

## LETTER

### *To the Editor—*

There is a famous quote—attributed in various versions to Arthur C. Clarke, William James, Arthur Schopenhauer, Leo Szilard, and Sidney Webb, among others—that goes like this: “Every new truth passes through three stages. In the beginning the experts ridicule it as ‘nonsense.’ Then they dismiss it as ‘trivial.’ And in the end we learn that they ‘said it all along.’”

In his recent review of our book *The Global Political Economy of Israel* [*JPS* 33, no. 2 (Winter 2004), pp. 119–22], Baruch Kimmerling seems unsure as to whether our work is nonsense or something he has been saying all along. On the one hand, he states that “all the explanatory power” of our approach “collapses” in the face of recent events. On the other hand, he admits that it is one of the “most interesting” volumes he has read in a decade—albeit one that had been “preceded” by the work of others, primarily his own.

In the past two years, our book has been reviewed in numerous journals, magazines, and newspapers. Most were highly complimentary, some very critical. So far, we have not responded, even to those who evidently misunderstood our work. But this review is different. In fact, it is not a review, but a personal attack that deliberately misinforms the reader. Clearly, it deserves a response.

### *“Methodologists! Get to Work!”*

According to Kimmerling, much of our work is conveniently borrowed from others without due attribution. Specifically, we “consistently omit or marginalize important research” by others whom he mentions, and “whose similar approaches, arguments and findings preceded this book.” “These omissions,” he continues, “convey a pretense to originality” but, unfortunately, “only lessen the credibility of the book and weaken its arguments.”

Naturally, one “major omission” involves Kimmerling’s own work. Apparently, our book mentions but glosses over the crucial redistribution among Israel’s ruling class of land and capital during the early years of the state. Our “excuse,” he says, is official secrecy, but that excuse does not hold much water; it merely betrays our ignorance of his own work, and specifically of *Zionism and Territory* (1983) and *Zion-*

*ism and Economy* (1983), where much of the data on this redistribution are readily available.

These claims are ludicrous, to put it politely. In our book, we argue that Israel’s ruling class emerged and evolved along with the process of capital accumulation, globally and locally. During the early years of the state, the local ruling class consolidated itself through the highly differential redistribution of three major “prizes”: the lands taken from the Palestinians in 1948; the inflow of capital, primarily from Jewish donations, German reparation payments, and grants and loans from the United States; and the post-1948 influx of a new immigrant labor force. The following decades stood in the shadow of the cold war and the welfare-warfare state. Local capital accumulation and ruling class formation thrived on high military spending, intense stagflation, and complete dependence on the United States. The recent emergence of “globalization” again transformed Israeli capitalism—this time toward transnational ownership and neoliberal ideology. Finally, we note that the neoliberal period may be drawing to a close, to be replaced by heightened global conflict and renewed stagflation.

Each of these periods, we claim, was marked by its own power processes, which, in turn, were reflected in the patterns of “differential accumulation” by dominant capital groups, local and global. Our purpose in the book is to articulate, theoretically and empirically, the multiple facets of this process.

The research for this book, which started when we were students in the early 1980s, was both frustrating and thankless. Everywhere we turned, we bumped into closed doors. Archives suddenly became “inaccessible.” Officials refused to talk. Research granting agencies laughed at our funding proposals. We faced orchestrated attempts to fail our MA thesis (Nitzan) and Ph.D. dissertation (Bichler). Most academic journals would not even consider our submissions. For years, we were unable to secure even a temporary university position, and it was largely by fluke that one of us managed to find a permanent university job.

But the process had its upsides. We learned important lessons that academia never teaches. We acquired critical insights into empirical and theoretical work.

We invented new disaggregated techniques to break the macro front window that so effectively conceals the underlying realities of power. We shed new light on processes that standard theories consider anomalous. And, eventually, we began to develop a new political economy based on the notion of “differential accumulation” and its different regimes. This new political economy not only intertwines the processes of ruling class formation and differential capital accumulation, but it also ties together seemingly unrelated social phenomena, including corporate mergers and globalization, stagflation and growth, militarization and war, high-tech cycles and international relations, and ideological shifts and regime changes, among others.

Some of the material in our book had previously appeared in articles and monographs, beginning with *Israel's Aristocracy of Finance* (Cadim, 1984), the first published history of the country's robber barons, and “Some Aspects of Aggregate Concentration in the Israeli Economy, 1964–1986” (1988), the first statistical analysis of Israeli differential accumulation.

Contrary to Kimmerling's claims, nothing resembling this work has ever been done before. The people whom he mentions have never presented “similar approaches, arguments, or findings.” And his own two books, aside from the subject of Israel, share nothing with our own work. Yet Kimmerling insists that “he said it all along.”

To be novel means to negate existing categories, to develop fresh theories, to come up with innovative methodologies, to present new types of data and facts. Kimmerling's *Zionism and Territory* and *Zionism and Economy* offer nothing of the sort. These books are written in dry academic language. They tell us little that is really new about Zionist history. And although dressed in “politically correct” jargon, they remain deeply anchored in the conservative Israeli sociology of “nation building” popular during the cold war.

Kimmerling informs us that the data on the redistribution of land and capital are available in these books. And, indeed, the two volumes overflow with facts and tables. Unfortunately, most of these data, having been copied “as is” from official statistical sources, add little to what we already know. Nevertheless, we decided to read these books once more, just to be sure. This time, we searched specifically for infor-

mation on who received which Palestinian lands and who got what portion of the capital inflow. We found no such information. Perhaps Kimmerling could help us with the page numbers.

In the meantime—his fury notwithstanding—the original claim made on page 97 of our book continues to hold true: “till this very day there is not even a single empirical study, Zionist or post-Zionist, to tell us who got what, when and how. As C. Wright Mills put it: ‘Methodologists! Get to Work!’”

### *A Different Kind of Book*

As stated in the introductory chapter, the goal of our book is not simply to describe the “case of Israel,” but to use Israel as a prism through which to rethink global capitalism more broadly. Kimmerling and his colleagues have shown little interest in this question, so, naturally, we saw little reason to deal with them. Our main concern was Marxism.

These days, few seem to remember that Marx's value theory tried to articulate a “quantitative architecture” of capitalism centered on the accumulation of capital. This theory excited generations of followers. Yet, having been built largely around the process of production, it was progressively undermined by the new politics of big business, the ascent of the capitalist state, and the emergence of modern finance. The consequence was a deep crisis in classical Marxism, whose decline opened the door to structural Marxism and, eventually, to postmodernism and anti-science charlatans.

But not everyone took the easy way out. Some, such as Thorstein Veblen, Pierro Sraffa, Michal Kalecki, Paul Baran, and Paul Sweezy and, more recently, writers of the regulation and social structures of accumulation schools, tried to come to terms with this crisis and seriously rethink capitalism. We discuss the contributions of these thinkers and offer the beginning of an alternative theory of capitalist development.

Contrary to the title of Kimmerling's review, our book is not about “economics”—revisionist or otherwise. Indeed, we reject the very separation between “economy,” “state,” “society,” and “culture,” and instead suggest a unified political economy. At the center of this political economy lies a theory that views capital as the “commodification of power.” Based on this theory, which is both

dialectical and quantitative, we develop a totally new history of Middle East wars, a new history of stagflation, a new history of high-tech cycles and financial bubbles, and a new understanding of globalization.

Although most Israeli writers have had little to say about these processes, a select few did make seminal contributions that we have not failed to notice. These writers include Akiva Orr and Moshé Machover, whose book *Peace, Peace and There Is No Peace* (1961)—the very best volume on the Israeli-Palestinian conflict—was banned by the Israeli Censor. Another is Emmanuel Farjoun, whose pathbreaking work on the Israeli-Palestinian dual labor market, written in the late 1970s, we found inspirational. A third was Esther Alexander, the only Israeli economist to tell the truth about the redistributive nature of inflation. Most of these writers were not academics. Many were active in the anti-Zionist Left at a time when such activity was considered treasonous. Some suffered unemployment, abject poverty, and even imprisonment. Others were forced to leave the country. The 2001 Hebrew edition of our book, *From War Profits to Peace Dividends*, was dedicated to these brave men and women, whose arguments indeed preceded and inspired our research.

### *The Center of the World*

Kimmerling concludes his review by observing that, in the final analysis, our theory falls flat on its face. “How is it possible,” he asks, that “such a supposedly omnipotent money-power coalition [i.e., Israel’s dominant capital] was unable to put an end to the damaging conflict [i.e., the second intifada] by forcing the state to dismantle the settlements in the occupied territories and withdraw to the 1967 borders?”

In his opinion, the answer is simple: the Palestinian uprising—and by extension, the invasion of Afghanistan and the conquest of Iraq—simply have little to do with the history of capitalism and the logic of accumulation. Their causes were entirely different. “As with all deterministic materialist approaches,” he explains, “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.” Clearly, “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.”

Apparently, for the nondeterministic immaterialist sociologist, “reality” is constituted by the racist/ethnic press. Since Ariel Sharon and Yasir Arafat fill the news, it must be true that the history of Israel is determined by the Likud caucus and the Israeli settlers on the one hand, and by the Palestinian Authority and Hamas on the other (“both sides of the conflict”).

Unfortunately, the fact that we “see” the sun circling the earth does not prove Galileo wrong. To understand the global political economy of the Middle East, we need to go a little bit beyond the media’s immediate preoccupation with religion, racism, and cultural symbols. And it is here that Professor Kimmerling seems to have missed our point altogether.

The whole of chapter 2 is devoted to the long-term pendulum of differential accumulation, which swings between relatively peaceful expansion through corporate mergers and proletarianization (breadth) and violent redistribution through stagflation and conflict (depth). This framework is anything but deterministic, and its explanatory power is robust, to say the least. Indeed, it allows us not only to explain previous Middle East “energy conflicts,” but also to predict the most recent one (Palestine/Afghanistan/Iraq). Kimmerling may have read the book, but he surely failed to understand it. Our various arguments and predictions on this subject are confirmed in two recent papers that bring our work up to date: “Dominant Capital and the New Wars” [*Journal of World-Systems Research* 10, no. 2 (Summer 2004)]; and “Differential Accumulation and Middle East Wars: Beyond Neo-Liberalism” [in *Global Regulation: Managing Crises After the Imperial Turn*, ed. Duncan Wigan, Libby Assassi, and Kees van der Pijl, eds. (Palgrave, 2004)].

Israel’s conflict with the Palestinians, although religious-ethnic in appearance, is now fueled by a significant shift in the nature of global accumulation, a shift that Israelis and Palestinians can neither influence nor avoid. In the past, Israel’s dominant capital managed to ride the global politics of accumulation. During the 1970s and 1980s, it thrived on the global regime of “war profits,” and in the 1990s it reaped the “peace dividends” of global neoliberalism. But as we explain in the final chapter of our book, neoliberalism also transformed the very nature

of the Israeli elite, which, “by endorsing transnationalization, made itself subservient to broader processes over which it had no control” (p. 356). Perhaps that is why many of Israel’s leading capitalists have diversified their holdings to such an extent that, today, whatever happens in Israel only marginally affects their global “portfolio.” Professor

Kimmerling and Prime Minister Sharon may believe otherwise, but their country has long ceased to be the center of the world.

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*JPS chose to run this exceptionally long letter to the editor because it provides a valuable synopsis of the authors’ theory of political economy and capitalist development and an interesting contribution to the academic debate.*



**A view of houses in Ma’ale Adumim, the largest Jewish settlement in the West Bank, near Jerusalem, 2 August 2004. (Oded Balilty/AP Photo)**