The Three Mahapacs:

A game theoretical analysis

of power changes and democracy-building in Israel

Henrik Cornelius Rudquist Henriksen

<u>Abstract</u>

Since independence, Israel has passed through the phases of democratic transition from the non-democratic British Mandate Authority of pre-independence Palestine to the democratic confirmation of peaceful transfers of power, from founding election through critical election. Political developments indicate that Israel has reached a third phase that I have called the *revitalization* phase, and that the Israeli party system is going through fundamental changes.

Before each of the three elections corresponding to these phases there is a *mahapac,* 'turnabout', that fundamentally affects the following phase. The founding election is preceded by a power struggle over the nature of the state, the critical election by a conflict over the power structure and subsequently electability of the dominant party, and the revitalizing election by a struggle over party leadership.

This thesis uses Game Theory to analyze the three *mahapacs* in depth, to explain the actions that preceded, and perhaps led to, the power changes and the phases of democratic transition. On this background it then discusses the relationship between these significant events and the transition, and how the latest *mahapac* and corresponding transition phase may imply a fundamental change from two-party to multiparty system.

Table of Contents

1.0 Israel's Three Mahapacs: Introduction

1.1 The three mahapacs

Mahapac is Hebrew for "turnabout", meaning a sudden, significant change. It was the term used to describe the shift of power in Israeli politics after the 1977 Knesset elections. At this point, David Ben-Gurion's Mapai party and its successor Labour had held power continuously since independence in 1948. With one unexpected victory the controversial right-wing politician Menachem Begin and his Likud party replaced Labour as the dominant party in Israel, and would continue to hold this position for most of the next 29 years.

Labour's dominance and the Likud's marginalization in the previous era were the results of the power struggle during the time Palestine was under British Mandate. This conflict between the pragmatic and secular socialist organizations with close ties to the Jewish Agency and the World Zionist Organization, and the hard-liner Zionist organizations claiming all of the Biblical Holy Land came to a head during the War of Independence in 1948. A miscalculated challenge to the authority of the state and government marginalized Menachem Begin and his Irgun and let David Ben-Gurion establish his political dominance, a dominance that would last until 1977.

For the 29 years after 1977 the Likud was the dominant party, even though it never approximated the monopoly of power Labour and its predecessors enjoyed. Then, prior to the 2006 Knesset elections, the party fragmented. An internal power struggle led Prime Minister Ariel Sharon to leave the party and, with high-profile politicians of other parties, found the Kadima, the first party outside Labour and Likud to be able to form a government and hold the Prime Minister's post, and thus end the historical dominance of those two parties.

These three events all establish the power balance in Israel for the era to follow –in the case of the last one, at least as far as we are able to determine. Because of their importance, they can be called *mahapacs* –turnabouts. This thesis will attempt to explain the process that led to these events and how they came about. The tool chosen for this is Game Theory.

1.2 Game Theory

Game theory is originally a method from the science of economy, based on the Rational Choice theory. The Rational Choice theory assumes that every actor will make the choices that will result in the best possible outcome, and that if the 'wrong' choices are made, leading to a suboptimal outcome, it is because the observer has failed to identify the true preferences and priorities of the actor or because the actor based his actions on flawed or insufficient information.

When actors with conflicting interests meet, Game Theory provides the Rational Choice theory with a method to explain their actions within rationality. Each actor has different strategies available but the final outcome, which will benefit one more than the other, will depend on the strategies of both actors together. Strategy choice then becomes a process of anticipating the other's actions and preferences, and acting to ensure the most beneficial outcome. Given perfect information of available strategies and each other's preferences, each actor will make the rational choice. If this information is imperfect, because of flawed information, miscalculations or the effects of random chance, the actors may well find that the end result of the game is different from what they expected. This last point will be vital for this analysis.

Game Theory requires reasonably compact events, as games including too many actors or spanning too long a time period tend to become over-complex as there are too many available strategies and the knowledge and preferences of the actors change. In order for this tool to be useful, then, it is necessary to identify the catalyst of the process we seek to explain, the relatively limited exchange of responses that leads to the outcome we know, without making the mistake of oversimplifying. This analysis will seek to do just that.

1.3 Israel's political transitions and the three mahapacs

From independence to 2006, the state of Israel can be seen to pass through the steps of democratic transition from authoritarian rule. In 1948, the first elections are held, the founding elections. 29 years later, democracy is confirmed through the first transfer of power after the critical election. In the following years the confirmation is strengthened, until finally the election of 2006 brings about what seems to be a significant change in the party

system, from two-party dominance to a multiparty system. Not entirely coincidentally, these phases correspond to the three *mahapacs*.

Figure 1.1: governments 1948-1977

Knesset: government	Entry date	Prime Minister	Party
Provisional	14/05/48	David Ben-Gurion	
1:1	10/03/49	David Ben-Gurion	Worker's Party
1:2	01/11/50	David Ben-Gurion	Worker's Party
2:3	08/10/51	David Ben-Gurion	Worker's Party
2:4	24/12/52	David Ben-Gurion	Worker's Party
2:5	26/01/54	Moshe Sharett	Worker's Party
2:6	29/06/55	Moshe Sharett	Worker's Party
3:7	03/11/55	David Ben-Gurion	Worker's Party
3:8	07/01/58	David Ben-Gurion	Worker's Party
4:9	17/12/59	David Ben-Gurion	Worker's Party
5:10	02/11/61	David Ben-Gurion	Worker's Party
5:11	26/06/63	Levi Eshkol	Worker's Party
5:12	22/12/64	Levi Eshkol	Worker's Party
6:13	12701/66	Levi Eshkol	Labour Alignment
6:14	17/03/69	Golda Meir	Labour Alignment
7:15	15/12/69	Golda Meir	Labour Alignment
8:16	10/03/74	Golda Meir	Labour Alignment
8:17	03/06/74	Yitzhak Rabin	Labour Alignment

(Knesset 2009)

From the first *mahapac* at the time of the founding election to the second, at the time of the critical election, every government is led by what will become the Labour party. Then, in 1977, the picture changes.

Figure 1.2: governments 1977-2009

Knesset: government	Entry date	Prime Minister	Party
9:18	20/06/77	Menachem Begin	Likud
10:19	05/08/81	Menachem Begin	Likud
10:20	10/10/83	Yitzhak Shamir	Likud
11:21	13/09/84	Shimon Peres	Labour Alignment
11:22	20/10/86	Yitzhak Shamir	Likud
12:23	22/12/88	Yitzhak Shamir	Likud
12:24	11/06/90	Yitzhak Shamir	Likud
13:25	13/07/92	Yitzhak Rabin	Labour
13:26	22/11/95	Shimon Peres	Labour
14:27	18/06/96	Binyamin Netanyahu	Likud
15:28	06/07/99	Ehud Barak	Labour
15:29	07/03/01	Ariel Sharon	Likud
16:30	28/02/03	Ariel Sharon	Likud
17:31	04/05/06	Ehud Olmert	Kadima
18:32	31/03/09	Binyamin Netanyahu	Likud

(Knesset 2009)

From 1977 to 2006, from the second *mahapac* to the third, the Likud is dominant, though without the monopoly of power enjoyed by Labour in the previous era. Then, in 2006, a new party appears and proceeds to take the Prime Minister's post and later join the Likud's government as the strongest party (28 seats to 27 (Knesset 2009)) in 2009.

It seems obvious that there are, indeed, three *mahapacs* in Israeli politics. This thesis will seek to explain how they came about.

1.4 Disposition

Following this introduction, I will begin by briefly discussing transition theory and how this applies to the case of Israel.

The third chapter will look at Game Theory and discuss the various tools from the method that will be used in the further analysis.

The fourth chapter will identify the most important social groups and political cleavages that make up Israeli society and, as importantly, electorate. This will serve to give context to the analyses that follow.

The fifth chapter begins the analysis proper by giving a brief historical background for the first of the three games, describing the beginnings of Zionism and Jewish immigration to Palestine and the situation under the British Mandate until independence in 1948.

From this background, we can begin the first of the games: The Altalena Game. During the War of Independence against the Arab states, the provisional government under David Ben-Gurion faced a challenge to the state's authority from Menachem Begin's Irgun militia. The Altalena game seeks to explain the events and choices made that led to the political marginalization of Menachem Begin –at least temporarily.

From the aftermath of the Altalena game, the seventh chapter describes the "Labour era" from 1948 to the second *mahapac* in 1977 and gives the necessary background for the second game.

The second game played is the Mahapac Game, so named because the events of 1977 introduced the term. After nearly 30 years in power the Labour party faced a combination of internal and external problems that led to their downfall and Menachem Begin's Likud party's victory in the 1977 Knesset elections. This game attempts to explain the actions of the various factions in the Labour party that contributed to their defeat.

The ninth chapter gives a brief historical background of the Likud era, from Begin's rise to power until the third and last game.

The third game in this analysis describes the fragmentation of the dominant Likud party and the emergence of the Kadima before the 2006 elections. As Prime Minister Ariel

Sharon made unpopular decisions he was challenged by Binyamin Netanyahu, head of the internal opposition, and the result was the collapse of the Likud and the establishment of the first truly powerful third party in Israel. This third game looks at the process that led to this outcome.

With all three games played, this thesis will conclude by summing up what the three games have shown about the three *mahapacs,* and discuss what, if anything they have in common.

1.5 A note on terminology

'Zionism', as used in this thesis, is the ideology that seeks to establish and uphold a Jewish homeland or state in the area of Biblical Israel in the territory of the British Mandate of Palestine. Zionism varies in its territorial demands, where soft-liner or 'minimalist' Zionists may be content with limited territories the hard-liner or 'maximalist' Zionists may seek Jewish control of the entirety of historical Land of Israel.

With the attention given to Israel and the Arab-Israeli conflict, Zionism and Zionist have become loaded terms. It is neither the purpose of this thesis nor the intention of the author to comment on the rights and wrongs of this conflict and the term is used in accordance with the above definition and in a strictly descriptive sense.

2.0 Israel and democratic transition from authoritarian rule

With the Declaration of Independence in 1948, Israel took the step from British Mandate to an independent state. In the course of this process, a new Israeli government replaced the outside British Mandate Authority and thus made the first step of the transition from dependent, essentially undemocratic rule to democracy.

Transition theory is the theory of the transition from an authoritarian to a democratic regime. Although the British government of the Mandate era can by no stretch of the

imagination be considered authoritarian in Britain itself, the same is not true regarding its position in the colonies, mandates and other possessions in which the majority of the population were not British citizens and therefore not eligible to vote. The Israeli Declaration of Independence can therefore be considered the first phase in the Israeli transition from authoritarianism to democracy, a position that gains extra weight if the levels of conflict and violence in the last years of the Mandate are taken into consideration.

A democratic transition is a process where an authoritarian regime breaks down and is replaced by a democratic regime. This will lead to a transitional period with the adoption of a constitution, the introduction of democratic institutions and norms and the competition for power, and the abolishment of the authoritarian power structures. If successful, this will be succeeded by a period of consolidation, during which democratic values become predominant, a party system is established, and a series of peaceful transfers of power takes place (Østerud, Goldmann, Pedersen 1997: 41-42). The democratic system is considered to be consolidated when the key political institutions of the systems are regarded as the only legitimate arena for the process of political competition for power by all the significant political groups, who adhere to the rules of the game (Günther, Diamandouros, Puhle 1995: 7).

One of the benchmarks in this transition is the *founding* election, the first election in the democratizing system. This event introduces democracy to the people, affirming the democratic intent of the driving forces behind the transition if it is convincingly executed (O'Donnell, Schmitter 1986: 57). However, the establishment of a democratic process is not enough in itself –as already mentioned, democratic values must be internalized and dominant for the transition to be complete. The election confirming this is the *critical* election –the election where the governing party from the founding election is peacefully replaced by the opposition when required by the election outcome. This is the first of the series of peaceful transfers of power, and with this the transition can be said to be successful.

How, then, does democratic transition relate to Israel?

On January 25. 1949, eight months after the Declaration of Independence, the elections for the Constituent Assembly were held, and the first government to result from this Assembly replaced the provisional government established at independence on March 10.. There is no reason to doubt the 'democraticness' of this election, and as the first election

after the end of the undemocratic British Mandate this is Israel's founding election. This sudden end of the authoritarian regime is the reason why transitory pacts do not apply to Israel, as the Mandatory power withdrew from the region rather than having to coexist with the new regime and therefore had little incentive to force negotiated transition.

However, despite the Mandate the 1949 elections were not Israel's first brush with democracy. The process of institutionalization of the Yishuv (the Jewish community in Palestine) through the Jewish Agency, Histadrut labour organization, local councils and other organizations of the World Zionist Organization (WZO) had given both the electorate and the political elite experience in democratically organized organizations and institutions – and it was these very organizations and institutions that were to be the basis for the new state. Israel's founding election, therefore, took place after only a brief period of actual transition because it had existing foundations to build on.

However, the "series of peaceful transfers of power" takes a longer time to manifest. The dominant political organizations from the pre-independence era remained in power until the 1977 election, which is Israel's critical election. At this point, the first true power transfer takes place, as the Likud replaces Labour as the governing party for the first time. While the Israeli system appeared democratic since independence, it took nearly 30 years for this to be confirmed through an electoral loss to cause the governing party to step down peacefully and thus confirm its adherence to the democratic rules of the game. However, a single power transfer is hardly a "series", and while the actual concern for the Likud's following the rules may not have been all that strong Begin was perceived by some as a danger to the state of Israel and, ironically, as we shall see this was one of the reasons for his electoral victory in 1977.

The Likud remained in power until the 1992 elections, even dominating the Labour-Likud "National Unity" governments of 1984-1990. In 1992, Labour returned to power under Yitzhak Rabin and was replaced by the Likud under Benjamin Netanyahu in 1996. Only at this point, after 48 years of independence, can the Israeli democracy be said to have passed through a series of peaceful power transfers and have completed its democratic transition as the system has been through four actual transfers. All transfers, though, have been between the two dominant parties –Labour and the Likud, or their predecessors, which at this point had had all Prime Ministers and only rarely shared power with each other. The Israeli party system, while having numerous parties, was essentially a two-party system as

one of the two major parties was necessary to form any majority government and the cleavages and political tensions were too strong for stable minority governments.

It took until the 2006 elections for a third party to claim the Prime Minister. This party was the Kadima, a centrist party split off from the Likud and including ex-Labour notables. It won a convincing victory in what I have chosen to term Israel's *revitalization* election. With the emergence of the Kadima, which also gathered the most support in the 2009 elections but became junior partner in a Likud government because of the latter's stronger coalition, the Israeli party system has finally moved from essentially two-party to a multiparty system with more than two potential coalition-building parties and with more parties big enough to potentially challenge the now-reduced dominant parties. Whereas the founding election introduced the democratic system and the critical election confirmed it, the revitalization election can be seen as the result of the power transfers following the critical one and finally breaks away from the pattern of the pre-state Yishuv and the internal conflicts of the founding of the state of Israel. The new state of Israel was, because of its existing structures, able to swiftly progress through Rokkan's four phases of state- and nation-building (Flora 1999: 131-133), but took longer to proceed through transition. Transition is normally considered a relatively short process, but in the case of Israel it takes a very long time even without the introduction of the last, revitalizing election. Transition in this case is also the final step in the state-building process, and the three games played in this analysis tie in with these three elections.

The Altalena Game of 1948 is played immediately before the founding election and, as we shall see, is played over the 'stateness' of the new state, its centralization of power and monopoly of violence. It is obviously heavily affected by the events and developments of the pre-state era, particularly the respective policies and levels of influence of the various factions, and it sets the tone for the next 29 years. It is largely because of the Altalena Game that the critical election took so long to manifest.

The Mahapac Game of 1977 is the game of the critical election. It is played over internal party power, but it is influenced by the outcome of the Altalena Game through the marginalization of the main political opposition and the statism and centralization that resulted. Its outcome prepares the ground for the mahapac of 1977 and the Labour government's first loss of power to the Likud. This leads to the necessary "series of peaceful transfers of power", dominated though the next 29 years are by the Likud.

The final game is the Kadima Game of 2006, resulting from the erosion of the dominance of the two main blocs from the Mandate era through the successful transition from Mandate to democracy and giving Israel its first centrist government, thereby introducing the multiparty system.

3.0 Rationality even in defeat: Rational Choice, Game Theory and uncertainty

3.1 Rational Choice

This analysis aims to explain in some depth the choices and events that led to the three power shifts in Israeli politics, including the actions and choices of the principal actors. The method chosen for this task is Rational Choice theory, more specifically Game Theory.

Rational Choice theory is the theory of how choices are made, based on a number of assumptions regarding the one making the choice –the actor. Most importantly, in order for the theory to apply, the actor or actors must be assumed to be *rational*. Jon Elster's "thin" theory of rationality calls an action rational if it results from consistent beliefs and desires on behalf of the actor: the rational action in a given situation is one the actor believes will lead to a desired result. Elster's "broad" theory of rationality has stronger requirements, demanding that beliefs are based on available information and desires are based on autonomous preferences, excluding wishful thinking and extreme conformism as valid reasons for a rational choice. His "thin" theory requires consistency, whereas his "broad" theory requires consistency, reflection and autonomy (Hovi 2008: 18). I deem Elster's "thin" theory to be sufficient for this analysis, but the detailed study of the events and their background will where necessary include descriptions of the reflections and autonomy behind the actions in addition to their consistency with beliefs and desires.

Rational Choice theory has three main branches, as laid out by John C. Harsanyi: Utility Theory, where rational action results in maximization or perceived maximization of the actor's utility, Game Theory, where two interacting, rational actors seek to maximize their own utility, and Ethics, where the actor's rational preferences are based on his moral value judgments (Hovi 2008: 17-18). For the purpose of this analysis I will focus on Game

Theory as the events in question need to be explained by actor interaction, as will become evident.

3.2 Game Theory

Roger A. McCain defines Game Theory as "the study of the choice of strategies by interacting rational agents" (McCain 2004: 3), making it a tool to study and hopefully explain the choices made when actors, acting rationally, react to each other by representing the possible choices and outcomes when two actors interact as a game played between two opponents.

These games have a number of requirements. We need to identify the actors –the players of the game. This is generally not difficult, as the primary choice-makers should be evident from the events we seek to analyze. We need to assess their options at each point, their results and the preferences each actor have regarding the different outcomes. This requires a certain amount of background research on the actors and the environment in which they make their choices. Most importantly, it is as already mentioned assumed that the actors behave rationally –that they seek the outcome they believe is best for themselves, based on the information available. Rational behaviour is a necessary assumption for Rational Choice theory and Game Theory, but in some cases it may be necessary to explain why suboptimal or seemingly suboptimal choices were made. These will be dealt with as we encounter them.

In order to explain actions it is necessary to rank the actors' preferences. In this analysis, ordinal values will suffice and so each outcome is ascribed an ordinal value from 1 to N, N being the number of outcomes identified in the game. 1 indicates the least preferred outcome, N indicating the most preferred outcome. With the outcomes thus ranked, it is easy to identify which outcomes are preferred by which actors –and, at a glance, to see how one actor's preferences may well clash with another's.

Games can be played in one of two forms: normal form and extensive form. The normal form is represented as a table listing the actors' strategies along the margin and their respective outcomes of the different combinations of strategies in the cells. The extensive form is represented as a game tree diagram, with each choice of strategy made by an actor shown as a node and with each strategy branch leading to an outcome or a new node

(McCain 2004: 11). The games in this analysis will be solved using the extensive form, reverting to the normal form to identify dominant strategies. The reason for this is twofold: the extensive form is a better visual presentation of games that are played over a period of time, and has the advantage of allowing for solving by backwards induction which is easily portrayed in text.

Backwards induction solution of extensive form games is done by letting the actor in the final node eliminate the strategy or strategies in that node leading to the least preferred outcome or outcomes. This solves this basic subgame, and gives an outcome for the relevant strategy in the preceding node. The actor in that node can then repeat the process until the outcome of the game is found and we can, when going through the nodes in chronological order, see the process of choices that lead to the final outcome.

In addition to the respective values for the actors, there are other factors that tell us something about the outcome. These will be identified in the analysis as appropriate.

If one strategy gives an actor a higher payoff than another regardless of the actions of other actors, the first strategy dominates the second. If one of an actor's strategies dominates all the others, this is the *dominant strategy* in the game. If both players have dominant strategies, their combination is the *dominant strategy equilibrium* for the game (McCain 2004: 33-34). Dominant strategies are best identified through normal form games because of its organized structure compared to the extended game tree. They are interesting because of what they tell us about the game played –the existence of dominant strategies means the outcome is given beforehand, though that may well not be evident to either actor in the game.

Since extended games are solved by solving the subgames sequentially, they allow us to identify the Nash equilibrium: if the strategies chosen in a subgame are the best responses to the actions of other actors, that subgame is a Nash equilibrium. If the strategies chosen in the game as a whole correspond to the subgame Nash equlibria, the game is a Nash equilibrium game (McCain 2004: 47-48).

In games with incomplete information, Nash equilibria are less straightforward. In retrospect the choices made may not have been the best responses, even though it seemed to be at the time. If the chosen strategies are the best responses *given the actors' beliefs and perceptions at the time of choosing*, and the actors' perceptions are updated as a result of

observations (through Bayes' Rule if possible), it is called a Bayes' Perfect equilibrium. All the games in this analysis factors in some degree of incomplete information through uncertainty, so we will need to identify whether the games are Bayes' Perfect equilbria. Bayes' Rule is a method of evaluating the probabilities of something being true given the observation of something else. It will not be directly used in the analysis due to the nature of the subject matter, but a similar judgment call is at the heart of the actors' choices of strategy in the games with incomplete information described. Bayes' Rule:

Probability of A if X = (Probability of X if A) (Probability of A) /(Probability of X)

(McCain 2004: 98-99, Hovi 2008: 97-98).

If no other outcome than the outcome chosen has a higher preference value for one actor without also having a lower preference value for another actor, the outcome is Pareto optimal (McCain 2004: 187-188). This is determined to be the most *efficient* outcome, as there is no way to improve the outcome of the game for one actor without worsening it for another. The Pareto optimal is found by simply comparing payoffs for the different outcomes.

3.3 Uncertainty

These are tools for evaluating the outcome of the game –whether or not it was, in retrospect, unavoidable, and how the actors' respective strategies and payoffs compare. Mostly, this analysis will use simple game theory, with games played in the extensive form and further analyzed in the normal form where necessary. However, as will become evident, the games played can only approximate the events they portray by introducing incomplete information and uncertainty.

Normally, Game Theory assumes that all actors have perfect information of the possible strategies and outcomes and of each other's preferences. This assumption is necessary for us to be able to identify rational behaviour. However, sometimes there is obvious uncertainty about the result of a strategy –elections being a prime example- or the actors assumed to be rational choose strategies that prove to be suboptimal. In the latter case, assuming a miscalculation on their part allows us to continue to assume rationality and therefore use Game Theory.

Uncertainty is introduced through a separate node, in which the actor is Nature. This node will then divide the succeeding subgame into two or more subgames, with potentially different outcomes on key strategies depending on the strategy chosen by Nature –how the uncertainty proves to play out. The actors' strategies, then, are largely dependent upon how they believe the chances are for the different outcomes of the Nature node as this will affect the payoffs they will receive from outcomes following Nature. Choosing to push for democratic elections, for example, is far more favourable if you win.

In a game with two possible strategies for Nature, the most complexity this analysis will need, one strategy is given a probability of (p) and the other a probability of (1-p). The actors then ascribe a probability percentage to (p) for the first strategy, recalculated to a number from 0 to 1 with 1 indicating 100% probability. With only two possible strategies and the other strategy having a probability of (1-p), the combined probabilities of the two strategies will be 1=100%.

Using this, then, it is possible to calculate the expected payoff for the strategy leading to the Nature node. It is done using this formula: $E = a(p) + b(1-p)$, where (a) is the payoff for the strategy with a probability of (p) and (b) is the payoff for the strategy with a probability of (1-p). Introducing the payoffs and perceived probabilities for the strategies, we get (E), the expected payoff for the Nature node when the payoffs for the different outcomes are controlled for the (perceived) probability of that outcome. This gives the actors the necessary information to compare the payoffs of the available strategies and make the rational choice –though, of course, this is based on the actors' perception and what is considered the most likely outcome is not always the one that occurs. Hence, Nature solves the problem of seemingly irrational behaviour by showing how suboptimal outcomes may be the result of perceived optimal strategies. This will be important in an analysis focusing on the loss of power, as Nature in this analysis will represent the uncertainty of political elections, the electorate's perception of opposition parties and the unknown preferences of a competing actor.

With these tools, then, we will be able to analyze the three *mahapacs* through Game Theory.

4.0 Zionists, Ashkenazim, Sephardim: social groups in Israel

Israel, being mostly populated by immigrants, has experienced a number of waves of immigration and immigration from different regions and cultures. This has led to a number of different subcultures being established, with different political priorities and hence seeking political representation independently of each other.

In his article, Hazan identifies four major political cleavages that are represented in Israeli politics: socio-economic, Jewish-Arab, religious-secular and Ashkenazi-Sephardic. In addition, there is the later-developed maximalist-minimalist Zionist cleavage. (Hazan, Maor 2000: 110-111, 125). These cleavages have dominated the Israeli political scene since independence and are the manifestations of politically active subcultures, though subcultures overlap and may represent two or more cleavages.

The socio-economic cleavage, often the mainstay of Western political systems, is mainly represented through the socialist camp. The liberals, although present, were never institutionalized to the same degree (Hazan, Maor 2000: 112).

The Jewish-Arab divide predominantly led to the establishment of dedicated Arab parties, championing the cause of the Palestinians or simply the defending the interests of Israeli Arabs. These did not really have an opposite Jewish number, the Israeli Jewish side of this cleavage being represented by the different takes on Zionism represented in the maximalist-minimalist Zionist cleavage. Because of this, the Arab parties tend to be ideologically close to the Israeli Jewish socialist-secular camp, which encompass the least hard-line Zionists.

With immigration often being religiously motivated, it might be natural that there is a strong religious subculture, however it is divided between Zionists and non-Zionists, the first accepting the establishment of a Jewish state in Palestine, the other originally opposing this as premature before the coming of the Messiah. Hence, the religious Zionists have been more prominent politically than the non-Zionists. As the religious parties champion the role of religious traditions and values in the public sphere there exists an opposing secular camp, wishing to limit the influence of the religious establishment (Hazan, Maor 2000: 112-114).

There are several ethnic cleavages among Israeli Jews, the Ashkenazi-Sephardic cleavage being the most important. Despite the specific meanings of the terms, in contemporary Israel Ashkenazi and Sephardic refers to Jews of European and North African-Middle Eastern background respectively, and as such the groups are heterogeneous. The cleavage is strengthened by cultural differences, but is centred on the social and political dominance of the Ashkenazi group due to the generally higher level of education and political and organizational know-how at the time of immigration.

The maximalist-minimalist Zionist cleavage concerns the claims to territory, especially the disputed territories under Israeli control, and is closely related to the Arab-Israeli conflict and the peace process. As such, it gained importance in the 1990s after the first Intifada. The minimalist Zionist stance, also called dovish or leftist, is generally willing to give up captured territories in return for peace with Israel's neighbours, while the maximalist Zionist or nationalist, also called hawkish or rightist, is unwilling to part with them. This cleavage has evolved to correlate near-perfectly with the religious-secular cleavage disregarding the differences between Zionists and non-Zionists, strengthening an existing cleavage by unifying one side while increasing the distance between sides. (Hazan, Maor 2000: 125-129).

With the transfers of power and the changes in the power balance through the *mahapacs*, the politically dominant group changes and so does the dominant cleavages.

In the 1948 game the difference between Begin and Ben-Gurion was one of power centralization, but they also differed on the socio-economic and religious-secular cleavages, the Irgun representing a more liberal and pro-religious stance than the Haganah.

When the Likud came to power in 1977 it represented a harder line on the Arab-Israeli conflict and thus a more maximalist Zionist stance, as well as representing the Sephardim and being more liberal and pro-religious than the socialist, secular and Ashkenazi-dominated Labour Alignment.

And finally, in 2006 the Likud split over the Zionist cleavage, giving birth to the moderate Kadima party as the Likud became more hard-line.

5.0 Zionism and the road to independence: Israel before 1948

5.1 Early Zionism

Modern Zionism, the movement from the Jewish homeland, began with the emancipation of Jews in Western and Central Europe in the late 18th and early 19th centuries. Freed from the confines of the ghettoes, European Jews became more exposed to society's ideological developments. At the same time, the emergence of ethnically based nationalism combined with the increased visibility of Jews increased anti-Semitism. The traditional strategies of secularization or converting were less viable due to the ethnic component, but even so most Jews sought closer assimilation. For those who did not believe assimilation would solve the problem, on the other hand, Zionism was the Jewish manifestation of the European nationalist sentiments they were exposed to –the wish for a state for the Jewish people and an end to their statelessness, which would end their status as outsiders in society (Metz 1990: 66-67).

In Russia, anticipation of similar developments led to increasing rejection of orthodox and conformist ghetto life. This was briefly successful under Tsar Alexander II, but after his assassination in 1881 pogroms and repression increased. Eastern European Jewry of the 19th century found itself under far more violent attack than in the West. Many emigrated, others embraced socialism as an anti-Tsarist ideology, and the idea of a Jewish state in the Biblical "Promised Land" as the refuge of a Judaism under attack gathered support (Metz 1990: 67-69).

The combination of emancipation, nationalism and continued anti-Semitism led to the establishment of Zionist organizations, lobbying the Great Powers of the time for the establishment of a Jewish state outside Europe that they hoped would solve both the problems of the Jews and Europe's "Jew problem". Perhaps the most important of these developments were made in 1897, with the establishment of the WZO on the First Zionist Congress in Basel, Switzerland. While Western European Zionism were relatively unconcerned with the geographical location of their proposed state, the WZO in the end adopted the position of many Eastern European Zionists and had the stated goal of creating "for the Jewish people a home in Palestine secured by Public Law" (Metz 1990: 70-73).

5.2 The British Mandate of Palestine

During the First World War, the Zionists understood the importance of Great Power priorities in deciding the fate of the territories of the Ottoman Empire and lobbied for their interests. The British were approached by Zionists and Arab nationalists both, and expressed support for both of the seemingly-contradictory goals. The Balfour Declaration of 1917, a result of intense lobbying and key sympathizers in Britain, finally committed the British to the Zionist goal of a Jewish homeland in Palestine after the war to the detriment of Arab interests. This was partially a strategic move, to increase support for the war among Zionists in the USA and to establish an ally near the vital Suez Canal. With the establishment of the British Mandate of Palestine by the League of Nations in 1922 and the endorsement of the Zionist goals and the WZO as the agent for these goals, the Zionist project gathered speed. The Arabs, however, felt betrayed by the British and held that the League of Nations acted against its own covenant. Arab protests against the British and violence between Jews and Arabs in Palestine increased, and the separation of Transjordan, later to become the Hashemite Kingdom of Jordan, from Palestine did little to alleviate this (Metz 1990: 78-84).

The outspoken support of the League of Nations and the mandate of the British Mandate of Palestine also served to unite Zionism under the banner of the WZO. Despite ideological differences between Zionists in and outside Palestine, the WZO through the Jewish Agency managed to create institutions in the Yishuv, the Jewish community in Palestine, that were to form the basis for the establishment of the state of Israel –including an elected assembly and an education system. This period also saw the establishment of the Labour party's predecessor Ahdut Ha'avoda and the Histadrut labour organization by David Ben-Gurion. These organizations also provided socialization, integration, welfare and, through the Ahdut Ha'avoda and Histadrut militia known as the Haganah, security, for immigrants, thus setting the basis for the Labour party's political dominance of the Yishuv and later Israel. There were dissenting voices though, chiefly from Eastern European immigrants favouring a stronger Judaist identity over secular socialism and a harder line against the Arabs and the British. Two of the groups formed were the Irgun Zvai Leumi and the Stern gang, which would form the basis for the Herut party, the Likud's predecessor (Metz 1990: 82-89).

The activities of the WZO, including the buying of Arab-owned land, led to concerns in the British Mandate Authorities that the Arabs were being marginalized. The Passfield

White Paper report in 1930 advised stopping land-buying and immigration, and although these recommendations were never fully implemented their partial adoption nevertheless cooled relations between the Yishuv and the British, especially as this coincided with the rise of anti-Semitism in Germany and increasing pressure from would-be immigrants. British policies did not help, however, as the continued British rule combined with Zionist expansion led to the Great Arab Revolt in 1936. Violence between Jews and Arabs increased, and the British unwillingness or inability to support them turned both parties against the Mandate Authorities. In the Yishuv, this increased the importance of the militias, including the Haganah, the Irgun, and the Stern gang. The British responded by further reducing immigration, but their ability to uphold peace was hard-pressed with the outbreak of the Second World War (Metz 1990: 89-94).

The Holocaust strengthened Zionist sympathies world-wide, and survivors pressed for settlement in Palestine. The perceived lack of British effort to help reduce the disaster during the war, most importantly because of the restrictive immigration policies, worsened relations between the British and the Yishuv as the scale of the Holocaust became known. War-weary, the British were unable or unwilling to keep control over an ever-increasingly violent Mandate. In 1947, after establishing the Hashemite Kingdom of Jordan in the Transjordan region, the United Nations was asked to plan the partition as the British announced their planned withdrawal (Metz 1990: 93-97).

On May 14. 1948, David Ben-Gurion proclaimed the establishment of the State of Israel. The following day the Mandate was formally ended, the USA recognized the new state, and all of Israel's Arab neighbours invaded.

6.0 The First Mahapac: The Altalena Game, 1948

6.1 The War of Independence and the Altalena

One of the first laws of the independent state was the establishment of the Israel Defence Force (IDF) and the required enlistment of all able citizens, including militia-members. The various militias had been at odds over the degree of adherence to Jewish Agency instructions and the methods to be used in the struggle for independence, the Irgun

especially being violently anti-British whereas the Haganah focused on the conflict with the Arabs and political resistance and even cooperated with the British in the war against Germany. These differences led to the Haganah declaring the "Season" during the Mandate era, an anti-Irgun operation which led to the exposure and arrest of significant numbers of Irgun members and supporters by the British. Significantly the Irgun, more than willing to use violence against the British as evident from the King David Hotel-bombing in 1946, chose not to use violence against the Haganah (Sprinzak 1999: 32-40). With the establishment of the IDF, negotiations began for the inclusion of the militias, among them the Irgun. The agreement that was reached between the David Ben-Gurion's government and the Irgun stipulated the dissolution of the group as a military organization, the handing over of equipment to the IDF and the cease of independent equipment acquisitions. However, the Irgun members were allowed to join the IDF in their existing units, and the divisions fighting in Jerusalem were allowed to remain independent as Israel did not, at this point, claim sovereignty over the city (Sprinzak 1999: 20).

Into this complex merger of rival groups sailed the Altalena. The ship was bought by the Hebrew Committee for National Liberation, effectively the American branch of the Irgun, and carried a cargo of Jewish volunteers and weapons secretly given by the French government, which had ties to European Irgun-supporters and wanted an ally in the region (Sprinzak 1999: 18).

When the ship finally left France on June 11., the Irgun was supposed to be integrated into the IDF, and a UN-brokered truce banning the import of weapons was in effect. Due to the scale of the operation, its cover was blown and Menachem Begin, head of the Irgun in Israel, contacted the government to work out a deal concerning the shipment.(Sprinzak 1999: 18-23). Thus, the Altalena Game begins.

6.2 The Events

Begin's initial request was for the government to accept that a portion of the weapons were given to the non-IDF Jerusalem divisions and the rest primarily being used to arm Irgun recruits who were to join the IDF. After all, the shipment could benefit the entire Israeli war effort. While the question of the precise allotment of arms remained ambiguous,

Begin was given the go-ahead for the ship to land at Kfar Vitkin beach, isolated from UN observers and, not entirely coincidentally, a Haganah bastion.

As Begin and Irgun members arranged the unloading of equipment to the beach and the sending of volunteers to immigration centres for registration, Ben-Gurion called a cabinet meeting. As the cabinet did not already know of the shipment they were shocked by the breach of treaty, and, fearing the implications of Begin's requests, IDF troops were sent to encircle the beach and take possession of the weapons. As Irgun volunteers were arrested and warning shots were fired, the ship was reloaded and a stand-off began. When Begin received an ultimatum from the commander demanding the surrender of the ship and shipment, he refused and tension increased (Sprinzak 1999: 23-24).

Despite negotiations, no progress was made and it became increasingly evident that a violent confrontation was possible. As the IDF began preparations for an assault, Irgun troops deserted en masse and clashes between IDF and Irgun troops caused casualties on both sides despite the general reluctance of the soldiers to fight other Jews.

Faced with an increasingly hostile IDF and unwilling to surrender, Begin boarded the Altalena and sailed for Tel Aviv where Irgun had strong support and where an IDF assault would cause public outcry. Subsequently, the ship was beached just outside Tel Aviv beach.

With the arrival of the ship in Tel Aviv, tension mounted between IDF and Irgun troops in the city as well as civilian supporters of both sides. Unloading began without Begin showing any signs of surrender, and Ben-Gurion refused further negotiations. The IDF began shooting at the ship and the boats unloading the cargo and violence erupted in the city. Finally, the Altalena was set ablaze and evacuated under fire (Sprinzak 1999: 25-30).

6.3 The Altalena Game

From the brief list of events above we can identify a number of nodes where crucial decisions are made. These will form the basis of the game structure.

The first obvious node is when Ben-Gurion was informed of the shipment and Begin's requests. The shipment was an obvious breach of treaty and Begin's requests could be seen as an attempt to strengthen his faction in Israel. This was of course made more suspect by the initial secrecy. At this point, Ben-Gurion had two options. One would be to

accept Begin's request, allow the ship to land and thus strengthen the IDF but especially the Irgun. This would end the game immediately. This option is called 'Passive' in the following analysis. The other option would be to refuse Begin's request and demand the surrender of the shipment. This would continue the game and give Begin the next move. This option is called 'Demand' in the following analysis.

If Ben-Gurion did not end the game in the previous node, Begin would have to react to his demands. A demand of surrender would be insulting and the Irgun would not benefit from its political and logistical coup, but there would also be the threat of violence and the unity of the Yishuv in face of danger to consider. The first option would therefore be to end the game by bowing to Ben-Gurion's demands, this will be called 'Acquiesce' in the following analysis. The second option would be to refuse the demands and attempt to secure Irgun control over the shipment. This will be called 'Refuse', and would lead to Ben-Gurion's next and final node.

Ben-Gurion's final node, given that the game has not already been ended, requires him to choose between seizing the shipment in a potentially violent confrontation or backing down and let Begin keep it. Either option would end the game, the first possibly turning the Altalena game into a game of an Israeli civil war, the second accepting defeat. The first option will be called 'Aggressive', the second 'Accepting'.

The basic structure of the game tree as presented will look like this:

Figure 6.1: simple game tree
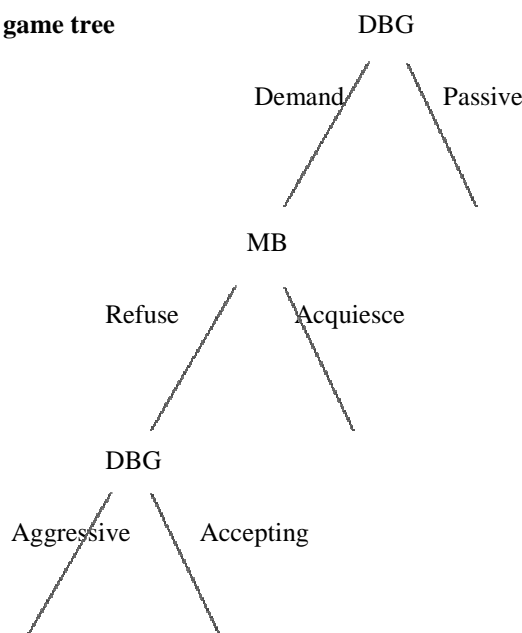
DBG is short for David Ben-Gurion. MB is short for Menachem Begin.

6.4 Preferences and Payoff Tables

There are four possible outcomes of the above game tree:

Figure 6.2: outcome table

-DBG passive

-MB acquiesce

-DBG aggressive

-DBG accepting

In order to solve the game, it is necessary to find the preferences for both players for each outcome. As the game tree is quite uncomplicated, it is justified to assume that both players were perfectly aware of the structure from the beginning and so could rank their preferences.

David Ben-Gurion would quite obviously prefer Begin to 'Acquiesce' when he demanded control over the shipment. This would give the government control over the weapons to use in the war effort, and just as importantly see Begin and the Irgun humiliated. Perhaps most importantly of all, it would prevent the Irgun from using this coup and any subsequent military successes to strengthen their position in the Yishuv and possibly even challenging the monopoly of violence.

For his second preference, Ben-Gurion would act 'Aggressive' when faced with Begin's refusal. This would not be done with a light heart, as despite long and severe rivalries there was a tradition of non-violence between the political groups of the Yishuv, and this act would break this tradition and, as importantly, risk internal conflict while still at war with the Arabs. Even so, having to deal with an armed dissident group after the war, one that had achieved popularity through successes in the field, would be worse.

Ben-Gurion's third preference would be 'Accepting' the situation when Begin refused his demands. While not desirable because it would give Begin control over the weapons and strengthen the Irgun, at least the government would have some justification in

backing off after Begin's non-compliance because of the risk of internal division during wartime.

His last preference would be acting 'Passive' when faced with Begin's initial requests. The end result would be much the same as Accepting', but with further humiliation because the situation never even escalated to the point where backing off would be justifiable.

For Menachem Begin, he would obviously prefer Ben-Gurion to end the game early by being 'Passive', giving the Irgun control over the shipment and leaving him to concentrate on the war effort.

His second preference would be Ben-Gurion 'Accepting' the situation and backing off when refused. It would still give him the shipment, but cost time and effort that could be better used elsewhere.

The third preference would be to 'Acquiesce' when faced with Ben-Gurion's demands. Far from desirable, avoiding internal conflict in a dangerous situation would be important for Begin, as much because of the danger to the Yishuv as a whole as because of Irgun's weakness compared to the IDF.

The fourth preference would be Ben-Gurion acting 'Aggressive' when refused. This could cripple the Irgun, divide the Yishuv and weaken the state against its external enemies. To the Zionist Begin, this would be an unacceptable risk.

Ranking these preferences from 1 (worst) to 4 (best), we get the following payoff table for the Altalena game:

Figure 6.3: payoff table 1

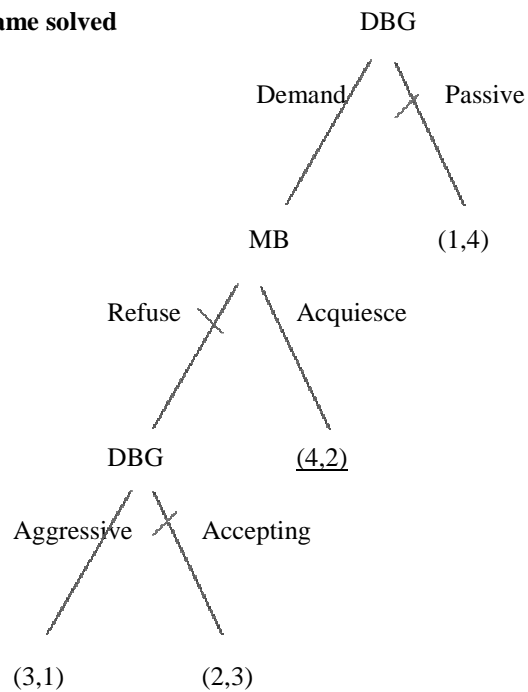|	DBG	MB
DBG passive	1	4
MB acquiesce	4	2
DBG aggressive	3	1
DBG accepting	2	3

6.5 The First Game

Inserting the preferences into the basic game, it looks like this:

Figure 6.4: first game
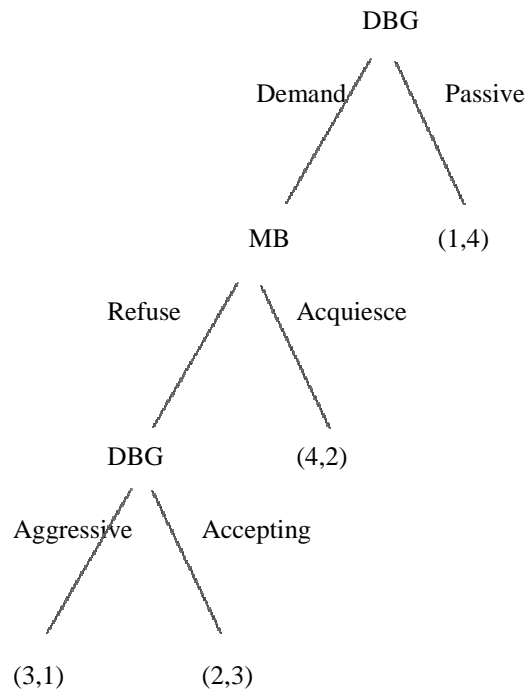
This game is solved normally, by the actors excluding the less desirable outcome at each node from the bottom up. Solved, it looks like this:

Figure 6.5: first game solved

First, Ben-Gurion chooses 3 over 2 in the final node. Going up a level on the tree, Begin chooses 2 over 1. On the first node, Ben-Gurion chooses 4 over 1 and the game is solved with Begin acquiescing to Ben-Gurion's demands. The ordinal values for this outcome is (4,2).

But this isn't what happened.

6.6 Ben-Gurion's Second Nature

To explain this discrepancy between the game and the historical events, we must either revise the payoff table or find some other explanation. To revise the payoff table would quickly become nonsensical, forcing us to assume that Begin through some death-wish not consistent with his character actually wanted to confront the IDF while another war was going on. We have to look for another explanation, by looking at Begin's assumptions concerning Ben-Gurion's character.

Ben-Gurion's preferences in the above game show someone willing to face down the Irgun no matter the cost. However, both the crisis and Begin's previous experience with Ben-Gurion could suggest other preferences. Ben-Gurion's character from the first game can be called his "hard-liner" nature, and the one Begin expected to face "soft-liner" nature.

Regardless of nature, it is obvious that Ben-Gurion's first preference would be for Begin to acquiesce to his demands.

The main point of interest is the preference value assigned to acting aggressive when faced with Begin's refusal in the final node. As already described, this would not be an easy choice. The weapons were needed for the war, and would benefit the Yishuv no matter whose hands they were in. Confronting Begin could cost both him and the state dearly, as spending resources on internal struggle could lose the war and being seen as responsible for this would be politically disastrous even if Israel managed to survive. In addition, there was precedence to consider: the tradition of Yishuv non-violence was so strong that during the mandate, even with the Haganah arresting and detaining them in the "Season", Irgun members would not fight other Jews. Begin had all reason to believe that this was still the case, and it would not be irrational to assume that this would be Ben-Gurion's least preferred outcome.

The two other outcomes, Ben-Gurion acting passive and accepting respectively, would likely stay in the same order and simply move up to second and third least preferred respectively as the aggressive option is inserted at the bottom of the scale.

If we exchange Ben-Gurion's "soft-liner" nature for his "hard-liner" one, we get the following payoff table:

Figure 6.6: payoff table 2

	DBG	MB
DBG passive	2	4
MB acquiesce	4	2
DBG aggressive	1	1
DBG accepting	3	3

6.7 The second game

Inserting Ben-Gurion's "soft-liner" payoff table instead of the "hard-liner" one, we get the following game. We can solve this immediately:

Figure 6.7: second game solved
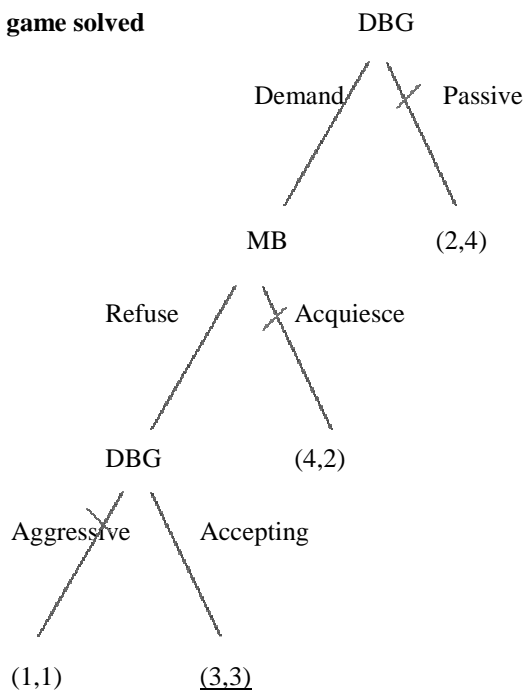
Working from the final node and up, Ben-Gurion chooses 3 over 1, Begin then chooses 3 over 2, and Ben-Gurion finally chooses 3 over 2 giving the outcome of Ben-Gurion accepting Begin's refusal for the ordinal values of (3,3).

Of course, this isn't what happened either.

6.8 The uncertain game

As already mentioned, this game is solved by introducing uncertainty. The question is whether or not Ben-Gurion has a hard-liner or soft-liner nature, his nature deciding his preferences and hence his responses to Begin's actions. Obviously, for Begin, knowing Ben-Gurion's nature is a prerequisite to make optimal choices during the game. Unfortunately this knowledge is not available, and Begin is forced to consider the probabilities of each alternative nature.

Set together, the payoff tables from the two introductory games give us the following payoff table for the uncertainty game:

Figure 6.8: uncertain game payoff table

	DBGhard	DBGsoft	MB
DBG passive	1	2	4
MB acquiesce	4	4	2
DBG aggressive	3	1	1
DBG accepting	2	3	3

Inserted into a single game structure with a Nature node, we get the following game tree:

Figure 6.9: uncertain game tree
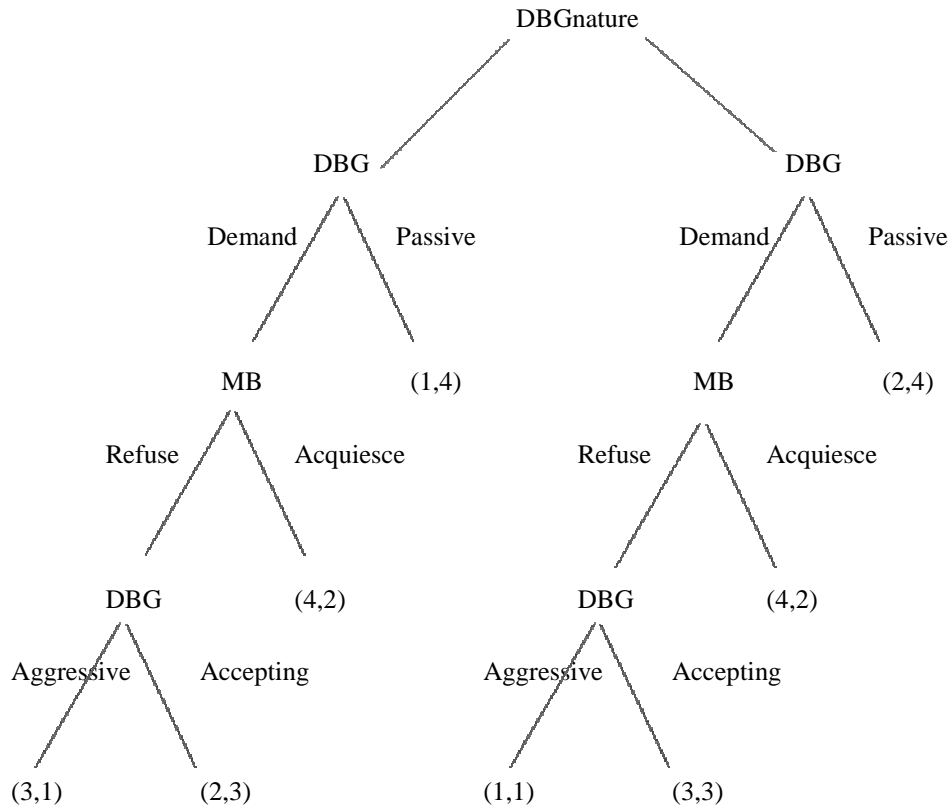
It is when Begin has to make his choice between refusing or acquiescing to Ben-Gurion's demands at the third node the uncertainty becomes central. Begin will have to calculate his expected payoffs for each of the two alternatives, in order to make an optimal choice. Of course, this depends on what he does not know for certain –Ben-Gurion's nature.

Choosing acquiesce will yield the same result no matter what Ben-Gurion's nature might be, an ordinal value of 2 as the game ends here.

Refusing, on the other hand, gives results depending on Ben-Gurion's response. If he's a hard-liner he'll choose to act aggressively, giving Begin an ordinal value of 1. If he's a soft-liner he'll choose to accept, giving Begin an ordinal value of 3.

If (p) is the chance of Ben-Gurion being hard-liner and (1-p) is the chance of him being soft-liner, we get the following expected payoff (E) for Begin's refusal:

$$E = (p)a + (1-p)b$$

$$E = (p)1 + (1-p)3$$

$$E = p + 3 - 3p$$

$$E = 3 - 2p$$

The expected payoff for choosing refusal is 3 minus twice the chance of Ben-Gurion being a hard-liner. This makes sense, if there is no chance (0%) of this the expected payoff will be $3 - 2x0 = 3$, and if it is certain (100%) the payoff will be $3 - 2x1 = 1$.

Of course, this only shows the expected payoff for refusal, not whether or not it is the rational choice. This depends on the probability of Ben-Gurion being a hard-liner, or more specifically on the value of (p). For one to be the rational choice, the expected value (E) has to be higher than the outcome of the alternative. If there is no outcome with a higher value, there is an equilibrium. This is calculated thus:

$$3 - 2p = 2 \qquad | - 3$$

$$-2p = -1 \qquad | : -2$$

$$p = 0.5$$

As long as (p), the probability of Ben-Gurion being a hard-liner, is 0.5 or 50%, it is irrelevant what is chosen as the expected payoff for each choice is the same: 2. If $(p) > 0.5$ then acquiescence becomes the rational choice, and if $(p) < 0.5$ then refusal becomes the rational choice.

From this, we see that which is the rational choice for Begin at this node depends on the value of (p), which is a subjective assessment of the character of the opposing player.

6.9 The uncertain game solved

Using the procedure above, the game can be solved to satisfaction without having to resort to revision of preferences.

Begin, remembering his own strong principles and beliefs regarding the unity of the Yishuv as well as precedence and the requirements of the ongoing war, believed that $(p) < 0.5$ and the rational choice would therefore be to refuse Ben-Gurion's demands as this would give him control over the shipment of weapons onboard the Altalena. It is of course difficult to estimate how low he actually believed (p) to be, but considering the stakes and his own statements after the events it is not impossible that he considered $(p) \sim 0$.

He was, as we know, mistaken. Ben-Gurion's recollection of the Mandate-era rivalries might have been less rosy than Begin's, and with the legitimacy of state authority on his side he was disinclined to concede anything. Also, as, the first prime minister in a newly-founded state the responsibilities must have weighed heavily, making him loath to accept any challenges to the state authority he was creating. Accepting an armed dissident group to establish itself in a position of power was unthinkable, and the rational choice was to confront them as necessary.

Figure 6.10: uncertain game tree solved
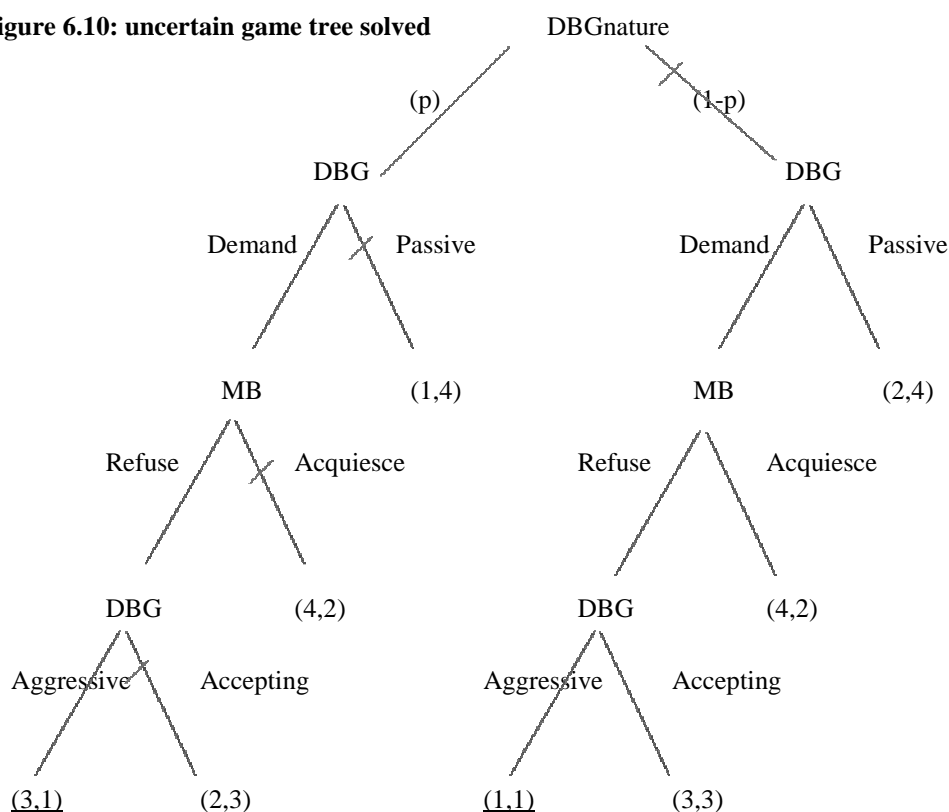
The result of Begin's miscalculation and Ben-Gurion's suspiciousness and belligerency was a significant number of Jewish casualties, the sinking of the Altalena and its cargo, and a deep divide within the Yishuv.

The less-than optimal outcome of the Altalena Game is reflected when the other tools are applied. The outcome of the game is not Pareto optimal within the hardliner-subgame or the game tree as a whole, because the payoff from Ben-Gurion demanding followed by Begin acquiescing would have better payoffs for both players in both subgames and in the softliner-subgame Ben-Gurion accepting would give a higher payoff for Begin and the same for Ben-Gurion. Obviously, when coupled with his miscalculation of the odds for Nature Begin's hope for a Pareto optimal contributed to the outcome.

The game is not a Nash equilibrium, since the outcome does not result from the best responses being chosen. However, when the decision-making process is controlled for the actors' beliefs and perceptions, the game is clearly a Bayes' Perfect equilibrium as strategies are chosen based on them being perceived as the best responses at the time and the calamitous result for Begin results from him not receiving information with which to update his perceptions of Ben-Gurion's nature before it is too late.

The game has been played on the extensive form, but as already mentioned it is useful to analyze the game in the static form as well.

6.10 Altalena static game:

Figure 6.11: static game

		MB		MB	
		Refuse	Acquiesce	Refuse	Acquiesce
DBG	Passive	1,4	1,4	2,4	2,4
	Demand/aggressive	**3,1**	**4,2**	1,1	4,2
	Demand/accepting	2,3	4,2	**3,3**	**4,2**
		Hardliner (p)		Softliner (1-p)	

Looking for dominant strategies, it is immediately clear that Ben-Gurion does not have a dominant strategy for the game as a whole. He does, however, have weakly dominant strategies in the two subgames: Demand followed by aggressive in the hardliner subgame, and demand followed by accepting in the softliner subgame. This fits well with what Nature represents in this game –whether or not he is willing to back up his demands with force if necessary.

Begin, on the other hand, has no dominant strategy as his choices are heavily dependent upon Ben-Gurion's strategy –and therefore on Begin's perceptions of Nature, which again brings us to the core of the Altalena Game.

6.11 Conclusions and aftermath

The Altalena affair is still a source of bitterness in Israel. Notwithstanding the casualties, there is a feeling among hard-liner Zionists that if Ben-Gurion's actions had been otherwise Israel might have had a stronger position after the end of the war, holding more territory and possibly even preventing the next war in 1967. Supporters of Ben-Gurion point to the need for the government to be the supreme authority within its territory and to the Irgun's breach of treaty undermining this authority.

There can be little doubt that the outcome was suboptimal for both actors, but that the Irgun and Begin got the worst of it. Begin escaped and would eventually become prime minister, but his authority within the Irgun and with its sympathizers was severely weakened because of his defeat. The treaty dissolving the Irgun's militias and incorporating them into the IDF collapsed as the IDF was reluctant to trust Irgun troops who had deserted and even fired at them. A wave of arrests and confiscations of equipment followed, not exclusively of Irgun troops but also of senior Irgun members detained without trial (Sprinzak 1999: 30-31). Ben-Gurion, the government and the IDF would not accept any challenges to their authority and had scant trust for any dissidents at this point, and as a result the Irgun and its political successors would be marginalized for a long time.

Ben-Gurion also suffered negative results of the outcome. Non-Haganah cabinet members resigned over what they saw as an illegal and undemocratic course of actions, others opposed him fiercely. The resignations and opposition of members of the provisional

government damaged the legitimacy of Ben-Gurion's leadership, and did divide the Yishuv in a time of crisis (Sprinzak 1999: 31-32).

The Altalena game is an example of actors making suboptimal choices because of incomplete information, and the key to the game is the uncertainty of Ben-Gurion's nature. Because of this uncertainty, we can identify Begin's actions as rational despite the outcome being sub-optimal. As we have seen, Begin's flawed assessment of Ben-Gurion's nature led to the least favourable outcome for him. However, as discussed above, all the considerations regarding the risk of the aggressive stance came to pass. The weapons were lost, the Yishuv and the government divided and the violence against other Jews hurt Ben-Gurion's legitimacy. In hindsight, that most wonderful of abilities, Begin was mistaken but seeing the developments of the aftermath it is not difficult to understand how Begin, if he foresaw these, came to the conclusions he did. It is not a question of irrationality, but of misjudgement.

Ben-Gurion surely also saw the possibility of this aftermath. To him it must in fact have looked even bleaker, as he could not know that Begin and the Irgun would show as much restraint as they did when the conflict escalated and must have had to consider the possibilities of a real bloodbath. Even so, asserting the authority of the prime minister and the government took priority, leading to the outcome we know.

7.0 The Labour epoch 1948-1977

7.1 Labour governments

When the armistice talks were held in the early months of 1949 Israel had occupied significant territories in Palestine, leaving only the West Bank of the Jordan River and the old city of Jerusalem in Jordanian hands and Gaza under Egyptian control. The immediate problems facing the new state were those of safety and refugees –despite victory in the War of Independence, Israel was still outnumbered by its Arab neighbours and the war had led to a wave of Sephardic immigrants from the Arab states.

In the elections to the Constituent Assembly, to become the first Knesset, David Ben-Gurion's Mapai list was clearly dominant with 35.6% of the votes (Knesset 2009). Together with the United Religious Front and a couple of minor parties they founded the first

government of Israel, a majority government with Ben-Gurion as Prime Minister. With only minor adjustments these same parties composed the second government. The work of integrating the Sephardic refugees from the Arab states and Ashkenazim immigrating with the end of the war and the lifting of the Mandate Authority's restrictions began, as did the conversion of pre-state Yishuv institutions and economy into state institutions and economy. The minority of Palestinian Arabs who had not fled or been driven out were given political and social equality in the Declaration of Independence but, because of security concerns after over 20 years of armed conflict and the need to accommodate immigrants, found their movements restricted and land confiscated (Metz 1990: 99-102).

The elections to the Second Knesset in 1951 repeated Ben-Gurion's success, giving Mapai 37.3% of the vote and allowing him to once again form a majority government with the component parties from the United Religious Front –Mizrahi and Agudat Yisrael. The Second Knesset had four different government coalitions, with the third being dominated by Mapai and the centrist General Zionists party, the rest by Mapai and the religious parties. Except a brief stint as Defense Minister in 1955, Ben-Gurion remained Prime Minister (Knesset 2009).

In the next three Knesset elections in 1955, 1959, 1961 and 1965, Mapai consistently got above 30% of the vote and built government coalitions with predominantly religious parties. In the six government coalitions during this period, Ben-Gurion remained Prime Minister until 1963 when he left the party and Levi Eshkol succeeded him. The Herut Movement, successor to the Irgun and the Stern gang, remained effectively politically marginalized despite consistently being the second largest party in the Knesset. This trend continued through the 1969 and 1973 elections, Mapai at this point having become the Labour Alignment and Herut becoming Gahal and then Likud. The Herut appeared in government during the Sixth and Seventh Knesset, first with two token ministers without portfolio in 1969 and later with ministers of Development, Postal Service, Trade and Industry, but Mapai and its successors kept the Prime Minister position and its most important coalition-building ally remained the religious parties. Golda Meir replaced Eshkol as Prime Minister in 1969 and was succeeded by Yitzhak Rabin in 1974 (Knesset 2009).

7.2 The Arab-Israeli wars if 1956, 1967 and 1973

During this period, the conflict with the Arabs continued. In 1956 the IDF seized the Sinai from the Egyptians and the British and French occupied the Suez Canal to protect it – from Nasser's nationalization as much as from combat, but Soviet and US pressure forced withdrawal. Despite the end of the war low-grade hostilities continued and tensions rose. Following the Egyptian closing of the Straits of Tiran to Israeli shipping and termination of the UN peacekeeping force's mandate in 1967, the IDF attacked Egyptian, Syrian and Jordanian forces. At the end of the Six-Day War, Israel had taken the strategically and agriculturally important Golan Heights from Syria, East Jerusalem and the West Bank from Jordan, and Sinai and Gaza from Egypt. The successful war was seen as a triumph for the IDF and by many Jews as the vindication of a no-longer oppressed people, but on the other side the Palestinian Arabs were radicalized by the occupation. Following the war, UN resolution 242 called for Israeli withdrawal in exchange for Arab recognition –a resolution that found little support on either side of the conflict (Metz 1990: 104-109).

The ceasefire in 1967 did not end the war, and skirmishes continued. On October 6 1973, during Yom Kippur, the Jewish Day of Atonement, Egyptian and Syrian troops launched a surprise attack on Israel. In the first days of the war the defenders suffered significant casualties and were pushed back on all fronts until, around October 10, the IDF rallied, surrounded the Egyptian Third Army in the Sinai and pushed into Egypt and Syria proper. Following US and Soviet material support and diplomatic action, the ceasefire was signed on October 25 (Metz 1990: 111-112).

8.0 The Second Mahapac: The Mahapac Game, 1977

8.1 The Yom Kippur War and its aftermath

When the smoke cleared, Israel had suffered heavy losses in manpower, equipment and financial costs. Most importantly, though, Israel's self-image since as an unassailably strong regional power was severely shaken, and with it the national feeling of security and confidence (Metz 1990: 112). The blame for this national disaster, dubbed *mechdal*, blunder, was largely put on the ruling Labour Alignment, heir to Mapai and thus representing the political groups that had been in power since Israel's independence.

The elections for the Eighth Knesset were held on December 31, 1973, with the new Knesset in effect from March 10 the next year. With only a two-month gap between the end of hostilities and the elections, there was no opportunity for new parties to form and submit lists for the elections to the election authorities, and the existing parties chose not to change the lists submitted before the war. Although public and political analysis and critique of the handling of the war began in the immediate aftermath, because of the upcoming Geneva Conference and the short time span between events the political impact of the *mechdal* on the 1973 elections was limited (Penniman 1979: 133-36) and Labour's Golda Meir formed a new government. It was, however, not forgotten and would remain part of the political debate until it returned with a vengeance in 1977.

Following the power struggle of the Mandate period, climaxing with the Altalena affair of 1948, the Haganah and its political successor Mapai (which merged with other parties and became Labour in 1968) had, at the time of the 1977 elections, held power in Israel continuously since independence. There can be little doubt that the party suffered from a degree of "governing sickness" at this point. The important factor, however, would be whether or not the Labour supporters' disenchantment was strong enough to allow them to vote for a competing party –the Likud.

8.2 The Labour Alignment

The near 30 years of Labour dominance had had a profound effect. The statism advocated by Ben-Gurion et al from the early days had prevailed, leading to centralized welfare and immigration support services that made many of the party-based services redundant. Haganah and the Jewish Agency had traditionally been the strongest providers of such services, and so this development gradually lost the parties, especially the leftist parties, their tools for support- and identity-building from the pre-state era. As immigration and the passage of time included more voters without such service-strengthened party identities in the electorate, Labour's support base eroded (Penniman 1979: 119-123, 289-293).

Related to this, the role of ideology on the political left had changed. While Mapai and its descendants were socialist-secular parties, their political dominance during the state-building period tended to put ideology second to political pragmatism. This often distanced the party leadership from both the party machine and the leftist electorate, and as importantly

reduced the ideological profile of the party compared to that of its rivals, especially the Likud (Penniman 1979: 301-302, 119-123). One of the ideological compromises made was the lack of prioritization of reducing the income gap between Sephardim and Ashkenazim (Metz 1990: 116), which also alienated the Sephardim and increased support for the Likud. The lack of ideological profile was to be important, as we shall see.

Perhaps the most important problem following the years of Labour dominance was the perceived lack of responsiveness from the party elite. The nomination process for the Knesset elections lists was done through a committee appointed by the party leadership, and for the 1973 elections this committee was even headed by the Finance Minister. Although the lists were passed through the party's Central Committee, this vote was largely ceremonial. As a result of this process, Mapai's and its heirs' Knesset representation was largely composed of party members loyal to and with views similar to the party elite, insulating them from changes of opinion in the party membership and thus in the electorate. The Standing Committee of the Central Committee was the result of a similar process, being nominated by the party leadership and the most important party sub-divisions, and as a result had the same lack of independence as the Knesset members (Penniman 1979: 125-129). With the most high-profile members of the party being dependent upon their seniors it can not be surprising that these members tended to share the same views and therefore, through this process of self-recruiting, the party's responsiveness to the public was severely limited.

The conflict between the party and the elite was, however, not limited to between the leadership and the mass of party members. The abovementioned workings made patronage by a senior party member the only likely path to advancement, however the mid-level party members would often find themselves bypassed as the leadership considered them loyal supporters anyway and instead 'parachuted' high-profile individuals, especially from the military, into positions of power and prestige in order to appeal to the electorate. One such was former IDF Chief of Staff Yitzhak Rabin, who replaced Prime Minister Golda Meir when she resigned from a combination of public dissatisfaction and party pressure in 1974. This tactic may well have worked, but alienated their mid-level supporters while putting inexperienced politicians into positions of power, increasing the internal stress on the party and leading to the split of Ben-Gurion and the Rafi party from Mapai in 1965 (Penniman 1979: 136-138, 293-300).

In addition to the perceived lack of responsiveness and the internal dissent, charges of corruption and incompetence were levelled against the party, peaking with Histadrut's health service director Asher Yadlin, Labour's nominee for the governorship of the Bank of Israel, was jailed for corruption and tax evasion only a few weeks after the suicide of Labour Minister of Housing Avraham Ofer who was under investigation for the same, and only shortly before Prime Minister Yitzhak Rabin became involved in an investigation of illegal foreign bank accounts (Metz 1990: 115, Penniman 1979: 142-144). The resulting scandal obviously raised suspicions of how far the corruption went and was sure to hurt the image of the ruling party in the period preceding the 1977 elections.

8.3 The internal power struggle and the Knesset elections

In the run-up to the 1977 elections, pressure for reform increased in the Labour party as the party leadership, being the second generation of Israeli statesmen and to a significant degree 'parachuted' into power, lacked the legitimacy of the earlier leadership of the time of the Declaration of Independence. The exclusion from power of the majority of the party machine and the probable damage to the party's electability from the perceived corruption and unresponsiveness prompted demands for changes to the party's democracy and power structure, damaging party cohesion.

At the same time, the Likud had been gaining in popularity because of Labour's problems and because of its appeal to disenchanted groups in the lower social and economic strata who had not seen their standards of living increase as expected –especially the Sephardim (Metz 1990: 114-116, Penniman 1979: 101-102). Also, having been in opposition for most of the time since independence, excepting a short period as junior partner in a Labour government, the Likud did not suffer from "governing sickness" and could present itself as a fresh, non-corrupt and responsive alternative.

Despite its "freshness", though, Menachem Begin's Likud had problems of its own in Labour's eyes. Despite the time that had passed, the clash over the Altalena was not forgotten and Begin was distrusted by many. Israel's situation in the Middle East was still considered precarious by many, and while this caused dissatisfaction with the ruling party it also gave incentive to avoid potentially dangerous political experimentation. Yadlin's statement from October 1973 still rang true to many Labour members: "The people will be

wise. When the time comes for them to vote, they will vote correctly" (Penniman 1979: 133).

The Labour elite trusted in the inertia of the political system, especially in the face of continuing external threats, and rejected demands for party reform prior to the 1977 elections. As a result, the party went to elections without a united front, without a clear policy and without seeming to take responsibility for voter dissatisfaction while the Likud managed to appear trustworthy and responsive in comparison. To make matters worse for Labour the National Religious Party was dissatisfied with its performance in the previous election and anxious to distance itself from the ruling party. This left the government without a majority in Knesset and forced the elections to be moved from the autumn of 1977 to May, giving Labour less time to distance itself from the corruption scandals that had plagued it (Penniman 1979: 102-104). In addition to this, the party made two strategic blunders in the period leading up to the elections. First, unlike previous elections the elections for the labour organization Histadrut were held after the Knesset elections instead of before and did therefore not give the electorate an option for protest voting that did not affect the Knesset. Also, the elections for the municipal councils were separated from the Knesset elections, which compounded the problem of lacking party unity. As local representatives were no longer campaigning for the national elections and their own position simultaneously, their efforts in favour of a party leadership many felt alienated from were significantly reduced (Penniman 1979: 142-144).

The combination of public dissatisfaction, a surprisingly strong Likud and a divided Labour led to the *mahapac* –Labour's first electoral defeat in Israeli history, and the beginning of the Likud era.

8.4 Aftermath

In the elections to the ninth Knesset on May 17. 1977, the Likud got 33.4% of the vote while the Labour Alignment got 24.6%. This meant a total of 43 seats for the Likud, and 32 seats for Labour. Comparing this to the results of the 1973 elections, where Likud received 30.2% and 39 seats and Labour 39.6% and 51 seats, there has been an obvious change in electoral support (Knesset 2009).

After the election, Menachem Begin became Prime Minister and went on to form one the second government of Israel that lasted for the full four-year term together with the NRP and the Democratic Movement for Change. Despite Labour's participation in the 'National Unity'-governments during the twelfth Knesset 1984-88 and a return to power in 1992, the Likud would remain the dominant party in the Knesset for most of the next 29 years (Knesset 2009).

8.5 The Mahapac game

From the above chronology, it is possible to construct a game to analyze the actions that eventually led to the end of the Labour dominance of Israeli politics.

One actor is the Labour Elite, the leadership of the party and the majority of its candidates for Knesset and minister posts. This group consists largely of early immigrants, old Haganah members as well as the high-profile outsiders 'parachuted' in. The centralization of power in the Labour party leaves this group with the final say in party policy and nomination. The choices made by Labour before the 1977 elections are the choices of the Labour Elite.

The other actor is the Labour party machine, the mid-level party members who would be the heirs to the "party throne" were it not for their patrons' tendency to bring in outsiders in positions of power. Because of the centralization of power, this group is less powerful than their numbers would imply. This and the habit of 'parachuting' are sources of dissatisfaction. The weakening of Labour popularity among the electorate is reason for concern. This group is called the Reformers.

Although the Likud defeated the Labour party in the polls, the 1977 game is not played between the Labour party elite and the Likud because their actions in and before the election campaign were largely independent of each other. The Likud denounced the governing party as corrupt and arrogant and sought to portray itself as a safe alternative, while Labour insisted that it was the only viable ruling party. Instead, the game is played over Labour's internal problems while the Likud will have a different role in the game.

Because the game is played between the haves and the have-nots of Labour, the first node should belong to those unhappy with the status quo. The Elite is, after all, in charge of

the party and has little incentive to push for changes. The Reformers, on the other hand, are marginalized and would benefit from party reform. The first actor, then, is the Reformers. They have two options: to cooperate with the party Elite, or demand reforms. These strategies are called 'Cooperate' and 'Demand'. Choosing 'Cooperate' would mean avoiding internal conflict in favour of a united front. This would mean reducing the pressure on the Elite and thus their incentive to effect reforms that would benefit the Reformers and possibly the party as a whole. On the other hand, 'Cooperate' would hopefully reduce the public attention to the party's structural problems and thus increase its electability, and give the party a smoother-running campaign machine in the upcoming elections. Either way, the Reformers choosing 'Cooperate' would end the game early without significant changes to the party structure and with a united front. 'Demand', on the other hand, would mean increasing the internal pressure for reforms at the cost of party unity and would take the game to the next node.

In the second node, the Reformers have chosen 'Demand' and the Elite have to choose how to respond. There are two possible strategies. One is to give in to the demands and make changes to the party power structure in an attempt to reunite the party as well as increase its perceived responsiveness to public opinion. This would, however, reduce the power of the Elite in the party and therefore in Israeli politics. Considering this was what ensured the political career of many of the party Elite, the personal costs in surrendering power could be significant even if it meant giving the party a better electoral outcome. This strategy is called 'Give In'. The other would be to ignore the demands, hoping that the conservatism of the electorate and the party loyalty of the party machinery would ensure a continued dominance of the Knesset. This would have the obvious benefit of not requiring any surrender of power, letting the Elite continue their dominance of the party but risking a loss in the Knesset elections because of a lack of party unity and voter dissatisfaction. This strategy is called 'Ignore'. Either strategy will end the game, leading Labour to face the 1977 Knesset elections with either increased cooperation between the party leadership and the party machine as well as an improved public profile or without significant changes but without reducing the internal dominance of the Elite, respectively.

In its simplest form, then, the 1977 game looks like this:

Figure 8.1: simple game tree
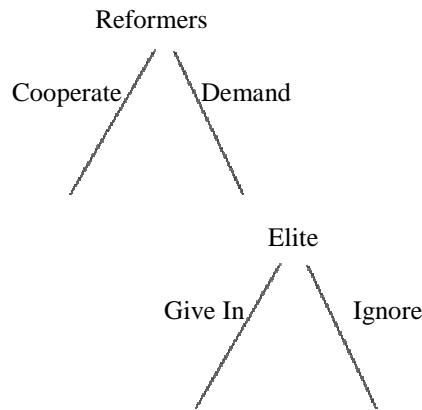
8.6 Preferences

To solve the game, the game tree itself is not sufficient. We need to identify the preferences of the actors. Looking at the game three and the different outcomes, this seems reasonably straightforward. With three possible outcomes, the actors' preferences will be given ordinal values of 1-3, with 3 being the most preferred outcome.

For the Reformers, the obvious preferred outcome would be to choose 'Demand' and have the Elite choose 'Give in'. This would give them a more powerful position within the party as well as hopefully increasing Labour's chances in the Knesset elections. This outcome will be given an ordinal value of 3.

The second most preferred outcome for the Reformers would be ending the game early by choosing 'Cooperate'. This is obviously an inferior outcome to actual reforms, as it will perpetuate the status quo and give no internal party benefits. However, this outcome would at least preserve party unity before the Knesset elections, hopefully reducing public attention to the internal party problems as well as the perceived lack of responsiveness. Labour doing well in elections must be considered a benefit for the Reformers as well as the Elite, and this outcome will therefore be given an ordinal value of 2.

The least preferred outcome would be choosing 'Demand' followed by the Elite choosing 'Ignore'. This would not only mean no favourable changes to the party structure, but in addition the internal power struggle as well as the attention it would likely draw would

weaken the party before the Knesset elections, to the detriment of both actors. This outcome will be given an ordinal value of 1.

Regarding the Elite, the most preferred outcome is obviously the Reformers ending the game early by choosing 'Cooperate'. As the dominant group in the party and subsequently in Israeli politics, the status quo must be seen as favourable and the lack of internal power struggle would mean a better position for the party in the elections. This outcome obviously receives an ordinal value of 3.

Ranking the remaining two outcomes though, namely the Reformers choosing 'Demand' and the Elite responding with 'Ignore' or 'Give In', is more problematic because it depends on the electorate's perception of the Likud. The question is whether or not the leading opposition party is considered a safe alternative or a dangerous experiment. At this point, it is necessary to introduce Nature to the game.

8.7 Introducing Nature

As discussed, one of Labour's political advantages, and one of the reasons for the political inertia in the Israeli political system, was the status of the Likud. The Likud lacked the close ties to the Jewish Agency and the Histadrut labour organization Labour enjoyed, and therefore did not have dependents or loyal institutions that could be counted on as political supporters to the same degree. It was the party of Menachem Begin and the Irgun, and therefore guilty of the challenge to the authority of the WZO and later the newly independent state culminating in the Altalena affair and the corresponding power struggle. Perhaps as importantly, the Likud had no governing experience whereas Labour had successfully, despite the 1973 *mechdal*, kept Israel standing through nearly 30 years of war with the Arab states. For these reasons, many Israelis and, more importantly, many prominent Labour leaders did not consider the Likud a responsible governing party and therefore not a 'safe' choice for the electorate –and correspondingly not a true threat to Labour's dominance.

On the other hand, as already discussed, the Likud enjoyed quite a few benefits. It did not suffer from "governing sickness" or corruption scandals, it was blameless for the problems of the Yom Kippur War, and it attracted a demographic dissatisfied with Labour's

economic policies. It had also grown significantly from the number of seats its predecessor lists had received in earlier Knesset elections, and with the increasing statism the loyalty of Labour's dependent electorate was reduced. With these developments as well as the increasingly vocal voter dissatisfaction with the Labour government, the Likud could well be considered a 'safe' choice and therefore a true challenger in the run-up to the 1977 elections.

That the Likud was gathering support while the Labour party was losing it can not have been in doubt to any Israeli politician at the time, and it would be a continuation of the trend from the previous two elections. The question would be the degree of support the Likud would get at Labour's expense. This was, of course, unknown before the elections but it would still determine the payoffs from the Elite's strategies.

If the Likud was not considered a 'safe' choice by the plurality of Israeli voters, the Elite could safely ignore the demands for reform and keep the favourable party structure as the electorate would still rally to the party despite internal conflicts and negative perceptions. A united front would be preferable, but with little risk of losing power regardless of choice of strategy choosing 'Ignore' would be preferable to 'Give In' because it would not mean giving up privileges and internal dominance for little gain. 'Ignore' would therefore have an ordinal value of 2. 'Give In', on the other hand, would mean needlessly losing some control over the party, as an 'unsafe' Likud would not be able to truly challenge Labour. Losing power in the party without real benefits would have an ordinal value of 1.

If, however, Likud was considered a 'safe' choice for governing party, preferences would change. Internal conflict and increased attention to Labour's problems would most likely result in an electoral loss, which could be disastrous for a party dependent on inertia, dependents and institutional support for its electoral victories. Losing personal privileges and power would be preferable for the Elite to the party losing political dominance, as this would risk political marginalization which would have a higher cost than a restructuring of power within the party. In this case, 'Give In' and subsequent party reforms, party unity and a likely improved Knesset elections performance would be a more preferable strategy while 'Ignore' would, despite having obvious benefits internally, be costly in the Knesset elections. If the Likud was a 'safe' choice, 'Give in' would be given an ordinal value of 2 and 'Ignore' an ordinal value of 1.

Considering the Elite's differing payoffs between the two subgames, we get the following payoff table:

Figure 8.2: payoff table

	Reformers	Elite	Reformers	Elite
Cooperate	2	3	2	3
Demand-Give In	3	1	3	2
Demand-Ignore	1	2	1	1
	Unsafe (p)		Safe (1-p)	

The Likud's uncertain nature is at the heart of the 1977 game, and will be represented through the Nature node. This node divides the game into two separate game trees from the start. The two possible strategies in the Nature node are called 'unsafe' and 'safe'. 'Unsafe' will be given a probability of (p), and 'safe' a probability of (1-p). This gives a combined probability for the two strategies of 1, recalculated to 100%, because there are no other possible strategies. The Likud is a safe choice, or it is not. The question, of course, is how high the actors consider the respective probabilities to be.

Introducing the Nature node and including the above payoffs, we get the full game tree of the 1977 game:

Figure 8.3: full game tree
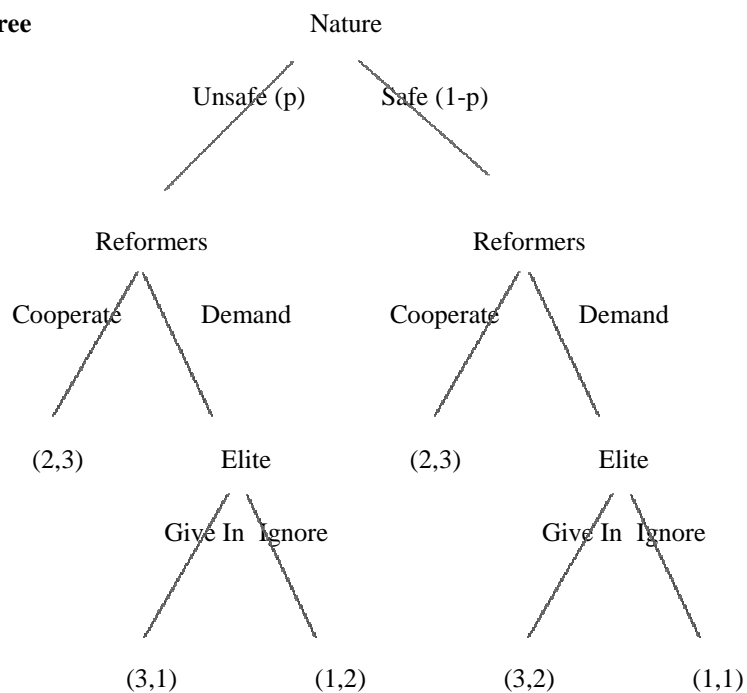
8.8 Solving the game

The Mahapac Game is played on the extended form and is therefore solved by backwards induction. To begin, we will solve the two subgames separately.

8.8.1 The 'unsafe' subgame

If the Likud is considered to be 'unsafe', assuming the game progresses to its final node the Elite will have the choice between a strategy of 'Ignore', for a payoff of 2, or a strategy of 'Give In', for a payoff of 1. Given these payoffs, they will obviously choose 'Ignore' for the higher payoff.

There is no reason to assume that the Reformers, knowing full well what the stakes of the game were and including experienced politicians among their number, would not be aware of the preferences and likely actions of the Elite. If the Elite is going to choose 'Ignore' when faced with a strategy of 'Demand', the outcome will have a payoff of 1 for the Reformers. The alternative is to end the game early by choosing 'Cooperate' for a payoff of 2. With the Likud considered no real threat there is little incentive for the party leadership to give in to demands and a strategy of 'Demand' will likely only serve to weaken the party's Knesset representation with no real return. If the Likud is 'unsafe', then, the Reformers' best strategy is to end the game early and choose 'Cooperate'. This gives us the following subgame tree:

Figure 8.4: unsafe subgame solved
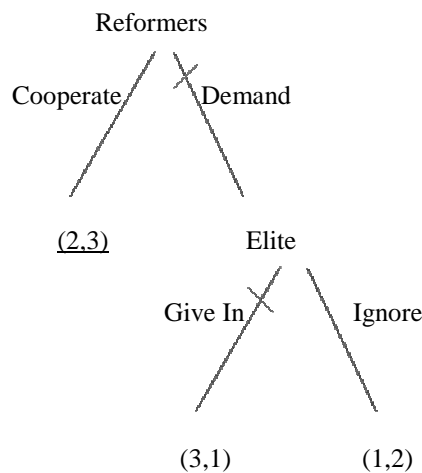
If the Likud is not considered a threat, the outcome of the game would be the Reformers choosing 'Cooperate' and ending the game early with a payoff of (2,3). However, this is not what happened.

8.8.2 The 'safe' subgame

If the Likud is considered 'safe', and assuming the game progresses to its final node, the Elite will have different preferences. Faced with the choice between surrendering power in the party, 'Give In', or risk losing dominance in the Knesset, 'Ignore', 'Give In' in to the demands of the Reformers will be the more preferable strategy with a payoff of 2 compared to a payoff of 1 for 'Ignore'.

Again assuming perfect knowledge of their opponents' preferences, in the first node the Reformers are faced with a payoff of 3 from the strategy of 'Demand'. The alternative strategy of 'Cooperate' will have a payoff of 2. With the Likud considered a real challenge to Labour's dominance, then, blackmail in the form of demands for reform is likely to work. The rational choice would therefore be 'Demand', giving the following subgame tree:

Figure 8.5: safe subgame solved
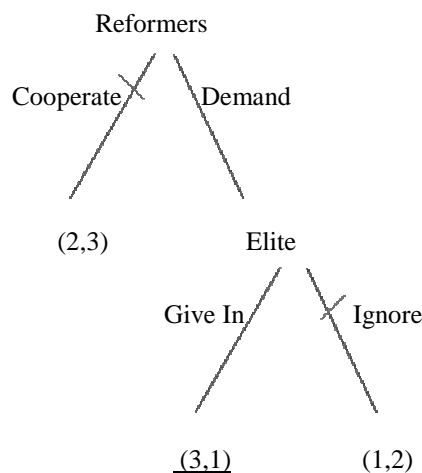
If the Likud is considered a threat, the outcome of the game will be the Reformers choosing 'Demand' in the first node and the Elite responding with 'Give In', for a payoff of (3,2). Of course, this is not what happened either.

8.9 Expected payoffs

As we have seen, the payoffs from the different strategies vary depending on the Nature of the Likud –its electability. With Nature being unknown to the actors at the time of the game, as it is played before the Knesset elections, the players have to make their choices on their perception of Nature and, as importantly, their belief regarding their opponents' perceptions.

The probabilities of the two strategies in the Nature node are (p) for 'unsafe' and (1-p) for 'safe'. When making their choices, then, each actor will have to ascribe (p) a value from 0 to 1 and thereby give the two strategies a combined probability of 1. The higher the probability of a strategy, the stronger is the actors' belief in that strategy being chosen –in the Likud's nature being one or the other.

With the probabilities for Nature we are able to calculate the expected payoffs from a strategy being chosen. This is done through the following equation:

$E = (p)a + (1-p)b$

E is the expected payoff for the strategy, (p) is the probability of the first outcome in the Nature node and (a) is the corresponding payoff of the strategy, (1-p) is the probability of the second outcome in the Nature node and (b) is the corresponding payoff.

Using this equation, we can find the expected payoffs for the different strategies of the two actors.

For the Elite, the expected payoff for choosing 'Give In' is as follows:

$E = (p)1 + (1-p)2$

$E = p + 2 - 2p$

$E = 2 - p$

As we can see, the higher the probability of Likud being 'unsafe' the lower the payoff for choosing 'Give In'.

For the Elite, the expected payoff for choosing 'Ignore' is as follows:

$E = (p)2 + (1-p)1$

E = 2p + 1 – p

E = 1 + p

Unsurprisingly, the payoff for choosing 'Ignore' increases as the probability of Likud being 'unsafe' does.

Using these equations we can identify the cut-off points for the strategies, at which value of (p) one strategy becomes superior to the other. By combining the equations we calculate the value for (p) at the expected payoffs are the same:

1 + p = 2 – p

p + p = 2 – 1

2p = 1 |:2

p = 0.5

If (p) = 0.5, then, choosing 'Give In' or 'Ignore' is equally beneficial, if (p) > 0.5 'Ignore' is the rational choice and if (p) < 0.5 'Give In' is the rational choice. In sum, if the Elite believe there to be more than 50% chance for the Likud to be a serious electoral threat then they will choose 'Give In', if it is less than 50% they will choose 'Ignore'.

For the Reformers, the calculations are essentially the same, with one important difference. Because the Reformers' payoff from the 'Demand' strategy is dependent upon the strategy chosen by the Elite, it is dependent on the Elite's perception of (p) rather than the Reformers'. This could be solved through the introduction of a second Nature node representing the optimism of the Elite, but this is unnecessarily complicated. Both groups include experienced politicians from the same party, many with similar political backgrounds, and they will have access to the same information regarding the Likud's election campaign plans and position in the polls. The Reformers' therefore have every reason to expect the Elite to make a calculation similar to their own, and the Reformers' evaluation of the uncertainty of the Nature node can therefore include the position of the Elite. The outcome of Nature will not, after all, become evident until after the end of the game.

Like the Elite, the Reformers have to strategies available. The payoff of the first strategy, 'Cooperate', is independent of the value of (p) and need to be calculated. The

payoff from the second strategy, 'Demand', can be calculated through the same equation as above. The difference in approach is that the payoffs are dependent upon the Elite's perception of Nature. As we saw in the solved subgames, if the Elite believes the outcome of the Nature node to be 'unsafe' they will choose 'Ignore' for which the payoff for the Reformers is 1. If, however, they believe the outcome to be 'safe' they will choose 'Give In', with a payoff of 3 for the Reformers. This gives us the following equation:

$E = (p)1 + (1-p)3$

$E = p + 3 - 3p$

$E = 3 - 2p$

The expected payoff from the 'Demand' strategy for the Reformers is, as we can see, higher the lower (p) is.

In order to calculate the cut-off value of (p) for the Reformers, we get the following equation:

$2 = 3 - 2p$

$2p = 3 - 2$

$2p = 1 \qquad |:2$

$p = 0.5$

So, if (p) = 0.5 the strategies are equal. If (p) > 0.5 the rational choice is 'Cooperate', and if (p) < 0.5 the rational choice is 'Demand'.

Having solved the two subgames and calculated the expected payoffs, we can now solve the Mahapac Game.

8.10 Solving the Mahapac Game

The outcome of the Nature node was 'Safe'. When faced with the choice between the strategies of 'Cooperate' and 'Demand' the Reformers chose 'Demand'. The Elite responded with 'Ignore', giving the least preferred outcome for both actors. Assuming rational behaviour, how is this possible?

Figure 8.6: full game solved

Nature

Unsafe (p)   Safe (1-p)

Reformers   Reformers

Cooperate   Demand   Cooperate   Demand

(2,3)   Elite   (2,3)   Elite

Give In Ignore   Give In Ignore

(3,1)   (1,2)   (3,2)   <u>(1,1)</u>
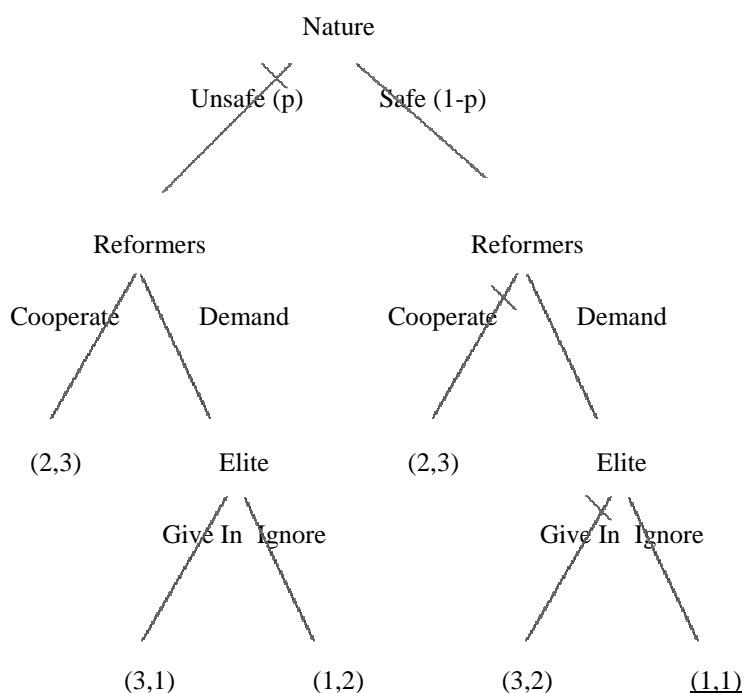
The outcome is 'Ignore' with the payoffs (1,1). It is by no means a Pareto optimal outcome as it could not, in fact, have turned out worse for either. It is, however, a Bayes' Perfect equilibrium as despite the unfavourable outcome the strategies chosen do represent the best responses given the actors' perceptions of Nature.

It is in these perceptions of Nature that the explanation for the outcome can be found. The outcome of the Nature node, though possibly obvious in hindsight, was unknown to both actors at the time. Hence, they were forced to face uncertainty and calculate expected payoffs when choosing their strategies.

When faced with the choice of 'Cooperate' or 'Demand' the Reformers chose 'Demand', obviously believing (p) or, at least, the Elite's perception of (p), to be no higher than 0.5. Put another way, the possibility of the Likud being a serious threat to the Labour party's position was believed to be at least 50%.

The Elite, when faced with 'Demand' and quite possibly rather surprised by the developments, chose 'Ignore' reflecting their beliefs that the threat could not be more than 50% at most, with (p) of at least 0.5.

Before we conclude the Mahapac Game, we will seek to identify any dominant strategies. This will be done in static form, by identifying the outcomes ending the game and their respective payoffs. As no actor has more than one choice that will allow the game to continue, the static game is a simple one:

Figure 8.7: static game

		Elite			
		Demand-Give In	Demand-Ignore	Demand-Give In	Demand-Ignore
Reformers	Cooperate	2,3	2,**3**	2,**3**	2,3
	Demand	3,1	1,**2**	3,**2**	1,1
		(p) Unsafe		(1-p) Safe	

As we can see, the Reformers have no dominant strategy. Regardless of Nature, their payoffs from 'Demand' are dependent upon the Elite's response.

The Elite have no dominant strategy in the game as a whole. However, they do have weakly dominant strategies in the two Nature subgames. In the case of 'Unsafe', 'Ignore' will give as good or better payoffs as 'Give In', and in the case of 'Safe' 'Give In' will give as good or higher payoffs as 'Ignore'. The differences are hardly surprising given how, as we have seen, the two outcomes of the Nature node affect the payoffs.

8.11 Conclusions and aftermath

The Reformers made their choice expecting a payoff of 3, with the Elite giving in to their demands rather than facing a potentially dangerous rival with a divided party. The Elite, on the other hand, chose their strategy expecting a payoff of 2, willing to accept internal dissent in order to keep their positions as the opposition was not perceived as any real threat. In this, it turned out, they were wrong, and the Likud were in the end considered a safe governing party by 33.4% of the electorate. Labour, on the other hand, faced the elections without a united front and without the reforms that could have redeemed its tarnished image.

The party ended with 24.6% of the votes, a seemingly strong result but disastrous compared to 39.6% in 1973 and 46.2% in 1969 (Knesset 2009).

The result of the Mahapac Game stems from a dual miscalculation. The Reformers, though in hindsight correct about the Likud's electability did not correctly estimate the Elite's perceptions on the matter. These very perceptions, as they actually were, were wrong and the strategy based on them ended the game with the very low ordinal values of (1,1) –in hindsight the worst possible outcome for both. If the Reformers had estimated the Elite correctly (or, ironically, the electability of the Likud incorrectly), the game would have ended early with 'Cooperate' and leave the party with a united front. If the Elite, when challenged, had understood the actual outcome of the Nature node they would likely have chosen to instigate reforms and thereby unite the party and improve its image among the electorate. Either of these would likely have improved Labour's performance in the 1977 Knesset election, and even if not victorious the party would have had a stronger position in opposition.

The outcome of the 1977 elections did not result only from the choices made in the internal power struggle of the Labour party. Incompetence, "governing sickness", increasing statism and scandals all played their part, as did the successful Likud campaign and the fact that a lot of time had passed since the heated conflicts of the Mandate era. The power struggle was, however, undoubtedly the last chance the Labour party had to turn their fortunes around, and due to lack of understanding of the changing political climate they failed to do so. For the next 29 years, the Likud would be the dominant party.

9.0 The Likud Era

9.1 The Begin years

Menachem Begin's ascension to power meant a prime minister with a background as a hardliner in Arab-Israeli relations, who believed that the territories in the West Bank and East Jerusalem occupied in the 1967 war should be incorporated into Israel proper and who expressed readiness to defy even the United States if demands that threatened Israel's interests were made. He did, as a result, oppose the planned Geneva conference on the Arab-

Israeli conflict as a hostile forum that would seek to impose demands on Israel (Metz 1990: 117-118). He was not the only one hostile to the conference.

In November 1977 Anwar Sadat, president of Egypt after the death of Nasser, took the unprecedented diplomatic step of travelling to Israel to address the Knesset. Fearing that an international conference would sacrifice the occupied Egyptian territories to facilitate solving the Palestinian problem and possibly the return of Syrian territory, he sought to pre-empt through a bilateral agreement. Despite Begin's reservations on surrendering territories, he eventually agreed. The 1978 Camp David agreement traded the Sinai for guaranteed Israeli shipping access through the Suez Canal and the straits of Tiran, and effectively removed the arguably strongest Arab state from the Arab-Israeli conflict through a peace treaty (Metz 1990: 118-120).

Following the ejection of the Palestine Liberation Organization from Jordan in 1970, it established itself in Lebanon and the Palestinian-Israeli conflict upset the already fragile political balance. Civil war broke out in 1975, quickly followed by Syrian invention and the disintegration of the state into areas under control of the sectarian militias, including the PLO. In 1978, in a bid to end PLO incursions and isolate the West Bank to prepare that occupied territory for annexation, Begin ordered the invasion of Southern Lebanon. The invasion failed to eliminate the PLO, and the United Nations forces installed shortly after was an insufficient buffer. Learning from this mistake and increasingly worried over the Syrian presence in Lebanon, Begin made an alliance with the Maronite faction in an attempt to establish a stable, friendly regime. On June 6. 1982, Israel invaded Lebanon again, this time reaching Beirut. After heavy civilian casualties an agreement was reached that would call for the evacuation of the PLO from Lebanon. The Maronite Bashir Gemayel became president in August but assassinated shortly afterwards, unravelling the alliance and returning Lebanon to chaos. In 1983 the IDF withdrew from Lebanon except a buffer zone in the South where they would remain until Labour Prime Minister Ehud Barak withdrew the last forces in 2000. The same year, Menachem Begin resigned from political life as a result of the failed Lebanon war (Cleveland 2000: 372-379). He was replaced by Yitzhak Shamir, also from the Likud.

9.2 The Palestinian Intifadas and the peace process

The 1984 elections and the Lebanon debacle led to increased support for minority parties, and as a result Labour and the Likud formed a 'National Unity' government and shared the Prime Minister's post. The 1988 elections saw the Likud return to dominance, though with Labour participation in government for part of the term.

Likud policies had led to an increase of Israeli settlements in the occupied territories, which increased tension between Israel and the Palestinians. As a result, the first Palestinian Intifada broke out in December 1987. The widespread protests against Israeli occupation began as largely nonviolent, but violence increased over time (Cleveland 2000: 458-462).

In 1992, Labour won the elections and Yitzhak Rabin became Prime Minister. During this term Arab-Israeli negotiations led to the Oslo Agreement in 1993, which outlined a five-year program of Israeli withdrawal and increasing Palestinian autonomy, leading to a final peace treaty. However, bombs by the Hamas and religious Zionist protestation, leading to the assassination of Prime Minister Rabin, slowed the process down until it ground to a halt with the return to power of the Likud under Binyamin Netanyahu in 1996. (Cleveland 2000: 483-499). The Oslo Agreement finally collapsed with the Second Intifada in the early 2000s.

In 1999 Ehud Barak and Labour returned to power on a promise to end the costly occupation of Lebanon, which they did. His government collapsed before the term ended, and Ariel Sharon of the Likud became Prime Minister, a post he managed to retain in the 2003 elections.

10.0 The Third Mahapac: The Kadima Game, 2005

10.1 Before the schism

After the 1967 Six Day War, security issues replaced socio-economy as the dominant cleavage in Israeli politics and the main divide between the left and the right (Sandler 2008: 42), as the conflict awakened the sleeping Zionist cleavage. In the 16th Knesset, the left was dominated by Labour and the right by the Likud, with the polarization of the Israeli party system precluding the establishment of a strong political centre (Sandler 2008: 43).

The Prime Minister during the 16th Knesset was Ariel Sharon of the Likud, who replaced Binyamin Netanyahu as party chairman and Prime Minister candidate in 2001, and defeated Labour Prime Minister Ehud Barak in the Prime Ministerial elections the same year. In the elections to the 16th Knesset in 2003, Sharon's mandate was renewed in a new election victory and significant defeat to the Labour party.

The Likud of the 16th Knesset had a strong hawkish bent, receiving its support from the portions of the Israeli electorate concerned with the security issues that would stem from territorial concessions, and with the ethno-nationalists opposed to any territorial compromise at all because of principle or religious faith (Sandler 2008: 62). Because of this, the Likud was naturally opposed to the Oslo Accords of the 1990s and united in its appreciation of the collapse of the Accords in the early 2000s, but there was still tension within the party between the two factions as the mainstream of the party, including Netanyahu, realized that at least some of the Palestinian territories would be lost in an eventual territorial compromise. At the same time, the Israeli electorate was, despite the Palestinian Intifada, becoming less extreme regarding security issues and this movement towards the political centre led to greater public support for territorial concessions in exchange for peace, including the withdrawal from settlements in Gaza and the West Bank. Because of this, and because of the pragmatic hawks' wish to avoid too close association with the extreme right, the Likud never rejected cooperation with the Palestinian Authority completely but remained firm in that the principle of reciprocity, of mutual concessions, should apply. As Netanyahu stated in a statement to Knesset in 1997: "The fulfillment of the agreement, the fulfillment of the undertakings of one side will be dependent upon the fulfillment of the other side. I do not know any other interpretation of the word "agreement" (Sandler 2008: 62).

In February 2004, the Likud was shook with Prime Minister Sharon's announcement of the Disengagement Plan, the government's plan for unilateral Israeli withdrawal from Gaza and parts of the West Bank. This was of course unacceptable for the ethno-nationalists, and for the more mainstream party it was a significant divergence from the principle of reciprocity which was supposed to ensure Israeli security. Despite general public support for the plan (57% of Israelis supported disengagement as opposed to 36% opposing it, according to a poll from the time of implementation in August 2005 (Sandler 2008: 23)), its deviation from traditional Likud policy was strong enough that in the May 2004 party referendum on the Disengagement Plan, it was rejected by the party membership by 59.8 to 39.5 percent (Sandler 2008: 63). This rejection was most likely a shock for the Sharon government which, knowing the support in the public, assumed similar trends within the party or at least party loyalty to the government. This was the first clash between the government and the party, and through 2004 and 2005 the conflicts escalated. In March 2005, the government faced opposition to their government even from their own party, and in August, just before the Disengagement Plan he had voted for were to be implemented, Finance Minister Netanyahu resigned from government only to, later the same month, announce his candidacy for party chairman and Likud Prime Minister candidate.

10.2 The Likud fragmentizes

On August 7 2005, Finance Minister Netanyahu resigned from his government position shortly before the implementation of the Disengagement Plan that had the Knesset's, but not the party's, support. This earned him accusations of deserting his responsibilities from Sharon. On August 30, he declared his intentions to challenge Sharon for the party leadership and Prime Minister candidacy before the next elections, scheduled for November 2006, accusing Sharon of taking the party to the left and abandoning the traditional principles of the Likud (Sandler 2008: 25). This is the beginning of the Kadima Game.

The two men, not the only candidates for the chairmanship but the only realistic ones, were much alike in many respects. Both were long-standing members of the Likud, associated with the party's political right. Both had served many years in the Knesset, Netanyahu since 1988, Sharon since his retirement from the IDF in 1973, and had been

members of different governments during the Likud's dominance since 1977. Netanyahu held the chairmanship from 1993 until he was defeated in the party elections by Sharon in 1999, and served as Prime Minister for the party 1996-99. Netanyahu had a record as a hard-liner in the Israeli-Palestinian relations, Sharon had a distinguished military career and had won great public and party support in his handling of the Second Intifada during his term as Prime Minister (Sandler 2008: 62). He was also significantly older than Netanyahu, being 77 years old to the latter's 56, a fact that was of some importance in the subsequent events.

Another difference between the two men, evident in polls in the month after Netanyahu's resignation but hardly unknown to either at the time, was the differences in popularity. Due to the skepticism with which the Likud membership received the Disengagement Plan, Netanyahu had the most support in the Likud but at the same time Likud under Sharon would do significantly better in the general elections due to his being perceived as a more moderate candidate –a fact that could well be used to his advantage in the party elections (Sandler 2008: 23-24) as his electability could make him the preferred candidate for party members whose personal views were closer to Netanyahu's.

After Netanyahu's resignation and subsequent self-nomination, attacks between the two candidates and their supporters increased. As a result, speculations abounded about a split and the establishment of a new party, most likely based around Sharon. They were rejected by Sharon's spokesmen, and Netanyahu called for loyalty to the party (Sandler 2008: 24-25). In September, Netanyahu attempted to have the Likud elections, scheduled for April 2006, forwarded to November 2005. The move was likely an attempt to profit from his lead in the Likud party polls, but was narrowly defeated in the Central Committee vote. In response to this defeat, when Sharon made a bid to ease his position for the remainder of the period by nominating supporters to minister posts in November, Netanyahu's supporters used their positions in the Knesset to reject his nominations (Sandler 2008: 26).

On November 20, shortly after Amir Peretz was elected chairman of the Labour party, Labour left the Likud-led government. The following day, Sharon asked President Moshe Katsav to dissolve the Knesset and schedule early elections in March 2006, and immediately left the Likud to form an as-yet unnamed party (Sandler 2008: 26-27). This, as will be shown, ends the Kadima Game.

10.3 Aftermath

Sharon's new party, eventually named "Kadima" ("Forward"), attracted support not only from Sharon's old party but also from Labour. Shimon Peres, Labour Prime Minister 1995-96, was the most prominent of these. In the polls, Kadima was shown to have attracted large numbers of Labour voters in addition to the majority of Likud voters Sharon brought with him, as both Labour and Likud dropped dramatically and Kadima became the largest party. Even after Ehud Olmert was elected chairman in January 2006 after Sharon suffered a stroke and was removed from politics, Kadima continued to rise in the polls (Sandler 2008: 28-30).

In the Likud, the immediate aftermath of Sharon's leaving was a rush for leadership positions as Sharon supporters left for the newly-founded Kadima and chairman elections had to be forwarded. The power struggles was strengthened by the suspicion that Sharon supporters would remain in the party as "Trojan horses", a suspicion that was confirmed when a member of the campaign publicity team left for Kadima shortly after his appointment. With many prominent members leaving, Netanyahu was elected chairman with a clear mandate (Sandler 2008: 27-28, 64-65) despite the party losing even right-wing stalwarts considered natural allies of Netanyahu's faction to the Kadima.

In the March 2006 Knesset elections, Kadima won 29 seats with 22.02%, Labour won 19 with 15.06%, and the party of the previous government, the Likud, was crippled at 8.99% and 12 seats, the same number of seats and fewer votes than the religious Shas party (Sandler 2008: 3). The leadership conflict between Sharon and Netanyahu, ostensibly over the Disengagement Plan and Sharon's taking the Likud towards the centre, had given Israel its first Centre government.

10.4 The Kadima game

The above chronology of events gives us enough information to identify a number of nodes from which we can build the basic structure of this game.

Given Sharon's position as party chairman and Prime Minister, he was undoubtedly satisfied with the status quo. After all, he was in a position to use his personal popularity and governing majority to decide policy despite party critics, as his drive for the Disengagement Plan against the will of the party majority shows. If nothing had happened, it seems most likely that Sharon would enter the Knesset elections with the Likud, pushing policy towards the political centre. Sharon, then, would hardly make the first move in this game.

Hence, the first move belongs to Netanyahu. It is Netanyahu who, seeing the discontent within the party, makes a choice on whether or not to challenge Sharon's leadership. This is the first node in the game. Netanyahu has effectively two options to consider. The first option, called 'Status Quo' in the following analysis, represents him not challenging Sharon's leadership of the Likud and accepting his position in the party. This option ends the game immediately and leaves Sharon in power of the party. The second option, called 'challenge', would be to resign from his position in the government and stand for chairman elections in an attempt to wrest power of the party, and subsequently the government, from Sharon. This would continue the game to the next node, forcing Sharon to make a decision on how to respond.

The second node is Sharon's response to Netanyahu's leadership challenge. Sharon has two options at this point, either to leave the Likud with his supporters and start a new centre-oriented party or to take up the challenge and run for chairmanship elections against Netanyahu. A third option, resigning from the chairmanship while remaining in the Likud, could be argued as a possibility but hardly a realistic one at this point. It would mean a loss of prestige and, equally important, political marginalization within a party that disagrees with his policies. At the advanced age of 77, Sharon did not have the time to accept defeat and bide his time until the next change of party opinion. Leaving the party, however, would mean capitalizing on his personal popularity and electability, the public support for the Disengagement Plan and the lack of competition in the political centre where his more moderate stance belonged, and could gain him a position of power without being dependent on the Likud. He would, however, have to do without the established party machine and

voter base of the Likud. This option is called 'Leave Early'. If Sharon chose to leave the party, the game would end with the establishment of a new party under Sharon and chairmanship elections in the Likud which Netanyahu would be likely to win. Alternatively, taking up Netanyahu's challenge would lead to the next node, chairman elections between Sharon and Netanyahu. This option is called 'Face Elections'.

10.4.1 Introducing Nature

The third node, elections for Likud chairman, introduces uncertainty to the game. Up to this point, the results of the actors' choices have been quite clear. Elections, however, are seldom certain. Netanyahu had greater support within the party because of the ethno-nationalists' and the right wing's disenchantment with Sharon, but Sharon still had significant support and the benefit of being far more popular in the public at large, which would attract support from the party members concerned with winning the Knesset elections first and foremost. There were, of course, other candidates, but only Netanyahu or Sharon could reasonably be expected to win. This node hence has two options, 'Sharon Wins' and 'Netanyahu Wins' (shortened to 'S Wins' and 'N Wins' respectively), but which is chosen is unknown to the actors until it happens. They can, however, predict their own and each others' actions in either case as there is no reason to believe either actor to be misinformed about the other's preferences in this game.
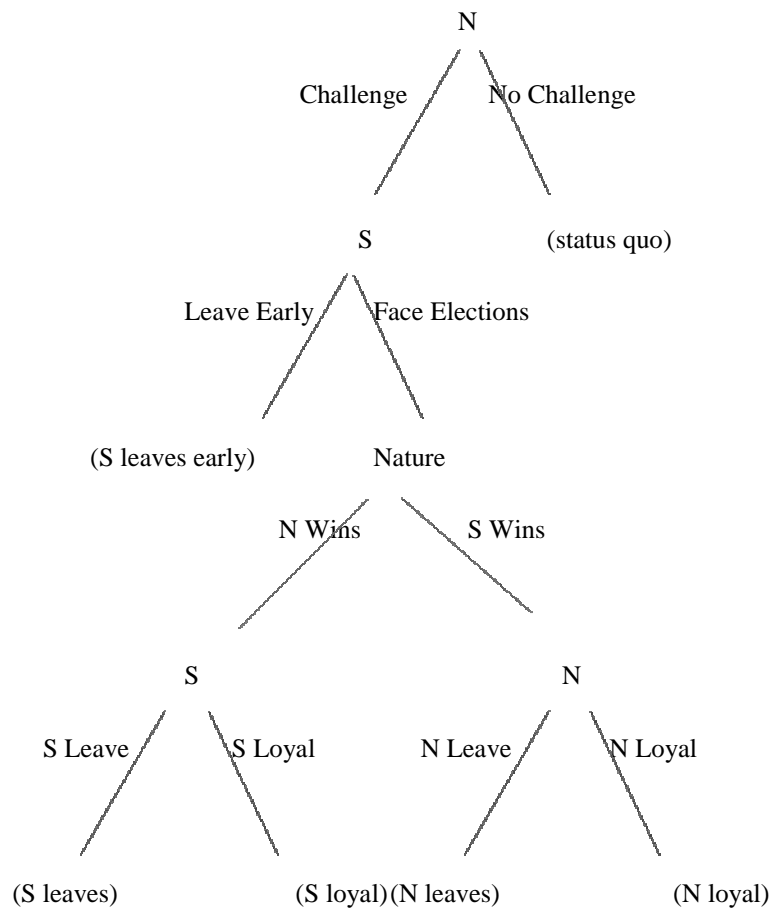
If Sharon wins, he will have a renewed mandate for the Likud chairmanship and little incentive to make significant moves except strengthen his position and prepare for the upcoming Knesset elections. The next choice will be Netanyahu's. He has, in essence, two options: He can stay loyal and bide his time within the party, called 'N Loyal' in this analysis, or he can leave to start a new list, hoping to attract right-wing voters and ethno-nationalists unhappy with Sharon's direction, called 'N Leave'. With the struggle for power in the Likud over for now and the losing actor either striking out on his own or deciding to remain loyal, either choice will end the game.

If Netanyahu wins, the result will mirror the above. He will have the chairmanship and the party's Prime Minister candidacy for the 2006 elections and be more concerned with this than with continuing the power struggle with Sharon, a struggle he's already won. Sharon, on the other hand, will need to decide how to handle defeat. His options will be the

same as Netanyahu's if their positions were reversed, he can choose to leave the party to start his own list with the same goal as in the second node, called 'S Leave', or remain with the party, called 'S Loyal'. Again, either choice will end the game.

This structure gives us the following game tree:

Figure 10.1: game tree

N

Challenge / No Challenge

S   (status quo)

Leave Early / Face Elections

(S leaves early)   Nature

N Wins / S Wins

S   N

S Leave / S Loyal   N Leave / N Loyal

(S leaves)   (S loyal)(N leaves)   (N loyal)

10.5 Preferences and Payoff Tables

The game tree, however, tells us little by itself. To solve the game, the preferences of both players for each possible outcome must be calculated. Although there is uncertainty about the chance of each outcome occurring, the game three is uncomplicated enough that it is reasonable to assume that the actors were aware of all the different outcomes and so could rank their preferences ahead of acting. Also, the game is played within a single political party between actors who are both experienced politicians and should be well aware of each others' position and thus each others' preferences. The sole complicating factor for the

players is the uncertainty regarding the elections. To rate the outcomes, then, we must ascribe a preference value for each actor to each possible outcome. Since there are 6 possible outcomes, the values will be from 1 to 6, 6 being the most preferable. These are ordinal rather than nominal values, as their relative weighting is of little importance in this analysis compared to their ranking.

For Netanyahu, the preferred outcome would obviously be his defeating Sharon in the Likud elections, and Sharon remaining loyal to the party. This would give him the chairmanship and at the same time avoid losing prominent members and subsequently votes to another party, which should compensate for having to accept the presence of a party opposition. This outcome is given an ordinal value of 6 for Netanyahu.

Netanyahu's second preference would be Sharon leaving after losing the elections. Netanyahu would be in power, but the loss of Sharon and his supporters would lose the party prestige and votes and would therefore reduce the party's chances in the Knesset elections compared to if the party opposition remained loyal, making it a less favourable outcome than the above. This outcome is given an ordinal value of 5 for Netanyahu.

His third preference would be for Sharon to leave the party without standing for the chairman elections. As above, this would leave Netanyahu in power but likely hurt the Likud's Knesset representation. The main difference to the above outcome is that, without the strain of internal elections and subsequent loss of prestige when losing, Sharon's departure would most likely damage the Likud more than if he were to leave the party after the party elections. Therefore, this outcome is given an ordinal value of 4.

The fourth preference would be to lose the elections but remain within the party. While far inferior to getting the chairmanship, challenging Sharon and losing would at the very least be a statement to the party that would hopefully cement Netanyahu's position as the leader of the internal opposition, and at best a reduced mandate would damage Sharon's standing within the party and thus prepare the ground for Netanyahu's victory in the next round. Unlike Sharon, Netanyahu could, at age 56, afford to bide his time. This outcome is given an ordinal value of 3.

Netanyahu's fifth and second-last preference would be to accept the status quo and remain with the government without challenging Sharon's position. This would be the most beneficial outcome for the party, which would avoid divisive leadership struggles while

retaining the leader with the most appeal to outside voters, but not for Netanyahu personally. By not challenging Sharon's position his position as leader of the internal party opposition could be compromised, and his chances of returning to power in the Likud would be less than if he challenged –especially as his support was largely based on the traditionally hawkish and ethno-nationalist party segments, which were unhappy with Sharon and looked for a change in party leadership. With this in mind, this outcome is given an ordinal value of 2.

Netanyahu's sixth and least preferred outcome would be leaving to form a new party after losing the party elections. His base of support was, to a large degree, traditional Likud voters and segments of the Likud party machine, and unlike a specific subgroup these were votes he could not depend on following him if he left the party. With the volatility of the Israeli party system he could most likely expect to be elected as an independent, but that would hardly carry the same weight as being the leader, or even an important member, of a major party. Because of this, and because of his position as heir apparent to the Likud, waiting and planning ahead would most likely be expected to give better payoffs. This outcome is therefore given an ordinal value of 1 for Netanyahu.

Sharon's expectations are, to some degree, a mirror to Netanyahu's. His preferred outcome would quite obviously be for Netanyahu not to challenge in the first node. Sharon already had the leadership of a major Knesset party as well as a significant following outside the party, if he remained party leader of a reasonably united party he would be a strong candidate for Prime Minister in the upcoming elections. Also, of all the possible outcomes, this carried the least risk for his political career. It seems obvious that this outcome should be given an ordinal value of 6.

His second most preferred outcome would be to win the internal elections and for Netanyahu to remain loyal to the party. Although Netanyahu's challenge would cause some internal division, he would still have the party machine and party electorate as well as his external support behind him in the upcoming elections and could expect to do well. This outcome is given an ordinal value of 5 for Sharon.

Sharon's third preferred outcome would be to win the internal elections and for Netanyahu to leave. While a problematic opponent within the party, Netanyahu had strong support among segments of the traditional Likud electorate and would most likely bring a

significant number of voters with him to a new list or another party. Therefore, his leaving would be less appealing to Sharon than if he remained loyal to the party, but at least Sharon would remain head of the Likud and able to benefit from its voter base and party machine. This outcome is given an ordinal value of 4.

Sharon's fourth preferred outcome would be to leave the Likud before the internal elections. This was, for the aforementioned reasons, an obviously less attractive outcome than remaining leader of the Likud. However, with his strong support among the voters and his considerable following within the Likud, he could count on being reelected and most likely do reasonably well. Remaining within the Likud after losing power would most likely marginalize him for the rest of his political career as he could ill afford to play the waiting game due to his advanced age. If losing the elections was likely, leaving beforehand would have a number of benefits. First, it would save time before the Knesset elections –time that would be needed to build a new party or electoral list. Second, he would not have to spend political capital and exhaust his supporters' favour before the Knesset elections, likely strengthening his support from ex-Likud members. Third, he would avoid losing, most likely making him more electable as well as making his new party a more "legitimate" haven for dissatisfied Likud members as he wouldn't seem like a poor loser. Thus, this outcome is given an ordinal value of 3.

Sharon's fifth and second last preference would be to leave the Likud after losing the internal elections. Like the fourth outcome, this would avoid marginalization. However, he would likely have spent time, political capital and support he could ill afford before losing, and as a result his new party's Knesset position would most likely be weakened compared to his leaving earlier. Therefore, this outcome is given an ordinal value of 2 for Sharon.

The sixth and least preferred outcome would be to stay with the Likud after losing the internal elections. As already mentioned, with his political rival as head of the party he would have to expect political marginalization for some time –an unattractive position due to his advanced age, especially given the likely superior alternatives at hand. This outcome is given an ordinal value of 1.

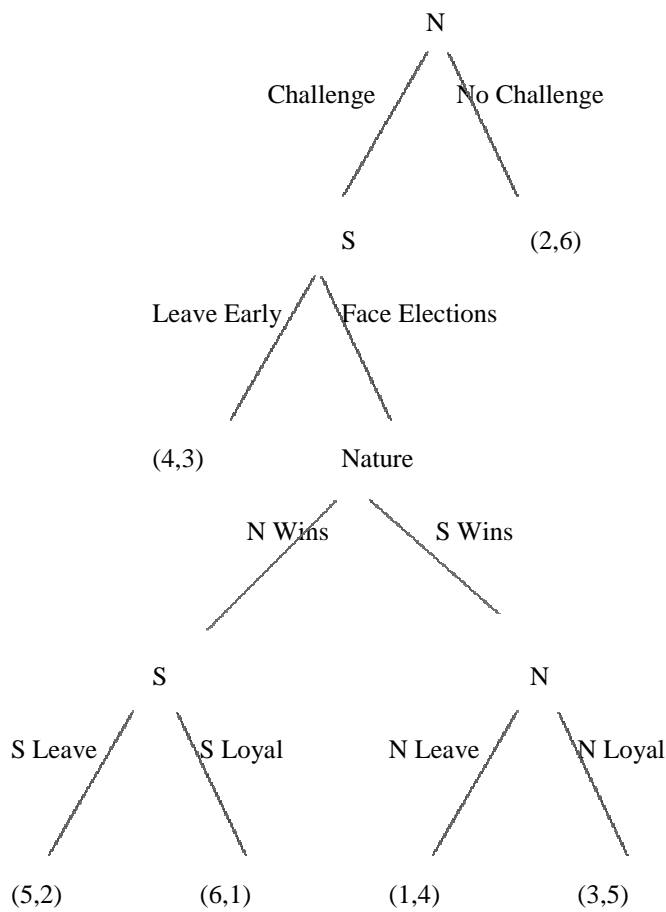The above list of preferences gives us the following payoff table, where N is Netanyahu and S is Sharon:

Figure 10.2: payoff table

	Netanyahu	Sharon
Status Quo	2	6
Leave Early	4	3
S Leaves	5	2
S Loyal	6	1
N Leaves	1	4
N Loyal	3	5

Introducing the payoff table to the game, we get the following game tree:

Figure 10.3: game tree with payoffs

10.6 Introducing Nature: the Likud elections

The actors in this game, Binyamin Netanyahu and Ariel Sharon, make their decisions with knowledge of the possible outcomes and the preferences of themselves and each other. However, there is still uncertainty about the outcome due to the unpredictability of the internal Likud elections. This is represented by the Nature node.

Nature forces the actors to evaluate the respective chances of the different outcomes, in this case whether Sharon or Netanyahu will win the Likud's internal elections, and weigh the chances of each outcome against their expected payoffs. The probable outcome of Nature will therefore affect the actors' choices in the earlier nodes. Since Nature's outcome determines the actor in the following and final node of the game, it is useful to start by solving the Nature sub-game. It is a simple game in itself, with each actor having just one choice that leads to a final outcome.

For Sharon, a payoff of 2 (S Leave) is preferable to a payoff of 1 (S loyal). He will therefore opt to leave the party, giving a payoff of (5,2). If, however, Sharon wins the elections Netanyahu will have the choice between a payoff of 1 (N Leave) and a payoff of 3 (N loyal). He will choose the more preferable 3, giving a payoff of (3,5). Since Nature has already decided who won the Likud elections and therefore which actor gets to take the next choice in the game, the outcomes of the competing player's alternatives are of course irrelevant to the actor at this point. They are, after all, no longer viable outcomes.

The Nature subgame solved looks like this:

Figure 10.4: Nature subgame solved
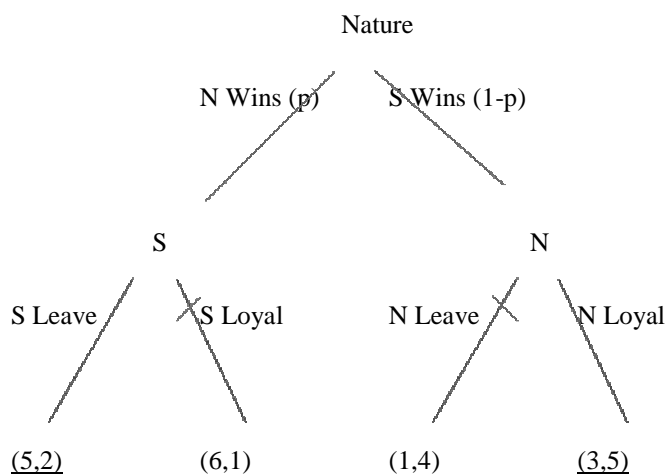
However, these outcomes, although final, are dependant on Nature. They are, therefore, uncertain. In order to solve the game, we need the actors' *expected payoff* from the Nature node: the payoff for the outcomes of the subsequent nodes dependent of the chance of that outcome occurring. The equation for each actor is as follows:

$E = (p)a + (1-p)b$

Where E is the expected payoff, (p) is the chance of the first outcome and (a) the payoff for that outcome, (1-p) is the chance of the second outcome and (b) is the payoff for that outcome. This gives us these equations for the two actors, when their respective payoffs are factored in:

$E(Netanyahu) = (p)5 + (1-p)3$

$E(Sharon) = (p)2 + (1-p)5$

Solving the above equations, we get the following:

$E(Netanyahu) = (p)5 + (1-p)3$

$E(Netanyahu) = 5p + 3 -3p$

$\underline{E(Netanyahu) = 2p + 3}$

$E(Sharon) = (p)2 + (1-p)5$

$E(Sharon) = 2p + 5 -5p$

$\underline{E(Sharon) = 5 -3p}$

The expected payoff for Netanyahu is, as we can see, 2p+3, giving an expected payoff for Nature of between 3 (if he expects (p) to equal 0, meaning no chance of winning) and 5 (if he expects (p) to equal 1, meaning certain victory). Unsurprisingly, the higher the chance of electoral victory ((p)) the higher the expected payoff for Netanyahu.

Sharon has an expected payoff of 5-3p, giving an expected payoff for Nature of between 5 (If he expects (p) to equal 0, a certain victory) and 2 (meaning an expected (p) of

1, a certain loss). Mirroring Netanyahu's expected payoff, the lower the chance of Netanyahu's victory (p) the higher the expected payoff for Sharon.

The next question, then, is how these expected payoffs compare with the certain payoffs for alternative outcomes. Although the final outcome of the Nature node is uncertain, looking at how the Nature node at different values of (p) compares with the alternative choices for the actor is necessary for us to be able to explain the actors' choices and thus solve the game. Since Sharon is the one who decides whether or not the game proceeds through the Nature node, we will begin with him.

If Sharon gets to act in the Kadima Game, his most preferred outcome of Status Quo is no longer an option. His choices at this point are Leaving Early or Facing Elections. Leaving Early has an ordinal value of 3, Facing Elections an ordinal value of 5-3p. With (p) still being uncertain at this point, it is necessary to identify at what value of (p) one choice is preferable to the other. By substituting E in the above equation of Sharon's expected payoff for Facing Elections with the payoff for Leaving Early, we can identify the value of (p) for which the two alternatives are equally good. Then, if Sharon perceives (p) to be lower than this it is rational to choose Face Elections and if he perceives (p) to be higher than this it is rational to choose Leave Early.

The equation, then, is 3=5-3p. Solved, it looks like this:

$3 = 5 - 3p$

$3 - 5 = -3p$

$-2 = -3p \qquad |{:}{-}3$

$P = 0.67$

From this, we see that if Sharon perceives (p) to be equal to 0.67, meaning the chance of Netanyahu's victory in the Likud internal elections is 67%, the payoffs from both alternatives have an ordinal value of 3 and are therefore equally beneficial. If he considers that (p)<0.67, it follows that the expected payoff from choosing 'Face Elections' is higher than 3 and therefore higher than the expected payoff from 'Leave Early'. In sum, if Sharon believes he's got a better than 33% chance at winning the elections he should choose to face them, if he believes his chances are worse the rational choice is to leave early.

For Netanyahu, although the procedure is fundamentally the same it is also more complex. Because he is dependent upon Sharon's actions –which in turn are dependent upon Sharon's perception of (p)- there are three possible alternatives with corresponding outcomes and payoffs to consider when Netanyahu makes his first move, the outcomes following 'Face Elections' and the Nature node being combined into the expected payoff calculated earlier. These are Status Quo (ordinal value of 2), 'Leave Early' (ordinal value of 4) and 'Face Elections' (ordinal value of 2p+3).

Because Leave Early has a higher ordinal value than Status Quo, it is the least interesting outcome at this point. What matters to Netanyahu's decision-making is whether or not Face Elections, with the uncertain outcome, is better than Status Quo. If it is, then 'Challenge' will always be a better choice than Status Quo. If it is not, then he will need to take Sharon's preferences into consideration. Either way, the result is dependent upon (p).

As with Sharon's equation above, we can identify at which value of (p) the two alternatives –Status Quo and 'Face Elections'- are equally beneficial to Netanyahu by substituting (p) for the expected payoff in his expected payoff equation:

$2 = 2p + 3$

$2 - 3 = 2p$

$-1 = 2p \qquad |{:}2$

$p = -0.5$

This equation proves what careful reading of the game tree will already have shown: That, as a result of Netanyahu's least preferred outcome being one of the alternatives Netanyahu himself can choose –or decide not to choose, as is more likely- and his second least preferred outcome being Status Quo, it will always be preferable to choose 'Challenge' regardless of the perceived value of n. In fact, unless (p) is -0.5 or lower, an obvious impossibility given that (p) represents a percentage chance, 'Challenge' will be a superior choice to Status Quo. Given this, it should come as no surprise if Netanyahu does not decide to wait patiently in the wings.

10.6.1 For the sake of argument

However, just for the sake of argument, we can set up the equation of the expected payoff for Netanyahu's choosing 'Challenge' over Status Quo. The equation will be of the above formula, E=(p)a+(1-p)b, with (a) being the payoff for Sharon choosing Leave Early and (b) being the payoff for his choosing Face Election. Since this is an equation with two unknowns, both the chances of Sharon choosing either action and the payoff for Face Election being unknown to Netanyahu at this point, we will substitute (x) for the (p) in the latter formula. The formula, then, is the following: E=(x)a+(1-x)b. The equation looks like this:

E = (x)a + (1-x)b

E = (x)4 + (1-x)(2p+3)

E = 4x + (2p+3) - (2px+3x)

E = 4x + 2p + 3 - 2px - 3x

E = x + 2p - 2px + 3

Of course, with two unknowns this expected payoff from Netanyahu's choice of Challenge does not tell us much. In order to get a meaningful comparison between the alternatives, which is after all the objective, one of the unknowns has to go: either the unknown chance of election outcome, or the unknown chance of Sharon choosing one action over the other. Assuming Netanyahu was indeed aware of Sharon's preferences, though, he would also know at which value of (p) –at what chance of election loss- Sharon's choices would be equally beneficial, translating to a 50% chance of either action. If (p)=0.67, it follows that (x)=0.5. Substituting numbers for letters in the equation, Netanyahu gets the following expected payoff for Challenge –given (p)=0.67, of course:

E = x + 2n - 2px + 3

E = 0.5 + 2(0.67) - 2(0.5)(0.67) + 3

E = 4.17

So, given an expected 67% chance of Netanyahu winning the elections, as perceived by Sharon, Netanyahu would have an expected payoff of 4.17 on challenge. In the same

vein, assuming that if Sharon is certain of losing (p = 1) then he will undoubtedly choose 'Leave Early' (x = 1) and if he is certain of winning (p = 0) he will choose Face Elections (x = 0), we get the following equations:

| If p = 1:		If p = 0:
E = x + 2p - 2px + 3		E = x + 2n - 2px + 3
E = 1 + 2(1) - 2(1)(1) + 3		E = 0 + 2(0) - 2(0)(0) + 3
E = 1 + 2 – 2 + 3		E = 2 – 2 + 3
E = 4		E = 3

Unsurprisingly, the expected payoffs for choosing Challenge in these instances both match perfectly the payoffs for Sharon choosing Leave Early (4) and for Sharon choosing Face Elections, winning, and Netanyahu choosing N loyal (3). This exercise is, however, largely academic for the reasons already mentioned: Any likely outcome of 'Challenge' is preferable to Status Quo because Netanyahu will always have the choice whether or not to leave the party (N Leave), his least preferred outcome, and Status Quo is his second least preferred.

Having solved the Nature sub-game and discussed the expected payoffs from Nature for both actors, we can return to the greater Kadima Game.

10.7 Solving the Kadima Game

After identifying the different nodes and the alternatives at each node, as well as the preferences of each actor regarding the possible outcomes, can now solve the game. To do this, we will work backwards and eliminate the sub-optimal choices for each actor. We'll start by repeating the Nature sub-game:

Figure 10.6: Nature subgame solved, again

Nature

N Wins (p)   S Wins (1-p)

S   N

S Leave   S Loyal   N Leave   N Loyal

(5,2)   (6,1)   (1,4)   (3,5)
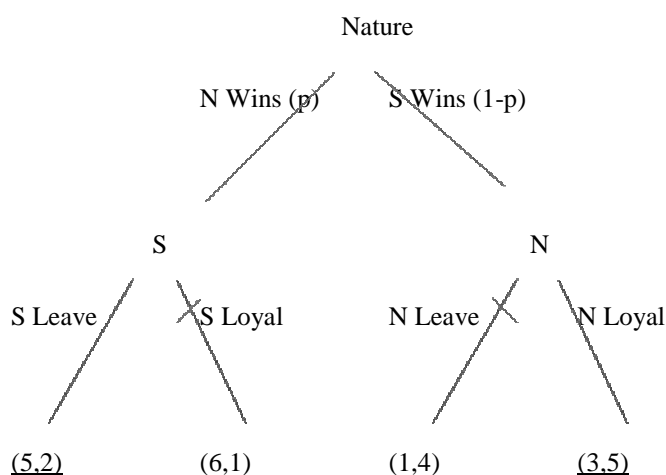
As already seen, this game gives Netanyahu an expected payoff of 2p+3 and Sharon 5-3p, making payoffs dependent on the value of (p) and, therefore, the attraction of 'Face Election' dependent on the actor's perceived chance of winning the elections –the perceived value of (p).

For Sharon, then, assuming Netanyahu chooses Challenge in the first node, the question is whether or not to choose 'Leave Early' (payoff 3) or 'Face Election' (payoff 5-3p). As already discussed, if (p) is perceived to be 0.67 these are equally good, if it is higher than this Leave Early is preferable and if it is lower than this Face Election is preferable. The question, then, is Sharon's perception of his chance of winning the Likud internal election.

Despite an increasing acceptance of territorial compromise in the electorate and even within the Likud, the party referendum on May 4. 2004 proved that Sharon's unilateralist stance concerning the Disengagement Plan was not shared by even 40% of the party electorate (Sandler 2008: 63). This unexpected loss must have given him pause, especially because of his rival's stance matching the party majority. As dissent grew after the implementation of the Disengagement Plan and came to a head with the attempt at forcing an early leadership election in September and the subsequent sabotage of his appointment of Zeev Boim and Roni Bar-On to the Likud Knesset faction in November, Sharon could harbour little doubt that there was significant support for a change of party leadership. He would have good reason to conclude that his chances of losing the internal elections were

worse than 67% and so Leave Early would be the rational choice. As we know, this was the action he took.

Because of the three and a half month delay between Netanyahu's first node and Sharon's first node, it is likely that Netanyahu's perception of his popularity and, as importantly, his perception of Sharon's perception of Netanyahu's popularity, changed somewhat with the events in the interim period. However, as we have already seen, regardless of his electoral chances Challenge would be considered the better option, though with the events preceding his resignation and challenge he would have good reason to be optimistic. His rational choice of action, which was also the action he took, would therefore be to challenge Sharon.

Solved, the Kadima game tree looks like this:

Figure 10.7: Kadima game solved
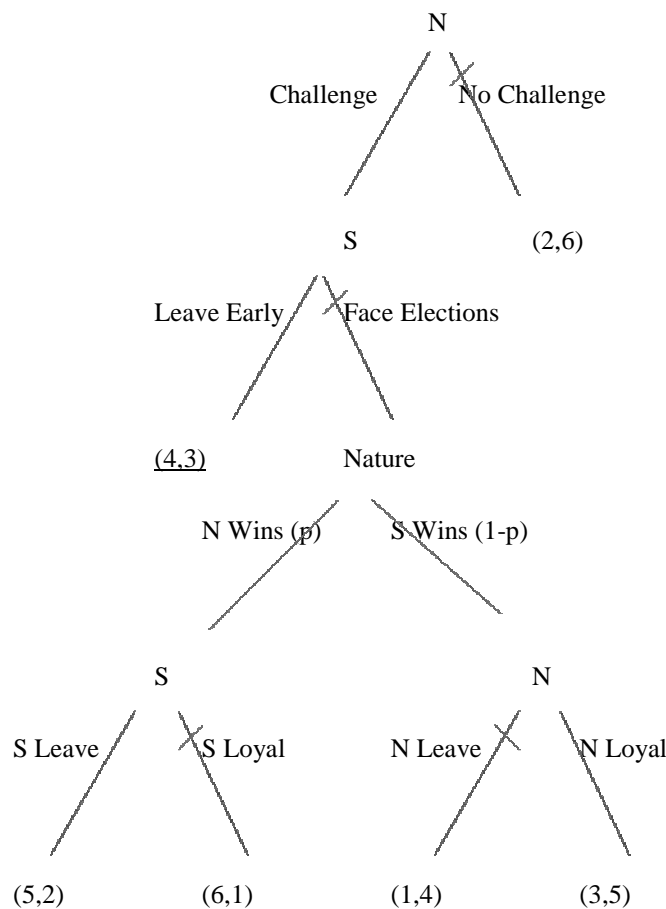
As we can see, the outcome is 'Leave Early', with the payoffs (4,3). This is also a Pareto optimal outcome (as are, in fact, all the likely outcomes if we don't consider 'Sharon Loyal' or 'Netanyahu Leaves' to be likely), as no other outcome can give a higher payoff for one actor without reducing the payoff for the other. This game also represents a Bayes' Perfect equilibrium as the strategies chosen are the best responses given the actors' perceptions of the unknown factor, their respective chances of victory in the Likud elections.

The final question regarding the Kadima Game is the identification of dominant strategies. In order to do this, it is useful to convert the game to the static form. To do this, we identify the outcomes ending the game available to each actor. These are, of course, dependent upon the game progressing to a certain point and therefore dependent upon the choices of the other actor, but due to the relatively simple nature of the game these are not problems. There is, for each actor, never more than one choice that will let the game continue, and therefore the outcome of 'N Leaves', for instance, will have to be preceded by 'Challenge' and 'Face Elections'. In the static form, the Kadima Game looks like this:

Figure 10.8: static game

		N Wins			S Wins		
		S			S		
		Leave Early	S Leaves	S Loyal	Leave Early	S Leaves	S Loyal
N	Status Quo	2,6	2,6	2,6	2,6	2,6	2,6
	N Leaves	4,3	5,2	6,1	4,3	1,4	1,4
	N Loyal	**4,3**	**5,2**	**6,1**	**4,3**	**3,5**	**3,5**
		p			(1-p)		

Looking at Netanyahu's options, then, it is clear that 'N Loyal' –choosing 'Challenge' in the first node and then choose 'Loyal' if the game progresses to his second node- will be a weakly dominant strategy. It will have higher payoffs than Status Quo regardless of the strategy chosen by Sharon, the same payoffs as 'N Leaves' if Sharon chooses 'Leave Early' or Netanyahu wins the elections, and higher payoffs than 'N Leaves'

if Sharon wins. From this, it follows that 'Status Quo' is strongly dominated and 'N Leaves' weakly dominated by 'N Leaves'.

Sharon, on the other hand, does not have a dominant strategy since his strategies to a larger degree is dependent upon the outcome of the elections. 'Leave Early' is weakly dominant (since it the payoff if Netanyahu chooses 'Status Quo' will be the same regardless) as long as Netanyahu wins, but in the case of Sharon winning the elections both 'S Leaves' and 'S Loyal' (which are the strategies leading to facing the very elections he's won) are superior. It all then, again, comes down to Sharon's perception of (p).

10.8 Kadima Game: Conclusions and aftermath

With the internal party dissent in the autumn of 2005, Netanyahu's choice to challenge Sharon seems an obvious one. Considering his position in the party at the time, there was simply little risk involved with potentially significant gains. The key to this is, of course, that even if losing the elections he would strengthen his position because he could always avoid his least preferred outcome. The only problem of any significance, it seems, would be the conflict weakening the party relative to its rivals. However, considering the fact that this conflict was over the Likud's core tenets of security and territory, and their importance both to Netanyahu's political views as well as those of his supporters, challenging Sharon seems the rational choice even without considering the personal political gains. Challenging and opting to stay loyal in case of an (increasingly unlikely, as the game progressed) electoral loss would net him the best possible result regardless of the actions of Sharon and the Likud electorate.

For Sharon, as we have seen, the situation was more complicated. Since he did not start the game, his options were of course more limited. He did not, for one, have any say in whether or not his preferred outcome, Status Quo and a relatively united party preparing for the Knesset elections, would be chosen. In addition, the potential election results played a much greater role in his strategy because, unlike Netanyahu's, they would actually determine which alternative in his first node would turn out to be superior. With the events leading up to this node in mind, and considering his age and a probable wish to minimize risks (well-founded but ultimately meaningless, as it turned out), leaving the Likud to start a new party as soon as possible was the rational choice.

As a result of the Kadima Game, Sharon left the Likud to found a new party, Kadima, with old allies from Likud and members of other parties including Labour. Netanyahu went on to win the Likud internal elections. Sharon's stroke in January 2006 removed him from politics and made former Likud-member Ehud Olmert party leader, and Olmert went on to win the elections and become Prime Minister in April 2006.

11.0 Summing up and Conclusions

11.1 Summing up

From the early days of Zionist immigration to Palestine, the Zionist organizations were dominated by Ashkenazim with secularist, socialist views and a relatively pragmatic stance on cooperation with the Mandate authorities and the question of the territories of the Zionist project. Though dominant in the Yishuv, these did not go unchallenged as the other side of these cleavages became manifest through Zionist hardliners with religious and anti-socialist sympathies. This struggle over the nature of the Yishuv and the Jewish state in the making came to a head with the Altalena affair in 1948. As we have seen, the outcome of that game did indeed factor heavily in the forming of the new state. With the miscalculation of Ben-Gurion's priorities, Begin and the Irgun became politically marginalized. The victors, David Ben-Gurion and what would become the Labour party, were given rein to centralize power, increase the role of the state and ensure the monopoly of violence. This dominance of the Labour party continued until 1977.

The long period of governance gave the statist, socialist-secular party the chance to implement many of its policies, which ironically actually weakened it as the state replaced the party and its allies as service providers. "Governing sickness", scandals and unresponsiveness to the electorate weakened the Labour party further. With the wars in 1967 and especially in 1973 the security issue and thus the Zionist cleavage became more prominent again, increasing the appeal of the system-opposition party Likud. As public dissatisfaction with the government and internal demands for party reforms increased, the party elite trusted in the inertia of the party system and the Likud's old reputation as dangerous dissidents from the previous power struggle. This trust was misplaced, as the Likud's successful appeal to dissatisfied groups and the reemergence of the Zionist issue to

replace Labour's traditional core issues let it replace Labour as governing party in 1977. The Likud would continue to dominate Israeli politics until 2006.

The Likud's dominance was, while significant, never as strong as Labour's in the previous era and during the 1990s, with the first Palestinian Intifada and the influx of Eastern immigrants, the support for other parties than Labour and the Likud increased. The combined support for the two largest parties was reduced from 59.6% in 1992 to 43.9% in 2003 (Knesset 2009). Then, in 2005, Ariel Sharon's attempt to move the Likud to a more moderate stance on the Zionism and security issue met with strong opposition. In the end he left the party and founded the Kadima, using his personal popularity to attract notable politicians from several parties. The centrist Kadima went on to become the largest party in the Knesset in 2006 and again in 2009, strengthening the case for the end of the Likud's dominance and the Israeli two-party-dominant system.

Israel began its transition to a democracy from the British non-democratic Mandate rule on independence in 1948, building on the democratic traditions the immigrants to the Yishuv brought from Europe. The founding election of the Israeli took place shortly after the Altalena affair and subsequent marginalization of what was to become the Likud, and confirmed Labour's victory in that power struggle. With Labour's loss of power in 1977 the Likud is redeemed and gains the power in the critical election, and through the subsequent transfers of power the Israeli democracy is confirmed. Then, in what can be called the revitalizing election, the gradual erosion of the two-party-dominance culminates in the victory of the Kadima, after which the Israeli party system no longer has had parties big enough to form government without other major parties. Because of the lack of authoritarian residue the state- and nation-building process is short but the transition period, because of Labour's long monopoly of power, is long and becomes longer if the revitalization election is included.

The three *mahapacs* are aptly named. The first effectively ends the power struggle of the pre-independence era and establishes a long-lasting political dominance. The second ends this political dominance and replaces it with another. The third promises to end party dominance altogether –at least for a time. There can be no doubt that these three are significant events in the shaping of Israeli power distribution. Significantly, they coincide with the steps of the Israeli democratic transition. The first *mahapac* is the culmination of a conflict that escalated as the stakes got higher with the promise of independence and thus the

first phase in transition. The second *mahapac* is by its very nature the second phase in transition. The third is the culmination of a process that gathered momentum through the 1990s, and it is the emergence of a third major party that, through its very existence, reduces the other major parties and levels the field that made the Israeli multi-party system probable. The links between the *mahapacs* and Israeli transition from Mandate rule to democracy are clearly not coincidental.

11.2 Game Theory and the three mahapacs

With the link between Israel's transition and the three *mahapacs*, it is time to look at the analytical method of this thesis: Game Theory. Is this method a useful tool for these kinds of analyses?

Game Theory does have its limitations. Because it focuses on the actions of very few individuals towards a specific goal, it requires events with easily identifiable actors and available strategies, clear objectives and preferably a limited time span. Naturally, this limits the events for which Game Theory can be used to analyze decision-making processes without resorting to fabricating actors, preferences or strategies. The key to successful use of Game Theory lies in extensive background research.

The three games played in this analysis differ most significantly on the actors involved. The first and third games are examples of classic Game Theory, in that they portray struggles between clearly identified individuals. The Altalena Game between David Ben-Gurion and Menachem Begin and the Kadima Game between Ariel Sharon and Binyamin Netanyahu are the results of personal conflicts as much as anything. This makes the actors easily identifiable, and as a result their goals, preferences and sequence of strategies can be found in their backgrounds and in the descriptions of the events and can be expected to be reasonably correct. Their links to the events in question, the *mahapacs,* are also unquestionable. The second game is more problematic, as the actors are not individuals but groups of people. This makes the correct identification of goals and preferences far more difficult. However, a study of the background and composition of the party and the internal conflict it faced nevertheless provides us with enough information to construct a useful game around it.

The three games played differ in many respects, but they have one important thing in common: the outcome of all three games depend heavily on the uncertainty introduced through the Nature node. The Altalena Game ends in the worst possible outcome for Begin, as he misestimates Ben-Gurion's Nature. The Mahapac Game ends with the least preferred result for both actors, based on the Elite's underestimation of the challenge posed by the Likud. The Kadima Game ends with a seemingly acceptable result for both, but ends early as a result of one actor choosing the safe course of not having to deal with Nature.

This common trait is important, but hardly surprising. The three events portrayed are all key events that determine the distribution of power at the time, and all are played between seasoned politicians. Since there is no reason to assume irrational behaviour on the part of any of the actors, uncertainty is the best explanation for the undesirable results –excepting Sharon, who understood the nature of the gamble and chose to avoid it.

Is Game Theory a useful tool? I believe it is. By breaking down an event into its components we gain valuable insight over the process itself and the actions and motivations of the actors. While reducing complex processes to simple games is risky, it becomes considerably less so by taking into consideration the process leading up to the climax in question. Game Theory, given suitable background research, is indeed a useful tool.

Despite these being games with uncertainty played on the extensive form, Bayes' Rule has not been emphasized. The reason for this is simple: these three games are all played over a relatively short span of time, with relatively few actor nodes. In no game does one of the actors have more than two possible nodes in which to choose a strategy, and there is no example of new information causing an actor to rethink his preferences or those of his opponents. The nearest example is new information causing a reevaluation of probabilities, but this is already covered through uncertainty. Therefore, while the principle of updating information and making choices based on this is indeed important there is simply insufficient scope for Bayes' Rule to be usefully implemented.

11.3 Conclusions: revitalization in transition

This thesis has used Game Theory to analyze in detail the three *mahapacs* in Israeli politics and ties these three events to the Israeli transition from Mandate to democracy.

The last phase of this transition is, perhaps, the most interesting. After the revitalization election in 2006, five parties in the 120-seat Knesset had 10 or more seats and the two largest parties held only 37.1% of the votes. In the following election in 2009, the same five parties held more than 10 seats, though the combined votes of the two largest parties total to 44.1%. Compare this to the preceding Knessets: In 2003, four parties held more than 10 seats and the total for Labour and Likud was 43.9%. In 1999, four parties held more than 10 seats and Labour and Likud totaled at 34.3%. After the 1996 election only three parties held that many seats, and the total for the two largest was 43.3%. In 1992, three parties with a total of 59.6% for the two. In 1988, two parties with a total of 61.1%. In 1984, again two parties with a total of 66.8%. In 1981, again only Labour and the Likud above ten seats, with a total of 73.7% of the vote (Knesset 2009). The trend has been clear since 1981, and has gathered momentum: Labour and the Likud has lost voter percentage and seats to the multitude of other parties, and more parties in the notoriously volatile Israeli party system grow large enough to challenge the big two. Eventually, it is no longer possible for a single major party to form a government with only minor coalition partners. This may have been true for some time before 2006, as later governments have been 'national unity' governments including both Labour and the Likud, but the first third party to form a government is undoubtedly the catalyst of this process. With the reduction in power of the major parties and the growth of parties like Shas and Avigdor Liebermann's Yisrael Beitenu, even a government without neither the Likud nor Labour is possible, if not plausible as of yet.

The phases of Israel's transition from Mandate to democracy have been marked with clear 'turnabouts'. It remains to be seen whether Israel has truly reached a third phase and a revitalization election, but for now it seems like the founding of the Kadima before the 2006 elections was indeed a third *mahapac* and that the revitalization election is indeed a useful addition to traditional transition theory.

From the Game Theoretical analysis of the three *mahapacs* I will further postulate that in any game played at a high level between experienced actors over actual stakes, uncertainty will always be a factor. As a result, there are no safe choices.

12.0 Bibliography

Cleveland, William L. (2000): *A History of the Modern Middle East.* Oxford: Westview Press

Flora, Peter, Stein Kuhnle, Derek Urwin (red) (1999): *State Formation, Nation-Building and Mass Politics in Europe, the theory of Stein Rokkan.* Oxford: Oxford University Press.

Gunther, Richard, P. Nikiforos Diamandouros, Hans-Jürgen Puhle (red) (1995): *The Politics of Democratic Consolidation, Southern Europe in comparative perspective.* London: The John Hopkins University Press.

Hazan, Reuven Y., Moshe Maor (red) (2000): *Parties, Elections and Cleavages, Israel in comparative and theoretical perspective.* London: Frank Cass Publishers.

Hovi, Jon (2008): *Spillteori, en innføring*. Oslo: Universitetsforlaget.

Knesset (2009): *Governments of Israel.*

*h*ttp://knesset.gov.il/govt/eng/GovtByNumber_eng.asp [19.05.2009]

Knesset (2009): *Knesset Elections Results.*

http://knesset.gov.il/description/eng/eng_mimshal_res.htm [19.05.2009]

Knesset (2009): *The Electoral System in Israel.*

http://knesset.gov.il/description/eng/eng_mimshal_beh.htm [19.05.2009]

Knesset (2009): *Knesset Parliamentary Groups*

http://knesset.gov.il/faction/eng/FactionMain_eng.asp [19.05.2009]

McCain, Roger A. (2004): *Game Theory, a non-technical introduction to the analysis of strategy.* Mason: South-Western.

Metz, Helen Chapin (red) (1990): *Israel a Country Study, Federal Research Division, Library of Congress.* Washington: Federal Research Division.

O'Donnel, Guillermo, Philippe C. Schmitter (1986): *Transitions from Authoritarian Rule, tentative conclusions about uncertain democracies.* Baltimore: The John Hopkins University Press.

Penniman, Howard R. (red) (1979): *Israel at the Polls, the Knesset elections of 1977.* Washington: American Enterprise Institute for Public Policy Research.

Sandler, Schmuel, Manfred Gerstenfeld, Jonathan Rynhold (red) (2008): *Israel at the Polls 2006*. New York: Routledge.

Sprinzak, Ehud (1999): *Brother against Brother, violence and extremism in Israeli politics from Altalena to the Rabin assassination.* New York: The Free Press.

Østerud, Øyvind, Kjell Goldmann, Mogens N. Pedersen (red) (1997): *Statsvitenskapelig leksikon.* Oslo: Universitetsforlaget.