

Although for most people the current struggle over Jerusalem appears as a straightforward contest between Israel and the Palestinians over the division of the city, with the Palestinians viewing East Jerusalem as an integral part of the West Bank, which was occupied in the June 1967 war, and the Israelis claiming the whole of the city as their capital, Wasserstein injects a dose of historical perspective by pointing out that the Jerusalem question in its modern form “first emerged as a by-product of the slow melt-down of the Ottoman empire . . . its central feature in its first phase being the struggle over the Christian holy places” (p. 15). The author seems deliberately to distance himself from a colonial perspective, but, although not unsympathetic to Palestinian claims for independence and statehood, he is anchored firmly in a narrative based on Israeli needs and interests.

Although Wasserstein documents the attitudes of Jews, Christians, and Muslims toward the Holy City and shows that, contrary to polemical and propagandistic claims, the attachment of the various protagonists to the city is much more modern than claimed by the various parties involved, he makes clear that the current conflict is not religious in nature. He also shows that as far as the inhabitants of the city are concerned, historically intercommunal relations on the whole were “contained within a framework of law and civil peace” (p. 43). Despite the formal existence of separate residential quarters for the various religious denominations stretching back to the days of Ottoman rule, these neighborhoods never were hermetically sealed; no physical markers separated them, and to some extent residence was mixed. Muslims in particular lived in all four quarters, and Jews were to be found both living and conducting their commercial activities in the Muslim Quarter as far back as the 1870s (p. 49). During the whole of the late Ottoman period, there were no recorded instances of significant mass communal violence. It was only with the advent of political Zionism and the arrival in the city of British authority that communal hostilities began to manifest themselves.

The last thirty-five years of Israeli rule over the whole of Jerusalem have effected fundamental changes in the demographic composition of the city. Although it is difficult to deny the author’s characterization of the continued separation of the two communities living in Jerusalem and to find fault with his claim that “Arabs and Jews inhabit

different mental worlds, informed by fundamentally different ideological axioms, infected with profound collective suspicions of each other” (p. xiv), it is difficult in the absence of a war or a similar cataclysmic event to visualize how the city can be redivided again, or whether this is desirable at all in the currently existing situation. Israeli policy aimed right from the start of the occupation of the Arab inhabited parts of Jerusalem in June 1967 to carry out physical transformations that would make it well nigh impossible to partition the city again. In their occupation policies, Israeli authorities have been resoundingly successful. Not only has the Old City been transformed, with the razing of the old Moroccan Quarter and the rebuilding of a modern and much enlarged Jewish Quarter in its place, but also the string of Jewish settlements built in East Jerusalem and ringing the Old City have ensured that the Arab inhabitants of East Jerusalem are now a minority even in their ghetto-like part of the city.

#### REVISIONIST ECONOMICS

**The Global Political Economy of Israel**, by Jonathan Nitzan and Shimshon Bichler. London: Pluto Press, 2002. xiv + 357 pages. References to p. 371. Index to p. 407. \$24.95 paper.

#### *Reviewed by Baruch Kimmerling*

Jonathan Nitzan and Shimshon Bichler have produced one of the most interesting volumes I have read in the past decade. They have two major aims: to offer a paradigmatic reformulation of the field of political economy and to use their approach to reanalyze major trends within Israeli economics, politics, society, and even history. Throughout the book, they vehemently and correctly try to discredit mainstream Israeli social science, focusing predominantly on those academic economists and other players in positions of power in the state bureaucracy and mass media who have monopolized economic discourse without allowing for alternative voices. These actors imposed their quasi-neoliberal (in fact, neoconservative) worldview to provide legitimacy for a completely capitalist socioeconomic order.

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The authors' "new" political economy offers a combined reading of the two, usually separate fields of economics and politics, which they see "as part of a *holistic* process of social change" (pp. 16-17). The central tool in this process is the accumulation of capital, which they define as power over transnational cooperation. If capital is a generalized and diffused power over transnational cooperation, then every power arrangement that systematically affects the flow of profit is a potential facet of capital. Thus, modern capitalists do not aim simply for "profit maximization" but rather look to "beat[ing] the average" (p. 41). Capital holders'/owners' aims can be seen as relative rather than absolute gains, or "differential accumulation" (pp. 16-18). This accumulation should be understood as an interaction between productivity and power. In the modern capitalist world, accumulation depends not merely on ownership and inputs into the productive process but also becomes a product of sociopolitical power.

Having outlined their new theoretical framework of differential accumulation, the authors trace the history of Israel's power structure from the early 1900s pre-independence Palestine to the transnational nature of the modern-day dominant capital groups. They place the rise and consolidation of Israel's ruling capitalist class at the center of the capitalist development process, which, they contend, has become embedded in, and increasingly interconnected with, the broader context of regional and global change.

Their analysis of Israel's present-day economy and power structure is based mainly on the concepts of "absentee ownership," centralization, transnationalization, and permanent restructuring. They note that of the 652 companies listed on the Tel Aviv Stock Exchange in March 1999, a total of eighty-two were controlled entirely or partly by five wealthy families and accounted for 41 percent of the market's overall capitalization. The remainder also manifested continuous tendencies toward centralization accompanied by a transnationalization process. (Between 1993 and 1998, foreign ownership in the Tel Aviv stock market increased from 3 percent to 14.4 percent.) As dominant capital was transnationalized, by the late 1990s two of the five top groups were effectively in foreign control.

Analyzing the rise of these dominant groups in the Jewish community of pre-1948

Palestine, the authors demonstrate how the enterprises were brought under government control and then nourished and protected by the state in its early years. When Likud came to power in 1977, the ruling class was ready to benefit from and push for the "depth regime," which resulted from the worsening security situation, the worsening plight of trade union power, economic stagflation, and the increasing removal of market and trade barriers. They contrast a "depth regime"—in which differential capital accumulation can be achieved by raising profit per employee faster than the average, internally through cost-cutting or externally by raising prices—with a "breadth regime"—in which dominant capital tries to beat the average rate of profit growth by expanding employment faster than the average. The authors contend that the neoliberals thought they merely were removing government controls from an otherwise competitive economy. What they did in practice, however, was to deregulate an oligopolistic war economy, effectively inviting dominant capital to take the lead.

There is one major omission in the volume: The authors ignore land and territorial factors, which played, and continue to play, such a crucial role in the domestic Israeli distribution of power and wealth, as well as in the Israeli-Palestinian conflict. The authors mention that Palestinian land and property were distributed after 1949, but note only that "back-of-the-envelope calculations . . . suggest that redistribution was massive and probably highly differential" (p. 86). Similarly, they contend that their discussion of the allocation of foreign capital inflow is limited because their research was hampered by "official secrecy" (*ibid.*). In fact, however, much data are available in my two books, *Zionism and Territory* (Berkeley: University of California Press, 1983) and *Zionism and Economy* (Rochester, VT: Schenkman, 1983). This apparent ignorance of these issues does not seem to be accidental. The authors cite professional literature extensively and occasional anecdotal references from the Israeli media but consistently omit or marginalize important research by such scholars as Uri Ben-Eliezer, Deborah Bernstein, Lev Grinberg, Sara Helman, Uri Ram, Henry Rosenfeld, and Shlomo Swirski (among others) whose similar approaches, arguments, and findings preceded this book. These omissions convey a pretense to originality but actually only lessen

the credibility of the book and weaken its arguments.

This failure to give credit recurs when the authors address the influx of a cheap, mobile labor force with no social rights that was incorporated by the occupation of the West Bank and Gaza after the 1967 war. This labor influx flooded the “small economy,” broke the monopoly of the Histadrut on unionized labor, and helped the Israeli bourgeoisie to divide and conquer the labor market and to lower wages. Nevertheless, the authors are correct to undermine the conventional wisdom of Israel’s mainstream economists, who usually assert that the occupied territories are a net burden on Israel—firstly because the availability of cheap Palestinian labor reduces the incentive to invest in new technologies; and secondly, due to the need to spend heavily on security. But the economic annexation of over 900,000 Palestinians was tantamount to a massive enlargement of the overall market by about one-third and concealed “some differential winners, particularly because the majority of the citizens were hard hit,” making a mockery of aggregate notions such as “‘societal welfare’ and the ‘national interest’” (p. 108).

Perhaps the most challenging argument is Nitzan and Bichler’s rejection of another commonly held view that there is nothing capitalists hate more than volatility and uncertainty. On the contrary, they assert that “soon enough [since the 1970s], much of the Israeli elite would be busy producing weapons, peddling arms, and making sure the Arab-Israeli conflict remained [a]live and kicking” (pp. 103–104). Trying to identify the winners of the Middle East conflicts and energy crises of the 1970s and 1980s that triggered processes of stagflation and worldwide monetary instability, the authors point to the increasing symbiosis among the OPEC countries, oil companies, military contractors, infrastructure companies, and key financial institutions—the “Weapon-dollar-Petro-dollar Coalition”—that developed into the commercialization and privatization of the arms trade and the politicization of oil resources. When the arms trade fell increasingly into private hands during the 1960s, necessitating direct money payments for arms, the market for arms imports moved from Southeast Asia to the Middle East because of the oil that could pay for it. The armed conflicts and energy crises manifested in the Middle East were not distinct phenomena, but rather comprised part of a process of capital accumulation by dominant capital

groups. While the authors demonstrate fairly well that every time the “national interest” came into conflict with the Weapon-dollar-Petro-dollar Coalition, the policy stance almost invariably tilted in favor of the coalition, they consistently fail to interrogate the basic question of who has the power to define what comprises the “national interest.”

Israel, well equipped with high-skilled human-power, quickly joined the hi-tech “new economy” of the 1990s before it fell into a deep crisis. Benjamin Netanyahu, first as prime minister and now as finance minister, envisioned Israel as the “Silicon Valley of the Eastern Hemisphere,” but he conditioned this possibility on the complete liberalization, privatization, and globalization of the economy. Nitzan and Bichler claim that, while government rhetoric favored deregulation of the markets to make them more competitive, in fact the organized institutions of social power and authority were not any weaker than in previous stages. In a sense, privatization and deregulation have led to the creation of the most concentrated corporate structure ever to exist in Israel. Instead of the Weapon-dollar-Petro-dollar Coalition, a global “Techno-dollar-Merger-dollar Coalition” has arisen, based on high technologies and corporate amalgamation (pp. 33–34). This economy is global on two accounts: because foreign institutional investors have penetrated every corner of the Israeli market and because of domestic dominant capital’s search for investment paths abroad. On the whole, however, the processes are not symmetrical, and capital and technological knowledge are exported more than they are imported. Under such changing circumstances, since the beginning of the 1990s the big business community has become a major supporter of the aborted Oslo process.

The authors perceive this development as the beginning of the end of Zionism, because the dominant capital groups that formerly had successfully combined capital with Zionism (i.e., colonization) now had vested interests in an end to the Arab-Israeli conflict and the “garrison state,” which was no longer instrumental for the new economy. This was true especially following the eruption of the second Palestinian intifada, where dominant capital was “torn between its Zionist past and transnational aspirations” (p. 297). The outcome was political paralysis and an inability to formulate any clear policy. Concerned about the loss of hard-won international business, the state was

unable to propose an acceptable solution to the conflict. But it is at this point that all the explanatory power, built so carefully by Nitzan and Bichler throughout the book, collapses. One can ask: How is it possible that such a supposedly omnipotent money-power coalition was unable to put an end to the damaging conflict by forcing the state to dismantle the settlements in the occupied territories and withdraw to the 1967 borders? The answer seems clear: As with all deterministic materialist approaches, the present volume is blind to such issues as political culture, symbols, national and religious sentiments, and the various ways in which these interact with each other on both sides of the conflict. Without including these forms of human behavior in the analysis, the theoretical framework suffers from limited and very partial explanatory power and even less predictive power.

Nonetheless, we may applaud this book as an important contribution to the growing critical scholarship on different aspects of Israeli society. Accepting that the authors will not succeed completely in fulfilling their ambitious task, readers still will find a fluent and most enjoyable text that provides a very rich and vivid picture of the Israeli economy and its major actors.

#### CHRISTIAN ZIONIST PERSPECTIVE

**Christian Attitudes towards the State of Israel**, by Paul Charles Merkley. Montreal and Kingston, Canada: McGill-Queen's University Press, 2001. xiv + 220 pages. Notes to p. 242. Bibliography to p. 257. Index to p. 266. \$29.95 cloth.

##### *Reviewed by Peter E. Makari*

Paul Charles Merkley is professor emeritus of history at Carleton University in Ottawa, Canada. He has written books on history, religion, and civilization, most recently the one under review here. *Christian Attitudes towards the State of Israel* focuses on the historical period following the establishment of the State of Israel in 1948 and continues up to the election of Ehud Barak as Israel's prime minister in 1999. Unfortunately, this volume is less about Christian attitudes

toward Israel and more about the author's own views on the subjects he addresses.

First of all, this volume is riddled with errors and inconsistencies. A comprehensive listing is impossible in this space, but a small sampling of the author's treatment of Arabic words and names gives us a sense. Merkley transliterates the Arabic word for Islamic law variously as "*sbar'ia*" (p. 84), "*Shari'a*" (p. 91), and "*sbari'a*" (p. 92). Similarly, he alternately uses "Qu'ran" and "*Qur'an*" (p. 105). Merkley provides an incorrect Arabic transliteration of People of the Book, "*abl al-kbatib*" (p. 107), instead of "*abl al-kitab*." Later on the same page, he transcribes the Arabic for "protected" as "*dbimii*," and on the next page as "*dbimmi*" (p. 108). He refers to the bishop of the Episcopal Diocese of Jerusalem as Riad Abu El Assal (pp. 71, 73), when the bishop's name is Riah. I could go on. Such lack of careful attention means either that the proofreading and editing of this book was far from adequate or that the author is simply unfamiliar with the terms and names (reducing the author's credibility in addressing the topic at hand). Given the thrust of the book, however, it belies the author's own lack of interest in understanding a perspective of Israel that is widely held by Arab (including Palestinian) Christians and a number of Western churches. The irony is the author's criticism of those who "simply will not stoop to enter into the thought-world of the adversary, even for purposes of understanding their arguments or learning how to spell them" (p. 185).

The basic content of the chapters is also very revealing. In the second chapter, "Christian Attitudes towards the State of Israel," Merkley makes an odd comparison between the differential in attention the press has given to Israel and to the World Council of Churches (WCC) (p. 26), as if to demonstrate that the WCC is irrelevant. The former is a nation-state, and the latter is an international forum of church communions, so one would not expect equal attention. Further, Merkley asserts that the Roman Catholic Church and the WCC are the two "major wings of the church." This description is inconceivable since the WCC does not purport to be a "wing" but rather a place for dialogue among many parts of the universal Church. Chapter six, on the Roman Catholic Church is interesting and helpful, but Merkley, as elsewhere in the book, is not clear in his definition of Israel: Does he mean the historical nation of Jews, the Zionist movement,

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