



Second only to Ukraine: The cost of Israel's defense burden

Dean Shmuel Elmas / 4 Nov, 2024

Prof. Esteban Klor of Hebrew University and INSS: To avoid a lost decade, the government must divert resources to growth engines.

The defense budget approved by the government for 2025 is NIS 117 billion, or 6.5% of Israel's GDP. The amount is NIS 15 billion above the Ministry of Finance's original proposal, and almost NIS 60 billion more than in a regular year. The budget is similar to that for the current year, but still high by international standards. Ukraine's spending on defense is four times higher as a proportion of GDP, but, in those terms, Israel's defense budget is larger than that of military powers such as Russia and the US and all the NATO countries.

The current budget is far from being unprecedented. After the Six Day War in 1967, defense spending as a proportion of GDP shot up to 19.7%, and for two years following the Yom Kippur War of 1973 it reached 28.7%, after which it consistently declined.

Prof. Esteban Klor, a professor of economics at the Hebrew University of Jerusalem and a senior researcher at INSS (Institute for National Security Studies), points out that until the outbreak of war in October last year, the defense budget had fallen steadily to 4% of GDP. "The consequences of a continued high defense budget are significant, because it comes at the expense of other things," he says. "It is therefore very important that the government should be able to channel its other expenditure to sources of growth. If in the past we could free up sources for things that did not lead to growth in the economy, the non-defense burden has now become heavier, because much spending has to be diverted to defense.

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