Citizenship and the State in the Middle East

APPROACHES AND APPLICATIONS

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The Contradictions of Palestinian Citizenship in Israel

Inclusion and Exclusion in the Israeli Welfare State

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Some Problems with the "Arab Problem" in Jewish Scholarship

THE INVISIBILITY of Israel's Palestinian citizens in the viewfinder of Israeli sociology is a well-known feature of the discipline's past, now thankfully eclipsed by a decade-long wave of research. (For a fuller discussion, see Rosenhek 1998a). Traditionally guided by an implicit social map that defined the borders of "Israeli society" as synonymous with "Jewish society" (Kimmerling 1992), all but a handful of Jewish sociologists (notably Henry Rosenfeld and Sammy Smooha) treated the Arab minority as at most a footnote to the dominant Jewish text. Just as the Arab-Israeli conflict was seen largely as a matter for specialists on military and foreign-relations questions (Shafir 1996), so the study of the Arab citizenry of Israel was consigned mainly to the "orientalist" wing of the academy (Rabinowitz 1993). Insofar as sociologists or political scientists did become actively engaged, their principal interest was defined by the political concerns of the Jewish establishment: Why did so many Arabs reject the "Zionist parties" in favor of the communists? What was the import of the sense of kinship that Arab citizens came to display in their relations with the Palestinians in the Occupied Territories? Might either of these trends portend challenges to Jewish domi-

nance of Israeli territory and the Israeli state? (See, for example, Rekhess 1989.)

After a flourish of quite substantial research activity—stimulated or complemented by the work of an increasing number of scholars who have emerged from the Palestinian minority itself (e.g., Zureik 1979, Haidar 1995, Sa'di 1992)—Jewish sociologists in Israel have fundamentally altered their approach. The Arab minority is being *endogenized;* that is, Palestinian citizens are increasingly seen as part and parcel of the society and a natural focus for research in diverse fields of inquiry. We rarely see anymore the defensiveness that to some extent underlay earlier reluctance to engage in the topic and that led those Jewish scholars who did approach it to wear the rose-colored glasses of modernization theory, bypassing issues of conflict and coercion, and presenting the Arabs' disadvantages as originating in their own backwardness. Although there are those who continue to take a benign view of the role of the state (as in two recent works by political scientists, Sandler 1995 and Landau 1993), the starting point for most Israeli researchers today is recognition of and curiosity about the economic and political disadvantages faced by the Arab population (see especially Lewin-Epstein and Semyonov 1993). Moreover, few have escaped the realization that both the ideological and institutional practices of the Israeli state have played a major part in the construction of the Arab-Jewish cleavage in Israel's stratification regime.

In this sense, Jewish scholars have, with a considerable time lag, achieved a certain convergence with the work of Arab scholars who insisted from the outset (e.g., Jiryis 1976) that Jewish-Arab inequality is deep, pervasive, and persistent, *and* that this deep divide is structurally rooted in the Zionist character of the state. In like fashion, a recent article by a Jewish scholar (Kook 1995a) argues that the exclusion of Israel's Palestinian citizens is inherent to the hegemonic (Zionist) ideology and its definition of Jewish corporate national identity. Or again, one may cite the conclusion of a new volume by a leading Palestinian researcher, who states, "The policy of discrimination derives primarily from the nature of Israel as a colonizing society and from its definition as a Jewish-Zionist state . . . anything good for the minority is seen as bad for the majority, and the reverse" (Haidar 1995, 180).[1]

There is, of course, a powerful kernel of truth to this realization. And yet, like *patriarchy* and the problem of women's subordination or *racism* and the issue of racial discrimination, in the context of majority-minority rela-

1. Ironically, despite this lip service to "Zionist functionalism," Haidar's book is actually a fine demonstration of the poverty of that approach.

tions in Israel, *Zionism* explains everything and nothing. The *definition of the state* is simply too general and static a category to be of much help in explicating complex and potentially dynamic realities. But there are other limitations as well.

Preoccupation with Zionism as a master explanation invites a functional analysis with all its well-known pitfalls: whatever happens can always be explained or rationalized and has no element of historical contingency; there is an expectation of and an interest in discovering continuity rather than change; and there is little analytical space for conflict and contradiction (that is, for politics).[2]

The emphasis on hegemonic ideology risks overlooking the material as well as political interests and the specific institutional practices that produce and reproduce this hegemony. It is more difficult still to entertain the notion (which has been central in the sociological literature on social closure generally and on ethnicity in particular) that ideologies of exclusivism may even originate in struggles for scarce economic and social resources (e.g., Bonacich 1972, Parkin 1974).

Zionism-centered explanations risk a kind of intellectual isolationism because by definition Israel is seen as a special case, and there is no obvious bridge to theories or comparisons that might pose new questions or offer new answers.[3]

The Potential Contributions of a Citizenship-Based Approach

In our view, the best of the newer literature on the position of Israel's Palestinian citizens has taken one of two strategies for avoiding these analytical traps. One solution, inspired largely by Baruch Kimmerling's work (especially Kimmerling 1983), has been to treat Zionism's national exclusivism as a dependent as well as an independent variable. In this vein, building on the history and sociology of colonization and socioeconomic segmentation, Gershon Shafir (1989) has shown how Zionist nation-building and state-making practices and beliefs were formed out of the distinctive conditions—political, demographic, and economic—under which Jewish settlers confronted the Arab inhabitants of late-Ottoman Palestine. Persistent and central characteristics of Israeli society—the political hegemony of the labor movement, the victory of militant Jewish separatism over Jewish-Arab integration and coexistence; the existence of gender, ethnic, and occupational inequalities *within* Jewish society—could only be explained, in this view, by the conflict (at bottom, material as much as "national") between Arabs and Jews.

From a similar starting point, Shalev's (1989b) study of persistence and change in the orientation of the Histadrut (the General Organization of Workers in Israel) to Arab labor argued that the labor organization's shifting mix of exclusionary and inclusionary policies could be linked to historical changes in the demographic balance, the threats or opportunities that the Arab minority posed to Jewish economic interests, and the substance of political exchange between the Histadrut and its partners in the Labor Party and the state. In other words, the historical conditions that gave rise to exclusionary practices were themselves subject to change, and so was the practical meaning of Zionism for Arab-Jewish inequality in Israel.

The political economy approach, with its focus on interests, profit seeking (or loss avoidance), and realpolitik, is not the only alternative to a reductionist interpretation based on Zionist hegemony. Some recent works offer new approaches to interpreting the politics of nationality in Israel that permit an understanding of contradictions, the possibility of change, and the structural divide between the Jewish and Arab sectors. The most radical contribution to date in this vein has been Ian Lustick's (1989) suggestion that by the mid-1980s Jewish politicians had unwittingly taken a political road to binationalism. Inspired not by ideological change but rather by considerations of gaining power in an increasingly competitive party system, even the Likud adopted a more inclusionary approach to the Arab electorate. Experience in the 1990s suggested that this is a perceptive but simplistic observation, the problem being in effect to incorporate the twin realities noted by Lustick—the repressive "control systems" discussed in his early work (Lustick 1980) and the potentially subversive logic of party competition on which he subsequently focused.

An important contribution by Yoav Peled (1992) has suggested that this dualism can be succinctly conceptualized in terms of two competing traditions in the theorization of citizenship. He demonstrates that what is interesting and distinctive about the Israeli case is the *coexistence* of a "liberal" floor of universal citizen's rights with Zionism's "ethnorepublican" tradition, which by definition renders only Jews (even those who are not Israeli citizens) eligible to contribute to the "common good." Peled illustrates how the resulting contradiction has been addressed and Arab-Israeli citizen-

2. In the context of his critique of Lustick's early work, Rosenfeld (1983) has made similar arguments. Yet the alternative analysis suggested in the work of Carmi and Rosenfeld (1989 and 1992) is so voluntaristic and historically contingent that the realities of Zionist ideology and practice and of the Arab-Jewish conflict disappear altogether.

3. In some instances, of which Zureik's (1979) pathbreaking work is a good example, scholars proposing to adopt a cosmopolitan view of the Israeli case have ultimately fallen back on the argument that the Zionist character of the state is what explains Arab-Jewish inequality.

ship constituted by a series of judicial and political decisions on the legality of radical parties. This approach receives additional support and enrichment from Dan Rabinowitz's (1997) insightful microlevel account of Jewish-Arab relations in Upper Nazareth, a community created by the drive of the ethnorepublic to offset the country's most concentrated pocket of Arab demographic strength. Rabinowitz shows that even in this notoriously charged setting, there are Jews who genuinely espouse a liberalism that *coexists* with their nationalism, and the results are often paradoxical.

The recognition that citizenship in Israel is multilayered and potentially contradictory raises a variety of interesting research questions. Some of these questions have to do with the potential role of the Palestinian minority as an active force in Israeli politics. It is clear that for the most part Arab political leaders follow a strategy of using the rights and discourse of the liberal layer of citizenship to conduct political struggles that are not only instrumental but also implicitly or explicitly about identity and status. Might such struggles—particularly if they connect with the emergence of liberal political space in the Jewish sector—serve to undermine the ethnorepublican layer of citizenship, contributing to the kind of undramatic revolution foreseen by Lustick? Other questions arising out of the duality of citizenship concern the possibility of feedbacks from policy initiatives in the realm of liberal politics to ethnorepublican realities. *When the state, whatever its motivation (most probably grounded in Jewish politics), chooses to enrich the universal content of Israeli citizenship, is it held back by the ethnorepublican impulse to deny the new rights to its Arab citizens? What are the mechanisms that permit the state to make or prevent it from making ethnorepublican distinctions between rights of different citizens without repudiating the liberal floor of citizenship?*

The Welfare State as a Research Site

These are the questions that we seek to address in this chapter. We do so by studying the evolution of some salient features of Israel's welfare state over a period of significant economic and political change between the 1950s and the 1970s. The welfare state is a particularly fruitful site for investigating the dialectics of Palestinian citizenship in Israel. Unlike many of the cultural dimensions of citizenship, social policy presents the researcher with a palpable, formal mechanism that "operationalizes" citizenship and is one of the most important domains in which it is constituted.

In Israel, the welfare state has been a mechanism of special significance because of the relatively resource-rich and interventionist character of the state and the high level of economic dislocation suffered in different ways by

large segments of both the Jewish and the Arab populations. Defined in broad terms (that include education, housing and employment policies, as well as income maintenance), the Israeli welfare state has been a crucial determinant of the life chances of its citizens.

Despite the rich potential of the welfare state as a site for investigating issues of Jewish and Arab citizenship in Israel, it remains the case that the Arabs have continued to be largely invisible in the study of social policy in Israel far more than in the study of distributional processes in the market arena. Or if visible, they have been the subject of essentially descriptive surveys with limited analytical ambitions.[4] Yet the literature on welfare states has long been fertile ground for theoretical disputation and innovation in macrosociology, and a growing body of this literature draws on theories of citizenship to understand the origins and consequences of inclusionary and exclusionary state policies. Some of the contemporary literature on welfare states—notably the work of Korpi (e.g, 1989) and Esping-Andersen (e.g., 1990)—has creatively melded insights from a citizenship perspective with a political economy approach. This analytical strategy, in light of our previous comments, seems to us to be particularly apt for the study of Arab-Jewish relations in Israel.

Turning now to the general literature on welfare states, one cannot help but be struck by the way that, unconsciously paralleling the classic distinction in political philosophy on which Peled drew, the literature on citizenship and social policy exhibits a number of interesting dualisms: between *universal* and *selective* policies, and between viewing the social rights of citizenship as either an equalizing or a stratifying force in modern societies. On the latter issue, the inevitable starting point is T. H. Marshall's classic *Citizenship and Social Class* (1950)—written, it must be remembered, in the first optimistic flush of the new postwar world when Keynesianism and socialist reformism were politically ascendant.

Marshall presented the welfare state as a liberating, inherently egalitarian counterpoint to the inequality of the market (Marshall 1950, Bulmer and Rees 1996). In contrast, much recent work has portrayed the welfare state as both reflecting and conferring *differentially graded citizenship* on the purely ascriptive grounds of race, gender, or nationality. Thus, recent studies of black and female disadvantage in the U.S. welfare state have demonstrated how exclusionary mechanisms (some implicit, others explicit; some

4. Until recently, the work of Abraham Doron, the doyen of social policy researchers in Israel, largely passed over the Arab population (see, however, Doron and Kramer 1991). Haidar (1991) and Cnaan (1985) have documented but offered only preliminary analysis of the discriminatory character of social policy vis-à-vis the Arab minority.

administrative, others economic, and still others cultural) have linked different types and conditionalities of social rights to different populations (e.g., Quadagno 1994, Mink 1995). Paralleling these concerns, research into the disadvantages faced by immigrants in Western Europe has demonstrated how "states create multiple forms of [citizenship] status by matching types of international migrants to types of . . . social rights" (Faist 1995, 221).

In the social policy literature, the same antimony has been associated with the choice between two different kinds of measures, *universal* and *selective* (Doron 1995). Universal benefits afford automatic entitlements as a matter of right, and they are typically administered by an independent, service-oriented bureaucracy committed to the mission of delivering benefits to those entitled to them. In contrast, selective benefits are targeted to specific exigencies and are available only to those with demonstrated need (e.g., meeting an income test or being approved by a professional forum). Frequently, the onus is on the needy person to actively seek out the benefit and present convincing evidence of eligibility. Clearly, universal benefits more obviously have the character of social rights of citizenship, whereas selective benefits often function as a residual system providing minimal economic security to groups on the margins of both the market economy and universal social programs.

One of the well-known criticisms of selective policies is that they tend to stigmatize the recipients, whereas universal policies more effectively reach the target population and carry no connotation of charity or discipline. Less well understood is the fact that because of their targeted nature, selective benefits may perform important political functions: as a means of creating dependency and offering rewards for citizen loyalty to political parties or their affiliated institutions, and as a way of denying benefits to "undesirables" and channeling them only to the "deserving." This is precisely what developed in Israel, yet in the course of time the welfare state experienced reforms (for reasons to be explained later) that transformed the selective basis of many benefits into universal citizens' rights. In the process, a real potential emerged for extending benefits to the Palestinian minority, injecting them into the liberal layer of citizenship.

This provides an ideal context for asking the questions raised earlier. *What was the role (if any) of nationality-blind political action by Arabs in bringing about these reforms? And how (if at all) did the ethnorepublican face of the politics of citizenship enter and perhaps frustrate the reform process?* We address these questions by referring to two policy areas where a potential emerged in the 1970s for benefits to become social rights of citizenship: child allowances (representing the income maintenance sphere of the welfare state) and housing (indicative of those social programs—health and education are other examples—that enhance consumption capacities by providing goods or services rather than income). At the end of the 1960s and the beginning of the 1970s, Israel's fragmented child allowance programs were formalized and centralized as part of their transformation into an ambitious antipoverty measure. At about the same time, housing policy shifted from an emphasis on planning and subsidizing home construction to offering mortgage assistance to newlyweds and needy families. In both of these cases, reforms carried with them a clear potential to generalize to the Arab population, ending their exclusion by transforming selective benefits into nationality-blind citizens' rights. In both cases, this potential was at least partially frustrated. Going into the archives and gleaning whatever can be mined from existing research has made it possible to largely reconstruct the processes by which the Arab minority's partial exclusion from the welfare state came to be challenged and then reinstated (Rosenhek 1995). Before turning to this fascinating story, however, we must at least schematically address the issue of how the Palestinian population came to be partially excluded in the first place.

The Origins of Palestinian Exclusion

The welfare state is one of the core institutions of Israeli society that, as one of us has previously argued in relation to the labor movement (Shalev 1992), is outwardly similar to its counterparts in the West yet has developed along a very different historical trajectory, linked to the pattern of Jewish colonization and the evolution of the Arab-Jewish conflict in the prestate period.[5] Both the political and the socioeconomic foundations of Arab exclusion were laid by the practices of nation and state building that emerged under the specific conditions of Jewish colonization of Palestine. Three constraints were especially important in the context: the Jews' demographic weakness in relation to the "native" population; their lack of sovereignty and the power resources that go with it; and the disadvantages that they faced in trying to gain control of land and access to employment through the market. The vanguard of the settlers (the propertyless "workers") and officials of the Zionist movement sought in response to these constraints to insulate Jews from Arabs and create islands of political and infrastructural autonomy. Consequently, exclusion of Arabs (or, in a few exceptional cases that prove the rule, dual organization) was the central operating principle of Zionist politics and economics. This exclusion dynamic was reinforced by

5. For a fuller elaboration of the arguments made here, see Shalev (1989a) and Rosenhek (1998b).

the development of animosity and violent conflict between Jews and Arabs, but it did not originate there.

In the Jewish community of mandatory Palestine, the *welfare state* (i.e., *decommodified* payments or services by public organizations that provide means of existence independent of the market [Esping-Andersen 1987]) developed in order to facilitate Jewish settlement in general and Jewish exclusiveness in particular. The key instruments of social policy were control over job allocation (labor exchanges and some actual job creation) and consumption subsidies (mainly by provision of goods or services, including housing). In cases of exceptional personal distress or acute economic crisis, income maintenance might also be offered but was never guaranteed as a matter of right. Access to these benefits depended on neither citizenship nor stratification. Instead, it was conditional on two criteria: *nationality* (being Jewish was a necessary requirement for all social protection; it was also a sufficient requirement for the residual antipoverty measures operated by philanthropic organizations and the "national institutions"); and *organizational affiliation* (either political or quasi-political affiliation, especially Histadrut membership, or for enterprise-based welfare schemes, employment in a particular workplace).

On the basis of this stylized account, it is easy to see the joint significance of "citizenship" and political economy for the welfare state of the Yishuv (prestate Jewish community). "Citizenship" (being Jewish) was essential for entry. But an individual's access to decommodifying social policy was also contingent on (1) his or her perceived contribution to the settlement process (special subsidies for new immigrants, kibbutzim, etc.); (2) class or market position (vulnerability to competition from Arab labor, variations in employee benefits between workplaces); and (3) political participation (especially Histadrut membership and allegiance to the parties that dominated the labor movement and Zionist politics alike).

To a significant extent, these principles persisted after sovereignty. Three different systems of welfare flourished during the first decade or so of Israel's existence. The first, benefiting mainly veterans, was a continuation of the "wage-earner's welfare" (Castles 1985) that had been spearheaded by the Histadrut in the earlier period and was now institutionalized and expanded with the help of the state. The second system was directed to new immigrants and was to a large extent financed and even administered by Zionist and Jewish philanthropic organizations. A third residual form of social protection was provided by the state in the form of highly selective and minimalist assistance. Evidently, the Palestinian citizens of the state could be eligible, if at all, only for this residual system. And, in fact, the Ministry of Social Assistance, responsible for the poor-relief system, was constructed in

such a fashion that in accordance with their allegedly more modest needs, Arab recipients would be granted only substandard "rural" allowances (Doron and Kramer 1991).

The reasons for the Arabs' marginal position in Israel's fledgling welfare state are not hard to find. Indeed, their almost complete exclusion was *overdetermined* by the conditions prevailing in the early 1950s—beginning with the fact that it was politically and fiscally convenient for the state and the dominant party vis-à-vis the *Jewish* population to let the welfare state languish and re-create essentially the prestate division of welfare that we have just discussed. But Jewish disinterest and Arab powerlessness also pointed in the direction of exclusion. So far as Jewish sentiments are concerned, a general atmosphere of Jewish prejudice as well as fear (however poorly grounded in reality) of Arab insurgency was multiplied in its effects by both objective and politically constructed conflicts of interest between Jews and Arabs (Beinin 1990). In addition, neither the state as such nor the chief political elites had any reason to regard Arab inclusion as a politically necessary or even desirable step. Although the Arabs who remained inside what became Israel were designated citizens, this offered them little more than the right to vote. State practices in relation to Arab citizens were segmented by the military government and the "Arab Department" system. The Palestinian minority was eminently controllable at minimal political cost. To the extent that the economic vulnerability was *not* ameliorated by decommodifying measures, Arab citizens would be that much more amenable to state control and political discipline because of their acute dependence on the goodwill of the authorities and on the authority of their traditional clan leaders.

In effect, the content of Arab citizenship after 1948 was hemmed in by the very same basic factors that shaped the prestate experience: the national conflict (the Arab minority as a "fifth column"); the drive to transfer Arab land and property to Jews; and the desire to shelter new immigrants from economic competition. No "legitimate" Jewish political body, with the partial exception of Mapam, raised demands to embrace liberal principles of citizenship that would override the forces supporting Arab exclusion. And under conditions of sponsored electoral mobilization and military government, the Palestinian citizens themselves faced a virtually nonexistent political opportunity structure.

Exclusionary Practices in the Child Allowances Scheme

Unlike other spheres of the Israeli welfare state, there were, as we have noted, no historical precedents from the prestate era for any kind of univer-

sal cash benefits or income guarantees. The reasons were simple. Lacking sovereign authority, the Jewish "national institutions" had no way of instituting a system of social insurance, and they preferred directing their limited funds to creating the infrastructure for Jewish colonization (including jobs) than wasting it on ephemeral investments in income maintenance. This opposition continued into the era of sovereignty, bolstered by the Treasury's budgetary concerns and the reluctance of the Histadrut and the Labor Party machine to sacrifice the political benefits of the system of "wage-earner welfare" they had developed in the prestate era and now (with the aid of state subsidies and guaranteed monopoly privileges) had honed to a very high level of effectiveness (Doron and Kramer 1991, Doron 1988).

Despite these obstacles, child allowances gradually became a key element of the welfare state. How can this be explained? We know that child allowances have generally been adopted only as part of the social security system of those Western nations with a large Catholic population and historically low birthrates (France being a good example). Given the character of child benefits as a potential inducement for raising the birthrate, one might assume that their prominence in the Israeli welfare state was the result of just such a demographic consideration and that, in consequence, the scheme would have been designed from the outset to apply solely to *Jewish* families. Instead, both the humble origins and to a large extent the further development of child allowances actually originated in the politics of intra-Jewish conflicts and in wage policy considerations.[6]

As part of the legacy of wage-earner welfare from the prestate era, the wage packet included what could be a quite substantial component based on the size of the (male) employee's family. One of the express purposes of the Large Families Allowances program instituted in 1959 was to relieve individual employers of this burden by turning the family supplement into a social benefit financed by all three social partners. But a second and more important motive was the desire to prevent impoverished Oriental immigrants employed at low pay in relief work from switching allegiance from the ruling Labor Party (Mapai) to the radical right or left (Herut or the Communist Party, respectively). In the colorful language of then minister of labor Mordechai Namir, "Nests of fascism and communism can be prevented very inexpensively through [social] insurance, when the workers contribute pennies [*prutot*] in order to identify with those on relief work." Characteristically, however, the Histadrut opposed the government's becoming involved in a social policy sphere in which it was already active (in this case, by means of wage policy). Even more important in this case—

6. For a fuller discussion, see Rosenhek (1995).

because the leaders of the labor organization recognized the political need for Mapai to fend off discontent among lower-class Orientals—was the fear that their core constituency, the veteran Ashkenazi wage earners, would have to bear the cost. As part of his attempt to assuage these fears, Minister Namir assured his colleagues that the number of recipients would be kept low, and "special arrangements will be made so that it doesn't include Arabs."[7] What really clinched the matter, however, was the first outbreak of political violence among slum dwellers (in Haifa's Wadi Salib quarter) in July 1959. Less than a month later the Knesset passed the necessary amendment to the National Insurance Law (adopted in 1953).

This first child allowance program was modestly proportioned, with benefits being paid only for the fourth and subsequent child and terminating when the child was fourteen. Nevertheless, the economic implications for Israel's Palestinian citizens might have been profound. Despite that fact, the minister of labor failed to make good on his promise of "special arrangements," and the law adhered in both theory and implication to the principle of universality. However, *implicit exclusionary practices* that limited the access of Palestinian families to the benefits *were embodied in its administration*. This pattern of exclusion was reflected in a significant gap between Jewish and Palestinian take-up rates that persisted until the mid-1970s.[8] As late as 1968, the take-up rate among Jewish families was 93 percent compared to 67 percent among Palestinian families.[9]

Without any apparent intentionality involved, the administrative routines under which the program operated limited the access of Palestinian families. (Let us be clear: had the blockages we are about to describe *not* operated, conscious steps *might* have been taken to prevent Arabs from receiving the benefits, but in practice the issue never arose.) Until July 1976, in order to receive the benefits, claims had to be personally presented at the National Insurance Institute (NII) office closest to one's residence (Sharon 1987, 203). In this period, the social and physical access of the Palestinian population to state institutions, including the NII, was notably limited. The number of NII branches in regions where the Palestinian population was concentrated, particularly in Palestinian towns, was very small, obliging would-be Arab claimants to travel to Jewish towns. Such travel was severely

7. This and the previous quotation are both from the Minutes of the Mapai Inner Secretariat, 31 October 1958; Labor Party Archives, 24/2.

8. Take-up rates refer to the proportion of families formally entitled to the allowances that actually receive them.

9. Based on figures in Keren-Yaar and Soucry (1980) and National Insurance Institute (1975b); see also Shamai and Valdhorn (1972, 14).

hampered by lack of transportation and more especially by the restrictions on movement imposed on the Palestinian population by the Military Administration until 1966. In addition, the information supplied to Palestinians about their rights and about administrative procedures of the NII was worse than inadequate.[10] These factors produced differences in access and hence in take-up rates between Palestinians and Jews, generating a situation of partial exclusion even if specific and explicit political or administrative decisions were not involved in the process.

In 1965, two important reforms began the transformation of child allowances into a major instrument of income maintenance. The ceiling age for payment of the existing allowance was raised from fourteen to eighteen; in addition, a new scheme was introduced to cover the first three children (also up to age eighteen). However, the new program, Employees' Child Allowances, as its name reveals, was offered solely to wage earners. And harking back to one of the Histadrut's earlier concerns, the new allowance was paid as part of the wage, with employers being reimbursed by the NII. As a result of this absurd arrangement, the Histadrut was able to present the allowances to its constituency as an achievement in its struggle to improve wage levels (Doron 1969, 141). Even more important, insofar as the benefits were paid through the employer and were considered an integral part of salaries, they were taken into account in calculating employer and employee contributions to the Histadrut pension funds.[11] The labor organization successfully struggled for another decade against determined opposition to this arrangement by the NII.[12]

As in the original program for large families, discrimination against potential Arab recipients occurred via implicit exclusionary practices rather than through purposive measures deriving from the Israeli state's policy toward its Palestinian citizens. And once again, these practices significantly affected the chances of Palestinian families to receive the benefits. More precisely, because payment was effected by employers, take-up among Palestinians was primarily determined by their position in the Israeli labor market. A dualistic situation emerged that followed the well-established cleavage between sheltered employment in the public and Histadrut sector and in medium- and large-scale private firms, on the one hand, and workers employed by farmers, small building contractors, and small industrial and service employers, on the other. On several occasions, it was asserted that significant numbers of employers did not pay the allowances to their employees, even though they demanded and received the reimbursements from the NII (Doron 1969, 144; Roter 1973, 86).[13] Predictably, the employees who failed to receive the benefits were concentrated in disadvantaged social groups, particularly unskilled and temporary workers in the secondary sector of the labor market.[14]

Although direct evidence is lacking, it is reasonable to infer that one of the groups most harmed by this dualistic situation was the Palestinian employees. They were concentrated in the nonskilled and temporary occupations of the secondary labor market (Khalidi 1988, Lewin-Epstein and Semyonov 1993) and virtually banned from employment in the "bureaucratic labor market" (Farjoun 1983). Moreover, as small proprietors or unpaid family workers in agriculture, many Palestinians were altogether excluded from the program.

Exclusionary Practices in Housing Policy

After the establishment of the state, or more accurately after the end of the 1948–49 war, the building of public housing by the state became one of the central domains in which the Israeli welfare state was active (Roter and Shamai 1990, 171). In contrast to the income maintenance domain, institutional legacies and positive associations were inherited from the prestate period, and housing policy was consciously and deliberately formulated from the outset as an instrument for the fulfillment of Zionist national goals. The state's twin declared targets were "immigrant absorption" and "population

10. All of these factors were cited by directors of NII branches complaining to the central office about the difficulties they faced in implementing social security programs vis-à-vis the Palestinians. See, for example, "Review of the Present Situation, and a Proposal for an Action Plan in the Arab Sector," memorandum submitted to the general director of the NII by his assistant for Arab affairs, 22 March 1955; letter of the Nazareth branch director to the general director of the NII, 17 June 1955; letter of the Zfat branch director to the general director of the NII, 15 February 1956 (NII Archives, 00-A-6/46).

11. This procedure was jointly agreed upon by the government and the Histadrut, despite the opposition of the employers (minutes of the meeting between NII representatives and a delegation from the Trade Union Department of the Histadrut, 26 August 1964 [NII Archives, 00-A-27/204]; "Reservations of Israel Manufacturers' Association to the Memorandum on the Employees' Children Allowances Program," 15 June 1964 [NII Archives, 00-A-27/204]).

12. Minutes of the Histadrut Central Executive Committee, 25 June 1972, 1 September 1974 (Labor Archives).

13. In a report of the NII in 1975, it was estimated that the allowances for between fifty thousand and one hundred thousand children were not paid to the employees (NII memorandum: "The Proposed Administrative Method for the Payment of Children's Allowances," 11 April 1975 [Labor Archives, IV-275-76]).

14. "Summary of the Histadrut Trade Union Department Meeting, 4 July 1967" (Labor Archives, IV-257-96); Minutes of the Fourth Council of the NII, Session No. 4, 17 July 1967 (Labor Archives, IV-257-96).

dispersion," and the two were conceived as intimately related. The settlement of the new immigrants in the periphery was intended to be the main instrument to attain the goal of population dispersion (Gonen 1979, 22; Tenne 1962, 445). The latter was of course a euphemism for strengthening the Jewish presence in those areas in which it was sparse in comparison to the Palestinian presence (Barkai 1981, 162; Gonen 1979, 22). Change in the demographic balance between Jews and Palestinians on the Jewish periphery was perceived as a way of both symbolically advertising the state's sovereignty and enhancing its effective control on the territory (Falah 1989, 248; Newman 1989, 220).[15] It is reasonable to assume in addition that, in the manner of and alongside other policies that kept newcomers out of the mainstream labor market, "population dispersion" was also desirable because it simply foreclosed potential competitive pressure by new immigrants on the wages and local services enjoyed by veterans (cf. Bernstein 1981).

The most dramatic illustration of the imbrication of the national conflict and housing policy was the government's decision—in pursuit of the strategic aims of ruling out the return of the 1948–49 refugees and of solving housing problems—to settle masses of newcomers in former Arab homes that were part of its enormous stock of "abandoned property" (Golan 1995). (Veterans also participated in this shareout, generally receiving the more valuable prizes.) In the related sphere of enlarging the housing stock by new construction, throughout the first two decades of sovereignty the state's preference was for interventions on the supply side of the housing market. State agencies and public organizations under its control were actively involved in planning, designing, financing, constructing, and distributing housing resources to defined population groups (Israel, Ministry of Finance and Ministy of Construction and Housing 1990b), and public housing represented a very significant proportion of the total housing units built during those years (Haber 1975).

Most of the state's expenditures on housing in this period were directed to the massive new immigrant population (Nissim 1969, 14; Roter and Shamai 1990, 179). The absolute dependence of the new immigrants on the state for access to housing and their lack of political power permitted state elites to freely employ the distribution of housing as an instrument for achieving political and geopolitical aims. Accordingly, most public construction for immigrants was carried out in peripheral areas in which the state was interested in strengthening the Jewish presence and the ruling party was

15. For evidence of these demographic intentions from publications of the Ministry of Housing and other state agencies, see "First report—The Inter-ministerial Committee for Population Dispersion," March 1964, and Haber (1975, 19–23; 1986, 5 and 14–5).

interested in establishing its dominance unhindered by political pluralism (Gonen 1979). In addition, more limited programs were directed to the veteran Jewish population (Drabkin-Darin 1957, Lavon 1974). Most of these projects were implemented in the more developed central region of the country, and the housing units were generally larger and of higher quality than those built for the new immigrants (Sleifer 1979, 11).

An important characteristic of housing policy in Israel in these years was the absence of formal and universalistic rules for the determination of entitlements in the housing domain. Even though at the declarative level the Israeli welfare state accepted the responsibility for the provision of at least basic housing resources to all citizens, this principle and any operative rules for its implementation were never formalized (Heymann 1981, 278). The absence of formal criteria and their nonimplementation in the few cases in which they were defined found expression in the decisions regarding both the execution of housing projects and the distribution of completed units among potential recipients (Israel, State Comptroller 1964, 366, and 1970, 585). This situation strengthened the political and bureaucratic apparatus in relation to the citizenry, enhancing the feasibility of using the distribution of housing assets as an instrument for co-optation and clientilistic political recruitment (Hasson 1981).

The absence of formal rules also facilitated the almost complete blockage of Palestinian access to the housing resources distributed by the state. Programs for new immigrants were obviously closed to them.[16] But Palestinian citizens were also excluded de facto from housing programs for the veteran population (Heymann 1981, 255).

Only in the late 1950s did the state begin to show some concern for the housing problems of the Palestinian population. This interest was motivated by the issue of Palestinian "internal refugees," a serious political problem for the Israeli state. The existence of a significant number of internal refugees was potentially damaging to Israel in the international arena, and there was also the domestic worry caused by the fear that the internal refugees would become a focus of political unrest. The state was interested in putting a definitive end to refugees' claims for the return of confiscated property. Consequently, any housing assistance provided to the refugees was conditional on their formally giving up their claims.[17]

16. The term *new immigrant* refers in Israel to a legal category applicable only to Jews immigrating on base of the Law of Return.

17. See, for example, letter of S. Cohen to Y. Cohen, both activists in the Arab Department of the Histadrut, 3 December 1961 (Labor Party Archives, the Arab Department—Economy, 2/H - 26/9).

Against this background, the government decided in 1958 to enlarge the direct involvement of the state in home construction for Palestinian citizens.[18] Following this decision, an official in the housing department of the Ministry of Labor was appointed as responsible for "minorities' housing affairs" (Israel, State Comptroller 1962, 203). Some public housing projects were executed in Palestinian towns and villages, but they were extremely limited in scope and grossly insufficient.

Three types of data concisely document the paucity of effort directed to addressing the acute housing problems of the Arab population.[19]

A publication of the Ministry of Housing reports the number of "housing solutions" that Palestinians received from state agencies between 1957 and 1970. Including loans for homeowner construction, this assistance reached only 7,500 families (Hirsh 1970, 102).

Between 1960 and 1973, only 3.4 percent of all public residential construction (in terms of built area) was carried out in Palestinian communities (Israel, Central Bureau of Statistics 1964, 48–49; 1966, 54–55; 1970, 40; 1972, 32; and 1974a, 31).

Between 1955 and 1977, only 0.6 percent of the government development budget for housing was allocated to projects for Palestinians (Israel various years). Furthermore, it was reported that sometimes actual spending was even lower than the sums allocated in the budget (Israel, State Comptroller 1962, 203–4).

In short, the access of Palestinian citizens to housing assets remained largely dependent on their ability to participate in the private housing market on the basis of personal or family resources or both.

From Implicit to Formal Exclusion

The next question on our agenda is, What happened to the Palestinians' partial exclusion from Israel's welfare state in the 1970s, a period of rising expenditure and in some cases also reorganization of policy along more universal lines? Before addressing that question, though, let us try to take stock of the story so far. Except for old-age allowances (which were already instituted in the 1950s, although on a very modest basis), child allowances were

18. In 1957, the ministerial committee for economic affairs decided to establish an interministerial committee to study the internal refugee problem and present proposals for its solution (Israel, State Comptroller 1962, 143). On the basis of its proposals, in February 1958, the government adopted a program for the economic rehabilitation of the refugees. Eighty percent of the program total budget was allocated for housing (Liskobscki 1960, 192).

19. For reports on the harsh housing conditions of the Palestinian population, see Abu-Keshek and Geraisi (1977), E. Cohen (1973), Kipnis (1978), and Peled (1986).

the first universal cash benefit offered by the Israeli welfare state. Although targeted to a specific need (the inadequate income of large families), the allowances were by law to be paid directly by the NII to all families with the appropriate number of young children. In fact, however, the intent of the program's political sponsors was to use child benefits as an antidote to political alienation among a specific Jewish constituency. Then came the inconvenient realization that the formal criteria adopted for this purpose would also benefit many Arab citizens, whose political allegiance could be obtained by other means and who were in no position to express their political alienation from the ruling party or the state.

Perhaps because of fear of the international repercussions (we can only speculate on the reasons), neither direct nor indirect attempts were made to bar Palestinians from receiving the benefit. Instead, the conditions under which the benefit was *administered* had the consequence of preventing a sizable minority of Arabs from actually receiving it. We know that the administrators were aware that not all of the entitlements were actually received. Hence, it may be fair to assume that their bosses (who apparently made no attempt to institute the needed reforms) were not unhappy with this state of affairs.

Precisely the same may be said for the additional child allowances program created in 1965, when once again the Palestinians' partial exclusion could be traced to the conditions of the program's administration. By now, however, clear institutional interests—having nothing to do with the Jewish desire not to "waste" money on Arabs—had come into play. The 1965 program was custom designed to assist the Histadrut, and the NII chafed under the program's circumvention of its authority. In respect to both programs, neither Labor Party politicians nor the leaders of the Histadrut had an interest in appealing the "nondecision" that no steps would be taken to ensure the delivery of benefits to those who failed to receive them (including but not only Palestinians). In contrast, the officials and supporters of the NII had precisely the opposite interest in the context of their ongoing struggle for autonomy and a recognized monopoly in the domain of income maintenance.

Housing, as we have seen, was a very different story. Here, there was an established prestate connection between Zionist settlement and immigrant-absorption aims and social policy that received added urgency and practicality in the conditions of the first two decades of sovereignty. The state had the means and its rulers had the political incentives to engage in massive direct interventions into the supply and distribution of housing. Entire neighborhoods and towns were created from the ground up to house Jewish newcomers, with the intention of fulfilling the state's territorial and political

objectives. Only when the identical type of considerations—territorial and political—arose vis-à-vis the Arab population were any active steps taken to assist them. Given the selectivity and high level of discretion characterizing the operation of housing policy, the state's exclusion of the Arabs cannot be interpreted as merely a by-product of incidental circumstances (as appears to have been at least partly the case regarding child allowances). Instead, the state's revealed preference for discrimination along national lines was evidently housing policy's potential contribution to Jewish control of territory and Jewish political allegiance.

By the beginning of the 1970s, several important developments occurred that altered the parameters under which social policy was formulated in Israel. So far as the Palestinian minority was concerned, several key decisions (the formal integration of Arabs into the Histadrut, the creation of a state employment service, and later the dismantling of the military government) reflected the fact that Arabs were now welcome as insecure and low-paid jobholders in the Jewish sector's secondary labor market (Shalev 1989b). During the first half of the 1960s, as economic growth took off and unemployment fell, a "crisis of full employment" emerged that enhanced the job security of Jewish manual workers (predominantly Oriental immigrants) and eroded the authority of Histadrut and Labor Party bosses. The recession of 1966–67 temporarily (and harshly) interrupted both of these processes, but in the postwar boom, labor shortages (and for Jews, the expansion of the "bureaucratic sector") once again served to weaken the former dependency of low-status workers on the political machines (Grinberg 1993, Shalev 1984).

Despite the abolition of the military government, Palestinian citizens were still effectively under the state's control (Lustick 1980). But the Labor Party's influence among the Mizrachim (Oriental Jews) was becoming increasingly problematic. The electoral expression of Oriental and Arab discontent only came later, in the 1973 and 1977 elections. But already in 1970 the specter of the Wadi Salib riots more than a decade before came back to haunt the Ashkenazi establishment with the appearance of Israel's "Black Panther" movement (Cohen 1972, Etzioni-Halevy 1975a). The most pressing interest of the political elite was to restore its legitimacy and stem the threat that extraparliamentary protest posed to the very system by which it wielded power.

Under these circumstances, those bureaucrats and experts who could quickly come up with well-operational plans to ameliorate the material sources of discontent and restore the paternalistic authority of the ruling party found a very receptive audience among government leaders (Hofnung 1982; see also Etzioni-Halevy 1975b). The NII, which as we saw earlier

had been seeking to extend its sphere of influence, was particularly well placed in this conjuncture. As a result, the social security system was extended at the expense of other players, such as the Ministry of Social Assistance and local government (Achdut and Carmi 1981, 65; Gross 1979, 101). In turn, the bolstering of the NII stimulated the process of universalization of the system. Contrary to the other organizations active in the field, which favored noninstitutionalized and selective programs based on means tests, the NII encouraged the enactment of statutory and universal welfare programs under its autonomous authority (Katz 1969). Its leaders and allies embraced universalism for both ideological and practical reasons—the latter being the institute's interest in increasing its financial independence from the Treasury and its political dependence on the government. In this connection, the loyalty of a large, efficiently served clientele was an additional desideratum.

This was the background to the expansion and institutionalization of the Israeli welfare state that characterized the 1970s (Doron and Kramer 1991). The import for the Palestinians was potentially enormous because—given their high level of need and record of prior exclusion—any tilt toward universality would have disproportionate effects: exceptionally beneficial for the recipients but unusually costly and visible to Jewish policymakers and possibly also to the Jewish public.

The Reform of Child Allowances

Urged on by the NII, the policy approach crystallized among political and bureaucratic elites was that an existent instrument, the child allowances scheme, could and should be used to provide additional means of consumption to the disadvantaged Jewish population. This goal would be achieved both by extending the scheme's coverage and by raising the level of the benefits.[20]

When the decision to turn child allowances into a meaningful component of large families' income was made, the issue of its distributional impact on Palestinians immediately arose. The state now had to confront the contradiction between its interest in a significant rise in the benefits level and the political and economic advantages of blocking the receipt of benefits by Palestinians. Because the reform to which policymakers were committed was

20. Between the beginning of the 1970s and the middle of the decade, child allowances, including veterans' benefits, doubled as a proportion of the average monthly wage. For large families (six or more children), the ratio of benefits to the average wage reached nearly 30 percent. (Rosenhek 1995, 167).

inextricably linked to the principle of universality, discussions inevitably focused on a variety of *formal* mechanisms to exclude Palestinian citizens from the expansion of the scheme. In order to adjudicate between various proposals, a special committee was appointed by the government in March 1970. Its task was to choose one of three alternatives: scaling benefit increases according to the official hierarchy of favored regions; using the Jewish Agency as a means to pay a supplement solely to Jews; or offering a supplementary benefit to families with at least one veteran of the armed forces.[21] The common objective of these alternatives was explicitly defined in an internal memorandum presented to the committee by the NII: ensuring that through the enlarged allowances a "basic level of welfare will be guaranteed in the case of Jewish families. For non-Jewish families a lower level of welfare will be secured."[22]

The committee chose increasing benefits to veterans' families as its preferred method for differentiating between the two national groups. Its reasoning was that adoption of a formally universal criterion—military service—would be the most politically acceptable solution in both the domestic and international arenas.[23] At the time, the almost absolute political marginality of Israel's Palestinian citizens and of the party that became their distinctive representative (Rakach, the New Communist list) defeated their efforts to challenge the legitimacy of this practice.

Accordingly, the partial exclusion of Palestinian families was formalized through the establishment in 1970 of Allowances for Veterans' Families. Eligible families were provided with additional cash benefits, at first for the fourth and then (after 1974) also the third child (Sharon 1987, 204). "Veterans' families" were defined in a very broad manner. The category included families with children having one or more parents, grandparents, or siblings with a record of service in any of the Israeli security forces (National Insurance Institute 1975a, 118). Obviously, this broad definition was aimed at incorporating the maximum number of Jewish families into the program, although inevitably some Arab families were also caught in the net.[24] More-

21. The committee was composed of representatives of the NII, the Treasury, the Ministry of Social Assistance, and the Ministry of Labor (Decision of the Ministerial Committee on National Insurance Law, 29 March 1970 [NII Archives, 00-A-84/599]).

22. "Children's Allowances for Families," memorandum presented to the "Special Committee" by the NII, 1 April 1970 (NII Archives, 00-A-84/599).

23. "Final Report of the Committee on Rise of Benefits for Families with Children," 12 April 1970 (NII Archives, 00-A-84/599).

24. For a number of years in the 1970s for which the calculation can be performed, approximately 8–9 percent of Arab families with four or more children received the veterans' allowances (Rosenhek 1995, 119).

over, additional steps were taken to include sections of the Jewish population—the ultraorthodox, new immigrants, and those exempted from military service for health or social reasons—who did not serve in the army.

Although the level of benefits was relatively low in the initial stages of the program, there was a constant increase in their real value. This process produced a growing differential between those families entitled to the special benefits and those that were not. Thus, in 1971, the gap for a family with four children was equivalent to only 2 percent of the average wage, but by 1977 it had reached 8 percent.[25] An important reason for this trend was that on several occasions during the 1970s increases in child allowances were used as a means of compensation for intended or unintended erosion of real wages, and the application of these increases favored veterans' allowances more than the standard benefits.[26]

At the same time, two other processes were working in the opposite direction to narrow the disadvantages of Arab families in the child allowances program. First, as a consequence of the unification of the two earlier systems of allowances and the adoption of automatic procedures for identifying and paying eligible families, the take-up rate for Arab families improved, rising from about three-quarters in 1970 to complete coverage by 1974 (Rosenhek 1995, 173). Second, when the real value of child allowances began to deteriorate in 1978 because of inadequate compensation for inflation and wage increases, the differential between standard and veterans' benefits was narrowed. As we discuss below, it was decided to phase out the differential altogether in the 1990s.

The Reform of Housing Policy

The early 1970s was also a period of significant change in the housing dimension of the Israeli welfare state. The magnitude of public housing built with direct state involvement declined, and the state began to direct its intervention toward the demand side of the housing market (Israel, Ministry of Finance and Ministry of Construction and Housing 1990b, 8). The earlier pattern in which the state produced and distributed housing resources to specific population groups outside the market arena was replaced by a policy in which the state implemented assistance programs to enhance citizens' chances to participate in the private housing market as consumers. A

25. Figures based on internal reports of the NII.

26. See, for example, "Final Report of the Commission for Examination of Compensation for the Rise in Prices as Consequence of Emergency Economic Policy," 9 November 1974 (Labor Archives, IV-275-183).

direct and important effect of this policy change was the growth and bolstering of the private construction sector (Israel, Ministry of Finance and Ministry of Construction and Housing 1990b, 6).

This change in policy was a response to economic and social trends that began to surface after the 1967 war. In view of the severe contraction suffered by the construction industry during the recession of 1966–67, the postwar revival of economic growth and immigration created a housing shortage (Lithwick 1980, 11). Housing prices increased at a much more rapid rate than the general price index (Hirsh and Paitelson 1972, 3–4), consequently lowering the chances of a significant part of the population—especially the second generation of Oriental Jews—to gain access to housing assets. This was an important part of the background to the political discontent of the Oriental poor expressed by the Black Panthers (Cohen 1972, 96; Hasson 1993). The rising cost and scarcity of housing also generated resentment among many middle-class newlyweds, and in 1971, a "young couples movement" formed to demand government action.

Policymakers proved responsive to the demands of both of these movements (Hofnung 1982, Etzioni-Halevy 1975b). Existing programs for housing based on the allocation of heavily subsidized mortgages and loans were expanded and new ones were established (Lerman 1976, 20; Ashuri 1988, 19). In tandem with informal measures to co-opt the most vocal activists by addressing their individual needs, it was decided to establish formal rules for the determination of entitlements to housing assistance in order to offer the promise of immediate and large-scale relief (Heymann 1981, 295). But just as in the case of child allowances, pressures to universalize and institutionalize housing policy invited the adoption of formal exclusionary practices that blocked or significantly reduced the access of Palestinian citizens.

The two main categories defined by the policymakers as targets for the new assistance programs were recently married couples and families living in substandard housing conditions. Mortgage and loan programs were established and were aimed at enhancing the prospects of these two groups to purchase housing in the private market. In addition, as a continuation of the policy of "population dispersal," special programs and benefits were designated for those acquiring housing in the periphery.

The first and most comprehensive program implemented was designed to offer mortgage assistance to young couples. *Eligibility* was universal, but assistance *rates* (both the principal and the conditions of repayment) were graded according to the socioeconomic situation of the beneficiaries (Lithwick 1980, 123). Two additional criteria were employed to entirely exclude Palestinian citizens from the entitled population. First, the benefits were provided only in situations where at least one spouse or a close relative

(parent, grandparent, or sibling) had served in the army or other security service (Israel, Ministry of Housing 1976, 4). As in the case of the special child allowances for veterans, this requirement was defined by the Ministry of Housing in a very broad and flexible manner with a view to including as many Jewish households as possible (ibid. 18). Second, the program was implemented only in *specific* localities, and no Palestinian town or village was included in that list (ibid. 29). This procedure served to block access to those Palestinians (primarily Druzes and some bedouins) who are called upon to serve in the army, as well as others who serve in the police or the prison service. The efficacy of these practices is indicated by the fact that until 1977, among 16,394 mortgages granted by the program, only 34 were allocated to Palestinian couples (Lithwick 1980, 137).

In 1977, couples unable to claim veteran status were admitted to the program, but at a lower level of assistance. The mortgage to which most Palestinian couples were entitled was only 75 percent of the lowest mortgage provided to the veteran couples, and the conditions for its repayment were less favorable, embodying a lower level of subsidy (Israel, Ministry of Housing 1977b, 16 and 30–31). Furthermore, only one Palestinian community, Nazareth, was included in the list of towns in which the program was implemented (ibid., 37). Consequently, the take-up rate among Palestinian young couples continued to be extremely low (Barkai 1981, 165).

Palestinian citizens also fared poorly with respect to other housing assistance programs that operated in the 1970s. Needless to say, only Jews could benefit from the special mortgages and loans offered to new immigrants. Palestinians were also effectively shut out of selective assistance programs for families living in substandard housing (Sleifer 1979, 166; Israel, State Comptroller 1975, 617; Lithwick 1980, 161)—despite the fact that in 1975 Palestinian households constituted 48 percent of all households officially defined as overcrowded (Lithwick 1980, 81). Foreshadowing the Project Renewal model initiated in the late 1970s, only nonrural and non-Palestinian localities were selected for these programs (Israel, Ministry of Housing 1977a, 8, 27, 33). Moreover, even though the Palestinian population in the "mixed" cities such as Tel Aviv–Jaffa was formally entitled to participate, it was reported that in practice they were not provided with benefits.[27]

In the housing domain, then, the breakthrough to a nationality-blind

27. See Lithwick (1980, 158). Referring to the harsh housing conditions of the Palestinian population in Yaffo, Tel Aviv–Yaffo Deputy Mayor P. Onicobsky asserted in 1976 that the Arabs "cannot participate in the program '3 +' for the improvement of the housing conditions of families living in a density of three persons per room or more," adding, "In my opinion, this is really discrimination. They are city's citizens, as all the other citizens with rights and obligations, but this is the government policy" (*Ma'ariv*, 14 January 1976).

universality in social policy was either prevented outright or else rendered impotent. Instead, modest residual programs of a highly selective nature were adopted specifically for the Arab population. The mechanism employed was a dual administrative structure—one of the principal means by which the state had addressed the problem of controlling the Arab minority in the military government era. Thus, the "minorities department" of the Housing Ministry implemented a special loans program for that population. It was, however, notably limited regarding both the number of loans granted and their level (Abu-Keshek and Geraisi 1977, 3; Khamaisi 1990, 125). In 1971, for instance, the highest loan provided by the program amounted to fifteen thousand Israeli pounds, as against an *average* of twenty thousand provided by the young couples program (Israel, State Comptroller 1972, 581, and 1974, 48). The restricted scope of the program is further indicated by the fact that between 1970 and 1978 the mortgages granted by the minorities department of the Housing Ministry represented only 0.9 percent of the total sum allocated by the diverse housing programs implemented by the state (Haber 1975, 139; Israel, Central Bureau of Statistics 1973, 13, and 1974b, 11, and 1977, 22, and 1978, 22).

Conclusions

In the introduction to the empirical section of this chapter, we sketched two stylized portraits of the immediate postsovereignty years—one of the still-born Israeli welfare state, the other of the hypermarginality of the Palestinian minority in Israel's political economy. In view of the exceedingly bleak outlook that these two portraits suggested for the prospects of Palestinian entry into the sphere of public social provision, the development of exclusionary practices in welfare is hardly surprising. Indeed, if there is a surprise, it is that Arabs were not *completely* excluded.

In the case of child allowances, it is clear that the only partial exclusion of the Palestinians was a result of the degree to which the system operated universally as a right of (liberal) citizenship. The fact that the benefits had this universal character—and, indeed, the fact that there were benefits at all—was however not traceable to any political drive to enrich the social content of citizenship. Rather, it originated in considerations of intra-Jewish politics. The Arab population appeared to be invisible or irrelevant to policymakers, except when they realized that Jewish society might be required to bear the burden of finance should Arabs be incorporated into the system. The upshot was that Palestinian citizenship turned out to be relevant in a negative sense: denying Palestinians child allowances outright might have required steps that were irreconcilable with either the constitutional-legal

fabric of the state or its all-important standing in the international community. It was in the fact that Palestinians could not be formally and explicitly discriminated against that their citizenship took on some meaning—not in the positive sense of their being "natural" candidates for entitlement to social rights.[28]

In any event, as we have stressed, a politics of social rights was not on Israel's welfare state agenda until the late 1960s. Instead, social provision was fragmented between multiple systems, and its overarching characteristics were the absence of formal definitions of entitlements and the deeply politicized character of the providing agencies (even those that were officially part of the state). When child allowances were instituted, Arabs were partially prevented from receiving them not by any active modification of the rules of entitlement, *but by the implicitly discriminatory effects of the normal operation of the political economy;* namely, the state failed to open local branches of the NII in Arab areas, and Arabs often failed to receive benefits paid out by employers because they existed on the margins of the economy.

Arab exclusion from the sphere of housing policy was quite a different matter because it was shot through from the outset with Zionist considerations. Two things are nonetheless noteworthy in this context from the perspective of the reservations we discussed at the outset of the chapter regarding what we called "Zionist functionalism." The first is precisely the contrast between the two policy domains. Neither Jewish inclusion in nor Arab exclusion from the child allowances programs were motivated by Zionist considerations, whereas this was most assuredly the case in housing policy. In other words, the variation and nuance here are worth accounting for. Second, even in housing it was not Zionism as a diffuse ideological commitment that determined the purposes and scope of housing policy. Rather, *substantive interests and practices deriving from Israel's character as a settler society*—namely, the state's drive to control Arab territory and minimize the implications of Arab demography—are what drove policy. And these interests and practices were closely intertwined with the political interest of the dominant party in basing its short- and long-term political strategy on a political economy of citizen dependency.

By the late 1960s, the Arab citizenry remained politically quiescent despite the passing of the phase of direct repression. Surveillance and direct

28. This conclusion is reminiscent of Peled's (1992) discussion of the banning of the racist Kach Party. He concluded that the state did not and could not regard Arabs as full members of the political community, but it was committed to defending their right not to be thrown out of their homes and their country.

dependency gave way to a measure of economic self-sufficiency and a politics of co-optation that at its most autonomous permitted local notables to engage in a degree of wheeling and dealing with the central authorities. (This is an important point: for their own political reasons, the partners of the state and the ruling party in the Arab sector themselves preferred particularistic gains to diffuse rights.) The initial story of child allowances was now replayed with still greater force: Jewish ethnic politics and the institutional interests of the NII led to a marked expansion of the system, this time along much more explicitly formal and universal lines. As predicted by both the theory of universal benefits and by the theory of liberal citizenship, Arabs were destined to become a part of this system. But along the way the very guardians of the principle of universality were called on to invent a legal mechanism for "capping" that universality by furnishing super (above standard) benefits for which only members of the ethnorepublic would be eligible. Not surprisingly—given the military's role as the principal institutional arena in which Israeli republican citizenship is constituted (Helman 1994)—criteria drawn from the military sphere were the preferred means of legitimizing this and other explicit exclusionary practices.

If there is a functionalist moral to this story, it is that preventing the decommodification of Palestinian citizens was functional. It kept them dependent on Jews (one of Lustick's control mechanisms). No less important, it kept them dependent on the *hamula* (clan) and on the traditional authority figures on which Jewish control relied. It was also "good for the economy" because Arabs proved to be cheap and flexible labor, and as such played an important role in the lowest echelons of the labor market, particularly prior to the entry of commuter labor from the Occupied Territories after 1967.

Yet nota bene: by the mid- to late 1970s, Palestinian citizens were as likely to receive child allowances as their Jewish counterparts, and the gap between standard and super benefits was narrowing. In the 1990s, as part of the price paid to the Arab parties in return for their support of the minority Labor government, the veteran's allowance was officially abolished. Even in the domain of housing, which as we saw remained almost impenetrable to Arabs and exclusively tied to Jewish territorial and political interests right through the reform era of the 1970s, some benefits began to be extended to the Arab population. Surely this is a testament not to the law of progress in human affairs generally or to the inevitable onward march of social citizenship in welfare state matters, but instead to the dialectics and conditionality of human history. As Haidar (1995) has shown, the new economic opportunities for Palestinian citizens that were unleashed by the occupation, along with other factors, made it possible for many to achieve a substantial

degree of self-sufficiency and for some to accumulate quite substantial wealth.

Meanwhile, the control system that kept the Arabs in Israel quiescent for so long proved to be unsustainable over the long run because, among other reasons, the price of co-opting Arab leaders kept rising and Arabs "took full advantage of the opportunities provided by Israel's political system" (Haidar 1995, 40). The political cards were also reshuffled by shifts in party allegiances within the Jewish electorate, which rendered Jewish politicians more dependent on Arab votes or on the support of Arab parliamentarians; by the rise of a liberal conception of citizen rights in the Jewish middle class and intelligentsia; and by the growing effectiveness and autonomy of Arab politicians (based in no small part on their use of the discourse and practices of liberal citizenship). The Palestinians were still locked out of republican citizenship, but the difference was that they were no longer doomed to be only passive bystanders as Jewish politics caused them to be denied social rights or to receive these rights only to have them taken away. This process verifies the dynamic character of the position of Palestinian citizens in Israeli polity and social structure, even while the Israeli state still defines itself as Zionist.