

**Toward a Heuristic Model of Elite and Institutional Change under Conditions of
Conflict, with Illustrations from Palestine
(A Preliminary Draft)**

Ahmed Badawi

Stiftung Wissenschaft und Politik

(The German Institute for International and Security Affairs)

Paper presented to the 7th Annual Meeting of the International Society
for New Institutional Economics
(Budapest, Hungary, September 11-13, 2003)

This paper is a work in progress. It constitutes part of the author's PhD thesis, tentatively
titled: Determinants of Elite and Institutional Change in Palestine since 1991.

Comments are welcome (ahbadawi@yahoo.com)

If we are ever to construct a dynamic theory of change – something missing in mainstream economics and only very imperfectly dealt with in Marxian theory – it must be built on a model of institutional change. Although some of the pieces of the puzzle are still missing, the outline of the direction to be taken is, I believe, clear.

(North, 1990: 107)

Concern with elite and institutional change in Iraq, the Palestinian territories, and elsewhere in the Middle East has acquired a new urgency following the events of 9/11. The current consensus in Western policy making circles is that a *positive* institutional change, i.e. one leading to more efficient modes of political and economic governance, is not possible unless it was preceded by one type of elite change, namely the removal of the ruler and the ruling regime.¹ Theoretically, this micro view could be supported by the assumption that a positive outcome of institutional change is determined by the voluntary bargaining of rational actors who possess accurate subjective models of the world. In the Palestinian case, the ruler, Yassir Arafat, is perceived as old, rigid, and inefficient. Being a typical neopatrimonial ruler, as he is routinely described, he could be seen as blocking the emergence of a new leadership in order to serve his own selfish interest of staying in power. Therefore, the removal of Arafat would create a new equilibrium in the Palestinian polity, more effective leaders would emerge, and that would eventually lead to the desired institutional outcome. (On Neopatrimonialism in Palestine, see Brynen 1995a, 1995b; Rabe, 1999; cf. Baumgarten, 2001)

While conceding that the removal of Arafat may lead to the emergence of more effective leaders, another view argues that even then, a positive *and sustainable* institutional change is not automatically guaranteed. This view highlights the pervasive impact of Israeli occupation, and external intervention in general, on the nature of institutional arrangements in Palestine and on the behaviour of the Palestinian elite. (Hilal, 1998; Roy, 2002) Theoretically, this macro view would reject the assumption that positive institutional change is ultimately determined by the perceptions actors hold about the world. It rests instead on the assumption that asymmetrical power relations exist within and among societies, and that a positive and sustainable institutional change has to be preceded by a deep structural transformation of

¹ It should be noted that differences between the United States and some of the major European powers such as France, Germany and Russia especially in the cases of Iraq and Palestine have not been over the desirability of removing the ruler but rather over the means by which this could be achieved.

these power relations. (On this micro-macro debate, see, e.g., North, 1981, 1990; cf. Acemoglu, 2002; Khan, 1995)

One of the drawbacks of the macro view is that it does not lend itself readily to short-term policy needs. It correctly depicts change as a slow and protracted process, but it does not pay enough attention to the micro dynamics of this process. For example, this view does not offer a theory of how uncoordinated exchanges among numerous actors, within a given context and under given constraints, constantly transforms power relations at the margins, and how this may incrementally lead to a positive and sustainable institutional change over time. This paper is a step in the direction of formulating such a theory.

The motivation is to move beyond the current impasse in the debate on sources of institutional change, its dynamics, and the determinants of its outcome. The seriousness of the impasse arises from the fact that these two views support contradictory policy assumptions about institutional change in the Palestinian territories, and elsewhere. For example, proponents of the first view argue that positive and sustainable institutional change *is* possible even under occupation. Proponents of the second view argue that such a change *is not* possible under this condition. Unfortunately, both views are not taken on their inherent scientific merits, but are deployed uncritically to serve conflicting interests and ideologies, which makes it virtually impossible for policy makers to make accurate *ex ante* evaluations of the outcomes of various policy interventions. Without a rigorous framework against which the robustness of these views could be checked, the deadlock in the debate will persist, and policy makers will continue to be surprised when outcomes defy their expectations, as seems to have been the case in Palestine since the late 1990's, and currently in post-war Iraq. The absence of a rigorous framework capable of generating a more objective type of knowledge about the dynamics of change in the context of conflict is thus in itself a major obstacle to positive and

sustainable institutional change. How to move beyond this impasse is an urgent theoretical task that requires sincere collaboration among social scientists from across the micro-macro divide.

Bridging this micro-macro gap has eluded generations of social scientists. Yet recently, by linking economic performance to institutions, and linking institutions to politics and culture, insights from new institutional economics have been mending fences between mainstream economics and other social sciences.² This offers the exciting possibility of not just formulating a theory of economic change over time but rather a unified theory of social dynamics that should inform our understanding of societal change, be it economic, political or cultural. (cf. North, 1990: 5)

Most pieces of the metaphorical puzzle are actually there. What seems to be missing is the model according to which the pieces could be arranged, one other than the static market model. What is needed is a new metaphor for the social process, a set of relevant assumptions, and updated laws of motion that together can yield a more accurate description of processes of societal change.

This paper is a little step toward fulfilling these three needs. Its specific objective is to puncture a theoretical impasse in the debate over Palestine by borrowing terms and modes of conceptualisation from the new political economy of institutions to propose a more rigorous explanation of the micro dynamics of elite change there, over the short-term, with change in the relative influence of individuals in a relational context as the basic unit of analysis.

² Most significantly in terms of the micro-macro debate, new institutional economics, particularly its political economy approach pioneered by North and others, brought back the issue of power into the heart of the market model. (Furubotn and Richter, 1997: 2-12)

Starting from two recent assertions in Mantzavinos, North and Sheriq (2001) that “the exchange between the demand and supply side of the market is also a communication process...” (12), and that the process of societal change follows a path-dependent sequence (15-17), Section I draws an outline of a model of societal change in which the basic mechanism is not represented as a relationship between two opposing forces tending to equilibrium, although that remains a key mechanism, but as a series of concentric feedback loops. The feedback flow follows a temporal sequence, and it is this sequence that provides the dynamic structure of society, which is not perceived here as a static entity at all but as a dynamic process.

Discourse is an integral part of this model. Discourses are a closer approximation to mental models than institutions. Politically relevant discourses circulate dominant ideas in and among societies, they link actors and institutions, and they are objective, albeit immaterial, sources of power. Therefore, their nature and their role in determining the outcome of elite and institutional change should be subjected to rigorous analysis.

This heuristic model of change under conditions of conflict will highlight the intimate feedback/feedforward linkage between elite and institutional change. Elite change could mean a number of different things: a change in persons and composition, in perception, in strategies, in tactics, in recruitment patterns, etc. (For a recent account of elite change in some Arab countries, see Perthes, forthcoming) These and many other types of elite change are interesting objects of analysis in their own worth. However, they are significant for explaining and predicting institutional change *only if* they signify what could be termed a “change in relative influence” among the elite. (cf. Khan, 1995: 78) After outlining the model, in Section II, I will draw from it some hypotheses about the determinants of this specific type of elite

change, which include the perceptions actors hold about the world, as well as their internal and external power relations.

In the conclusion, I will briefly discuss possible implications for development policy in Palestine, and for efforts aimed at resolving the Israeli-Palestinian conflict.

I. A HEURISTIC MODEL OF SOCIETAL CHANGE

Societal change, whether it is political, economic or socio-cultural, and whether it is happening on the level of actors (individuals and organisations) or on the level of structures (institutions), is the cumulative outcome of exchange among individuals and organisations. Any process of exchange among human beings is, *ipso facto*, a communication process. In a communication process leading to action and, by analogy, in any process of societal change, one can identify seven levels of analysis: context, cognitive mechanisms, actors, messages, organising mechanisms, action and impact. (Compare the sequence suggested by Mantzavinos, North and Shriq, 2001: 15) Feedback is the glue that ties all the levels together. These levels, in this particular sequence, in addition to feedback, represent the dynamic structure of society, which is conceived primarily as a process of constant flux which constantly rotates between states of equilibrium and disequilibrium. (Please see attached Figure.)

This model offers a basic story. Changes in the context pose new strategic questions for society. This creates an incentive for action. Messages about the best course of action are then exchanged among relevant actors until agreement is reached, amicably or otherwise. Once this happens, the agreement is translated into action by passing through the organising mechanisms. Some actions create winners and losers. Depending on the perceived value of their loss, losers may contest an action, hence the dotted line connecting actors and action in

the Figure, bypassing the organising mechanisms. Actors within the inner loop try to internalise dissent by crushing, co-opting, or collaborating with the dissenters. Sometimes all three attempts fail and the dissent is successful. In any case, the dotted line eventually disappears, and an equilibrium is reached. Actions (and counter actions) create an impact, which is fed back to the context, and the same process is repeated over time.

In what follows, I will take a closer look into the two key levels of Actors and Organising Mechanisms in order to formulate some basic assumptions and identify some of the mechanisms at work.

Actors

Communicative rational actors occupy the core loop of this model. Within a given society, let's assume that all actors are citizens, a minority of actors are elite, and a minority of the elite are politically relevant. Among these Politically Relevant Elite (PRE) there is one or a few rulers. Outside this given society, there are external actors, some of whom are also politically relevant for this given society. PRE derive most of their relative influence from their ability to provide perceived correct solutions to the key strategic questions facing society at any given time as a result of the changes in the context.

Actors share the resources of any given society, but these resources are not equally distributed, which gives rise to power asymmetries. Resources in this model are of three types: wealth, trust, and knowledge. Knowledge is a function of the level of education, the nature of education, and life experiences, which makes this variable a useful approximation for measuring differences in social background. The level and nature of education and life experiences shape the subjective models of actors, which determine how actors understand the world, and what they expect from it. (cf. North, 1990: 74-76) Subjective models are the

inward manifestations of institutions and discourses, both of which are essentially series of oral and written texts about how exchange relations in any given society should be organised. (cf. North, 1994: 363)

Knowledge is key because it is what enables actors to realise that changes in the context have occurred, and that there is a profit to be gained or a loss to be incurred as a result of these changes. It then enables the same actors to either maximise the profit or minimise the loss, within the constraints imposed by the context itself, by the behaviour of other actors, and by the organising mechanisms of society, i.e. institutions and discourses (look below).

Normally, all actors wish to maximise their share of society's resources. But wealth, in particular, is scarce. In the real world, under conditions of conflict, additional units of wealth gained by one actor, internal or external, are units of wealth lost to another. The ability of actors to maximise their share of resources at any given time depends, among other things, on the amount of resources they already possess. Shares of resources are thus path-dependent, which means that each additional unit of resources gained by an actor, increases the capacity of this actor to gain more units in the future. The reverse is also true. Each unit of resources lost, increases the likelihood that more units will be lost in the future. Beyond a certain point on the negative side, actors shift from strategic maximisation of their shares of resources into a strategic minimisation of the loss in their shares of resources. This shortens the time horizons of the losers and decreases the private cost of opportunism. In conditions of very extreme inequity, when some actors have nothing more to lose, including their sense of integrity as human beings, these actors may revert to desperate and destructive strategies purely aimed at preventing other actors from further maximisation, a condition that can partly account for the behaviour of Palestinian suicide bombers. This jolts society onto an inefficient path, with negative repercussions reaching far into the future.

Actors are characterised by opportunism. Coupled with the assumption of power asymmetries, this means that during bargaining over the distribution of society's resources, both principals and agents are likely to cheat, and once an agreement is reached, in the absence of credible enforcement by a third-party, they are likely to shirk. This would make co-operation impossible, if it were not for the constraints on behaviour provided by society's organising mechanisms.

Organising Mechanisms

If organising mechanisms are absent, or if they are not credibly enforced, conflict is inevitable. For example, without constraints on opportunistic behaviour, more powerful actors would simply dictate unfair agreements on weaker ones, which would eventually lead to dissent. These organising mechanisms are partly made up of formal institutions (e.g. constitutions, laws, written contracts, etc.), informal institutions (e.g. norms, traditions, etc.), in addition to their enforcement characteristics. (North, 1994: 360) Fundamentally, Institutions specify the rights and obligations of individuals and organisations vis-à-vis one another, and as such they are the rules *organising* exchange in the polity, the economy and in society at large, which explains why they are collectively subsumed here under the general term of organising mechanisms.

Institutions, in their function as the rules of the political game, directly determine the influence of individual PRE vis-à-vis one another. In Palestine, as in elsewhere in the developing world, informal institutions are more significant than formal ones, and usually a gap exists between them. This gap is not empty. It is filled by what could be called sub-formal institutions, which create incentives for a type of opportunistic behaviour which is neither legally nor socially sanctioned. Without an adequate understanding of the historical dynamics

which caused this condition of misalignment between formal and informal rules, as well as an understanding of the specific nature and evolution of sub-formal institutions, many phenomena in the Developing World would simply defy explanation. For example, it would be difficult to systematically explain why someone like Khaled Salam, one of the tens of advisors of Arafat, has been increasingly cited as one of the most influential men in Palestine; and to explain how his *perceived* influence has become relatively higher than what his formal function allows.

Discourses are also organising mechanisms. Just like institutions, discourses are path-dependent; and also like institutions, discourses function as constraints, not on behaviour as such but on the images which shape this behaviour. This gives the producers and circulators of dominant discourses in society a formidable power. In fact, it seems that the only significant difference between institutions and discourses lies in the nature of their enforcement on the formal level: formal institutions are legally enforced while discourses are not, and once they are, they become formal institutions. This may sound controversial to most economists, but if we consider the nature of institutions as *texts* about what is and what is not acceptable behaviour, we will immediately realise that they are nothing but a special form of discourse.³

Just like institutions, discourses are path-dependent. I will briefly explain what this means, and how outdated yet locked-in discourses do determine the behaviour of Israeli and Palestinian elite in a manner that sustains the conflict, even when the majority of rational citizens on both sides consciously prefer to end it. It is useful here to make a distinction between different types of discourses. Simple discourses are either formal or informal. These are what the elite say or write over time. The ideational content of these simple discourses is

provided by complex discourses, which come in two intertwined forms, theories and ideologies. These two forms of discourse are best defined in terms of one another: ideologies are subjective theories about the world, while theories are ideologies articulated as objective knowledge. (cf. North, 1990: 23 fn. 7)

Simple and complex discourses perform complementary functions. Looking first at simple discourses, under conditions of long run conflicts, actors develop informal discourses running parallel to their respective formal ones. Informal discourses are messages with connotations only accessible to insiders, and they develop as a result of repeated participation in games of conflict. In such games, players go out of their way to hide their motives and disguise their moves from one another. Theoretically, this is consistent with the assumption that opportunistic actors can make “calculated efforts to mislead, disguise, obfuscate and confuse.” (Williamson, 1996: 56) Informal discourses serve the function of camouflaging internal deliberations over strategies and next moves. Over time, and with the rise of problems of co-ordination, informal discourses develop into powerful informal and formal institutions capable of automatically activating self-defence mechanisms in response to perceived hostile moves made, or about to be made, by opponents.

As for complex discourses, they supply the ideational content of simple discourses, and provide them with legitimacy. As such, they serve a key function. During long-run conflicts, social costs of defection become extraordinarily high. With the passage of time, and at various phases of the conflict, commitment falters under conditions of fatigue or fear of extinction. When this prevails among citizens, their perceived individual cost of defection decreases. To guard against this, the PRE continually try to vary the tactics they use to refresh the sway of ideology, in order to be able to check defection. (cf. North, 1981: Chapter 5) They conjure up

³ According to North (1990: 107), “We cannot see, feel, touch or even measure institutions; they are constructs

founding myths and tales of heroism and metaphysical reward as positive incentives for the citizens to sustain their commitment, and invoke severe formal and informal sanctions against not just the act of defection but also the thought of it. With the continuation of conflicts, complex discourses tend to stress the inherent moral superiority of the cause, a kind of an objective moral superiority that is supported with empirical data, legal arguments and ostensibly robust theories. With sufficient repetition, and with a structure of sanctions, such complex discourses become internalised, and touching them becomes taboo, a serious moral offence.

But when changes in the context occur, which require rapid adjustments to the fundamental questions faced by society, and accordingly to the strategies proposed by the PRE to tackle these questions, the internalised complex discourses prove formidable to penetrate, naturally: these are the same discourses behind which society has been mobilised, and upon which a consensus has been formed, sometimes over generations. These complex discourses have become locked-in, which is what they have been supposed to be in the first place, and they have lost the capacity to be transformed in response to changes in the context, or changes in the strategies of other actors participating in the conflict. The unfortunate implication of this is that sometimes conflicts persist, even when the majority of actors on both sides consciously prefer to end it.

Once actors are firmly locked up inside a complex discourse, coupled with the cognitive self-defences erected by efficient informal discourses, a more pernicious mechanism may develop, what Watzlawick *et al* (1967) call self-fulfilling prophecy. It is perhaps worthy to quote the full definition provided by the authors because it explains a key and sensitive aspect in the Israeli-Palestinian conflict.

of the human mind.”

A self-fulfilling prophecy may be regarded as the communicational equivalent of “begging the question.” It is behaviour that brings about in others the reaction to which the behaviour would be an appropriate reaction. For instance, a person who acts on the premise that “no-body likes me” will behave in a distrustful, defensive, or aggressive manner to which others are likely to react unsympathetically, thus bearing out his original premise. For the purposes of the pragmatics of human communication, it is again quite irrelevant to ask *why* a person should have such a premise, how it came about, and how unconscious he may be of it. Pragmatically we can observe that this individual’s interpersonal behaviour shows this kind of redundancy, and that it has a complementary effect on others, forcing them into certain specific attitudes. What is typical about the sequence and makes it a problem of punctuation is that the individual concerned conceives of himself only as reacting to, but not as provoking, those attitudes.

(Watzlawick, Bavelas and Jackson, 1967: 98-99, emphasis in original)

More work is still needed to understand the role discourses play in processes of societal change and to draw out some of that relevant policy implications. Just like institutional failure, discursive failure seems to be as pervasive and as little understood.

II. CHANGE IN RELATIVE INFLUENCE: SOME HYPOTHESES

Path-dependence can explain the persistence of power asymmetries within and among societies, as well as institutional and discursive failures. But where does that leave us? According to the logic of path-dependence, increasing returns could be thought of as accruing to those actors who benefit from any given set of institutions and discourses, which in turn increases the power of those actors to sustain these institutions and discourses. If increasing returns were infinite, a society would remain on the same path for ever, regardless of whether

this path is efficient or not. As North has often remarked, this has obviously not been the case in history. Any equilibrium is eventually punctuated, and transitions from one path to another occur. These transitions are marked by a change in relative influence among the PRE. Those who are gaining in relative influence during the transition would slowly determine the shape of future institutions and discourses in society. An understanding of the dynamics of this change in relative influence, in the short term, at the level of individual Palestinian PRE, is therefore a reasonable step towards predicting the outcome of institutional change in Palestine.

To operationalise the notion of relative influence, I will use the model just crudely outlined as a broad road map to answer at least three questions: Relative influence over what? How to detect changes in relative influence? And, what are the determinants of change in relative influence?

In answer to the first question, in a relational context, the PRE have influence over each other, over non-PRE, and over citizens in a given society. They may also have influence over external actors. What is the nature of this influence? Through their influence over discourses, the PRE determine the moral incentive structure of actors. And through their influence over institutions, the PRE determine the material incentive structure of the same actors. As an outcome of these influences, the PRE ultimately influence the course of action followed by society at any given time. Finally, through their influence on action, they indirectly influence the context in which they exist in a manner that is almost impossible to predict.

As to the second question, there are a number of indicators that could support the claim that a particular PRE has gained in relative influence, such as an increase in the share of trust and disposable wealth. An increase in the share of trust is reflected for example in public opinion

polls, i.e. popularity. An increase in disposable wealth is reflected for example in increased access to financial resources from external sources.

Another indication of change in relative influence is a change in the position an individual PRE occupies in the organisational hierarchies of the polity. The more an individual PRE moves up the hierarchy, the more relative influence this PRE is likely to have over the incentive structure governing the behaviour of other actors further down the hierarchical chain. On the national level, this applies to members of the legislative, the top members of the executive, and the top members of other organised groups, such as political parties, trade unions, and churches. This also applies to whoever is in a position to influence them, whether relatives, friends or professional advisors. But one must be cautious here. In societies where informal rules are more significant than formal ones, a seat in a parliament for example could provide much less relative influence than a position in an informal network of patronage linked to the ruler.

A final indicator of change in relative influence is a change in the course of action followed by society to pursue its goals. If a society decides to modify its course of action, this suggests an increase in the relative influence of those PRE who have consistently advocated such a modification. For example, a decrease in the use of suicide attacks inside the Israel, regardless of its cause, is an indicator of at least a potential increase in the relative influence of those Palestinian PRE who have consistently advocated such a decrease.

As for the final question, the model suggests that a positive change in the relative influence of a particular PRE is determined by a number of factors. One of these is the capacity of a particular PRE to come up with correct solutions to the questions facing society at a particular

time. This capacity is a function of one resource, knowledge, and leads to an increased share in another, trust, and possibly in wealth as well.

In the absence of credible formal rules for the political game, a pervasive condition in many third world polities and in societies engaged in severe internal or external conflict, another determinant of the relative influence of a given actor is the behaviour of other actors. A ruler could choose to place a particular member of PRE higher in the organisational hierarchy. An internal or external enemy could place the same individual out of the political game altogether, through assassination or imprisonment for example. As for the ruler, the PRE, with or without the assistance of external actors, could unite against him and either reduce his relative influence or replace him with another ruler. In such an event, the citizens could decide to either support the ruler or abandon him.

The final determinant is the set of organising mechanisms in place at a given time. If effective, these organising mechanisms constrain the relative influence of the ruler, for example by constraining him from appointing and dismissing as he pleases, which creates more healthy competition within the various organisations of the state. They also provide positive incentives for individual PRE to co-operate. This allows these PRE, for example, to pool their resources in order to increase their collective relative influence. Here, a common ideology (being like-minded) is an incentive for co-operation or conflict as powerful as tangible material interests.

To sum up, by tracing the feedback flow in the model, one could argue that a mixture of three factors, namely resources (wealth, trust, and knowledge), the behaviour of other internal and external actors, and the nature of society's organising mechanisms, works to determine the relative influence of individual members of PRE, given the context.

CONCLUSION:

This article should be perceived as a heuristic exercise, a simple demonstration of the possibility of an alternative explanation of Palestinian politics. It is not an easy task because of the impasse in the debate, but with the aid of fresh theoretical tools borrowed from new institutional economics, this impasse could and should be resolved. Viewed from a broad historical perspective, the Israeli-Palestinian conflict appears to be in its final phase, and a historic compromise seems to be around the corner. Until this is achieved, however, the situation remains highly explosive. The conflict is the contextual factor determining the actions and reactions of actors within Israel and Palestine, an understanding of which is crucial to deciphering the determinants of elite behaviour and the dynamics of change in their relative influence, which is a necessary step towards predicting the outcome of institutional change in Palestine.

As crude as the proposed model is at the moment, it already suggests a course of action for concerned policy makers. As Khan (2002) argues, development interventions should not shy away from explicitly working to build “efficient coalitions” in the polities of the developing world. One can argue that in Palestine, perhaps more than in any Arab country, there is a high probability that various configurations of efficient coalitions could endogenously emerge. Considering the degree of dependence of Palestinians on external actors, however, it is not difficult to see that, so far, the behaviour of these external actors has not provided the proper mix of incentives to facilitate the emergence of efficient coalitions. Israel is not the only culprit, and part of the problem lies in the fact we simply don’t know exactly how to build these efficient coalitions. If by building efficient coalitions one means intervening in order to increase the collective relative influence of efficient like-minded individuals, then a necessary step to achieve that is to understand the determinants of this particular type of elite change, which is what this paper sought to do.

Analysis derived from the model can also be extended to offer a fresh set of terms for describing the relationship between Israelis and Palestinians, in general, in a more rigorous manner. A dominant feature of this relationship is mutual mistrust. An unbiased understanding of the nature of this mistrust and the dynamics of its continuation is needed. For an Israeli, the discourse and the behaviour of an organisation such as Hamas is interpreted as an indication that the real intention of *all* Palestinians, not just those in Hamas, is the destruction of Israel and the subsequent establishment of an Islamic state in all of historic Palestine. This is not true. Similarly, for a Palestinian, the behaviour of Israel on the ground and the discourse of Zionism indicate that the real intention of *all* Israelis is to gobble up all of historic Palestine and transfer Palestinians to Jordan or some other country. This is also not true. Israelis and Palestinians interpret each other's behaviour not in light of the other's public statements but in light of a selective understanding of each other's respective discourses and behaviour. This selective understanding is very problematic and is ultimately the outcome of informal discourses on both sides.

From an Israeli perspective, it is important to dismantle the infrastructure of "terror". From a Palestinian perspective, it is important to dismantle "occupation", which is the root cause of terror. From an outsider's perspective, it is important to dismantle informal discourses on both sides, and their underlying complex discourse that legitimise occupation and terror and prevent many intelligent persons from even seeing the intimate causal link between the two, a link that certainly flows from occupation to terror and not the other way around. Because of the powerful defences such informal discourses construct around themselves, only trusted influential insiders can accomplish the task of deconstructing them. But the efforts of such influential insiders in Israel and in Palestine are usually thwarted by violence. It is a vicious circle. Until attempts to dismantle outdated ideological narratives succeed, efforts to resolve

the conflict would continue to run into dead ends, making Israelis and Palestinians less receptive to the visions of their respective peace camps, to the detriment of both societies and to the whole global community.

References

- Acemoglu, Daron (2002) "Why not a Political Coase Theorem? Social Conflict, Commitment and Politics", draft paper presented to the 6th Annual Conference of the International Society for New Institutional Economics, Cambridge, Massachusetts, September 27-29.
- Baumgarten, Helga (2001) "Ein palästinensischer Staat zwischen Demokratie und Neo-Patrimonialismus", Ringvorlesung Probleme des Friedens im Nahen Osten, Münster, 30 January.
- Brynen, Rex (1995a) "The Dynamics of Palestinian Elite Formation", in *Journal of Palestine Studies*, XXIV, no. 3, pp. 31-43.
- Brynen, Rex (1995b) "The Neopatrimonial Dimension of Palestinian Politics", in *Journal of Palestine Studies*, XXV, no. 4, pp. 23-36.
- Furubotn, Eirik and Rudolf Richter (1997) *Institutions and Economic Theory: The Contribution of the New Institutional Economics*, Ann Arbor: University of Michigan Press.
- Hilal, Jamil (1998) "The Effect of the Oslo Agreement on the Palestinian Political System", In Giacaman, George and Dag Jorund Lonning (eds.) *After Oslo: New Realities, Old Problems*, London and Chicago: Pluto Press, pp. 121-145.
- Khan, Mushtaq (2002) "State Failure in Developing Countries and Strategies of Institutional Reform", draft of paper presented to the ABCDE Conference, Oslo, 24-26 June.
- Khan, Mushtaq (1995) "State Failure in Weak States: A Critique of New Institutional Explanations", in Harris, John, Janet Hunter and Colin M. Lewis (eds.) *The New Institutional Economics and Third World Development*, London and New York: Routledge.
- Mantzavinos, Chris, Douglass C. North and Syed Shariq (2001) "Learning, Change and Economic Performance", draft paper presented to the 5th Annual Conference of the International Society for New Institutional Economics, Berkeley, California, September 13-15.
- North, Douglass C. (1994) "Economic Performance Through Time", in *The American Economic Review*, Volume 84, Issue 3, pp. 359-368.
- North, Douglass C. (1990) *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.
- North, Douglass C. (1981) *Structure and Change in Economic History*, New York and London: W. W. Norton and Company.
- Perthes, Volker (ed.) (forthcomig) *Elite Change in the Arab World*, Boulder, Colorado: Lynne Rienner Publishers.
- Rabe, Hans-Joachim (1999) "Palestinian Elites after the Oslo Agreement (1993-1998)", unpublished PhD thesis, School of Oriental and African Studies, University of London.
- Roy, Sara (2002) "Why Peace Failed: An Oslo Autopsy", In *Current History* (January), pp. 8-16.
- Watzlawick, Paul, Janet Beavin Bavelas and Don D. Jackson (1967) *Pragmatics of Human Communication: A Study of Interactional Patterns, Pathologies, and Paradoxes*, New York and London: W. W. Norton and Company.
- Williamson, Oliver (1996) *The Mechanisms of Governance*, Oxford: Oxford University Press.

Figure

