

The Economics of Settlement

If not for Jewish settlers, there would be no Palestine and no economic progress for the region's Arab population.

By George Gilder

THE ROOT CAUSE OF Middle Eastern turmoil, according to a broad consensus of the international media and the considered cerebrations of the deepest-thinking movie stars, is Israeli settlers in what are described as the "occupied territories" on the West Bank of the Jordan River. Even such celebrated and fervent supporters of Israel as Alan Dershowitz and Bernard-Henri Lévy put the settlers beyond the pale of their Zionist sympathies. Remove the settlers, according to these sage analyses of the scene, and the problems of the region become remediable at last.

Lester Brown of the Worldwatch Institute adds to these political concerns a coming environmental catastrophe, also presumably aggravated by the Israeli settlers and their hydrophilic irrigation projects. He sees the Middle East as severely threatened by the growth of population and the exhaustion of

water resources. The Institute explains: "Since one ton of grain represents 1,000 tons of water, [importing grain] becomes the most efficient way to import water. Last year, Iran imported 7 million tons of wheat, eclipsing Japan to become the world's leading wheat importer. This year, Egypt is also projected to move ahead of Japan. The water required to produce the grain and other foodstuffs imported into [the region] last year was roughly equal to the annual flow of the Nile River."

Although these two concerns might seem unrelated, they converge in the history of Israel, created by several generations of settlers and constrained at every point by the dearth of water in a mostly desert land. In the mid-19th century, before the arrival of the first groups of Jewish settlers fleeing pogroms in Russia, Arabs living in what became the mandate territory of Palestine—now Israel, the West Bank,

and Gaza—numbered between 200,000 and 300,000. Their population density and longevity resembled today's conditions in parched and depopulated Saharan Chad. Although Worldwatch might prefer to see the Middle East returned to these more earth-friendly, organic, and sustainable demographics, the fact that some 5.5 million Arabs now live in the former British Mandate, with a life expectancy of more than 70 years, is mainly attributable, for better or worse, to the work of those Jewish settlers.

CHRONICLING THE ORIGINS of this Jewish feat in 1939, nine years before the creation of the modern state of Israel, was one of the little-known heroes of the 20th century, Walter Clay Lowdermilk. An American expert on land usage, he formulated and popularized the best techniques of soil reclamation and watershed management around the globe. Today the agricultural school at Technion bears the lapidary name of this American-born Christian, and the world-leading feats of Israeli water conservation attest in part to his influence.



A Rhodes scholar at Oxford who earned his Berkeley doctorate in forestry, Lowdermilk focused his career on “reading the land” for its tales of human civilization. Married to a Christian missionary, he moved early in his career to northern China to find remedies for the great famine there in 1920 and 1921. Rejecting the prevailing view that the crisis was caused by climate change, Lowdermilk and his team identified the real problem as the huge load of silt borne down the Yellow River every year and deposited in the lowlands of the river, causing floods and depleting the up-country of soils. “In the presence of such tragic scenes,” he wrote, “I resolved to devote my lifetime to [the] study of ways to conserve the lands on which mankind depends.”

Becoming assistant chief in charge of research for the U.S. Soil Conservation Service (now part of the Department of Agriculture), he embarked in 1938 on a global mission to determine how the experience of older civilizations could guide the U.S. in surmounting its own agricultural crises of the Dust Bowl and Southern erosion. This 25,000-mile peregrination ended in Palestine, where he confronted

the question of how the “land of milk and honey” described in the Bible had become a wasteland.

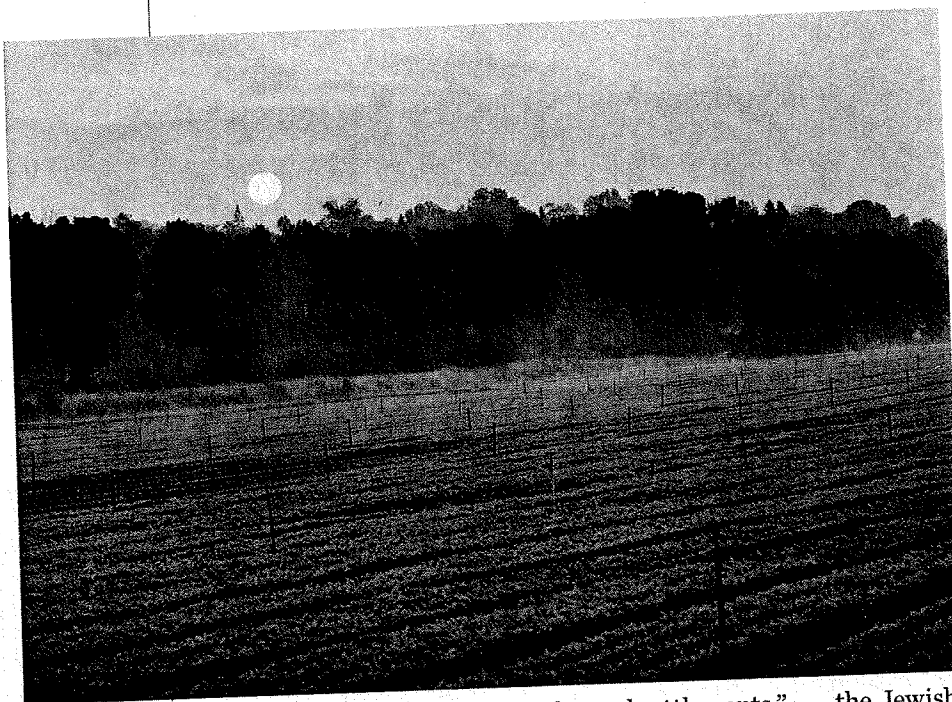
In ancient times, as he knew, Palestine was largely self-sufficient, with a population of millions. Replete with forests, teeming with sheep and goats, full of farms and wineries, the landscape evoked a European plenitude. By 1939, however, when Lowdermilk arrived in the area, it was largely an environmental disaster. As he recounted in his 1944 book, *Palestine, Land of Promise*, “when Jewish colonists first began their work in 1882...the soils were eroded off the uplands to bedrock over fully one half the hills; streams across the coastal plain were choked with erosional debris from the hills to form pestilential marshes infested with dreaded malaria; the fair cities and elaborate works of ancient times were left

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in doleful ruins.” In the late 19th century around the current Tel Aviv, Lowdermilk was told, “no more than 100 miserable families lived in huts.” Jericho, once luxuriantly shaded by balsams, was treeless.

What amazed Lowdermilk, though—and changed his life—was not the 1,000 years of deterioration but the some 50 years of reclamation of both the highlands and the lowlands by relatively small groups of Jewish settlers. As one of many examples of valley reclamation, he tells the story of the settlement of Petah Tikva, established by Jews from Jerusalem in 1878, in defiance of warnings from physicians who saw the area outside what is now Tel Aviv as hopelessly infested with malarial mosquitoes. After initial failures and retreats, Petah Tikva became “the first settlement to conquer the deadly foe of malaria,” by “planting Eucalyptus [locally known as ‘Jew trees’] in the swamps to absorb the moisture,” draining other swamps, importing large quantities of quinine, and developing rich agriculture and citriculture. By the time of Lowdermilk’s visit, Petah Tikva had

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become the largest of the Jewish rural settlements," supporting 20,000 people "where there were only 400 fever-ridden *fellaheen* sixty years ago." (Today it is at the center of Israel's high-tech industry.)

In the gouged and gullied hills near Jerusalem, reclamation by settlers was epitomized by Kiriath Anavim. Founded in 1920 among thorn bushes, dwarfed trees, and a desolate rubble of rocks, the settlement by the time of Lowdermilk's trip boasted elaborate terraced lands, orchards, and vineyards, with plum, peach, and apricot trees, honey, and poultry, together with prosperous dairies producing milk for Jerusalem and Tel Aviv.

In draining swamps, leaching saline soils, redeeming dunes into orchards and poultry farms, in planting millions of trees on rocky hills, in constructing elaborate water works and terraces on the hills, in digging 548 wells and supporting canals in little more than a decade and irrigating thousands of acres of land, establishing industries, hospitals, clinics, and schools, the 500,000 Jewish settlers who arrived before the creation of Israel massively expanded the very absorptive dimensions and capacity of the country. It was these advances that made possible the fivefold 20th-century surge of the Arab population by 1940.

AS LOWDERMILK RECOUNTED in his book, in the 21 years between 1921 and 1942, the Jews increased the number of enterprises four-

fold, the number of jobs more than tenfold, and total invested capital from a few hundred thousand dollars to the equivalent of \$70 million in 1942 dollars. Particularly significant in Lowdermilk's view were the purchases of large expanses of unused Arab land by Jewish settlers, many of whom had earned the necessary funds by their own hard work on the arid soils. On most occasions, the settlers bought only a small proportion of an individual Arab's holding and paid three or four times what similar plots sold for in Syria (and far more even than in Southern California). Thus the Jewish purchases provided capital for Arab farms, allowing a dramatic expansion of their production. "In cases where the land belongs to absentee owners and tenants are forced to move...I found that

the Jewish purchasers had provided compensation to enable the tenants to lease other property."

Lowdermilk reported that many Arab landowners had already begun to resist the agricultural advances and resented the success of the Jews, while the British in the area "are imbued with old colonial traditions and befriend feudal leaders." European

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diplomats often enjoyed going native by mimicking Arab grandees (who in turn were learning European ethnic prejudices and disdain for "men in trade"). Together they smeared these fully beneficial transactions with anti-Semitic slurs and caricatures. However, the results of the purchases were clear: "During the last 25 years (before 1939), Jews have

acquired just six percent of Palestine's 6.5 million acres or 400 thousand acres, less than one quarter of which was previously cultivated by Arabs."

These new opportunities in Palestine attracted hundreds of thousands of Arab immigrants from Iraq, Syria, Jordan, and the desert. With wages for Arab workers double or more the wages in Syria, Jordan, and Iraq, in 1936, a British Royal Commission could report: "The whole range of public services has steadily developed to the benefit of the [Arab] fellah-heen...the revenue for those services having been largely provided by the Jews."

Lowdermilk clinched his argument by a sophisticated comparison with conditions in Jordan. A country almost four times larger than Palestine (including Sinai), Jordan partakes of the same mountain fold of mesozoic limestone, the same rich river plains, the same Rift Valley and highlands, the same mineral resources, the same climate, and a several times larger population in ancient times. But at the time of Lowdermilk's visit, its agricultural output and per capita consumption of imports was one-fifth that of Palestine and its population density was one-tenth Palestine's.

Without Jewish settlements, Jordan was suffering heavy emigration (mostly to America and Palestine) while Palestine attracted increasing flows of immigrants, mostly clustering around the Jewish settlements. With Jewish advances in food production and in medicine and public hygiene, Arab health statistics increasingly converged with those of the Jewish settlers. While the Arab *birth rate* actually dropped by 10 percent, the death rate fell by one-third and infant mortality dropped 37 percent. The net result was an Arab annual population growth rate of 16.2 percent, the highest in the world (exclusive of immigration). Lowdermilk summed it up: "Rural Palestine is becoming less and less like Trans Jordan, Syria and Iraq and more like Denmark, Holland, and parts of the United States [Southern California]."

A GAINST ALL THESE HEROICS of advancement, however, a European-originated countercurrent was flowing. As widely reported by Lowdermilk and others on the scene, during the previous decade, "Fascist Italy and Nazi Germany were very active in fomenting Arab discontents." A spearhead was the Grand Mufti of Jerusalem, the most notable Palestinian leader, who became a fervent supporter of the Holocaust, soon enlisted in Hitler's cause, and spent the war at his headquarters in Berlin. "All Jew-

ish immigration should be prohibited," the Mufti said, "since the country could not even absorb the Jews who were already there." They would have to be removed by a process "kindly or painful as the case might be."

Lowdermilk pointed to a portentous precedent in Iraq. When the British relinquished their mandate, Iraqi leaders promised solemnly to protect the Assyrians—the Christian minority in the country. "Instead, the Assyrian Christians were slaughtered by Arabs of the Mufti's ilk who did not wish to 'assimilate or digest them.'"

Lowdermilk predicted that "Arab rule in Palestine would...put an abrupt end to the reclamation work now being carried on so splendidly." Under Arab rule, Palestine has always been a somnolent desert land that could have sustained no authentic 20th-century Arab awakening. Palestine without Jews is not a nation but a *naqba*.

Many people imagine that the new and larger influx of Jewish settlers after World War II perpetrated an injustice on the Arabs. What they did, in fact, was to continue the heroic and ingenious pattern of development depicted by Lowdermilk in 1939. With the Arab population growing apace with the Jewish population in most neighborhoods, and indeed faster in some, there could not possibly have been any significant displacement. The demographic numbers discredit as simply mythological or mendacious all the literature of Palestinian grievance and eviction from the likes of Ilan Pappé, Avi Shlaim, Rashid Khalidi, and the other divas of the *naqba* narrative.

By 1948, the Arab population in the Mandate area had grown to some 1.35 million, an increase of 60 percent since the 1930s, and up by a factor of seven since the arrival of the creative, far-seeing cohort of pioneering Jews from Russia in the 1880s. Mostly concentrated in neighborhoods abutting the Zionist settlements, this Arab population was the largest in the entire history of Palestine. Only the 1948 invasion by five Arab armies—and a desperate and courageous Israeli self-defense—drove out many of the Arabs, some 700,000. These Palestinian Arabs were evicted or urged to flee by Arab leaders in 1948 in a war that the Jews neither sought nor invited. But the creation of the State of Israel and its growing economy accelerated a renewed immigration into the area to today's level of some 5.5 million Arabs.

The only real Palestinian *naqba* came not in 1948 at the hands of Zionists, but rather in 1949, at

the hands of foreign aid bureaucrats in the form of the United Nations Relief and Works Agency for Palestine Refugees (UNRWA). In a desire to compensate the Palestinians for their alleged victimization by the creation of the State of Israel, the international bureaucracies perpetrated and created a genuine and permanent victimization among the 1.4 million refugees who live in UNRWA's 59 camps and the millions more who reside in the surrounding ghettos.

Financed by the U.S. and the European Union, as Michael S. Bernstam of Stanford's Hoover Institution explained in *Commentary* in December of 2010, UNRWA perpetuates the notion of a "right of return"

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to the land. Yet this land scarcely existed as an asset before the Jews reclaimed it and made it valuable and capable of supporting life. "This is not the right of return," writes Bernstam, "it is a claim of the *right to retake*..." or more accurately to seize the land outright from its lawful owners. A typical harvest of misconceived foreign aid, this tragic error extends the Palestinian grievance beyond Gaza and the West Bank into countries such as Jordan, Syria, and Lebanon that also host Palestinian camps.

The spurious ideology of Palestinian victimization by Israel blinds nearly all observers to the actual facts of economic life in the region. No one reading the current literature could have any idea that throughout most of the three roughly 20-year economic eras following 1948, the Palestinians continued to benefit heavily from Israeli enterprise and prospered mightily compared to Arabs in other countries in the region.

During the era of Israeli "occupation" that ran from after the war of 1967 to 1993, for example, the number of Arabs in the territories tripled to some 3

million, with the creation of some 261 new towns, a tripling of Arab per capita incomes, and a rise in life expectancy from 52 to 73 years. Meanwhile, the number of Israeli settlers in this area stripped of Jews by Jordan rose only to 250,000. Again, far from effecting any displacement of Arabs, the Jewish settlements enabled a huge increase in both the number and wealth of the Palestinian Arabs.

THE CAUSE OF THE subsequent disaster was intervention from the West under the so-called Peace Process of the early 1990s. Foreign aid poured in at a rate of close to \$4 billion per year, and the PLO under Yassir Arafat and his predatory gang of rabid anti-Semites was brought in from Tunisia to manage the bonanza. The result was a 40 percent decline in per capita income together with mounting terrorism and anti-Semitic animus. In this environment, Palestinian entrepreneurship collapsed amid much talk of the "humiliation" of Palestinians working for Jews.

The test of a civilization is what it accomplishes in advancing the human cause—what it creates rather than what it claims. From the outset early in the 20th century, Palestinian nationalism itself was an artificial construct characterized by hostility toward Jews, as well as toward capitalism. Palestinian political behavior was so obnoxious that their leaders were rejected by every Arab state in which they sought refuge, including the contiguous and predominantly Palestinian state of Jordan when it ruled the West Bank between 1948 and 1967. But after 1967, and under Israeli rule, the Palestinians proved that by focusing on enterprise complementing the Israeli economy they could become prosperous.

The most revealing gauge of the impact of the Israeli economy on Arabs—as opposed to the self-inflicted disruption of terrorism—is the performance of the one-fifth of Palestinian Arabs who live in Israel as citizens. A recent thicket of sociology was planted on the subject by UN economist Raja Khalidi in the *Journal of Palestine Studies* published by the University of California Press in Berkeley, California, and edited by Khalidi's brother Rashid. Rashid Khalidi became briefly famous during Barack Obama's presidential campaign in 2008 for his "consistent reminders to me," as the presidential candidate said, "of my own blind spots and my own biases" relating to Palestinian suffering. In his article, Raja Khalidi's view "pits a discriminatory and hegemonic Jewish state (and economy) against an

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ethno-national minority unable to access its fair share of national resources.”

The “natural resources” denied to Arabs in Israel, according to Raja Khalidi, turn out to be resources of land. After they sold it to Jewish settlers, they suffered sellers’ remorse. Apparently, they did not anticipate that the land could yield the region’s most fertile farms or could give birth to skyscrapers and high-technology factories. Why didn’t anyone tell them? Now they want it back, along with the skyscrapers and factories.

Raja Khalidi’s entire argument itself suffers from a huge gap—namely, the absence of evidence that Arabs anywhere in the world outside of the United

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States have performed as well economically as have Arabs in Israel. The average Arab annual per capita income in Israel is \$600 per month (i.e., an annual household income of \$14,400 for a family of four). This compares with an average annual income of \$9,400 for a family of four in sparsely populated Jordan, which roughly matches the average across the Arab world. Moreover, while Palestinians in the disputed territories have undergone a catastrophic 40 percent drop in income since the PLO’s resurgence, the income gap between Israel’s Palestinian Arab population and Jewish population has, in fact, been declining.

Any income gap between the Jewish and Arab populations of Israel is clearly attributable to the prowess of Jewish entrepreneurs and other professionals, whose excellence produces similar gaps in every free country on earth with significant numbers of Jews. Jews, for example, outearn other Caucasians in the United States by an even larger margin than they outearn Arabs in Israel. This probably reflects the fact that the United States, until recently, had a freer economy, by most standards, than Israel.

The problem is Khalidi’s own attitude, which echoes the view of Arab leader Musa Alami, meeting with David Ben-Gurion in 1934. When Ben-Gurion told him that Zionism “would bring a blessing to the Arabs of Palestine, and they have no good cause to

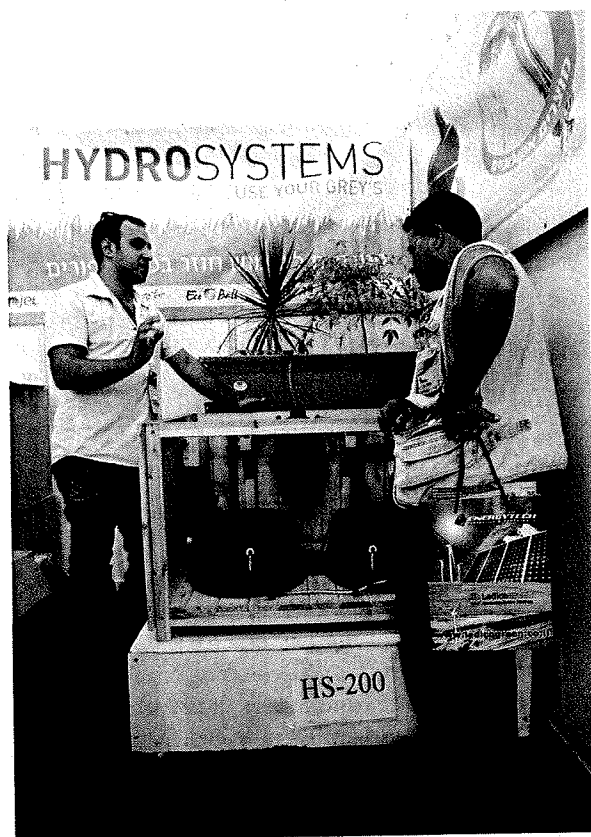
oppose us,” Alami retorted, “I would prefer that the country remain impoverished and barren for another hundred years, until we ourselves are able to develop it on our own.” This sentiment continues today under Hamas. In 2005, when Israelis actually relinquished their advanced greenhouses and irrigation equipment in Gaza, the leaders of Hamas ordered many of these facilities destroyed. Some things never change. On April 9, 2011, the PLO’s chief representative in the U.S., Maen Areikat, told the Jewish *Forward*: “Palestinians are not after improving their condition of living. Our real problem is ending the occupation”—getting rid of those dastardly settlers!

With Hamas now joining with the Palestinian Authority and with \$4 billion in new foreign aid, including \$900 million directly from the U.S. pouring into Gaza and the West Bank, the immediate prospects are grim. Nonetheless, Israel’s current administration, under the business-savvy leadership of Benjamin Netanyahu, is committed to the economics of collaboration and prosperity. As the abatement of violence permits, he is resolutely opening up new opportunities for Palestinian entrepreneurship and growth.

The choice for the Palestinians is clear, as always, between the ascent of capitalism and freedom and the economics of dependency and national socialism.

SO WHAT DOES THIS HISTORY have to do with the Worldwatch alarms about a rising threat of water exhaustion in the Middle East? A few simple statistics suggest that the Israeli “settlers” (and to the PLO all Israelis are settlers) once again are the solution rather than the problem in the region. Since the foundation of the State of Israel in a land that is half desert with no rain for six months of the year, the population has risen tenfold. While the amount of land under cultivation has nearly tripled, agricultural production has increased sixteenfold, producing some \$800 million worth of Israeli farm exports last year. At the same time, industrial output has surged fiftyfold. Meanwhile, Israeli use of water has *decreased* by 10 percent.

Israelis now purify and recycle some 95 percent of the nation’s sewage, including imports of sewage from the West Bank and Gaza—“They sell us sewage and we give them potable water,” said one Israeli official. Israel is pioneering ever more efficient forms of drip irrigation and gains some 50 percent of its water from world-leading desalinization plants. With an array of new hydrological innovations, Israel pro-



vides the crucial answers to the acute water crisis that afflicts the Middle East and much of the rest of the world. Just as the Israeli settlers enabled the emergence of an economy in Palestine, so they offer the prospect of saving the entire region from water exhaustion and poverty after the oil boom ends.

America's enemies in the Middle East well understand that no American military goals or resources in the Middle East are as remotely as important to the region as is Israel, with its ever-growing panoply of technical, economic, moral, and military assets. Israel cruised through the recent global slump with scarcely a down quarter, with nary a deficit or "stimulus plan" and with an ascendant shekel, while increasing its global supremacy, behind only the U.S., in an array of leading-edge technologies, from microchip design, network algorithms, medical instruments, and water recycling to missile defense, robotic warfare, and unmanned aerial vehicles. As the incomparable Caroline Glick of the *Jerusalem Post* reports, the latest economic data show Israel's economy growing 7.8 percent in the last quarter of 2010, with exports up 19.9 percent, accelerating to a 27.3 percent rise in the first quarter of 2011. So much for talk of boycotts.

Meanwhile, contrary to all the floods of mendacious propaganda purveyed by an ever-gullible mainstream media, Netanyahu's bold economic and humanitarian policies in the West Bank and Gaza have succeeded in fostering a brisk economic revival in the territories, with a recovery rate of near 10 percent in Gaza alone. As George Will acerbically noted in a particularly brilliant column, "Turkey was claiming to bring humanitarian aid to Gaza, a land with higher incomes and longevity than Turkey itself."

Israel's unparalleled achievements in industry and intellect have fanned the familiar anti-Semitic frenzies among all the economically and morally failed societies of the socialist and Islamist Third World from Iran to Venezuela. They all imagine that by delegitimizing, demoralizing, defeating, and, ultimately, destroying Israel, they will take an enormous step toward bringing down the entire capitalist West.

To most sophisticated Westerners, the jihadist focus on the annihilation of Israel may appear bizarre and counterproductive. But on the central importance of Israel, the jihadists have it right. Untethered from what had been the paramount American goal of deterring an attack on Israel and defending it against the common enemy, U.S. strategy has slid into total incoherence, drifting from a futile and deadly funambulism among the tribes of Afghanistan to propping up the Lebanese Army (i.e., Hezbollah) with sophisticated night-fighting gear to be used against no other target than Israel, and enhancing the Palestinian police forces with \$100 million in new equipment and training assistance, all the while pretending to the overwhelmingly pro-Israel American electorate that it is, in fact, guaranteeing the military superiority of Israel. This feckless and reckless attempt at a "fairness doctrine" balancing act places the United States and the entire Middle East on a path that can only lead to a new war that such a Janus-faced policy, in which America arms both sides, will make at once more likely and more lethal.

Acting on the facts of life and history would make peace a far more likely prospect than does the Obama administration's return to a "Peace Process" that chiefly focuses on uprooting Israeli settlers. ❧

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