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### KNESSET GETS ISRAEL'S BUDGET; GOVERNMENT PROPOSES 20% RISE IN TAXES

JERUSALEM, Feb. 14. (JTA) -- Israel's Government presented to the Knesset (Parliament) today its 1966-67 budget, calling for expenditures totaling 4,533,000,000 Israeli pounds (over \$1,500,000,000). It is the highest budget ever drawn up by an Israeli Government, exceeding the current budget by more than 10 percent. To raise the monies to be needed to cover the budget, the Government proposed increases of 20 percent in direct and indirect taxation.

Despite the high general budget, the Government has proposed a cutback in the development budget and reduced subsidies to agriculture and industry. The Government will also increase tariffs for certain services which it provides. Defense expenditures will rise, the budget shows, by almost 10 percent. The overall budgetary increase was caused, it was explained, by the rise in salaries paid to Government employees and by the expansion of health and education services provided by the Government.

With a drop in foreign resources, Israel will have to provide for more than half of its development budget, which will be reduced by 15 percent. Funds for development projects will come mainly from compulsory loans and through transfers of money from the general budget.

Israelis have been expecting for a number of weeks that a "tough" budget was in preparation, and the details revealed to the Knesset today confirmed all expectations. In addition to a rise in direct taxes, Israelis will also have to pay more for certain daily necessities like cigarettes and gasoline. The cost of automobile registrations and transfer fees are to be doubled.

### Government Chooses 'Semi-Austerity' to Avoid Inflation

Although the average personal income tax will be increased by only 2 and a half percent, the actual rise will be much higher because the minimum taxable incomes will be lowered, while the pound's purchasing power has fallen steeply in recent months. The higher income taxes plus increased corporation taxes and the compulsory loans will increase the Government's revenue from these sources by 20 percent. Financial circles here said that the Government had to choose between inflation and "semi-austerity," and chose the latter course.

Addressing the Knesset, Finance Minister Pinhas Sapir told the Parliament that the budget presented is one intended "to strengthen the basis of achievements, instead of increasing expansion." The budget, he said, would mean difficulties for the population. "But," he added, "the economy has reached a point where the transition from a rapidly-developing economy to one of modern production can be made without undue hardships."

Concluding his budget address, Mr. Sapir told the House: "The Government was faced with the alternative of printing money or raising taxes -- and chose the latter course," hoping, thus, that "runaway inflation may be prevented." He also took the Israeli workers to task for what he called "low morale," criticizing "frequent strikes which threatened the country's economy in the last year." "Unless working norms can be adjusted to compare with those in industrial countries," he warned, "Israel's economy will not progress."

### Histadrut Backs Government Policy; Urges Check on Inflation

TEL AVIV, Feb. 14. (JTA) -- The executive committee of Histadrut, Israel's federation of labor, voted unanimously here today to call upon the Government to stop the wage spiral and to take "urgent steps" to halt inflation. The unanimity, however, broke down along party lines when the committee considered the causes of the current inflationary trend and the steps to be taken to stem the trend toward inflation.

A majority of the executive adopted the wage proposals made by the members representing the Mapai Party-Achdut Avoda alignment. These proposals call for wage increases ranging from 5 percent to 10 percent in 1966, and additional 5 percent hikes next year for workers in industrial production and for service workers. But the alignment proposed a "wage pause" for white collar workers, technicians and teachers, suggesting that these salaries remain unchanged when new contracts are negotiated. The proposals also call for the preservation of the automatic cost-of-living allowances, formation of a Government Labor Court to handle labor disputes, and the establishment of a Supreme Economic Council to formulate national economic policy.

STATE DEPARTMENT OUTLINES POLICY ON U.S. ARMS TO ISRAEL AND ARABS

WASHINGTON, Feb. 14. (JTA) -- The stand of the U.S. Government on the question of supplying American arms to Israel and the Arab states was outlined by the State Department today in reply to the joint protest of 75 members of Congress who deplored the Arab arms build-up and asked consideration for Israel's security needs.

The reply, written for the Secretary of State, was addressed to the dean of the House of Representatives, Congressman Emanuel Celler, New York Democrat. It was signed by Assistant Secretary of State Douglas MacArthur, 2nd. It emphasized that "the continuing state of tension in the Near East results from the basic dispute between Israel and her Arab neighbors" and indicated that the United States deemed it desirable to continue providing arms on a "case-by-case" basis to the Arab states and Israel.

"The best course for us would be to maintain the lowest level of armaments possible, but this is not something we alone can do," the letter stated. "To achieve this would require a common approach by all the states capable of supplying arms to the area. It would presuppose a fundamental agreement on the need to avoid an arms race in the area as well as a situation in which differences and tensions among the arms-supplying nations did not exist." Mr. MacArthur pointed out that "in present circumstances, while the United States uses its influence to work for peace and stability in the area, it cannot ignore the realities of the situation. Beginning in 1955 massive Soviet arms sales into the area have been a major factor feeding the arms race."

The State Department official said America seeks to avoid becoming a "major supplier" to any country in the Near East and "by not becoming involved in the arms spiral, we have hoped we might play an effective role in persuading both sides to limit further acquisitions of lethal weapons." However, "said Mr. MacArthur, "sales by others have forced us to respond on occasion by making selective sales. These exceptions to our general policy have been based on careful case-by-case examinations and a determination that such a sale would not be an unstabilizing factor."

Describes Motives for Sale of U.S. Arms to Arabs and Israel

He said that reports on arms transactions have at times been based on partial information, not always accurately reflecting the actual situation. Also reports "sometimes tend to interpret the continuing modernization of military establishments in terms of sudden acceleration and also may fail to take account of the fact that delivery pursuant to arms sales may stretch out over a period of years without significant immediate impact."

Declaring that the arms sales made to Israel and the Arab states are "in support of our objectives of maintaining friendly relations with all the states of the area while seeking to advance peace, progress, and stability," the State Department official added: "We do not underestimate the seriousness of any arms augmentation and will use our influence as we can to see that the dangers inherent in the military confrontation in the Near East are limited to the extent possible. To this end, we will continue our efforts to assist in resolving the basic differences which divide the Arab states and Israel."

Rep. Thomas M. Rees, California Democrat and co-signatory of the letter to the State Department, commented: "I do not think the reply from the State Department suggests any solution to the arms race in the Middle East." Rep. Rees, who recently assumed the seat vacated by United Nations envoy James Roosevelt, said the State Department should recall the recent warfare between India and Pakistan. He said although America asked that arms supplied be used only for self-defense, "instructions were ignored and we had fighting between two nations using American supplied equipment in a border dispute."

In a communication to constituents, Rep. Rees went on to stress that America should not supply arms to nations like the Arab states "whose open policy is to make war with another nation." He said he hoped the State Department would find "a solution more profound than trying to outdo the Soviet Union in supplying military hardware to nations of the world."

CHIEF ACCOUNTANT OF 'SUPERSOL' SENTENCED IN ISRAEL TO 18 MONTHS

TEL AVIV, Feb. 14. (JTA) -- Moshe Heiman, former chief accountant for the Supersol Company, operators of a chain of supermarkets in Israel, was sentenced by the District Court here today to 18 months' imprisonment for his part in a multi-million pound swindle. He was convicted specifically of falsifying the company's books and of conspiring to burn the firm's books. The court permitted him to stay free under bail of 120,000 Israeli pounds (\$40,000) until March 27.

Prior to sentencing him, the court heard Meir de Shalit, director-general of the Israeli Tourist Ministry, who testified as a character witness on Heiman's behalf. Mr. de Shalit said that Heiman was of great service to Israel and submitted to the court a letter to this effect from Abba Eban, now Foreign Minister and for years the Israeli Ambassador to Washington.

Nazi Victims Deprived of \$100,000,000 in Payments by Bonn 'Mistake'

Bonn, Feb. 14. (JTA) -- Victims of Nazism, most of them Jews, were short-changed by about \$100,000,000 in the last 10 years through a German Government "error," it was revealed here today. Most of the "mistake" consisted of deducting from their restitution checks a percentage charged to income taxes -- whereas the law specifically exempts restitution income from federal taxes.

In addition, many of the payments were illegally "rounded off" downward, and the pensions paid were not increased by the same percentages by which civil service scales had been raised. The law links the restitution payments to the percentage increases given to civil scales. The "error," it is estimated here, had reduced the payments made to victims of Nazism by about 12 percent.

All of these "errors" were disclosed at a meeting of the representatives of the German laender (provinces) at the Bundesrat, the upper house of the German Parliament. Indirect confirmation of the charges of "error" were seen here today in the fact that the Bundesrat has been given by the Government the task of formulating a new decree that would raise individual restitution payments by sums ranging from 12 percent to 50 percent -- depending on income -- retroactive to September 1, 1955.

The Bundesrat is expected to act on the proposed decree this week. The increases would cost the Government \$30,000,000 for restitution recipients on the rolls prior to last September. Additional payments, estimated at between \$10,000,000 and \$20,000,000 would benefit restitution recipients covered by recent legislation.

Martin Hirsch, a Social Democrat member of the Bundestag, the lower house of Parliament, has openly denounced the "error." Furthermore, he has alleged that Chancellor Ludwig Erhard has declined to rectify the mistake, and called this alleged failure a "scandal." Mr. Hirsch is one of the country's foremost experts on restitution problems. He was chairman of the Bundestag's restitution committee until that body was abolished last fall.

One angle of this development considered piquant by most observers here, is the fact that the mistake was discovered not by the Finance Ministry but by a low-echelon employee of the Ministry of Defense. The man who found the error is said to be a half-Jew. There are reports that he was threatened with dismissal from his job when he tried to bring the "error" into the open, but was saved from firing by the personal intervention of former Chancellor Konrad Adenauer, to whom he had appealed.

Rabbi Adler Undergoes Further Surgery; His Condition 'Extremely Grave'

DETROIT, Feb. 14. (JTA) -- The condition of Rabbi Morris Adler, who was shot during Sabbath services at his Shaare Zedek Temple, in suburban Southfield, by a demented honor student whom he had been counseling, remained "very critical" and "extremely grave" today.

Surgeons and other doctors at Sinai Hospital here performed further surgery on his brain today, in an effort to relieve the pressure caused by a bullet that had entered the back of his head as the youth, Richard Wishnetzky, shot the spiritual leader in front of a packed congregation of 1,500 worshippers.

Messages of prayer and hope for Rabbi Adler's recovery were issued in the last two days by the Governor of Michigan, the Mayor of Detroit, labor and communal leaders, and many churchmen, Jewish and Christian, including Archbishop John F. Dearden, Roman Catholic prelate of Detroit. Telephone calls and cables came from many American cities, from Jerusalem and Tel Aviv, London, Paris and Tokyo. Rabbi Adler had served as the first Jewish chaplain in the U. S. Army in Japan after the defeat of Japan in World War II.

Various functions were planned to have been held here next March, in honor of Rabbi Adler's 50th birthday, by his congregation, various other organizations and by the Detroit Jewish News.

Meanwhile, Wishnetzky is also fighting for his life, but is not expected to survive. He is at another institution, New Providence Hospital here. Leonard Antel, administrator of the religious school at Rabbi Adler's temple, said today that, while concern for Dr. Adler's condition was uppermost in the community, there was also much sympathy for Wishnetzky and for his family because the family is well-thought of here, and the youth had been an outstandingly brilliant student.

Ashdod Port Reopened; Stevedores Return to Work; Load Ship

TEL AVIV, Feb. 14. (JTA) -- Israel's Port of Ashdod, shut down for several days by the Port Authority, after the stevedores at the port had called a strike following a series of slow-down actions, was reopened fully today as the result of an agreement between the management and the workers, made this weekend through the personal intervention of Prime Minister Levi Eshkol. All the 300 stevedores were back at work. They loaded two ships carrying citrus fruits, and unloaded a third vessel that brought sugar.

LINK BETWEEN K. K. K. AND AMERICAN NAZI PARTY REPORTED AT HEARING

WASHINGTON, Feb. 14. (JTA) -- Links between the Ku Klux Klan and the American Nazi Party were revealed at a hearing before the House Committee on Un-American Activities. Ralph Pryor, 33, an ex-policeman from Wilmington, Del., said he quit the Klan in disgust after Nazi involvement in a Klan rally at Rising Sun, Md., memorializing Daniel Burros, a New York Klansman and former Nazi Party member who committed suicide after disclosure that he was Jewish.

Mr. Pryor told the committee the affair was more like a "Nazi rally" than a Klan memorial service. He said that Nazi music was played, Hitler-style speeches delivered, and American Nazi "firing squads" participated. He said "I became sick to my stomach."

Another witness, Roy Frankhauser, former member of the Nazi Party, National States Rights Party, and identified as grand dragon of the K. K. K. for Pennsylvania, was questioned to elicit information on Nazi links with the Klan. Committee investigator Donald Appell indicated Klan ties with the Nazis, stating that three Klansmen Mr. Frankhauser worked with in New York were formerly affiliated with the American Nazi Party.

ORTHODOX GROUPS BACK STATE SERVICES TO CHILDREN IN PAROCHIAL SCHOOLS

NEW YORK, Feb. 14. (JTA) -- Moses I. Feuerstein, president of the Union of Orthodox Jewish Congregations, and Rabbi Israel Miller, president of the Rabbinical Council of America (Orthodox), issued a joint statement here today, endorsing a bill pending in the New York State Legislature that would provide special remedial services to children in private and parochial schools.

The bill, introduced in Albany by State Sen. Edward J. Speno and Assemblyman Arthur Hardwick, Jr., would offer to students in the private and parochial schools the same type of psychiatric, psychological and social guidance available now to children in public schools. Recalling that the Orthodox Jewish community is "traditionally opposed to Federal aid to parochial schools," Mr. Feuerstein and Rabbi Miller asserted that they favor the Speno-Hardwick bill because "we cannot permit the denial of help which would contribute to the mental health and adjustment of school children in schools they attend."

In taking their stand, the Orthodox leaders differed sharply with the attitude of the American Jewish Congress, which opposes the Speno-Hardwick proposal. They asserted that the AJC "is becoming much too doctrinaire in its position on this and related issues of legislation which aids students in private and parochial schools."

URUGUAYAN GOVERNMENT SCORES ANTI-ISRAEL STAND OF HAVANA FARLEY

MONTEVIDEO, Feb. 14. (JTA) -- The denunciation of Israel at the Communist-sponsored Tri-Continental Solidarity Conference in Havana, last month, was strongly criticized today by the Government of Uruguay.

The Uruguayan Government declared in a statement that it could not "let pass in silence the declaration against the Israeli State" adopted at the Havana conference. The conference called for severance of "all political relations with Israel, its economic and cultural institutions and its expulsion from international organizations." The Havana resolution condemned the Zionist movement and the existence of Israel "in the occupied part of Palestine."

The Uruguayan statement stressed that "to discuss the right of the Jewish people to have a fatherland and a home is an attitude which the Uruguayan Government cannot admit." The statement described Israel as a "democratic state" and rejected "all ideologies which, pretending to seek the disappearance of Israel, are only making patent their anti-Semitism and anti-democratic attitudes."

BAR-ILAN UNIVERSITY IN ISRAEL CONFERS 254 DEGREES AND DIPLOMAS

RAMAT GAN, Feb. 14. (JTA) -- Bar-Ilan University here conferred degrees and diplomas this weekend on 254 graduates in various departments of the university. Rabbi Joseph H. Lookstein, of New York, acting president of the university conferred the degrees.

Twenty-two of the graduates received masters degrees; 131 received bachelors degrees; diplomas were presented to 16 graduates of the Institute of Criminology. Rabbinical teaching diplomas were awarded to 31; and 54 received high school teaching certificates.

'ZIM' NAVIGATION COMPANY IN ISRAEL ELECTS NEW TOP OFFICERS

JERUSALEM, Feb. 14. (JTA) -- Michael Tsur, former director-general of Israel's Ministry of Commerce and Industry, has been elected chairman of the board of Zim-Israel Navigation Company, succeeding Dr. Y. Arnon. Meir Giron, former general manager of the Israel Refineries, was named director-general of the company, replacing Dr. N. Wydra.