

## PART I

# The Status of Jerusalem in the Eyes of Israeli-Jews and Palestinians

### *A Policy Perspective*

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The Oslo Accord signed in September 1993, identified Jerusalem as one of several issues to be taken up by Israelis and Palestinians in the permanent status negotiations. It is widely believed that of all the permanent status issues, Jerusalem will prove the most difficult.

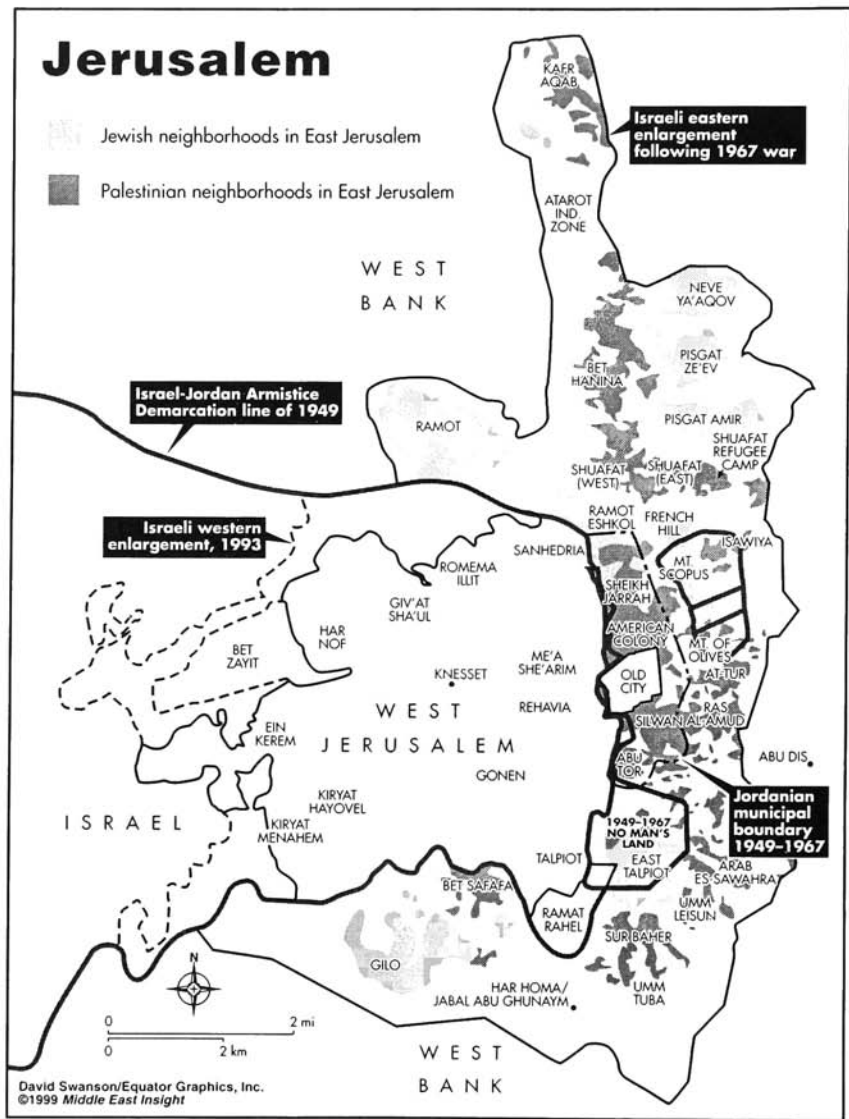
The negotiations on Jerusalem began in November 1999, six years after Oslo. During that interval Palestinian statehood became a near *fait accompli*—but on Jerusalem there was virtually no movement whatsoever. Israelis political leaders showed no willingness to accept Palestinian sovereignty over any part of Jerusalem, and the PLO continued to affirm that Jerusalem will be the capital of the Palestinian state.

The common wisdom on Jerusalem is that it differs from the other issues of the conflict. On Jerusalem (it is believed) the two peoples are so far apart, that even if the political leaders wanted to make major concessions, they would be unable to do so.

But is the common wisdom correct? The two studies, one of Israeli-Jews, the other of Palestinians, were undertaken in order to ascertain whether in fact the outlooks of the two peoples do impose limits to the negotiability of Jerusalem, and if so, what kinds of limits. Are they insuperable? What aspects of the Jerusalem question are negotiable? What factors might tend to expand negotiability? What kind of approaches might allow gaps to be bridged?

# Jerusalem

-  Jewish neighborhoods in East Jerusalem
-  Palestinian neighborhoods in East Jerusalem



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These are the kind of policy questions that motivated the empirical research. The studies we undertook were far more extensive than any previous research on either Israeli or Palestinian attitudes towards Jerusalem. They have produced a wealth of information and have deepened understanding of the complexity of the issue. And they have been shared with political leaders on both sides.

In what follows, from the perspective of negotiability, I examine the research data, taking each population separately. A detailed discussion of the methodology of the studies of Israeli-Jews and Palestinians can be found respectively in the analyses by Shlomit Levy and Nader Sa'id. The questionnaires and cross-tabulations can be found in the Appendixes at the end of the book. In Part IV, in a separate essay, "Is Jerusalem Negotiable?" I bring the data from the two studies together, seeking to identify both the limits and the potential for successful negotiation. I close by offering a model for a permanent status agreement on Jerusalem, one that is grounded in the reality of the two peoples.

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## Chapter 1

### *The Split Labor Market of Mandatory Palestine: Actors, Sectors, and Strategies*

The end of the First World War and the beginning of British rule in Palestine marked the start of a period of rapid demographic and economic growth. This was triggered, in large measure, by the influx of Jewish immigration and the consolidation of the new Jewish settlement. Jewish colonization led to a complex interaction with the resident Arab population. Palestine's economy developed into a split labor market, in which the Jewish labor force commanded the higher wages and the Arab labor force the lower wages. This chapter deals with the way this split labor market came about: how each group functioned within it, and within the three economic sectors—the Jewish, the Arab, and the Government—that made up the economy of Palestine.

#### DEMOGRAPHIC AND SOCIAL TRENDS

Palestine had been far from stagnant before the First World War, images to the contrary notwithstanding. By the mid-nineteenth century numerous changes had set the economy moving—the Ottoman land and tax reform of 1858, the growing involvement of European powers, the increased contact with the European market, the Jewish immigration, the import of capital in the last two decades of the nineteenth century, and the connection to the Hijaz railway in 1905.

With the beginning of British civil rule in Palestine, the economic and social damage wrought by the First World War was quickly overcome

and the population of Palestine almost tripled between the years 1920 and 1945. The population was made up of the Arab inhabitants, a large, albeit shrinking majority, and the Jewish inhabitants, a continually increasing minority. Both communities were experiencing rapid growth. The Arab population in Palestine increased at a faster rate than in any other country in the Middle East, but the Jewish rate of increase far outdistanced it. The processes of growth were extremely different. The Arab population increased primarily through natural increase, while the Jewish population grew through immigration. The Jewish population was relatively indifferent to the growing number of Arab inhabitants. The Arabs, however, realizing the political and economic significance of the Jewish demographic growth, were deeply concerned by it.

Table 1.1 illustrates the high overall rate of growth and the distinct differences between the two communities. The Arab population doubled within two and a half decades; the Jewish community increased by almost tenfold in the same period. Arab growth was due to a high rate of natural increase, whereas a much higher rate of immigration accounted for the Jewish population growth. Natural growth from a high birth rate and a declining death rate accounted for 77 percent of the Arab population increase. Arab immigration into Palestine accounted for the remaining 23 percent.<sup>1</sup>

In 1882, when the Zionist immigration began, the Jewish community in Palestine numbered approximately 24,000.<sup>2</sup> The first waves of Zionist immigration, together with the continuing traditional, religious-oriented immigration, raised the Jewish population to about 85,000 on the eve of the First World War. The war dealt a heavy blow to the Jews in Palestine. Not only did immigration cease, but many of the Jewish inhabitants were removed. If they were citizens of the allied

**Table 1.1.** The Growth of Population of Palestine, 1920–1945

	Arabs	Jews	Total
1914	600,000	85,000	685,000
1920	600,000	66,500	673,000
1922	668,200	84,000	752,000
1931	1,033,000	176,600	856,700
1939	1,056,200	445,500	1,501,700
1945	1,255,700	554,300	1,810,000

Source: Gertz, *Statistical Handbook of Palestine—1947* (Jerusalem: Jewish Agency, 1947), pp. 46–47.

countries, they were deported. If they were Ottoman citizens, they were recruited into the army. The first assessment of the new British administration in 1920 set the Jewish population at about 66,600—a decrease of about 20,000 from the prewar population.<sup>3</sup> However, from 1920, when large-scale Zionist immigration, primarily from eastern and central Europe, began, the Jewish population increased rapidly. This was clearly a case of push-and-pull immigration, triggered by events in the country of origin that pushed large numbers of Jews to leave. They came to Palestine for ideological as well as economic, social, and political reasons. Immigration took a cyclical form. An upsurge of immigration combined with a large-scale import of capital created economic prosperity. This would last a few years and then both the immigration and the import of capital would come to a sudden halt, turning prosperity into depression. A few years later, circumstances in Palestine and outside it would change, and another cycle would begin.<sup>4</sup> The census of 1922 set the number of Jews in Palestine at 83,794.<sup>5</sup> By 1926, after the major wave of immigration known as the Fourth Aliya (1924–1925), the Jewish population had almost doubled, increasing to 149,500. By the end of the 1930s, with the coming of the Fifth Aliya (1932–1939), it almost tripled again so that in 1939 the Jewish population had reached 445,500. In 1947, the last year of British rule, the Jewish population was approximately 600,000.<sup>6</sup> This exceptional growth raised the proportion of Jews in relation to the total population from about 11.1 percent in 1922, to 30.6 percent at the end of this period.

During the same period, the Arab population in Palestine also grew rapidly. Starting with a population of about 400,000 in 1870, it increased to approximately 600,000 by the eve of the First World War, and doubled in the years of British rule. This was a faster rate of growth than that of many other Middle Eastern and Asian countries.<sup>7</sup> Nevertheless, the Jewish population growth shrank the Arab majority from 89 percent in 1922 to approximately 67 percent in 1947.<sup>8</sup>

The majority of the Jewish population was thus new to Palestine. They came from outside the country and its immediate surroundings, immigrating from Europe to a non-European, Middle Eastern country. Only about 10 percent of all Jewish immigrants came from Middle Eastern and North African countries, and they were on the periphery of the new Jewish community—the *Yishuv*. The Arab community, on the other hand, grew by natural increase and was complemented by immigration from the neighboring countries of Lebanon and Syria, Trans-Jordan and Egypt.

The Jews did not perceive themselves as strangers to the land. On

the contrary, they saw themselves as returning, not to Palestine but to the Land of Israel—Eretz Yisrael. They saw themselves as reversing their long but “temporary” stay in the European diaspora and reestablishing a Hebrew entity in the land of their fathers. They saw themselves as settlers and colonizers, but of a very different type than that of the European settler movements. The Zionist settlers were themselves aware of the possible similarity between Zionist colonization and that of European settlers elsewhere and therefore they constantly emphasized what they considered to be vital differences: They were not foreigners but settlers returning to the land that had belonged to their forefathers. They did not intend or desire to exploit native labor; on the contrary, the essence of their return was that they themselves should do the work. They did not wish to dominate the local population but to establish their own, separate, national home, and they believed that their colonization would not harm the native population but would benefit it. The Arabs, however, perceived the Jewish immigrants to be foreigners and invaders, intent on dominating a land to which they had no claim, and dominating a people who, for centuries, had been the majority population.

#### JEWISH AND ARAB LABOR

The different processes of population growth affected the development of the labor force within each community. Where the population increased as a result of immigration, the labor force grew because there were more young and single adults among the immigrants and fewer young children and elderly people. Thus the Jewish workforce increased as immigration increased. However, where the population grew through natural increase, the weak and dependent elements increased and not the breadwinners. Thus, among the Arab community where the birth rate rose and the death rate dropped, the number of dependents in the population increased while the working sections of the population did not. The Jewish labor force grew in proportion to the overall Jewish population, whereas the reverse was true of the Arab labor force. Metzger and Kaplan calculated the annual average growth rate of Jewish labor for the years 1922 to 1935 at 14.6 percent per year,<sup>9</sup> while the average annual growth rate of the overall Jewish population during those years was 11.5 percent.<sup>10</sup> The Arab labor force, according to Metzger and Kaplan, grew at the rate of 1.9 percent per year, while the Arab population increased by 3.5 percent per year.<sup>11</sup> Thus immigration increased the potential labor force, while natural increase slightly lowered it.

*Jewish Labor*

Jewish immigrants, who were to become workers in Palestine, were an integral part of Zionist immigration. Both the Second Aliya (1904–1914) and Third Aliya (1919–1923) were identified as immigrations composed primarily of workers, or pioneers—*Halutzim*. Of the two later and larger immigrations, the Fourth Aliya (1924–1931) was perceived as comprising primarily lower middle-class immigrants from Poland, and the Fifth Aliya (1932–1939) was seen as including mainly middle-class immigrants from Germany. The facts are, however, that the majority of those immigrations were labor immigrants, with no capital of their own, who hoped to find employment in Palestine.<sup>12</sup> Most labor immigrants were affiliated in one way or another with the Zionist labor movement before immigrating to Palestine. About one-third had been members of the different Zionist workers' parties while still in Europe. Others had been members of the *Halutz* youth movement, or of other youth movements affiliated with the Zionist labor movement. In most cases, labor immigrants received their immigration permits through Zionist and labor institutions, thus reinforcing their links to these institutions. Many of the labor immigrants came to Palestine in groups that had been formed in the political and youth movements to which they belonged in their countries of origin.

The majority of Jewish workers were of European origin, hailing primarily from eastern and central Europe. They accounted for approximately 88 percent of all Jewish workers in 1926 and 83 percent in 1937.<sup>13</sup> In all these European countries there had been active workers' movements and in many cases revolutionary workers' movements who carried out either unsuccessful (e.g., Germany and Poland) or successful (Soviet Union) revolutions. Jewish youth were familiar with these activities and, at times, even actively involved in them. They frequently had previous experience of labor organization, usually, though not exclusively, within the Zionist movement.<sup>14</sup>

The majority of Jewish workers who immigrated to Palestine came from middle- and lower-middle-class families. The 1937 census conducted by the Histadrut<sup>15</sup> shows that the fathers of approximately 50 percent of all workers were traders and, given the Jewish occupational structure in Europe, they would have been mostly petty traders. Two and a half percent came from factory-owning families. Only a quarter of the workers reported that their fathers had themselves been laborers. The Jewish workers had a relatively high level of education and this is compatible with their class origin. Close to half had some secondary education and of these 4.5 percent had had higher education. One-third



reported having had only elementary education, while the remaining 15 to 20 percent had some form of religious or home education.<sup>16</sup>

These relatively educated workers from lower-middle-class families included a disproportionately large number of men, young people, and single men and women. The Jewish labor force had many more male than female workers, which was typical of that period and later years as well. According to the 1926 Histadrut census of Jewish workers, women constituted about 13 percent of all the workers surveyed.<sup>17</sup> By 1930 they made up about 18 percent of the labor force<sup>18</sup> and in 1937 approximately 28 percent.<sup>19</sup> This small, but growing proportion reflected not only the lower level of participation of women in the labor force, but also the discriminatory immigration policy of the Jewish Agency by which women were granted immigration permits primarily as dependents of male wage earners rather than as future workers.<sup>20</sup>

A large proportion of the workers were young. In the mid 1920s, 60 percent of the Jewish workers were between the ages of twenty and thirty, and only 20 percent were above the age of thirty.<sup>21</sup> This high proportion of young people decreased somewhat in the 1930s, but even then they still composed almost half the Jewish labor force.<sup>22</sup> Similarly, the proportion of single men and women was high, though it too decreased slightly over the years.<sup>23</sup>

Thus the Jewish workers in Palestine were for the most part a newly proletarianized and newly arrived labor force. They immigrated under the auspices of the World Zionist Organization, with no private means of their own, from industrialized or industrializing countries and were familiar with political and labor organizations. Given their social, economic, institutional, and ideological background, it becomes clear that Jewish labor immigrants had to find employment and maintain themselves through their own labor. It is also clear that they came with attributes and experience that would enhance their level of organization and thus their ability to meet their basic needs. These attributes help explain much of the strength of Jewish labor and its ability to obtain higher compensation for its labor than would be expected in a country with an abundant supply of much cheaper, local labor and in an economy that was only beginning to industrialize.

The organization of Jewish labor was established in 1920. It brought under its auspices already existing organizations, established by the immigrants of the Second Aliya (1904–1914). These included political parties, mutual aid associations, and unions of workers of specific trades. The General Federation of Jewish Labor—*ha-Histadrut ha-Klalit shel ha-Ovdim ha-Ivrim be-Eretz Yisrael* (in short, the Histadrut)—contained a very high percentage of all Jewish wage earners, approximately

75 percent.<sup>24</sup> It fulfilled a wide range of functions: the protection of workers' rights and wages via their trade unions, the allocation of work via the Histadrut-controlled Labor Exchange, the creation of employment via the Histadrut-owned contracting company—Solel Boneh—and the provision of essential services, the most important being health services via Kupat Holim and cultural and recreational services. It was also active in Jewish colonization beyond the needs of wage labor, primarily in agricultural settlement and issues of defense. The Histadrut defined itself as “The State in the Making”—“*ha-Medina she-ba-Derekh*”—and was recognized as such by much of the Jewish community.<sup>25</sup>

The Histadrut contained only Jewish members. Nevertheless, it attempted, from time to time, to attract Arab workers. For this purpose, the Third Convention of the Histadrut (1927) decided to form the Palestine Labor League (PLL). Theoretically, this was to be a binational organization of Jewish and Arab workers, divided into two national units. In practice, the PLL came to refer only to the adjunct organization for Arab workers through which the Histadrut hoped to bring Arab workers under its auspices, to diminish their opposition to Zionist settlement, and yet to avoid incorporating them as full members in the Histadrut.<sup>26</sup>

### *Arab Labor*

The Arab labor force was made up largely of peasants who were in the process of proletarianization. Arab society was predominantly an agrarian society in which the agrarian sector was undergoing crisis and deterioration under the impact of an increasingly capital-oriented economy. The peasantry, while still accounting for 55 to 65 percent of the population, was becoming less and less able to make its living from agriculture. Land was becoming scarcer than it had been due to the transfer of ownership of land to the Zionist settlement institutions. The amount of land purchased was not very large, in relation to the overall amount of cultivated land in Palestine, but it was the most productive land—large stretches of coastal and plain lands, and thus highly detrimental to the development of Arab agriculture. The customs of inheritance of the Arab villagers further exacerbated the shortage of land, as it forced repeated subdivisions of their plots. Heavy debts, which had been accumulating for a number of decades,<sup>27</sup> led the small peasants, the *falihin*, to forfeit land to debtors or seek additional sources of income. The small landowners were too hard-pressed to save and so lacked the resources for intensive agriculture, and the large landowners transferred



Figure 2. Arab workers in British army camps, 1935.

their money elsewhere, rather than reinvesting it and providing employment for the landless.<sup>28</sup>

Carmi and Rosenfeld, having documented the small amount of land owned by different levels of the peasantry and their inability to subsist off it, argue that all peasants were potential candidates for wage employment. Nevertheless, there were clear differences between villages and districts in their extent of proletarianization. These were due, according to Graham-Brown, to numerous factors, among them the ratio of population to land, the attitudes of the villagers to traveling away from home, and the existence of family members or other connections in a big town or in a work place where wage labor could be obtained. The crucial factor appears to have been the proximity to towns, to settlements with plantation agriculture or to army bases,<sup>29</sup> or more generally the opportunity for work outside of the village.<sup>30</sup> These opportunities evolved rapidly under the new British administration that initiated labor-intensive, infrastructural developments and services. The Jewish immigration triggered economic expansion that created different kinds of employment opportunities. There was thus a demand for casual and unskilled wage labor, and there was an almost unlimited potential supply of laborers from the agrarian sector. The combination

of the supply of peasants-cum-workers and the casual nature of much of the work led to a high labor turnover. The villager who picked fruit in the nearby Jewish agricultural colony, the landless peasant who worked with scores of others laying the tracks of the Palestine Railways, the migrant laborer who excavated stone for construction in a quarry owned either by a Jew, an Arab, or the government, the poverty-stricken Hourani, who hoped for a day's work carrying heavy loads—each could easily be replaced by others like them. This exchangeability, Carmi and Rosenfeld argue, was the major factor that determined the low wages of Arab labor, the limited level of their proletarianization, and their tenuous relation to the towns.<sup>31</sup>

Throughout the twenties and thirties, Arab peasant-workers were, for the most part, temporary migrant workers. Some combined agricultural work with off-season wage labor, while others stayed in town as long as some kind of employment was available, shifting between jobs as the need and the opportunities arose. The migrant peasant-workers retained a wide range of rural connections. They kept close social contact with the family that remained in the village. They sent them money and returned to help during the height of the agricultural season. They also retreated to the village in times of unemployment or political upheaval in the towns. Within the urban centers they maintained close communal links through marriage, residential proximity, and communal associations. The rural-urban link was further reinforced by contractors who recruited rural labor for urban employment from their villages, in conjunction with the village leaders. This practice reestablished village connections, enforced dependence on village elders, and increased the insecurity of urban employment.

This intermittent, though relatively large-scale, proletarianization was accompanied by a process of urbanization. According to Gilbar, the proportion of Arab urban dwellers increased from 27 percent in 1922 to 36 percent in 1946.<sup>32</sup> The level of urbanization was strikingly different for Muslims and Christians. The Muslim Arab population was and remained largely rural. Nevertheless, Muslim urban dwellers increased from 23.2 percent in 1922 to 30.5 percent in 1946. Most of the proletarianizing peasants came from the Muslim rural population. Among the Christians, the process of urbanization had begun at the turn of the century and had steadily increased. In 1922, 63 percent of the Arab Christians were urban dwellers and by 1946, 80 percent of Arab Christians were living in the towns.<sup>33</sup>

The rate of urbanization was much slower than that of proletarianization. By the mid-1930s approximately half of all Arab workers were wage laborers, while only about 30 percent of the population were

urban dwellers. During the 1940s, the process of proletarianization and urbanization stabilized. Army camps recruited peasants as workers on a large scale and for longer periods of time, and as a result the migratory nature of the Arab wage laborer changed. Whole families moved to the urban centers. Labor unions took on new life and a strata of urban workers began to form.

In addition to this rural-urban migration within Palestine, migrant workers came to Palestine from neighboring countries. Most came from the Houran and from Trans-Jordan. Others came from Syria, Lebanon, and Egypt. Estimates vary as to the number of Arab immigrants into Palestine.<sup>34</sup> It was a casual and seasonal migration, often undocumented, at times illegal. Vashitz sets the number of non-Palestinian Arabs in 1934 at 25,000 to 30,000,<sup>35</sup> which would account for about 25 percent of Arab wage labor.

There was differentiation and stratification within this new class of wage labor. The top stratum was made up of the veteran urban workers, most of whom were Christian. They had been independent artisans and were increasingly becoming skilled wage laborers. They earned four, five, and six times as much as casual day laborers, from whom they kept themselves aloof and distant.<sup>36</sup> Most of the wage workers were the Muslim migrant peasant-workers, who were casual day laborers. They concentrated in shantytowns on the margins of the towns, maintained communal links among themselves, and were spurned by the veteran urban population. And finally, ranked below them, were the non-Palestinian migrant workers, most of whom came from the Houran in southern Syria. Eliahu Agassi, a Histadrut activist well acquainted with the condition of Arab workers, described the Hourani migrants as arriving "in a spontaneous stream of thousands of simple peasant-workers, congregating around the ports, in the citrus orchards, in the army camps and the international companies."<sup>37</sup>

Because many of the workers migrated into town on a temporary or seasonal basis, labor organization was extremely difficult. R. Graves, formerly an official of the British administration in Egypt, surveyed the condition of Arab labor in Palestine in 1941 and reported:

There is no lack of reasons why since the establishment of the Mandate the Arab workers have done little to organize themselves for their own protection. In the first place, they had no traditional associations which might have developed on the lines of modern Trade Unions. Secondly, the high wages obtained by Jewish labour caused, almost automatically, an important rise in the scale of Arab wages, which for unskilled labour leaped to the double of what was being

paid in Egypt, Iraq or Syria for similar work. The cost of living was doubtless higher for the worker than in the neighbouring countries, but the increase in wages combined with the low standards of comfort claimed by Arab workers represented a very important advantage which had been obtained without a struggle . . . Thirdly, the political energies of the Arabs after they had recovered from the relief of finding themselves freed from an oppressive war-time regime became concentrated on national objects and the idea of combining to achieve social reforms did not interest them. Possibly even the spectacle of the complicated and successful organization of labour by the Jews damped the enthusiasm of potential reformers, who would not be beholden to a rival even for an idea.

Finally, it must not be forgotten that the Arab *fellah*, who was and is attached to his village and to the leading families of his village, is much less likely to be moved by external influences than the urban industrial worker who has no territorial roots and loyalties. And it is to the former class that most of the Arab workers belong. The country notable, whose influence on his tenants and neighbours is very considerable, is not likely to encourage any tendency to working class consciousness among the villagers who often spend six months in their homes and six months working for contractors on roads or buildings.<sup>38</sup>

The factors that enhanced the relative value of Jewish labor and those that detracted from the value of Arab labor can be found in the origins of Jewish and Arab labor and in their different processes of proletarianization. Jewish labor was an educated and young labor force, not overburdened with family responsibility, experienced in organizing, and anchored in a relatively cohesive political movement with related institutions and a strong ideological commitment. Arab labor was unskilled and in unlimited supply with little organizational experience and little wider political backing. These differences explain the striking disparity in the value that each group was able to obtain for its work.

#### THE DIFFERENTIAL VALUE OF JEWISH AND ARAB LABOR

The wages of Arab and Jewish workers are well documented in both Jewish and government sources. Although the data are not identical, the overall pattern is clear and consistent. It shows a large disparity in the wages of unskilled Arab and Jewish workers and a much smaller disparity, if at all, between skilled workers.<sup>39</sup> A government commission appointed in 1928 to study the wages paid to unskilled workers, reported the following earnings for Jewish and Arab workers:



Arab rural 120–150 mils a day  
Arab urban 140–170 mils a day

Jewish nonunion 150–200 mils a day  
Jewish union 250–300 mils a day<sup>40</sup>

As for skilled labor, the report concluded that:

This [disparity—D.B.] is absent in skilled labour, where there is no difference between the levels of Arab and Jewish wage rates. . . . The difference between Arab skilled and unskilled labour wage rates is much greater than between the similar Jewish rates.<sup>41</sup>

Other government sources reported lower wages, especially for unskilled Arab labor, than those stated by the Wage Commission of 1928. The Report of the High Commissioner to the League of Nations for the year 1929, for example, assessed unskilled Arab wages at 80 to 120 mils a day in agriculture (rural labor) and 100 to 160 mils a day in industry and building (primarily, though not exclusively, urban occupations).<sup>42</sup> A few years later, in 1932, the Labor Legislation Committee appointed by the government listed seven categories of unskilled labor according to the minimum daily wage earned by adult males. European Jewish immigrants living in the major towns earned a minimum of 250 mils per day, Jewish labor in the new private enterprise agricultural villages (the *moshavot*), earned a minimum of 200 mils, and Jews in other rural areas and in minor small towns earned 150 mils per day. Arabs and Oriental Jews living in the large towns earned a minimum of 120 mils daily for their unskilled labor, while Arabs in small towns earned a minimum of 100 mils per day. Rural Arabs and nomads earned a minimum of 80 and 60 mils per day, respectively. It is important to note that the unskilled Oriental Jews earned the same wage as the unskilled Arab workers. This points up the peripheral status of the Orientals in the new European-oriented Jewish community and their peripheral position in relation to organized Jewish labor.<sup>43</sup>

Other available sources compare the wages of Jewish and Arab labor within specific industries. For most of the period, the wages of Arab workers in agriculture were between one-third to one-half the value of Jewish wages. Although the gap between Jewish and Arab wages did decrease, the trend was not consistent and the wages never came close to being equal. The disparity between the wages of female Jewish and Arab agricultural workers was much larger than the disparity between the wages of the males. The gap between the wages of Jewish and Arab workers was smaller in construction than it was in agriculture. But,

**Table 1.2.** The Wages of Jewish and Arab Labor in Agriculture (mils p.d.)

	1934 <sup>a</sup>	1938 <sup>a</sup>	1942 <sup>b</sup>	1945/6 <sup>b</sup>
Jews	200–350	200–300	M 250–300 F 300	M 750 F 750
Arabs	80–100	80–150	M 140–180 F 90–110	M 300–600 F 200–400
Proportion of Arab wage to Jewish wage <sup>c</sup>	32.7	46	M 61.8 F 33	M 52.3 F 40

M = males; F = females.

Sources:

- David Horowitz, *The Palestine Economy and Its Development* (Tel Aviv: Mossad Bialik, 1948), pp. 161, 168. The data does not include citriculture.
- A. Gertz, *Statistical Handbook*, 300. Data concerning citriculture was omitted for the sake of comparison.
- Proportion calculated in relation to the average wage within each category.

once the distinction is made between skilled and unskilled labor, the disparity is striking. In the 1940s, unskilled Arab labor earned only 40 percent of the wages paid to unskilled Jewish labor. Skilled workers also did not earn the same, although the difference in their wages was much smaller.

Wages in the manufacturing sector followed the pattern of the other industries. The disparity between the wages of Jewish and Arab labor is marked and consistent. It increased sharply in the 1940s, probably because of the large cost-of-living allowance obtained by the Jewish workers and the much smaller one won by the Arab workers. The distinction

**Table 1.3.** The Wages of Jewish and Arab Labor in Construction (mils p.d.)

	1934 <sup>a</sup>	1938 <sup>a</sup>	1942 <sup>b</sup>	1945/6 <sup>b</sup>
Jews	300–900	300–900	Unskilled 400 Skilled 750	Unskilled 1,250 Skilled 2,000
Arabs	100–500	Unskilled 117 Skilled 255–412	Unskilled 190 Skilled 500	Unskilled 500 Skilled 1,750
Proportion of Arab wage to Jewish wage <sup>c</sup>	30–50	30–50	Unskilled 47.5 Skilled 66.6	Unskilled 40 Skilled 87.5

Sources and comments:

- David Horowitz, *The Palestine Economy and Its Development* (Tel Aviv: Mossad Bialik, 1948), pp. 161, 168. The data does not include citriculture.
- A. Gertz, *Statistical Handbook*, 300. Data concerning citriculture was omitted for the sake of comparison.
- Proportion calculated in relation to the average wage within each category.



**Table 1.4.** The Wages of Jewish and Arab Labor in Manufacturing

	1934 <sup>a</sup>	1938 <sup>a</sup>	1942 <sup>b</sup>	1945/6 <sup>b</sup>
Jews	200-700	150-750	756	1,440
Arabs	70-500	110-396	MS 459 <sup>c</sup> AS 262	MS 617 AS 464
Proportion of Arab wage to Jewish wage <sup>d</sup>	63	56	MS 61 AS 35	MS 43 AS 32

*Sources and Comments:*

a. David Horowitz, *The Palestine Economy and Its Development* (Tel Aviv: Mossad Bialik, 1948), p. 16.

b. Be'eri, *The Arab Worker in the State of Israel* (1948, unpublished mimeo), p. 27.

c. MS = Mixed settlement; AS = Arab settlement.

d. Proportion calculated in relation to the average wage within each category.

made by Be'eri between Arab wages in mixed settlements and those in homogeneous Arab settlements highlights the fact that Arab labor earned more in the mixed settlements. Thus, although the presence of Jewish labor did indeed raise the wages of Arab workers, the gap between the two nevertheless remained striking.

The breakdown of wages by occupation, rather than industry, given by Gertz for the years 1939 to 1944 indicates that the gap was as pronounced as ever in the different occupations that called for some degree of skill. For example, in 1943, a Jewish carpenter earned 764 mils per day while his Arab counterpart earned 425 mils. The Jewish machine printer earned 900 mils per day while the Arab machine printer earned 395 mils, and the Jewish fitter earned 836 mils while the Arab fitter earned 525.<sup>44</sup>

Jewish labor was thus earning between two to three times the wages earned by Arab workers in most industries for most of the period. The gap was smaller for skilled labor, but it certainly did not disappear. Thus a typical split labor market emerged in which two groups of workers, belonging to different national collectives, obtained markedly different value for their labor. Jewish labor was relatively high priced in relation to the much cheaper Arab labor.

So much for the workers and the two national groups to which they belonged. What of the labor market in which they competed? What impact did they have on each other? Where did they work? One of the particular features of the split labor market of Palestine was that in most cases Jewish and Arab workers, employed in the same occupation or industry, worked on different locations and for different employers and yet they competed with and influenced one another. To understand this relationship, we must outline the sectorial structure of Palestine's economy.

## THE ECONOMIC SECTORS OF PALESTINE

The economy of Palestine was made up of two major economic sectors, the Jewish and the Arab sectors, that were supplemented by the government sector. The Jewish sector was primarily an urban, capitalist economy. The Arab sector was still largely agrarian, in transition from a semi-feudal, semi-subsistence economy to a market-oriented, capital-based economy. The economic structure of the Arab and Jewish sectors was very different. Agriculture dominated the Arab economy, while manufacture and construction played a much greater role in the Jewish economy. Services were of central importance in both cases, though there was probably proportionately far more trade in Arab services.<sup>45</sup>

From the early 1920s, the Jewish economy had a primarily modern, capitalist structure.<sup>46</sup> This was due to the very large one-directional import of capital by individual immigrants and by the Zionist institutions. The rate of capital inflow was extremely high such that Jewish capital imported into Palestine exceeded government revenue for many of the years between 1922 and 1947.<sup>47</sup> The previous experience of most immigrants in their countries of origin provided the resources essential for economic development. These included experience in wage labor; skills acquired prior to immigration by workers, entrepreneurs, and managers; international connections; as well as patterns of consumption that created a market for new local products. The political framework in which this immigration took place facilitated the efficient exploitation of these resources of manpower and capital. The rate of economic growth was exceptionally high, reaching an average annual growth rate of 21.7 percent between 1922 and 1935.<sup>48</sup>

The Arab sector was by comparison far more agrarian and less capitalized. It lacked many of the resources available to the Jewish sector of the economy. Nevertheless, it was undergoing rapid growth as well as significant transformation. The average annual growth rate of the Arab sector was 7 percent, with a lower growth rate in agriculture and a significantly higher growth rate in manufacture and construction.<sup>49</sup> These figures clearly belie the notion of a stagnant or nondeveloping economy. The Arab economy was to a large extent market oriented. A relatively large share of its agricultural produce was exchanged via the market—50.2 percent as early as 1921 and 64.4 percent in 1935.<sup>50</sup> The relatively large share of transport and trade—both market industries—in the net national product of the Arab economy also indicates a market orientation.

Abraham Cohen summarizes the changes that the Arab economy underwent in its transition from a traditional to a capitalist economy. In

a traditional economy, claims Cohen, there are few external economic contacts, the main occupation is agriculture, most work as independent farmers, tenants, craftsmen, and traders, and there are relatively few wage earners. Public services fall way behind basic needs and no stratum can be identified as "intelligentsia." Cohen contends that the Arab society in Palestine no longer fit these criteria because import from outside the sector (including from the Jewish sector) amounted (by 1936) to 34 percent of the local gross product and its export amounted to 23 percent. In addition, by 1945, agriculture accounted for only about half of the workforce and 40 percent of the national product. Approximately half of those employed were wage laborers. Education and health services were relatively advanced and a wide stratum had acquired experience in government administration, police services, education, and health.<sup>51</sup> Cohen nevertheless points out that these significant developments stopped short of a major structural and technological transformation. Nonmodernized agriculture retained a central role. Neither agriculture nor industry became highly mechanized. Investment was not due to capital saving but primarily to capital import from the Jewish sector, and the relatively large stratum of wage earners that emerged did not lead to a consolidated and organized proletariat.

The third sector of Palestine's economy was that of the Mandatory government. It included the government departments of agriculture, customs, education, justice, police, and finance as well as infrastructural services such as public works, railways, ports, and the postal service. The government sector also included regional commissioners and local government. Government financing came primarily from taxation of the local population, with revenue exceeding expenditure during most years.<sup>52</sup> The government sector was smaller and less varied than the two national sectors, yet it was the single largest employer in Palestine. In 1936, government departments alone employed over 15,000 regular workers and many more casual workers.<sup>53</sup>

#### INTERRELATIONS

The three economic sectors—the Arab, Jewish, and government sectors—functioned separately, with clear boundaries between them. Nevertheless, they were neither isolated nor insulated from one another. They were, in fact, interrelated in a complex combination of exchange, competition, and attempts at disengagement. The interrelations between the sectors included the mobility of labor between sectors, the movement of capital, the reciprocal impact on products, services, employment, and on the extent of industrialization.

The most important expression of this interrelatedness for the purposes of this study was the mobility of workers between the sectors. Arab workers were employed, to different extents, in all three sectors. In the Arab sector, only Arab labor was employed and the few Jewish workers who were employed in the Arab sector were the exception. In the government sector, Arab workers formed the majority and in the Jewish sector, they constituted about 10 percent of the labor force. Jewish workers were employed mainly in the Jewish sector, where they constituted 90 percent of the labor force, and in the government sector, where they accounted for between 12 and 20 percent.<sup>54</sup> Our main concern here is not with the specific levels of employment in each sector but with the extent to which both Jewish and Arab workers moved between the sectors. Arabs sought employment in the Jewish sector and thus competed with the Jewish workers. The Jewish workers, for their part, tried hard to increase their share of employment in the government sector, but did not seek employment in the Arab sector. Thus workers competed with one another in a wide range of settings. The difference in the levels of employment of each national group in the different sectors should be seen as a result of this competition, rather than as a given separation stemming from the structural difference between the sectors.

Capital also moved between the Jewish and Arab sectors both directly and indirectly. Jewish-owned capital entered the Arab sector directly through the purchase of land and goods and the payment of rent and wages, while Arab capital increasingly entered the Jewish sector through the purchase of goods and services. The indirect transfer of capital took place via the government budget. Metzger and Kaplan present a detailed breakdown of the Jewish-Arab transfer of capital for the years 1921 and 1935.<sup>55</sup>

In 1921, goods, services, and labor accounted for 66.5 percent of the payments made by Jews to Arabs and the purchase of land accounted for the remaining 33.5 percent. At that early stage of Jewish settlement, Arabs bought almost nothing from the Jewish sector and thus they transferred no capital to it. Fourteen years later (1935), the amount of capital transferred had not only increased greatly, but the pattern of this transfer had changed as well. The capital that moved from the Jewish to the Arab sectors had almost trebled, increasing from approximately 1.5 million £P (Palestine pounds) in 1921 to close to 4 million £P in 1935. Payment for land had increased from 33.5 to 43 percent of all Jewish capital transferred to Arab hands. Of the remainder, 60 percent was spent on goods, 24 percent on wages, and 15.6 percent on residential rent. By the mid-1930s capital was also moving from the Arab to the

Jewish sector, primarily via the purchase of manufactured products. In fact, Arabs spent about as much on Jewish manufactured goods as Jews spent on Arab agricultural and quarry products.<sup>57</sup> These reciprocal acquisitions demonstrate the links created between sectors as a result of the differences between them.

Aharon Cohen, writing in the mid-1940s, documented the transfer of Jewish capital to Arab hands between the years 1920 and 1941. He distinguished between the different classes of the Arab recipients and the basis of the transfer. He calculated that Jews imported approximately 115 million £P, of which 30 million £P were transferred directly to the Arab population: 11 million £P to the wealthy class, 11 million £P to the middle class, and 8 million to the poor.<sup>58</sup> Thus, if Cohen's calculations are approximately correct, they illustrate clearly the diverse distribution of Jewish capital within the Arab society and its impact on all its strata.<sup>59</sup>

The indirect transfer of capital from the Jewish to the Arab sector concerns the transfer of Jewish capital through government expenditure. Such transfer stemmed from the disparity between the contribution of each community to government revenue and the benefits it received from government expenditure. Specifically, it refers to government revenue collected from the Jewish sector that was spent on the needs of the Arab population. The assessment of such transfers was highly controversial. Although it was generally accepted that the Jewish community contributed more than its relative share of the population, opinions differed sharply as to its relative share in government expenditure. Jews constituted approximately 16 percent of the population and provided about 40 percent of all government tax revenue in the late 1920s and early 1930s. Metzger asserts that this figure was generally accepted by all the parties.<sup>60</sup> Jews and Arabs disagreed strongly, however, on the relative share of the Jewish sector in the benefits obtained from government expenditure. The contemporary Jewish assessment saw the Arab population as the major beneficiary of government moneys earmarked specifically for the two national communities. The Jewish interpretation saw only social services as explicitly divided between the two communities. They considered other items of expenditure to be beneficial to all. They argued that the government spent more on social welfare services for the Arab population than it received from them in revenue. Such expenditure was therefore made possible by the Jewish contribution to government revenue. In this way, Jewish capital was indirectly transferred to the Arab population.

The Arabs did not accept this claim. They reversed the argument and claimed that government expenditure on securing law and order and

developing the economic and financial infrastructure answered the needs of the Jewish community and the Jewish National Home policy. These needs in fact created costs that would otherwise not have had to be met. Since they accounted for more than 40 percent of the government expenditure and the Jewish population contributed no more than 40 percent of the government revenue, it was the Arab sector, they argued, that was in fact subsidizing the Jewish settlement in Palestine. Thus the Jewish sector claimed that it subsidized Arab social services, while the Arab sector argued that it subsidized the Jewish National Home.

Another reciprocal effect of the Jewish and Arab sectors resulted from their catering to each other's needs. This was far more evident in the economic activity of the Arab sector, which responded to the needs of the expanding Jewish sector with its impressive purchasing power. Thus Arab construction expanded during the height of Jewish immigration.<sup>61</sup> Abramovitz and Gelfat emphasize the importance of the commercial links between the two sectors:

The Arab market bought in 1935—during the period of economic prosperity and of good economic relations between the Arab settlement and the Jewish settlement in the country—goods to the value of 5 million £P from all the countries of the world and to the value of close to a million £P from the Jewish settlement. At the same time the Arab settlement sold of its produce to all countries of the world to the sum of close to 2 million £P, and—to the Jewish settlement to the sum of 800,000 to 1,000,000 £P, of which—600,000 £P were for agricultural produce, and the rest—building material and other industrial products. These figures indicate the close economic ties which existed between the neighboring settlements.<sup>62</sup>

The growing Jewish settlement also had an impact on the employment levels of the Arab population and thus on its economy. Again, the two opponents assessed the issue very differently. The Jews emphasized the benefits enjoyed by the Arab population through the increasing employment opportunities created by the Jewish settlement and denied that it had any harmful impact on Arab unemployment. They pointed to the increased economic activity that resulted from their settlement and the concomitant employment opportunities for Arabs in all three sectors. The expanding Jewish market, they argued, enabled the Arab sector to expand by catering to its needs. Jewish capital helped finance government works and so increased the jobs the government offered, and the expanding Jewish sector also created work. As Nemirovsky, a Zionist labor activist, wrote in 1935, "With



few exceptions, it can almost be stated as a rule that, wherever Jewish immigration and Jewish construction have increased, the economic activity of the Arabs has developed."<sup>63</sup>

As for Arab unemployment, difficult to assess due to the migratory nature of Arab wage labor, the Jewish position consistently underrated the extent of unemployment and denied any responsibility for its existence. Jewish labor, it was argued, was not the cause of Arab unemployment, and did not displace Arab labor. Jews, in any case, were not employed in the Arab sector, and were only minimally employed in the government sector. They were therefore no threat to Arab employment. Organized Jewish labor claimed that the closure of the Jewish sector to Arab workers was not responsible for their unemployment. After all, the Jewish sector was established for the employment of Jewish labor and would not have been established otherwise.

The Arab position totally rejected the Jewish rationale. They saw Jewish immigration to Palestine, and the immigration of Jewish labor in particular, as a major cause of Arab unemployment. They saw Palestine as one undivided entity and one market. They rejected the Jewish perspective, which saw the Jewish *Yishuv* and the Jewish economic sector as a separate and autonomous entity. In the Arab view, Jewish workers served as substitutes for the local workers, the people of the homeland, the *watani'yun*. They contended that Jewish opposition to the employment of Arab workers in the Jewish sector increased Arab unemployment and was thus responsible for it.<sup>64</sup> They either ignored the creation of new employment opportunities, especially within the Jewish sector, or asserted that the labor opportunities existed only because the Jewish labor leadership was unable to block them. Thus Mansur stated with no little irony, "If some Jews still employ Arab labor in their orange orchards, either because they preserved an older tradition of friendly dealings or because Arab labor is cheaper and better for this purpose, then the fact can be used [by the Zionist—D.B.] as evidence of the employment provided by Zionism for Arabs. But if Arab labor can be pushed out by "picketing" and "pressure" that is much better."<sup>65</sup> Jewish spokesmen stressed "the fact that in practice our immigration and settlement, far from ousting other elements, has actually spelt more plentiful employment and a higher standard of life for the rest of the population,"<sup>66</sup> while the Arabs stressed the crisis of unemployment and the excessively high cost of living brought about by Jewish colonization.<sup>67</sup>

The high level of industrialization of the Jewish sector may indeed have restricted industrialization processes in the Arab sector. As noted, most Arab purchases from the Jewish sector were of industrial prod-