

Third in this hierarchy is State-subsidized local private capital.
State-subsidized private capital is invested mainly in "developing areas"
where a national development strategy is undertaken, specifically in New
Development Towns, in which Oriental-Jews are overrepresented. Light indus-
try for the production of mass consumer goods (textiles, food and construc-
tion) are the habitat's industrial specialty, and low skilled/unskilled oc-
cupational categories predominate. For the residents of this habitat, the
relative rate of exploitation is higher than that in the kibbutz and metro-
politan populations, as they produce mainly subsistence commodities. Yet,
it is lower than that of the Arab traditional village, because the reproduc-
tion of the resident labor power is compensated by the State: this reduces
operation cost of all private enterprises as an incentive provision for firms
to invest in these areas, hence promote the political objective of "popula-
tion dispersion".

Two other factors that indirectly reduce the reproduction of cost of
the labor power employed in this sector are: (a) the fact that housing in
New Development Towns is produced by cheaper Arab labor force and housing is
a major determinant of urban wage; and (b) that land which houses this labor
force is essentially rural, not urban, land forcefully expropriated from
Palestinian citizens: not purchased in market exchange. By the very imple-
mentation of this urbanization scheme (N.D.T.), it is then converted into
urban land for industrial development, a much cheaper commodity than other
urban land.

These two processes provide for investment incentives in the form of
lessening operation cost and cost of reproduction. Capital then can af-
ford lower rates under these conditions of exploitation than in the absence