VII. The Master Is Not at Home

So far we have been discussing these problems as if Israel were master of its economic destiny. It isn't. Before there were Israel and Arab states in Palestine, there was imperialism. And since the advent of Israel, as of the Arab states, imperialism continues to be master of the Middle East, crippling the economic development and limiting the political freedom of the nations within that area.

Zionist propaganda is accustomed to treating Israel (formerly Jewish Palestine) as if it were hermetically sealed from the forces that shape its environment. It would be a gross oversimplification to say that the problems of Israel's economic independence are precisely the same as those of the Arab states. Yet it falsifies reality and conceals the fundamental nature of Israel's problems to gloss over the fact that *in an economic sense it has not yet achieved independence from foreign imperialism*. Moreover, the policies of Israel's government are aggravating this situation and jeopardizing the country's hard-won political freedom.

Take, for example, foreign trade. As is well known, foreign trade is used by the great capitalist powers as an instrument of economic subjugation. In Palestine's case, Britain and its possessions, utilizing various devices, early established their dominance in both imports and exports. In 1947, the last year for which complete figures are available, the United Kingdom was first in trade in both directions; together with her possessions she accounted for 29.2 per cent of the value of Palestine's imports* and 39 per cent of the

*Britain's share in Palestine's imports was actually greater in view of the fact that imports from the British puppet state of Transjordan and from Iran and Iraq (mostly oil from British-dominated companies) accounted for 13.2 per cent of the total.

value of exports.[1] During World War II and the postwar period the United States also began pushing ahead. The $100 million American Export-Import Bank credit granted to the government of Israel for the purchase of equipment gave the United States first place by a wide margin in 1949 imports. Of the country's two most valuable exports, citrus and cut diamonds, most of the former were in the first two years of the Jewish state going to Britain and most of the latter to the United States. Thus Anglo-American imperialism continues its ascendance in Jewish Palestine's foreign trade, though the relative positions of the two powers have changed in favor of the United States.

Israel's industry still suffers from the adverse effects of the mandatory period when it was largely unprotected against the competition of foreign, especially British goods, and was subjected to various restrictions that hindered its growth. Palestine's economic freedom has been further hobbled by that unhappy good fortune it has shared with the other Middle Eastern countries of having Britain owe it money. "Palestine's sterling balances in London," writes *The Anglo-Palestine Year Book*, "bind the country to the U.K. and accentuate the tendency for exchanging goods with the U.K. all the more because Britain can buy not only industrial products, but also, and mainly, citrus fruit—the staple export crop of the country."[2]

These sterling balances were accumulated largely as a result of Britain's wartime purchases in the Middle East. But in this case it is the debtor who holds the whiphand: London rather than Cairo or Baghdad—or Tel Aviv—determines how and to what extent these funds are to be released. This situation reveals the true relations that exist in the capitalist world behind the formal facade of equality of nations.

Banks and insurance companies provide additional channels for foreign economic penetration. At the conclusion of World War II there were five foreign and twenty local banks in Palestine. The former at the end of October, 1945, held 67.4 per cent of all the deposits and accounted for 35.2 per cent of all the credit.[3] The bulk of the deposits and credit was concentrated in three of the five foreign banks. These were Barclays, the Ottoman Bank, and the Anglo-Palestine Bank. Barclays is one of England's big four and has branches in all parts of the British Empire. Under the Mandate it was banker to the Palestine government and agent for the Palestine Currency Board. The Ottoman Bank, though incorporated in Turkey, is British-controlled; it operates chiefly in the Middle East. The Anglo-Palestine Bank was founded by the World Zionist Organization and dates back to 1902. In Israel it is generally regarded as a completely local institution, and it has become virtually the country's national bank despite its name and its incorporation in London. While Anglo-Palestine cannot be considered a foreign bank in the same sense as Barclays or the Ottoman Bank, its connection with Britain has been more than technical. It "has mainly British capital"[4] and has been closely associated with Lloyds Bank, another of the big four, which owns some of its stock.*

Anglo-Palestine is banker to the government of Israel and issued the Jewish state's new currency. It is the only one of the foreign banks which carries on investment activities. This it does through a subsidiary, the A.B.P. Investment Company. Another subsidiary is the General Mortgage Bank of Palestine, the country's leading mortgage institution. Anglo-Palestine also holds about 10 per cent of the stock of the Histadrut's Workers' Bank.[5]

Of the local banks, several are also foreign-owned or controlled. Thus the Central Bank of Co-operative Institutions and the Palestine Mortgage and Savings Bank are subsidiaries of an American firm, the Palestine Economic Corporation. Another local bank, the Palestine Corporation, is predominantly British-owned.

As for insurance companies, according to a leading Palestine English language journal, "the present position is that every year large sums collected as premiums in this country are sent abroad."[6] Most of these funds have gone to London, though American and Canadian companies are giving the British increasing competition.

*Most of the voting stock is held by a Zionist institution, Otzar Hityashvut Hayehudim Jewish Colonial Trust, Ltd. Two other types of stock were issued in London in 1935 and 1936. "When the preference shares were issued in 1935, Lloyds Bank took a moderate packet of these as a token of friendship. The shares, both preference and 'A' ordinary were bought by the usual English investing public, including investment trusts, insurance companies, pension and provident funds as well as private investors." (From a letter to the author from A. Doron, joint secretary, Anglo-Palestine Bank, Tel Aviv, May 13, 1949.)

FOREIGN INVESTMENTS

What about foreign investments? "In comparison with Egypt or Syria," writes Alfred Bonné, "the amount of capital domiciled abroad and invested in the young industry [of Jewish Palestine] is very low. With the exception of the foreign-owned oil refineries and a few concession undertakings, the capital of the majority of industrial enterprises, probably more than 80 per cent, is in the hands of Palestinian residents."[7]

This is a misleading statement. Whereas the first sentence speaks of the *amount* of foreign capital invested in the industry of Jewish Palestine, the second deals with the *number* of enterprises in which it is invested. To say that the majority of Jewish industrial enterprises do not contain foreign capital is like saying that the majority of American enterprises are not owned by Wall Street. Both statements are true. But both conceal who it is that sits in the driver's seat of the nation's economy.

No precise figures are available concerning the amount of foreign capital invested in Jewish Palestine. The authors of *Palestine: Problem and Promise* make a rough estimate that about £129 million (including Christian and Moslem funds) were imported into Palestine between 1919 and 1939, of which £28 million, or a little over 20 per cent, were foreign investments.[8] In comparison with most colonial countries this is a small proportion. However, by itself this percentage figure sheds little light on the role of foreign capital in the economy of Palestine. In what enterprises is this capital invested? To what extent do foreigners control firms through minority stock ownership? What is the role of foreign banks in dominating enterprises in which they own no stock?

Data are lacking to answer these questions with even approximate accuracy. Three additional factors help to obscure the role of investments from abroad in Israel's economic life: foreign capital is usually interwoven with local Jewish capital in enterprises under local management; most of the pounds and dollars represent investments by British and American Jews, a fact which in the past caused the Jewish Agency and other Zionist spokesmen to make no distinction between foreign and native capital, lumping them together under the designation Jewish; so much of the development of Jewish Palestine has been financed by gift capital, contributed largely by Jews abroad, that this too has helped mask the role of capital invested for the private profit of foreigners.

All that can be attempted therefore is the presentation of a few facts to show that the actual weight of private foreign capital in the economic life of Israel is considerably greater than indicated by its share in the total capital brought into the country. If we go back to Bonné's statement, we find that he excepts from his generalization "the foreign-owned oil refineries and a few concession undertakings." They happen to include the country's largest and most powerful industrial enterprises.

The Haifa refineries belong to the Consolidated Refineries, Ltd., which is jointly owned by the Anglo-Iranian Oil Company and the Anglo-Saxon Petroleum Company, the latter a part of the Royal Dutch-Shell empire. The pipelines belong to the Iraq Petroleum Company, that cartel of British, Dutch, American, and French oil trusts. Under the Mandate the Palestine government signed agreements with Anglo-Iranian and Iraq Petroleum giving them virtual extra-territorial rights. They were exempted from all existing and future taxes as well as from customs duties, and were granted free use of water and building materials and the right to expropriate land, import cheap labor, build harbors, railroads, airports, and radio stations. No price control was imposed on petroleum products, and as a result oil prices in Palestine were higher than in England, Holland, and other countries that obtained oil from the Haifa refineries. When the Palestine government granted a similar concession to the Trans-Arabian Pipeline Company, which planned to construct a pipeline from Saudi Arabia to Haifa, the *Palestine Economic Review* wrote in its February, 1946, issue:

"This is a typical colonial concession granted by an alien government at the expense of the country under its rule. . . . The above concession represents a glaring example of the enslavement of the country's economy to international capital."

Yet the government of Israel has steadfastly refused to cancel these enslaving foreign concessions.

Foreign-controlled companies were also granted under the Mandate monopolistic concessions for the exploitation of the country's two principal natural resources: water and the mineral deposits of

the Dead Sea. The Palestine Electric Corporation, which generates from the waters of the Jordan, Yarmuk, and Auja Rivers about 92 per cent of all the electricity consumed in Palestine, was started by a Palestinian Jewish engineer, Pinchas Rutenberg. However, the company soon came under the control of foreign interests, mostly British, including non-Jewish investors. The chairman of Palestine Electric is Viscount Samuel, who was the first British High Commissioner in Palestine. The company has been linked to the chief British electrical trust, the General Electric Company, through the presence on its board of directors of Sir Harry Railing, chairman and joint manager of General Electric.* It was also linked to Imperial Chemical Industries and the International Nickel Company of Canada through another board member, the late Lord Melchett, son of the original Lord Melchett (the former Sir Alfred Mond), who at one time was head of both these world trusts.

Palestine Electric's concession covers the entire country with the exception of the Jerusalem area where the concession was granted to the Jerusalem Electric and Public Service Corporation. This company was formed by the Power Securities Corporation, of London, and is completely owned by British non-Jewish capital.

Palestine Potash, Ltd., holds the Dead Sea concession, which does not expire till 2005. Like Palestine Electric, it was started by Palestinian Jews, but also succumbed to foreign capital. The largest single shareholder is an American firm, Palestine Economic Corporation, which also owns stock in Palestine Electric. As of December 31, 1948, the Palestine Economic Corporation held 20 per cent of the outstanding voting stock of Palestine Potash.[9] Various other American interests have acquired a sizeable share in the potash bonanza so that in 1948-49 the American investors succeeded in wresting control from their British rivals. Palestine Economic Corporation has the decisive voice.

Most of the remaining stock is owned by British Jewish and non-Jewish interests. The principal British holding is that of C.

*The British electrical industry was nationalized in 1948 and its assets vested in the British Electrical Authority. The former owners were compensated in the form of stock of the Electrical Authority, with principal and interest guaranteed by the British Treasury. Thus, big business, far from being eliminated from the electrical industry, has had its position buttressed in certain respects by this merger with the government.

Tennant Sons & Company. This is an important group in the British chemical industry, with many subsidiary and associated companies. Though the Tennant group is nominally separate, it is closely integrated with Imperial Chemical Industries.

A partial indication of the dominant position of Palestine Electric and Palestine Potash in the country's economy is the fact that *in 1943 their combined capital and surplus constituted more than 36 per cent of the total capital invested in Jewish industry.*

As for the only other natural resource of potentially great value, oil, virtually all the concessions are in the hands of foreign companies, chiefly Petroleum Development (Palestine), Ltd., a subsidiary of Iraq Petroleum Company.

Of the other British-controlled firms operating exclusively in Israel the most important is the Palestine Corporation. This is a subsidiary of the Economic Board for Palestine, formed in 1921 by English Jews with the first Lord Melchett as chairman. Though the Palestine Corporation has been enveloped in the aura of a Jewish nationalistic enterprise, it is a privately-owned business. Primarily an investment firm, it also engages in commercial banking. Most of its capital is British-owned, though America's Palestine Economic Corporation also owns some of its stock.

The chairman of the Palestine Corporation is one of England's leading oil barons, Sir Robert Waley Cohen, chairman of Anglo-Egyptian Oilfields, Ltd., whose owners include Royal Dutch-Shell, Anglo-Iranian, and the Egyptian government. Anglo-Egyptian, in partnership with Socony-Vacuum, has been drilling for oil with considerable success in Egypt's Sinai Peninsula, not far from the Negev area of Palestine. Thus Sir Robert Waley Cohen appears to be a decidedly split personality. As chairman of the Palestine Corporation he is presumably interested in the development of Israel. But as chairman of Anglo-Egyptian Oilfields he has a direct economic interest in severing from Israel the Negev where so much of its future development lies.

Thus, the British Mandate is gone, British troops are gone, but British capital still feels very much at home in Israel. Of course, it eyes with something less than pleasure its American counterpart, which was formerly a modest house guest, but is now acting more and more like the man who came to dinner.

AMERICAN CAPITAL

In 1946 the American Zionist Emergency Council estimated the total American private investment in Jewish Palestine at $45 million and American gift funds at $110 million (at the rate of $5 to the Palestine pound).[10] Utilizing the calculations of *Palestine: Problem and Promise,* we can estimate that American capital represented in that year about 30 per cent of the total private foreign investments.

The chief American investment up to that time was in real estate—land and buildings—a considerable part representing absentee ownership.[11] Citriculture also absorbed a large portion of the American investment, as did mortgages and credit institutions. Only a small part of the total—probably no more than 5 per cent—went into industry.[12] Thus American investments during the period of the Mandate were primarily speculative; only an insignificant proportion directly aided the country's industrialization.

The principal American investment firm (technically it is a holding company) has been the Palestine Economic Corporation. This company is an example of how private profit, wrapping itself in the mantle of public weal, almost succeeds in concealing its real substance. The Palestine Economic Corporation is a child of the American Jewish Committee. The A.J.C. was organized in 1906 by a group of wealthy Jewish bankers and industrialists, chiefly of German origin, and their intellectual satellites. They set themselves up as spokesmen for the whole of American Jewry. With few exceptions, A.J.C.'s leaders have represented the most reactionary and most assimilated sections of the Jewish business class. Closely linked with the A.J.C. has been the American Jewish Joint Distribution Committee (J.D.C.), a philanthropic organization.

The Palestine Economic Corporation was founded in 1926, developing out of an earlier company with which were merged the bulk of the Palestine assets of the Joint Distribution Committee. The earlier company had been launched by a dissident group of American Zionists led by the late Supreme Court Justice Louis D. Brandeis and the late Judge Julian W. Mack. This group opposed the use of public funds in Palestine economic enterprises, insisting that this field be left to private investors.

The Palestine Economic Corporation was from the outset sponsored by the powerful Kuhn-Loeb banking interests in unofficial partnership with the banking firm of Lehman Brothers. The late Felix M. Warburg, senior partner in Kuhn-Loeb, became the largest single stockholder in P.E.C. He was made a director and a member of the corporation's executive committee and later was named honorary president. Warburg was also a member of the executive committee of the American Jewish Committee.* Another Kuhn-Loeb partner and A.J.C. executive committee member, Lewis L. Strauss, also became a director of P.E.C. Strauss later played a key role in America's war preparations as a member of the United States Atomic Energy Commission, a post he holds as of this writing.

The three vice-presidents of the Palestine Economic Corporation during its first few years expressed the company's character as a union of American Jewish big business, dissident Zionism, and the non-Zionist American Jewish Committee. These vice-presidents were Herbert H. Lehman, a partner of Lehman Brothers, who was to become, first, lieutenant-governor, then, governor of New York state and, finally, United States senator; Robert Szold of the Mack-Brandeis group (he later re-entered the Zionist fold) and, incidentally, a brother of Harold Szold, Lehman Brothers partner; and Louis Marshall, president of the American Jewish Committee and until his death in 1929 a dominant figure in Jewish life. Lehman and others of his firm's partners were also among the largest stockholders in P.E.C. After Marshall's death, his place as vice-president was taken for over a decade by Benjamin V. Cohen, who later became Assistant Secretary of State under James F. Byrnes.

Today P.E.C. continues to be largely a Kuhn-Loeb-Lehman Brothers enterprise, operating politically through the American Jewish Committee, but also closely linked with the Zionist Organization of America. At the end of 1948, the Felix Warburg family was still the largest stockholder. Two other Warburgs, Edward M. M., son of Felix, and Eric, sit on the board of directors. The former, a vice-president of P.E.C., was in 1949 chairman of the Joint Distribution Committee. Herbert H. Lehman is now honorary chairman

*When the enlarged Jewish Agency was created in 1929, Felix Warburg was made chairman of its administrative committee. Another P.E.C. official, Louis Marshall, president of the American Jewish Committee, was named chairman of the Agency council, with Lord Melchett as associate chairman.

of P.E.C.'s board, which is a roster of leading American Jewish capitalists. Among them is Samuel Zemurray, head of the United Fruit Company, the banana trust which has been notorious for its intervention in the internal affairs of Latin American countries.

The Palestine Economic Corporation in 1949 had four wholly-owned and two majority-owned subsidiaries in Israel and investments in a dozen or more other Israeli companies. The subsidiaries were Bayside Land Corporation, Palestine Mortgage and Savings Bank, Central Bank of Cooperative Institutions in Palestine, Sharon Water Company, Palestine Water Company, and Loan Corporation. Besides the already mentioned investments in Palestine Potash and Palestine Electric, P.E.C. has major hotel interests and holdings in such firms as Ata Textile Company and Assis Palestine Fruit Products Company, each the largest in its field in Palestine.

In more than two decades of operations P.E.C. has had only one deficit—in 1941. While for many years net profits were modest, since 1945 they have compared favorably with those of investment firms operating in the United States. In the four-year period from 1945 to 1948 inclusive total net profits after taxes and other deductions were $1,190,763. This is nearly 6 per cent on net worth, or only slightly below the average for leading American investment firms in 1947 and 1948.[13] P.E.C. capital stock and surplus were at the end of 1948 $5,890,769, a fivefold increase since 1926.[14]

The launching of the Palestine Economic Corporation signified the entry not simply of wealthy American Jews, but of American big business into the Palestine scene. P.E.C. must be viewed not as an ordinary business concern, but as one of the instruments in a long-range policy that has sought to shape the country's economic and political development. Of great significance has been the linking of P.E.C. with the operations of the Warburg-Lehman-American Jewish Committee group in the United Jewish Appeal. The United Jewish Appeal is the largest non-governmental fund-raising apparatus in the world, its contributions in 1947 and 1948 totaling over a quarter of a billion dollars. Its two principal beneficiaries are the United Palestine Appeal, controlled by the Zionist Organization of America, and the Joint Distribution Committee, dominated by the non-Zionist American Jewish Committee. In 1948 a struggle for control of the mammoth fund-raising setup broke out between the Zionist leadership and a non-Zionist group that was close to the American Jewish Committee. The non-Zionist group was headed by Henry Morgenthau, Jr., general chairman of the United Jewish Appeal and former Secretary of the Treasury. Aided by the intervention of the government of Israel and the Jewish Agency, the predominantly non-Zionist big business group behind Morgenthau early in 1949 won control.

At the height of this struggle Morgenthau became chairman of the board of the Palestine Economic Corporation. Simultaneously his chief aide, Henry Montor, the storm center of the controversy, became vice-president and one of P.E.C.'s six executive officers. Harold J. Goldenberg, wealthy Minneapolis business man, who was chairman of the United Jewish Appeal's campaign cabinet, also was made a P.E.C. vice-president. Charles J. Rosenbloom, Pittsburgh financier, who had been co-chairman of the Appeal, became a P.E.C. director.* Herbert H. Lehman was at the same time honorary chairman of both the United Jewish Appeal and the Palestine Economic Corporation. Thus, the chairman, the honorary chairman, two other major officers, and a director of the chief American investment firm operating in Israel were simultaneously in charge of raising the bulk of the public funds on which the government of Israel depended to finance the settling of new immigrants and much of the development of the country. The interlocking directorate among the Palestine Economic Corporation, the American Jewish Committee, the Joint Distribution Committee, and the United Jewish Appeal means that the investment arm and the philanthropic arm of the Jewish section of American big business are working in unison in behalf of a single policy. Who can doubt that such a constellation of American financial power, linked with Washington, wields massive influence in the economic and political affairs of Israel?

Another American investment firm playing an important role in Israel is the American Palestine Trading Corporation (Ampal). Organized in 1942, Ampal is a joint venture of American Jewish business, the Jewish Right-wing trade union leadership, and the

*In addition, Morgenthau brought thirteen others into P.E.C. as directors. A few months later Morgenthau and Montor resigned their posts in P.E.C., Robert Szold replacing the former as chairman.

American Labor Zionists. The chairman of the board in 1949 was Edmund I. Kaufmann, head of the Kay Jewelry Stores and former president of the Zionist Organization of America. Ampal's president until his death in 1948 was Albert K. Epstein, Chicago industrialist. The vice-chairman in 1949 was Dr. Herman Seidel, chairman of the national executive committee of Poalei Tsion, the Labor Zionist organization. Ampal's vice-president was Louis Segal, general secretary of the Jewish National Workers' Alliance, a fraternal group under Social-Democratic leadership. On the board of directors was also Isaac Hamlin, national secretary of the National Committee for Labor Israel, which was formed by Right-Wing A. F. of L. and C.I.O. leaders.

Ampal's special, though not exclusive, field of operations is the Histadrut enterprises. In 1949 it had an interlocking directorate with both the Palestine Economic Corporation and the United Jewish Appeal. Ampal has also engaged in joint business ventures with the former. But in contrast to P.E.C., Ampal has enlisted the capital of persons of small means. However, the thousands who by the end of January, 1949, had bought nearly 600,000 shares of preferred stock at five dollars each have had no voice in the corporation's policies. The voting stock is the common stock, of which at the end of January, 1949, 175 shares had been issued at $50 each. All of these are owned by the Workers' Bank of Tel Aviv, Chevrat Ovdim, the central Histadrut co-operative association, and the directors of Ampal.[15] Thus, the owners of three-tenths of one per cent of the stock control this corporation as completely as if they owned it 100 per cent!

This is not the only peculiar feature of Ampal. "Your investment in Ampal is an investment in Israel," states one of the corporation's advertising folders, appealing to the sense of solidarity of American Jews with their brethren in Israel. But the fact is that Ampal makes no investments in Israel. Despite its great love for that country, "until the nature and stability of Palestine's [*i.e.,* Israel's] currency are known and established, it is the intention of the corporation not to make direct investments in Palestine."[16] More than a year later Ampal still had not acquired sufficient faith in the currency to venture direct investments in Israel. Its investments have been in the form of loans to Zionist fund-raising organizations in this country. Ampal has lent money to the National Committee for Labor Israel, the Jewish National Fund, the Mizrachi Palestine Fund, Pioneer Women's Organization, Hashomer Hatsair, the Hechaluts Organization of America. The chief recipient of loans has been the National Committee for Labor Israel.

All these are organizations which solicit voluntary contributions to finance activities in Israel. Most of them are also beneficiaries of the annual United Jewish Appeal campaigns. For the additional funds they have borrowed from Ampal they have paid interest ranging from 4 to 6 per cent. This has been Ampal's principal source of income. In other words, philanthropic contributions are being used to pay dividends to private American investors—all in the name of Jewish patriotism.

The funds lent to the National Committee for Labor Israel are transmitted by that group as a gift to the Histadrut's Workers' Bank. They are employed to grant loans for projects which, by the terms of an informal agreement with Ampal, are submitted for approval to its board of directors.[17] Thus an American corporation's board, a majority of whose members are wealthy capitalists, can determine how funds on which the corporation receives a substantial interest are used by the labor movement of Israel.

Ampal also has a direct investment in the Workers' Bank, holding stock of £48,000 par value, or nearly 13 per cent of the total.[18] Together with the 10 per cent interest owned by the Anglo-Palestine Bank, this means that about one-quarter of the Histadrut bank is owned by private capital, American and Anglo-Palestinian.

In 1948 Ampal floated a $10 million bond issue through the Manufacturers Trust Company, one of the largest New York banks. The bonds pay 3 per cent interest and are to be retired gradually over the course of ten years. Since the bonds were issued in denominations of $500 and $1,000, they were obviously intended for the well-to-do. The $10 million was being lent to the National Committee for Labor Israel at rather plump interest rates, varying from 5 to 7 per cent. The money was to be used to finance housing and other Histadrut projects. If all the bonds are sold, the gravy for the investors will in the course of ten years amount to $1,953,964.[19]

In September, 1948, a new investment firm, the Israel Corporation of America, was organized. Even more directly than the other

two it exemplified the merging of private gain with a public cause. The Israel Corporation was sponsored by the Zionist Organization of America. Dr. Emanuel Neumann, president of the Z.O.A. at that time, was placed on the board of directors, and most of the other officers and directors were active both in the business world and in the Zionist organization. The Israel Corporation was largely a product of the factional struggle within the Z.O.A. and between the Zionist leadership and the forces in control of the United Jewish Appeal. The company was promoted with great fanfare and was obviously intended as an unfriendly competitor of the Palestine Economic Corporation.

Shortly after it was launched the Israel Corporation entered into an agreement with the Jewish Agency for a joint investment in a housing project. The company was guaranteed 5 per cent on its investment for fifteen years, plus a share in any profits of the housing project. However, despite all the efforts of the Zionist leadership, the Israel Corporation failed to attract adequate capital and encountered other difficulties. After the 1949 Zionist convention, at which factional differences were resolved—at least on the surface—negotiations were started which concluded in November with the Palestine Economic Corporation taking over the assets of the Israel Corporation.

The merging of public causes with private interests exemplified in the Palestine Economic Corporation, Ampal, and the Israel Corporation of America is of course entirely legal. Morally, however, it exudes a not too pleasant odor.

Apart from the channels provided by these corporations, American capital is flowing into Israel through various other companies and individuals. Both the government of Israel and the Jewish Agency have issued repeated pleas to foreign investors "to come and get it." In 1948-49 Meir Grossman, head of the Agency's Economic Department, spent many weeks in the United States, soliciting investments. Grossman was a leader of the reactionary Revisionist Party (now part of the Freedom Movement, successor to the Irgun).

Actual American investments in 1949 were about $25,000,000. However, this surpassed American investments in such countries as the United Kingdom, France, Belgium, and Italy. "Only the Republic of Panama (the country of the Canal Zone), a handful of petroleum-producing countries and one or two other producers of essential raw materials have attracted greater attention from the American foreign investor in recent years," rejoiced the American organ of the Jewish Agency. And it pointed to "the growing interest of non-Jewish firms of international reputation in Israel."[20]

Among these non-Jewish firms is the Ford Motor Company, which in 1950 is scheduled to establish an assembly plant for trucks in Haifa. In 1950 the people of Israel are also having bestowed upon them the blessings of Coca-Cola and Pepsi-Cola—blessings that will hardly be appreciated by the local citrus juice industry whose popular products sell at a higher price.

The Jewish Agency's Economic Department ascribed the interest shown by American capital in extracting profits from Israel to "the achievement of a more favorable 'investment climate.' "[21] Early in 1950 Israel's Knesset (parliament) had before it a legal expression of this "climate" in the form of a government-sponsored bill to attract foreign investors. Among its provisions were:[22]

1. Profits, interest and amortization up to 10 per cent annually can be withdrawn in the currency of the investor's country.

2. Buildings constructed since the establishment of the Jewish state will be exempt from property taxes for five years.

3. For five years greatly increased amortization deductions from taxes will be permitted.

4. The import of machinery, prefabricated industrial structures, raw materials and semi-finished goods will be exempt from customs duties.

5. Investors will pay an income tax on dividends of no more than 25 per cent.

Even among colonial countries there are few in which foreign capital enjoys such extensive privileges. Incidentally, these concessions had already been granted by the government months before any formal legislation was introduced. One inducement not mentioned in the legislation had also materialized several months earlier: wage-cuts.

Thus, the profits will be funneled out of the country in typical

colonial style, and various other concessions will assure that the foreign investors won't be funneling out chicken-feed. It is true, of course, that in the past, foreign Jewish capital, because it was largely sympathetic to the aim of developing Jewish Palestine, was on the whole less predatory than non-Jewish capital. But this distinction, which is likely to diminish in the future, was never decisive. Palestine Electric, for example, in which foreign Jewish capital predominates, did not hesitate in the midst of Israel's war of independence to raise its rates 50-60 per cent—a higher increase than it ever received under the Mandate. And the fact that the chairman of Palestine Electric, Viscount Samuel, is a Jew did not dissuade him from joining with the rest of the British ruling class in supporting the Bernadotte report. By and large foreign capital, Jewish and non-Jewish, seeks in Israel what it seeks in other colonial and semi-colonial countries: lush profits and domination.

American big business control of the bulk of the public and private funds being sent into Israel converts these funds into a kind of unofficial Marshall Plan. The economic and political benefits for the recipient are certainly no less dubious than in the case of the Marshallized countries. The industrialists of Israel are not averse to having their country dominated from abroad so long as they themselves retain a privileged niche. Their philosophy, which the government shares, was summed up in an article in the monthly organ of the Manufacturers' Association:

"To achieve rapid industrialization, Jewish Palestine will have to lean on the strongest industrial power in the world: the United States. Large-scale financial and commercial transactions with America are likely to become the cornerstone of the Jewish economy in Palestine in the near future."[23]

In the art of leaning on foreign imperialism Ben Gurion, Sharett, and their colleagues are undoubtedly accomplished masters. But, as the experience of the Philippines, Puerto Rico, the Latin American countries, and Palestine itself has shown, this happens not to be the path to rapid industrialization or the kind of industrial development that will mean economic independence. The fact is that most of the foreign investments in Israel since the establishment of the Jewish state have been going into housing, hotels, commercial establishments, and peripheral light industries. Of the foreign capitalists who visited the Economic Department of the Jewish Agency in Jerusalem in May, 1949, some 119 expressed a desire to transfer factories to Israel. Forty-four of these factories—nearly 40 per cent—were textile plants.[24] Textiles, let it be remembered, is the typical industry of colonial countries.

This points up the fact that American policy toward Israel is not basically determined by investments in that country. It reflects first and foremost the American imperialist stake in the Middle East as a whole. Even if there were not a single dollar invested in Israel or sent there as a gift, the essentials of American policy would remain the same. However, the investments and big business control of the gift dollars reinforce that policy and provide powerful means of exerting pressure on Israel. Without protective measures on the part of the Israeli government, without an active policy of combating imperialist encroachments, and without a program to further the development of independent local industry these dollars bring servitude, not freedom.

VIII. Parties and Politics

The visitor to Israel never fails to be astonished at the complexity of its political life. It is not easy to find one's way amid the welter of parties, electoral blocs, political sects, and schisms. In the first Israeli election voters numbering about 450,000 were presented with no less than twenty-one tickets to choose from. Among the tickets listed in the tabulation of results issued by the Press and Information Division of the Foreign Ministry one could find such oddities as Pro-Jerusalem, Mr. Gruenbaum, Traditional Jewry, Yemenites, WIZO (Women's International Zionist Organization), Orthodox Women, and Religious Workers. Here in an election were political divisions on the basis of religion, sex, country of origin, city, and personality!

This fragmentation of the political life is largely a reflection of the fragmented people from whom the nation of Israel has been assembled. At the time of the establishment of the Jewish state two out of every three Israelis were immigrants—a proportion which has since grown much larger. These Jews from some fifty countries have brought with them diverse national and cultural backgrounds, and have transplanted the party loyalties and dissensions that germinated in their former homelands. All this may be considered a heritage of the multi-national past of Palestine Jewry, a symptom of the incompleteness of fusion into a single nation.

The tendency toward a proliferation of parties will continue so long as large numbers of new immigrants enter the country and the old have not yet been fully integrated. At the same time a counter-process is under way, as indicated in the organization in 1948 of the United Workers Party and the Progressive Party, in each case a merger of three groups. The impact of the class struggle