

civilian economy and the most strategic economic sector in the country.

For security considerations, the shift to military industrialization urged the revival of the "only Hebrew labor" policy in this expanding sector of the economy. The intensification of demand for Jewish labor in the sector of arms and arms-related production, on the one hand, and the shortage of Jewish labor supply, on the other, are probably responsible for boosting the demand for Palestinian-Arab labor in traditional Jewish industries, specifically consumer goods production.

Central to this chapter is the argument that transformations in the composition of the labor force presented an incentive to foreign investment and high technology military production in Israel. This, in turn, urged concentration of capital for economies of scale. One implication of concentration is more division of labor for further control of the labor process. More division of labor implies more and more unskilled labor categories are generated. Such unskilled labor categories in Jewish industry were, in the past, performed by Oriental-Jews. Now Israel witnesses an absolute shortage of new Oriental-Jewish labor supply, as well as "maldistribution" of the existing Oriental-Jewish labor stock, reflected in the overwhelming tendency to move into public services. In light of this development, the growing generation of unskilled labor categories compels the Israeli ruling class to mobilize the reservoirs of Palestinian labor which it has historically boycotted. This analysis points out a possible correlation between shortage in unskilled Oriental-Jewish labor force and the demand for unskilled Palestinian labor force. It is not profitable to deskill new Jewish immigrants, coming predominantly from advanced capitalist countries. This point is demonstrated later on, as it belongs to the