



# **The Economy of the Occupation**

Part 3

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## **Divide and Conquer - Inequality and Discrimination**

Shir Hever



The Alternative Information Center

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**The Israeli declaration of independence states: “The Land of Israel was the birthplace of the Jewish people ... Hereby declare the establishment of a Jewish State in the Land of Israel, to be known as the State of Israel.” It also states that “[Israel] will ensure complete equality of social and political rights to all its inhabitants irrespective of religion, race or sex”. [28]**

## Introduction

There is a tendency to see the Israeli occupation of the Occupied Palestinian Territories (OPT) as a struggle between two sides – the Israelis the occupiers and the Palestinians the resisters. This approach is a simplification of the political situation. A closer examination, however, reveals a complicated, stratified reality – Israelis and Palestinians alike are pitted against each other in a complex hierarchy, and the struggle between Jews and Palestinians is just one of many.

The aim of this paper is to offer a descriptive overview of discrimination in Israel and the OPT, with a brief historical discussion and some theoretical framework. Discrimination can exist in many forms, and can sometimes be very subtle, indirect or unintentional. Cultural difference may be mistaken as inadequate education and lead to difficulties in finding suitable employment. Discrimination of this type is difficult to root out. People suffering from discrimination find it harder to secure a good education for their children, and thus the stereotype is reinforced with each new generation.

The subject of discrimination and inequality is immense, and cannot be fully described here. This work is intended as an introduction to the growing inequalities within Israeli society, briefly touching on the inequality within Palestinian society as well.

### **Discrimination and Inequality**

Discrimination and inequality are related to each other, but are not the same thing. Discrimination is a process, while inequality is often the result of this process. Inequality is measured to some extent by the authorities, but discrimination remains mostly hidden from view.

Under a capitalist regime, inequality might appear to be relatively free of discrimination because political equality and material inequality seem unrelated at first. However, cultural norms may permeate the capitalist economic structure and create an unequal income distribution. As I will later demonstrate, a capitalist regime diminishes the government’s means for fighting in-

equality and discrimination (Ram [31], 16-33).

Discrimination is difficult to measure as few people are willing to admit it. Inequality, however, can serve as a measurement for discrimination. Under the assumption that inequality cannot fully be explained because of 'laziness' or 'incompetence', active discrimination remains a central part of any form of inequality.

If we do not assume that there is any 'natural' gap in the quality of work done by men or women, by Jews or Palestinians, etc. – we realize that inequality is the best available indicator of discrimination, and measurements of inequality are actually indirect discrimination measurements.

Inequality is a 'cleaner' word than discrimination. Welfare and economics experts often explain inequality by categorizing the characteristics of the low-income population. The target population for welfare programs are people of 'low education', single mothers, Palestinian citizens of Israel and so on. Therefore, the treatment of poverty becomes a treatment of the poor themselves – the poor are seen as the problem itself, not as the victims of discrimination. Income is seen to be 'naturally' distributed, in a way that cannot be altered. The only thing that policy can achieve, according to the experts, is to ease the suffering inevitably caused by the 'natural laws' of economics. The experts therefore prefer to find tools for dealing with the symptoms of inequality, rather than the causes that lie in discrimination. (Ram [31], 25-26).

Therefore the first priority in the struggle against discrimination is to expose it. In or-

der to do so, groups that are discriminated against often adopt their identity from the stereotypes that they are given. Various groups in Israel adopted ethnic identities in order to consolidate their resistance to discrimination. By doing that, however, they inadvertently contributed to the further disintegration of Israeli society (Fraser [9], 270-297; Mozes [30]).

## Discrimination Theories

Many theories aim to explain inequality and discrimination. Here I will only refer to three major theoretical schools: the liberal school, the Marxist school and the institutional school.

The liberal school of thought, today mostly associated with the mainstream economics departments, finds discrimination a tough pill to swallow. Liberals assume that a free market leads to maximum prosperity and even promotes equality. Discrimination thus serves as a constant challenge to the oversimplified liberal theory. For example, liberal economics assume that employers will always prefer to hire the cheapest labor for any given job. When we see societies where a certain ethnic group suffers from lower wages and higher unemployment rates at the same time, liberals must either admit the fault of their theory or claim that the minority group is somehow inferior, a point that liberals usually prefer not to voice openly.

The economist Gary Becker, a Nobel Prize laureate, attempted to tackle this problem in his book *The Economics of Discrimination*. His explanation was that people tend to prefer their own kind, and have a 'taste' for hir-

**Discrimination and inequality are not the same thing, the first is an ongoing process, while the latter is the result of that process**

ing people similar to themselves, thus explaining the gaps in wages and employment rates (Becker [2]).

Another approach to inequality and discrimination is the Marxist theory, which states that the relations of production in the capitalist system differentiate between capital owners and workers. Various forms of repression, racial discrimination and cultural subjugation are the ideological 'superstructure' that is created by the capitalist class to reinforce the existing relations of production, perpetuating the unequal distribution of wealth. This approach is most eloquently presented by Oliver Cox in his book *Caste, Class and Race* (Cox [5]).

A third approach to inequality and discrimination, and the one that will be used here, is the institutional political economy approach. First developed by Thorstein Veblen in his book *Theory of the Leisure Class*, this perspective sees inequality and discrimination as the result of a constant power struggle over social status, where relative wealth is more important than absolute wealth (Veblen [45]).

## Capital vs. Wages

In the capitalist business model, profit comes at the expense of wages and vice versa. The shift in power between capital and labor is a striking indication of the growing inequality. In Israel, capital income far exceeds the total income from labor – meaning that the majority of income is controlled by capital owners. Although there is no accurate data on the distribution of capital goods in Israel, there are many indications that capital dis-

tribution in Israel is even more unequal than wage distribution (Hever [19], 42-46).

The wages of the CEOs of large Israeli corporations are a powerful indicator of how capital redistributes income in Israel. These wages serve as an accounting convenience to distribute capital income (though they have a tendency to pull up the wage averages). Senior executives in any of the leading 100 companies in Israel make US\$ 680,000 annually, over 76 times the minimum wage (Swirski & Conon-Atias [42], 16). This compared to only US\$ 645,000 in England, US\$ 420,000 in Japan and US\$ 398,000 in Germany – all of which are richer countries than Israel (Swirsky [40], 77).

The disparity between capital and wage income only keeps growing. In the 1990's, the cost of labor increased by an average of 1.6% annually, while the average return on capital increased by an average of 11.8% annually.

Between 2002 and 2003, unemployment rose and wages fell. This means that NIS 24 billion were withdrawn from the labor market. At the same time, the financial assets held by capital owners in Israel increased by NIS 24 billion, causing the stock market to rise by over 60% (Filik [8], 53-54; Hever [18], 4-8).

That said, from now on the discussion will focus mainly on wage income, because data on capital income is unavailable. When taking capital distribution into consideration, all the figures to follow are somewhat understated, yet they will serve to demonstrate the existing inequality.

**Israelis and Palestinians alike are pitted against each other in a complex hierarchy, and the struggle between Jews and Palestinians is just one of many**

# History of Discrimination

The attempt to create a 'state for the Jewish people' started long before 1948. The fact that Jews were a minority in Palestine (175,000 Jews compared with 760,000 Palestinians according to the British census in 1931) (Smitha [37]), lead the Zionists to rely on military aggression and a planned economy. This created countless opportunities for some groups to achieve a special advantage.

**The Zionist movement created a Jewish state when Jews were a minority, and thus it had to rely on military aggression**

## 1948 – Al-Nakba

The decision of the Zionist leadership to deport entire Palestinian villages during the 1948 war created hundreds of thousands of refugees (Morris [29]), The property that the Palestinians were forced to leave behind in the 1948 exodus (the 'Naqba'), remained to be divided by the ruling elite in Israel. The records of what happened to this property, both movable and real-estate, were kept secret. Sporadic researches showed that the property was divided unequally, using a corrupt system to garner political support for the incumbent Labor Party (Bichler & Nitzan [4], 146-152).

Militarization, land-grabbing and violence shaped the needs of the Israeli economy. As the economy geared towards supporting a stronger military, it also enabled violent discourse to spread within Israeli society and to corrupt the socialist ideals that shaped Israel's planned economy. Defining Israel as a 'Jewish' state was the catalyst for a series of discriminatory acts, eventually affecting the Jews in Israel (Shalev [35], 86-91; Swirsky [40], 136-167).

## The 1950s - Mass Immigration

During the fifties, as a result of the massive immigration to Israel of Jews from Arab countries, an important shift occurred in the discourse of workers' rights. The dominant party, MAPAI\*, started to exclude low-wage workers from the sphere of protection and support that it offered the more senior, well-earning and politically influential workers. Most of these high-earning workers 'happened' to be Jews of European descent. (Hanin [14], 147-151).

The Jewish-national argument was now used to promote the interests of the capital owners. Unemployment benefits were withheld, for example, under the pretext that they could be used by non-Jews in Israel. This is an example of how one form of discrimination quickly spread to affect other groups in society (Hanin [14], 147-151).

## Welfare State

The planned economy of the newly formed Jewish state was a socialist project of vast proportions. The first years of the Israeli economy were marked by extensive regulations and an effort to provide a minimum standard of housing, health, education and food for the entire society. Palestinian citizens were partially included in this welfare state, despite the fact that the Zionist movement wanted as few Palestinians in the Jewish state as possible (Hanin [14], 131-163; Segev [33], 548-568).

\* MAPAI is a Hebrew acronym standing for 'Party of the Workers of the Land of Israel'.

The regulations were intended to promote equality, but the views of the contemporary Zionist leaders were biased by the national struggle in which they were embroiled. The officials in charge of regulating the economy were almost exclusively male European Jews; they had to make decisions about distributing the masses of new immigrants, distributing education and health resources and deciding on infrastructure locations. Socialism quickly became corruption, the socialist principles and ethos abandoned.

Despite this, the welfare system in Israel kept inequality in check; Keeping it comparable and even smaller than the levels of inequality in western countries, at least based on the data published by Israel itself. This state of affairs lasted until the 1967 war (Shye [36]).

Yet economic changes rarely go by without having an impact on people and on their culture. The welfare system in Israel was not without its cost. The main cost was not the financial burden, but rather the cultural burden that it incurred. The welfare state in Israel absorbed some of the growing inequality, but the groups that depended on the support of the government were beginning to be seen as parasites on society, as lazy or unproductive.

The welfare state deals mainly with the symptoms, not the causes of inequality which are embedded in discrimination and the capitalist regime. Therefore, groups that

are exploited and receive welfare are seen as parasites on society. While the welfare state may allow these people to retain a stable lifestyle, their social status deteriorates and they incur jealousy and resentment from groups that do not rely on the welfare state. The wealthier groups then move to abolish the welfare state, and at that point the poor lose their only means of support (Fraser [9], 272-285).

## 1967 – The Occupation

The great increase in Israeli inequality was strongly felt after 1967. After the war, the economic boom experienced by Israel was not equally beneficial to everyone. The Palestinian labor from the OPT was used to create large profits for the Israeli elite, but the Israeli working class (Jews and Palestinians alike) suffered from the competition (Swirsky [41]).

The war brought an economic boom to both Israeli and Palestinian societies by opening up opportunities for economic cooperation. Tourism, immigration and foreign donations to Israel increased. At the same time, though, the combined markets produced one of the most unequal societies in the world (Kanovsky [25], 62-77).

The war brought a heavy trend of ‘liberalization’ of the Israeli economy. Tariffs and government controls were reduced, and the government

### **Inequality and Growth**

**The Van Leer Institute conducted research on the relation between inequality and economic growth in the world. The research shows that inequality adversely affects growth. The research had conclusive results, and Israel is one of the best examples of how growth rates fell sharply side-by-side with the increase in inequality. In 1960, Israel was grouped with the most equal countries in the world at that time (next to Finland and Norway, more equal than West Germany and the Netherlands and slightly less equal than Denmark and Australia). Since then Israel's equality has been severely eroded, in tandem with a sharp reduction in the growth rate. This is part of the price that Israel pays for becoming a country divided between a few extremely rich and many impoverished people (Shye [36]).**

partially withdrew from its involvement in the economy, leaving power in the hands of the powerful businessmen (Kanovsky [25], 128-129). Wage protection suffered, and the bureaucracy of the occupation favored the businesses that had access to military officers or government clerks (again, mostly European Jews).

## The 1980s – Neo-Liberal Takeover and the Intifada

During the 1980s, income inequality (measured as the Gini\* coefficient for available income) in Israel increased steadily, yet there was a smaller change in inequality after taxes and transfer payments (Ram [31], 16-33). While this should indeed be expected of the welfare state, the fact that tax relief and transfer payments were used to curb the rise in inequality, instead of actual economic policies dealing with the causes for inequality, had dire long-term effects. Furthermore, the welfare state's ability to protect equality in Israel was being gradually eroded.

The recession was felt by both Israelis and Palestinians, but the Palestinians in the OPT were not protected by a welfare state. The growing settlements in the OPT, built on confiscated Palestinian lands, worsened the situation. The sharpest inequality was created in the OPT – the poor Palestinians and the rich settlers (enjoying extensive government support, tax breaks and subsidies) living side by side (Hever [22]).

In 1987 the first Intifada erupted, proving that discrimination and repression cannot

last forever and that the Palestinians will not be content to live under Jewish domination.

## The 1990s – Oslo and Immigration

Since the nineties, almost a million immigrants from the former Soviet Union arrived in Israel. Many of them were also sent to the development towns and became another discriminated group. Many therefore chose to leave Israel, while others were sent to the settlements (Sfadia & Yiftachel [34], 206-216; Israeli Central Bureau of Statistics [24]).

Immigrants also came from Ethiopia during the nineties. In 2001, the community of Ethiopian immigrants numbered 85,000.

The new immigrants suffered from discrimination and poor services from the moment they arrived (Varzberger [44]).

During the 1990s inequality began to increase rapidly, indicating the slack of the welfare system. It was clearly apparent that inequality rose in such a way that the income of *Mizrahim*, Palestinian citizens and women grew much slower (if at all) than the income of male *Ashkenazi* Jews (Ram [31], 16-33).

**The welfare state assistance makes those who rely on it to appear lazy or unproductive**

## The 21st Century – Second Intifada

The late 20th century and the early 21st century mark an increase in inequality throughout the world – both between countries and within them (Ram [31], 26-27). One reason for the growing inequality was the shift towards new technologies, accompanied by a shift of power between economic sectors. Traditional industry and agriculture suf-

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\* The Gini coefficient is a common measure for inequality, rated between 0 and 1. The Gini coefficient measures how far a society is from a completely equal income distribution (Gini 0). A Gini coefficient of 1 means that only one individual makes all the income in society.

ferred, while communications and the 'hi-tech' industry, as well as the financial sector, showed increasing profits.

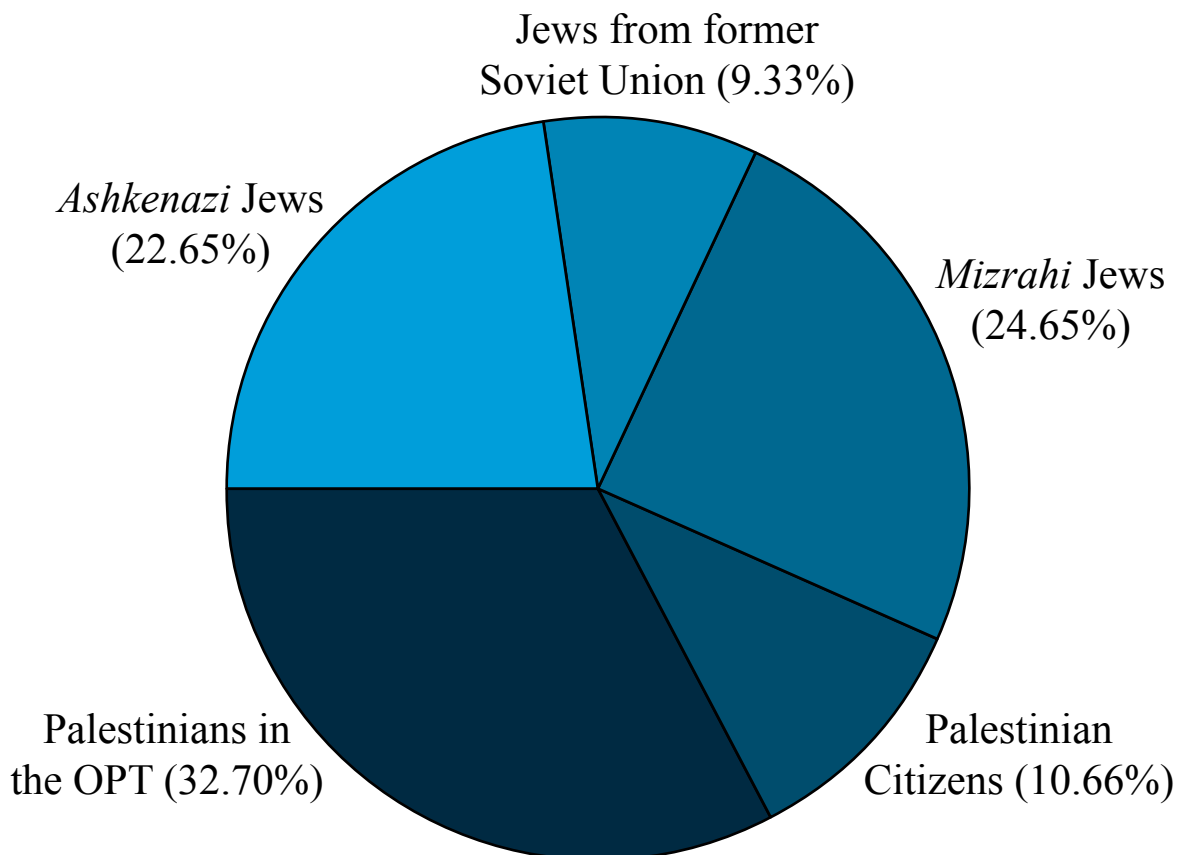
By itself, this isn't sufficient explanation for the rising inequality. However, the profits were concentrated and controlled by a small group of businessmen, who were able to use their new power to redistribute income more unequally than before, due to their access and understanding of the said technologies.

In Israel, however, the rise in inequality was sharper than in the rest of the world.

Labor relations deteriorated, and government protection of the workers was largely withdrawn (Filk [8], 40-52).

Just as economic prosperity was co-opted by the rich and served to increase inequality, the economic slump that followed the second Intifada was also unequally distributed, leading to an increase in unemployment, a wage reduction but at the same time to an increase in capital income for the rich (Hever [17], 13-15; Hever [16], 12-16; Hever [18], 4-8).

## Population Distribution - 1997



# Inequality in Israel & the OPT

The numerous forms of discrimination left the Israeli working class divided against itself. Decades of discrimination, segregation and disintegration in Israeli society have eroded Israel's class solidarity almost completely (Doron [6], 164-180).

## Sub-Groups

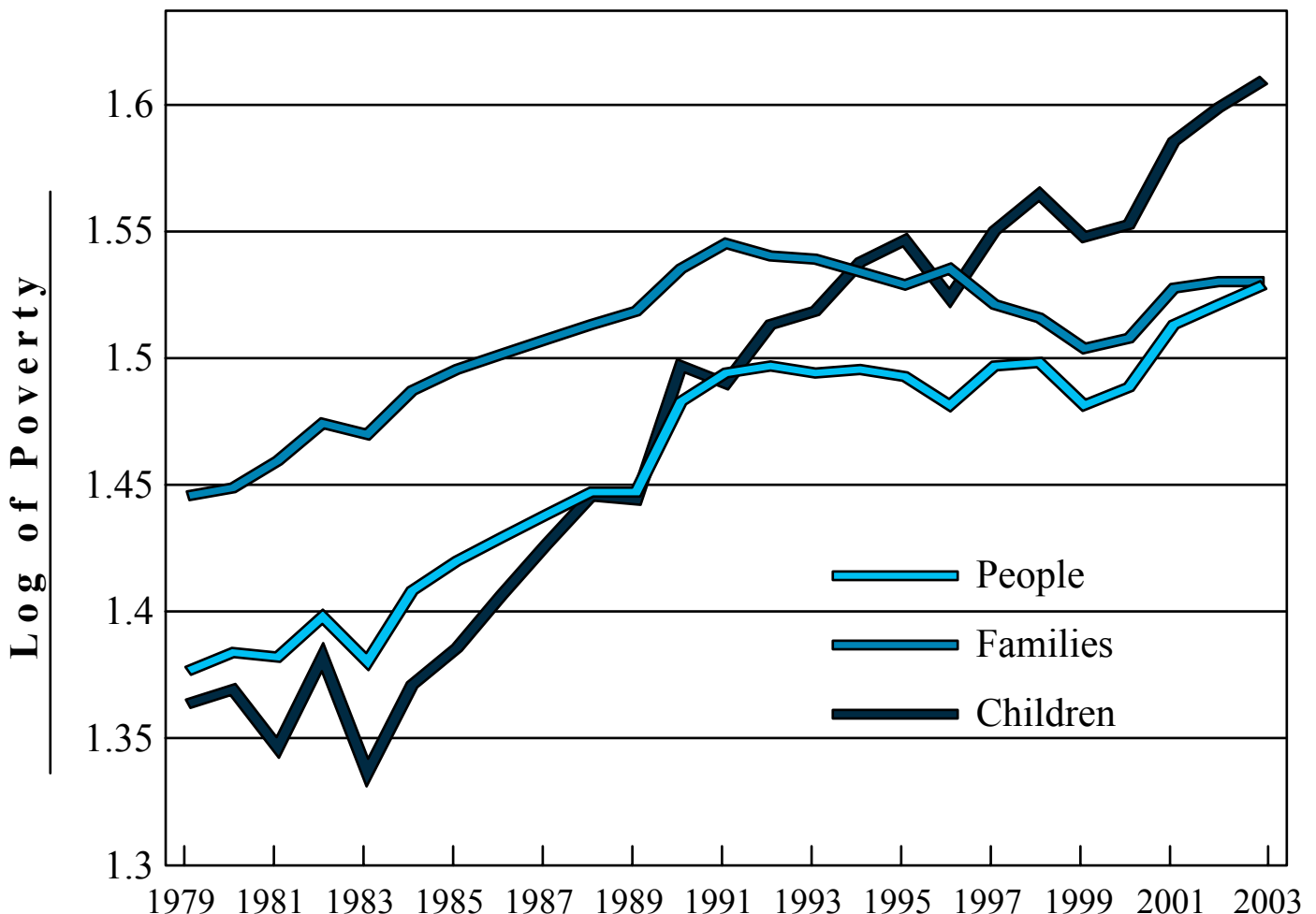
Israel has become such a stratified society that it is nearly impossible to make an exhaustive list of all the forms of discrimination. The brief examples below will serve only to give a taste of how many and how deep are the gaps dividing the Israeli society. The graph above shows the distribution

of the population in Israel and the OPT according to nationality and country of origin (Yiftachel [48], 33-58).

## Poverty and Inequality

Poverty is an important measurement of inequality, since Israel defines poverty as half the median wage. Poverty increased dramatically in the past three decades. As the graph below shows, the increase was especially felt among children (from 23.1% in 1979 to 39.7% in 2002). The fact that children's poverty increased so much is an indication that poverty is likely to continue to rise in the future – when today's poor children will

## Poverty 1979-2003



grow up (Swirsky & Conor-Atias [42], 13; Institute for Social Security [23], 13).

However, a growing portion of the political and the media discourse on poverty either denies its existence or blames the poor themselves for their condition, accusing them of laziness (Doron [6], 164-180).

One indication that poverty is not a result of laziness is that poverty is increasing among people who have a job. Between 1989 and 2003, Israel's population increased by 47%, but the number of people who are poor despite having a job increased by 139%, and reached 1.14 million people in 2003 (Swirsky & Conor-Atias [42], 19).

The origin of the problem, however, is not the characteristics of the poor. Being a Palestinian or a Jew of Arab descent does not mean that one doesn't have the same productivity; it means that employers tend to pay less to these people, or to avoid employing them altogether (Ram [31], 25-26).

## Wage Inequality

The Adva Center publishes annual reports on the situation of Israeli society and on inequality. Reports from recent years claim that although Israel is one of the richest economies in the world in aggregate terms, growth and wealth are unequally distributed (Swirsky & Conor-Atias [42]).

The middle-class of Israel, defined as people who make between 75% and 125% of the median wage, makes only a fifth of all wage income in Israel. This means that Israel's middle-class is small and withered, wedged between a growing impoverished lower-class and a very small group of very rich capital owners (Swirsky & Conor-Atias [42], 12-13).

Since 1988, the weight of the middle class out of the entire income of Israeli society dropped by almost 25%. People who earned wages below 75% of the median wage earned only 13.1% of the entire income, while people who made wages starting from 125% of the median wage earned 66% of the entire income (Swirsky & Conor-Atias [42], 12-13). Between 1994 and 2002, 71.42% of Israelis earned less than the average wage, an indication that the average wage is dragged upwards because of the very high salaries, but the common wage is much lower (Swirsky & Conor-Atias [42], 18).

And inequality is still rising sharply. In just 10 years, between 1990 and 2000, the Gini coefficient in Israel increased by 14.5% (Ram [31], 23). This process is augmented even further because of inflation. Inflation in Israel does not affect everyone in the same

way, and prices of luxury goods tend to drop as prices of basic necessities rise. Therefore, inflation also has the effect of promoting wealth redistribution (Hever [17], 13-15; Hever [16], 12-16).

Redistribution eventually reaches the point where the poorest in Israeli society rely solely on government support and charity to survive. In 1998, the lowest income decimal made **no** economic income at all of its own. Due to government support, it had received only 2.6 percent of the total income (not including income from capital) (Ram [31], 25).

Note that these figures take into account wage income only, and not income from capital. Capital income is probably distributed even more unequally (see above).

This situation is extreme, but not as extreme as it is in the OPT. The Palestinians have already reached the stage where about

**The narrowing gaps within Jewish society came at the expense of the Palestinian citizens**

50% of their population rely solely on humanitarian assistance for survival (Hever [21], 4-5).

## Education

Discrimination also exists in education. Gaps exist in the quality of schools, government funding for schools, and the ability of parents to invest in their children's education. Well-paid jobs that require higher education are disproportionately held by people from social groups who enjoy a better education. Therefore differences in education greatly contribute to inequality being inherited from previous generations (Swirski [39], 79-83).

## Mizrahim and Palestinian Citizens

The 'Mizrahim', Jews of Arab descent, came to Israel in large numbers in the first decade of its existence. By then, the Jews of European descent, 'Ashkenazim', had complete control of the government and official institutions, and the Mizrahim were sent to 28 'development towns' in the periphery to 'Judaize' Palestinian areas and to become a physical buffer in case of foreign invasion. The lack of investment in these towns, the scarcity of jobs there and the distance from the Israeli urban centers quickly condemned the Mizrahim to high unemployment and high poverty rates (Sfadia & Yiftachel [34], 204-206).

The government built small and cheap apartments in the development towns, not believing that the Mizrahim would ever reach a state of comfortable life comparable to the Ashkenazim (Sfadia & Yiftachel [34], 206-216).

**Non-Jews and facing the threat of deportation, the labor immigrants quickly became the most exploited group in Israel**

Inequality between Jews of European and Arab descent is still a major issue in Israeli society, though it is often "swept under the rug" under the pretense that the 'gaps have already been closed'. It is true that the gaps are not as wide as they used to be. Between

1967 and 1990, a Jew of western descent earned, on average, about 54% more money than a Jew of Arab descent. By 2003, the gap narrowed to 25%. Despite this, Mizrahim and Palestinians are still the most prevalent occupants of Israeli prisons, and are still stigmatized as criminals [Swirski & Conor-Atias [42], 14; Segev [33], 58; Mozes [30]].

However, narrowing the gap came at the expense of the Palestinian citizens of Israel. In 1990, a Jew of Arab descent earned 8% more than a Palestinian citizen, but by 2003 the gap had increased to 28%. It reached its peak in 2000, with a gap of 42% (Swirsky & Conor-Atias [42], 14).

Even larger gaps have always existed between Jews of European descent and the Palestinian citizens of Israel. Although it decreased somewhat from 66% in 1990 to 'only' 59% in 2003, 1999 was a peak year with a gap of 102% (Swirsky & Conor-Atias [42], 14).

## Gender Inequality

There is also a clear inequality between men and women. Women's wages were 57% of men's wages in 1990, and improved to 62% of men's wages in 2003, a reduction of 5% in wage inequality. When looking at hourly wages, though, inequality was only reduced by 4%, meaning that part of the reason for the reduction in inequality is that women

work more hours (and still receive less money per hour).

Furthermore, the Human Development Report of the UN attempted to estimate total income gaps (not just from wages) between women and men. In 2004, the income disparity between men and women was estimated to be even larger than the wage disparity, with Israeli women making only 53.3% of the average income of men (Swirsky & Conor-Atias [42], UN [43]).

## Labor Immigrants

Another group that suffers from extreme inequality in Israel is labor immigrants. Called en-masse to Israel to replace the Palestinian workers who were trapped in closures and curfews and prevented from working in Israel, the labor immigrants have been exploited by Israeli employers and received wages even lower than the wages previously paid to Palestinian workers.

The Oslo process involved wholesale closures of the OPT. Israel used labor immigrants as a response to the pressure of businessmen who demanded cheap and easy-to-exploit labor to replace the Palestinian workers. The government called the labor immigrants 'foreign workers', stressing that they were expected to work for a few months or years and return back to their homelands (Reichman [32], 222-224).

Things did not turn out as Israel planned. Employers chose to shuffle workers quickly, preventing them from adjusting to their workplace and learning their rights. The labor immigrant who lost her job remained in Israel looking for another job, while a

new labor immigrant was already on her way as replacement. While the demand for Palestinian workers in Israel never exceeded 120,000 (Farsakh [7], 13-27), the number of labor immigrants quickly doubled that number, reaching over 240,000 in 2002. Non-Jews, non-citizens and with the threat of deportation hanging over their heads, the labor immigrants of Israel quickly became the most exploited and persecuted group within the Green Line (Reichman [32], 223-227).

## Government Policy

The government's role in unfair redistribution is crucial. The taxes levied by the government, while supposed to serve as a means for smoothing inequality, are steadily losing this role. Since 1986, the government has reduced its taxes on employers and companies, making capital profits easier to attain. Company tax has been slashed almost in half since 1986 (from 61% in 1986 to 36% in 2001, with more tax exemptions planned) (Klein [26]), the social security tax on employers has been reduced to a third (from 15.65% in 1986 to 4.93% in 2001) and the employers' tax in the private sector has been eliminated entirely (it was 7% in 1986) (Ram [31], 25). Also, a recent tax reform has been grossly disproportioned, with the topmost decimal getting a discount 66 times higher than the lowest income decimal (Klein [27]).

A continuous erosion of Israel's health services means that there is an increasing inequality in access to health. Public health care receives less and less money, and health companies make a large portion of their income by selling private health services. The

**Experts say that policy can only alleviate the problems caused by the 'natural laws' of economics**

top decimal spends on private health 4.3 times what the second decimal (from the bottom) spends, an indication of the gap between the health services available to the rich and the poor in Israel (Swirsky & Conor-Atias [42], 26-28).

Only 60% of Israeli workers are insured with a pension fund, and even those are now in danger of losing their only income source when they retire due to the government policy of privatizing pension funds and forcing pension funds to invest money in the stock market (Swirsky & Conor-Atias [42], 29-30).

Government support for housing is also unequally distributed. In 2000, only 0.28% of the Palestinian citizens of Israel were able to receive a mortgage benefit from the government, compared with 0.68% among the general Jewish populace. In development towns the rate was 0.98% and in the illegal settlements for Jews in the OPT the rate was 1.59 (Swirsky & Conor-Atias [42], 25).

Unsurprisingly, this inequality has had an affect on the distribution of home ownership. In 1987, the proportion of people from the top income decimal that owned their own houses was 63% higher than the proportion among the lowest income decimal. In 1999, the proportion gap increased to 168%. This means that rising inequality has a substantial effect on the lifestyle of people from the lower income decimals (Swirsky & Conor-Atias [42], 25).

## Inequality in the OPT

In the early years of the occupation, the fact that the Palestinians enjoyed an increase in their economic wellbeing justified a view

of ‘enlightened occupation’ in the eyes of the Israeli authorities. They believed that the Palestinians would remain content as manual laborers of Israel (Bergman [3], 1-3). Israel decided to halt the development of the Palestinian economy at every turn, forcing the Palestinians to rely completely on the goods and jobs that Israel would offer them. While no evidence exists that this was the stated motive of the Israeli government, its actions and policies were very consistent in preventing the Palestinians from establishing a viable industrial or commercial sector (Arnon [1], 9-10; Gazit [10], 266).

Eventually this method backfired. As the boom subsided and jobs became scarce, and as oil prices faltered and Palestinians could no longer find many openings as skilled laborers in nearby Arab countries, the Palestinian economy began to suffer.

The first Intifada broke out, and Israel’s insistence on keeping its control over the OPT began to be increasingly expensive (Hever [22], 11). Israel failed to learn its lesson, though. As Shlomo Swirski claims in his book *The*

*Price of Occupation*, one of the effects of the occupation was the erosion of egalitarian forces in Israel and the deepening of social gaps (Swirsky [40], 49-65).

Palestinian society has always been more egalitarian than Israeli society. Solidarity between Palestinians and community support of the less fortunate has allowed Palestinian society to withstand severe hardships under Israeli occupation (World Bank [46], 8).

The logic applied to the Palestinians spreads quickly and has detrimental effects on growing portions of Israeli society. Socialist compassion has been replaced by a ruthless, efficient economic system of selection. The welfare state is undergoing mas-

**Over 60% of the  
Palestinians make an  
income of less than  
US\$ 2.1 a day**

sive privatization and liquidation, and the government is voluntarily relinquishing its ability to regulate and influence the economy, leaving more power in the hands of the private corporations (Filk [8], 46-52).

Equality among Palestinians is now losing ground because of the need to survive the Israeli occupation. The Israeli authorities, on their part, promote this inequality among the Palestinian populace, in order to break the spirit of the Palestinian resistance.

Palestinians who manage to find work inside Israel make much more money than most Palestinians in the OPT. They are also known for sharing their income. A Palestinian who works in Israel often supports 7 people in the OPT (Sourani [38], 8-9). The loss of jobs for Palestinians within Israel in recent years, loss of work permits and loss of ability to work in the settlements has caused this group to shrink considerably, and deprived the people who depended on these workers of their main income source (World Bank [46], 8).

Some Palestinians carry VIP cards that allow them easier access through the checkpoints, and their ability to drive quickly by the lines of waiting cars and pedestrians at the checkpoints promotes envy and bitterness in many Palestinians. The holders of VIP cards enjoy a relief from the most economically damaging aspect of the occupation – the movement restrictions on the Palestinian population (Hass [15]; [46], 1-6).

Another group inside Palestinian society which enjoys higher status is the emerging globalized elite. Today, nearly half of the

entire income of Palestinians comes from humanitarian aid. Food distribution has become the most important form of nourishment for about half the Palestinian population (Hever [20], 4-5). This unnatural situation has given special power and privilege to those who are able to disburse the aid. NGOs in the OPT have become a source of employment and social prestige, and the NGO employees form a new elite in Palestinian society. This group, most of whom speak English, is encouraged by the donors to be apolitical when it comes to resisting the Israeli occupation and to support the neoliberal approach of the World Bank (Hanafi [12], 250-283; Hanafi [13], 111-126).

**The occupation contributes to the inequality within both Israeli and Palestinian society**

Lack of pertinent data (such as a Gini coefficient) for the OPT prevents an accurate comparison between inequality in the OPT and in Israel, so it is yet unknown if inequality in the OPT has already reached the levels of Israel. What is known is that over 60% of the Palestinians make an income of less than US\$ 2.1 a day (the poverty line for the OPT), and therefore inequality cannot grow much further without resulting in a massive famine (Sourani [38], 10-11).

## Where is this going?

In the capitalist economic regime, wealth and poverty are created at the same time. High profits made by a certain businessman create an increase in the gap between rich and poor. The money spent on luxury goods for the businessman cause a price increase that affects the poor, who find it hard to keep up with 'growth' and 'prosperity'.

Discrimination is a contagious disease. One form of discrimination quickly leads to another. Some believed in the 1960s that it was a good thing that most Israeli teachers were women, because women's willingness to work for low wages and in poor working conditions enabled the schools to avoid hiring Arab-originating Jews as teachers. Thus, the discrimination against Ashkenazi women was used as a means of discrimination against Mizrahim Jews (Segev [33], 76).

Another example is that poor Israelis who suffer from unemployment and low wages still have better living conditions than most Palestinians, and so they are often willing to support military actions against the Palestinians, to reinforce their social position in the hierarchy (Gutwein [11], 203-211).

Israeli society is disintegrating. All the axes: Jews-Palestinians, new immigrants-residents, women-men, Mizrahim-Ashkenazim – are places of inequality and discrimination, and no single axis can fully explain the wealth gaps in Israel. This disintegration creates a multitude of overlapping alliances, and every alliance victimizes a different minority. For those who find themselves in more than one minority (such as Palestinian women), the situation is especially harsh.

The Israeli occupation is just one (though the most powerful) form, out of the many forms of repression and income redistribution that exist in Israel today. The occupation contributes to deepen inequality within both Israeli and Palestinian society, just as it deepens the inequality between the two societies (Hever [20], Yiftachel [47]).

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# The Alternative Information Center

## AIC

The Alternative Information Center (AIC) is a joint Palestinian-Israeli organisation which prioritises political advocacy, critical analyses and information sharing on the Palestinian and Israeli societies, as well as on the Israeli-Palestinian conflict. In doing so, the AIC promotes responsible cooperation between Palestinians and Israelis based on the values of social and political justice, equality, solidarity, community involvement and respect for the full inalienable national rights of all Palestinian people.

The AIC believes that true social cooperation and communication between Palestinians and Israelis is possible. We have embodied this ideal for the past twenty years through our joint and collective structure. However, we acknowledge that this can only come to pass in the region if the root cause of the conflict is targeted and challenged – that being the long Occupation and dispossession of the Palestinian people. Based on these convictions, the AIC will continue to work towards the establishment of genuine and responsible grassroots bridges between the two communities.

AIC activities and publications provide a critical discussion of the political realities that shape the current situation, with special attention given to the radical democratic and feminist struggles, critical perspectives on the colonial nature of Israel and the alarming authoritarian features of the Palestinian Authority.

Shir Hever

# The Economy of the Occupation

*The Economy of the Occupation*, published monthly by the Alternative Information Center (AIC), offers a new approach to the economic situation in the Occupied Palestinian Territories (OPT) and Israel. This bulletin will provide accessible and singular analyses of the socio-economic interests behind the Israeli occupation of Palestine.

At the present time, the majorities amongst the otherwise politicized Palestinian and Israeli populations possess a limited understanding of their own socio-economic situation. Available publications are sporadic, insufficient, often biased and fail to consistently link society, politics and the economy in the OPT and Israel. This disempowering state of affairs makes it all the more critical to offer alternative readings of the economic reality governing Palestinian and Israeli lives.

*The Economy of the Occupation* focuses on and analyses socio-economic data related to the OPT and Israel. It touches on various issues such as inflation, debt, trade, employment, poverty and capital, and will be presented in an accessible way which demonstrates the influence of these issues on the daily lives of Palestinians and Israelis. The aim is to enhance awareness of the existing socio-economic reality of the Israeli occupation and to contribute to a more informed struggle for social justice and a just peace for Palestinians and Israelis.

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