The book is thought provoking in its ideas about how to proceed in the difficult area of negotiations. Recognizing the difficulty of a comprehensive settlement Waterbury suggests a series of six sub-basin developments that might in time come together into a broader ‘federal’ agreement. The proposal looks promising, but coordination and confidence will need to be maintained amongst all riparians in case one or more subregion developments actually has the effect of impeding Nile basin development overall. If it fails, it will not just be water that is affected, but, as Waterbury points out, a whole range of possible infrastructure developments that could be developed. Imperialism left very localized infrastructure in Africa, and while a Cape to Cairo railway may still be a long way off, that and other projects from East Africa to Cairo might yet develop alongside cooperation on water.

UNIVERSITY OF READING

PETER WOODWARD


These two books on Israel’s economy are written from very different perspectives, the edited volume by Avi Ben-Bassat providing a detailed analysis of the structural changes by professional economists, while Nitzan and Bichler’s study is much more political, linking the changing power structure in Israel to developments in international political economy. Both are excellent books, but for very different reasons, the first because of careful economic research undertaken by highly competent economists, and the second because of the imaginative and very readable interpretation of well-documented events.

Nitzan and Bichler adopt a radical approach focused on the relationship between capital and power, their model depending on the concepts of differential capital accumulation that have developed from neo-Marxist analysis, or perhaps more accurately from a Veblenian viewpoint, as they are critical of the labour theory of value. Differential accumulation implies some capitalists doing better than others and becoming more powerful, and the authors distinguish between stages of development where differential accumulation is associated with breadth, periods when mergers and acquisitions and green field investment are the dominant modes of accumulation, and the notion of increasing depth, where under conditions of stagnation and inflation, cost cutting becomes the major focus of activity.

These concepts are then applied to the analysis of the rise of Israeli capitalism and its eventual merger into global capitalism by the 1990s. Israel’s early history was associated with breadth, as with a rapidly rising population and increasing Jewish immigration into the country’s cities and towns, the working proletariat increased rapidly, bringing opportunities for local capitalists. From the 1970s onwards however Israeli capitalism reached a mature stage, and conditions associated with depth rather than breadth propelled it forward. The end of the Cold War and increasing Jewish immigration from the countries of the former Soviet Union made capitalist expansion through breadth possible again, although these favourable conditions seem to have ended with a return to accumulation through depth in the twenty-first century. Hence Israel’s capitalist development is seen as cyclical, with alternating phases over the last fifty years dependent on external conditions.
This provides a framework for examining the causes of the high inflation in the 1970s and 1980s. Conventional wisdom attributes this to increasing government deficits in Israel and wage push factors, but Nitzan and Bichler identify the increasing dominance of the economy by the protected armaments industry and a banking oligopoly as the key factors. This is linked to the so-called weapon-dollar-petrodollar coalition, where the relationship between each Arab-Israeli conflict and the growth of the Israeli armaments industry is analysed, the allegation being that defence contractors in both Israel and the United States had a vested interest in conflict. It is also suggested that the oil and weapons industry worked together to influence United States policy in the Middle East, especially during the Reagan years, a coalition that remains intact until the present.

Nitzan and Bichler show how the 1990s have proved to be perhaps the most critical period yet for the transformation of Israeli capitalism, as whereas before it has been protected, the economic liberalisation resulted in leading business families, or Godfathers, as the authors describe them, losing some of their power as they became absorbed into global capitalism. Although there were economic threats with globalisation, there were also opportunities, notably for high technology companies based in Israel, which profited enormously from the economic integration with the United States.

How plausible is the analysis of Nitzan and Bichler? Many readers will be impressed by the substantial amount of detailed information used to support their arguments, especially with respect to the financial restructuring of Israel’s industries and banks in the 1990s, when they highlight some of the dubious methods used, and the relationships amongst the businessmen involved. The authors’ approach is normative and judgemental, and while the facts cannot be disputed, their interpretation certainly will be. The model of differential accumulation is potentially instructive, but there is much that it cannot explain and Israel’s economic structure is arguably more complex than the work suggests. Their approach is unappealing to professional economists, although this will not worry the authors, who dismiss conventional economic research.

Professional economists can however provide a much richer and multifaceted analysis, as the work edited by Avi Ben-Basat shows. The contributions focus on the structural reforms introduced between 1985 and 1998 that resulted in Israel becoming a market-oriented, open economy. No doubt Nitzan and Bichler would have been critical of the authors had the book been published at their time of writing, as the approach adopted is in line with the so-called Washington consensus of the IMF and World Bank. Indeed some of the contributors, including David Orsmond and Mario Blejer, actually worked for the IMF, while the most distinguished contributor, Stanley Fischer of Citibank, formerly worked for the World Bank. As might be expected from such highly reputable economists, the analysis is rigorous, and the interpretation of the data convincing. The section on monetary policy and inflation contains three major contributions, and treats the subject in much greater depth than in the Nitzan and Bichler study, especially with respect to the interest rate policy of the Bank of Israel and the reduction of the fiscal deficit.

The section of Ben-Basat’s study dealing with financial reforms is informative, but as with many edited volumes the coverage is partial, the aspects covered being equity financing, pension fund reform and the liberalisation of the capital account of the balance of payments. The increasing capacity of the Tel Aviv Stock Exchange to finance leading Israeli companies during the boom of 1992–1993 was helpful, as it reduced company reliance on bank debt. When stock prices subsequently slumped however over the 1995–1996 period, bank debt again increased. As stock prices are influenced by regional political developments, notably expectations concerning the Palestinian-Israeli conflict, this may directly affect corporate gearing. Asher Blass of the Bank of Israel and Oved Yosha of Tel Aviv University do not make this point in their contribution, but it follows from their empirical findings.

Arguably the most significant reform was the unilateral opening up of the Israeli
REVIEWS: POLITICS

Economy to international trade with the lowering and removal of tariffs. Yoram Gabai and Rafael Rob demonstrate that inflation became more subdued in industries where protection was removed, as might be expected with greater competition. Employment did not appear to suffer from the ending of protectionism; indeed the economy managed to successfully absorb a large number of Jewish immigrants from the former Soviet Union. There was however little structural reform of utilities, that apart from the mobile phone market mostly continued as public sector monopolies, with inflated wage bills and high mark-ups for domestic suppliers. Reuben Gronau of the Hebrew University is highly critical of government policy on utilities, and sees the 1990s as a wasted decade.

As in other countries the liberalisation of the labour market in Israel has resulted in increasing wage disparities, with the power of the trade unions reduced, and little union penetration of new growing industries, especially in the high technology sector where individual contracts rather than collective agreements are the norm. The empirical study of wage trends amongst new immigrants from the former Soviet Union is interesting, as although most start their working lives in Israel with similar wages, substantially below established workers, those who acquire skills rapidly or are more entrepreneurial soon catch up. Married immigrants appear to do better than singles, perhaps because if one partner works both lose benefit payments. This means there is a positive incentive either for the couple to work and earn, or for both to remain dependent on state financial support.

These two books demonstrate that Israel’s economy, far from being exceptional, has become more like most others. It can be debated whether this is due to the impact of global economic forces, or simply that economic man world-wide responds in similar ways to incentives and disincentives regardless of religion, culture or national identity. Politically Israel may be a unique state, but this does not appear to be reflected in the economic behaviour of its citizens, or indeed in the workings of its economic institutions.

UNIVERSITY OF DURHAM


With Iraq occupying centre stage in international attention, there has inevitably been a proliferation of books on that unfortunate country. These two focus on the significance of Iraq from an international relations perspective, the study by Simons largely concerned with the role of the United States in events leading up to the invasion and occupation, while the book edited by Shai Feldman analyses what its contributors see as the new strategic balance in the Middle East. Both books have arguably been produced with undue haste, as it is clearly too early to evaluate the success or failure of United States policy on Iraq. In the case of the Feldman volume, the notion of a strategic balance in the region as implied in the title is certainly inaccurate, given the asymmetrical power structure now prevailing in the Middle East, with the United States and Israel as the dominant powers. In this situation it is difficult to see who provides the balance—apart from perhaps the terrorist networks attempting to fill the vacuum.