HIGH POLITICS IS LOW POLITICS
The Domestic and Systemic Sources of Israeli Security Policy, 1967–1977

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The recognition that the state is situated in both domestic and international structures has been unevenly recognized in the international relations literature. It is most evident in the literature on the international political economy in general and on foreign economic policy in particular. Since the late 1970s, from Katzenstein’s seminal work to the recent special issue in International Organization, we have seen an increased appreciation of how the state’s foreign economic policies are conditioned by both systemic and societal forces. Thus, explanations of foreign economic policy have steadily modified their systemic biases and advanced more nuanced versions of the state and its societal context in both its theoretical and its empirical dimensions. There is an explicit recognition of the inability of either level of analysis alone to explain the state’s foreign economic policy.

Although these recent contributions to foreign economic policy have demonstrated a greater interest in integrating systemic and state-society relations, this integration is largely missing from theoretical treatments of security policy. This view is supported by Nye and Lynn-Jones, who observed in a recent review of the security literature that “the interaction between domestic politics and security affairs has been overlooked by most analysts in the international security field.” Lawrence Freedman writes:

Neglecting the domestic dimension of security policy leads to a forgetfulness of the extent to which the people taking critical decisions also spend much of their time worrying about the levels of taxation, competing de-

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mands on public expenditure, promoting their personal and party images, getting re-elected, and so on. As a result, policy options which might be perfectly reasonable within some narrow security framework turn out to be wholly unrealistic in terms of the actual freedom of manoeuvre available to those responsible for taking the decisions.³

Because the state sits at the nexus of the international and the domestic, it is important that our theories recognize that its security policies are a product of its dual responsibilities.

One way of linking the systemic and the domestic in the state's security policy is to recognize that security policy is itself two-faced: it is concerned with the construction of strategies vis-à-vis foreign threats and with the construction of strategies for mobilizing societal resources as well. Among political scientists, the former has received much more attention than the latter.⁴ This study redresses this imbalance. It examines the political economy of the state's mobilization of resources for national security in capitalist societies and focuses on the domestic features that shape the state's ability to mobilize these resources.⁵ I shall demonstrate


⁵ There have been various calls for greater attention to this neglected factor of national power. See Barbara Haskell, "Access to Society: A Neglected Dimension of State Power," International Organization 34 (Winter 1980), 89–120; Alan Lamborn, "Power and the Politics of Extraction," International Studies Quarterly 27 (June 1983), 125–46; Martin Shaw and Colin
the importance of this approach by developing a framework for investigating the state’s war preparation strategies in capitalist societies and applying it to the case of Israel’s security mobilization policy between 1967 and 1977.

**Previous Approaches to the Mobilization of Security Resources**

Numerous theoretical traditions have been concerned with the military potential of states. This attention, however, has typically been directed either at systemic forces or, alternatively, at the economic foundations of war and security mobilization. In either case the *political* dimension of the state’s mobilization of national security resources is often ignored. The three traditions briefly reviewed below—power politics, economic nationalist, and Marxist—have all slighted the role of state-society relations in shaping the mobilization policies of states.

Power politics approaches to security policy focus on how the state’s pursuit of military power and war-fighting potential is shaped by systemic forces. This gives explanatory primacy to the state’s interaction with other self-interested actors in the international system. Consequently, the implicit assumption is that “high politics,” a state’s security relationship with other states in the international system, is autonomous and therefore distinct from “low politics,” societal pressures, and the domestic political economy. These studies almost uniformly assume that the domestic political economy and national security issues are separate and distinct spheres.

This systemic and state-centric bias is most evident in neo-Realism, which assumes that a country’s material resources define the state’s power in the international system and makes the problematic assumption that these societal resources can be mobilized in a frictionless manner. This is consistent with the neo-Realist (but not necessarily classical Realist) conflation of the properties of the state and those of the country.6

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6 Kenneth Waltz, *A Theory of International Politics* (New York: Addison-Wesley, 1979). Waltz concedes that societal variables shape the state’s military potential, but he downplays the importance of this insight. Richard Ashley’s distinction between practical and technical Realists is useful here. “Political Realism and Human Interests,” *International Studies Quarterly* 25 (June 1981), 204–36. Whereas “technical” Realists such as Waltz have failed to incorporate state-society relations adequately, many “practical” Realists have concerned themselves with the societal dimension, notably, Klaus Knorr, *The War Potential of Nations* (Princeton: Princeton University Press, 1956), and *Power and Wealth: The Political Economy of International Power* (New York: Basic Books, 1973); Klaus Knorr and Frank Traeger, eds., *Economic Issues and National Security* (Lawrence: University of Kansas Press, 1977); and
Neo-Realists assume that domestic resources and a diversified economy are important determinants of military power, and they recognize the difference between actual and realized power. But they leave unexamined the question of how these resources are mobilized. They tend to assume that society’s wealth and resources are willingly handed over to the state, an assumption that is inherently problematic, since neo-Realists are usually concerned with capitalist countries, in which control over economic resources is institutionally divorced from political power.

I would argue that these societal constraints are profoundly important for constructing a full explanation of the state’s security policy. Stephen Walt’s explanation for the Egyptian and the Israeli alliances with the Soviet Union and the United States, respectively, relies principally on the role of systemic factors. Yet in both cases an important, if not primary, motivational basis for seeking an alliance was the role of societal pressures and constraints. Robert Gilpin, concerned with international conflict and hegemonic decline, does integrate some state-society concerns into his analysis, but his attention to these issues is cursory and tangential to his larger concerns.

Although some neo-Realists have steadily modified their systemic biases to incorporate state-society relations in their examination of the state’s foreign economic policy, these insights have generally not permeated security studies.

Hans Morgenthau, *Politics among Nations*, 5th ed. (New York: Alfred A. Knopf, 1978). Samuel Huntington began his classic *The Common Defense* (New York: Columbia University Press, 1961), 1, on the following note: “The most distinctive, the most fascinating, and the most troublesome aspect of military policy is its Janus-like quality. Indeed, military policy not only faces in two directions, it lives in two worlds. One is international politics, the world of balance of power. . . . The other world is domestic politics, the world of interest groups. . . . The currency here is the resources of society.” Despite the welcome attention given by “practical” Realists to the societal bases of the state’s military policy, they have not put forward any coherent framework for understanding the societal constraints on security mobilization. A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980), develop a systematic treatment of the relationship between the state’s relationship to society and war-fighting capacity; however, the approach fails to account adequately for the multiple objectives of government officials and to specify the exact nature of the societal constraints.


9 Although some may object to this characterization of the “systemic” tradition and point to those studies that include in their analyses forms of the state for the formulation of the security doctrine or crisis politics, these studies isolate the decision process within the state and essentially ignore state-society relations. See Morton Halperin, *Bureaucratic Politics and Foreign Policy* (Washington: Brookings Institution, 1974), and Graham Allison, *Essence of Decision* (Boston: Little, Brown, 1971), respectively.
A second, related tradition is the well-established and recently burgeoning literature on the economic foundations of war.\textsuperscript{10} Although economic nationalism is more attentive than is neo-Realism to the relationship between political economy and national security, it also tends toward a vision of the state as an autonomous entity, separate from society.\textsuperscript{11} For instance, Paul Kennedy is highly instructive about the economic requisites for the state’s ability to wage war and about how the state’s security policies can undercut its economic base, but he has left undertheorized how the state mobilizes domestic resources given the societal constraints on its actions. Similarly, he interprets Reagan’s security policies as an instance of “imperial overstretch” but does not analyze why Reagan’s mobilization strategy took the form that it did.\textsuperscript{12} Although some of the more sustained and insightful critiques of Kennedy’s work have argued that Reagan’s security policies need not have led to chronic budget deficits, they have failed to advance a more theoretically informed understanding of the societal context that produced these particular fiscal policies. While correct in arguing that these defense strategies are the product of political, and not necessarily economic, forces, these critiques have not placed these mobilization strategies in a more generalized political context.\textsuperscript{13} Although the state’s mobilization strategies are highly dependent on an array of political and economic factors, economic nationalists have yet to present a more nuanced theoretical understanding of how societal constraints shape the state’s war mobilization capacities and strategies.

If neo-Realists and economic nationalists can be criticized for creating an autonomous state, Marxist scholarship commits the opposite mistake in granting the state little if any autonomy in relation to domestic society. Although Marx and Engels did not integrate the role of international conflict into their theories of capitalist development, later Marxists consid-


\textsuperscript{11} This is one of the central points in Stephen Krasner, \textit{In Defense of the National Interest} (Princeton: Princeton University Press, 1978). Also see Gilpin (fn. 10).

\textsuperscript{12} Kennedy (fn. 10).

tered military expenditures and capitalism as necessarily related.\textsuperscript{14} Rosa Luxemburg, for instance, argued that because of the tendency of capitalist societies to undergo crises of underconsumption, the state had to absorb excess supply through defense expenditure.\textsuperscript{15} These early Marxist contributions assume that the capitalist class has direct access to the state and that the state has direct access to society, thus minimizing the constraints on the state’s mobilization of resources. More recent Marxist thinking has remained true to this tradition. Mandel provides a nice discussion of “war potential,” which translates roughly into the state’s ability to manufacture the means of warfare but ignores the potential constraints on the state’s access to societally controlled production.\textsuperscript{16} There are two problems here. First, although the state is situated within a domestic political economy, the constraints on the state’s mobilization of resources remain unexamined. This is probably due to the tendency to employ a quasi-instrumentalist interpretation of the state. Second, the state’s “legitimate” security concerns are systematically ignored and are treated as merely functional for more important and fundamental processes of reproducing the capitalist mode of production.\textsuperscript{17}

These diverse theoretical approaches to national security are unified by their relative inattention to the question of how states mobilize resources for national security. This question is crucial because the state’s ability to project its military power is dependent on its competence at mobilizing the requisite resources, henceforth referred to as “war preparation.”\textsuperscript{18} As Huntington suggests, the “currency here is men, money,


\textsuperscript{15} Luxemburg (fn. 14), 454–67.


\textsuperscript{18} “War preparation” can be measured by the “defense burden,” that is, military expenditure as a percentage of the country’s budget, including the amount of total unilateral transfers minus that amount earmarked for defense purposes. This reflects the priorities of state managers; it also indicates the amount of available resources that is diverted to national security expenditures and is therefore unavailable for other types of social spending. See Eitan Berglas, “Defense and Economy,” in Y. Ben-Porath, ed., \textit{The Israeli Economy} (Cambridge: Harvard University Press, 1986), 173–75.
and material.” First, the state must extract revenue in order to pay for its consumption of military resources. Second, it must guarantee the provision of war matériel, from supplies, clothing, and food to the actual instruments of warfare. And third, it must mobilize the necessary manpower. And because the state must negotiate with domestic actors for access to these societally controlled resources, our attention is directed toward state-society relations, that is, toward the process by which the state attempts to mobilize these resources. Thus, when the state participates in foreign conflict, it engages in two kinds of battles: the defense of the country’s borders against foreign adversaries and the struggle with society for access to its desired resources. Consequently, the state’s war preparation strategies are a function of both its objectives in the international and domestic arenas and the socioeconomic constraints on its actions.

My argument is organized in the following fashion. Section I presents (1) an exploratory framework for investigating the international and domestic determinants of the state’s war preparation strategy and (2) a set of war preparation strategies that are dependent upon the government’s objectives and its environmental context. Section II then applies this framework to an empirical examination of Israeli war preparation strategies between 1967 and 1977. I conclude with some observations for the future study of security policy and its relationship to the state and the domestic political economy.

A Framework for Investigating the State’s War Preparation Strategies

The framework for investigating the war preparation strategies of the state in capitalist societies consists of three elements. It begins with some assumptions concerning the state’s preferences. These preferences cannot be pursued in a frictionless manner; rather, they are subject to important societal constraints. The decision context, the second element, identifies the structural properties of state-society relations that circumscribe the policy choices available to decision makers. The interaction of the state’s preferences and the decision context produces the third element of the framework, the mobilization strategies of governmental officials. These war preparation strategies are viewed as strategic choices, designed to mollify or reconcile conflicting objectives within a specific domestic and international context.

19 Huntington (fn. 6), 1.
State Preferences

Although I posit a set of state preferences, I am not asserting that all states conform to these imputed objectives. Instead, I want to argue that if the state were to operate with these preferences, then in a particular environmental context certain war preparation strategies would be likely to follow.

Since the state is situated in both domestic and international structures, its objectives and policies reflect this dual orientation. At the most fundamental level, then, the state must be attentive to its reproductive conditions, its survival, in both the domestic and the international realms, with the result that the government would have at least two objectives. The first is war preparation—the government’s mobilization of matériel and human resources in order to be prepared to undertake interstate war. Although war preparation may be a critical objective of government, even the critical objective, it is not the only goal, for leaders are not so myopic. The second objective is political stability, the insulation of the government from would-be domestic challengers. This political concern has two dimensions for the state in the capitalist context. On the one hand, the state must encourage business confidence; on the other hand, it must remain attentive to its coalitional basis, which extends beyond the capitalist class to include other societal groups as well. Therefore, the state values both war preparation and political stability. Because the state is attempting to mobilize material resources, a corollary of these objectives is that state managers will promote an environment conducive to economic growth. Such growth provides an important basis for the creation of societal wealth and may then be available to the government for its primary objectives of war preparation and political stability.

There are possible costs associated with the pursuit of each of these goals. For instance, war preparation usually entails increasing extraction. Extraction that increases too much could trigger societal protest if certain groups felt themselves to be unfairly burdened. Alternatively, a state that values its political basis more than it does its security goals may subvert its ability to prepare for war adequately. While there are limits to the state’s ability to pursue both political stability and war preparation simultaneously without a negative impact, mobilization activity will not automatically challenge the state’s political viability. In fact, substantial political costs can also be generated if the government is perceived by society to be lax about national security. For example, the Egyptian government after the Six-Day War and the Israeli government after the Yom Kippur War each faced a society that deemed that the government had shirked its duty as the guardian of the national interest. State man-
agers, then, must often choose between potentially conflicting objectives. Therefore, let us assume that while initially modest levels of war preparation activities will have a negligible impact on the state’s political fortunes, more intensified activities can carry substantially higher political costs. And finally let us assume that the state prefers political stability to war preparation. While remaining attentive to the requirements of the state’s existence in the interstate system, state managers concern themselves first and last with their domestic political viability.

The consideration here is whether a government would continue to increase societal extraction for war even at the risk of its own political survival. Although this is an empirical issue that cannot be settled definitively here, it is reasonable to assume in the contemporary era when wars of annihilation are rare if not nonexistent that few leaders would knowingly continue to prosecute a war at the risk of exposing themselves to societal insurrection. This assumption is observed in the recent Iran-Iraq War. Leaders of both countries privileged domestic politics over the prosecution of the war, “epitomized by the [Iranian] slogan ‘Revolution before victory.’ Indeed the war became an extension of the domestic power rivalry, to which arming, structure, strategy, and the conduct of the military was subordinated.” In fact, Khomeini’s policy reversal and decision to accept a negotiated solution in principle is largely attributed to the probability of domestic turbulence because of the political and economic costs associated with the eight-year conflict.

In summary, the state’s war preparation strategies are partially shaped by two objectives, which are compatible at lower levels of war preparation activity but may potentially conflict at more intensified levels. When its goals conflict, the state will opt to preserve domestic tranquillity over war preparation.

**Decision Context**

The decision context structures the range of governmental policies available for extracting revenue, directing production, and raising armies for war; it thereby shapes the actual strategies adopted by state managers. Although there are many environmental factors that can impinge on the state’s actions, the relevant decision context is dependent on whether the state is attempting to mobilize financial, productive, or human resources; that is, the state’s mobilization capabilities are policy-dependent.

Four elements of the relationship between the state and society are

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particularly relevant. First, because I am discussing the state’s war preparation strategies in capitalist societies, the state’s relationship to the capitalist class will be an important constraining feature, regardless of the type of material resource the state is attempting to mobilize. This is so because “under capitalism all governments must respect and protect the essential claims of those who own the productive wealth of society. Capitalists are endowed with public power, power which no formal institution can overcome.” 21 The economic decisions of capitalists shape the possibilities for continued economic growth, society’s consumption opportunities, and the state’s tax base, and too determined a challenge by the state might upset the economic sensitivities of the capitalist class, thereby jeopardizing these fundamental objectives of state policy. I assume, therefore, that the state’s war preparation strategies will always initially exempt, or place only a light burden on, the capitalist class.

The second aspect of the decision context is the state’s capacity, the institutional “capacity to actually penetrate civil society, and to implement logically political decisions through that realm.” 22 This is most important when examining the state’s ability to mobilize financial resources. The third aspect is the economic structure, which identifies the possibility of domestic military production. Finally, the state’s legitimacy affects its conscription policy. Below I elaborate how these four dimensions of the decision context structure the financial, production, and conscription policies available to government officials.

FINANCIAL POLICY

The state’s financial policy is shaped by both the underlying distribution of societal power and the state’s institutional capacities that enable it to penetrate, extract from, and monitor society. Because the state is institutionally separated from organized production, it does not produce its own source of revenue. Therefore, all state managers must be attentive to and are constrained by the flow of resources upon which the deployment of the state’s means depends. The state’s ability either to develop alternative sources of financial means or to loosen its dependence on the capitalist class substantially increases its autonomy. This independence may come from the acquisition of foreign loans, which might give the state an additional instrument of control over society, or it may come from a fiscal crisis of the state, which might compel the state to devise

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new fiscal strategies. As Stallings argues, “The sufficient condition [for relative state autonomy] is resources.”

Those states with high capacity have an array of policy instruments, including both indirect and direct methods, that enable the government to extract domestic revenue. In contrast, those states with little institutional capacity tend to utilize indirect methods.

**PRODUCTION POLICY**

The state’s mobilization of war matériel is constrained by the country’s economic structure and the private control of production. The economic structure is commonly understood as incorporating the “profile” of the country’s production of goods and services. This is particularly important for determining the possibility of domestic arms production, since this is closely connected to the size and sophistication of the economy.

It is not coincidental, then, that those countries that have achieved self-sufficiency in the production of most major weapons systems, notably West Germany, France, Britain, the Soviet Union, the United States, and, to a lesser extent, Brazil and India, are the same countries that also have a large GNP, an expansive industrial base, and numerous high-technology industries. Many Third World leaders have professed a desire to achieve independent arms production and thereby increase their autonomy, but their efforts have been frustrated by a lack of appropriate technology, an insufficient industrial base, and the inability to achieve the desired economies of scale.

Even the presence of the necessary industrial and technological infra-

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24 Although states may pursue any number of fiscal strategies, including letting public structures depreciate, assets deplete, and consumption diminish, “the principal means were nonetheless taxation and borrowing.” Charles Kindleberger, *A Financial History of Western Europe* (New York: George Allen & Unwin, 1984), 292.


structure does not provide the state with access to its required war matériel from domestic sources since the means of production are controlled by private actors. This societal constraint on the state’s access to military production is an important but often overlooked feature of many Marxist and non-Marxist explanations of the state’s war production policy. As with fiscal policy, the government in capitalist societies, which is institutionally divorced from the economy, must not only remain sensitive to how its policies affect business interests but must also negotiate with and encourage them to act in a manner that serves the state’s aims.

CONSCRIPTION POLICY

The final requirement for war preparation is the raising of armies. The state’s conscription policy is shaped by its legitimacy and its autonomy. The state’s legitimacy in the modern era is founded on the principle that the state’s exercise of authority is derived, in spirit if not in practice, from societal participation, in which “legitimacy came to be attributed to the body of rules that governed the exercise of authority . . . and the political community is regarded as the sole normal creator.” Therefore, the state and its political institutions must have a strong societal basis in order to garner societal compliance with its policies.

In the modern era there tends to be a direct relationship between the state’s legitimacy and its ability to conscript widely. As the modern nation-state’s rule was premised on its adherence to constitutional principles that were informed by societal interests, the citizenry was viewed as having certain responsibilities and obligations to the state. One of the first areas in which this principle of mutual obligation was recognized was military service. “The nation-state and the mass army appear together, the twin tokens of citizenship within territorially bounded political communities . . . Military service emerged as a hallmark of citizenship and citizenship as the hallmark of a political democracy.”

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27 See Mandel (fn. 16), and Neuman (fn. 25), respectively.

28 There are certainly a host of other variables that affect the state’s conscription policy, including the societal attitude toward warfare. André Corvesier, Armies and Societies in Europe, 1494–1789 (Bloomington: Indiana University Press, 1976), 15–16.


Conversely, the same Third World states that are marked by scant legitimacy are also characterized by an avoidance of mass conscription and a reliance on an army drawn from those individuals who have demonstrated their loyalty to the state (either through kinship ties or patron-client relations). Only when the state is firmly entrenched in society and its authority widely recognized can it conscript widely and permit the subordinate classes access to the instruments of coercion (and rebellion). Universal conscription, then, is a fairly recent phenomenon and is itself a reflection of, and made possible by, the changing relationship between the state and society.

Even those states that have universal conscription typically exempt certain elements of their population. We see this in the development of the modern state. In feudal societies the military had generally been served by those who had demonstrated their loyalty to the state; it was a domain of the nobility. With the expansion of wealth associated with capitalist development (and also with warfare), there was a simultaneous explosion of revenue for the state, which enabled it to expand the size of the military on a permanent basis. Because the state depended on the emerging dominant classes for its revenue, it was possible for the bourgeoisie to escape military service, something they capitalized upon with vigor. For example, the impressive army developed by King Frederick William I of Prussia (1713–1740) “was organized with infinite care to impose the least possible strain on the fragile economy of his lands. The bourgeoisie, good fruitful taxpayers, did not serve at all. The ranks were recruited so far as possible from foreigners and peasants.” (The officers corps, however, continued to be drawn from the aristocracy and nobility.) Thus, in many countries the rise of capitalism initiated a trend in

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32 This feature of Third World militaries is largely due to the postcolonial character of these states. Not only is the state's lack of legitimacy attributable to its colonial heritage, but most colonial powers built local armies with those ethnic groups, very often deriving from minority groups, that would be responsive to colonial authorities. The policy was consistent with the authority's divide-and-rule strategy, which would have important consequences for shaping the conscription policy of the postcolonial state. Consequently, the colonial power generally balked at arming those elements of society that might use such knowledge and arms against them. Morris Janowitz, “Military Institutions and Citizenship in Western Europe,” in Gwyn Haries-Jenkins and Jacques van Doorn, eds., The Military and the Problem of Legitimacy (Beverly Hills, CA: Sage, 1976), 127–30, and Alexander Wendt and Michael Barnett, “The International System and Third World Militarization” (Paper presented at the annual meeting of the American Political Science Association, Atlanta, September 1989).

33 For example, Saddam Hussein attempted to instill a sense of nationality and increase the legitimacy of the Iraqi state in order to further his mobilization potential in the war against Iran. See Chubin and Tripp (fn. 20), 94. The importance of the state's legitimacy is not confined to the capitalist context but is also noted in socialist states. Park and Park contend that in China and North Korea “mass mobilization ... is made possible by political indoctrination of the people with measures of ideological education” (fn. 26), 108.

34 Howard (fn. 4), 69.
which members of the capitalist class either were automatically exempt from or had certain avenues available (e.g., tax, duty, or educational status) that allowed them to avoid the obligation of military service.

In summary, the concept of the “decision context”—the range of policies available to the government—serves two functions in this analysis. It identifies the relevant constraints on the state’s mobilization efforts, and it indicates the limits on the state’s ability to mobilize domestic resources for national security.

**State Strategies for War Preparation**

As the state attempts to adjust to and cope with the increasing demands of national security, it is confronted not only by an external threat but also by the prospect that those policies designed to confront the external challenge may undercut its domestic support. Consequently, the state attempts to mobilize the required resources at a minimal political cost. As the government attempts to perform this balancing act, it can choose among three types of mobilizing strategies: accommodational, restructural, and international.\(^{35}\) These broadly defined strategies identify not only the location of the resource (domestic or international) but also some of the potential political costs involved with each.\(^{36}\) The intention here is to glean some insight into the probable policies of the state, as well as to be able to present some hypotheses about tendencies in Israeli war preparation strategies.

An *accommodational strategy* is defined as the reliance on, or making only modest changes in, already existing policy instruments. The heart of an accommodational strategy is that the state restricts its policy selection to those instruments that are presently contained in the state apparatus; thus, it adjusts its behavior to accommodate the present societal condition. An accommodational strategy preserves the routine; there are therefore likely to be few, if any, political costs to conducting policy as usual. The state will invariably begin with this type of strategy. Given the existence of increased national security pressures, however, it is unlikely that in the long run the state’s needs will be met through accom-

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\(^{35}\) I assume that these strategies are noncomplementary; however, it is immediately apparent that the state’s mobilization strategies will usually evidence a mix of these strategies. This is as true for the state’s war preparation strategies as it is for its strategies of domestic adjustment to shocks from the international economy. Although this typology obviously distorts what actually occurs, it is useful for analytical simplification and generation of hypotheses.

\(^{36}\) This discussion is somewhat analogous to the state’s adjustment strategy to changes in the international economy. See G. John Ikenberry, *Reasons of State* (Ithaca, NY: Cornell University Press, 1988).
modational measures. Most governments will consequently consider either a restructral or an international strategy.

A *restructral strategy* is one in which state managers attempt to restructure the present state-society compact in order to increase the societal contribution to the war effort. Because the state’s intention is to impose the costs of war on society, its ability to do so is related to the domestic constraints that limit its choices. Ikenberry’s general observation concerning the state’s adjustment strategy to domestic shocks from the international economy is also relevant to the state’s war preparation strategy:

The more constrained the state is by its relations with its economy and society, the more it will emphasize international strategies of adjustment. States that find it difficult to impose costs on their domestic societies will be more inclined to seek international solutions. Conversely, states that have the capabilities to redeploy domestic resources and impose the costs of change on society will emphasize domestic offensive strategies.37

A restructral strategy typically follows one of two forms. The first is a “centralization” scenario, in which the state intervenes and increases its direct control over societal resources. This is observed, for instance, when the state inaugurates direct taxation, moves from the reliance on a mercenary force to a standing army, or nationalizes key economic sectors. The second type of restructral policy is more relevant to the state’s material and financial needs; it involves the liberalization of parts of the economy for the purpose of unleashing market forces and thus increasing productive activity that will expand the country’s material base. The state’s ability either to liberalize or to centralize its control over society and economy, however, assumes that it is relatively unconstrained by its domestic context. In general, the more powerful a state is domestically the greater the emphasis it can give to a restructral solution.

Finally, a state that is highly constrained by its domestic context will be more favorably disposed toward an *international strategy*, which attempts to distribute the costs of war onto foreign actors. An international solution may be a formal or an informal alliance in which security cooperation exists between two or more states. In general, there is an incentive for the state to adopt an international strategy when it perceives that there are increasing costs to mobilizing additional societal resources for war preparation. This need not imply that the state is unwilling or unable to impose some of the costs of national security on society; rather, it may have an incentive to export the mounting costs of war preparation.

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The obvious implication of this argument is that the state would seem to be automatically predisposed toward an international solution in order to supplement its pool of available resources. There are two considerations that temper this conclusion, however. The first is whether such external arrangements are available and, even if they are, whether they can satisfy the state's security requirements. Rarely is foreign assistance available in such quantities as to relieve the state from having to take any domestic actions. The second, more important issue concerns the costs attached to foreign arrangements. Almost invariably foreign assistance is accompanied by conditions and stipulations that place restrictions on the recipient's use of these borrowed resources. This may be particularly troublesome in the context of war preparation, since the recipient may be required to avoid those security-related policies that the aid donor views as contrary to its own foreign policy interests. This creates a paradox: whereas the recruitment of a foreign benefactor can increase the resources available for war preparation, these resources may be accompanied by restrictive conditions that undermine the very reason for which they were demanded in the first place. This was evident in Sadat's constant struggle with the Soviet Union over how and when he could use the imported Soviet equipment during the early 1970s (the Soviets were fearful that Sadat's actions toward the Israelis might undermine the Soviet policy of détente with the United States).

Moreover, the perception by society that the state has sacrificed its national autonomy to foreign actors, for example, through the presence of foreign troops, naval bases, and restrictive policies, can also generate substantial domestic opposition. Finally, foreign aid often just delays, rather than eliminates, the costs of war, thereby increasing the state's future obligation to foreign actors. Therefore, despite the compelling reasons for the state to opt for an international strategy, the problems associated with it provide a strong rationale for practices, such as military industrialization and neo-mercantilist economic policies, that increase the state's national autonomy and decrease its dependence on foreign actors. In general, the availability of and conditions attached to foreign assistance will affect the state's propensity for a restructural solution; that is, if foreign aid is either unavailable or obtainable only with unacceptable conditions, the state will be more favorably disposed toward a restructural policy.

38 The state's ability to rely on foreign actors is also dependent on the type of resource that is being mobilized. For instance, in the modern era foreign troops are rarely attainable, thereby necessitating the reliance on domestic manpower. Alternatively, because there are numerous arms producers and merchants, the state may more easily depend on foreign suppliers for its immediate needs and not be compelled to intervene in the domestic economy.
Thus far I have argued that the decision context establishes the possibility for, as well as the potential costs attached to, domestic intervention. The decision context alone, however, does not determine the direction of the state’s energies, for it is precisely during periods of international conflict that the state has deviated from established procedures and implemented (what were once considered to be) controversial policies. An additional factor that will influence the state’s movements is its legitimacy. A state with a high degree of legitimacy is better able to mobilize societal resources and thus better able to undertake a restructural strategy. This argument is closely associated with the vast literature on societal cohesion and with the general proposition that the threat of war produces a “rally around the flag” effect that increases the state’s ability to adopt what would normally be contested policies. 39

In summary, the state values both war preparation and political stability. Regardless of the decision context, the state’s initial move is toward an accommodational strategy. Either unfulfilled security needs or societal protest will propel the state to consider either a restructural or an international policy. The state’s preference for a restructural or an international solution is dependent on the decision context, availability of and conditions attached to foreign assistance, and the state’s legitimacy. This conceptualization of the relationship between the decision context and the state’s war preparation strategies assumes that the state is enabled to undertake certain sorts of actions and is disposed to act in certain directions, not that it necessarily will do so. There are a variety of reasons, including the anticipated objections of societal actors and the objectives of state managers, that might potentially dissuade a state from undertaking a policy that appears within its range of opportunities. For instance, even though the United States during the Vietnam War had a significant amount of institutional capacity and the ability to extract widely from society, President Johnson avoided the potential political costs associated with increased taxation and instead relied on large budget deficits that were financed by U.S. allies. Consequently, the state’s preference for a restructural or an international solution cannot be decisively predicted

accontextually. In general, the intention of this exploratory framework is to identify the important features of the domestic and international environment that make certain state actions either possible or prohibitive, and to outline the various factors that might propel state officials in particular directions.

The Israeli Case

Most states are neither so omnipotent that they can rely solely on a restructural strategy nor so feeble that any penetration of society risks societal retribution, thus requiring an international strategy. Most states

Israel represents a useful case study for the following reasons. First, the literature on Israel’s security policy reproduces those scholarly biases that I noted earlier. For instance, Israel’s wartime experiences and strategic policy have been a fertile testing ground and laboratory for many scholars of conflict behavior. Yet these studies have evidenced little explicit concern with how societal pressures have affected the state’s mobilization of security-related resources. See, for example, Shai Feldman, Israeli Nuclear Deterrence (New York: Columbia University Press, 1982), and Louis René Beres, ed., Security or Armageddon: Israel’s Nuclear Strategy (Lexington, MA: Lexington Books, 1986). Avner Yaniv’s Deterrence without the Bomb (Lexington, MA: Lexington Books, 1987) discusses the importance of societal factors where immediately relevant, but these factors are decidedly secondary to his overriding strategic focus. I will demonstrate that the Israeli government’s war preparation strategies were greatly affected by the domestic context and that this dimension provides a different explanation for various aspects of Israel’s strategic behavior.

Second, given that this study represents a first effort at defining and approaching a research question, it makes sense to examine it in the context of an “exceptional case.” Arend Lijphart, “Comparative Politics and the Comparative Method,” American Political Science Review 65 (September 1971), 653–73. Because war preparation was particularly intense and vigorous during this decade, the researcher is in a privileged position to observe the various manifestations of the mobilization process.

Scholars have often objected to the use of Israel for comparative and theoretical purposes on the grounds of its historical uniqueness (though this never applied to its conflict behavior). I reject this common understanding and the exclusion of Israel from social scientific inquiry on the following grounds. (1) Israel’s social-structural characteristics are not so unique that its exclusion from theorizing is self-evident. The comparability of the Israeli case has been affirmed by other scholars, who have noted its “late-industrializing,” “developing,” and “postcolonial” characteristics. See S. N. Eisenstadt, The Transformation of Israeli Society (London: Weidenfeld and Nicolson, 1985); Michael Shalev, Labour and the Political Economy of Israel (New York: Oxford University Press, 1989); and Joel Migdal, “The Crystallization of the State and the Struggle over Rulemaking: Israel in Comparative Perspective,” in Baruch Kimmerling, ed., Israeli State and Society: Boundaries and Frontiers (Albany: State University of New York, 1988), 1–27. (2) For those who argue that the Israeli case is not generalizable because of its strategic relationship with the United States, I invoke Lijphart’s “deviant case strategy,” in which the case is selected in order to reveal why it is deviant, “that is, to uncover the relevant additional variables that were not considered previously, or to refine the (operational) definitions of some or all of the variables” (p. 692). In other words, Israel’s decision to rely more heavily on the U.S. is something to be explained, not assumed. My contention is that situating Israel’s war preparation strategies in its societal context can help to explain this deviance. In general, Israel represents a good example of a developing state attempting to mobilize scarce (and sometimes nonexistent) resources for national security while pursuing its other political and economic objectives. That it does not resemble all other developing countries does not deny Israel’s appropriateness as a case study, although it does caution us about drawing sweeping generalizations from this one case.
fall somewhere between these two extremes and have uneven mobilizing capacities that lead them to rely on their own efforts in one policy area and to depend on foreign actors in another. Such a bidirectional strategy is especially evident for Israel between 1967 and 1977, a period in which it participated in three separate wars and was consequently in a perpetual situation of war preparation.\textsuperscript{41} I shall argue that the combination of the government’s objectives and the enabling and constraining features of the decision context sent Israeli officials searching both internationally and domestically for their desired security resources.

Besides dealing with a tremendous security threat, Mapai, Israel’s governing party, held two other core objectives. First, the party attempted to protect is political standing in an increasingly hostile electoral environment. Mapai’s political popularity was becoming increasingly tenuous during this period, as its long-standing dominance began to reveal strains and cracks. (This process climaxed in the “revolution” of 1977, when Likud’s Menachem Begin won control of the government.) Faced with these challenges, politically sensitive Israeli decision makers were wary of placing too great a security burden on society. The government’s second objective was to promote an environment conducive to economic development. Although the 1967 war marked the end of a severe recession, the government was quite concerned about the economy’s health and stability. In true neo-mercantilist fashion, it labored under the belief that a solid economic foundation was integral to national security.\textsuperscript{42}

Tendencies in the Israeli government’s war preparation activities can be more accurately gauged by examining features of the decision context that enabled and constrained its mobilizing capacities. It was enabled by the following properties. First, the government controlled a significant degree of production. Throughout this period Mapai was the guardian of public sector operations, as well as of the Histadrut, Israel’s trade union and a principal owner of the means of production. This enabled the government to undertake its investment decisions with relative autonomy from societal actors.\textsuperscript{43} Moreover, the private sector was relatively negligible\textsuperscript{44} and limited to those sectors of the economy that were considered tangential to the needs of the Israeli state managers. Second, the Israeli state benefited from a high degree of domestic legitimacy and

\textsuperscript{41} The share of defense in the gross national product rose from approximately 8% in 1965, to 25% in 1970, to 35% in 1977.

\textsuperscript{42} Shimon Peres, \textit{David’s Sling} (London: Weidenfeld and Nicolson, 1970).

\textsuperscript{43} Eisenstadt (fn. 40), 219.

\textsuperscript{44} My contention is that Histadrut is best conceived as private capital, particularly as it became less responsive to state demands and its investment decisions were motivated by profit criteria. See Michael Shalev (fn. 40).
experienced very few ethnic tensions and rivalries that openly challenged its authority. Third, the state's institutional capacity was exceptional when compared with that of other developing countries; indeed, it was comparable with that of many advanced industrialized countries. For instance, Israel's extractive capacity, a widely used indicator of the state's institutional strength, was roughly equivalent to that of the Canadian state and exceeded that of the Swiss state. An area of restricted domestic opportunity, however, was arms production. Although the economy had developed rapidly since independence, it lacked the infrastructure needed to produce many of the high-technology weapons that were required in modern warfare.

The interaction of the Israeli government's objectives and its decision context might produce the following hypothesized war preparation strategies. Israel's production strategy was the only area that was almost certain to contain a strong international component, since the economic infrastructure was not immediately suited to the task of full-scale arms production. However, because of the tremendous security threat and the high degree of relative autonomy, government officials might be expected to deviate from their established arms-production policy. Because the state had a relatively high degree of autonomy and capacity, the government was positioned to construct its financial policy with little concern for how it might conflict with the private sector. Finally, the state should be able to conscript widely because it was viewed as highly legitimate by society.

Whether Israeli officials actually capitalized on these opportunities was dependent on the actions of societal actors, the objectives of state managers, and systemic openings. Although the state had a fair degree of access to society, an international posture might be more likely, since the U.S. strategic alliance following the 1967 war imposed relatively few strings and conditions. In other words, the presence of both systemic opportunities and the additional domestic objectives of political survival and economic development might steer Israeli officials away from imposing too heavy a demand on society and toward a greater reliance on new alliance arrangements.

The following discussion will describe the rather interesting process

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46 See Stephen Spiegel, The Other Arab-Israeli Conflict (Chicago: University of Chicago Press, 1985), 158–65, for an analysis of the U.S. decision to commit to a strategic alliance with the Israelis following the 1967 war.
whereby Israeli officials—motivated by the existence of a salient national security threat, political struggles, and new concerns for and attitudes toward development over the 1967–1977 period—capitalized on a "strong" Israeli state and moved to liberalize the economy. Their goal was to increase the material base, but, cognizant of their political future, they relied more heavily on the U.S. strategic alliance for much of their financial needs. I intend to demonstrate that this outcome was dependent on the objectives of state actors and the systemic and domestic context of their policy choice. I will examine the government's fiscal, production, and conscription policy, outlining the established practice in each area before 1967 and subsequent changes.

FISCAL STRATEGIES

Before 1967 the Israeli government attempted to mobilize the resources necessary for meeting its objectives without jeopardizing its autonomy in the international sphere. The state maintained its financial autonomy through both external and internal resources. Although it may seem incongruous that financial independence was realized through external financing, the financial arrangement was indeed peculiar. There were two major external sources. First, world Jewry transferred a large amount of liquid capital through such methods as private donations and Independence Bonds. Moshe Zambar, an ex-governor of the Bank of Israel, claimed that "we always considered the Jewish people and Israel the same," so that unilateral transfers from world Jewry were seen as coming from "part of the family." A significant amount of these transfers were delivered as grants and donations. The second external resource was West German reparations payments, which were owed to the victims and families of Nazi persecution but most of which were channeled through the state. The government was therefore freed from the demands of private actors on whom it might otherwise have been dependent for investment.

Although Israel benefited from these tremendous unilateral transfers, such transfers alone could not adequately fund a state that simultaneously pursued welfare, warfare, and development. Consequently, there was heavy societal extraction as well. The tax burden was not dis-

47 Moshe Zambar, interview with author, Tel Aviv, June 29, 1987.

48 Although these unilateral transfers were legally restricted to financing development, they essentially freed more resources for defense. Zambar made the point that "legally all this money . . . was used for social development . . . while our domestic resources were used for defense. In reality it made little difference. If we got more money for development, we could just channel that much more for defense. . . . Money has no taste and no smell." Ibid.
tributed evenly, however, for although the Israeli tax system is highly progressive, the tax burden fell most heavily on the middle-income classes. Lower-income groups, those intended to benefit from the welfare state, were excluded from payments. The expectation was that upper-income groups would contribute most, but tax evasion was widespread among those groups because they were employed primarily in the private sector and could therefore more easily evade taxation than could the middle classes. The latter dominated the ranks of the civil service, and the state could therefore more easily monitor their compliance. As a result, tax incidence was heaviest on the middle-income groups.\textsuperscript{49} Indirect taxation, which has the advantage of being easier to collect at a lower cost, was avoided because it was perceived as affecting everyone (which ran counter to the government's promotion of egalitarian ideals and its role as protector of the working class).

The Six-Day War provoked a reexamination of the state's fiscal strategy, as national security became both more salient and more costly. Despite Israel's decisive victory, the war stimulated an intensified arms race and created security concerns throughout the captured territories. The state's initial financial strategy was accommodational; that is, during times of conflict it relied on the tried-and-true policies of increasing indirect and direct taxation moderately and imposing a special defense tax. Although income tax rates were raised for all income classes (relatively less so for lower-income groups), Finance Ministry officials anticipated that the upper classes, with a greater propensity for evasion, would probably escape a major part of the state's taxation efforts. Such behavior was tolerated since this class was considered instrumental to the state's development needs.\textsuperscript{50} Again, it was the middle-income groups that bore the burden.

The need to undertake more drastic measures was mitigated by the period of rapid economic growth between 1967 and 1970.\textsuperscript{51} By 1970, however, it again became obvious to the government that its expanding security needs would outstrip its financial resources. The state's first move, to seek external sources of financing, broke with its long-standing policy of avoiding foreign financial entanglements. A number of external and internal factors prodded the government toward an international


\textsuperscript{51} Nadav Halevi, "The Economy of Israel: Goals and Limitations," \textit{Jerusalem Quarterly} (Fall 1976), 83–92.
strategy. First, the emergence of a new international security alignment provided new financing opportunities at relatively little risk. The U.S. seemed willing to subsidize Israel's expanding defense needs given its newly awarded status as a U.S. strategic asset, a bulwark against communism and Soviet expansion. Accordingly, Israel increased the share of financing coming from foreign sources and thereby began exporting the costs of war preparation.52

A second reason for shifting the financial burden to external sources was mounting social pressure. A series of massive antigovernment demonstrations erupted in 1970. These directly challenged the government's priorities, reinforced the belief that society would not tolerate an increased tax burden and that extraction had reached its limit.53 Thus, the government perceived that there was a direct trade-off between a restructural policy that might minimize Israel's growing financial dependence on the United States and political popularity, and it came to value the latter objective over fiscal responsibility.54 In response to these societal pressures the government began to allocate more funds for social services. For example, the percentage of GNP government transfers to individuals went from 6.7 percent during the 1962–1966 period, to 8.7 percent during the 1968–1973 period, and to 16.2 percent during the 1974–1980 period. And the government's taxation-to-transfers ratio significantly decreased over the 1962–1980 period: from 24.2 to 19.9 to 14.0, for 1962–1966, 1968–1973, and 1974–1980, respectively.55 “Until 1971 we were able to keep the lid on a boiling pot; in 1972 things start to break apart; then, in 1973, on this boiling level, the worst situation ... oil shock and the war.”56

52 Israel's occupation of the captured territories provided it with additional fiscal burdens and opportunities. While generally maintaining the pre-1967 fiscal arrangement, Israeli officials did introduce three changes: (1) West Bank and Gaza workers were subjected to payroll deductions; (2) West Bank and Gaza residents had to bear the burden of Israeli duties on goods imported through Israel; and (3) residents of Jerusalem after the 1967 annexation were subject to the higher Israeli taxes. Despite such measures, from 1967 until 1972 “revenues directly accruing to the public sector in the territories have been consistently lower than expenditures, the balance being met from military government sources.” After this date the picture becomes more ambiguous; it is likely that the territories were no longer a financial gain but were rather a net contributor to the Israeli budget. Brian Van Arkadie, Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies since 1967 (New York: Carnegie Endowment for International Peace, 1977), 98–101.


54 Eitan Berglas, interview with author, Tel Aviv, June 6, 1987. Berglas was director of the Budget from 1977 to 1979.

55 Berglas (fn. 18), 187.

56 Arnon Gafni, interview with author, Tel Aviv, June 24, 1987. Before his term as governor of the Bank of Israel from 1976 to 1981, Gafni was director general of the Finance Ministry.
The Yom Kippur War was a tremendous shock to the Israeli government, the society, and the economy. The government had misjudged the Arab threat, leading to a general societal reevaluation of Mapai's ability to be trusted with the state's security. Although the cost of the Six-Day War was considered excessive (a rate of $100 million a day), it seemed modest compared with the unparalleled costs of the Yom Kippur War (the equivalent of one year's GNP). Despite the already tremendous defense burden, there was a near consensus that national security demanded an even greater commitment of societal resources.

The increased societal cohesion following the war convinced Israeli leaders that they could increase the societal financial burden, albeit in a less than restructurial manner. Although before 1973 the cabinet's perception was that society had reached the limits of its tolerance for taxation, Arnon Gafni noted that "the best time to increase taxes is during war, since hardly anyone objects and people know that they are giving towards the war effort. We may argue that such measures are temporary, but these temporary measures stay on years after the war is over. Therefore, we take advantage of the situation and raise taxes when we can, and meet little opposition."\(^57\) A number of measures were implemented to pay for the immediate effects of the war, including increased taxation, a "voluntary" war loan, and a state loan (essentially a tax, but repaid after fifteen years).\(^58\)

Nonetheless, the state limited its domestic maneuvers because of the perceived political costs associated with a too determined extractive effort. The government's principal solution was to request, and receive, additional military assistance from the U.S. Consequently, Israel's external liabilities as a percentage of its budget increased from 15.4 percent in 1967 to 26.5 percent in 1977.\(^59\) Again, because of the new strategic alignment, state objectives, and societal pressures, Israeli leaders were more willing to depend on foreign sources. This was particularly true by 1975, as the memories of war had faded and most Israelis were more concerned with their personal financial problems. The government, conscious of its less than perfect performance during the 1973 war, was reluctant to impose further financial burdens; and challenges from Likud

\(^{57}\) Gafni (fn. 56).

\(^{58}\) According to one public opinion poll conducted soon after the 1973 war, "65.1% of the public are unreservedly prepared to tighten their belts and pay higher taxes and another 15.2% are prepared to pay a little more. Only 14.9% are absolutely opposed to paying any more taxes and 4.9% have no views one way or another." *Israel Economist* 29 (December 1973), 20.

dampened Mapai’s desire to introduce the tough but needed economic reforms. As Zambar stated: “Although in the first twenty years we were able to finance everything domestically, now because the [financial] burden was so heavy, we requested a huge amount from the United States. Israeli leaders knew that the U.S. would cover any additional costs, and we were not as motivated to scrutinize the budget. . . . It is easier to spend more if you know someone is going to pay for it.”

In summary, Israel’s financial strategy underwent a dramatic change, as it abandoned its concern for financial independence and increased its reliance on foreign sources of financing. This was a direct result of the government’s dual objectives of political popularity and war preparation and of potential societal opposition to its policies. As domestic constraints increased, the government looked toward an international solution to its financial problems. Fortunately for Israeli leaders, the U.S. was a willing lending agency.

Production Strategies

Before 1967 Israel’s method of procuring its needed war matériel was twofold. First, before 1948 a small arms industry was established that was capable of producing the prestate Jewish community’s most basic needs. Over the next twenty years arms production grew substantially, but its development was limited by the sophistication and size of the economy. During this period the Defense Ministry’s strategy was to place most defense production under its authority. This reflected the state’s dirigiste development strategy and security concerns; and it served the bureaucratic interests of the Defense Ministry and the political interests of Mapai, both of which would be credited with expanding the state’s national security apparatus. Moreover, only the state had the necessary capital to undertake such a substantial financial commitment. Histadrut, because of its close association with the state elite, was given some military contracts and coproduction with public sector corporations. The private sector, however, was effectively excluded from this potentially profitable economic sector, as Defense officials discouraged local entrepreneurial participation in arms production. The second method

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61 For example, Tadiran was nominally private until purchased by the Defense Ministry. Only when the company was placed under the guidance of the Defense Ministry did it begin to receive defense contracts. Peres (fn. 42), 132–35.
of assuring its major weapons needs before 1967 was its quasi alliance with France, which provided a relatively secure source of arms and also established some joint production of military hardware.

This was the situation until 1967. The French weapons embargo of that year sent shock waves through the Israeli leadership and reinforced the belief that Israel must not depend on outside sources for its national security needs. Consequently, the major concern was to establish and encourage those industries and enterprises that would both further the country’s defense needs and serve the country’s economic future. As Tzvi Dinstien, ex-director general of the Finance Ministry, succinctly argued: “Industrial development and defense requirements are intertwined.”

While Israeli leaders were in favor of greater defense production, it was the maturation of the economy and the development of numerous industries integral to military industrialization, primarily electronics, chemicals, and engineering, that made large-scale arms production a possibility. Thus, the external shock provided the stimulus to the government at a time when it was reasonable to expect that the economy could handle the requirements of a sophisticated arms industry. Therefore, a restructural policy was made possible by the state’s substantial relative autonomy and industrial infrastructure, yet it was still unclear whether the state would proceed toward greater centralization over the economy or toward a new policy of decentralization. This would depend heavily on the objectives of Israeli officials.

Given the state’s past etatist stance and control over defense production, as well as salience of national security, one might expect Israeli officials to maintain, if not expand, their control over the economy. And to a degree this policy was continued after 1967. Companies such as the larger Histadrut and state-owned enterprises (e.g., Koor and Israel Military Industries, respectively) that already produced, or could be reasonably expected to produce, the needed product in the near future were considered important to military industrialization and were further funded. They were thus able to solidify and increase their market share. If the project was too large and beyond the means of one of the existing

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64 Before 1967 the government had already established a policy of favoring those industries that were considered essential to the state’s national security, notably chemicals, metals, machinery, and electronics. Eliyahu Kanovsky, *The Impact of the Six-Day War: Israel, the Occupied Territories, Egypt, Jordan* (New York: Praeger Press, 1970), 117.
companies, the Defense Ministry itself built the necessary plants, provided the financing, and assumed ownership and control.\textsuperscript{66}

Simultaneously, however, the government began to deviate from its pre-1967 policy of excluding the private sector from defense production. In fact, the private sector often found itself openly courted and favored if the required capital was not prohibitive and a public sector corporation did not have a monopoly over production. According to Tzvi Tropp, a prominent Defense Ministry official intimately involved in investment decisions, although "all companies are equal" and the objective criteria of cost, quality, and delivery (in that order) should be considered when deciding upon a bid from a number of companies, an unwritten rule is that, everything else being equal, the Defense Ministry would favor the \textit{private sector firm over the public sector firm}. Its policies were in effect to "put the seeds in the small plants of the defense industry in Israel" and thereby provide the foundation for a larger and more expansive private sector. For example, El Bit and El Op, both private sector companies, received their initial investment capital from the Defense Ministry. Tropp continued, "In general, if it was possible to have military production done by the private sector we would do it there."\textsuperscript{67} The private sector now had an important role because of the government's decision to move away from etatism and toward economic liberalization.\textsuperscript{68}

Why the enthusiasm for private capital? Given that Israel was founded by a socialist-minded elite that was suspicious of, if not outright antagonistic toward, private capital, and that the government had pursued an etatist development policy, and that there was a significant threat to national security, one might have expected the government to maintain its control over military industries. Instead, the government coalesced around and promoted the private sector for economic, ideological, and political reasons.

The government believed that Israel's development prospects, and hence its security, were dependent on the economy's decentralization and exposure to greater competition. It was thought that decentralization, essentially equivalent to the development of the private sector, would

\textsuperscript{66} Pinchas Zusman, interview with author, Rehovot, June 24, 1987. Zusman was economic adviser to, and then director general of, the Defense Ministry from 1968 to 1975.

\textsuperscript{67} Tzvi Tropp, interview with author, Tel Aviv, May 30, 1987. The actual investment figures are classified; it is therefore impossible to verify the percentage of defense funds that went to the private and public sectors.

\textsuperscript{68} Also see Alex Mintz, "Arms Production in Israel," \textit{Jerusalem Quarterly} 42 (Spring 1987), 89-99. There was also increased interest in the benefits from increased foreign capitalist activity (although foreign capital had been courted in some fashion since before 1967). See Sheila Ryan, "U.S. Military Contractors in Israel," \textit{MERIP Reports} (January-February 1987), 17-22.
increase competition, lead to more efficient production, and thereby promote exports. This promarket attitude had been bolstered by the recession of 1965–1967, which was attributed in part to inefficient industrial and manufacturing sectors, a consequence of both the state’s excessive protection of these sectors from foreign competition and a lack of domestic competition. Defense Ministry officials also believed that its previous policy of limiting production to the public sector had jeopardized Israel’s security and was inappropriate for the changing environment and circumstances. In addition, it was assumed that greater technological spin-offs could be generated by those companies that produced for both the defense and the civilian markets, as opposed to those companies that produced exclusively for defense. Considerations of efficiency were also prominent; state officials believed that private sector firms should specialize in certain products and thereby increase efficiency and profitability. Moreover, by encouraging production for export markets and exposing the economy to the international economy, the government could “assist” the domestic firms toward economic efficiency.69

These economic motivations were bolstered by a growing ideological belief that an economy guided by state intervention was inferior to one shaped by market forces. There was an interesting transformation in the composition of the upper reaches of the bureaucracy as it became staffed by officials sympathetic to capitalism.70 A whole generation of economists educated and trained in neoclassical economics had attained key ministerial positions. Many in the Defense and Finance ministries believed that less government intervention was needed for a more productive economy. According to Dinstien: “These were the ideas of [Finance Minister] Sapir and [Prime Minister] Eshkol. We [at the Finance Ministry] did everything we could to develop this [private] sector. . . . This was the same philosophy in the Defense Ministry . . . [where] there was also a belief that a decentralized economic environment was the best way to produce what the military needed.”71 The Defense Ministry believed that if a firm was insulated from competitive pressures, the pricing mechanism would become distorted. This was true of those firms that produced only for the military and retained a monopoly over production.

69 Because military industrialization became more sophisticated and expensive and domestic demand was not enough to lower production costs, there was a turn to export promotion. This market became more central to the industry’s success and an increasing source of the state’s revenue. For overviews of Israel’s arms export market, see G. M. Steinberg, “Israel: High-Technology Roulette,” in Michael Brzoska and Thomas Ohlson, eds., Arms Production in the Third World (Stockholm: SIPRI, 1985), 181–88, and Aaron Klieman, Israel’s Global Reach (New York: Pergamon Press, 1985).

70 Benjamin Azkin and Yehezkel Dror, Israel: High Pressure Planning (Syracuse: Syracuse University Press, 1964), and Eisenstadt (fn. 40), 403–31.

71 Dinstien (fn. 63).
The "discipline of the market" was preferred, since "every company becomes as inefficient as allowed by its environment." This pro-market attitude among ministry officials had already surfaced shortly before the 1967 war and became increasingly prevalent and overt throughout the 1970s.

Political considerations also figured prominently in the move toward capital. One consideration was the need to bolster the government's weakening political foundation. Dispersing defense funds to as many groups as possible would broaden Mapai's political base and win the loyalty of domestic capital. Coalition politics was also important, since the General Zionists, who had always advocated a decreased state role in the economy and greater capitalist initiative, were then part of the government coalition and could assure that the private sector would benefit from defense contracts. Finally, there was also an element of bureaucratic politics. Because the Defense Ministry controlled the public sector military industries, other ministries believed that their bureaucratic rival would become too powerful if past trends continued unabated. The only way to offset current patterns was to funnel additional funds to the private sector and promote exports; that would lessen the public sector's dependence on the Defense Ministry for investment funds and thus promote the former's autonomy (it would also relieve the state's investment burden).

Because the private sector was relatively malnourished, the government used a number of policy tools to advance its development. The military was a captive market, with a guaranteed large demand. Government officials could channel investment, place long-range orders, and provide investment subsidies and tax breaks. In this environment private companies could plan while minimizing market uncertainty. Moreover, the public sector was actively encouraged to undertake joint ventures with private companies. If the public sector was still unresponsive, the Defense Ministry took the additional step of creating a number of firms for the exclusive purpose of facilitating the transfer of public sector operations into the private sector. For example, the Defense Ministry created Galram to coordinate public and private sector activities. Less subtle strategies included those instances when the Defense Ministry threatened to go exclusively to private capital unless the public sector acceded to private sector participation.

Although this restructurial policy was highly successful at paving the

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74 Zusman (fn. 66).
73 Ibid.
74 Arnon (fn. 50); Dinstien (fn. 63).
75 Dinstien (fn. 63); Tropp (fn. 67).
way for military industrialization, the economy still could not produce the more sophisticated and technologically advanced military hardware needed for modern warfare. Again, this was due to a lack of industrial infrastructure, financial resources, and scientific know-how. As a result, Israel also adopted an international strategy and came to depend wholly on the United States for its supply of advanced military hardware, particularly fighter planes.

Israel’s production strategy was a function of both the state’s objectives—to mobilize defense production, to usher in a new development phase, and to bolster its political base—and the available options. Rather than centralize its control over the economy, the government moved toward liberalization, a shift facilitated by a high degree of state autonomy. A number of highly motivated officials, with autonomous control over substantial resources, channeled seed money to the private sector and promoted its growth. To acquire those weapons that could not be produced domestically because of the economy’s material limitations, Israel turned to the United States.

Conscription Strategies

Not surprisingly, Israel’s involvement in three separate wars and the occupation of the captured territories increased its manpower needs. Briefly, Israel’s conscription policy before 1967 was set forth in the Defense Service Law of 1949, which stipulated that every male citizen serve two years in the military (women served one year) and that every permanent resident was subject to annual reserve duty for thirty-one days until the age of thirty-nine, and for fourteen days between the ages of thirty-nine and fifty-five.76 In Israel military service is seen as identification with the state, as commitment to its goals and interests. The tremendous legitimacy bestowed upon the Israeli state by most of society enabled Israeli officials to institute near universal conscription soon after the 1948 war. Only Arabs and religious Jews were exempt during the pre-1967 period, which was indicative of their marginality and partial membership in the collectivity.77

Because conscription was already nearly universal before 1967, only an incremental change was likely. After 1967 the Ministry of Defense and the religious establishment negotiated for some religious Jews to join the


army, primarily through the Nahal (the army’s agricultural unit), and stationed them principally on the West Bank. This extension of conscription served the interests of both the Defense Ministry, which sought to extend the scope of conscription, and the religious community, which wanted to participate in defense and the political struggle over the occupied territories. In addition, service for male conscripts was lengthened from two to three years, and the annual period of reserve duty was raised to two or more months, while many overage reservists were reactivated. Immediately before the 1973 war, however, the length of service was reduced to thirty-three months, and reserve duty reverted to the pre-1967 standards. This was a result of government’s confidence in the ability of the air force to deter any possible Arab attack. Such cutbacks were premature.

The Yom Kippur War reintroduced even greater manpower pressures. Israeli estimates of the manpower balance between itself and the Arab states projected a decline from 2:3 in 1977 to 1:3.5 in 1984. Moreover, the rapid changes in military technology called for training periods longer than the already lengthy three-year commitment. The army benefited from widespread feelings of patriotism and the belief that the state was in mortal danger, which led to an increase in the reenlistment rate for reserve officers.

Patriotic fervor alone could not meet Israel’s manpower needs, but to lengthen the reserve service period would place it beyond the pre-1967 formula, which was seen as meeting the military’s manpower needs while minimizing the economic (particularly labor) costs to the economy. The IDF therefore began to review the conscription registry for those who had dodged the draft or had never been called up. Although this was a laborious task and took a long time, it increased the manpower pool by a few thousand men. The military also rechecked the original criteria for exemption and attempted to enlist those who were originally exempted because of comparatively lax enforcement. Although originally such exemptions applied to only a few hundred, by the 1970s they covered between ten thousand and fourteen thousand men.

In addition to these accommodational measures, the government pursued a limited restructurational policy and attempted to increase the country’s

78 Ibid.
80 Ibid., 359.
81 Yaniv (fn. 40), 191–92.
82 Ibid., 192.
83 Eisenstadt (fn. 40), 160–61.
manpower through a return to the notion of “spatial defense.” This policy had been introduced during the first years of Israeli independence. At that time the state armed the peripheral settlements so that they could absorb the first blow in the event of an attack, if the army could not mobilize quickly enough. (Between 1956 and 1973 the concept had been largely abandoned for lack of resources.) The IDF debated the utility of training Israeli settlers for paramilitary duties on the West Bank in case of another 1973-type invasion, and Chief of Staff Rafael Eitan, a strong advocate of Greater Israel, created civilian groups in the occupied territories that could use force if the IDF were unable to respond quickly enough to a security threat. This represented an important development in the state’s manpower strategy and would later become a controversial, and sometime unpredictable, coercive arm of the state.

**Summary**

As Israel’s security needs became more demanding and costly after 1967, its war preparation strategies underwent tremendous change. The Israeli case demonstrates that even in so-called strong states that have high legitimacy, extractive capacity, and control over production, there are significant domestic constraints that affect the state’s ability to mobilize security resources. In order to explain Israeli war preparation strategies fully, it was necessary to incorporate both the state’s other domestic objectives, which included creating a sound economic environment and protecting the government’s political base, and the constraints on its actions. How the state’s objectives and decision context together produced its war preparation strategies is most evident in Israel’s production strategy, which changed from an etatist stance to one that incorporated the previously excluded domestic capitalist class. This shift was motivated by the role that the private sector could play in strengthening the government’s security, political, and economic objectives; and the government could initiate such a significant change in the country’s economic organization because of the state’s autonomy.

Despite such industrialization efforts, however, domestic sources alone could not produce all of the necessary military hardware. Thus the state had to supplement its restructural orientation with strategic assistance from the United States. The state’s financing strategy also underwent radical change, as Israeli officials quickly jettisoned the pre-1967 policy of maintaining financial autonomy and began to depend heavily on the U.S. This international strategy was (1) a reaction to the unwillingness of Israeli society to absorb the mounting costs of war without

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84 Yaniv (fn. 40), 206.
exact a political price and (2) the result of the opportunity created by the new alliance with the United States, which allowed Israeli decision makers to export these costs. The result was that budgetary constraints were relaxed and the government lost the political will to impose further demands on society. Because conscription was already nearly universal and lengthy, a product of the state’s tremendous legitimacy, it could be changed only at the margins.

**Conclusion**

This study offers a conceptual framework for thinking about the systemic and societal determinants of the state’s mobilization of resources for war and illustrates its utility with the Israeli case. It addresses a number of theoretical issues. First, the Janus-faced state is alive and well and living in the domain of national security policy. This contrasts with the dominant theoretical understanding that security policy is at the discretion of a privileged number of government officials who either do not take societal constraints into consideration, or are independent of them. The Israeli case vividly illustrates the importance of integrating systemic and state-society relations for understanding national security policy. Those officials who were responsible for the nation’s strategic posture vis-à-vis the Arab world were sensitive to the salience of international conflict and the new alliance opportunity with the United States and also to the increased societal constraints and pressures on the state’s resources. Therefore, as opposed to the view offered by systemic and economic nationalist approaches, I have shown that a complete explanation of Israel’s strategic alliance with the United States must incorporate the missing role of state-society relations. Israeli leaders had a number of options for mobilizing the necessary resources, but by choosing to increase their reliance on the United States they could avoid imposing greater burdens on society and jeopardizing their other political and economic objectives. This study, then, joins the growing body of literature that explicitly attempts to link, in a theoretical manner, domestic politics and the international system for understanding the foreign policy behavior of states.85

Second, because the state is attempting to mobilize material resources, national security and political economy are inextricably intertwined. Joseph Nye correctly observes that “the field of international politics split

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into two literatures, one in military security rooted in the Realist tradition, and the other in international political economy, incorporating some insights from the Liberal tradition. Each tended to ignore the concerns of the other. Only recently have there been efforts to bring these two back together.\textsuperscript{86} Although Kennedy’s book has stimulated numerous discussions concerning the relationship between national security and political economy,\textsuperscript{87} these debates have proceeded absent the insights from the expansive literature on state-society relations. Theorizing about state-society relations in the security sphere can provide new insights into the relationship between international security and the economy, which all too often have been regarded as separate fields of study.

It is equally important to recognize that society is more than a set of constraints. Israeli officials used the state’s security policy intentionally to redirect the future state-society relationship, since they saw a restructured domestic society as instrumental to their security, economic, and political objectives. That war preparation strategies may have a dual purpose—to affect the state’s relationship to both foreign and domestic actors—has been ignored by security theorists. Whether or not a state’s war preparation strategies are used explicitly and intentionally for this double-edged function, they have important effects on state-society relationships.\textsuperscript{88} The neo-mercantilist use by the Israeli government of the economy to further its security posture, however, had a strange twist, for the initial attempt by the state to liberalize the economy in order to expand its material base led to an erosion of the state’s autonomy at the hands of a growing and increasingly important domestic capitalist class and military-industrial complex.

These observations underscore the essence of the study: considered in isolation, systemic, state, and societal-oriented approaches are inadequate for fully understanding national security policy. Future security studies would do well to incorporate the insights generated by the literature on foreign economic policy, which recognize the importance of the international system, forms of the state, and societal actors. It is not only in the realm of foreign economy policy that the state must bargain for societal resources in pursuit of its foreign policy objectives; the state’s military power in the interstate system and its national security policy are equally affected by the societal constraints on its actions.


\textsuperscript{87} Kennedy (fn. 10).

\textsuperscript{88} Theda Skocpol, \textit{States and Social Revolutions} (New York: Cambridge University Press, 1979); Michael Barnett, “War Preparation and the Restructuring of State-Society Relations: Egypt and Israel in Comparative Perspective” (Ph.D. diss., University of Minnesota, 1989).