

---

## **Forget the New Historians: Here are the New Economists.**

**By Jonathan Nitzan and Shimshon Bichler**

*The Global Political Economy of Israel*

London and Sterling, VA: Pluto Press, 2002, pp. 407.

**Reviewed by Markus R. Bouillon<sup>1</sup>**

Since the eruption of the new Intifada in the Occupied Palestinian Territories in September 2000, Benny Morris' subsequent desertion from the revisionist camp of Israeli historiography and the attempts to remove Ilan Pappé from his position at Haifa University, critical scholarship in and on Israel has suffered one blow after the other. With the publication of Jonathan Nitzan and Shimshon Bichler's *The Global Political Economy of Israel*, however, the challenge to the established discourse about Israeli society and history is not only renewed, but also taken further in a far more radical fashion than ever before. The account Nitzan and Bichler offer is not only a radical re-interpretation of Israel past and present, it is also a major contribution to our understanding of the phenomenon commonly referred to as "globalization," as well as a radical challenge to established disciplinary boundaries and our approach to the study of politics and the economy.

Nitzan and Bichler, one an economist trained at the University of Toronto, the other a political scientist educated at the Hebrew University of Jerusalem, break down the boundary between politics and economists altogether, going beyond even those traditional perspectives of political economy, which argue that the political and economic spheres are intrinsically linked. According to them, the two realms are not only linked; they are one, and manifestations of an essentially holistic process of social change. The first key to understanding this process of social change is capital, which is nothing but social power, measurable quantitatively in monetary value, but encompassing important social and political dimensions. The second key element in this approach to understanding social change is the accumulation of capital: Capitalists, according to Nitzan and Bichler, do not seek to maximize profits, but really measure their success or failure against the average: As they argue, if the average growth rate is 30%, and an enterprise achieves a rate of 15%, the business falls behind. At the same time, if a business grows by 2% in a recession, it gains. Differential accumulation, as the authors term it, is the underlying feature leading to a commodification of power: Power is increasingly shaped by the dominant business groups; those that persistently manage to beat the average. Hence, power is both a means of- and the end to accumulation and becomes the driving force of social change. A positive rate of differential accumulation can be incurred in two ways, either in periods of "breadth" or in times of "depth." Breadth means simply to expand employment, while depth means to raise profit per employee. In other words, periods of breadth are times of general expansion, when dominant capital usually seeks to expand faster and more successfully than the average, while times of depth are crises, during which most suffer, but a few manage to remain more profitable (or to lose less) than the rest.

Politics, or the state, its policies, and the mode of social organization, then are shaped by this process of differential accumulation. Indeed, the outlook of the state is little but a reflection of the historical evolution and specific path that differential accumulation takes. Similarly, international

---

<sup>1</sup> Dr. Markus R. Bouillon, St. Antony's College, Oxford University.

relations mirror the global regime of differential accumulation and cannot be severed from their foundations in economic relations and domestic political economy. Having established this theoretical framework underlying social dynamics at large, Bichler and Nitzan turn to the case of Israel, which they investigate not as a unique case, but as a global political economy. The implications of this term are twofold: For one, it refutes the widely held belief that Israel is a unique case. Secondly, the analysis exceeds Israel geographically and involves global economic and political processes. Hence, Israel's emergence as a rapidly expanding, high-tech economy during the 1990s is not a sudden departure from the decades-long policy of statism and interventionism, but in fact a manifestation of its progressive evolution as a capitalist society, embedded in a larger global process of differential accumulation, which underlies the phenomenon of globalization. In this sense, the framework Nitzan and Bichler outline transcends the conventional dichotomies between politics and economics as well as between the domestic and the international, thus offering a perspective leading to an integrated, comprehensive account of social developments and transitions. This theoretical approach can be applied to other cases and will hopefully yield similarly challenging and interesting accounts of other countries' transformations as well as of conflicts between them, since conflict is often an accompanying feature of periods of economic 'depth regimes' of differential accumulation.

In what follows, Nitzan and Bichler tell their history of Israel, focusing on the dominant business groups and individuals, who have shaped the evolution of what was once called the "most socialist economy" outside the Eastern bloc towards a seemingly liberal, globally integrated economy and society. In Israel, they argue, the state provided a cocoon for the nascent business sector to develop, under the cloak of the Zionist movement's quasi-socialist ideology. Israel developed rapidly for the first two decades after the establishment of the state. On the basis of fast population growth, fuelled by immigration into urban areas, Israel skipped a stage in the developmental process where significant improvements in agricultural productivity underwrite urbanization and proletarianization, and entered this second stage immediately. Like Hong Kong and Singapore, Israel was out of "sync" with the global dynamics of differential accumulation until the 1960s and then increasingly began to converge with the global cycle of breadth and depth regimes. Hence, together with the rest of the world, Israel entered a depth phase in the 1970s, which manifested itself in the economic crisis and hyperinflation that lasted until the mid-1980s. As the global cycle moved back towards a breadth regime of differential accumulation during the 1990s, so did Israel, and hence the emergence of the liberalized "high-tech" economy.

Throughout this evolutionary process, however, the dominant business groups – Bank Leumi, Bank HaPoalim, Koor, Clal, and the Israel Discount Bankholdings (IDB) – began to exert increasing influence and to shape the social institutions of the state. This process was accompanied by a social process of elite consolidation, manifested in the emergence of what Nitzan and Bichler call the Israeli "dynasties," which intermarried and cemented the bonds between them as well as between political, military, and economic elites. Until the crisis of the 1970s and 1980s, the state and its collectivist institutions such as the labor union federation, Histadrut, which simultaneously represented workers' and big business interests, provided the umbrella, under which these business groups emerged in a 'breadth' period. These groups further consolidated their power in the context of a 'depth regime', despite the overall crisis. This was made possible by a deal under which the large core conglomerates of the Israeli economy manufactured defense equipment, while their profits increased ahead of inflation. This mechanism mirrored the global "weapon-dollar-petro-dollar connection," as the authors term it, a group consisting of US arms suppliers, large oil companies, and their allies in the OPEC countries, all of whom expanded their power significantly in the years of crisis.

When the global economy switched back to a ‘breadth regime’, in the context of the neo-liberal discourse on liberalization and globalization, Israel followed swiftly. The core business groups had accumulated so much power that the cocoon could be dismantled; the Histadrut’s influence was curbed, the state drove a massive liberalization program, which enabled the dominant conglomerates to link up with globally operating capital – and Israel became a developed and globalized political economy. *The Global Political Economy of Israel* is a highly challenging account of the Jewish state and argues that post-Zionism may not simply be a new ideological development, but may indeed be the logical consequence of Israel’s evolution as a capitalist society. In many ways, thus, Nitzan and Bichler take further the work of scholars such as Gershon Shafir or Michael Shalev, who have earlier argued that political economy is the key to understanding Israel in the past and in the present. It is also an all-out, all-round attack on political scientists, international relations scholars, and liberal and neo-liberal economists, which invites a great deal of controversy. Although the evidence is sometimes presented in an anecdotal style (which may serve as an excuse to discard an inconvenient analysis for many) it is thorough and deserves to stir up controversy, not only with regard to the interpretation of Israel’s past, but also with respect to the general theoretical understanding of what politics is and how social change occurs.

The sole disappointment with this book is the somewhat obvious editorial neglect it has been afforded, as typos are frequent. Nevertheless, Nitzan and Bichler deserve the attention of a larger audience. All those who read the New Historians and followed the debates on the revisionist historiography closely, as well as those interested in globalization and its implications for the social and political spheres, should study this book intensively and consider its interpretations and wider implications. Disagree one may, but ignore, one cannot afford. Forget the New Historians, these are the real revisionists.