

Israel and Palestine: the slow road to peace or the fast track to mutual annihilation?

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Abstract This paper outlines the nature of the post World War II conflict between Israel and Palestine over land and borders. It demonstrates the weaknesses in the political systems of both countries that make it difficult to resolve outstanding differences. It examines the nature of bargaining costs, distinguishing clearly between the Coase and the Machiavelli theorem. It uses the hawk–dove game model to explain war and peace relationships between Israel and Palestine evident over the period 1948–2007. It evaluates the implications for the peace process of some future proliferation of nuclear arms that breaks Israeli nuclear hegemony in the Middle East.

Keywords Arab–Jew conflict · Road map to peace · Coase theorem · Machiavelli theorem · The dark side of the force · Hawk–dove games · Nuclear holocaust · Armagedon · The Mahdi

‘The Arabs may have the oil, but we have the matches.’ (Reputed comment by Ariel Sharon)

1 Introduction

Since May 14, 1948, when the British Mandate expired and David Ben Gurion declared the establishment of a Jewish State in Palestine, Jews and Arabs have engaged in continuous low-level conflict punctuated by seven major wars (Rowley and Taylor 2006a, 2006b). Indeed, Shughart suggests that much of the instability can be attributed to the haphazard way

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in which boundaries were drawn after the end of the First World War (Shughart 2006, p. 34). This seemingly intractable conflict between Israelis and Arabs over the future of the Holy Land lies at the root of instability throughout the Middle East. In a world where weapons of mass destruction are becoming ever more accessible, the probability that this continuing friction may culminate in the elimination of the entire Middle East as a habitable region for generations to come cannot be ignored.

In this commentary, we outline alternative scenarios for the Israel–Palestine land settlement problem as they have played themselves out during three time-periods, employing game theory within a public choice perspective. We attempt to identify the key determinants of the ultimate outcome of the current conflict, specifically, whether the Holy Land is on the slow road to peace or the fast track to mutual annihilation. Our basic hypothesis is that the Israel–Palestine game is not necessarily zero-sum, nor is it necessarily a prisoners' dilemma. Rather it takes the form of a hawk–dove game in which peace–peace solutions are feasible, given the proper incentives. Of course, the hawk–dove game may also result in war–war, perhaps of the most destructive kind that the world so far has ever experienced.

2 Land, religion and refugees

The Holy Land has been a tinder-box since at least November 29, 1947 when the General Assembly of the United Nations adopted the UNSCOP proposal to partition Palestine into Jewish and Arab states (Rowley and Taylor 2006a). Seven inconclusive wars have been fought since May 1948, for the most part ending in territorial acquisitions by Israel and in the dismembering of what is left of Palestine into scattered West Bank communities, living for the most part under the shadow of Israeli military occupation (Rowley and Taylor 2006b).

The dispute within the Middle East rests on more than land alone. Bitter religious rivalries between the followers of various branches of Judaism and the followers of the various branches of Islam foment violence, some directed by Jew and Arab against each other, some conducted by Jew against Jew, some directed by Arab against Arab, and some directed by Jew and/or Arab against innocent non-combatants. Because of the close relationship between religion and politics in the Middle East, religion has become a serious obstacle (at least rhetorically) to long-term political solutions within that region (Rowley and Taylor 2006b). Increasingly, however, the economics of corruption has become an even more serious obstacle to the road to peace.

Even within the current boundaries of Israel, the conflict between ethnicity and democratic politics exists. The significantly higher birth-rate among Arabs than among Jews, given that the rate of Jewish immigration into Israel has slowed down dramatically, poses a serious long-term threat to the viability of a Jewish state in Israel if the principle of one person-one vote is honored. Indeed, the first Knesset confronted this issue when Ben-Gurion overruled Menachem Begin's expansionary designs and instead accepted the 1949 armistice. Further territorial expansion at that time would have made Israel a country with an Arab majority population.

In 2007, Palestinians already account for some twenty per cent of the enfranchised population. The situation would be gravely exacerbated should Israel allow Palestinians and their extended families, long since driven from their homelands by the Israelis, a right to return as fully-enfranchised citizens of Israel. In such circumstances, Israel, endowed with a majority Arab population, no longer could be classified as a Jewish state.

3 Theocratic and kinship politics

Although Judaism and Islam stem from similar Abrahamic roots, religious and ethnic differences are major sources of conflict between Jew and Arab and significant sources of conflict in the Middle East (Cohn-Sherbok and El-Alami 2001). In this section, we demonstrate that religious and ethnic impulses suffuse politics, both in Israel and Palestine. In essence, this gives rise to theocratic and kinship politics, not only (and obviously) in Palestine, but also in Israel.

3.1 Israeli political dynamics

The State of Israel was conceived by its Declaration of Independence in May 1948 not only as a rebirth of Jewish sovereignty following a lapse of more than two thousand years, but also as the foundation of a progressive, pluralistic society. To the dismay of its religious minority, God was not mentioned in the Declaration, only the ‘Rock of Israel’ an ambiguous term interpreted very differently by the secularist majority and the religious minority within the newly founded state.

Unlike many Western democracies Israel does not possess a written constitution. Of course, Israel is not precisely Western, nor is it precisely a democracy, since it does not enfranchise all the Arabs who live within its current borders. While some scholars dismiss the importance of a written constitution, noting, for example that the United Kingdom also does not possess a written constitution, nonetheless, scholars familiar with Israeli politics tend to the judgment that the absence of a constitution results in considerable ambiguity in the Israeli political process (for example, Mahler 2004, p. 122). For, unlike the United Kingdom, Israel’s unwritten constitution has evolved over fewer than six decades of almost continuous war, and not over a millennium of relative, though far from continuous, peace. A brief overview of the Israeli political structure helps us to understand the nature of its alleged imperfections.

The government of Israel consists of a parliament or Knesset composed of 120 members, each selected on the basis of proportional representation. This proportional representation, however, is based on a single constituency comprising the entire eligible voting population (Mahler 2004, p. 194). The minimum threshold for a political party to achieve representation is very low (2% of the total vote for the 2006 elections).

Unsurprisingly, this system produces a multiplicity of parties, whose names and political objectives have changed bewilderingly over the six decades of Israel’s existence. As with most such parliamentary systems, the leader of the party with an electoral plurality typically forms a coalition government that can command a majority in the Knesset. These coalitions tend to be unstable, with governments not infrequently collapsing before their four year electoral terms expire.

When Israel’s first national elections took place in January 1949, seventeen parties competed for seats. Four of these were avowedly religious both in character and in aims, and ran together as an electoral alliance known as the United Religious Front. They secured sixteen out of 120 seats in the Knesset. Ben Gurion’s secular Mapai (Labor) party secured 46 seats, and governed as the dominant member of a coalition with the United Religious Front and the small Progressive Party.

This episode would set the scene for all future elections in Israel. No single party has ever secured an absolute majority in the Knesset, and all governments have comprised coalitions between two or more parties (Diskin 2003, p. 54). Between 1949 and 1977, all governing coalitions were centered around Labor (or its precursors), a number of its political allies

(similar center-left parties), as well as a changing mix of religious parties, with Labor strategically deferring to religious minorities on a number of significant non-secular issues.

In 1977, partly as a consequence of the Yom Kippur War, a seismic shift occurred in the political environment when the center-right Likud Party, gained a plurality for the first time. Likud is itself moderately theocratic and successfully courted extreme right-wing religious parties with policies designed to reflect their religious preferences. Likud governed as the dominant member of such coalitions for the following fifteen years, save for a period during the mid-1980s when it formed a national unity government with Labor, with the premiership alternating between Peres and Shamir during the eleventh Knesset.

Since 1992, political instability has increased significantly in Israel, with the number of seats held by the major parties decreasing dramatically (Diskin 2003, pp. 171–175). In the 2006 elections, a new center-left party, Kadima, emerged with a plurality, albeit with only 29 seats in the Knesset. Among the other left of center parties, Labor secured 19 seats, Gil, the pensioners' party, secured 7 seats, Meretz secured five seats and the three Arab–Israeli parties together secured ten seats. On the right, Likud collapsed into a minority party with only 12 seats, the Sephardic religious party, Shas also secured 12 seats, the far right, ultra-nationalist party, Yisrael Beiteinu secured 11 seats, Ichud Leumi-Mafdal, the National Union/National Religious Party secured 9 seats, and the United Torah Judaism Party secured six seats. Table 1 outlines the factional nature of the Seventeenth Knesset.

The left-of-center governing coalition formed by Kadima in March 2006 comprised Kadima, Labor, Gil and Shas, and accounted for 67 out of 120 seats in the Knesset. In this coalition, Shas, a religious party, held the balance of power. In October 2006, in the wake of the disastrous Israeli invasion of Lebanon, the coalition added the far right, ultra-nationalist party, Yisrael Beitenu, to a coalition that now accounts for 78 seats in the Knesset. With such a coalition it is difficult to imagine Israel entering into meaningful negotiations with the Palestine Authority.

The splintering of the center-based parties makes coalition government less stable. In part, this splintering is a result of proportional representation. In part, however, it reflects the heterogeneity of the electorate and the multi-dimensional nature of Israeli politics. In such a political environment, the centripetal forces analyzed by Downs (1957) are less forceful than in a two party system. In consequence, the median voter outcome typically will not

Table 1 Results of 2006 Israeli elections

Party name	Percent of vote	Number of seats
Kadima	22	29
Labor-Meimad	15.1	19
Shas	9.5	12
Likud	9	12
Ysrael Beitenu	9	11
Ichd Leumi-Mafdal	5.5	9
Gil Pensioners Party	5.9	7
United Toarh Judaism	4.7	6
Meretz	3.8	5
Ra'am-Ta'al	3	4
Hadash	2.7	3
Balad	2.3	3
Total		120

Source: Government of the State of Israel

hold, necessitating coalitions significantly in excess of minimum winning size (currently 78 instead of 61) to provide security against potential break-aways.

Given the multiplicity of political parties, it is not surprising that party discipline is paramount. While the Knesset does have committees, they are much weaker than those in the United States Congress (Arian 1998, p. 263). Most agenda setting and logrolling occurs within and between the political parties. The Prime Minister has considerable discretionary powers when he heads a broad and stable coalition. His cabinet ministers exercise control over their agencies but, like their British counterparts, they can be removed at will by the Prime Minister. Of course, the Prime Minister's powers are conditioned by his need to maintain an effective majority within the Knesset.

In the absence of a written constitution, the judiciary has only limited powers to challenge theocratic excesses of a determined coalition government. Judges are appointed by the Knesset and, as such, are not well insulated from political pressures. Occasionally, the Israeli Supreme Court has intervened to declare actions to be contrary to the basic and fundamental laws. Again, in the absence of a written constitution, and without the advantage of a millennium of precedents to shore up its position, it is far from clear how the courts define what these laws are. Cramer (2005) suggests that, in recent years, both the independence and prestige of the Court has declined.

A significant consequence of the over-centralization of power in the hands of the Prime Minister and his cabinet is that government has become excessively large in Israel. We shall focus in Sect. 8 on religious and kinship fractures within the Israeli political system and, in Sect. 9, on the increasing corruption that stems from the long-term occupation of the West Bank, as imperfections in Israel's democracy that require correction if Israel is ever to play a serious role in pursuing successful peace negotiations with Palestine.

3.2 Palestine's political dynamics

Unlike Israel, the Palestinians do have a written constitution known as 'The Basic Law'. Of course, the mere existence of a written constitution provides no guarantee that its provisions will actually be upheld, especially in a political arena subject to high degrees both of indigenous corruption and outside meddling. A further complication is that the Palestinian Authority is not a state with its own recognized borders.

Indeed, the Palestinian Authority does not meet a very basic condition of sovereignty, namely a monopoly on the legitimate use of force. The Israeli Defense Forces (IDF) routinely conducts raids and strikes into areas ostensibly controlled by the Palestinian Authority. In addition, a number of armed groups of Palestinians, with varying degrees of connection to the Palestinian Authority, operate independently in areas officially under the control of the Authority. For all these reasons, Palestine is not analogous to a state. Indeed, it is not analogous to an emerging state. At best it is a failing state, if not an outright anarchy.

Under the Palestinian Basic Law, the President acts as the Head of State. Initially, the President possessed substantial powers. The first election for President occurred in 1996, when Yasser Arafat swept into office. In 2003, the United States and Israel, fearful of President Arafat's malignant designs on the Middle East, pressured the Palestine Authority to reduce these powers. In consequence, the President no longer has the authority even to declare war or (arguably) to dissolve the Palestine Legislative Council (powers incidentally still available to the British monarch).

The unintended consequences of this outside meddling are now only too apparent as Palestine staggers into the anarchy of civil war. The second election for President occurred in 2005, when Mahmoud Abbas (Fatah Movement Party) was elected following the death

Table 2 Results of 2006 Palestine legislative council elections

Party name	Number of seats by PR	Numbers of seats by district	Total number of seats
Change and Reform (Hamas)	29	45	74
Fatah Movement	28	17	45
Martyr Abu Ali Mustafa	3	0	3
The Third Way	2	0	2
The Alternative	2	0	2
Independent Palestine	2	0	2
Independents	0	4	4
Total	66	66	132

Source: Central Election Commission-Palestine

of Yasser Arafat. Abbas's lack of any significant powers is a major cause of the ongoing collapse of the Palestinian Authority and the rise of warring secular and religious Palestinian factions competing to fill the political vacuum.

The Basic Law also provides for a Legislative Council, initially comprising 88 elected members, but increased in 2003 to 132 members. In the first legislative elections, conducted in 1996 on the basis of single member constituency plurality voting, Yasser Arafat's secular Fatah Movement Party dominated the Legislative Council.

Under the 2003 amendments to the Basic Law, 50% of the members were to be elected by strict proportional representation and 50% on the basis of single member constituency plurality voting. In the second legislative elections, held in 2006 under the amended rules, the Islamist Change and Reform Party (Hamas) gained a major legislative victory, and swept away the Fatah, replacing a largely secular with a basically theocratic regime (see Table 2).

Since Hamas, and its elected representatives in the Change and Reform Government, remain explicitly dedicated to the destruction of Israel, all Western aid to Palestine, for the time being, has ceased. With the loss of border customs and tax revenues, all currently frozen by Israel, the Palestine Authority effectively has been shut down fiscally. The road map to peace in the Middle East is no longer seriously on the drawing board in Israel, Palestine or indeed the rest of the world.

As Table 2 suggests, the Change and Reform Party did much better in securing Legislative Council seats on the basis of constituency elections than in those determined by proportional representation. One clear inference to be drawn from this result is that the previous Fatah Movement government did not gerrymander constituency districts in order to disadvantage Hamas's candidates. Indeed, a cursory review of the electoral maps does not reveal the kind of strange appendages associated with the widespread gerrymandering of districts in the United States. The Palestinian districts, in contrast, are geographically compact.

One possible explanation for this voting discrepancy is that Palestinians voted for and against individual candidates in constituency elections in terms of their valence and salience characteristics. In this respect, the evident past corruption of well-known Fatah Movement candidates would be penalized, whereas the Change and Reform Party's candidates, many of whom had helped to provide much needed welfare and education services to destitute Palestinians, would be rewarded.

On the other hand, when voting for the semi-anonymous lists by proportional representation (Brennan and Lomasky 1993) the electorate might show its concern about the prospects for the road map to Palestinian statehood, and thus vote relatively more favorably for the

Fatah Movement, the party of their President. Evidently, under such circumstances, a result analogous to that depicted in Table 1 might well occur.

Despite its strictly limited sovereignty, and prior to its fiscal shutdown in 2006, the Palestinian Authority operates with a substantial crony-based bureaucracy, endowed with a significant amount of discretionary regulatory power—the basic ingredients for a rent-seeking society (Tullock 1967). This bureaucracy, under the leadership of Yasser Arafat, developed a widespread reputation for endemic corruption. Social services were simply not provided by Fatah Movement officials, who instead emulated President Arafat in extracting rents from the general population and in siphoning off Western aid and customs taxes into their numbered private bank accounts in Switzerland, Israel, and elsewhere (Barsalou 2003; Cramer 2005).

In such circumstances, where a failed state is denying its citizens the provision of the most basic social services, opportunities arise for well-organized terrorist groups (like Hamas) to develop an electoral constituency by linking their radical Islamist objectives to the provision of limited social services. This further explains the 2006 electoral popularity of Hamas and the electoral losses of the Fatah Movement Party.

In February 2007, in an attempt to ameliorate the crippling sanctions imposed on Palestine following the 2006 creation of a Hamas-controlled government, the Sunni-Arab government of Saudi Arabia brokered a change in its composition. The new government, with Hamas's Prime Minister Ismael Haniyeh still in office, comprises nine members from Hamas, six members from Fatah, four members from other Palestinian political parties and five independents. The new government still fails to recognize the existence of Israel and still fails to renounce violence as an instrument of policy. Theocratic and kinship dogma continue to dominate pragmatic common sense within the Palestine Authority. International aid and tax revenues continue to be denied to the impoverished people of Palestine.

Here then is a direct parallel with Israel. The theocratic dog is now wagging the secular tail in the Palestine Authority. The state sector is far too large and grossly corrupt. Market forces are barely established. If ways can be found to weaken or to eliminate these internal distortions in the Palestine Authority, there may yet be a chance to shift Palestinians into negotiating seriously in favor of the road to peace in the Middle East.

4 Coasian considerations

In an earlier evaluation of the road map to peace in the Middle East, Tyler Cowen suggests that for an economist 'the central question in any foreign conflict is why the Coase theorem does not hold' (Cowen 2004a, p. 1). In defense of this view, Cowen argues that the Coase theorem suggests that war is unlikely. Rather than fighting, the two sides could strike some mutually advantageous bargain. As Cowen fully acknowledges, however, this outcome depends on which Coase theorem is under review, and that, primarily is an institutional question.

The theorem for which Ronald Coase is best known is derived from the first half of his famous 1960 essay (Coase 1960, Sects. 1-V), which he summarizes with the following statement:

It is always possible to modify by transactions on the market the initial legal delimitation of rights. And, of course, if such market transactions are costless, such a re-arrangement of rights will always take place if it would lead to an increase in the value of production. (Coase 1960, p. 15)

It is ironic that Coase became famous, to those unacquainted with his 1960 essay, as the originator of a zero transaction cost world that he always rejected as unrealistic. George Stigler formalized this misconception as *The Coase Theorem*: “under perfect competition private and social costs will be equal” (Stigler 1966, p. 113). This theorem was advanced despite the fact that Coase (1937) had emphasized the ubiquity of high transaction costs in the real world and had reiterated this view in Sect. VI of his 1960 essay:

These operations are extremely costly, sufficiently costly at any rate to prevent many transactions that would be carried out in a world in which the pricing system worked without cost. (Coase 1960, p. 15)

Thus the second Coase theorem—the one arguably relevant to the Israel–Palestine land settlement problem, emphasizes that gains-from-trade will not always be realized through private bargaining, that high transaction costs may prove to be insurmountable obstacles to market exchange, and that a case for regulatory intervention in certain instances may be justified on efficiency grounds.

Ronald Coase was concerned always with understanding possible impediments to the efficient working of ordinary markets, where gains from trade are a potent driving force behind human behavior. He never extended his analysis to the working of national political markets or of the forces that produce war and peace between hostile nations.

This does not mean that the second Coase theorem is irrelevant to such issues, as Cowen clearly demonstrates (Cowen 2004a, 2004b, but see Plaut 2004a, 2004b for a complete denial). However, if Coase’s insights are to be applied effectively to the Israel–Palestine conflict, it is essential to place the Coasian approach into a darker perspective where the forces of conflict, at the outset, significantly dominate the forces of exchange. For the Israel–Palestine conflict is one in which the parties themselves do not agree on the starting point for negotiations, where unresolved property rights are at issue, where international law, such as it is, does not begin to reach, and where bargaining costs, therefore, are enormously high. We now turn to an approach that attempts to deal precisely this kind of situation.

5 The dark side of the force

The force, according to Jack Hirshleifer (2001), refers to self-interest. The bright side of self-interest, as outlined by economists from Adam Smith (1776) onwards, focuses attention on value-adding trade-interactions between self-seeking individuals. However, there is also a dark side to this same force in which the self-interest impulse leads some individuals into ultimately wealth destructive acts—war, murder, rape, theft, politics and the like—that invoke equally violent defensive reactions in others (Tullock 1967; Hirshleifer 2001, p. 9).

Hirshleifer (2001) distinguishes between the Coase theorem—which in its first form implies that individuals will never pass up an opportunity to cooperate through mutually advantageous trade—and the Machiavelli theorem—which says that no one will ever pass up an opportunity to gain a one-sided advantage to exploit another party. He suggests that neither theorem stands alone, save as a partial truth. The trick is to determine an optimal balance between the two.

In dealing with war and peace, the relevant issues concern groups (nations, tribes, ethnic groups, religious groups, etc.) and not individuals per se. Yet, all groups are made up of individuals. So the first question is why certain groups emerge as cohesive war-making or peace-making units, and others do not. Only in very small part, can bio-economics provide a direct answer to this question.

Bio-economics focuses attention on the concept of the selfish gene (Dawkins 1976). Animals and humans tend to be benevolent primarily to their own offspring, and after that to more distant relatives. Such kinship benevolence reflects the proportion of shared genes: you share half your genes with your sibling, half with each of your children, a quarter with a half-sibling, an eighth with a cousin, etc. Clearly, kinship benevolence drops off exponentially the further distant are the relationships between individuals. Even in relatively small communities, the genetic link between most individuals is essentially zero (Hamilton 1970).

The concept of the selfish gene, also explains kinship-based malevolence between groups of individuals, even between gene-related individuals (since nobody can be closer to you than you are to yourself). Genetic-based malevolence is especially likely in zero sum conflicts, where the gain to one individual (or small group) is the exact-same loss to another. Once again, however, such kinship linkages drop off rapidly as groups expand beyond closely-related family members.

The selfish gene hypothesis may well explain, in part, historic kinship-based warfare between small primitive tribes fighting over a scarcity of food and fertile female resources. It is a major stretch to extend its reach to modern warfare of the kind that has demonized the Holy Land throughout the past 60 years. In the place of the selfish gene, one must now look to what Hirshleifer (1998/2001, p. 34) calls an *affiliative instinct* to provide the same integrative function as kinship.

Even where kinship is not a factor, this instinct, based on culture, shared social class, native language or, more relevant for the Middle East, religion and economics, provides a readiness to divide the world between ‘them’ and ‘us’. Bonding based on this instinct, nevertheless draws support from what Hirshleifer refers to as *fictive kinship*. Members of one’s affiliation-group typically are referred to as brothers and sisters, and the group leader as father (or, more rarely, mother) of the group Hirshleifer (1998/2001, p. 35).

Under the Coase theorem (in both its first and second forms), individuals and groups seek, with greater or lesser effect, to cooperate in order to achieve gains from trade in material resources. Non-economic goals may exist; but if they do exist, they float below the surface of the Edgeworth–Bowley box diagram. Under the Machiavelli theorem, material resources undoubtedly play a role as the dark side of the force generates conflict rather than cooperation. But non-material goals, such as honor, duty, religious intolerance, envy, revenge, xenophobia, and indoctrinated hatred, also play powerful roles as generators of war. Where war is possible, the Edgeworth–Bowley box diagram is no longer relevant. For war involves a potential destruction of existing resources, an outcome not envisaged in the ordinary gains-from-trade model.

In the case of Hamas, religious intolerance, envy, revenge, xenophobia and indoctrinated hatred clearly play powerful roles in sustaining the desire to remove Israel from the map of the Holy Land. In the case of Fatah, although malevolence towards Israel surely exists, the darker motives outlined above are less pronounced, and the religious motive is practically non-existent; in consequence, the desire to cooperate is more apparent. However, since Hamas and Fatah each comprise affiliated interests that are malevolent towards each other, and that are in membership competition, it is uncertain which of these two forces, one darker than the other, ultimately will dominate in the battle for control over the Palestine Authority.

Similarly intolerant forces exist within Israel. Until the late 1980s, intolerance existed largely between secular Zionist Jews who had migrated to Israel from Europe, Sephardic, religious Jews who migrated from the Middle East itself, ultra-Orthodox Jews who had migrated from Europe, and Israeli-Arabs. More recently, however, and especially since the creation of the Palestine Authority and the return of Yassir Arafat to Palestine in 1995,

Jewish kinship tensions have become based more on economics than on religion, as we shall outline in Sect. 8 of this paper.

The key issue, in such complex circumstances, is whether the Coase theorem or the Machiavelli theorem will ultimately dominate. The key policy question, confronting those who search for peace in the Middle East, is how to shift the balance, on all relevant margins, in favor of Coaseian cooperation and away from the dark side of the force.

6 Bargaining under the shadow of the dark side of the force

From the perspective of war and peace, if cooperation occurs between nations, it does so always under the shadow of conflict. Even nations with wealth-enhancing laws and institutions find themselves unable to enjoy the benefits unless they are equipped and willing to deal effectively with the threat or reality of violent invasion by others. In this sense, the Machiavelli theorem is ubiquitous throughout the international arena. Whether the outcome tips in favor of Coase or Machiavelli depends on some combination of the perceived costs of war and the perceived benefits of peace, inclusive of bargaining costs, given the degree of malevolence or solipsism of the nations or affiliated interests involved. Let us illustrate three alternative rational choice scenarios, using figures drawn from Hirshleifer (2001).

In the first, optimistic (but unrealistic) scenario, we assume that Israel and Palestine are strictly solipsist and materialistic, aiming solely to maximize own-expected wealth. We assume that moderate complementarity in production exists between the two nations. We further assume that the two nations are in strict agreement regarding their perceptions of the gains from peace and the losses from war. Figure 1 defines the relevant settlement opportunity set.

In Fig. 1, Israel's expected wealth W_I is scaled along the horizontal axis: Israel desires to attain a position as far to the right as possible (the country's indifference curves U_I are vertical lines). Palestine's expected wealth W_P is scaled along the vertical axis: (the country's indifference curves U_P are horizontal lines). The curve QQ is the outer-bound of the settlement opportunity set—the range of peaceful outcomes achievable if war can be avoided. P_I is Israel's estimate of the outcome of war, and P_P is Palestine's estimate. These estimates, by assumption concur, providing a unique perception point $P_I = P_P$.

The shaded potential settlement region (PSR) identifies the set of possible peaceful arrangements that both nations perceive as yielding a better outcome than war. Whether

Fig. 1 Solipsism, moderate complementarity, agreed perceptions

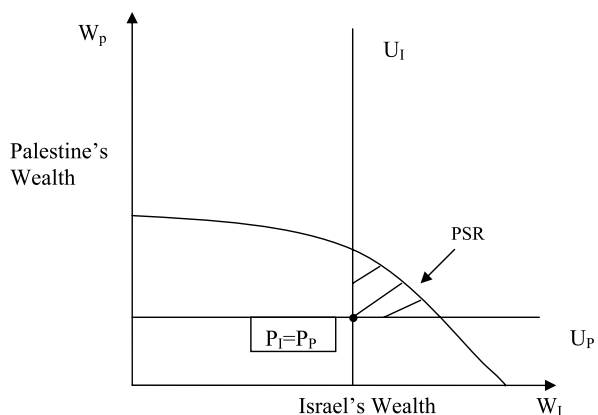
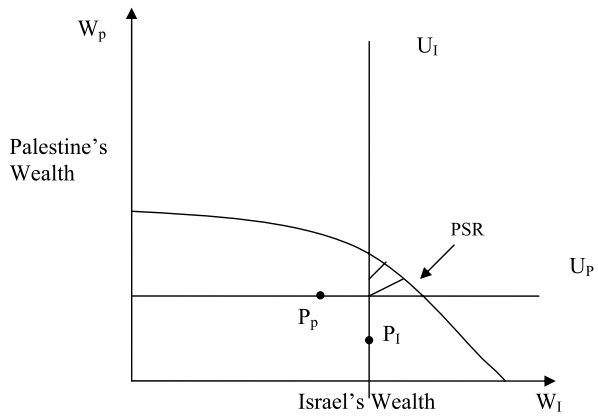


Fig. 2 Solipsism, moderate complementarity, divergent optimistic perceptions



or not the two nations can move from war to peace depends on bargaining costs, which will determine their ability and willingness to reach agreement on a specific solution within the PSR. In this scenario, the PSR is relatively large, offering some expectation of a cooperative settlement.

In the second, less optimistic (and still unrealistic) scenario, we continue to assume that Israelis and Palestinians are strictly solipsist and materialistic, seeking to maximize their own expected wealth. We continue to assume moderate complementarity in production between the two nations. However, we now allow for diverging perceptions concerning the location of the perception point concerning the aftermath, should war occur. This scenario is outlined in Fig. 2.

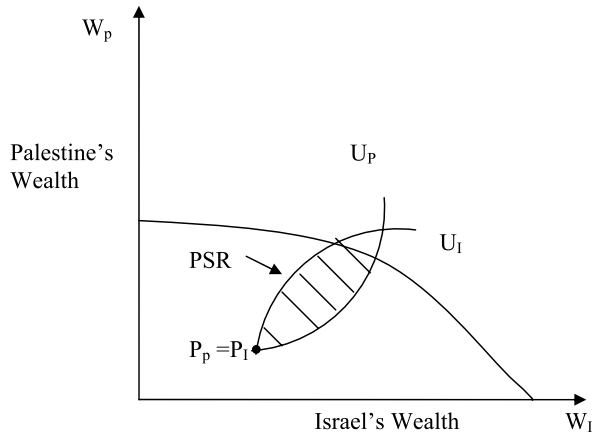
Figure 2 utilizes the same notation as Fig. 1, but separates the perception points into two, P_I for Israel and P_P for Palestine. By assumption, each nation is relatively optimistic about its prospects from war, with P_P located to the northwest of P_I . In this situation, Palestine will not accept any solution to the south of the horizontal line through P_P while Israel will not accept any solution to the west of the vertical line through P_I . Evidently, differing perceptions operate to shrink the shaded potential settlement region (PSR) and with this shrinkage, the prospect for a cooperative solution is greatly reduced, although not entirely eliminated. Note, however, that if relative optimism is higher than that depicted in Fig. 2, the PSR will be eliminated completely, and war will be the inevitable outcome.

In the third, most pessimistic (and unfortunately most realistic) scenario, we drop the assumption that both nations are solipsist and exclusively materialistic in their objectives. Instead, we assume that Israel and Palestine are motivated by mutual malice and that each is willing to incur a material sacrifice in order to reduce the other's expected wealth. Figure 3 depicts this alternative scenario.

Figure 3 utilizes the same notation as before. It continues to rely on rational behavior, and it reverts, for simplicity, to the assumption of agreed perceptions. Note that the perception point will be much worse for both parties where mutual malevolence exists. Moreover, with mutual malevolence motivating both actors, the indifference curves are no longer vertical and horizontal respectively, but rather are upward sloping and concave to the origin. Even with agreed (adverse) perceptions, mutual malevolence compresses the PSR, though not necessarily to the point of eliminating it entirely.

All points within the PSR may be worse for both parties than the original perception point(s) in the solipsist scenarios. If the nations are not only malevolent towards each other, but also are relatively optimistic in their perceptions about the aftermath of war, the PSR

Fig. 3 Malevolent preferences, moderate complementarity, agreed perceptions



would be compressed yet further, probably to the point of extinction. In such circumstances, no bargaining is possible.

If contingent circumstances, including agreement on perception points, are sufficiently favorable, warring nations may find it in their respective interest to reach and to abide by a cooperative settlement, even if that agreement is to engage in a low-level cooperative war. Inevitably, however, bargaining costs are extraordinarily high in this scenario. In this scenario, appropriate outside intervention may be necessary to move the two nations strategically from the path to low-level, or high-level, war to the path to peace.

7 Mutual malevolence and high bargaining costs: the Israel-pro-Palestine Arab scenario

The 60-year history of the troubled relationship between Israel and Palestine provides strong evidence of deep-rooted malevolence. So let us discard the solipsist and benevolence models completely at this stage and recognize that the issue of war and peace in the Holy Land will be decided under the shadow of the dark side of the force.

As Fig. 3 demonstrates, mutual malevolence does not necessarily rule out all possibility of cooperation, though under especially adverse circumstances it may do so. This latter scenario for Israel and Palestine was spelled out by Plaut (2004a, 2004b) in particularly brutal terms, by arguing that the Palestinians hate Israelis sufficiently for them to launch war even if such a war resulted in the mutual annihilation of both nations. Of course, such an interaction cannot be ruled out. However, the history of attempted, though failed, negotiations between Israel and the Palestine Authority suggests that at least some, though by no means all, significant decision-makers in both nations find themselves inside the bounds of Fig. 3.

The balance between war and peace, in Fig. 3 scenario, will be determined by weighing the perceived costs of bargaining for and enforcing a settlement, and the perceived opportunities for either party to obtain a one-sided advantage by opportunistic behavior, on the one hand, against the perceived benefits from the cooperative solution on the other. There can be no doubt that, at best, this is a close-run thing in this deeply-troubled region the world.

We have already mentioned the major impediment to bargaining where property rights are not well defined. Although in practice land allocations are well-defined and powerfully defended by the Israeli military machine, these allocations do not constitute rights. They are

simply the outcome of Tullock's Law that 'might is right'. The border dispute gives rise to major obstacles to cooperative bargaining in the Holy Land. Resolving border rights is a *sine qua non* of any cooperative settlement.

In addition, Israeli-Palestinian bargaining costs are high because of the relatively large number of competing affiliated interests involved. On the Israeli side the main internal conflicts, over land-for-peace and over the concept of who is a Jew, occur between secular Zionists and theocrats. The struggle is largely confined to the political process, but not exclusively so.

In 1994, an Israeli religious radical massacred Palestinian Arabs at the Ibrahimi Mosque in Hebron. In October 1995, a Jewish religious fanatic assassinated the moderate Israeli Prime Minister, Yitzhak Rabin, shortly after he had signed the Oslo II agreement. The disgusting sight of ultra-Orthodox Jews discharging garbage and excrement over Israeli conscript forces during the agreed-upon evacuation of the Gaza Strip in 2005 is but a small indication of what may be in store should major portions of Jewish settlements in the West Bank ever be ceded to Palestine.

Even if extremist groups operating outside the political process are ignored, the splintered nature of the Israeli political structure renders coherent bargaining difficult and exposes the process itself to political cycles. The instability of coalition governments in Israel makes it particularly difficult for any government coalition credibly to pre-commit the country to certain elements of a complex settlement bargain. It makes it equally difficult for such a government credibly to pre-commit to the effective enforcement of any bargain that may be reached.

If the Israeli situation is difficult, the situation within the Palestine Authority is pathological. Splits exist not only between Fatah, Hamas and Islamic Jihad, but also within each of these affiliated interests. Within each group, those opposed to the peace process frequently resort to violence, against Israel, against each other and against the innocents. Hamas is listed as a terrorist group by the United States and other Western nations.

In such a situation, bargaining costs are extremely high within the Palestinian Authority itself, to say nothing about the bargaining costs between the Authority and Israel. The Israelis confront a very real problem whether any bargain struck with the Palestinian leadership would have any effect on the Muslim fundamentalist perpetrators of violence. Under these circumstances, worst case scenarios cannot be written out as entirely unrealistic.

8 Thinking strategically: alternative game theoretic scenarios

In this section we analyze the relationship between Israel and the pro-Palestine Arabs within the framework of the hawk-dove (or chicken) game tracing the observable changes in the payoff matrix over three time-periods, 1948–1973; 1974–1988; and 1989–2007. This game-theoretic framework is remarkably effective in explaining observed changes in Israel–Palestine relationships over this turbulent 60-year time-period. We conclude our theoretical analysis with an evaluation for some (almost certainly) near-future scenario in which Iran joins Israel as a nuclear power, armed equally with first and second strike weapons. While the issues raised by Iran's nuclear dreams are important, they are beyond the scope of this paper.

To simplify a more complex environment, we restrict analysis to the special case of a repeated, non-cooperative, non-zero-sum game involving two actors (Israel and pro-Palestinian Arabs) with two strategy options per actor (War and Peace). Again, for simplicity, we present the game scenarios in normal form though, in the discussion we recognize

the importance of relevant time-lines. The payoff structures for our game scenarios are not those of the prisoners' dilemma, and the actors are not restricted, therefore, to the worst case Nash equilibrium. In the hawk–dove game, strategic behavior between the players will take them to any one of the four possible outcomes, with specific probabilities, depending on the respective payoff structures of the two actors.

8.1 1948–1973: major war upon major war

The period 1948–1973 was one in which Israel and the pro-Palestinian Arabs engaged in war–war strategies against each other on a more or less continuous basis. The pattern of this warfare was lengthy periods of low-level conflict punctuated by four major wars, two initiated by Israel and two by the Palestinians and their Arab allies (Rowley and Taylor 2006b).

This hawk–hawk relationship began in 1948, immediately following the creation of the State of Israel, and was initiated by the Arabs, as they sought unsuccessfully to drive the Israelis into the sea. Fortified by Russian Jewish immigrants and by the war materiel provided by the USSR, the Israelis extended their borders and threatened to drive the Arabs completely out of Palestine. The 1949 Armistice, negotiated by the United Nations, which confirmed the extended borders of the Jewish state, was never honored by the Arabs, who ceaselessly probed Israeli military weaknesses through campaigns of violence and disruption.

By 1953, Stalin and the USSR had become disenchanted with Israel and gradually switched sponsorship to the pro-Palestinian Arabs, notably Egypt under the pan-Arab leadership of President Gamel Abdel Nasser. The United States, under President Eisenhower, continued its policy of watchful neutrality in the Middle East. France especially and, to a lesser extent the United Kingdom, had now become the principal military supporters of Israel. Buoyed by his acquisition of modern Soviet weapons, Nasser formed a military alliance with Jordan and Syria, and blocked Israel's access to the Red Sea, cutting off that country's access to petroleum.

On October 29, 1956, Israel, France and the United Kingdom launched a pre-emptive strike on Egypt's Canal Zone, in an attempt to regain control of the Suez Canal and to re-open Israel's shipping route. The invasion was successful, and Israeli troops swept through Sinai and Gaza, opening up the sea route to Aqaba. However, the United States intervened vigorously on behalf of Egypt and imposed an inconclusive 'agreement' whereby France and Britain would pull out of the Canal Zone and Israel would withdraw from the Sinai Peninsula and the Gaza Strip in return for an empty promise of Egyptian demilitarization and some ineffective protection by a United Nations Peacekeeping Force (Rowley and Taylor 2006b).

In early June 1967, the armies of Lebanon, Syria, Egypt and Jordan, again under the leadership of Gamel Abdel Nasser, massed on Israel's border preparing once again to defeat their enemy and to drive the Israelis into the sea. Israel asked for military support from the United States, but President Johnson declined to help, and indeed instructed Israel not to take any military action to resolve the situation.

On June 5, in a pre-emptive strike, Israel launched an air and land attack. Within six days, without significant outside help, Israel defeated the Arab nations, seizing the Sinai Peninsula, all of Jordan's territory west of the River Jordan, the Golan Heights and Jerusalem. This time Israel held on to all the captured territory, driving thousands of Palestinian Arabs out of the Holy Land and placing one million others, many in refugee camps, under Israeli occupation (Rowley and Taylor 2006b).

On October 6, 1973 (The Jewish Day of Atonement), President Sadat (Egypt) and President Assad (Syria), supported by arms from the USSR, launched a surprise attack on Israel. At first, the assault was highly successful, with the Israeli air force quickly neutralized and with the army falling back from the bar Lev line and from the Golan Heights. President Nixon, no personal lover of the Jews and not at all dependent on the Jewish vote or the Jewish lobby, remained, if somewhat waveringly, on the sidelines.

At this point, when Israel's continued existence appeared to be in real jeopardy, the Israeli Defense Minister, Moshe Dayan, indicated to Prime Minister Golda Meir that 'this is the end of the third temple'. On October 8, Golda Meir and her cabinet made the fateful decision to use her matches, that is, to prepare for a nuclear counter-attack. The Israelis assembled, and armed for action against Syrian and Egyptian targets, 13 twenty-kiloton atomic bombs, most probably of plutonium, but possibly of enriched uranium. They also targeted Damascus with nuclear-capable, long-range artillery. United States Secretary of State, Henry Kissinger was notified of this alert on the morning of October 9. ([www.etherland.com/cheiftainseir/?](http://www.etherland.com/cheiftainseir/).)

Without any delay, the United States opened up an aerial supply pipeline to Israel and Israeli aircraft commenced to pick up military supplies the same day. The military situation stabilized and Israeli forces began to drive back the Syrian invaders beyond the 1967 armistice line. They also broke the Egyptian line and crossed over the west side of the Suez Canal. Further advancement by the Israeli armed forces on the roads to Damascus and to Cairo was averted only by a United Nations Security Council resolution. Henceforth, the United States would serve unwaveringly as Israel's loyal supporter, ensuring Israel's qualitative edge in arms by supplying the country with advanced conventional military technology and materiel and vetoing almost all United Nations Security Council resolutions critical of Israeli interventions in Palestine.

In hawk–dove game-theoretic terms, the time-line 1948–73 was one predominantly of war–war, (approximately 80% by both parties including preparation, war itself and immediate aftermath) interspersed with only short periods (approximately 20% by both parties) of uneasy and relatively unprofitable peace. Table 3 illustrates the relevant parameters of the hawk–dove game as it played out during this turbulent period.

8.2 1974–1988: hostile peace with continuous low-level violence

Limited peace agreements were negotiated (under United States pressure) between Israel and Egypt and between Israel and Syria in 1974, essentially restoring the 1967 borders.

The period 1974–1988 was one, for the most part, of uneasy peace in the Middle East. Israel, armed by France probably as early as 1967 with nuclear weapons (the matches) and

Table 3 The hawk–dove game 1948–79

			Palestinians		
			War	Peace	
Israelis	War	–10	–10	5	–9
	Peace	–9	5	1	1
Outcomes					Strategy
Israelis probability of war					80%
Palestinians probability of war					80%
Israelis payoff					–5.6
Palestinians payoff					–5.6

henceforth under the protection of the United States, could be harassed by semi-continuous low-level violence on the part of pro-Palestine Arab nations, but no longer realistically could be driven into the sea, or even coerced into relinquishing its 1967 borders.

Equally, the threat of costly oil embargoes, together with counter-pressure from the still-powerful Soviet bloc, made it impossible for Israel, even if United States support would have been forthcoming, to drive the remaining Palestinian Arabs out of the Holy Land and into refugee camps on the other side of the River Jordan. Only the extreme right Israeli religious and ultra-nationalist political parties might press for such a solution, and to no practical effect, even after the center-right Likud party wrested power from Labor in 1977 and formed a sequence of governmental coalitions embracing extreme right-wing political parties.

The period 1974–88 was basically one of stalemate between Israel and the pro-Palestinian Arabs, with the single important exception of the peace treaty negotiated (under United States pressure) between Prime Minister Begin for Israel and President Sadat for Egypt on March 26, 1979 (the Camp David Agreement). Nevertheless, a few limited acts of war occurred.

The Palestine Liberation Organization, by 1981, had regrouped under Arafat in Beirut and Southern Lebanon, from which locations it launched repeated attacks on Northern Israel. In addition, PLO terrorists managed to penetrate Israeli borders and to carry out suicide attacks on innocent citizens. In retaliation, Israel struck back at refugee camps and other targets. In June 1981, Prime Minister Begin appointed Ariel Sharon as Minister of Defense. In January 1982, Ariel Sharon met with Bashir Gemeyel, the head of the Lebanese Christian forces, in order to orchestrate joint action against the Palestinians.

In July 1982, 80,000 Israeli troops poured into Lebanon, in an attempt to secure a 25-mile security zone. By the third day, they had advanced well beyond this limit, with the aim of joining the Phalangist forces in Beirut and shutting down the Beirut–Damascus highway. Syria intervened to halt the Israeli incursion, holding the Israeli/Phalangist forces just outside Beirut. The PLO retreated from Lebanon by sea. Sharon refused to accept that all PLO forces had withdrawn. He arranged for Phalangist forces to invade the Shabra and Shatila camps in southern Beirut, where they massacred more than 300 refugees. For allowing this to occur on his watch, Sharon was removed from public office by the Israeli government.

Following the withdrawal of Israeli forces from southern Lebanon, the focus of conflict shifted into Israeli-occupied Palestinian territories, where Palestinians rebelled against Israeli rule. In December 1987, the first *Intifada* began in Ramallah, when a Palestinian youth struck an Israeli soldier with an axe. Throughout 1988, the *Intifada* continued, throughout the occupied West Bank and Gaza Strip, with the participation of almost all the Palestinian population. The Israeli army suppressed these uprisings with tear gas, rubber and plastic bullets and live ammunition.

Outside Israel, the *Intifada* was widely supported. On December 22, 1987, the Security Council of the United Nations passed a resolution condemning Israeli action in the occupied territories. United States diplomatic efforts failed to resolve the low-level conflict. By the end of the period, Israel had become an unwelcome, occupying force imposing its will on an indignant indigenous population. In response to the Israeli use of force, in February 1988, Hamas (the Movement of Islamic Resistance) was founded and committed to Islamic rule for all of Palestine.

Table 4 outlines the nature of the hawk–dove game that played itself out in the Holy Land over the period 1974–1988. In this period, the probability of war–war declines sharply, to 20 percent on both sides, though peace is more appropriately defined as low-level violence.

Table 4 The hawk–dove game 1974–88

			Palestinians		
			War	Peace	
Israelis	War	–25	–25	5	–9
	Peace	–9	5	1	1
Outcomes					Strategy
Israelis probability of war					20%
Palestinians probability of war					20%
Israelis payoff					–10.4
Palestinians payoff					–10.4

8.3 1989–2007: decline into corruption: mutually acceptable low-level violence

The period 1989–2007 is characterized by increased political and economic corruption within the Holy Land, corruption that encouraged both Israel and Palestine to cooperate in the maintenance of a low-level violence, deliberately obstructive to any peace process.

This is the period of semi-continuous, but completely unproductive peace negotiations between Israel and Palestine, against the backcloth of the Gulf War (1990–1991), the war in Afghanistan (2001–2002) and the war in Iraq (since 2003). It is also the period encompassing the collapse of the USSR and of Russia as a Superpower.

Following five years of low-level violence between Israel on the one side and the PLO and Hamas on the other, Israel and the PLO entered into secret negotiations in Oslo on January 20, 1993. On September 13, 1993, the Oslo Accord (Oslo I) was approved by Prime Minister Yitzhak Rabin (who later would be assassinated by a right-wing Jew for this act) on behalf of Israel and by Yassir Arafat on behalf of Palestine.

This agreement required the PLO to renounce terrorism in return for eventual Palestinian statehood, and for Israel to enter into a phased withdrawal from the West Bank and Gaza. The Accord was dishonored quickly, by both sides, the PLO driven by the more aggressive stance of Hamas and Islamic Jihad, the Israelis by the politics of the religious right.

Despite disruptive violence, Rabin and Arafat met in Cairo on May 4, 1994 to finalize a peace agreement, under which a Palestinian Authority, headed by Arafat, was given legislative, executive and judicial authority over Palestine. Israel retained control over foreign affairs and defense. This peace agreement did little to abate endemic violence both by Israel and Palestine, though it did lead to a peace treaty between Israel and Jordan. Despite ongoing violence, Prime Minister Perez and Yassir Arafat went to Gaza on July 4, 1995 to finalize Oslo II, the extension of Palestinian rule to the West Bank accompanied by the withdrawal of Israeli troops.

The rest of the story is too recent to require retelling. Suffice it to say that the so-called road map to peace was and is a farce, a cover for Sharon and Arafat (and their successors) to pursue their respective rent-seeking goals by avoiding a long-term settlement. By reinforcing the Green Line and its border barriers between Israel and the Palestinian West Bank, opportunities have been opened up for border profiteering by Israeli state-supported monopolies and by their Palestine Authority counterparts (the Israeli and Palestinian officials who served Sharon and Arafat respectively, and who shared the bounty with their respective leaders).

Table 5 The hawk–dove game 1989–2007

			Palestinians		
			War	Peace	
Israelis	War	–25	–25	5	–9
	Peace	–9	5	1	–5
Outcomes					Strategy
Israelis probability of war					38%
Palestinians probability of war					20%
Israelis payoff					–12.6
Palestinians payoff					–15.2

When Israeli tanks flatten Palestinian homes, Israeli flat-bed trucks rush to the border with replacement parts. Israeli oil tankers from the monopoly supplier charge Palestinian border recipients more than \$5 a gallon for gasoline, and the recipient Palestinian monopolist in turn raises the price yet higher to the gas stations within the territory of the Palestinian Authority (Cramer 2005, pp. 248–250).

Peace does not occur because there are powerful interests that prefer, instead, the status quo—monopoly profits rather than the normal returns from competitive markets. Such is the sordid state of twenty-first century Israeli and Palestinian goals and practices. Instead of a free Israel and a free Palestine, the system which is emerging has characteristics of an apartheid system in the Holy Land (Farsakh 2005). As Cramer (2005) suggests, this system is acceptable to the elites of both sides because material wealth derived from rent-seeking behavior has replaced God as the driving force of their existence.

The removal of Israeli settlements from the Gaza Strip, lauded in the West as a sign of Israel's willingness to follow the road map, in reality was just an excuse to shore up the much more important Jewish settlements in the West Bank, to make sure that Palestine would be irretrievably segmented by Israeli check-points. The ill-fated invasion by Israel into southern Lebanon in 2006 (the first time incidentally that Israel is perceived to have lost a land war) was yet another example of the continuing malevolence between Israel and its Arab neighbors. Nothing has been learned from the past, because those in charge, on both sides, have everything to gain materially from selective amnesia.

Table 5 outlines the nature of the hawk–dove game that characterized the period 1989–2007. The Table replicates Table 4, though, from the viewpoint of the Palestine Authority, peace is now less valuable than earlier, because it may be predicated on an apartheid policy imposed by Israel.

9 The end of days, the last judgment, the Mahdi and Armageddon?

Over the forty year period, 1967–2007, Israel has enjoyed nuclear hegemony in the Middle East, with first-strike rockets able to reach any part of that region. Over the past decade, it almost certainly has enjoyed a second-strike capacity in the form of submarines, armed with nuclear missiles that cruise the Mediterranean Sea. This hegemony has denied hostile Arab and non-Arab nations any real prospect of a successful invasion.

However, this hegemony is unlikely to survive the coming decade. The cost of acquiring nuclear technology, and the enhanced uranium necessary for building nuclear weapons, has

fallen dramatically, and proliferation is already evident. One Muslim country, Pakistan, is already endowed with nuclear weapons. Iran is almost certainly about to follow suit. Saudi Arabia and Egypt are unlikely to be far behind. In such circumstances, Israel's matches will no longer provide the ultimate deterrent against Arabian and, perhaps more significantly, Persian oil.

Israel would never deploy nuclear devices over the Holy Land, not least because such deployment would threaten religious sites and contaminate the Jew as well as the Arab. As we have noted, it is fully prepared to deploy such devices elsewhere, as a last resort means of avoiding total military defeat. The threat of such action has proved sufficient to maintain the peace, if peace is defined as the absence of major war.

Saudi Arabia and Egypt, likewise, are unlikely to deploy nuclear weapons over the Holy Land for reasons identical to those of Israel. Arabs would be loath to sacrifice the Old City of Jerusalem, and their own ethnic brothers, simply to eliminate the State of Israel. In this sense, a nuclear stalemate would be the expected outcome. Iran, on the other hand, poses a more serious threat, as a non-Arab Shia Muslim, nation, historically at odds with its Sunni Arab neighbors, and currently ruled by Islamic fundamentalists.

Central to all three religious branches of the Abrahamic tree, is the notion of the 'end of days' (Judaism), the 'day of judgment and the Mahdi' (Islam) and 'Armageddon' (Christianity). Each religion describes this event in apocalyptic terms, as a period of great conflict between God and Satan, resulting in the Resurrection of believers and great suffering for non-believers. The current Islamic fundamentalist government of Iran openly glorifies in the prospect of the coming of the Mahdi, the restorer of religion and justice who will rule before the end of the world. If such leaders envision nuclear holocaust as a route to sitting in Paradise at the right hand of the Prophet, the certainty of a nuclear second-strike by Israel may not deter an Iranian first-strike against the Infidel.

Knowing this provides both Israel and Palestine with an increased incentive to formulate a true peace, to open their borders to each other in competitive trade, to reduce corruption and to reduce tensions in the Middle East (Dershowitz 2005). For both nations, prosperous survival is much more attractive than a nuclear holocaust. Thus, ironically, the threat of nuclear proliferation may be the necessary incubus to renewed pursuit of a peace settlement between Israel and Palestine, which will require the suppression of religious extremism in both nations and a radical reorganization and reduction in the size of the public sector.

In our judgment, therefore, Armageddon, though not out of the question, remains extremely unlikely. Even in a Middle East consumed with mutual malevolence among nations, the genetic and kinship instinct not to wipe out one's own, will surely dominate the passion for personal immortality. At least, that is the position on which we choose to rest, in drawing this analytic historical narrative to a close.

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