



BRILL

# Accounting for the Occupation

## *A Review of The Political Economy of Israel's Occupation: Repression beyond Exploitation by Shir Hever*

*Paul Kohlbry*  
Johns Hopkins University  
*pkohlbr1@jhu.edu*

### Abstract

Shir Hever's book examines the underlying economic dynamics of Israel's occupation. Hever's analysis brings out several overlooked mechanisms that function to make the Occupation profitable to Israeli state and corporate interests, but he also argues that for Israeli society, the costs of Occupation far outweigh the benefits. Hever is highly critical of Marxist accounts that, he claims, misunderstand the political economy of the Occupation, but this review argues that Hever's critique is mistaken. It attempts to show how Hever's analysis of the Occupation and account of Palestinian resistance would have benefited from a more careful engagement with materialist work on Israel and Palestine.

### Keywords

Palestine – political economy – neoliberalism – class formation

Shir Hever, *The Political Economy of Israel's Occupation: Repression beyond Exploitation*, London: Pluto Press, 2010

Palestine, so the slogan goes, is open for business. Hardly a day passes in Ramallah without some sort of business-related event, and former investment bankers and CEOs regularly grace the city's hotel conference rooms. 'Economic development' in a variety of guises has taken its rightful place next to 'human rights' on the to-do lists of the big NGOs, which now preach the gospel of entrepreneurialism and self-sufficiency. On the governmental level, the Palestinian Authority continues on the course set by Salam Fayyad, pushing

forward neoliberal development. Businessmen, not guerrillas, are at the helm. Palestinian capitalists ally with their Israeli counterparts to 'break the impasse' of stalled political negotiations. In the meantime, their luxury real-estate projects are marketed as an act of *sumud* [steadfastness]. Class aspirations seem impervious to crisis, and the collapse of the peace process seems not to have slowed down the economic projects of NGOs in the West Bank. At this juncture, when 'the economy', 'development' and 'cooperation' are God and gospel, the questions raised by Shir Hever in his 2010 book *The Political Economy of Israel's Occupation* are just as critical today.

Hever's book, as the title suggests, is an account of the economic dynamics of Israel's occupation. But more specifically, the text revolves around a key question: is the Occupation sustainable, and if not, why has it continued? (pp. 5, 139.) Hever moves along two opposing tracks, tracing who profits (and how) while also attempting to calculate the overall costs and benefits of prolonged military occupation for Israeli society as a whole, a move that requires deconstructing several of the standard economic indicators. A work of both political economy and critical accounting, Hever's conclusion, that the net costs of the Occupation far outweigh the net gains, forms the basis for his explanation of this 'seemingly irrational' (p. 140) state of affairs. The two chapters on the Palestinian economy – one providing an historical overview and the other a case-study of the effects of the Separation Wall in Jerusalem – come off as secondary to his central investigation. Nor are they the strongest part of Hever's book: the overview of the Palestinian economy is helpful, although readers looking for the full account would be better served by returning to one of Hever's main sources, Neve Gordon's *Israel's Occupation*.<sup>1</sup> The account of the Wall is also informative, but does not go much further than the NGO reports it is based on. It is the chapters covering the contradictory economic aspects of the Occupation that are the most insightful and provide the material from which he offers his ambitious, and I think problematic, theoretical conclusions.

### The Balance-Sheet of Occupation

Despite his reservation that a focus on net gains and losses 'may be misleading' (p. 73), Hever's book is held together by the logic of the balance-sheet. Hever begins with the gains column, demonstrating how foreign aid and inflation each contribute to the profitability of the Occupation. Foreign aid, he argues,

---

<sup>1</sup> Gordon 2008.

keeps the broken Palestinian economy afloat, normalises the Occupation and undermines political struggle, perpetuating the conditions that make it necessary in the first place (p. 28). However, Hever is less interested in analysing the political transformations wrought by years of assistance than in exploring the ways in which Israeli companies and state institutions profit from the aid economy. In addition to the massive amounts of foreign aid that Israel receives directly, the Israeli economy also reaps tremendous benefits from the humanitarian aid that Western NGOs and donors pour into the Occupied Territories. To cite one important example, international organisations operating in the West Bank and Gaza frequently buy products and services from Israeli companies, and Hever calculates that at minimum '45 percent of the aid to the OPT flows back to the Israeli market' (p. 37). In addition to bringing 'jobs to the Israeli market, taxes to the Israeli government, and profit to Israeli capitalists' (p. 39), aid given to Palestinians also lifts the burden of caring for the population (as stipulated under international law) off the Israeli state (p. 38). Hever ends his discussion on a somewhat ambivalent note, noting that while NGOs have become 'agents of a neoliberal agenda' that can serve as a depoliticising force, they can also help Palestinians 'develop . . . a non-violent campaign of resistance' (p. 41).

Like aid, inflation is another mechanism that serves to redistribute 'income in favor of Israelis and to the detriment of Palestinians' (p. 48). Hever demonstrates that higher inflation-rates in the Palestinian economy are a product of Israeli checkpoints, closures and control of Palestinian borders, resulting in astronomical transportation costs that increase the price of goods (pp. 45–6). This situation produces local Palestinian monopolies with the 'mechanisms, connections and influence' that allow them to bypass, and, in effect, take advantage of closure to raise the prices of goods at will (p. 46). While the Israeli authorities have not implemented this system 'with business interests in mind', they have created a system that cheapens Palestinian labour and allows Israeli companies to take full advantage of price differences between the Israeli and Palestinian markets (pp. 48–9). As was the case with foreign aid, Hever shows us how the structural aspects of the Occupation are transformed into means by which profit can be extracted.

But all these opportunities are not enough to keep the numbers in the black. Despite the acknowledged difficulties of aggregating the Occupation's costs and profits (pp. 56–9), Hever's calculations suggest that, for Israeli society as a whole, the former exceed the latter. Careful accounting shows that 'security costs far outweigh all the other civilian costs', thus demonstrating that 'the main reason for the occupation's costliness is Palestinian resistance' (p. 68). Hever then moves on to assess the Occupation's damage to Israeli society, challenging

claims that economic growth can exist alongside perpetual militarisation. For Hever, the economist's tools serve to mask the extent of the damage. GDP measures falsely equate the spending during war and crisis, with its potential long-term negative impacts, with economic activities that contribute to more sustainable growth (p. 83). Reports of falling unemployment rates in Israel are also deceptive, as they reflect a situation where more and more poorer Israelis, as a result of government cuts, are forced to work 'low-paying jobs with fewer hours just to survive' (pp. 94–5). Finally, a whole host of non-quantifiable factors – Israel's failing educational system, systematic discrimination, and the possibility of boycotts – all point to an economy that is 'less stable and prosperous than the mainstream macroeconomic indicators would appear to suggest' (p. 100).

Perhaps we can agree with Hever that, when all is said and done, the costs are too heavy to bear. But this accounting, by itself, only shows that 'peace' may be more beneficial to Israel in the long term. Hever attempts to distance himself from theory, chalking such discussions up to 'academic disagreements' that can be 'safely skipped' (p. 4), but in order to read the balance-sheet, to explain why the Occupation rumbles on despite its clearly deleterious effects, theory is unavoidable. As such, Hever's penultimate chapter should not be read as tangential, but instead as a critical moment that both weaves the previous threads of his argument together and at the same time opens up (and forecloses) particular analytical and political trajectories.

### Theorising the Occupation

Early on, Hever positions himself against the notion that Israel takes advantage of its military control to 'exploit the Palestinian economy, labor, and resources', arguing that such an analysis springs more from a 'pro-Palestinian' political orientation than it does from serious engagement with economic data (p. 1). Instead, we need to confront the 'seemingly irrational choice by Israelis': despite the mounting 'economic burdens', the 'Israeli authorities' have not changed course (p. 140). The answer Hever provides is two-tiered: the Occupation is structured in such a way as to provide 'symbolic capital' to 'lower-class social groups' and 'monetary capital' to powerful corporate interests that in turn drive Israeli militarism (p. 187).

Why, despite paying the highest price in the form of cuts to government services and exposure to bodily harm, do the lower classes support the Occupation? Hever argues that we should see the Occupation as a complex

apparatus for the redistribution of symbolic capital to Jewish-Israelis that creates hierarchies between occupier and occupied. The checkpoint, for example, is a 'nexus' for transactions involving the 'distribution of value in the form of the right to pass' by granting said right to Israelis while withholding it from Palestinians (p. 176). The violent destruction and economic waste of military invasions (which Hever proposes we see as a form of conspicuous consumption) are another example: while making little 'rational' economic sense, these acts allow Israelis to acquire prestige and symbolic capital (pp. 177–8). Aid functions in the opposite way; as a one-way entitlement, it rewards the Western donor with symbolic capital while simultaneously creating dependence and reducing the symbolic capital of the Palestinians (p. 169). All of these mechanisms serve to reinforce the hierarchy between Jew/non-Jew and occupier/occupied, creating a system whose rewards are distributed quickly (and every day) and thus providing the non-elites with the prospect of immediate improvement and effectively dampening the development of class consciousness. The will to engage in long-term class struggle fades out, giving way to new forms of religious and national identity (pp. 161–2), leading Israelis to support the Occupation because it has created institutions that maintain 'a hierarchy [that] awards social capital to Jews over non-Jews' (p. 187).

But symbolic capital doesn't pay the bills. While the Occupation does not provide a greater net benefit to Israeli society as a whole, it does serve powerful corporate and political interests. Following the work of Nitzan and Bichler (2002), Hever writes that the consolidation of the Israeli ruling class has 'been fuelled by crisis' and that 'war and occupation have been used to garner the support of the population at large for policy moves that centralize the economy, and to divert the public's attention away from the efforts of the big capitalists to increase their dominance over the Israeli economy.' (p. 181.) It is 'powerful interest groups' that push Israel into 'policies that appear to be contrary to its interest' (p. 185). Hever does not quite connect the dots here. Are these the banks that take advantage of Palestinian institutional weakness (p. 49), the Israeli commodity producers for whom the West Bank and Gaza Strip are captive markets, the military and homeland-security companies (p. 74), or the broader array of sectors that comprise Nitzan and Bichler's 'dominant capital' (p. 186)? And what economic process, alliances and ideologies explain the particular processes we witness today? 'Israel', he writes, 'has combined economic neoliberalism with the occupation and colonization of the OPT.' (p. 186.) A powerful observation, but one that demands an exploration of the dynamics and contradictions of capitalism and settler-colonialism. Here, unfortunately, Hever stops short.

## Repression beyond Exploitation?

Given that we arrive at a relatively materialist explanation of why the Occupation continues, it is surprising to find that the subtitle of the book – ‘repression beyond exploitation’ – refers to Hever’s critique of ‘Marxists’.<sup>2</sup> In this text, ‘Marxism’ seems to be synonymous with a reduction of the subject to *homo economicus* whose political and social practices can be explained solely in relation to economic exploitation (pp. 148, 162). Building on this notion, Hever claims Marxist analysis cannot deal with the ‘Israeli anomaly’ (i.e. the tendency of working-class Israelis to ‘vote against their class interests’ in their support of state militarism) (pp. 148–52) or the fact that after first Intifada, ‘repression’ (military occupation) no longer enables ‘exploitation [of] the Palestinian economy’ (Hever’s formulation is not completely clear, but he seems to be referring primarily to Israeli capital’s exploitation of Palestinian labour) (p. 152). If military occupation is profitable, why are Marxists unable to demonstrate how certain companies mould government policy to maintain profits? And if it is not, why haven’t Israeli capitalists rallied to put a stop to it? (p. 153.) But this critique only makes sense in a world of rational actors, busy calculating the aggregate costs and benefits of occupation and acting accordingly. The problem is Hever’s questions, shaped in part by his interest in drawing up a balance-sheet (and the sort of rational actor it implies). Were he to have instead asked (to use his formulation), ‘*how does neoliberalism combine with occupation and colonization*’, he could have arrived at a much more generative engagement with materialist analysis of Israel and Palestine.

On one level, Hever’s critique and dismissal is a missed opportunity to engage with a mode of thinking that more often than not would only serve to strengthen his analysis. For one, the settler-colonial project has never been solely about profit. Early Zionist settlement was made possible because of the expansion of capitalist property relations, but the ‘separatist method of pure settlement’ that is central to the Israeli state developed as early Jewish workers sought ways in which to exclude cheap Palestinian labour from the market.<sup>3</sup> Settler-colonialism is not primarily about the extraction of surplus value, but

---

2 It is always a risky business, usually with rapidly diminishing returns, to name one particular tendency as what a given intellectual tradition (Marxism, postmodernism, whatever) ‘does’. In this case, Hever’s representative sample is baffling. While he sets out the object of his critique by surveying ‘academic Marxist discourse on the Israeli occupation’ (Hever 2010, p. 146), the majority of the works he includes are neither academic nor Marxist studies.

3 Shafir 1996.

the control of territory. In Patrick Wolfe's powerful and oft-quoted formulation, in this form of colonialism 'invasion is a structure not an event', a dynamic process of replacing the native with the settler.<sup>4</sup> The occupation of the West Bank and Gaza Strip, the central concern of Hever's book, is an extension of this process. The dispossession of Palestinian land resulting from the expansion of Israel's settlement project, for example, destroyed particular sectors of the West Bank and Gaza's economy, pushing Palestinian workers into jobs created by the ideological goals and material requirements of settler-colonialism itself.<sup>5</sup> The contemporary moment, when Palestinian labour has been to a large extent replaced by cheaper labour from Asia and parts of Europe, does not render materialist analysis irrelevant (p. 153), but instead points to a shift in the balance of forces within the settler-colonial formation that opens up questions about the ways in which a violent territorial logic interacts with the imperatives of capital accumulation.

To explore this dynamic, Hever would need to abandon any attempt to aggregate costs and balances and explore more fully the contradictory forces that comprise the Occupation, each of which is driven by its own sets of interests and constraints.<sup>6</sup> For example, the costs to the state of securing settlement industrial zones or agricultural enterprises are irrelevant to their owners, whose own profits and fixed investments in machinery or improvements to the soil will likely cause them to resist any attempts at withdrawal. The contemporary shift of the Occupation toward securitisation has transformed the West Bank and Gaza Strip into laboratories for the testing of drones, crowd-control weapons, pass systems and a whole host of technologies developed by the private sector and sold globally to dictatorships and democracies alike.<sup>7</sup> Not only does this connect companies and sectors to the Israeli occupation, but it also produces certain imaginaries about the world that serve to legitimate and maintain it.<sup>8</sup> Hever's book touches on a few of these points, and what can be

---

4 Wolfe 1999, p. 2. Also see Wolfe 2006 for a powerful account of the various ways in which elimination, from physical violence to the formulation of law, accompanies this processual understanding of invasion.

5 Farsakh 2005.

6 Weizman 2007. His account shows how, for example, the Wall's path was determined not only by state planners and military concerns, but also by settlers, various forms of resistance, real-estate concerns and legal challenges (Weizman 2007, pp. 164–72).

7 There is a growing amount of academic and activist research on this particular topic, but see Collins 2011.

8 Derek Gregory argues that military technologies and practices also produce space through the generation of images: the drone cameras and satellite imagery through which Palestinians

so frustrating is how this account can be overshadowed by an accounting logic that (necessarily) reifies terms like 'occupation', 'Israel' and 'state', turns the contradictions of settler-colonialism into 'irrationality' and derails systematic analysis.

The drive to show the costs of occupation for Israeli society also necessarily shapes the ways in which Palestinians appear in Hever's narrative. When they take the stage, it is as a 'dominated group' (p. 164) whose resistance pushes up the cost of occupation (pp. 145–6), which in turn only persists 'because Israel still has the means [to] perpetuate it and defeat Palestinian resistance' (p. 75). Understanding the Occupation primarily through the lens of domination and resistance is not particular to Hever, but part of a much broader tendency in writings about Israel and Palestine. Anthropologist Sherry Ortner's critique, that 'resistance studies' in general is fashioned from a dehistoricised, sanitised portrayal of the oppressed, still largely applies to much of the literature, where the reduction of the Palestinian to a resisting subject risks stamping out the contradictions and ambivalence of Palestinian life. While Hever provides a detailed account of the various mechanisms through which Israeli actors maintain the Occupation, the centrality of resistance to his narrative does not permit an equally complex treatment of Palestinians.

Again, Hever's work would benefit from a deeper engagement with materialist approaches that dwell on questions of class formation. In his first chapter, Hever mentions how after 1967 the Israeli military reoriented the Palestinian economy through a series of military orders governing everything from crop choices to import and export options. These changes moulded Palestinian agriculture to fit the needs of the Israeli market, pushing smallholders off the land and into the Israeli labour market. But it also led to the rise of a new class of merchants, landowners and subcontractors whose economic and political interests were aligned with Israeli capital and, at times, military rule.<sup>9</sup> After the First Intifada, the signing of the Oslo Accords in the 1990s and the creation of the Palestinian Authority (PA) maintained Israeli dominance but also opened up the Palestinian economy to foreign

---

are watched, targeted and exhibited carries out a particularly violent abstraction that transforms then flattens the landscape and presents Palestinians as threats to be targeted and eliminated (Gregory 2004, pp. 117–19). The particular tools and techniques of military occupation are undergirded by a deeper, more pervasive 'imaginative geography', a term Gregory uses to account for the 'cultural' processes that serve to delineate the space of self and other and inscribe both spaces within a series of judgements and valuations, to, in Gregory's memorable phrase, 'fold distance into difference' (Gregory 2004, p. 17).

9 Samara 1989, pp. 10–13.

capital, setting in motion processes that would restructure class power. Capital from the Gulf (often through companies operated by Palestinians in the diaspora) began to flow back into the West Bank and Gaza, creating a powerful capitalist class and a PA wedded to neoliberalism, and political normalisation with Israel.<sup>10</sup> While capitalists engaged in activities that would generate quick profits without risky fixed investments, the PA set to reorienting political and economic practice, collecting 'political rent' from donors in exchange.<sup>11</sup> Lisa Taraki's careful study of urban life in Ramallah follows this process on another level, illustrating how the 'unravelling of the prevailing hegemonic culture of resistance' was concomitant with the rise of a new Palestinian middle class, with its own particular practices and politics.<sup>12</sup> The most recent wave of capitalist development, generally identified with the rule of Salam Fayyad and the political shift from a politics of national liberation to neoliberalism is only the most recent stage of this process.<sup>13</sup> The point of this rather rushed sketch is that Palestinian class formation must be central to any political economy of Israel's occupation. Not only does it move us beyond domination/resistance, but it can allow us to better understand the challenges and historical struggle over the form, content, trajectory and very possibility of resistance itself.

## Conclusion

Hever is torn between two contradictory approaches. The first is that of the aggregate balance-sheet. Ultimately a liberal approach, it assumes a singular entity called 'Israeli society' and assumes that once an accounting is carried out, Israeli society will recognise that it is in its collective interest to end the Occupation. This logic is one that searches for stability and resembles the discourse of liberal Zionist organisations who highlight 'the costs' to galvanise public support for military withdrawal and a two-state solution.<sup>14</sup> But there is also the radical Hever who seems to agree that 'there is no point in aggregating the benefits or cost to an entire society' (p. 183). He recognises that

---

10 Hanieh 2010, pp. 96–101.

11 Samara 2000, p. 25.

12 Taraki 2008, p. 68.

13 Khalidi and Samour 2011.

14 Peace Now's focus on the 'economic, social and security' costs of the settlements, and the Adva Center's *The Cost of Occupation*, which details the costs Israeli society pays, are two prominent examples.

the Occupation is jealously protected by certain sections of the political and business class, that there is no common interest, as the current state of affairs facilitates capital accumulation in Israel where ‘the occupation, conflict, and the “war against terror” have all helped obfuscate the redistribution of wealth’ (p. 101).

Hever ends his book with a brief discussion of one- and two-state solutions, pointing out that the current entanglement of the Israeli and Palestinian economies makes the latter solution untenable and the former, at least on the economic level, reasonable. Perhaps. But there are more terrifying prospects. The Israeli occupation, and the form of apartheid it has instituted, may be able to contain its contradictions for quite a while longer. And even if it is destroyed, the exclusions and hierarchies that took shape under settler-colonialism may continue long after military forces are withdrawn. To confront and understand these potential futures, we need more of Hever’s radicalism.

## References

- Collins, John 2011, *Global Palestine*, London: C. Hurst.
- Farsakh, Leila 2005, *Palestinian Labour Migration to Israel: Labour, Land and Occupation*, London: Routledge.
- Gordon, Neve 2008, *Israel’s Occupation*, Berkeley: University of California Press.
- Gregory, Derek 2004, *The Colonial Present: Afghanistan, Palestine, Iraq*, Oxford: Blackwell.
- Hanieh, Adam 2010, ‘Khaleeji-Capital: Class-Formation and Regional Integration in the Middle-East Gulf’, *Historical Materialism*, 18, 2: 35–76.
- Hever, Shir 2010, *The Political Economy of Israel’s Occupation*, London: Pluto Press.
- Khalidi, Raja J. and Sobhi Samour 2011, ‘Neoliberalism as Liberation: The Statehood Program and the Remaking of the Palestinian National Movement’, *Journal of Palestine Studies*, 40, 2: 6–25.
- Nitzan, Jonathan and Shimshon Bichler 2002, *The Global Political Economy of Israel: From War Profits to Peace Dividends*, London: Pluto Press.
- Ortner, Sherry B. 1995, ‘Resistance and the Problem of Ethnographic Refusal’, *Comparative Studies in Society and History*, 37, 1: 173–93.
- Samara, Adel 1989, ‘The Political Economy of the West Bank 1967–1987: From Peripheralization to Development’, in *Palestine: Profile of an Occupation*, edited by the Khamsin collective, London: Zed Books.
- 2000, ‘Globalization, the Palestinian Economy, and the “Peace Process”’, *Journal of Palestine Studies*, 29, 2: 10–34.
- Shafir, Gershon 1996, *Land, Labor and the Origins of the Israeli-Palestinian Conflict, 1882–1914*, Berkeley: University of California Press.

- Taraki, Lisa 2008, 'Urban Modernity on the Periphery: A New Middle Class Reinvents the Palestinian City', *Social Text*, 95: 61–81.
- Weizman, Eyal 2007, *Hollow Land: Israel's Architecture of Occupation*, First Edition, London: Verso.
- Wolfe, Patrick 1999, *Settler Colonialism and the Transformation of Anthropology: The Politics and Poetics of an Ethnographic Event*, London: Cassell.
- 2006, 'Settler Colonialism and the Elimination of the Native', *Journal of Genocide Research*, 8, 4: 387–409.