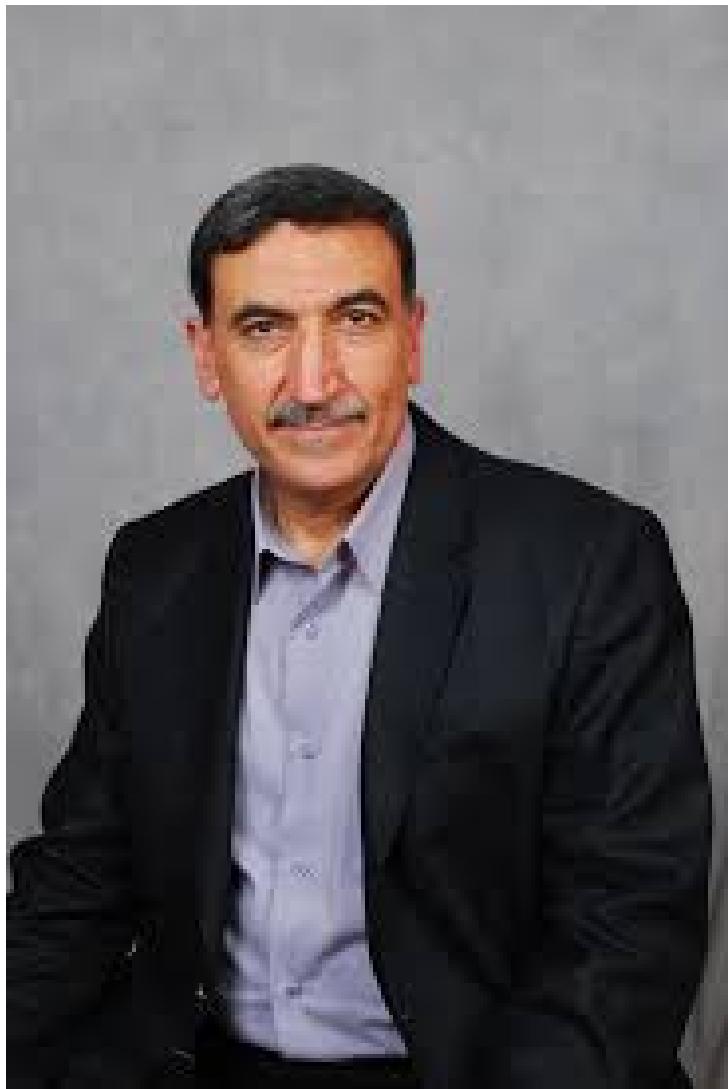


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The Israeli Zombie Economy



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Describing Israel's economy as a "zombie economy" is a striking characterization intended to show that the economic system in Israel is not only unsustainable but is also deeply intertwined with political disinformation, international complicity, and the ongoing genocidal campaign in Gaza. This description is based on the insights of Dr. Shir Hever (researcher of Israeli occupation, apartheid, and genocide; Managing Director of the Alliance for Justice between Israelis and Palestinians; and author of The Privatization of Israeli Security). Hever focuses on several dimensions: financial instability, the collapse of institutional credibility, the role of propaganda, and the geopolitical context of sanctions and popular opposition movements such as the

Boycott, Divestment, and Sanctions (BDS) movement, providing a comprehensive picture of Israel's crisis, framed through the metaphor of

the “zombie economy.” Below is a review of Dr. Shir Hever’s insights on these interrelated topics.

1. Collapse of the Israeli Economy

The term “zombie economy” stems from the observation that Israel’s financial system, according to standard economic indicators, has already collapsed. Israeli government bonds are sold globally and bought for political motives, not for rational investment expectations. Unlike the crises of Argentina or Greece, where economic collapse was followed by restructuring through institutional continuity, Israel faces a deeper crisis: the collapse of the state’s institutions themselves. Despite this collapse, many Israelis continue their lives as though nothing has changed. Paradoxically, the Tel Aviv Stock Exchange continues to rise, reflecting the disconnect between economic reality and market evaluations. This contradiction highlights the influence of perceptions, speculation, and propaganda on material conditions in today’s global capitalist era.

12. Disinformation and the “Zombie” Nature of the Economy

A zombie economy signifies not only collapse but also reliance on illusions. Dr.

Hever explains that Israel does not operate under an information economy but rather a “disinformation economy.” Economic activities are sustained by false narratives, misleading media, and political cover. Investors and governments continue to treat Israel as though its economy is stable despite mounting evidence to the contrary. This manipulation resembles the zombie metaphor in two ways: the economy has no real life, and it continues only thanks to illusion, denial, and fantasy. Israeli citizens also absorb this disinformation, creating a vicious cycle in which truth seeps in slowly, only to be denied again. Lies about famine in Gaza, and fabricated atrocities exemplify this ongoing flow of propaganda.

3. Media, Social Media, and the Manufacturing of Reality

The role of media is central in keeping the zombie economy alive. Traditional media once maintained some journalistic integrity, but since October 7, most Israeli outlets have become platforms for disinformation. Even the liberal newspaper Haaretz initially spread lies, such as fabricated atrocity stories, before gradually returning to more critical reporting. Yet even when journalists acknowledge genocide, they rarely admit their own complicity in spreading disinformation. Social media worsens the problem by creating

ideological bubbles in which individuals only see content reinforcing their existing biases. This fragmentation of truth undermines accountability, enabling the state to continue genocidal policies while maintaining the illusion of stability.

4. The Political Economy of Occupation

Contrary to assumptions that Israel benefits economically from occupation, decades of research show it is financially unsustainable. While resources such as land and water are exploited, the costs of security, settlements, and military infrastructure far outweigh the benefits. Israel's economy does not thrive because of economic rationality but because of a societal value system rooted in apartheid privilege.

Many Israelis are willing to accept a lower standard of living if it guarantees dominance over Palestinians. This perspective underscores that the occupation is driven more by ideology than economics, further revealing the fragility of the "zombie economy."

5. International Complicity and the Question of Sanctions

Despite the fragility of Israel's economy, international support sustains it. Israeli bonds are not bought for profit but to fund its military campaign. Western powers, especially the United States, remain complicit through arms

sales, military aid, and political shielding in international forums. However, notable recent shifts are evident. French President Emmanuel Macron's recognition of Palestine and limited sanctions on Israeli arms companies mark the beginning of cracks in the wall of unconditional support. Colombia and other states, including Spain and Portugal, have taken steps toward sanctions, particularly restricting arms sales and transfers. These moves indicate that sanctions are no longer a marginal idea but an emerging international strategy.

6. The Role of the BDS Movement

The Boycott, Divestment, and Sanctions movement, launched in 2005, represents a grassroots effort to pressure Israel economically. Initially focused on boycotts and divestment, the movement has now reached a stage where state-level sanctions are possible. This marks a decisive shift in the global struggle for Palestinian rights. More importantly, BDS highlights how economic action intersects with political morality: divestment from corporations complicit in occupation, and restricting the arms trade are not symbolic gestures but actions that save lives and undermine Israel's war machine. The growing number of BDS supporters worldwide reflects

the global resonance of the Palestinian cause.

7. The Military-Industrial Dimension

Israel's economy is tightly bound to its military industry, which depends on international supply chains. For example, Israeli tank engines are manufactured in Germany, and European transport routes facilitate U.S. arms shipments to Israel. When countries like Spain and Portugal restrict the use of their territories for weapons transfers, they significantly disrupt Israel's military capacity. Moreover, the energy that powers Israel's AI-driven targeting systems, derived from imported coal, underscores the state's reliance on international economic flows. These vulnerabilities provide opportunities for targeted sanctions to effectively pressure Israel.

8. Ethical and Political Dimensions

Beyond economics, the zombie metaphor reflects the moral bankruptcy of a system prioritizing apartheid privilege and genocidal violence over material well-being. Israel's economy continues to function not because it is productive but because it is politically shielded and ideologically sustained. Citizens' denial of atrocities, fueled by propaganda, reveals a society willing to sacrifice comfort for supremacy. The

international community's willingness to buy bonds and sell weapons highlights the ethical collapse of global institutions prioritizing geopolitical alliances over human rights.

9. The Future of Israel's Crumbling Economy

The sustainability of this crumbling economy is uncertain. Lies cannot endure forever, and cracks in the disinformation machine are already visible. Journalists are beginning to confront reality, some states are experimenting with sanctions, and grassroots movements are gaining momentum. Yet the collapse of such an economy is unpredictable. Unlike Greece or Argentina, Israel cannot simply restructure, as its institutions themselves are collapsing under militarization, apartheid, and international isolation. The final collapse may therefore be more sudden and destructive, not only for Israel but also for regional stability.

Conclusion

Hever argues that neoliberal reforms since 1985 replaced collective privileges with individual ones, further weakening Israel's resilience. The tech sector, once a source of national pride, became intertwined with military service incentives, creating vulnerabilities when the sector faltered. Today's collapse is not cyclical but

existential, with investors losing confidence and Israeli society facing demographic and moral fragmentation.

Israel's zombie economy reveals how disinformation, ideology, and geopolitical complicity sustain an unsustainable system. It shows that the modern economy is based not only on material production but also on perceptions, privileges, and propaganda. For the world, it offers a harsh lesson in how political economy functions in the 21st century: a mixture of illusions and violence concealing systemic collapse. Whether the zombie economy stumbles on or collapses outright depends on the interaction between internal disillusionment, international pressure, and the resilience of grassroots opposition movements.

Source:

Interview: Israel's Zombie Economy & The Road to Sanctions, with Dr. Shir Hever

Hever, Shir. "Shutdown Nation: The Political Economy of Self-Destruction." Review of Radical Political Economics, vol. 57, no. 2, 2025, pp. 320-329. SAGE Publications, doi:10.1177/04866134251320667.