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Netanyahu's Second Coming
A Neoconservative Policy Paradigm?

Until recently, neoconservatism seemed remotely related to the Israeli political landscape. Not only it was noted that Israeli politics lack a conservative foundation, but also the combination of a hawkish foreign policy and a free market economy lacked a designated constituency. Indeed, in June 1999, several weeks after the Likud and Netanyahu were defeated in the elections, nearly one thousand people gathered in Jerusalem to hear Irving Kristol, the "godfather" of neoconservatism. Kristol, a former advisor of Nixon and Reagan, who argued that neoconservatism has not yet crystallized in Israel, and advised his audience to follow the American example and create the local neoconservative intellectual tradition lacking in Israel. Less then a decade later, as this paper would argue, local efforts have combined with a changing global and local context to enable neoconservatism to make its mark on the Israeli political discourse and form an agenda based on privatization, liberalization, decimation of the welfare state, and a hard-line foreign policy.

In the United States, neoconservatism has made an impressive comeback into the public discourse less than a decade after its own forefathers wrote its eulogies, and is claimed to underscore the policies of the George W. Bush administration. Recent reports highlight the key positions that "neocons" hold in the Pentagon and the White House and describe "A web of connections [that] binds these people in a formidable alliance."[1] Neoconservative proponents highlight the unanticipated "historical accident" that allowed neoconservatism to enjoy "a second life, at a time when its obituaries were still being published."[2] Thus, in the wake of September 11, the hawkish foreign policy attitudes associated with neoconservatism gained popular ground and combined with the earlier emphasis on liberal economics to form a new policy paradigm. While neoconservatism is essentially an American phenomenon, its influence, both political and economic, due to the United States' power position and developments

associated with globalization, stretches beyond its original boundaries and is part and parcel of the political debate in other Western democracies. Canadians, for example, debate the impact of neoconservatism and the character of Canadian neoconservatism, despite its lack of a coherent political-ideological structure.[3]

The purpose of this work is to trace the influence of neoconservatism on policymaking in Israel, to identify its sources of power and speculate whether a new policy paradigm based on its tenets has gained significant ground. To do so, it explores the relations between ideas, politics, and policy. Thus, on the one hand, it describes the new ideological and discursive terrain of the right, and, on the other hand, its political practices and policy orientations. A combination of a changing global context and local sources of support, it would argue, enabled neoconservatism to enter the Israeli political discourse through different channels, most of them related to the former Prime Minister and current Minister of Finance, Benjamin Netanyahu. Specifically, the rise of neoconservatism in Israel is related to the collapse of the peace process in 2000 and the de-linking of two issues previously related: peace making and liberalization. Consequently, a neoconservative agenda based on liberal economics could gain support from many previously associated with the "left" who were indifferent (or at times supportive) of its hawkish elements. The recent resumption of negotiation with the Palestinians, however, may break apart this consensus and force the neoconservative right to reassess its position. The first part of this work will discuss the role of ideas in politics. The second part will attempt to clarify the neoconservative agenda. The third part will describe the sources of neo-conservatism in Israel and their impact on Israeli politics.

IDEAS, POLITICS, AND POLICY PARADIGMS

The study of ideas in political science, international relations, and international political economy has gained momentum in recent years. Ideas supposedly fill the void between individual choices and institutions, and as such can help to explain the continuity of policy but also social change. Studies of ideational variables engage with questions such as how ideas gain political prominence. How do ideas become embedded in organizations, discourses, and identities? And, how do ideas influence political behavior? [4] Research identifies three different approaches that explain the ability of ideas to influence policy.[5] The first holds that decision-makers adopt new ideas when existing public policies fail to meet their goals. A second

approach focuses on institutional arrangements and the way in which bureaucracies facilitate the adoption and implementation of new ideas. The third approach, relevant to this work, examines the political factors that turn ideas into policy. Thus: "to become policy, ideas must link up with politics—the mobilization of consent for policy. Politics involve power. Even a good idea cannot become policy if it meets certain kinds of opposition, and a bad idea can become policy if it is able to obtain support."[6]

Policy-makers often operate within a "policy paradigm," a framework of ideas and standards that specify not only the goals and the available instruments to attain them, but also the very nature of the problems they are meant to address.[7] Policy paradigms can emerge from state structure and past activities so that the interests and ideals policy makers pursue are shaped by "policy legacies"[8] and demonstrate continuity. But policy paradigms, like the scientific paradigms Kuhn identified, are also subjected to change or a "paradigmatic shift." The paradigmatic shift may be a result of an "accumulation of anomalies," as in "real" science, or, alternatively, the result of new ideas and competing sources of power that promote new paradigms. The study of the relation between ideas and politics requires the examination of the way ideological schemas are used in democratic politics vis-à-vis the population at large and how ideas are translated to popular consciousness[9] and, consequently, into political agendas.

Material changes or the discrediting of existing ideas by political agents can open up political spaces to competition for new ideas.[10] The capability of organized interests, political parties, and policy experts to influence and shape the political discourse through an ideational effort, underscores their ability to influence policy-making.[11] Thus, when ideas, promoted by interested parties are adopted by policy-makers and society at large, they become institutionalized—habitual, natural, or instinctive for a particular community. Ideas, as research indicates, do not float freely[12] nor impact politics equally. The influence of ideas depends on the degree they fit with existing ideologies and existing institutional structures[13] or, when ideas promote change, on the organization of political entrepreneurs to promote certain ideas, their ability to convince society at large of their merits and the context, global and local, that makes ideas less or more relevant.

The change of policy paradigms is likely to involve the accumulation of anomalies, experimentation with new forms of policy and policy failures that amount to a third order change.[14] The change, therefore, is a result on the one hand, of social changes that open the way for new ideas and, on the other hand, of political entrepreneurs that promote ideas.

Ideas must be championed by entrepreneurs—using ideas as "weapons" to promote and justify a self-interested agenda—who are capable of persuading others of their merits.[15] The concept of hegemony is often employed to explain the diffusion of ideas that serve a powerful group but also enjoy wider legitimacy. Like other ideational changes, hegemony does not simply "happen" but is the result of time, energy, and resources invested by interested parties.[16]

Ideas are promoted through various institutions that act as transmission belts between entrepreneurs, policy–makers, and the public. Think tanks and research institutions play an important role in the translation of ideas into coherent policy paradigms. Think tanks maintain a degree of autonomy from both state and corporate interests yet act as agents of policy transfer by advocating ideas according to their orientation. Their prime importance is the construction of legitimacy for certain politics and their ability to set agendas.[17] The media, often a target of think tank productions, is both a mirror of public opinion and a magnifying glass for the issues it takes up. American corporate leaders in the 1970s, for example, invested in "educating" the media in order to strengthen the image of business, and the British neo-liberal media played an important role in the shift from a Keynsian to a monetary paradigm.[18] The success of political entrepreneurs, however, is also a question of "timing" or historical circumstances often beyond their control. Not only policy failures that open up the terrain for new solutions, but also global changes and local transformations, can open windows of opportunities for ideas previously marginal and enable entrepreneurs to push them forward.

NEOCONERVATISM—AN OLD-NEW IDEA

Neoconservatism used to describe a group of intellectuals (some of them former Marxists or Trotskyites) that, in the 1960s, moved from neo-liberal politics to what was described as a new type of conservatism whose main tenets were moderate economic liberalism, hawkish foreign policy perceptions, opposition to the 1960s counterculture, and support for Israel. In the early 1990s, after the end of the Cold War, the movement seemed to exhaust itself, its critics argued that its high-water mark had passed[19] and its proponents described its missions as complete. The legacy of neoconservatism, wrote Norman Podhoretz, in a 1996 eulogy for neoconservatism, will continue to plague its enemies for a long time, as its two ruling passions—anti-communism and the revulsion against the 1960s

counterculture—seemed to have been fulfilled.[20] But, only five years later, neoconservatism made a surprising comeback following the election of George W. Bush, the events of 9/11, and the war in Iraq.

Neoconservatism is probably less of an organized and institutionalized movement and more of a "persuasion" or tendency, as some of its central figures described it.[21] The revulsion against the counterculture of the of the 1960s was a major force behind the rise of neoconservatism as its proponents felt that the great institutions of the liberal community—universities, the media, and the Democratic party—failed to resist the counterculture. Neoconservatives sought to revive what they perceived of as traditional American and Western values, including capitalism: "they defiantly revived the name as part of an aggressive campaign to demonstrate that not only that capitalism was far better than socialism at producing wealth, but that it even managed to distribute it more widely; and that not only that it was good in itself, being a form of freedom, but that it was also a great bulwark against totalitarianism."[22]

Neoconservatives overall have rejected the Hayekian notion of the "road to serfdom"[23] and their reluctance toward the welfare state was related to their concern for its "moral corruption," the possibility that incentives to work would be undermined by the availability of welfare benefits, that redistribution could erode economic growth, and the possibility that egalitarianism would conflict with liberty.[24] Consequently, they supported its restriction rather than its annulment and in later periods came to adopt what they described as a "compassionate conservatism."[25]

On foreign policy, neocons adopted a hawkish position based, among other things, on a deep sense of patriotism—"a natural and healthy sentiment [that] should be encouraged by both private and public institutions."[26] The Soviet Union, according to the neocons' perception, was a revolutionary and expansionist force reminiscent of Nazi Germany and, therefore, they objected to the policy of détente or attempts at arms control. Finally, this sense of patriotism and their perception of the American national interest underscored the neocons commitment to Israel, part of an overall commitment to defend "a democratic nation under attack from nondemocratic forces"[27] or a "highly vulnerable outpost and surrogate of the West in a strategically vital region."[28]

Neoconservative influence was wielded through various channels such as the Heritage Foundation or the American Enterprise Institute (AEI) in which neoconservatives joined free-enterprise conservatives like Milton Friedman for numerous productions designed to influence policy-making.[29] The Reagan era, during which neoconservatives held important

positions in government, seemed like the peak of the movement that adopted both anti-communism and Reaganomics. "Kampelman, Kirkpatrick, Elliot Abrams, Richard Perle, Eugene Rostow, Kenneth Adelman, and Richard Pipes were appointed to high-ranking foreign policy positions. William Bennet, Chester Finn, William Kristol, Linda Chavez, and other neoconservatives worked in various domestic policy offices. The *New Republic* warned half seriously that "Trotsky's orphans" were taking over the government. Neoconservatives provided the intellectual ballast for Reagan's military buildup and his anti-communist foreign policy, especially his maneuvers in Central America."[30]

In retrospect, Podhoretz could not avoid a triumphalist tone, even when warning against the lingering influence of the counterculture: "Who today shies away from the word capitalism, or denies that it is superior to socialism both in producing wealth and distributing it? Who today celebrates free and easy sex as the road to health and happiness? Who today promotes drugs as the getaway to a higher consciousness?" It is a time, he summed, "for satisfaction over a just war well fought, and a time for rejoicing in a series of victories that cleared the way and set the stage for other victories in the years to come."[31] Neoconservatives, however, remained active through various institutions, most importantly the Project for the New American Century (PNAC) founded in 1997 to promote "American global leadership" whose founders include Dick Cheney, Donald Rumsfeld, Paul Wofowitz, and Eliot Abrams, who later occupied key positions in the Bush administration.

The election of George W. Bush, September 11, and the war in Iraq brought neoconservatism and the neoconservatives back to attention. A decade of neoconservative argument, debate, and policy papers, previously ignored, was translated after the attack on the World Trade Center into an American foreign policy that includes the use of military force, with or without the approval of multilateral institutions, the use of pre-emptive strikes and the inclusion of states that support terrorism in an "axis of evil."[32] It was argued that the Bush revolution in foreign policy rests on two beliefs. The first, that American security will be ensured by the removal of constraints imposed by friends, allies, and international institutions, and the second, that America should use its power to change the status quo in the world. [33]

Contemporary neoconservatives include a group of influential policy makers often described as a "cabal," possibly overstating their power and ignoring the differences among them and also the role of George W. Bush himself.[34] Yet, critics of neoconservatism were able to map the neo-cons

in strategic positions and describe the interconnections between them.[35] Neoconservatives, in response to their critics, dismiss the descriptions of a political conspiracy, and adopt a more conventional paradigmatic shift following anomaly:

> Not only did the neocons have an analysis of what went wrong in American policy, they also stood ready with proposals for what to do now: to wage war on terror groups and to seek to end or transform governments that supported them, especially those possessing the means to furnish terrorists with the wherewithal to kill even more Americans than on September 11. Neocons also offered a long term strategy for making the Middle East less of a hotbed of terrorism: implanting democracy in the region and thereby helping to foment a less violent approach to politics.[36]

Thus, when older concepts of deterrence and containment seemed irrelevant in the face of new threats, a new paradigm was bound to emerge. Rather than a "neocon cabal" that directs (or re-directs) American foreign policy, it is argued, the principles articulated by neoconservatives are deeply embedded in American history and public opinion.[37]

The renewed power of neoconservatism seems to be the result of political agency and the circumstances in which the world "found itself."[38] In a 1996 article in *Foreign Affairs,* William Kristol and Robert Kagan, leading neoconservative thinkers, advocated "actively pursuing policies—in Iran, Cuba, or China, for instance—ultimately intended to bring about a change of regime." Initially these ideas were rejected not only by the Clinton, but also by the Bush, administrations, the perceptions of the latter, however, as well as the wider public opinion, have changed since the events of September 11. Neoconservatives were able to discredit the isolationist policy supported by many traditional conservatives and to push forward America's promotion of democracy, not so much for the sake of democracy, but as a means to bolster US security and to further its world preeminence.[39] On economic issues, if neoconservatism originally differed from older varieties of conservatism, by the 1990s these differences had largely disappeared as most neoconservatives adopted a similar position towards the welfare state.[40]

The economy, however, might be an important question for the future of neoconservatism and its popular support. The future survival of neoconservative doctrine, according to Stelzer, is crucially dependent on their ability to eliminate the contradiction between foreign policy goals and domestic policy. Specifically, the interventionist unilateral policy that would

preserve American power would have a high economic cost and threaten the conservative commitment to balanced budgets and low taxes.

ISRAEL: CONSERVATISM AND THE RIGHT

The division between right and left in Israeli politics is generally a debate between hawks and doves, respectively, galvanized by the war of 1967 in which Israel took over the West Bank, the Gaza strip, and the Golan Heights. Since the 1970s, the territorial or "land for peace" question has become the major divisive issue in Israeli society that overshadows all other debates, including the economic. What is described as "the right" in Israel, is essentially an amalgam of different economic positions held together, first, in the early years of statehood, by opposition to MAPAI, and, later, by the commitment to a greater Israel and opposition to territorial compromise. This confusion was strengthened by the association gradually formed between peace, economic growth, and privatization that placed many free market supporters on the left side of the political continuum.

The connection between the right and conservatism in Israel seems rather remote to the point where a traditional conservatism in Israel is lacking. Revisionist Zionism associated with Ze'ev Jabotinsky is a natural candidate for the conservative right in Israel. But the transformative elements in revisionism clash with conservatism's aversion to such politics. More importantly, the Likud party, the official heir to revisionism, is comprised of several groups and adopted electoral strategies that reinforced its more centrist orientation.[41] Specifically, the main factions of the Likud were Herut, the revisionist party committed to territorial maximalism and militant nationalism, and the liberals whose principal concerns were economic reform. While the two parties had different priorities, they shared their opposition to the dominant labor party (Mapai) and its welfare state and managed in 1977, for the first time, to win the elections.

While the Likud advocated economic reforms and committed to a market economy in rhetoric, it also presented itself as the party of the disadvantaged and was regarded by many as the party of the masses. Thus, the Likud's important base of support, enabling the 1977 election victory, came from the less affluent Jews of non-European descent and residents of the periphery. Ironically, the Labor party, supposedly the party of the workers and socialism, received its support from the more affluent voters. The Likud, traditionally the party of opposition, was perfectly poised to take advantage of Mizrachi Jews' resentment towards the Labor party and

mobilize a majority of these voters. In the 1977 elections, the Likud coupled a hawkish foreign policy position with a promise of economic reform that appealed to many of the disadvantaged and enabled its victory. Economic reform, however, was secondary to the overall resentment and was carried by the DMC party, the liberal forerunner of today's Shinui, rather than the Likud. While the left in Israel is committed to a policy of "peace and privatization" and promotes a liberal discourse based on a civic view of the state, the right promotes an "ethno-national" discourse that rests on Israel's definition of a Jewish state and a religion-based understanding of Jewishness.[42] Thus, as was observed in other elections, what determined the vote was not the economic debate but rather the territorial dimension (1984), ethnicity (1977–1984) and religiosity (1996).[43]

In practice, after Likud took office, not only has it diverged from its territorial commitments after signing the peace accords with Egypt, but also its economic policy was somewhat incoherent. The liberal faction of the Likud, for example, was discontent with the slow pace of economic reforms, especially its proposals for a reduction of government subsidies on basic commodities.[44] Menachem Begin himself was committed to social justice and the eradication of poverty, following his mentor Jabotinsky's concept of social rights,[45] and, accordingly, his government initiated an ambitious project that targeted poor neighborhoods. The neighborhood renewal project began in mid-1970, but it was the Likud government that expanded the project to include, at its peak, about 90 neighborhoods and small towns, and approximately 600,000 people. The government was also able to mobilize the Jewish diaspora to contribute to the project that aimed to improve the lives of the poor sectors of Israeli society, many of which voted for the Likud.[46] The Likud, therefore, was committed both to social justice and market economics. As such, the economic liberalization plan initiated by the Likud in 1977 was not only limited in scope, but, more importantly, it also faced strong opposition from the Histadrut (the labor federation, a stronghold of MAPAI) and also was clumsily executed so that only minor privatization or economic restructuring has occurred.

The business community, the natural supporter of market economy and liberalization, was always closer to the left-of-center Labor party than to the more liberal-economic oriented Likud. This seeming paradox is explained by earlier ties established during the dominant period of the Labor party (pre-statehood through 1977) the more moderate foreign policy agenda of the Labor party and, since the 1980s, and the party's adoption of a liberal economic agenda undistinguished from that of its rival. Unlike in earlier periods when affiliation to Labor was based on privileges

and protection, since 1985 it has been based on businesses' export-oriented strategy and their search for the global expansion it believed Labor's more moderate foreign policy could promote.[47]

The changing perceptions of Israeli businesspeople regarding their relationship to the wider world were part of a wider development of Israeli society. If, in the early years of statehood, Israeli society sought to isolate itself from outside cultural influences, preferring to create a cohesive society, since the 1970s more and more Israelis, especially from the middle and upper middle-classes, have been exposed to foreign influence. The so-called "Americanization" of Israeli society included the introduction of consumerist behavior and values, leisure activities, entertainment patterns, and lifestyles into the previously relatively closed Israeli society.[48] From a society of austerity in the 1950s, Israel was turning into an affluent society, with more "hedonistic" values, open to foreign cultural influences, and deeply engaged in consumption, evident by the gradual increase in the number of motor vehicles, electric appliances, and later mobile phones and internet access.[49] By the 1990s, the cultural change in Israeli society was striking. American fast food and retail chains were established across Israel, a new language imbued with English words and slang was used, rock music and other (mostly) American musical influences, journalism imitating American style and literature concerned with the individual, departing from the collectivist spirit. The introduction of commercial television in the 1990s, dependent on advertisement, changed the patterns of broadcasting that now had to react to popular ratings.[50]

Overall, there was a growing desire among Israelis to "normalize" the country, making it into what they considered an advanced, sophisticated, and more tolerant society. What marred the successful economic reforms of 1985 was the continuation of the conflict and the rising costs of maintaining the occupation of the territories, particularly since the Palestinian uprising (the Intifada) in 1987. The business community and its allies gradually came to believe that economic growth depends not only on the liberalization of the economy but also on the resolution of the conflict.

The 1992 electoral victory of the Labor party, whose platform stressed the need to "normalize" Israel through peace and criticized the "irrationality" of the Likud's foreign policy, was a signal for the business community of the changing climate. The improved business mood was reflected in the stock exchange: two days before the elections, when the polls indicated a Labor victory, stock prices climbed by 3.5 percent and after the elections they climbed by another 7 percent. "Whereas in the ballot box investors vary in their political views," explained one economic analyst, "in the stock

market there was largely a consensus. For most investors the return of the left (the Labor) means higher chances for conflict resolution."[51] Indeed, the Labor party government formed strong ties with the business community and the latter provided strong support for the peace process.[52] Rabin, wrote one liberal commentator in a eulogy shortly after the assassination, learned to trust market forces and even to love them. "Rabin began [his political life] as a socialist, continued as a social democrat, and in his last year in office was a pure economic liberal."[53]

NETANYAHU—THE 1996 ELECTION

Neoconservatism in Israel carried an agenda that included a mixture of nationalism, civil rights, and a free market economy.[54] Benjamin Netanyahu, an Israeli who spent a large part of his life in America, entered the Israeli political scene with what seemed like a set neo-conservative agenda: strong opposition to the Oslo agreements and a commitment to market economics. But, already before the elections of 1996, Netanyahu, and the Likud presented a more centrist, moderate position. The public outrage that followed Rabin's assassination was largely directed to the right and its leader, Netanyahu and forced the party to soften its tone. In addition, because of the Labor party's advantage in the early polls, a move to the center was required to win the elections. Netanyahu reaffirmed his opposition to the Oslo agreements but stated that they cannot be ignored, so negotiation with the Palestinian Authority is necessary. Also, in order to ensure the support of religious voters (in 1996 for the first time elections for Prime Minister were separated from party elections) the Likud adopted a pro-religious position.[55]

Netanyahu's neoconservative agenda was presented in his 1993 book, "A Place among the Nations." The blueprint for Israel's survival, according to Netanyahu, included mass immigration from the former USSR and the transformation of Israel's bureaucracy to enable a market economy and, consequently, the prosperity that would attract the new immigrants: "An Israel boasting eight million Jews in the early decades of the next century, with double the economic output per person, could be a substantial force on the world scene."[56] Moreover, this position of power would allow Israel to dictate its terms for peace and force its neighbors to reckon with it. Much like other neoconservatives Netanyahu had personal contacts with, his concept of peace included not only security and reciprocity but also the need to strengthen democracy in the Arab world for a Kantian-like peace based

on mutual trust.[57] This, according to one writer, is based on Netanyahu's overall optimism and an American "can-do attitude."[58]

The victory of Netanyahu was based not on a constituency that shared his neoconservative agenda but on what some described as a "rainbow coalition" that Netanyahu and the Likud managed to mobilize against the peace process. The Likud's campaign captured the support of those leaning towards the primordial identity as it managed to portray the Labor party and Peres as less patriotic and less concerned with the Jewish essence of the state. Two campaign slogans encapsulated this message, "Peres will divide Jerusalem" and "Netanyahu is good for the Jews." The first threatened that Peres would be willing to compromise over the future of Jerusalem, supposedly the heart of Jewish nationalism, the second implied that the future of the Jewish people is safer with the Likud. Thus, the Labor-Meretz alliance with its liberal pro-peace agenda united an opposition made of the sectarian parties of Orthodox religious, Mizrachim, and new immigrants who resented the agenda they perceived as elitist and self-serving. Nachum Barnea, a senior columnist, described the roots of hostility and alienation towards the Labor party that was displayed in the election outcomes.

> It was a coalition of communities and individuals that believed he [Peres] is not loyal enough to the national, Jewish interest. . . . It was a coalition of the hungry. Many of them feel neglected, treated unfairly and marginalized in Israeli society. They identify, not without justice, the left with the political, economic and cultural establishment, in which they have no share.[59]

Netanyahu's neoconservative agenda faced domestic inconsistencies but received support from abroad. In 1996, a Washington study group headed by Richard Perle, a central figure in contemporary neoconservatism, produced a document titled "A Clean break." Labor Zionism, the document argued, was Israel's "large problem"—efforts to salvage Israel's socialist institutions—which included pursuing supranational over national sovereignty and pursuing a peace process that embraces the slogan, "New Middle East"—undermine the legitimacy of the nation and lead Israel into strategic paralysis and the previous government's "peace process."[60] Netanyahu's new government, the document stated, should come in with new ideas and a new intellectual foundation that would "provide the nation the room to engage every possible energy on rebuilding Zionism, the starting point of which must be economic reform."[61] In an interview with *Businessweek*, a year after his election, Netanyahu was explicit in his intentions:

> This is probably the first time in Israel's history that you have a Prime Minister who is genuinely committed to free markets as a No.1 Priority. And this is at a time when Israel is making a technological leap . . . The only things holding us back are the concentration in the economy and the anachronistic socialist restraints that have to be discarded.[62]

The neoconservative agenda that included a mixture of nationalism, civil rights, and a free market economy was difficult to implement due to the structure of the coalition Netanyahu was dependent upon, the dynamics of Israeli-Palestinian relations and the world context. The support Netanyahu enjoyed from the "soft right"—Sephardic and traditionalist—seemed initially to provide a safety belt that secured his position.[63] The ruling of this rainbow coalition, however, proved difficult, and the Netanyahu government had not completed its term before being ousted. First, Netanyahu oscillated between the more moderate position of the Likud that acknowledged the need to make some compromises and the hard line positions in his party and the coalitions. To this was added an American administration that cooperated with the previous government on the Oslo accords and pressured the new government to continue negotiating with the Palestinians. In his maneuvers between the different demands and pressures, Netanyahu was portrayed as "inconsistent" and, consequently, lost much of his credibility.[64] Necessity forced Netanyahu in his tenure as Prime Minister to withdraw from the West Bank city of Hebron and sign the Wye Agreement that committed to a withdrawal from a further 13 percent of the West Bank.[65] Neoconservatives have gradually accepted the need for territorial compromise to protect existing values and remolded the greater Israel ideology along with what was described as more hawkish-pragmatic lines, inspired by the neoconservative approach to the Cold War in the US.

While the Arab-Israeli conflict occupied the government's attention, on the agenda on economic matters things were no less difficult. To start with, the derailment of the peace process and a world recession hurt the Israeli economy and unemployment was on the rise. The neoconservative panacea of budgetary cuts and liberalization was difficult to apply due to the coalition make-up. The coalition included two important partners: Shas, a religious sephardic party whose voters were generally of the lower classes, and Yisrael B'Aliyah, representing the new immigrants from the former USSR. Not only did these two parties have demands for budget allocations for their constituencies, but there was strong antagonism between the religious Shas and the secular Yisrael B'Aliyah that constantly de-stabilized the government.

Eventually, internal tensions and external pressures brought the government to a collapse in 1999 with the call for new elections. The incumbent Netanyahu entered the race after three difficult years in which his credibility was shattered and little of the neoconservative agenda was implemented. Netanyahu's defeat in the elections to the Labor party headed by Ehud Barak, followed by his resignation from the Likud leadership, seemed to indicate the end of his political career and a major setback to neoconservatism. But, it was in his comeback as a Minister of Finance that the neoconservative agenda seemed to make a real impact.

NETANYAHU'S RETURN

Netanyahu's almost accidental nomination as Minister of Finance in 2003, a result of a re-shuffle tactic of Prime Minister Sharon that moved him from the Ministry of Foreign Affairs, under the conditions described above, turned out to be a major development of neoconservatism in Israel. The Ministry of Finance allowed Netanyahu to maintain his hawkish hardline position but to concentrate on an ambitious economic plan and gain support from significant constituencies. The seeds for an Israeli neoconservatism were planted a decade ago during his initial bid for power and his shortened term in the Prime Minister's office, but it was in 2003, within a new domestic and global context, that conditions seemed ripe for a neoconservative policy paradigm. Thus, a changing world context described above, a changing local context, and the ideological efforts exerted by the Neoconservative ideologists in Israel underscore the neoconservative onslaught.

Ideas do not "float freely" and are often supported by think tanks that crystallize them into concrete agendas and market them to policy-makers and the public at large. The Shalem Center was established in the mid-1990s in Jerusalem by the Jewish-American Republican Ron Lauder, who is close to Netanyahu, and is supported by other American Jewish Netanyahu supporters to promote the ideas of privatization and market economy, coupled with a hawkish foreign policy position and Zionism. Thus, a policy paper by the Shalem Center published in 1996 with recommendations for economic reform included the reduction of deficit, lowering tax rates, and canceling subsidies.[66] Shalem Center's most noticeable project, however, was the translation of various conservative and neo-liberal classics that were previously missing—Edmund Burke, Friedrich Hayek, Milton Friedman,

and Irving Kristol—that became part of many university syllabi. Another American supporter of Netanyahu, Ted Arison, helped initiate the Ariel Center for Policy Research whose purpose was to produce policy papers especially on the risks of the peace process. The role model for this Center, that adopted a more hawkish position than Netanyahu, was the American Heritage Foundation related to the Republican Party.[67]

Neoconservative ideas were easier to market within the new global context of the Bush administration's war against terrorism and the direct impact of neoconservatives on the new Republican administration. The global context was coupled with the peace process that collapsed at Camp David in 2000, and the following defeat of the Labor party in the elections. The collapse of the talks, after what Israelis believed were generous and unprecedented offers made to the Palestinians,[68] and the violence that followed, led to a general consensus in Israel that the peace process was all but doomed. The linkage established earlier between peace, economic liberalization, and economic growth was, at least temporarily, suspended. Shortly prior to his appointment as Minister of Finance, Netanyahu made this point explicit:

> I don't think that anyone believes today in the possibility of making peace with the Palestinian society. This society that nurtures battalions of suicide bombers . . . set itself a goal of Palestinian nationalism that seeks to construct a Palestinian state on the ruins of Israel. . . . the Palestinian regime must be removed and replaced and Israel's power build up must continue, including economic recovery that is definitely possible. The most important step for economic recovery, accept the security problem, are growth promoting steps. The most important step to encourage growth is a dramatic tax reduction."[69]

Netanyahu's opposition to a Palestinian state drew, among other things, on the dangers of unlimited sovereignty that supposedly became clear after September 11, 2001:

> Do those in the free world calling for a Palestinian state really want unlimited sovereignty for the Palestinians? Do they really want to have a Palestinian state with its own army, free to dispatch suicide bombers all over the world? Certainly not. But unlimited sovereignty will produce just that: a fanatical, dictatorial armed terrorist state in the heart of the Middle East. This state will threaten Israel, America and the entire free world.[70]

These hawkish perceptions were essentially consistent with his earlier visions of the future relations between Israel and the Palestinians; what has changed however, was the ability, in face of the political stalemate and Jewish Israeli post-Camp David consensus, to shift concentration to economic reforms. Differently stated, the neoconservative agenda was no longer troubled by the lack of a supporting constituency. Netanyahu's economic views found wide support among the bureaucrats of the Ministry of Finance, but also in the private sector and the business community, especially after he clashed directly with the labor unions over his new economic policy. The policy included budget cuts, privatization of government-owned companies, decreasing the public sector and forcing people to move from welfare to work, an agenda easy to sell to Israeli bourgeoisie.

> I believe that we are behind the world because of our huge public sector, not because of security. The economic system here is the problem. A system of a small private sector that supports a huge public sector, a growing public living on government support, including those who find in welfare an alternative to work, and a paradox of more foreign workers then unemployed Israelis. And the private sector who is shrinking in an attempt to fund all of this. Tax rates in Israel are imaginary. Tax cuts are one of the most important tenets of the plan."[71]

The neo-conservative economic agenda, in the temporary relative absence of the territorial debate, could easily fit the globalizing or Americanizing Israeli society and the bourgeoisie who grew more and more critical of the welfare state and enthusiastically supported the promised tax cuts. The welfare benefits were an important target of Netanyahu's economic plan and their cuts raised an outcry from the lower classes, many of them traditional Likud supporters. A march from the peripheral city of Mitzpe Ramon to Jerusalem by an unemployed single mother turned into a large protest against the government and specifically against Netanyahu, who explained that he intends to release these women from welfare dependency—"women who receive these welfare benefits are getting used not to work and their children are getting used to their mother's not working. It is a trap of dependency." Yielding to demands of welfare, according to Netanyahu, would lead to growing economic crises and capital flight. The women, he argued, will soon realize that the welfare is gone for good and will find work—"a woman who can walk 200 kilometers to Jerusalem," he added, "is certainly able to work."[72]

Netanyahu described himself as walking "against the wind" and, committed to his agenda, losing the support of traditional Likud constituencies in the periphery who were hurt by the new economic plan. Indeed, in February 2003, a majority of the Israeli population (57 *vs.* 31.5 percent) opposed the economic plan.[73] These trends were repeated 16 months later as the public disagreed over the question of whether the national economy has improved, deteriorated, or hasn't changed, compared with last year. On the personal level, however, the majority gave the government's economic policy a medium or failing grade.[74] On the one hand, the opposition proved weak and unable to provide an alternative to those voters and, on the other hand, Netanyahu was getting support from new constituencies who supported the plan. The Manufacturers Association, that in the 1990s supported the Labor party's peace initiative, despite some differences it had with the Ministry of Finance, described the economic plan as "courageous and in the right direction."[75] When Netanyahu threatened to resign because of political differences with Sharon, the manufacturers together with other business organizations called on him to remain in office and warned that his resignation would destabilize the economy in the process of recovery.[76]

CONCLUSION

Political ideas influence policy-making and consolidate into policy paradigms as a consequence of the political forces behind them and the concrete historical circumstances in which they are played out. Neoconservatism seemed distant from the Israeli political landscape since its central tenets—nationalism, hawkish foreign policy, and commitment to market economy—combined, could not fit a coherent constituency. But the match between the entrepreneurs that disseminated neoconservative ideas through think tanks and the media, and the historical circumstances in which the breakdown of the peace process changed the basic alignments of Israeli politics, created a window of opportunity for neoconservative ideas. In this brief period, the "peace and privatization" agenda was split so that a new constituency focused on economic liberalization; concern with security was a natural candidate for neoconservatism.

The economic policy of Netanyahu in itself cannot be regarded revolutionary or a paradigmatic change. Rather, because the liberalization of the Israeli economy began at least a decade earlier and all major parties

adopted market economy doctrines, Netanyahu's are more of a first or second order change than a policy paradigm shift of a third order. The important transformation described above was in the ability of Netanyahu to take advantage of the political conjunctures, fuse market economics with a Hawkish foreign policy—hence, a neoconservative agenda—and, more importantly, to receive support from important constituencies previously associated with the "left."

Neoconservatism in Israel, however, suffers from a lack of a conservative tradition and could be a victim of its own success. The hawkish policy that led to the isolation of Arafat and the suspension of the peace process ended with the replacement of Arafat by Abu-Mazen (in free and democratic elections) and, consequently, under foreign pressure, a return to talks with the Palestinians. The consensus over foreign policy established in 2000 in Israel broke down in the face of new pressures and the plan for unilateral withdrawal from Gaza. In the United States, the cost of interventionist foreign policies and the commitment to small government and low taxes seemed to challenge neoconservatism. In Israel, the challenge seems even greater as the political spectrum is re-aligning along the old divisions, possibly breaking up the neo-conservative constituency and forcing its political entrepreneurs like Netanyahu to chose between the old "family" of a hawkish-right constituency and the neo "friends" of the neo-liberal constituency.

Notes

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