

member of the Knesset with links to the trade union confederation Histadrut, denounced Dayan as a "traitor," and the entire leadership of the Labour Party was reported "bitterly criticizing" Dayan.

Rabin's Comeback

The fiasco around the Dayan appointment has given impetus to the second major political development in Israel — the startling comeback by Prime Minister Yitzhak Rabin, a leading Labour Party moderate who was ousted in April in a cold coup by Defense Minister Peres, Dayan's chief ally. On Sunday, May 22, Rabin announced that he was ending his self-imposed "leave of absence" that followed the Watergate-style scandal which ostensibly forced him out of office, and said that he was taking up the reins of power again at the head of the Cabinet.

Rabin will thus return to an active role as Prime Minister until Begin and the Likud bloc either form a new government or abandon the effort.

With the outrage against Dayan, Peres himself has been badly discredited. At the same time, Rabin is letting it be known that he considers Labour's poor showing in the May 17 election to be the sole responsibility of Shimon Peres, who headed the ticket. Peres, said the *Baltimore Sun*, is reportedly "furious" over the Rabin comeback, though powerless to halt it.

One observer, himself a former Knesset member, said in New York yesterday, "The Rabin move for a comeback is very important. Whether or not Rabin himself heads the party now, I don't know. But I do know this: If the Labour Party tries to purge the hawks and become a

liberal, left-of-center party with a clear peace program, then they have an excellent chance to have a stunning comeback."

The forces behind Rabin include the Histadrut circles, the Labour Party Old Guard, and Mapam, the left-leaning party allied to Labour in the Alignment. The strategy of these forces is to build up their prestige and organizational control of the Alignment in preparation for a possible failure of the Likud to form a viable government. Should Begin's effort collapse, and should Dayan be ousted and Peres left impotent, then there is a good chance that Rabin and the pro-peace moderates in Labour could end up atop a new Israeli government after new elections in July.

Crucial to this effort is the June 21 Histadrut election. State Department sources report that the Histadrut vote will be taken as a barometer of the strength of the Labour Party after the May 17 vote, which — in some senses — was an aberration. Rabin is thus maneuvering himself into a position to reap the credit for a strong Labour showing in the Histadrut vote, which in turn could be a decisive defeat for Begin if the rightists are unable to form a government by that time.

The Dayan affair is also indicative of the inside fight that is ripping Israeli politics. According to a highly knowledgeable source, Dayan — and his cronies in the so-called "Rafi" faction — are a kept political entity of the Rothschilds and Baron Edmond de Rothschild personally, who "is surrounded by Rafi people, and keeps a number of them, very generously, on his payroll in Paris and in Israel." To Israelis, it was clear that the Dayan

Friedman: 'Workers In Israel Will Have To Be Fired'

The following is taken from an interview with Milton Friedman published in the May 24 Jerusalem Post, by Wolf Blitzer.

Prof. Milton Friedman, the Nobel Prize-winning economist who has been invited to advise a Likud-led government, suggested yesterday that Israel drastically reduce government involvement in the private business sector and remove laws which prevent workers from being fired.

In a telephone interview, Friedman said laws which prevent the dismissal of employees are "wasteful" and "invariably do far more harm than good."

Friedman confirmed that he received a phone call the other day from someone "speaking on behalf of Begin and (Simcha) Ehrlich," who is widely believed to be the next finance minister.

According to Friedman, the caller asked whether he would be available to advise and help the next government. "I said I would be delighted," Friedman said.

He said that he knew Israel's economic problems because of his many visits to this country over the past 15 years.

Israel should immediately reduce government spending and cut back on the rate of increase of "government money" in circulation, he said. "As I understand it," he continued, "this is the concept advocated by the Likud... The government should reduce its involvement in Israel's business." He noted that "government-run enterprises are inefficient and wasteful."

...He insisted that the basic objective of the new government should be the "widespread private ownership of industries in Israel."

He also suggested that Israel adopt a "free market" with respect to unemployment. Under a free market system, he argued, unemployment would affect only those people between jobs. The current system in Israel is wasteful because it leaves "no flexibility enabling people to move."

When told that the question of unemployment in Israel was a "sacred cow," Friedman replied that "there are a lot of sacred cows. But you get buried by what the cows produce."

On the Likud's foreign policy, Friedman declined to comment, stating only that he had seen Begin on ABC television on Sunday and "I was very much impressed by what he said."