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The Economics of Palestine: Economic Policy and Institutional reform for a Viable Palestinian State

edited by David Cobham and Nu'man Kanafani

This book aims to set the intense political debates on one side in order to do some serious economic analysis. It assumes that a sovereign independent Palestinian state comes into existence in the West Bank and Gaza Strip, and proceeds to examine the economic policies and institutional reforms which would be appropriate for it. Key recommendations are that such a state should:

- adopt a non-discriminatory trade regime
- introduce a new currency with a currency board and later a hard peg to the euro
- establish a new type of pension scheme combining universal and work-based elements
- adopt an economic strategy geared to the modern knowledge-based global economy and based on the identification of clusters, and
- take a forward-looking approach to the compensation of refugees which relates compensation to the cost of absorbing returning refugees in a viable and growing economy

Budgetary policy, corporate governance, financial sector reform and foreign aid strategy are also discussed, and an incomplete contracts model of integration is presented.

The contributors are internationally respected economists from a variety of countries and perspectives. Their analysis should be accessible and relevant to readers of many kinds, from students and academics involved with development economics, politics, and international relations through to policy-makers and those with a general interest in the Middle East.

David Cobham is Reader in Economics at the University of St. Andrews, Scotland.

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Some advance comments

Cobham and Kanafani, aided by the rich contributions of an impressive array of international experts, have produced what is clearly the most learned and comprehensive work on the economy of the future state of Palestine. This volume combines the indispensable objectivity of economic analysis, a clear understanding of the policy experience and practices of successful countries, as well as a thorough appreciation of the political context, to derive highly relevant conclusions and policy implications. We owe Messrs. Cobham and Kanafani a debt of gratitude for so ably informing us about economic conditions and prospects in Palestine and, more significantly, for their considered and timely contribution to the cause of a Middle-East peace that is anchored in an economically viable and sovereign Palestinian state.

- Dr George Abed, Director, Middle East and Central Asia Department, IMF, 2002–2003

A peaceful solution between Israel and a Palestinian State will be sustainable and stable only when the Palestinians will enjoy the economic dividends of peace. This book captures the main economic issues and presents the required economic policies that will secure economic prosperity for a newly born Palestinian State.

- Haim Ben-Shahar, Emeritus Professor, Tel Aviv University

This book is a solid contribution to our understanding of the economic policy issues that will face decision makers in a sovereign and independent Palestinian state in the context of separation from Israel. It presents interesting recommendations regarding key issues that are more than likely to evoke intense debate amongst economists and politicians alike.

- Nabeel Kassis, PNA Minister of Planning

Any well-functioning sovereign market economy, requires sound institutions that guarantee Property Rights in the market place, restrict the Power of the Executive in setting intrusive policies, provide social safety nets, and craft forward-looking economic policy strategy through the political process. The book is the first of its kind to put forth an agenda for economic policies and institutional reforms, necessary for a viable Palestinian economy that could be integrated into the world economy, and serve as a host for foreign direct investment. A well-functioning Palestinian economy will definitely be a boon for the entire Middle East region.

- Assaf Razin, Professor of Public Finance, Tel Aviv University

To be viable, any Palestinian state will need to make a series of important economic policy and institutional decisions. This volume edited by David Cobham and Nu'man Kanafani presents a series of carefully reasoned analyses of, and recommendations for, some of the most important policy and institutional reforms. Coming from an impressive list of international scholars including both Arabs and Israelis, the book is “must reading” for economists and policy makers interested in identifying the policy and institutional requirements of any Palestinian state and indeed of any small state.

- Jeffrey B. Nugent, Professor of Economics, USC and President, Middle East Economic Association

Based on a politically viable settlement of the Israeli-Palestinian conflict, this book offers a comprehensive economic framework for an independent Palestinian state which any scholar of the region must study and policy-makers should take account of.

- Efraim Sadka, Professor of International Capital Markets, Tel Aviv University

How should a sovereign Palestinian state design its economic institutions and how should it run its economy? This book contains new and innovative research on these topics. It is essential reading for all those interested in peace and prosperity in the region, irrespective of their political persuasions. It also makes good reading for those interested in the interplay between politics, institutions and economic development.

- Christopher Pissarides, Professor of Economics, London School of Economics

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