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# **The Dynamics of Loyalty Benefits**

## **Lessons from the Case of Holocaust Survivors in Israel**

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December 2009

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## I. INTRODUCTION

It was a hot summer day on Sunday, August 5, 2007, when thousands of demonstrators marched in front of the Israeli parliament in protest of the government's poor welfare schemes for holocaust survivors. Among the crowds were a few elderly survivors dressed in striped shirts and yellow badges, a controversial symbol for the uniforms that were worn by Jews in Nazi concentration camps and ghettos during World War II. This emblematic act, aiming straight at the soft belly of collective Jewish narrative, reached its goal: images from the demonstration were shown in all major news media, and were addressed in a self-defensive statement made by the Prime Minister during that day's government session (Shragai, Ravid, & Feffer, 2007). This episode was one of the zeniths of the holocaust survivors' struggle for better welfare, culminating in a substantial rise in state allowances and benefits within the next few months.

This brief story includes two levels. The first level refers to the case of survivor welfare in Israel along the years: it demonstrates that holocaust survivors were feeling mistreated by the state and embarked on a successful, sometimes controversial struggle to improve this treatment. The second level refers to the Israeli welfare state as a whole, implying the centrality of national Jewish symbols in the distribution of welfare by the state. This paper will deal with both levels, using the first – the concrete story of holocaust survivors in Israel – to discuss several central facets of the second – the Israeli welfare state.

The notion that the Israeli welfare state is highly influenced by national symbols and interests lies at the heart of the recent Loyalty Benefits model, which provides the theoretical groundwork for this paper. Loyalty benefits are defined as categorical welfare payments that are used by the state to reward citizens who promote its interests. It is also claimed that the Israeli welfare regime includes a strong element of such benefits, given the state's national situation and character.

However, while this model indeed makes a convincing case on the macro level, it is also incomplete on the micro level. The case of holocaust survivors demonstrates this point: while the model presents survivors as recipients of loyalty benefits due to their symbolic role in Israel's collective Jewish identity project, the actual details tell a different story. An in depth examination of the dynamics behind survivor benefits reveals that real accomplishments were achieved only after decades of mistreatment, using the help of new coalitions and a public struggle that were opposed to the state's long-time approach.

Why is this so? In this paper, using the case study of survivor benefits, I argue that the current Loyalty Benefits model focuses mainly on the end-result, thus lacking adequate reference to the actual dynamics according to which the benefits are formulated. As such, it is

both insufficient and holds the danger of *post hoc* justification for every state-supported benefit. To resolve these issues, I suggest complementing the Loyalty Benefits model with theoretical reference to coalitions of different agents, both from state authorities and outside them, reflecting dominant interests of each. These interests stand in a reciprocal relation with the aforementioned long-term state symbols and interests. Such a combined model, with dialectics of macro and micro, would provide a fuller, deeper account of the loyalty benefits in Israel and as a whole.

This paper is composed of three basic parts. The first part will present the concept of loyalty benefits, its relevance to the Israeli welfare state, and three major lacunae that exist in it. The second part will provide a detailed account of the story of welfare benefits for holocaust survivors, as developed throughout the years. It will further examine the concrete agents and interests that stood at the center of this process. The third and final part will discuss the lessons that can be learnt from this story with regard to the model of loyalty benefits, using the lacunae identified earlier.

## **II. LOYALTY BENEFITS AND THE ISRAELI WELFARE REGIME**

The contemporary study of the welfare state had varied throughout the past few decades, since it first emerged. Though at first it took a more functionalist approach, the research soon encompassed wider aspects such as class relations, political dynamics, and coalitions of big corporations (Therborn, 1986). In doing so, it has kept in synch with new schools of thought which explained the formation of public policies according to the power balance between classes and corporations (Korpi, 1983; Lindblom, 1977), cooperation between various interest groups (Wilson, 1983), and state structures and initiatives (Skocpol, 1985; March & Olsen, 1984).

As a whole, all of these elements subsist in the classic typology of welfare regimes offered by Gøsta Esping-Andersen (1990). A *welfare regime* can be defined as "a lasting pattern of policy priorities [that] becomes buttressed by institutions, coalitions and discourses" and includes "the structure of the economy and its principal engines of growth" (Shalev, 1999, p. 122). Esping-Andersen's three paradigmatic welfare regimes – the liberal, the social-democratic, and the conservative – vary according to the level of de commodification that they produce, their underlying social stratification rationale, and their position regarding the relations between the state, the market, and the family. Esping-Andersen claims that these prototypes are the result of both theoretical and practical heritages of each state: it is influenced by modern schools of

political economic thought, while at the same time it is molded by real actions, such as political and social coalitions and the nature of class mobilization.

Extensive and influencing as it may be, it seems that this cardinal typology does not provide a simple solution for the Israeli case. Indeed, some analyses explicated the Israeli welfare state as a universalistic, decommodifying social-democratic regime that peaked in the 1970s and gradually transformed into a more individualistic liberal regime since the mid-1980s (Doron & Kramer, 1991; Doron, 2003). However, further scrutiny raised critical claims according to which the Israeli welfare regime was neither social-democratic at first (Shalev, 1989; Rosenhek, 2007) nor entirely neo-liberal later on (Shalev, 1999). Meanwhile, the continuous changes and reforms in welfare policies and its consequences on the state do not fit the basics of the conservative regime paradigm, which leads to wide retention of traditional societal structures and state institutions.<sup>1</sup>

It is natural, then, to regard the Israeli welfare state as a hybrid regime, in which certain areas are treated according to neo-liberal principles, while others are managed in conservative and even decommodifying manners. However, such a categorization may prove to be an empty, *post hoc* description without a proper explanation. The concept of loyalty benefits provides such a needed support. This notion, as articulated recently by Michael Shalev (2008) and Eyal Friedman (2009), describes a central force in the determination of the borderlines between different regime types in Israel.

The core of the argument claims that the variance between the different principals is constructed according to *national interests and motivations*: where these are found it is more likely to encounter more beneficial welfare practices by the state. At the same time, groups that do not promote these state interests are left subject to other forces, such as liberalization trends and contingent political and social coalitions. Thus, loyalty benefits are described as means to reward and induce members of society who advance state interests – an interaction that can be perceived as a *de facto* exchange relationship, laundered by the use of the welfare transfer system (Shalev, 2008, p. 5). In this regard, Loyalty benefits are defined as *categorical*, to wit depend neither on means tests nor on prior social insurance contribution, but rather on membership in certain socially defined categories (Gal, 1998).

Shalev and Friedman claim that loyalty benefits are especially influencing in Israel, considering its commitment to a collective identity project and its ongoing national conflict.

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<sup>1</sup> Examples of such changes in societal and institutional power balances and in social stratification include the rise of certain state agents' power on the expense of others (Maman & Rosenhek, 2007) and several notable public welfare reforms, such as in the national healthcare system (Rosen & Ben Non, 2007) or in the distribution of social benefits (Doron & Kramer, 1991; Hoffnung, 2006).

Thus, it is argued that the following aims are the center of loyalty benefits in Israel (Shalev, 2008, p. 10):

1. *The state's Zionist collective identity project*
  - 1.1 Aid to Jewish immigrants
  - 1.2 Jewish identity responsibilities
2. *The state's management of the national conflict*
  - 2.1 Compensation for military service
  - 2.2 Compensation to victims

The loyalty benefits argument is supported twofold with regard to Israel. Firstly, empirical evidence demonstrates that welfare benefits that fall under these cardinal classifications indeed, as a whole, remained relatively firm even in times of liberalization and cutbacks in most transfer payments.<sup>2</sup> Secondly, it is in line with other contemporary studies of Israeli society and politics, which analyze its structure and dynamics in terms of the Zionist ethos and ongoing regional conflict. According to Yoav Peled and Gershon Shafir (2002), the concept of citizenship in the Israeli society – a key concept for the welfare regime, as it deals with entitlements and commitments of and by state members – is torn between liberal and ethno-national, republican views. The latter give rise to claims of differential status between both Jews and Arabs and Jews among themselves, depending on the level of kinship and active participation with regard to the core community. These claims, while not utterly predominant, are evident in court verdicts (Peled, 1993), in welfare programs (Rosenhek, 2007), and in the nature of Israeli democracy as a whole, labeled by Sammy Smooha (2002) as an ethnic democracy. The latter notion, according to Smooha, regards a state in which the majority ethnic group uses its predominance to promote its own security, culture and interests, while the minority is perceived as a threat and thus cannot be equal or wholly included in the national identity.

The notion of loyalty benefits, then, forges a link between theoretical models of the welfare state – namely the idea of welfare regimes that reflect prevailing political and social mindsets – with the concrete ethno-national nature of the Israeli case.<sup>3</sup> Moreover, while it deals with Israel, it is also presented in general terms that may fit other states as well. As such, it demands further scrutiny.

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<sup>2</sup> The results are, in fact, more complex: the share of loyalty benefits out of the total transfer payments actually diminished in the past two decades, yet this reduction is eliminated when immigration and army reserve payments – both of which are determined by changing periodic needs – are deducted. See Friedman, 2009, p. 47-48.

<sup>3</sup> This linkage is, in fact, a manifestation of a critique made by Shalev elsewhere, according to which the welfare regime prototypes fit mainly Western states, while other states must be analyzed with proper added contextualization. See Shalev, 2007.

Such close examination raises three interrelated lacunae. Firstly, the aforementioned model focuses on state interests, yet does not specify which concrete *agents* promote them. Assuming the lack of a central politburo that determines the welfare policy single-handedly, this means that there exists a spectrum of agents within the state, not to mention outside it. With several independent and semi-independent agents operating at the same time, occasionally promoting opposite aims, there is an importance for differentiation within the process of policymaking. Further development, then, should break the monolith of "the state" into several independent factors – in terms of both the various, at times conflicting state interests and the different and often competing state-related actors.

Secondly, in accordance with the former point, the model focuses on the end-result, without studying the actual *dynamics* according to which loyalty benefits are shaped and maintained over time. Assuming that several agents indeed exist, it is also plausible that each attempts to achieve its own interests autonomously. Thus, it is important to study the mechanisms and dynamics that determine the outcome, that is, the way in which equilibria of different agents and interests are reached. Such an inquiry is important not only to identify these processes, but also to predict future trends, deriving from the dialectic between ongoing dynamics and already existing loyalty benefits.

Thirdly, the model does not discuss possible differences between *various types* of loyalty benefits. As loyalty benefits address several separate state interests, it is plausible to hypothesize that there are differences between various benefit types. These disparities can exist both in benefit characteristics and in deriving action methods taken by related agents. Such a typology would not only create an analytical distinction, but could also provide better prediction of related dynamics and future development for each type of loyalty benefit.

All three issues will be discussed in this paper, using the case study of the welfare benefits given in Israel to holocaust survivors – benefits that, *prima facie*, fall under the state interest of Jewish identity responsibilities.

### **III. WELFARE BENEFITS FOR HOLOCAUST SURVIVORS IN ISRAEL**

The story of holocaust survivors constitutes an instructive case study. Shalev and Friedman identify the benefits given to the survivors – whose needs derive out of suffering inflicted upon them due to their religious and ethnic origin – as a categorical loyalty benefit, rewarded as part of Israel's national interest to represent the Jewish people worldwide (Shalev, 2008, pp. 6, 10; Friedman, 2009, pp. 31-33). Following the model of loyalty benefits, one may expect a consistent treatment of holocaust survivors, possibly since the dawn of the Israeli welfare state,

supported by the state and withstanding opposite trends of liberalization and means tests requirements. However, this was not the actual case.

The analysis of welfare benefits for holocaust survivors in Israel can be roughly divided into two periods. The first period, taking place between the 1950s and the 1980s, included rather stable arrangements that were based on legislation from the 1950s and that followed the reparations agreement between Israel and West Germany. The second period, starting in the 1990s and proceeding until today, is characterized by changes in the former arrangements, fuelled by new coalitions and a high-profile public struggle.

### **First Period: The West-German Reparations and 1950s Israeli Legislation**

#### *Welfare Mechanisms: Partial and Means Tested*

Shalev and Friedman are right when they mention the national meaning of the holocaust for the Israeli state; it is indubitably a constitutive event in contemporary Jewish and Israeli narratives and identity. However, one must distinguish between the holocaust as an event and the holocaust survivors themselves, who were received with ambivalence during the early days of the state. Such an attitude was also evident in the welfare benefits that they received at the time.

The basic and long-enduring legislative infrastructure for the welfare care of holocaust survivors was laid during the 1950s. Its seeds were planted in the reparations agreement (also known as the Luxemburg Agreement) between Israel and West Germany, signed in 1952. The negotiations over the reparations were conducted between representatives of three parties: the West German government, the Israeli government, and the Claims Conference – a new organization that was created to represent the global Jewish community outside Israel in the deliberations (Segev, 1991).<sup>4</sup> The agreement determined that West Germany was to pay 3 million marks (about 750 million US dollars) to the state of Israel and 450 million marks (about 110 million US dollars) to the Claims Conference, both delivered in goods of equal worth over the course of 12 years. In addition, an added appendix to the agreement declared that Israel concedes the right of its citizens to demand individual compensation from that point onwards, a right existent for other non-Israeli holocaust survivors (National Commission of Inquiry, 2008).<sup>5</sup>

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<sup>4</sup> For an in-depth study of the negotiations process itself and of its preceding dynamics – a long and fascinating process with many ebbs and flows – see Weitz, 2000, and Sharett, 2007.

<sup>5</sup> Meanwhile, the Claims Conference chose the opposite tactic: it conceded 80% of its initially demanded sum, in return to a set of West-German legislation acts that enabled hundreds of thousands of Diaspora Jews to file individual compensation claims in upcoming years. By 1961, these claims yielded a total paid sum of over 100 million US dollars (Segev, 1991, p. 228). However, this paper will not discuss the story of the Claims Conference – one that raised much criticism in recent years regarding the use of funds – as it only has a weak, indirect relation to the Israeli welfare state.

The added appendix forged an inseparable link between the state of Israel and its holocaust survivor population, now bereft of their right to file individual claims from Germany following their sufferings. However, this link was not trivial. Two cardinal laws were legislated regarding the welfare of the survivors – both did not come easy.

The first act, *The Disabled Veterans of the War against the Nazis Law*, was legislated in 1954. The bill first emerged in 1949, prior to the reparations agreement, by several parliament members that demanded support for disabled veterans who fought the Nazis as part of foreign armies or resistance movements. However, the law passed only after the retirement of then Prime Minister Ben-Gurion, who rejected it for several years, and, as evident from the law's title, offered benefits for war veterans alone. It also differentiated between disabled IDF veterans, who received benefits from the sympathetic Ministry of Defense, and disabled World War II veterans, who as of now received lower benefits from a new department in the rigorous and bureaucratic Ministry of Finance, dubbed the Bureau of Rehabilitation of the Handicapped (National Commission of Inquiry, 2008; Teitelbaum, 2008). According to the law, a special committee had to acknowledge each recipient's disability, including proof of its direct relation to World War II combats, as well as a certain disability rate. The benefits then vary according to the level of disability, ranging from 10% and up to a 100% (The Disabled Veterans of the War against the Nazis Law, 1954).

The second and more inclusive law, *The Disabled Victims of Nazi Persecution Law*, was more directly linked to the aforementioned appendix in the reparations agreement. In 1953, a year after the agreement was signed, West Germany enacted its own compensation law, dubbed the BEG law in short (United States Department of Justice Foreign Claims Settlement Commission, 1999). The BEG law determined that people who suffered from Nazi persecutions are eligible to sue for personal allowances, unless they belong to states with which West Germany signed collective reparations agreements. The German law now formed a reference point, then: had it not been for the Israeli concession, its citizens would have been able to receive direct individual compensation from West Germany under the BEG law.

This very claim was at the heart of a demand made by several parliament members for a similar law in Israel. Nonetheless, the Israeli authorities avoided this demand for a long while. When finally faced with such a direct stricture, in 1956, the state Attorney General claimed that the reparations agreement did not establish any legal duty upon the state. The government, he noted, is free to use the reparations money as it wills and is not obliged to compensate the survivors (National Commission of Inquiry, 2008). In addition, after a legislation process had already begun, a senior official at the Ministry of Finance stated in front of Knesset Members

that the BEG law cannot and will not be a reference for Israeli welfare mechanisms (Teitelbaum, 2008, pp. 228-229).

Nevertheless, the ongoing parliamentary pressure drove the government to start a dedicated enactment procedure, beginning with a special committee appointed by the Minister of Finance, which ended up offering rather narrow propositions.<sup>6</sup> These offerings were later softened in the parliament as the law passed in 1957, but remained focused at means tested disabilities. As such, the law determined that holocaust survivors must have at least 25% disability rate in order to receive state stipends, if their disabilities are deriving directly from the holocaust and if they are not entitled for analogous German allowances. In addition, the law permitted a limited application period of two years. Like with the war veteran law, this administrative responsibility for this act was at the hands of the Ministry of Finance (*The Disabled Victims of Nazi Persecution Law*, 1957). The law managed to accurately embody the dual attitude of the Israeli state to the BEG law: while the basic definition of a persecuted person was taken from the BEG law, it was neither used as a reference point in benefit rates nor in beneficiary scope. As a result, BEG beneficiaries received growingly larger sums than Israeli survivors did (National Commission of Inquiry, 2008).

In upcoming decades, very few changes and additions were made to these two fundamental laws. Firstly, the application period in the second law was extended several times, and submissions were permissible beyond these periods when "under a special cause". Secondly, in 1969 both laws were amended as to include a special supplement for needy handicapped (National Commission of Inquiry, 2008, pp. 60-61). The fundamental mechanisms, then, remained essentially similar in upcoming decades.

#### *Agents and Interests: Economic Incentives, Lack of Survivor Representation*

What can explain these intricate outcomes? From the description above, it seems that there existed two conflicting forces: one supporting wide arrangements, while the other attempting to minimize them. In this battle, it appears that the latter had the upper hand: while welfare procedures were indeed legislated, they were partial and means tested. An examination of the actual dynamics between dominant agents and their interests may prove useful for further understanding of this result.

The "original sin" of the situation was the concession of survivors' rights to sue West Germany without a proper domestic counterpart. Why had this happened? As a whole, the

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<sup>6</sup> Most notably, these propositions recommended to focus only on survivors who were arrested in concentration camps, with a minimum of 35% disability rate and only for the 12 years during which reparations were paid to Israel (National Commission of Inquiry, 2008).

political economy of Israel during its first couple of decades was mostly shaped by a centralist, corporatist structure, headed by the strong *Mapai* party and the *Histadrut*, the workers federation that was *de facto* dominated by the former (Shalev, 1989). It is not surprising, then, that the Israeli delegation for the negotiations over the reparations consisted primarily of *Mapai* officials, as well as members of the Jewish Agency for Israel, another interrelated establishment. In comparison, the West-German delegation consisted mostly of state bureaucrats and experts (Teitelbaum, 2008). Meanwhile, holocaust survivors had no representation at all.

One can identify two major interests guiding these state officials, none of which relates directly to the welfare of survivors. Firstly, as Shalev and Friedman do note, there exists the symbolic interest of representing the Jewish people regardless of their citizenship, framing Israel as Land of the Jews. The reparations agreement marked Israel as the leading body with which one negotiates Jewish matters, even such that precedes the former's independent existence as a state. Accordingly, in a speech from 1951, Foreign Minister Moshe Sharett stated that Israel "sees itself as the rights bearer of the millions that were slaughtered", as it is "the sole national embodiment of their people." (Segev, 1991, pp. 233, my translation).

However, there were also other interests at play. First, still within the symbolic sphere, the young state was still building its national narrative and character. This new nationalist Jewish identity was in part based on the distinction between the submissive Jews of the Diaspora, marching to their deaths "like lambs to the slaughter"<sup>7</sup>, and the young, active spirit of the new Zionist Jews, embodied in the new state and its society of workers and fighters. In this equation the survivors themselves, while worthy for pity over their sufferings, represented the Old Jew: weak, helpless, and beaten down (Weitz, 1995; Shapira, 1998; Ofer, 2000). Accordingly, Ben-Gurion's opposition to the law supporting disabled veterans of the war with the Nazis derived, among other reasons, from his distinction between real "Jewish fighting" and heroism, demonstrated in the Israeli War of Independence, and occasional Jewish combatants fighting under foreign banners (Teitelbaum, 2008, pp. 222-223).

Secondly, and more importantly, there were strong economic interests to consider. During the negotiations over the reparations agreement, Israel suffered a deep economic recession and operated the *Tz'ena* (austerity) regime, which included strict rationing of basic food supplies (Naor, 2006). In this context, the reparations – which were delivered in basic goods – were like a brush of fresh air to the young, struggling economy: the total worth of reparations amounted

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<sup>7</sup> This phrase originally appeared in a manifest published in the Vilnius Ghetto during World War II, by Aba Kovner, one of its community leaders, calling all Jews to rebel and fight the Nazis. Along the years it had become synonymous with allegations of weakness and passive surrender, often used during the 1950 and 1960s to degrade survivors. See also Segev, 1991, pp. 97-98, 167-169.

to 118% of the 1953 state budget, and in 1956 the yearly reparations transfers accounted for over 19% of the state's income (Central Bureau of Statistics, 1956). Moreover, it is estimated that the reparations contributed 15.1% of the gross national product growth between the years 1953-1964 (Bank of Israel, 1965). As such, the reparations were one of the major factors enabling the government to lighten the austerity at first, to cancel it altogether in 1959, and to regain substantial economic growth in upcoming years.

The economic incentive may explain the concession of the individual right of Israeli survivors to sue West Germany. This demand was raised by the German delegation at the last moment, after the agreement was finalized and was waiting to be signed. The Israeli delegation was worried that the new claim was a deal breaker, and, alongside the false assumption that this will not be a meaningful price to pay, agreed quite promptly and with almost no internal examinations or debates (National Commission of Inquiry, 2008; Teitelbaum, 2008). In the context of our discussion, this compliance can be seen as evidence for the balance of different interests: the delivery of the reparations was important enough to push back other considerations, including the welfare of survivors.

The most dominant agents of the time – namely *Mapai* and the *Histadrut* – had benefited directly from this transfer. *Mapai* politicians managed to ease the tense economic situations and to import essential goods for the developing economy. The *Histadrut* officials were among the direct recipients of these goods and were involved in their distribution. For example, equipment orders from West Germany were made by a state bureaucracy dubbed The Reparations Company, which was headed by a Histadrut official involved in the management of most large infrastructure bodies in the state. Accordingly, most goods were distributed directly to these companies. The major rivals were the industrialists and the Ministry of Finance, who sought to use the reparations for the benefit of the private sector and indeed managed to receive some of it for these needs (Segev, 1991). The main struggle, then, was fought over the internal use of reparations goods. The dominant claims did not see this as means to support the survivors, even after the concession of their personal right to sue West Germany, or as a temporal loan taken from them by the state only to be repaid later.

Meanwhile, the survivors themselves posed little effective opposition. Survivors did not form a solid group, but were rather a heterogenic collection of disorganized individuals with little influence. Moreover, many survivors did not expose their personal stories publicly, some out of efforts to start life anew, build a home in the young state and assimilate in it (Klein & Kogan, 1987; Yablonka, 1999) and some because of the encounter with the aforementioned suspicion and unwillingness to listen to their personal experiences (Segev, 1991; Solomon, 1995).

It is no surprise, then, that at first the state did not consider the benefit of survivors as a leading interest. As evident above, the legislation was partly the result of pressures made by few parliament members, which was only enough to form partial, means tested mechanisms. Furthermore, the Ministry of Finance, a body with strong institutional tendency towards savings and efficiency rather than welfare, led this procedure on behalf of the state. Along the years, survivors did assimilate and gained better influence in the Israeli society. However, several private bills that demanded equalization of Israeli allowances with the German BEG law – most offered by parliament members who were survivors themselves – were constantly rejected, mainly due to effective opposition by the Ministry of Finance (Teitelbaum, 2008). It was not until the 1990s that a change had finally occurred.

### Second Period: Changes and Public Struggles

#### *Welfare Mechanisms: Allowance Growth and Further Benefits*

Some of the changes made since the 1990s can be seen in figure 1. This chart, taken from a report issued by a national commission of inquiry set in 2008 to investigate the treatment of holocaust survivors, indicates the changes in allowances given to an Israeli holocaust survivor with a 25% disability rate, in proportion to what she would have received under the German BEG law. As can be seen in the chart, this proportion slowly declined and detached during the 1950s, and, other than small ebbs and flows, remained at around 30%-40% until the 1990s, when it suddenly grew, changing the former trend.

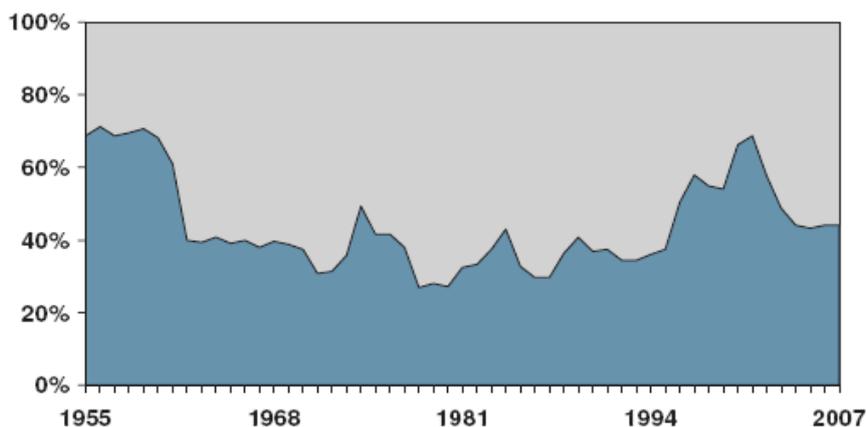


Figure 1: The allowance given to an Israeli holocaust survivor with a 25% disability, as a percentage of the BEG allowance given for the same condition (Source: Commission of Inquiry, 2008, p. 121).

The changes in welfare benefits for survivors can be divided to two waves. The first wave, seen in figure 1, took place during the mid-1990s. The initial change was not a part of the state welfare treatment. Following the fall of the Berlin Wall in 1989 and the subsequent reunification

of Germany, the negotiations over further reparations were revived.<sup>8</sup> Led by the Claims Conference – the only body keeping constant touch with the German government regarding holocaust compensations – these negotiations focused on further individual compensations for survivors, including Israeli citizens. As a result, a new fund (dubbed The Article 2 Fund) was established, granting a monthly allowance to some 70,000 survivors, of which 39,000 were Israeli. The new agreements also opened other, one-time German compensation sources for Israeli citizens (United States Department of Justice Foreign Claims Settlement Commission, 1999; Teitelbaum, 2008).

Secondly, and more importantly for our discussion, following a suit demanding to equalize survivor benefits with the German BEG allowances, the Israeli Supreme Court ruled in 1996 that the state had unfairly discriminated its survivor population for decades. The judges explained that the state's concession of Israeli survivors' right for personal compensation in 1952 indeed constituted a legal obligation for their individual care, and therefore ordered the Ministry of Finance to reconsider its policy towards holocaust benefits (HC 5263/94 , 1996). Following the verdict, allowances were raised by over 23%, yet were neither equalized nor linked with the BEG, thus enabling the continuation of a substantial gap between the two laws (see figure 1). In addition, other improvements to the laws included added social benefits (mainly discounts on state taxes) and further payment to needy survivors (National Commission of Inquiry, 2008).

The second and more meaningful wave of benefit growth occurred in the years 2007-2008, and is thus missing in figure 1. The achievement of the mid-1990s turned out as partial, mainly due to the continuous detachment from the BEG allowances and, following a global and domestic financial crisis, state cuts in welfare payments as a whole. As Shalev and Friedman note, holocaust survivor allowances were not cut back like most other transfer payments, yet the Ministry of Finance had other retrenchment channels – mainly through dramatic cuts in state budgets for survivor-related institutions and funds (Office of the State Comptroller, 2007).

The benefits eventually grew due to the combined effect of a public grassroots struggle and of political efforts. The public struggle, headed by students and youth movements, gained momentum as of 2006. It focused mostly on petitions, demonstrations and lobbying, supported by occasional politicians and public figures.<sup>9</sup>

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<sup>8</sup> The reason was mostly technical: as the reparations agreement was officially signed with West Germany, calculating its relative share of responsibility. Thus, the reunification enabled to raise similar claims towards East Germany's share of responsibility.

<sup>9</sup> For an example, see Ynet's (Yedioth Aharonot's official news website) report of a student demonstration from June 2006, including references of political and academic support (Barshkovsky, 2006).

These efforts soon snowballed into the national level. In the summer of 2006, the Office of State Comptroller initiated an inquiry of the treatment given to holocaust survivors by state authorities, presenting a harsh report in August 2007. Meanwhile, in March 2007, a few months before the Comptroller report was published, a new Minister of Social Affairs and Social Services (the Welfare Ministry) was appointed. This appointment took place after more than two years in which the ministry was under the direct responsibility of the Prime Minister, i.e. with no minister of its own (Haaretz, 2007). With the growing demonstrations at the background, the new minister soon took the issue of survivor welfare as a leading project. Within the next few months, The Welfare Ministry obtained the responsibility of holocaust survivors from the Ministry of Finance; led an inter-ministerial committee to discuss this matter (Sinai, 2007a); and, using the public support, convinced the government to assign further state resources for the help of needy survivors, despite the treasury's opposition (Sinai, 2007b).

However, due to miscalculations of the number of eligible beneficiaries, the new supplement in fact assigned only an additional 83 NIS per month for each needy survivor (Barkat, 2007). This misfortunate decision, taken in the end of July 2007, led to vast public dissidence, culminating in the protest with which this paper commenced – organized by a coalition of students, youth movements, and survivor organizations and including the images of old survivors wearing Nazi camp uniforms in front of the Knesset. The fierce criticism, alongside the now published State Comptroller report, defused any remaining opposition within the government. It was agreed that a national inquiry commission would investigate the state's treatment of holocaust survivors along the years, while the Prime Minister himself begun direct negotiations with representatives of the survivors (Shragai, 2007).

Due to these intense events, the following year included several long-awaited changes, some of them based on propositions that were constantly rejected in the past. In November 2007, in a notably favorable announcement, the Israeli Government formally declared its plans to increase survivor benefits and dedicated state budget, including further activities to help survivors recognize and claim their rights (Increase of Holocaust Survivor Assistance: Government Decision 3940, 2008). In March 2008, a new law had passed, guarantying a monthly 1,000 NIS stipend for every survivor who was thus far not eligible for other welfare allowances. In addition, it included further benefits for needy survivors (The Benefits for Holocaust Survivors Law, 2007). Furthermore, for the first time it was agreed that there should be a direct link between the changes in BEG and the Israeli allowances from then on: by September 2008, the allowances of the two old laws were enlarged as to reach 75% of the analogous BEG stipends, using it as a reference from then on (Sides-Cohen, 2009).

### *Agents and Interests: A Change in Power Balance*

It was claimed that the initial arrangements and stagnancy were a result of the dominance of certain agents, namely *Mapai*, the *Histadrut* and the Ministry of Finance, and of their leading interests, namely economic and political ones. At the same time, the survivors had little counter-influence over the state of things, both politically and socially. When analyzing the change, then, it is natural to seek modifications within this power balance.

Firstly, the old hegemony had weakened, opening the way for other forces. Politically, the power of the reigning establishment had weakened, as *Mapai* and its descendant parties' dominant rule had disintegrated since the 1970s, culminating in a fragmented parliamentary power balance that now requires elaborated coalitions and gives further power to small niche parties (Hazan, 1996). Economically, the old clientelist structure had transformed into a more liberalized economy (Shalev, 1999), giving rise to a competing liberal, individualist discourse of citizenship and entitlements (Peled & Shafir, 2002). Thus, more interests – both political and economical – had to be considered.

Secondly, a structural change occurred within the population of survivors. After decades of failed attempts to change the existing situation, several small organizations of Holocaust survivors finally decided to join forces and establish a parent organization for all survivors in Israel. Established in 1989, the Centre of Organizations of Holocaust Survivors in Israel (COHSI) defined its main aim as achieving personal, regular compensation for survivors who were not awarded such benefits thus far. The new organization instilled new spirit and assertiveness into the survivors' passive struggle. For the first time, the heads of COHSI demanded, and received, direct survivor representation in the Claims Conference – an involvement that proved especially influential when further negotiations were commenced following the reunification of Germany in 1990 (National Commission of Inquiry, 2008; Sheleg, 2001). In 1994, the COHSI also established The Foundation for the Benefit of Holocaust Victims in Israel, a body dedicated to helping needy survivors whose state benefits do not suffice. Not surprisingly, the foundation's main funding source was the Claim Conference (Teitelbaum, 2008). Moreover, and more importantly for our story, the COHSI was closely involved in the public struggle taking place since 2006 and in the forming of the new 2008 law.

Thirdly, the issue of survivor welfare had gained a stronger political appeal. Between 1989 and 2007, some 970,000 new immigrants from Russia came to Israel, most in the early 1990s following the fall of the Soviet Empire (Arian, Philippov, & Knafelman, 2009). Among those immigrants was also a "second circle" of survivors, to wit Jews who fled eastward after the Nazi uprising and were thus deprived of any existing survivor benefits. This group soon became a

majority among the poorest elderly population. Due to their large scale, the Russian immigrants became a hot electoral prospect, affecting the political efforts for survivors as a whole. Thus, for example, the new Russian-oriented parties that emerged and gained power since the 1990s raised many of the new claims for survivor welfare (The Immigration, Absorption and Diaspora Committee: Protocol 23, 2006). The political power of survivors further expanded after the surprising election of the Pensioners of Israel party in 2006, which established a new ministry for the elderly and took part in the formation of a political lobby for holocaust survivors (alongside the Labor party). It is no surprise, then, that the new Minister of Welfare, who was also from the Labor party, had placed the issue of survivors at the top of his agenda.

Fourthly, since the 1990s, the Israeli Supreme Court had become more influential following its Judicial Activism approach, famously touted by former president Justice Aharon Barak. The Judicial Activism attitude maintains that the judiciary has also an important role of monitoring and intervening, when needed, with executive and legislative decisions (Guiora & Page, 2005). In the case of holocaust survivors, this was evident in the 1996 verdict, stimulating the main 1990s raise in allowances. Similar suits were made in 1960 and 1976, yet in both cases, the court determined that this was a legislative issue not for the judiciary to decide (National Commission of Inquiry, 2008).

Fifthly, the public atmosphere had changed, granting further support for the survivors. Since the Eichmann Trial of 1961, the cold suspicion with which the survivors were received at first had gradually changed into acknowledgement and respect (Shapira, 1998). This tendency grew stronger in recent years, as the third generation to the holocaust adopted it as an integral part of their national identity; more Israeli young people are travelling to Nazi concentration camps in Poland, and are more interested in survivors' personal stories than before (Bar-On, 1999). This proved meaningful for survivors' struggle, as many young people, students and youth movements stood beside them during rallies and actively supported and organized demonstrations. The change did not only reflect a more respectful attitude towards the holocaust and its survivors, but also a growing tendency to support *victimhood*. While during the first years of the state most rewards were given for acts of heroism, the last few decades were characterized by a growing emphasis on the misery and wretchedness of welfare recipients (Friedman, 2009). As survivors grew old, their welfare was also linked with old age, physical illness and socio-economic troubles – making them even more salient for public sympathy and media attention (Persico, 2009).

The changes did not occur only due to transformation of power and interests, but also because of new *interconnections* between them. The 1996 verdict was the result of a survivor suit

made officially by a politician, then MK Avraham Hirschzon, who made the holocaust a key issue in his career and in the following decade indeed gained much political power and became Minister of Finance. The significant rallies of 2006-2007 were co-organized by students and youth movements, survivor organizations and niche politicians. High ranked politicians, welfare bureaucrats and survivor representatives, disregarding the opposing treasury officials, constructed the new 2008 law. The survivors, then, managed to gain strong influence, drawing politicians and public attention and forging derivative alliances, while it was the treasury bureaucrats who were left outside this round.

#### **IV. DISCUSSION: THE DYNAMICS OF LOYALTY BENEFITS**

Let us begin our discussion with a simple question: does the model of loyalty benefits provide a successful analysis and prediction of the state treatment of holocaust survivors in Israel? The answer is complicated. On the one hand, the model manages to fit the outcome. As Friedman (2009, pp. 80-81) and Shalev (2008, p. 17) show, in the past two decades, state expenditure on survivor allowances grew both nominally and as a percentage of total yearly transfer payments. Moreover, the changes that occurred since the 1990s were declaratively associated with the state's national and moral duty. On the other hand, however, it seems that the story told above does not fully fit the notion of "a laundered transaction", in which the state pays categorically to reward certain citizen groups, at least not before 2008. There is something important missing. With no reference to the enduring stagnancy of means tested mechanisms, as well as the long and complex path towards a change, the model may give a wrong impression of the state's actual conduct.

The missing part can be better illustrated through examination of the three lacunae discussed above, beginning with the first two. The first lacuna was identified in the monolithic identity of "the state". The second lacuna was spotted in the dynamics of shaping and maintaining loyalty benefits over time, not only at a certain end-point. The case of holocaust survivors demonstrates the importance of recognizing various state agents and the power balance between them, the change in which brought about the growth in survivor benefits. It also illustrates that state benefits are open for changes and constant struggles all the time. With no reference to these issues, the origins of the change in state policy and the basic struggle at its heart are missed altogether.

This is a crucial point. Without such examination, the model of loyalty benefits suffers the danger of *post hoc* analyses, justifying any arrangement in terms of "state interests". In other words, whichever benefits remain unharmed may be linked to some national interests by

default. Shalev and Friedman indeed seem to fall into this trap when they include benefits for Ultra-Orthodox Jews (*Haredim*) in the list of loyalty benefits, claiming that they reflect state motivation to reward their contribution to its Jewish identity (Shalev, 2008, p. 11; Friedman, 2009, pp. 33-34). However, this explanation seems dubious, considering the accompanying dynamics in recent years: it is not the result of a coherent, long-term national policy, but rather the result of the growing political power and coalitional leverage gained by ultra-orthodox parties in recent decades (Cohen & Susser, 2000). As such, it was part of wider sectorial achievements, including arrangements such as separate education systems (Vorgan, 2007) and growing exemption rates from mandatory army service (Stadler, Lomsky-Feder, & Ben-Ari, 2008) – both clearly do not promote state interests, but rather political ones.

Like the example of ultra-orthodox Jews, the case of holocaust survivors demonstrates the importance of analyzing the dynamics that precedes the end-result. The analysis of different agents, interests and coalitions provides a meaningful tool for this mission. Such a theoretical model is offered by Yehezkel Lein (2003), who maintains that public policies are often formed by coalitions of several state and private agents, competing among themselves over power and prestige. These agents, claims Lein, are in fact fractions and small groups both within the state and within society. Following Martin (1989), he argues that these agents act mainly according to particular *institutional* and *economic* interests: when such interests of several agents overlap, they are likely to form a coalition and promote relevant policies together.

However, the coalition model cannot replace the loyalty benefits model altogether. While the latter focuses mainly on the end-result, that is the *macro* level, the former has the opposite problem, focusing mainly on the *micro* level. Analyzing present agents and interests may miss long-term trends and deeper societal and national aspects that play an important role. In fact, it may prove difficult to speak of stable welfare regimes within this scope, unless one assumes inflexible interests and coalitions. In other words, it has the danger of counting the trees without acknowledging the forest.

The solution lays in the combination of the two: macro and micro together. State interests, as well as long-term societal, cultural, and political trends, all play a part in the formation of different agents, interests and coalitions. At the same time, the actions of those agents are accumulating into long-term trends, in a dialectic relation. The macro and the micro levels are different sides of the same coin, both equally important.

The presented case of holocaust survivors illustrates such dialectic. The initial arrangements were the result of immediate economic interests, namely the government interest to direct German resources almost exclusively to the economy; of given political power balance, namely

the lack of survivor representation or influence; and, also, of deeper societal and cultural trends, namely the ambivalence and unawareness towards survivors compared to other national symbols and interests. At the same time, these several trends influenced each other – it is plausible to imagine that a different approach towards survivors would have changed their social status and their political power, and vice versa. Thus, the reparations money promoted national aims, while survivors received only partial and means tested welfare mechanisms. Moreover, the link of this issue to the Ministry of Finance made the latter a key actor in coming decades, demonstrating a tight welfare attitude and blocking possible changes. In the same manner, these elements and the internal relation between them stood at the heart of the later change. The modification was fueled by a shift in power balance between agents, namely the rise in power of survivor-related agents and of clear political interests. Yet it was also a result of deeper trends, such as the emergence of a liberal, individualist discourse or the growing respect for survivors and for victims, enabling those agents and interests to rise, to gain political appeal and to form a basis for new coalitions.

Therefore, this dialectic gives a fuller explanation of the change in state welfare for holocaust survivors and of the place of loyalty benefits in it. It seems that survivor allowances were not a loyalty benefit at first: it was based upon means tested criteria, while the government and treasury blocked change initiatives for decades. Furthermore, the Israeli society did not yet recognized the survivors as key contributors to its Jewish identity, offering no fierce opposition for this attitude. This changed in the 1990s, when transitions in society led to further support of survivors and to the rise of reinforcing agents and interests. The change was completed only in 2006 and onwards, when these changes peaked and forged a coalition that influenced the state's position. This change, *only then*, turned the benefit of survivors into a loyalty benefit per se: the public support of survivors and the change in their status, clearly manifested in the harsh public criticism and struggle, were at the heart of the government's decision to grant them generous benefits. It was now a clear state interest.

This dynamic also sheds light upon the third and final lacuna: the lack of typology among different loyalty benefits. While this topic deserves a paper of its own, our current case offers the opportunity to make a first step towards such a discussion. As we have witnessed, the change in survivor benefits occurred with the help of a public struggle, emphasizing its national aspects. Without such a struggle, pushing the prime minister himself to deal directly with the issue, it is easy to imagine how the state's position would have stayed the same, or at least changed to a smaller extent.

The change, then, occurred only after the survivors – a passive population until that point – made an active step that endangered the state's national interest of representing the Jewish people. There is a difference, it seems, between populations that are actively promoting state interests and those who do so passively. Israel represented the holocaust survivors as of the reparations agreement – a representation that did not require any additional steps. It was enough that Israel took responsibility declaratively. In contrast, when dealing with disabled IDF veterans, for example, the state offered generous and expensive benefits and cooperated with their representatives from its early days (Gal & Bar, 2000). Naturally, in war-related issues, the state constantly demands the active participation of combatants who risk their life and health. Unlike survivors, IDF veterans do not only serve as a symbol, but also as part of the military system and as a living reference point for needed future combatants. There is an internal need to keep them in good welfare, not just an external, declarative one.

The basic typology that I offer, then, differentiates between *symbolic* and *pragmatic* loyalty benefits. While the latter demands constant attention from the state, the former does not – at least not until its symbolic meaning is being threatened. Thus, the survivor struggle gained momentum once it harnessed the exact holy symbols that the state needs, namely by explicitly accusing the state of taking advantage of persecuted Jews rather than protecting them, all this while wearing Auschwitz uniforms. Another such example is evident in the case of bereaved parents of IDF casualties, another population that serves state interests as symbol alone. As Michal Laron (2005) shows, the bereaved parents too forced the state to enlarge their benefits only after they embarked on a public struggle that harnessed the same symbols used by the state in their case. Once these symbols were put in danger, the state had a clear interest to improve the benefits of this population.

This typology is not only analytic, but can also serve as a predictive tool. It can be assumed that recipients of symbolic loyalty benefits, while surely receiving a declarative treatment, would find it harder to receive generous welfare benefits. Furthermore, it can be predicated that they would be able to achieve such a gain once they will endanger the same symbols for which they are being used by the state. Meanwhile, it can be predicted that recipients of pragmatic benefits would gain better rewards in quieter and quicker ways.

The case of holocaust survivors, then, teaches us several important lessons on the dynamics of loyalty benefits. Basic as it may be, the concept of loyalty benefits remains a convincing and useful theory for the Israeli welfare state, incorporating theoretical models of welfare regimes with concrete national contextualization. When coupled with a needed micro level, which focuses on coalitions between agents and interests, it offers a deeper account not only of a

possible end-result, but also of the dynamics that help create them. Furthermore, the combined model can help us identify the concrete type of loyalty benefits, thus helping us to predict possible frictions with the state and preferable modes of action that could change the status quo.

Nonetheless, this development is only a first step towards such a complete model. Further inquiry is still needed: firstly, similar cases to the one of holocaust survivors should be studied, granting further lessons, generalizing similar principles and eliminating particular ones; secondly, a closer comparison should be conducted between symbolic and pragmatic loyalty benefits, identifying further differences and possibly more types of loyalty benefits; and, thirdly, a similar inquiry should be done with regard to other states besides Israel, separating the local principles from the general ones. Such a theory could provide the depth and complexity to better understand and analyze welfare states as a whole, as well as concrete cases such as the one of holocaust survivors in Israel.

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