 just as well as 125. Whatever the figure is, it is not going to be easy to raise it.

The Prime Minister said last night that this is a partnership, a long-term partnership. This is a partnership that will require a generation or two generations, or even more, and at the same time we are asking people to give more money. There is a contradiction in those two propositions because remember

Dr. J. Schwartz (contd)

that when we raised our maximum amounts of money in those glorious campaigns of 1946 and 1947 and 1948, we did so to a very large extent on a "one-time emergency" basis. In 1948 we told the people "this is a one-time campaign". Now we are trying to tell the people: "You have to continue giving money during your lifetime and the lifetime of your sons. At the same time you must give more."

When an individual takes on a permanent obligation, he is likely not to give more one year than the second year.

The Minister of Finance outlined three points: Plans for UJA in 1954, the Bond issue for 1954, and some method by which the short-term loans of Israel, which weigh so heavily on the economy of this country, can be refunded. It seems to me this is a clear program.

If people ask me why did I come here, "To make speeches?" - my answer is, I came here to listen and to learn. I do not think it is a sin to listen. There is a time when silence is very helpful. I came here to you and have listened and have learned. I came to get inspiration, which I always need, even if I do not attend meetings, then I just look at the hills of Jerusalem, the soils of Israel, the faces of the people of Israel, so as to get new vigour to carry on despite all obstacles. That is primarily the reason for which we came. What have we learned? That we must have an enlarged UJA for 1954, which will raise more money than in 1953. We have learned there will be a Bond Issue in 1954. I hope everybody here is determined to raise more money than in 1953 and to support the new effort to remove the burden of the short-time indebtedness from Israel.

It is too late to go into details now, but it seems to me that from this point on in the discussions we have to take the UJA for 1954 for granted, the Bond Issue for 1954 for granted, determine to make them both as successful as possible, and to devote our thoughts and our work from now on to the question: How can we set up the kind of machinery and the kind of approach to solve this problem of short-term indebtedness?

Dr. J. Schwartz (contd)

For me this has been a very rewarding conference. I do not think any Jew from the USA, or any other country, can have any regrets for having come here. It is not just a bus trip. Not everybody can stay here. You have had a high level of discussions. You have heard from the Prime Minister, the Minister of Foreign Affairs, the Minister of Finance, the Minister of Commerce and Industry, and others, some interesting and important things, so necessary for us to know to be able to carry out constructively the tasks lying before us in 1954.

One thing I am certain about, as certain as I am standing before you, that the overwhelming majority of people in the United States share the determination to carry on this work to help Israel in every way possible, not because there is an emergency today, but because we mean to measure up to the situation. We shall not let Israel down.

It seems to me the preponderance of Jewish sentiment in the United States, with a few exceptions which we do not have to take into account, believes that the most important thing in Jewish life today is the preservation of this Jewish State, built with so much toil, devotion and sacrifice.

That task is the task primarily lying before us as we near the year 1954.

With all the instruction and information that we have received from this Conference, I, for one, am confident we will deliver the optimum in our efforts for 1954.

JERUSALEM CONFERENCE 1953

Address by: Mr. Levi Eshkol,
Minister of Finance

Afternoon Session
October 26th, 1953

It is a distinct pleasure to welcome the men and women of this Conference. As Minister of Finance I have had reason to be grateful to each of you for the work you have done and the funds you have mobilized to help make the task of building our country possible. Please accept from me not merely a formal but a deeply personal expression of thanks for your labors.

My function this afternoon is to lay the foundations for a discussion of our economic programs and financial needs. I trust you will bear with me as I present our balance sheet to you.

Five years ago, with the establishment of the State, we were faced, among others, with four major tasks:-

- a. Bringing in hundreds of thousands of immigrants, and their maintenance during the first period of absorption.
- b. Assuring a minimum supply of goods and essentials to the growing population.
- c. Securing and defending the country, its population and its borders.
- d. Last but not least, the launching of a huge development program, as the first step on the road to a self-supporting economy.

IMMIGRATION

During these five years, the Jewish population in Israel increased by 820,000 souls, 720,000 of whom were new olim. At least 30% of the Jewish population in Israel in the year 1947 was not yet rooted in the country's economy.

Thus the task before us was: to resettle, to colonize and to create an economic basis for nearly one million souls.

The major part of the newcomers reached the shores of Israel almost naked and without possessions. Many of them were tired, heartbroken and depressed by the sufferings of the prolonged journey of the eternal Jew. Not all brought with them the chalutzic zeal so characteristic of previous waves of immigrants. They possessed neither the technical and professional training for Israel, nor did they bring with them the material goods and the capital necessary for the development of a country.

Moreover, owing to the transfer of entire communities and dissporas, we have had to absorb tens of thousands of people who were mentally and physically incapable of constituting the basis of colonization in a new, deserted land.

Many tens of thousands could find their place only in the crannies and loopholes of an existing economic structure. Being themselves unable to contribute actively to the building up of the economy, they were a burden on it.

The large sums of dollars and pounds which were spent by the Jewish Agency and by the Government in order to provide the bare necessities for these hundreds of thousands of immigrants, did not contribute much to the strengthening of our economy.

The absorption of olim was a three-stage process.

We, first, placed the immigrants in camps and reception centres, fed and cared for them.

In order to make place for the constant flow of people still coming, we were then obliged to move them to temporary dwellings and create for them a temporary means of livelihood.

Only then were we able to embark upon the actual absorption of olim in the various sectors of our economy.

In order to fulfill this last task, it was of vital necessity to speed up the development of the country and its natural resources.

Agriculture

Firstly we turned to the land and agriculture. Zionism has meant from its very beginning the creation of a homeland and a return to the soil. The land deserted by the fleeing Arabs, called for hands to cultivate it.

As with a magic wand a blitz-colonization plan was prepared by the Colonization Department of the Jewish Agency in full cooperation and partnership of the Government. A large movement to organize the new immigrants to go to the land was initiated. It was gratifying, indeed, to see tens of thousands of immigrants respond to the call, leave the camps and the maabaroth, and settle on the land.

346 new settlements have been established during these 5 years; many existing kibutzim and moshavin have been expanded by new settlers. 28,000 family units, i.e. more than 120,000 souls, were, thus, transferred to agricultural life and work. It is worthwhile pointing out that during this period of 5 years, more new settlements were established than during the whole 70 years of colonization before the State was founded. These settlements are distributed in all parts of the country. They comprise olim of all the seventy countries, which the Prime Minister mentioned in his speech last night.

During the years 1949 - 1953 close to 200 million pounds (at current prices a substantial part of it in dollars) were invested in agriculture. The cultivated area increased from 1,650,000 dunams to 3,500,000 dunams. The irrigated area grew from 250,000 to 550,000 dunams - and by the end of this year 700,000 dunams of land will be under irrigation. The total output of mixed farming more than doubled its value.

The new immigrant on the land is gradually becoming a seasoned farmer. A substantial part of the increase in agricultural production is accounted for by the new settlements. In the year 1952/53 they cultivated approximately 37% of unirrigated field crops, 28% of irrigated fodder crops, and about 40% of the total vegetable area.

The essential point of this record of progress is reflected in the balance sheet. The food imports per capita dropped from \$ 52.4 in 1949 to \$ 39.1 in 1953. Even more striking is the drastic cut in foreign currency spent on fodder for livestock, due to the expansion of our own fodder crops - from \$ 12 per capita in 1949 to \$ 3.4 in 1952.

Three years ago our groundnut crop was insignificant. This year already 35,000 dunams of groundnuts are grown and next year we hope to grow more than 100,000 dunams which will enable us to supply almost half of our edible oils. Flax has already passed the stage of experimentation and pilot growing; cotton, too, is being grown in Israel for the first time.

This year we saved \$ 300,000 by producing alcohol from locally grown sugar beet. Our next step is to refine our own sugar.

Citriculture

In the last five years we grossed \$ 84 million from overseas sales of citrus and its by-products. In 1939 Palestine had 300,000 dunams of citrus. After the War of Independence we were left with 130,000 dunams part of which was in a state of neglect. We have now embarked on a program to plant 100,000 dunams of new groves. Last season we exported 5.3 million cases. The coming season we expect to surpass this and to export approximately 7 million cases.

Industry and Quarrying

In a review of development, the essential questions are: what can we produce now that we have not produced before? How important is it to our balance of payments and how can we obtain markets for our products?

In 1947 we had 67,000 gainfully employed in Industry; in 1952 - 120,000. In 1947 we used 86 million kilowatt hours of electricity for industrial production; in 1952 - 177 millions. In 1948 our power capacity totalled 770,000 kilowatts. At present

it totals 180,000. Next year it will increase to 230,000 kilowatts.

In 1948 we produced no phosphates in the country. At the moment we are mining our own phosphates. Similarly we are mining all our own glass-sand and clay for ceramic ware. Until two years ago these raw materials were being imported.

In 1948 the "Fertilizers & Chemical" plant in Haifa was an infant. Now it represents a 12 million pounds industrial complex which utilizes our phosphates from the Negev.

This plant will shortly be providing the country with all the fertilizers needed, and will be able to export part of its products.

The cement producing capacity of "Nesher" in Haifa will be more than doubled by the commissioning of two new plants - Nesher at Ramleh, which has already started production and Shimshon at Har Tuv, which will be ready in 6 months. We are already exporting cement and it will be one of our chief exports in the future.

Since attaining statehood, we have acquired as major industries two tire plants, an automobile assembly plant, a first class paper mill, a new ceramics sanitary fixtures plant, a mas nite and wall-board factory, an insecticide plant, large steel pipe factories and maybe the largest factory in the world for the production of concrete prestressed pipes. This list is by far incomplete. All of this, contributes to our balance of payments; saving dollars we had to spend for imported goods and earning dollars through exports.

Industrial production increased from about IL. 150 million in 1949 to IL. 570 million in 1952, at current prices. The added value rose from IL. 62 million to IL. 202 million.

Housing

The housing problem of the new immigrant has been given the most urgent attention of the Government. First, in order to meet the pressure of the great mass aliya, the Government was compelled to build temporary and semi-permanent housing. Some tens of

thousands of tents were erected and 53,000 small corrugated iron, wooden and canvas huts were constructed. In providing permanent housing for maabarith dwellers great progress was made. The large tent-cities of immigrants have disappeared completely in the last year from Israel's scenery. Close to 100,000 permanent housing units for olim were built by Government.

Only 14,000 families will remain in iron and canvas huts in the maabarith at the end of this year. More than IL. 100 million at current prices, a substantial part in dollars, were spent by the Government for housing in the last five years. The Government inaugurated a "Popular Housing" program for the older established population living in houses unfit for habitation (with the participation of the tenants) and some 6,000 houses are already in a stage of completion. Another 5,000 houses within the framework of the "Popular Housing" scheme will be constructed next year.

Transport and Communications

The State inherited a transport and communication system which was already inadequate to meet the country's needs. Between 1949 and 1952 IL. 47,000,000 were invested in these two branches (exclusive of road building).

Hundreds of kilometers of asphalt road were laid during the same period, increasing the total length of highways to 1,861 kms. The establishment of the State found 238.5 kilometers of rail road at its disposal. By March 1953 the network was more than doubled. A new line is being laid from Naan to Beersheba (80 kms.). It is later to be extended to Kurnub, centre of the phosphate and potash area, to provide cheap haulage facilities for the Negev minerals.

Cargo handling equipment was brought and installed in Haifa port, and operations were completely reorganised and modernised. As a result, the port was transformed from a primitive harbour to a thoroughly mechanised port.

Israeli ships bring some 60% of our imported goods and serve

a considerable part of our passenger traffic.

Lod has been transformed into a modern airport. The Israeli line El-Al has acquired experience and links Israel with five continents.

Many new schools have been built in order to accommodate the increased number of pupils, who numbered 340,000 in 1952/3 in comparison with 135,000 in the school year 1948/9. Hospital beds increased from 4,626 in January 1949 to 10,956 in January 1953.

And now a word on Foreign Trade.

Our achievements in agriculture, industry and other sectors of the economy are directly reflected in our trade balance. This balance is still heavily adverse, which is a natural phenomenon in a developing economy absorbing a large immigration. However, the extent of our progress speaks for itself.

The physical volume of imports in 1952 was only 17% larger than it had been in 1949 while the population increased during that period by 54%. The volume of imports per capita actually declined by 23%.

This achievement is explained partly, of course, by the decrease of consumption as a result of our austerity policy. But the important factor has been the shifting of consumption from imported to locally-produced goods.

During the first eight months of this year we imported goods totalling ₪ 185 million compared with ₪ 252 million in corresponding eight months of 1952. On the other hand, the income from our exports totalled in the first eight months of 1953 \$ 42 million compared with \$ 35 million during the same 8 months of 1952. Thus, the trade deficit in these 8 months was lower by a third than the deficit in the corresponding months of 1952.

After deducting income from our exports, which constituted a sixth off our imports, our net trade deficit in the last five years amounted

to \$ 1,180,000. Additional 10% of this sum have been paid for interest payments and other charges during these five years. Thus, our net deficit amounted to \$ 1,300,000 approximately, or on the average 260 million dollars per annum.

CAPITAL IMPORT

In order to cover our foreign currency deficit during the 5 years, we had to rely on capital import from Jewish and other sources.

From the United Jewish Appeal in the United States and from similar appeals in other countries through the channel of the Jewish Agency and Joint Distribution Committee, we have received during the five past years close to 340 million dollars. (This is a tribute to the deep feeling of responsibility among world Jewry, and particularly American Jewry towards the State.) From other Jewish institutions as Hadassah, Hebrew University, Weizmann Institute, Technion Society and others, we have received 35 million dollars. The use of this money was exclusively restricted to philanthropic and charitable causes of absorption and resettlement of new olim. Thus the total of gift money was 375 million dollars.

Independence Bonds which were launched in May, 1951 as the investment arm of the State, have brought in close to 125 million dollars until the end of September, 1953. This is a great achievement and the result of real daring and imagination.

At the same time, a substantial number of the most important industrial enterprises in the country were built by private Jewish capital from abroad. If we add immigrants' goods and others - a total sum received from this source was approximately \$ 200 million during the five years.

We have also received generous material assistance from the U.S. Government. That country was not merely the first to recognise us formally, but sealed that diplomatic and political gesture with loans and grants which have been of immense importance. From the

(Levi Eshkol contd.)

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Export - Import Bank we received two loans amounting to \$ 135 million. From Grants-in-Aid authorised by the U.S. Congress we received \$ 155 million.

The Reparations Agreement with Germany which was concluded early this year has thus far provided \$ 60 million.

Under pressure of need, the Government has converted frozen savings which had accumulated in Great Britain until 1947 and other securities held by Israelis. From this source we have realized 120 million dollars.

To fill the still remaining gap, we made short and medium-term loans totalling 130 million dollars.

Let me say now in passing and I will elaborate this point further in my address:

These short term loans are the most hampering and burdensome problem of our financial activity. The high interest rates, the other additional expenditures caused by purchases at higher prices, - all this just increase the heavy burden. Everything possible must be done in order to find a solution to this urging problem.

To recapitulate our Capital Import:

	<u>In Million \$</u>	<u>%</u>
From gift money	375	29
From Loans: Independence Bond, Export & Import Bank, and other loans	390	30
From private investments (including immigrants)	200	15
From Grant-in-Aid	155	12
From conversion of Israeli frozen savings and securities	120	9
From German reparations	60	5
T o t a l	<u>1300</u>	<u>100</u>

The total sum of the capital imports amounted during these five years to \$ 1,300,000,000.

More than half of this amount, namely some \$ 700,000,000 was spent for basic investment purposes, and enabled us to reach all the achievements which I just tried to enumerate. The remainder was spent for first unproductive stages of absorption of immigrants.

Levi Eshkol (contd.)

FOREIGN CURRENCY BUDGET 1953/54.

The principal problem of our economy is the closing of the gap in our balance of payments. We have probably passed the half-way mark on the road to supplying our own needs with home products. The foreign currency budget for the twelve months of the year 1953/54 is \$310 million. This will give us the food we cannot produce here, and the raw materials, spare parts and replacement to keep our factories running. This will help us to buy the fuel which is basic to our functioning. This will help equip us against the dangers. This will enable us to pay our interest charges and our debts. We have also included in that budget an amount for development which is the lowest possible figure consistent with our not remaining stagnant. The amount should be much larger. Our State cannot live if we walk on a treadmill. We must go forward, if we are to go anywhere on the road to self-sufficiency.

In addition to the hundreds of millions of our own currency which we put into the running of this country and its development, we also earn foreign currency through exports, tourism, etc. We feel that we may count on about \$40,000,000 from this source. Thus, \$270 million are needed.

It is the irreducible minimum for our existence and progress.

Closing of the gap in the balance of payments is dependent upon the development of our economy to enable it to produce more goods to replace imports and to enlarge our exports. There exists, a possibility, indeed, of restricting consumption by further lowering the population's existing standard of living. Certainly, there must be a rock bottom below which we cannot go if we wish to maintain a population healthy in body and spirit. It is our feeling that we are very close to the limit.

Let us keep in mind the fact that we are not only an economy in the making, but a nation in the making as well.

Levi Eshkol (contd.)

We are engaged in the most difficult task of molding olim from 70 countries into one nation. Within a short period we have to increase the educational and cultural standards of people coming from primitive and undeveloped countries. The country's safety depends on its being a community well developed technically, economically, physically and morally. Integrated development of this country in the economic sphere as well as in the cultural one is therefore a matter of life and death for us. The achievement of a real and everlasting political independence is conditioned upon rapid arrival at economic independence.

INTRODUCTION TO PLANS.

There has been prepared for this Conference a volume entitled "Data and Plans." It has been distributed to each of you. In this document, plans are presented for development of the different branches of our economy. We hope that while carrying out these various plans in each field, a general plan for development of our economy will emerge.

The development plans for the next seven years are based on the assumption of two million souls in Israel. This number is expected to be reached in 1960/61 by natural increase alone. We surely want and expect immigration from different countries. The State was founded first and foremost to be a home for every Jew who needs and wants one. We are in dire need of numerical and intellectual enforcement. But while accepting basic assumptions for the development plan, we have chosen the number of two million people.

I trust that every one of you will read the details of the plans that have been prepared. I would like to touch on some of the highlights.

AGRICULTURE.

Our country is a small one and its cultivated area is limited. Only through intensive development of the land will

Levi Eshkol (contd.)

we be able to earn our livelihood. To supply food for one person it is necessary to cultivate close to one dunam of irrigated land. Hence development is based on the enlargement of the irrigated area of the country during the next seven years to 1,850,000 dunams. We expect to establish 200 additional villages, expand many existing villages and citrus plantations, which will absorb some 42,000 additional families into agriculture.

In seven years we expect to reduce the net deficit in food supply for a population of two million people from 70 to 20 million dollars approximately. The investment necessary for the development of agriculture and irrigation as outlined in this program including the beginning of the work on the country-wide conduit, is \$201,400,000 and IL.422 million.

POWER.

The plan for the development of electrical power in Israel envisages an increase from 180,000 Kws to 420,000 Kws of power production in 1957. Additional investment required for this purpose is 50 million dollars and 29 million pounds.

QUARRIES.

The development of our natural resources, which my colleague Dov Joseph will discuss with you, in the Negev, is of vital importance. The additional investment needed for development of our natural resources is \$25 million and IL.37 million.

INDUSTRY.

The character of industry as a project subject to the investment of private capital makes it hard to draw up a detailed plan for a long term. Plans for the development of industry in the next two years will require close to \$50 million and IL.80 million. For the period of the next seven years a sum of \$150 million and IL.270 million will be the estimated

Levi Eshkol (contd.)

investment needed in order to be able to build an industry which will exert a substantial influence on our balance of payments.

COMMUNICATIONS.

In addition, we have to invest in the development of our sea and air communication, important dollar-savers and earners, and in expanding our railway and buses, and in the development of our harbours and airports. The investment required for this purpose is \$125 million and IL.50 million.

The closure of the Maabaroth and meeting the most urgent needs of the population living in slums and overcrowded dwellings will require a government investment of \$22 million and IL.70 million, in addition to the participation of the tenants. We shall also have to invest in the development of the country's highways, including approach roads to agricultural villages and industrial areas, a sum of IL.36 million.

In all, we shall need for 7 years a total sum of \$765 million and IL.1,092 million analysed as follows:

	<u>In million \$</u>	<u>In million IL.</u>
Agriculture	170	294
Irrigation	32	128
Power	50	29
Quarries	25	37
Industry	150	270
Housing	22	70
Road Construction	-	36
Communication	125	51
Reserve	191	177
	<u>765</u>	<u>1,092</u>
	<u>=====</u>	<u>=====</u>
	<u>% of \$</u>	<u>% of IL.</u>
1. Agriculture & Irrigation	27	27
2. Power, Quarries & Industry	30	30
3. Housing, Transport & Roads	19	14
4. Reserve	24	29

Levi Eshkol (contd.)

EXPANSION FOR EXPORTS.

Should these sums be invested and invested in time, and I repeat in time, and should the branches of our economy develop as projected, what will be the effect on our balance of payments?

The export of agricultural produce, mainly citrus, is expected to increase to \$50 million annually. The added value of our industrial export including the export of the natural resources, is expected to increase to \$53 million. Invisible exports, namely, earnings of our ships and airplanes and of the development of the tourist industry, are estimated at about \$18 million. Thus, the total earnings from exports will amount to \$121 million.

NET DEFICIT IN 1960.

The total need for imported consumption goods in 1960, is estimated at \$196 million. After deducting our estimated earnings from exports, the net deficit for consumption will decrease from 145 million dollars in 1954 to \$75 million in 1960.

We will, thus, reduce our deficit for consumption purposes by \$70,000,000 within seven years, or an average of \$10 million per annum. This, I believe, is a conservative estimate. It takes no account of the possibilities of discovering oil in Israel, the drilling work of which was already started. It does not include as yet the fruits of all the investment made, as for example major part of the citrus groves planted will be bearing only a couple of years later.

SUMMARY OF REQUIREMENTS.

What, therefore, will be our requirements in foreign currency for the satisfaction of our consumption needs and for carrying out of the investment program as indicated above in the next seven years?

Levi Eshkol (contd.)

For consumption we shall need a sum of \$735 million (let me remind you that the deficit will go down from \$145 million to \$75 million, on the average the deficit will be \$105 million, thus, in seven years, \$735 million). For investment a sum of \$765 million. A sum of \$210 million, namely, \$30 million per year must be allocated for payment of debts. The total is \$1,710 million in seven years.

SOURCES OF INCOME.

While preparing plans - a couple of months ago - how these requirements in foreign currency could be met, the following sources of income were envisaged:

	<u>\$ million</u>
From German Reparations in 7 years	420
From private investments	230
From Grants-in-Aid in the next 2-3 years	185

For the remainder of \$875 million or \$125 million per year we will have to rely on World Jewry sources, and mainly on the Jews of the United States.

In 1952 we received \$72 million from the grant-in-aid of the U.S. Government. We do not yet know if and what might be expected for 1953/54, nor can we predict what might be expected in the next year or two.

Addressing myself for the moment very largely to those from the United States, I would say that our hope is that American Jewry, for a number of years to come, will put \$125 million a year in net income for Israel. It may mean that these sources will have to raise more than \$125 million in order to meet their obligations, and finance their other activities outside of Israel.

We have heard last night the Prime Minister, speaking on how unbending Israel will be when her sovereignty and self-

Levi Eshkol (contd.)

respect are involved, no matter what difficulties may come to us as a result of this.

If we shall be placed in a position that because of our refusal to bow, we may lose the ring, I speak for every man, woman, and child of Israel, that we shall proudly accept this extra burden. I am furthermore convinced that, if such a situation should arise, world Jewry will not let us carry the brunt of it alone. You will surely share the burden with us and at least meet us half way.

The sums appear big. However, we should not be so overwhelmed by the magnitude of our plans and the size of our figures that we lose sight of the daily, practical tasks that each of us can perform - leading to the achievement of the larger goal. It is important that we make every Jew realize that the part he plays is significant and that whether he is in the United States, in England or in the Argentine, his work, his money, his support are indispensable for the realization of our aims.

The minimum sum that will be required from world Jewry is \$125 million as compared with some \$90 million a year provided by the various Jewish channels in the last year. We are asking for an increasing effort, to keep up the existing level and to increase it by some \$35 million each year.

Levi Eshkol (contd.)

Since the United States Jewry is the chief source of income, I lay special stress on that country, although our friends from the many other countries represented here should know that we are no less appreciative of their fine work.

It is not my function to tell American Jewry how it may extend its aid, which is based on a voluntary assumption of responsibility. I can only state that we need more money through the United Jewish Appeal and more money through Bonds. It is, however, for you to determine that. May I be allowed to ask you to think in broader patterns, to take into account the political, security and economic situation with which you are becoming familiar during the course of this Conference. How can American Jewry raise its sights? How can it galvanize the remarkable forces within it? How can it mobilize to an even greater extent the superb moral and material support which, on so many critical occasions in the past, has been forthcoming?

As you do your thinking, may I encourage you to re-examine old ways and to explore new ones.

In September 1950 a conference was held here. It resulted in the adoption of a program involving United Jewish Appeal, Israel Bonds and private investments and inter-governmental aid. Has experience proved this program wrong? Does it need to be revised, strengthened, abandoned?

We have steadily urged upon Jews our hope that they would give maximum support to the United Jewish Appeal and maximum support to Israel Bonds. We felt then; we feel now, that these are two expressions of the same body and soul. They are both essential for our economy. They both express the Jewish realization of a common will with Israel. The leaders of the United Jewish Appeal and of the Israel Bond organization have given of themselves in exemplary measure. They have mobilized great resources. They have shown patience, skill and courage.

If we are to achieve our minimum objective of \$ 125 million as the Jewish share of the foreign currency budget, what possibilities exist for increasing the income of the United Jewish Appeal?

Without infringing upon your sovereign rights but in order to help clarify some of the problems I ask: what measure can we take to increase the individual sense of responsibility to the United Jewish Appeal that more money will be given? In view of the fact that the United Jewish Appeal raises funds on the Jewish community chest principle, what help can we give to assist the United Jewish Appeal to receive a larger portion of the funds that will enable it to provide a greater part of our foreign currency budget?

Let me now deal separately with one avenue of financial support with which the government of Israel has a close

Levi Eshkol (contd)

relationship: it is the Israel Bond Issue. This is our means of raising investment capital for our development. It has provided us during the past two and a half years with a substantial supply of dollars and has laid the basis for a great part of our economic development activities. The Government is contemplating another Bond Issue at the termination of this. Is this a wise step in your judgment in the light of our experience? Should we abandon it? What should we set up to replace it if it is decided that it no longer has usefulness?

We, on our part, cannot visualize how we can seriously plan our development budget in the years ahead without some such income as has been forthcoming from the Israel Bond Issue. If it is to be continued, how can this activity be organized to provide a far more substantial sum of money?

We cannot compel any Jew abroad to do anything on our behalf. We can only express the hope that Jews abroad will be guided by our conception of what is in our best interest.

Our conception is: give a maximum contribution to the United Jewish Appeal within your means and buy our Bonds to the largest extent that your capital resources will permit. If you do both of these things you will be speeding up the development and the stability of our State.

Private Investments

There is another area on which I would like to touch that is, our need for the broad expansion of private investment. What sort of economy have we in this country? What are its fundamental characteristics? It is basically an economy of free enterprise, and equal opportunity for everyone. In it everyone is free to use his creative initiative to build and develop. Every experiment resulting in the expansion of agriculture, industry, etc., is welcomed and supported by the Government.

Levi Eshkol (contd)

It is our declared policy and ardent desire to encourage private investment from abroad. In the past we have done everything possible to spur on investment both by the "Law for Encouragement of Investments" and by setting up an Investment Centre.

We feel that we have done and are doing much to encourage the serious investor. If it needs repetition, I should like to repeat: the Israel Government needs and wants maximum number of private investors to come into our country and to share in its development. If there were a great influx of private capital, there would be an automatic expansion of our productive facilities and a shortening of our period of economic struggle.

But whenever and wherever the flow of private capital is not adequate, public funds were called upon to fulfill the task of development. We can't afford to lose time. Thus a great part of the burden and much of the responsibility for the development of the country's natural resources, water, quarries, power, agriculture and even to a large extent its industry, will continue to fall upon the Government.

Funding

There is the last problem already mentioned before that I should like to submit for discussion.

One of the gravest problems with which we are confronted is that of the burden of short-term indebtedness. These debts had to be incurred during the period of large scale immigration when the influx of capital lagged so considerably behind the influx of population and the scope of assistance from abroad was insufficient.

The maturities cover within a period of 12 months an amount of about 100 million dollars. The revolving of these debts causes an unproductive expenditure of millions of dollars in the form of interest payments. Moreover, our order

Levi Eshkol (contd)

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of priorities as well as our whole economic planning are detrimentally affected by these recurrent operations.

Our credit standing is suffering and the dangers inherent in such a situation must unduly absorb our energies and attention which should be devoted to more creative purposes.

The short-term indebtedness resulting from Israel's readiness to take upon itself great risks involved in the operation "rescue and salvation" which we successfully carried into effect should rightly become the responsibility of Jewry as a whole.

A solution to this problem must be found shortly - and once for all the danger of not being able to meet our commitments in time, which constantly hangs upon us must be removed.

CONCLUSION

At the conclusion, I would like to ask:
How can we best achieve our objectives?

During my visit to the United States last May, I tried to see what could be done to improve our prospects there. I had a series of discussions with friends, together with several of my colleagues. I then proposed that all the forces working for Israel in America should work with a collective responsibility. I felt that out of common counsel, joint planning, mutual action, could come the larger funds that we need to keep going and developing.

In the face of the mounting political and financial problems that loom ahead of us, we need, more than ever before the understanding and the cooperation of the whole American Jewish community.

Levi Eshkol (contd)

What is it that we ask: it is that American Jewish leadership, which is so widely represented here, should develop a collective sense of responsibility for all the work on behalf of Israel. Each doing his own job performs a valuable service. All working together, with a common responsibility - I believe - can help us attain bigger achievements.

I address myself to the men and women in this room.

To accomplish the work that needs to be done, we need a sharing of the planning and acting for Israel. We have in the United States, two great instruments: the United Jewish Appeal and Israel Bonds. Each is vital to us. Each is led by people of devotion and vision. Is it not possible that their combined wisdom, their shared sense of responsibility for our work would add that measure of help which we so desperately need?

If, out of this conference in Jerusalem, can emerge a spirit of unity, and a heightened sense of consecration, we in Israel shall indeed be fortified against all struggles.

JERUSALEM CONFERENCE 1953

Address by: Dr. Giora Josephthal,
Treasurer, Jewish Agency.

Morning Session
October 27th, 1953.

In trying to give you a picture of the problems of absorption of immigrants in Israel I think it my duty to speak to you about achievements and shortcomings. The figure of 720,000 immigrants who came to Israel since the establishment of the state until the present day, is already nothing more to the Jewish world than a statistical figure. Nobody - except those who lived the drama of this influx - can imagine how many problems are connected with the absorption of people coming from 72 countries, separated during centuries, and completely different in their standards of civilisation, culture and ways of life.

The increase in the Jewish population of Israel by 125% since the establishment of the state in May 1948, placed an economic and social task upon us, which could not at the outset be envisaged in all its details. During the years of mass immigration we were like a family moving in haste from one apartment to another, just putting the furniture somewhere in the new apartment in the hope of rearranging it by the time the pressure would be over. With the decrease in immigration in 1952 and 1953 we are now able to see more clearly the problems still to be solved and to deal with them in order of priorities.

You have heard already about the economic outlook and I shall deal primarily with social and cultural problems connected with the mass immigration to Israel, which are partly the result of the general economic situation and partly the result of the fate of our people in their countries of residence until their emigration to Israel.

The Minister of Finance in introducing the budget on behalf of the Government this year stated "we have over-expanded our services and we must freeze or even contract them during the next

Giorn Josephthal (contd.)

few years". This sentence is characteristic of the approach of a deflationary policy to social expenses. Our discussion is not about what is necessary but about what we can afford, and which services have to receive priority.

I will not speak about employment and production. You have heard the Finance Minister's report in these fields, both from the point of view of the economic position of the state and the fate of our immigrants.

The first problem with which we have to deal is housing. No country with a policy of immigration based purely on economic aspects would have taken in masses of immigrants without providing proper housing facilities before their arrival. We unfortunately had no possibility for timing if we wished to avoid shirking our responsibility. 75% of our immigrants came from countries where even the most rational thinking amongst us could not contemplate their remaining any longer. 46% of them came from D.P. Camps and the Iron Curtain countries, 29% from the countries of the Arab League, i.e. Yemen, Iraq, Egypt. An additional 20% came from North Africa, Persia and Turkey and the remaining 5% from a score of other countries. Any question of the wisdom of our immigration policy can only be in respect of our responsibility towards the Jews in North Africa and other Moslem countries, as the necessity of other immigration was never doubted anywhere in the Jewish world. But I am sure whoever knows something about Jewish life in North Africa will not even want to discuss if we have to bring them to Israel or not.

You will all remember that we received all our newcomers in camps where they were maintained by the Jewish Agency until we could find provisional housing and working facilities for them. When, during 1950, we started to transfer the newcomers from the camps to those provisional housing facilities called Maabarot - in which they had to earn their living themselves - there were

Giora Josephtal (contd.)

nearly 100,000 immigrants (approximately 22,000 families) in tents. At the end of 1951 - with an additional mass immigration of 175,000 during the year - there were 200,000 people (45,000 families) in tents, aluminium and canvas huts. It may be said that all these provisional housing facilities were expensive from the point of view of foreign currency and not even economic^{al} in local currency investments. An average of IL.1,200 per family was invested in those provisional housing facilities as we had to build quickly and cheaply - on a short-term basis - which naturally means a more expensive outlay in the long run. The State of Israel and the Jewish people as a whole who helped in this process of absorption, paid dearly for this act of rescue. I am sure, however, that looking on the possibilities of emigration from the Iron Curtain and Arab countries at present, we have to be happy at this so called waste of money.

During the last eighteen months we have pulled down the tents. (Only 800 families decided to remain in tents and not to accept more advantageous proposals made by us). 20,000 families were transferred from tents to cement houses or wooden huts.

We still have Maabarot but they are not of tents and their population has decreased. Our urgent problem today is to find housing for 100,000 people, i.e. approximately 22,000 families who are living in canvas or aluminium huts. Last year there were 34,000 families, which means that in exactly one year more than one-third of the problem was solved. At the end of this budgetary year 14,000 families will be left. If we continue at this present rate we may liquidate those Maabarot within two years. At the end of the two years 20,000 families will still be housed in wooden huts where they can live for an additional four to five years or more without endangering their health and creating additional social problems.

Giora Josephthal (contd.)

It is our opinion that increased activities in the field of housing would mean an increase in inflation. As urgent as this problem is it cannot receive first priority but must give way to the problems of enlarging agriculture and industry.

There are two major aspects of our housing policy: Where to build and how.

When the State was founded 84% of the Jewish population were on the sea-shore, leaving the Northern, Southern and Eastern borders nearly uninhabited by Jews. It is our task to go to the uninhabited areas, to create new settlements and villages all over the land, and to give first priority in housing to the areas of development in the South and the Negev, the Galilee and the Valley of Jezreel.

It is our special aim to decrease the town population. At the establishment of the State 64% of the Jews were living in the three big towns, Tel-Aviv, Haifa and Jerusalem. The town population has now been reduced to 44% and we have to continue to work for better distribution of the population.

The question of how to build has only one answer: To build houses with a maximum of local materials. In erecting the provisional housing we had to pay for building material with foreign currency at the rate of 70 or even 100%. Over the period we decreased the proportion of foreign currency spent on housing reaching 22% last year and nearing 10% at the end of this year. Building with local cement and local stone with a minimum of timber and steel is the only way for us.

There is one social aspect of housing which should be mentioned. The pressure from the immigrants themselves to improve their housing conditions is, I regret to say, not very great. More than 80% of the inmates of Maabarot come from non-European countries. As they were the latest arrivals they are less absorbed than the European immigrants who came in the first years after the

Giora Josephtal (contd.)

establishment of the State. Some of the newcomers are used to housing standards unacceptable to us. Some are unable or unwilling to pay the rent and decrease thereby their food budget. The desire for better housing has to be developed among them. We must realise that as long as they are not properly housed they will not feel themselves as citizens of our country.

It may well be that they will even develop internally a special complex that houses are for Europeans and Maabarot for non-Europeans. We cannot possibly reach national unity as long as special social problems are connected with special sections of the Jewish people, and therefore housing may be of more importance than even some of our immigrants feel today.

Housing is one of the social problems of our country. The whole scope of problems can only be seen if one bears in mind the basic social facts connected with mass immigration from backward countries. Roughly 50% of our immigrants came from Europe and the remaining 50% from Asia and Africa. We may say that the European immigrants being the first to come after the establishment of the State, are practically integrated with the exception of two to three thousand hard-core cases. The present problems of absorption are mostly connected with the immigrants from Moslem countries and their cultural integration will naturally take longer in view of the fact that centuries of neglect have to be overcome.

What are the characteristics of the immigrants from Africa and Asia?

(1) It was an immigration of three generations. The whole family came together - grandparents, parents and children. Large families had to be absorbed with only one potential breadwinner on an average, for four to five persons.

(2) Lack of any professional training.

(3) Lack of basic education.

Giora Josephthal (contd.)

During last week's JDC Conference in Paris it was reported that in a country like Morocco 30-40% of the Jewish children receive no schooling whatsoever.

(4) Lack of Zionist education, which means education for work, specially agricultural work, Hebrew and a feeling of unity with the Jewish people.

(5) A patriarchal family structure, giving little or no rights to the women or children, full power being vested in the father of the family.

These questions cannot be solved in a few years. They are a task for a generation or two. We have had to find a system of educational approach to ensure that the second generation will reach the standards expected by everyone of us.

The most important step taken was expressed in the compulsory educational law passed by the Knesset in September 1949. This law establishes universal, free and compulsory primary education for all children from the age of 5 to 14.

May I give you a few figures in order to show the importance of this law in our life. Kindergartens increased from 17,000 to 75,000 since the beginning of the State, i.e. an increase of 240%. The number of children in elementary schools increased from 71,000 to 215,000, which is an increase of 200%. You may imagine what a gigantic task it was for us to place an additional 140,000 children in schools. And we had to produce 10,000 new teachers in the five years of the State's existence.

Giora Josephtal (contd.)

We are now happy to tell you today that every child in Israel has the possibility to go to an elementary school, as sufficient school-rooms have now been built to accommodate them.

However, there are still deficiencies. Not all parents are sending their children to school despite the fines imposed for disobeying the law. In immigrant settlements we have full control of the children, and there are practically no absentees. In immigrant towns, however, such as Ramleh, Lydda, Beersheba and Migdal the figure of absentees runs to between 15% and 28% of the children. We cannot provide a sufficient staff of social workers or even police to obtain full control of all the children concerned.

As you can well imagine, we had to build a very large number of transitory classes, as we had children of the age of 10 or 12 who could not read or write and were therefore unable to participate in the classes of the children of their own age. Only 70% of the children now at school will have finished the eight school classes at the age of 14. The other 30% will have completed 5-7 classes.

Giora Josephtal (continued)

In recruiting the necessary teaching staff we had to take graduates of secondary schools, who had insufficient or no additional training. It will take a further three years to staff all schools with certified teachers.

The social backwardness of some of our immigrants is expressed most strikingly by their enrollment, or I should say, lack of enrollment, in secondary schools. Secondary, including agricultural and vocational schools provide education for one third of the youth in the appropriate age groups of Israel.

Although new immigrants comprise more than half of the population of Israel, they constitute only 10% in secondary schools, 23% in professional schools, but 63% in agricultural schools. The Jewish Agency made a decisive step this year for the first time, in allocating a budget for secondary school scholarships for children of new immigrants with the condition that 70% of them must come from Asiatic or African countries. By promoting education for these neglected elements of the Jewish people we hope to achieve a better balance between the various cultural levels.

The most important activity in this field is undertaken by Youth Aliyah which can speak proudly of 34,000 graduates and 13,000 children under training since the beginning of the State. Youth Aliyah creates the basis of productive education for immigrant youth, now taking a large share of its children from maabarot.

The internal structure of the immigrant family from backward countries demands special protective measures which guard the child against premature work, truancy from school and protects him against the father of the family. The importance of kindergartens for example in Israel is not that the children are in proper health conditions and acquire education and discipline, but that they get one or two meals there and have corners for themselves.

The immigrants from backward countries are not used to the idea that a child has a life of its own, and they like children to behave like grown-up people. Toys are unknown in these countries, and things natural to us are detested by them. There is a Yemanite saying: "You

are lying like a child", and they cannot imagine that the children's world of imagination needs its own outlet. Bodily punishment of children is widespread.

By providing the educational framework of kindergartens and schools, we are making the decisive step towards the rehabilitation of our people, but I'm sure that we have to continue learning in this field for many years to come.

We cannot make out a definite program for the coming year in this field, but I think our task at a minimum should be to increase facilities for secondary education to make it available for a further 2,000 each year, and to provide a place in kindergartens and elementary schools for each child in the appropriate age group.

The question of professional training may be illustrated by one figure: In a normal immigrant town 70% of the breadwinners are still unskilled laborers. Professional schools and special courses for adult laborers are necessary, and I am sure we have not done enough in this field during the last few years. Our agricultural schools show an increase of 150%, our professional schools of 170%, but we still have to bear in mind that the entire secondary school enrollment comprises only 30% of the population between 14 and 17.

May I add a few words about health and social services. The progress in the field of health services has been very satisfactory since 1950. The situation in general in regard to hospitalization, despite the fact that we lost the large Hadassah Hospital in Jerusalem, improved from year to year, and Israel now has seven hospital beds per thousand of population. We have, however, to take into account, that, owing to primitive housing conditions, people who would normally stay in bed at home with minor diseases, have to go to hospital as they cannot be treated at home.

The outstanding achievement is the provision of hospital care for T.B. patients carried out by Malben during the last three years by adding 1,270 new hospital beds. For the first time since the beginning of Zionist work in Eretz Israel, we are able to give hospitalization to those suffering from T.B. as soon as this disease is apparent. You will

no doubt remember that Tuberculosis was the most dangerous sickness resulting from the D.P. Camps and conditions in poverty-stricken countries. The danger of the disease being spread to an even wider section of the population has definitely been overcome for the time being and the disease is on the decrease.

During the years of mass immigration the infant mortality rate, especially from the backward countries, was unusually high. At a time when the general infant mortality rate in Israel was 45 per 1000, we had up to 165 cases amongst the immigrants. Last year the normal death rate in Israel was 38, and the death rate among the immigrants 63, which means that it is still 60% higher amongst immigrants than amongst the total population of Israel. But the decrease in the mortality rate is obvious and is still not yet completely satisfactory. We extended the special Mother and Child services to new settlements, erecting 260 new stations during the last 5 years, and nearly all our new villages and settlements get the necessary service in this field. Yet much has to be done to make the primitive mother still more child-conscious and less fatalistic towards life and death of her children.

Special social help for the immigrants needs intensification in four areas:

(1) Increasing the number of kindergartens for children up to the age of 5, a task which cannot be undertaken during the next few years owing to the lack of financial resources.

(2) Raising the number of school kitchens and free meals for school children. Last year 80,000 school children got free meals in comparison with 20,000 in 1948. This work will be steadily intensified without major difficulties.

(3) Increasing the beds in our old-aged homes, ^{is} one of the outstanding tasks and perhaps the most urgent one of Halban.

Roughly speaking, only 40% of the problem has been solved till now by creating institutions for 2,500 old-aged. There are still 3,000 people in the Pardess Hannah camp, maintained by the Jewish Agency, waiting for their turn to be transferred to a proper home for the aged, nearly a thousand of them left their families in the iron-curtain countries in the hope that

Giora Josephtal (contd.)

those would follow them, and if immigration would start again, especially from Rumania, many of them could be maintained by their children. There is no hope under present housing conditions in Israel to find places with families for the aged, and no other way can be seen than building additional old-age homes. I know that Malben's activities during the next three years gives us hope for a solution to this problem.

(4) Regarding the rehabilitation of invalids, widows with children, middle-aged people who cannot find work as unskilled laborers - from the beginning of the state 8,500 in these categories have been rehabilitated by the Jewish Agency and Malben and are earning their living today. Still approximately 2,000 have to be rehabilitated and taken off the social aid roll.

In giving you the picture of the present situation I wanted to stress the priority of needs existing today. Productivisation of new immigrants and education of the second generation must receive first priority. The social services necessary to ease the burden on our newcomers can increase only steadily and slowly, without bringing new inflationary dangers to our country.

In view of the large number of social and hardcore cases still not absorbed the Government of Israel and the Jewish Agency still stick to their principle of selective immigration in the near future; that means, from all the countries in which there is no imminent danger to the life of Jews, Israel will accept the healthy ones and those who have at least one able-bodied breadwinner in the family. From all the countries in which we see danger to the life or the Jewishness of our brothers, like the Communist countries and the countries of the Arab League, we will take every Jew who can manage to reach the shores of Israel. I am happy that this line of policy was accepted by Jews all over the world.

I will refrain from any valuations or judgements in regard to the various ethnic groups among the new immigrants. We cannot make blanket statements to the effect that this group is "bad" or that group is "good". Each group, because of its background, has its own special problems. All that we can do is to try to understand these problems and adjust our educational technique accordingly.

In describing these special problems of Jews from backward countries you may understand some of their psychological difficulties. Being on a lower standard than previous immigrants, being the last ones to come, some of them have still a feeling of discrimination, and it is quite natural that the unsuccessful ones among them feel most strongly about it. The feeling of discrimination leads partly to emigration from Israel, and I do not see how this can be avoided. Since the creation of the State, 34,000 emigrants have left us. Relatively speaking they are not a sizeable group - only 4.5% of the total number of immigrants. Nevertheless, the fact that they have left, shows that our efforts of integration have not been entirely successful.

The integration of immigrants from backward countries is threatened by a vast number of obstacles. One of these obstacles in Israel is an assumption on the part of Central and Eastern European Jews that their way of life is "right", and that the other Jews should make an adjustment to it as quickly as possible. It cannot be doubted that a Jew from an Asian or African country has as much to contribute to the new State as to receive from it, and communication with him should be, as far as possible, a two-way affair.

It is understandable, on the other hand, that every part of the Jewish people has its own conception, according to the background of their country of origin, about the way of social life they would like to see in Israel, and there is even a kind of Jewish

Giara Josephtal (contd.)

worship of something we once thought very British - of the conception of the white man's burden.

Our teachers, social workers, agricultural instructors, the so-called social instructor in our agricultural settlement are the bridge between the new immigrants and the old inhabitants of Israel. If I take the figure of 25,000 workers in all those fields, I hope to be near the truth. It is a tremendous task to recruit them. Our older settlements gave the best of their people and they are getting tired. During the last years we started to utilize the sons and daughters of our old settlers as instructors, and the results justify this experiment.

The most important function in this pressure-cooker called Israel is done by the Israel Defence Army. Here people from all parts of the world meet on a basis of equal rights and duties, no matter how long they have been in Israel. The job done by the Army with immigrant youth during the 30 months of compulsory service cannot be valued too highly. We could not even promise the predominance of the Hebrew language in Israel if the Army would not train immigrant boys and girls in special courses. The armed forces are not only Israel's shield, they are our great school of citizenship.

There are difficulties before us. We are not allowed to romanticize and over-simplify them but we are aware that, in a youth-centered society like ours, by education and training, a practical and spiritual trend will be found after a generation or two and accepted by the whole of the Nation. Our Rousseau-like belief in the healing power of contact with the soil, in the effectiveness of "go among the people" was justified. Still, there is no place in the world where a greater degree of variety of humanity is observable.

Giara Josephtal (contd.)

We are still at the cross-roads between westernization and Levantinization. The social and educational services of the State of Israel and the transfer from unproductive to productive work, will give results in creating the new society of Israel - but we should not expect a pre-fabricated society. States cannot be made, they must grow. There is such a process as the insensible growth of civilisation by small, scarcely measurable steps. There must be roots, growth, soil. There must be an accumulation of traditions. All these causes exist in their very beginning and built the society of Israel. We have great satisfaction from this beginning. We cannot have full satisfaction if we do not continue to put all our heart and thoughts into the future development of the Israel society. Absorption and integration of immigrants are the most human aspects of our life in Israel. I wished you could share with me the happiness of seeing this nation grow not only in numbers, but in standards of culture and human relations - in spite of all the shortcomings.

More than 50 years of Zionist work give us the right to believe that the people and the land will be created together.

JERUSALEM CONFERENCE 1953

Resume of Address by: Dr. Dov Joseph
Minister of Development

Morning Session
27 October 1953

ISRAEL IN 1948 AND NOW

When Israel achieved its political independence, after the War of Liberation, we all knew that we still faced the second task, no less important than the first, to attain economic independence.

We had our faith and our willingness to work. No one could fairly have expected us by miracles to create something out of nothing and, in such circumstances, to achieve economic independence in only five short years. Mirabile dictu, strange to relate, the picture has indeed already been altered fundamentally.

Water has been brought by irrigation to areas that previously lay uncultivated for lack of rain. A vast programme is well under way for increasing the water supplies and extending them throughout the country. We already have solid ground for asserting that within a small number of years (six or seven) we shall be producing almost all the food we require. We shall be able by increasing our sheep and cattle, to provide a large part of the wool and leather needed for our clothing and footwear. We are already growing flax and cotton - previously unknown here.

The change in outlook as regards the natural wealth of the country is greater still. Indeed, our position has improved to an almost incredible extent.

The mighty British Empire with its abundance of scientific knowledge and technical skills, administered the country for twenty eight years without bringing to light any natural resources whatsoever (except a small sulphur deposit which was emptied). During the five years since May 1948 our geologists have been hard at work and we can already state that Israel is not a land devoid of any natural resources. We have not discovered large gold or diamond mines. We have not unearthed mineral deposits which will assure us of great and easily gained wealth. But we have found definite possibilities of winning fair amounts of minerals which we shall be able to utilise to furnish some of our basic industrial and agricultural needs. They will also earn us considerable income in dollars so as to contribute substantially to improving our balance of trade, thus helping us achieve economic stability and independence.

Dov Joseph (contd)

PHOSPHATES

Our largest discovery was of phosphate deposits. We found one field of phosphate rock extending over 40,000 dunams. Of this area we have already proved - by drilling bore-holes and digging pits - some 4,500 dunams to contain about 15 million tons of phosphate rock. Our geologists estimate the total field to contain 100 million tons of phosphate rock.

Apparently the Almighty was anxious not to spoil his Children of Israel. Knowing that it is not good for one to come by wealth easily and without hard work, He saw to it that the exploitation of our various minerals should present us with technical problems which would require us to sharpen our wits and use our brains to overcome them.

Our phosphate rock is considerably poorer in phosphate content than the large deposits in North Africa which reach 33%, or those in Florida which are 34% to 35%. Our technicians have elaborated a method of raising the phosphate content to 29% by a mechanical process of sifting. The resulting grade of phosphate is saleable in the world market.

We shall shortly begin to set up a calcination plant in which, by a process of application of heat, we shall raise the phosphate content of our rock to 34%, i.e. every bit as good as the phosphate of North Africa, which is the world's largest supplier.

IRON

In the Large Crater (Hamakhtesh Hagadol) our geologists found a deposit which, after prospecting, was proved to contain about 15 million tons of iron ore of which 5 million tons are near the surface and amenable to open cast mining. This ore has the disadvantage of containing much silica, which is undesirable in iron ore, and is not of high grade quality, containing about 35% of iron in the ore. But such ore is used for the extracting of iron in European countries and can serve to produce the steel we need. Later we found a smaller deposit of considerably better grade ore. Only a few weeks ago we came across a third vein of iron ore but time has not sufficed to enable us to ascertain its extent or quality.

The iron ore we have found, together with the iron scrap available from year to year and the ashes of the pyrites we shall have to import to manufacture sulphuric acid, will suffice, in the first stage, to produce some 70,000 tons of steel

Dov Joseph (contd)

COPPER

Further south in the Negov, north of Elath, we have found quite a good deposit of copper ore. We have already proved the existence of ore sufficient to yield 100,000 tons of metallic copper and our geologists estimate that there are further quantities in the extension of the same deposit which could yield a further 300,000 tons. They add that the possibilities are even considerably greater than this. Here again we face the problem of extracting the metal from comparatively impure ores. Our metallurgical experts in Israel and in Belgium have devised two different methods of solving the problem. What they have succeeded in doing in the laboratory is now to be tested in pilot plants being erected in Haifa and in Europe. If either of these methods succeeds we shall be able to proceed to order a plant capable of extracting the copper as cheaply as by the conventional method. Otherwise we shall use the conventional method by processing of the ores with sulphuric acid. This will increase our production costs but in any event we shall be able to produce copper.

MANGANESE

We have also found a valuable deposit of manganese dioxide ore of about a million tons. Here again the Almighty wished to hold us in check so he mixed some copper into the manganese. Copper in itself is very good, but not in manganese ore, for then it interferes with the process of converting the manganese ore into metallic manganese.

Our chemists are working on the problem of separating out the copper. They are confident they will find the answer.

SULPHUR

We are not without hope of discovering another very valuable mineral - sulphur. There was a fair sized deposit near Gaza which was worked out during the mandatory regime. Only last month we found sulphur near the Dead Sea. We have dug 4 pits to a depth of 27 metres and there is sulphur in the substrata. We have not yet found it in layers thick enough to be exploited and we are continuing our prospecting of the area.

Dov Joseph (contd)

DEAD SEA - POTASH AND BROMIDE

And now let us turn to that inexhaustible store of chemicals - the Dead Sea. In this large body of water there are quantities reaching astronomical figures of magnesium chloride, sodium chloride, calcium chloride, potassium chloride, magnesium bromide. We little realise what great chemical wealth lies waiting to be reclaimed. The salt content of the Dead Sea is 8 times as concentrated as ordinary sea water, whilst its bromine content is sixty times as great as that of ordinary sea water.

The Arabs destroyed the large chemical works at the Northern end of the Dead Sea, which is in their hands. That is their conception of progress and development. At the Southern end, at ancient Sdom, we have renovated the derelict smaller plant and are already producing potash. By the end of this year we shall be turning out 200 tpsn per day - the full capacity of the existing plant. We have the necessary equipment and are preparing additional pans to double our output to 135,000 tons per annum in less than a year's time. Within two years we shall increase the output still further to 180,000 tons and before 1958 we shall be able to produce 300,000 tons of potash per annum.

BASIC CHEMICAL WORKS

Since Israel possesses such vast quantities of the materials required for the establishment of a basic chemical industry, viz. phosphate, salts and gypsum, we plan to establish such an industry in Southern Israel for the production of first quality calcined phosphate (600,000 tons per annum), phosphoric salts (37,500 tons per annum), concentrated phosphatic fertilizers (55,000 tons per annum), and soda ash (60,000 tons per annum), as well as two intermediate products - sulphuric acid (166,000 tons per annum) and phosphoric acid (52,000 tons per annum).

This will entail an investment of some 17 million dollars and 17 million Israel pounds. The foreign currency profit per year is estimated at 11 million dollars and the foreign currency savings at 2 million dollars, together 13 million dollars.

IMPORTANCE OF DEVELOPMENT
PROJECT

All the development projects mentioned can be implemented within four years, if the essential funds are made available. They are manifestly of significant importance per se because they will provide our people with basic raw materials from our own resources within Israel, thus making us independent of foreign supplies. They will also assure permanent employment to thousands of workers who will be settled for the most part in the empty Negev expanse. In addition, this development programme should, as from 1958, provide the State with foreign currency profits and savings totalling approximately 30 million dollars annually.

The investment in hard currency necessary for this programme amounts to some 25 million dollars spread over three years, apart from the 50 million dollars investment in increasing the electricity supply.

When one remembers that in 1952 total foreign currency income from all the State's exports amounted to 47 million dollars, excluding citrus fruit - 33 million dollars, it is self-evident that the implementation of our development programme, which can give us 30 million dollars, can make a major contribution to improving our trade balance and helping the State achieve economic viability and independence.

Dev Joseph (Cont)

(5a)

O I L

You will have observed that in estimating our future hard currency income from development of the country's natural resources I have not taken into consideration another possible item of income which, with luck, may equal or exceed all other sources of dollar income put together - I refer to oil. I have done this because I think it would be a mistake for us to count on hypothetical possibilities, but not because we are without prospect of finding oil. On the contrary, insofar as one may base expectations on the investigations and judgment of geologists our chances of finding oil in Israel are reasonably good.

No one can know with certainty that oil will be found in a country, and still less, in what quantities it may be found, until the oil drills have actually struck oil. But there are definite geological structural characteristics which clearly indicate whether oil could or is likely to be found in a given area. Surveys carried out by our geophysicists confirm the existence of these desirable characteristics.

All this indicates that, although there can be no certainty, there are definitely good grounds for hoping that we shall find oil. The drilling of the first bore-hole will actually begin this week in the area of the Dead Sea.

WILL ISRAEL BE VIABLE?

Persons little acquainted with the realities of Israel bruted about the notion that Israel will not become viable - that it will always have to be supported by outside financial help. Can anyone who has seen the tremendous progress made during the last five years doubt the falsity of such an appraisal?

Are there many countries in the present day world with a comparable record of constructive achievement, of creative effort, of indomitable pioneering spirit, of hard work in establishing hundreds of agricultural settlements and industrial enterprises, in laying down roads and irrigation pipe lines, in providing electric power, in erecting tens of thousands of homes, in building a country and the life of a nation? Is there any just ground for doubting that, given assistance in the form of investment dollars, without which no economy of a new country can possibly be set up, those who have created what already exists in Israel will eventually be able to establish sufficient economic enterprises operating so as to maintain the life of the community by their own efforts?

The question is whether adequate progress has been made and new values created; whether what has been achieved gives promise of success if the effort to attain economic independence is pressed forward. As to that, we believe Israel speaks for itself. Anyone who doubts this need but travel through the country and see the miracle of rehabilitation that has been wrought to be convinced.

Dov Joseph (contd)

ISRAEL'S ECONOMIC INDEPENDENCE

Israel's economic independence is assured if we shall be able to carry on with our development of the country unhampered by lack of funds - if we have the implements and financial means with which to finish the job. Israel's future and the security of our State depends only upon ourselves, upon us in Israel and upon you the loyal Jewish friends of Israel abroad.

If the Jews in the free countries of the world realise this, if they enable us to become stronger by helping bring more Jews to Israel through the medium of the United Jewish Appeal and similar funds in other countries, if they appreciate the fact that the Israel Bonds issue is an enterprise of the State of Israel in which all supporters of Israel should participate, if then we all pull together and go on doing our utmost, guided by the prophetic assertion:

"למען ציון לא אחשה"

ולמען ירושלים לא אסקוט"

"For Zion's sake will I not hold my peace,
and for Jerusalem's sake I will not rest",
surely we shall succeed in securing Israel's economic independence just as we won our political independence.

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JERUSALEM CONFERENCE 1953

Address by: Mr. Perez Bernstein
Minister of Commerce
and Industry

Afternoon Session
26th October, 1953.

NATIONAL ECONOMY AND PRIVATE INVESTMENT.

All of you gathered here have played and are playing a most prominent part in assisting and organising Jewish assistance to the State of Israel. When now invited by the government to renew, continue and even intensify your efforts, you may rightly ask for the fullest information about our achievements which, understandably enough, we do not tend to hide; and also about our actual situation, our difficulties and our plans for the future; and perhaps even about our shortcomings, which, as a rule, we do not advertise overmuch, but about which we wish to speak quite frankly.

You have just heard a comprehensive survey about our economic and financial problems and perhaps you are a little dizzy and overwhelmed by so many and such large figures. Populating a small, long neglected and a not very richly endowed country, with so many Jews as have come and are desirous of coming to Israel, involves big money. This - though not this alone - is the price we have to pay, and our goals must assume big proportions when expressed in terms of money.

But having heard what has already been done and what needs to be done in the future, let me try to say something about HOW it is to be done and how we believe it CAN be done.

When Israel, after the victorious war of Independence, settled down to consolidate the daring improvisation of the Jewish State into something promising of permanence and stability, the financial assistance required was for an important part needed in order to meet current expenses of the most pressing nature and expenses which even in an indirect sense scarcely

Perez Bernstein (contd.)

could be defined as productive. This stage belongs almost entirely to the past. To a relatively limited extent do we still rely, for our medical services, vocational training and social welfare, on outside assistance, but the brunt of this burden is borne by our local efforts, that is, by our own country.

But from the outset we had to find investment money from outside Israel, since it was impossible to finance the enormous economic expansion necessary to absorb mass immigration by our local capital resources. And while we now pay for nearly all our services by our own means, the necessity persists of getting investment capital from abroad, perhaps to a still greater degree than in the past. This is our main point in addressing you today.

Now you may ask: "Why are we still in need of large scale investments?"

It is well known, and the fact has been mentioned by the Prime Minister, that our trade balance - which should not be mixed up with our balance of payments - shows a quite unnaturally big deficit. This deficit is not quite as formidable as it seems, since it stems partly from capital goods for investment purposes, and as long as we are importing capital for investment a measure of passivity of our balance of trade is natural and does not cause apprehension. But this deficit is also due, and in the last year to the tune of almost hundred million dollars, to the fact, that goods for current consumption, food and raw materials for our industry producing consumer goods, are paid out of funds of foreign aid. So great a dependence on foreign aid is most dangerous, even if it is not used, as it has been used just now, to exert political pressure. Foreign aid can be reduced suddenly and even entirely cut off for many reasons not connected with any political pressure. It is certain that it will not be continued indefinitely. It would be economically unhealthy to be dependent on it for a long time. In short, we will have to reach a state,

and as quickly as possible, when

Perez Bernstein (contd.)

ourselves or paying by our exports (and earning through services) what we are consuming. At a much farther stage of development we will have to finance economic expansion out of our own savings alone, but this second stage must necessarily be relegated to a more distant future, especially if the expansion has to provide, as we trust it will, for the requirements of additional immigration.

To close the gap in our balance of trade, which essentially is a gap between production and consumption, we have to decrease consumption or to increase production or both in a proportion according to necessities. Not a few economists, also in the United States, advocate severe cuts in consumption, or lowering the standard of living. But it should be clear, that curtailing consumption implies return to severest rationing, to government controls by now lifted, and heavily tightening still-existing controls. It would mean lowering the level of nourishment. It would necessitate a severe cut in the production of industrial consumer goods, on which the greatest part of our industry is built, with decreased use of industrial capacity, unemployment and higher production costs. A cut of consumption seems to me a remedy more dangerous than the malady.

So there remains only increase of production, and increase of production means additional investment. It requires not only that. Amongst the prerequisites of sufficient increase of production I mention the stabilization of price level, which means stabilization of the buying power of our currency, and concurrently of the foreign exchange rate, all of this in turn dependent also on balanced government budgets. And since we have greatly to increase exports, we have to lower our cost of production which

Perez Bernstein (contd.)

cannot be achieved in a government controlled economy. Hence the necessity of a reasonable supply position. And here lies the real danger of cutting off foreign aid prematurely. The danger is not so great as it would have been a year ago. Certainly it is no longer a danger to our very existence. But it would be a serious obstacle on our way to self-sufficiency and greatly delay the time when we will reach it.

The purposes of investment fall naturally under the well known but not always clearly distinguished heads of

- a) BASIC DEVELOPMENT (power, water, roads and transport) not producing goods in themselves, but prerequisites of producing goods.
- b) ADDITIONAL ENTERPRISES in agriculture and industry, producing goods.

Compared with many other countries the investment situation has been here somewhat unusual.

Peretz Bernstein (contd)

In agriculture except for citrus groves, vineyards and mixed farming, the investment has been made exclusively by public money, for the greater part through Keren Hayesod; and lately also, for not a small part, by the government development budget. So development of water resources is financed by public money, now mostly by loans of the government development budget. Railroads and ports are government owned and financed by public money. Road transport is partly run by transport cooperatives, partly by private truck owners. Power (here only electricity) ought to be financed exclusively by private investment as should be the exploitation of mineral resources, but somehow private capital did not come forward, certainly not in adequate amounts, and so once more for these purposes too the government development budget has to be drawn upon. Government has even heavily invested, though mostly not for controlling purposes, in Histadruth and private industries. Protracted and heavy depreciation of money values seem to have made these investment loans attractive even to borrowers who could be expected to raise the necessary capital by their own resources. These loans certainly should be taken over by private investors, possibly in the form of equity capital. But the Israel Government would also willingly accept private investment for public utilities on adequate terms. However, as long as private capital cannot be mobilised for this kind of enterprise, it has to be financed by public money, for we cannot wait.

The scope of investment by Bonds remains therefore very large.

But apart from all these fields, where private investment is desirable, but has so far remained aloof, we see as the spheres where private investment and private enterprise most naturally falls as:

Peretz Bernstein (contd)

- a) industry
- b) citrus groves and possibly other plantations
- c) building of dwelling houses to be let to tenants.

The necessary fund-raising propaganda has somewhat obscured the fact that private capital and private enterprise have built all our cities almost without any participation of public money. The same applies to the greatest part of our industry. It applies to the bulk of citrus industry and vineyards and even to mixed farming for some 30/35%.

But while the objects of investments in basic development present themselves clearly enough and, as it were, at first sight, we have to specify, to a certain extent, the possibilities of investment in industry AT THIS STAGE of development, I stress at this stage. Two main reasons prevent planning industries for too many years ahead. First, industries based on locally produced raw materials, whether agricultural or mineral, depend on whether and in what measure production of these materials can be developed and at what cost price. In both respects we have reached the stage of advanced preparation but except for some specific items which already are available it seems too early to draw conclusions which would enable the working out of definite plans.

Secondly: The possibilities for additional manufacturing industries as far as they are producing for local consumption increase with the increase of the population, also in that sense, that consumer goods, now imported, can be manufactured locally, provided the scope of local demand is sufficient to allow of efficient production. As to export industries: the research and development of export markets takes time. This year's progress has been encouraging and prospects in various fields of production seem good. But as a basis for new

Peretz Bernstein (contd)

industrial plants for export production the progress made until now is not yet sufficient.

However, a survey of existing industry reveals the necessity of additional investment, for, let us say, the next two years, according to the following estimates which are conservative and probably too low. I am now speaking about investment which promises, when plants are properly managed, reasonable returns under actually existing circumstances.

Textile Industry	Dollars	16,600,000
Metal	"	12,500,000
Chemical	"	8,400,000
Foodstuffs	"	3,600,000
Ceramics	"	600,000
Glass		400,000
Rubber		300,000
Wood		500,000
Leather	"	100,000
Building material industry		500,000
Cellulose and Paper	"	3,100,000
Printing		400,000
		<u>47,200,000</u>

This investment would require additional amounts in Israel Pounds of some 70 millions.

As to investment in citrus and other plantations and in housing I do not venture to give figures since it is too difficult to circumscribe the possible scope of these investments, but a considerable start could be made anyway without fear of overproduction.

Perhaps I should add a few remarks about the nature of private investment in Israel and about the objections not seldom raised by those approached with proposals.

Peretz Bernstein (contd)

Public money is, of course, in its origin also private money, but it is directed into public channels and spent according to the decisions of public authorities. Investment along these lines has the advantage to permit allocation of funds to the most needed objects relatively quickly. It has the disadvantage that the fear of losses cannot be as acute as with private enterprise and that therefore the danger of overspending is not always absent. Private enterprise, on the contrary is more cautious, and therefore often slower, but more careful in the choice of objects, in testing the economic basis of enterprise, and in management.

But objections to private investment in Israel have not always been motivated by this kind of reasonable caution.

In a general way it has often been contended that the so-called climate for private investment in Israel is not suitable. As far as this complaint applies to security reasons, I am unable to assess the difference of danger from warlike conflagrations in different parts of the world. In this respect peoples elsewhere seem sometimes considerably more nervous than we here, but these subjective feelings lack, of course, objective validity. More consistently all too bureaucratic handling of applications, granting of all sorts of licenses and complications in foreign exchange remittances are objected to. In a number of cases monetary instability was mentioned as a cause of reluctance.

As long as we have to continue granting facilities of the investment law on a selective basis, and government controls, especially on foreign exchange, are not yet lifted, a measure of administrative interference cannot be avoided. We are seriously endeavouring to reduce it as far as possible and to create as speedily as possible a situation which will enable us to dispense with controls. The process of monetary

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Resume of Address by: Mr. David Horowitz
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The conclusion of this discussion suffers under two handicaps. First it is in essence an economic discussion, but political events on the one hand overshadow the grey battle of economic survival, on the other hand aggravate it considerably. Second, we have all been uplifted by the spirit of that Conference, by the feeling of common destiny and by the warmth of your response to our appeal.

But now we have to face the realities, economic realities. And economics is defined as the dismal science. We shall not deal with the emotion and inspiration of this Conference, but with its transmission into reality. We have to build a bridge between the vision which was so alive in this Conference and the realities of our situation and you are certainly entitled to a mature and adult appreciation of facts without the tint of propaganda. You can claim frankness and candour on our part. We know what is foremost in your minds. Will Israel ever become a going concern? Is it making progress on the road to economic independence?

Economic independence is mainly determined by three factors. a) the natural resources of the country, b) the skill, the technical civilization and the know-how of its inhabitants, c) the capital available for investment. This country is not rich in natural resources. The new immigration brought into the country few skills and little know-how. The capital so far invested was insufficient. The three factors determining the economic independence of the country are, however, interchangeable and the country with few natural resources and few skills must compensate these deficiencies by more capital investments and this is the explanation of the vast amounts required to transform the country into a going concern and mentioned in Mr. Eshkol's expose.

There is one outstanding difficulty in financing that development. The separation of the influx of people from the influx of capital. Immigration before the second world war brought with its own capital. Eighty percent of the investment in that period were provided by private capital and only twenty percent by public funds. This situation changed fundamentally in the post war period. The new immigration does not possess any capital resources and thus, the bulk of investment has to be provided from public funds.

There is another problem: Lag of the increase of production behind the increase of population. We embarked upon the expansion of Israel's economy by new investment only at the end of 1949. Till then we were engaged in one business only, the grim business of surviving the war of liberation. Technically the fruition of investment takes time. A factory established in one year will reach its full scope of production two or three years later. And the same applies to

even greater extent to agriculture. But the technical lag is not the only one. There is also an economic lag. The influx of capital did not correspond to the influx of people. And if the influx of capital is delayed or insufficient, more capital and more time is required. A part of the funds is simply eaten up to keep soul and body of the new immigrant together, and in the last resort a larger volume of capital will be required because of that delay. These will indicate to you the magnitude of the task. However, progress is being made. In our economic position we were confronted with the problem of a gap between the purchasing power of the population and the quantity of goods available and the gap between exports and imports. The first gap was caused by expansion of supply of money to finance the new immigration. This gap is now nearly closed thanks to the new economic policy adopted at the beginning of 1952. We are still confronted with the much graver and more serious problem of the gap in our balance of payments.

One of our friends raised here the question whether we can appeal to our friends in America and other countries with a dual appeal of stability when we speak of investment and bonds and "rahmunas" when we speak of the philanthropic funds. What is the root of this apparent contradiction? We have brought into the country within a very short period of a few years, some seven hundred and twenty thousand Jews. This was a one time act. But economic integration is a protracted process. As a result we have a large agglomeration of new immigrants, hundreds of thousands of them already geographically transplanted into the country but not yet economically integrated. At the same time, we have the nucleus of a dynamic expanding productive economy. Paradoxical as it may appear, the two co-exist. It is true there is distress, plight and misery in this unintegrated agglomeration of new immigrants on the fringe of our economy. But we have at the same time an expansion of our productive facilities.

About two years ago, we embarked on an adventure of consolidating our economy. We have made some progress. First of all the people of Israel become independence-minded in the economic sphere. The increased indebtedness in foreign currency has been stopped. The internal budget is balanced. Inflation was curbed. This was the result of a policy which tried to curtail the redundant purchasing power in the country. We shall not go into the mechanics of this policy. It was carried into effect to a very great extent by the devaluation of our currency. Here I come to a problem raised the other day by Mr. Rothschild. He analysed our multiple rates of exchange and rightly stated that multiple rates of exchange are not sound and certainly not conducive to investment of new capital. When we introduced the multiple rates of exchange, we considered it as a transitional measure to soften the impact of our deflationary policy. We used part of our foreign currency to stabilise prices of most essential commodities with a view to preventing a too rapid increase in the cost of living and consequently wages. We are now trying to reduce these multiple rates to one unitary rate of exchange. Some progress was made in that direction. Practically only two rates are still maintained and we are confident that we shall

reach in the course of time a sounder condition of our currency with a unitary rate prevailing in this country. Of course, stability of currency is not entirely dependent on policy. It depends also on some objective economic conditions, in our case to a very great extent on our balance of payments which is so closely linked with the problem of sources of foreign currency and assistance from abroad.

Of course, all these achievements may be endangered in case of a rapid deterioration in our balance of payments. In this case, capital investment will be reduced and there will be a precipitate decline of consumption.

One of our friends mentioned here the high cost of production in this country. It is true that our cost of production is increased by our heavy expenditure on security which makes heavy taxation imperative and by the economic burden of integrating new immigrants. The new economic policy, however, decreased the cost of production in terms of dollars by devaluating our currency. Now, our wages range between three and five dollars per day, which is competitive. We have still to deal with the problem of productivity, which is not yet sufficiently high.

Another question raised here was that of private investment. Mr. Keyserling rightly said that our approach to that problem is a pragmatic one, and by no means doctrinaire. In a period of emergency one has to be pragmatic and policy must be conducted on a narrow path circumscribed by the exigencies of the situation. There is a consensus of opinion that every effort should be made to encourage private capital investment. There is also a consensus of opinion that in cases in which private capital is not forthcoming, public funds must be invested in essential enterprises as we cannot afford any delay in our endeavours to reach economic independence.

On that point, we shall be judged not by our words, but by our deeds. What have we done to encourage private capital investment? You have certainly read in the papers of the decision of the Government to extend to private capital investors a rate of IL.1.800 per dollar. If you shop in this country or go on excursions, you will realise that the pound is certainly worth more than fifty cents, in terms of purchasing power in this country. We have deliberately undervalued our pound with a view to attracting new capital for investment. That is a great sacrifice as it entails a reduction in our own standard of living with a view to promoting investments. You have heard here the description of our financial situation. You know how scarce foreign currency is for us. Nevertheless we provided in our law for the encouragement of investment from abroad for an annual repatriation of the capital invested at a rate of 10% in foreign currency. This was a great sacrifice and great risk for this country. That we have lived up to this obligation.

Another point raised by our friends was that of planning and investment. The complaints were contradictory. Some of our friends thought we should not allow duplication in establishing factories, producing the same commodity for a limited market. Others claim that we have been procrastinating in extending facilities to new investors. We could not meet both kinds of complaints; with the scarcity of resources some degree of selectivity

is imperative. But at the same time we must take care of attracting as much capital as possible.

Another problem raised here is that of refunding. It was mentioned that some hundred million dollars of short term indebtedness represent a heavy burden on the economy and treasury of this country. Sometimes I have a feeling that this indebtedness is considered as a kind of an illegitimate child. And I would like to dispel this impression. How was this indebtedness incurred? First of all, I would like to divulge: till the end of 1949, not only did not we have any debts in foreign currency with the exception of the Export and Import Bank loan, but we had a reserve of 21-million dollars in foreign currency deposited in the bank. In May 1950 the reserve had gone, but we were not yet indebted. Till that time we have been approached frequently with the most attractive proposals of credits and in my capacity of under-secretary of the Treasury I recall with some nostalgia that I was in a position to refuse all these offers. But then immigration assumed unmanageable proportions. The transplantation of the Jews of Yemen and later of Iraq created a situation in which sometimes as many as a thousand immigrants arrived every day. They had to be provided with tents or wooden huts at least and those had to be bought in foreign currency. They had to be fed and kept alive. The people of this country and you friends applauded that readiness of our government to assume these risks. Should we have refused to take the Jews of Iraq at the risk of the danger to their lives? Assistance from abroad was inadequate in comparison with the urgent, pressing needs. At the time we did not have yet any grants in aid and the reparations were still a dream. We had only two alternatives. Either to refuse continuing that operation of rescue and salvation or to incur debts to buy the tents and the food and the bare necessities of life for this torrential flow of immigration. We chose the less orthodox but the more humane and more national course. The revolving of these short term debts is a heart-breaking and back-breaking business and the time has now come to refund and to distribute this burden over a longer period of time.

Frien's, the problem before us is that of a race with time. Assistance from abroad will not continue for ever. We have to develop our productive facilities. During the period of respite which we now enjoy we have to telescope our economic development within the shortest period of time so that our production should be increased and save us from a too precipitate decline when assistance will be substantially reduced. This is a meeting of minds to find ways and means to carry into effect this process.

Of course, an economy always balances at some level. But the value of this country for Jewry all over the world will be greatly reduced if we decline to such an extent that we shall have to descend to a Levantine level of culture, if misery, starvation and plight will be rampant in this country.

We have faith in the future of this country. We stake our lives on that faith. Our progress should be measured not only by the distance from the goal but also by the distance from the point of departure, by the road we have already travelled.

A drama of epic grandeur is unfolding before you. It will be fascinating and full of promise if you and we rise to the occasion.