Globalization's Losers Responding?

Foreign Direct Investment and Voting in Israel's Development Towns

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[Comments and corrections welcome]

Abstract

When do people perceive themselves to be losing out from international economic integration? Do those perceptions translate into vote choice? Existing literature studies gain and loss from economic integration as a function of its objective material effect, and political preferences that follow are assumed to reflect this effect. I argue that people's perceptions of losing out and their consequent political responses instead reflect concerns about a broader set of social outcomes that they associate with economic openness, particularly resentment about relative deprivation. I test the argument using a micro-level study of how foreign direct investment to Israel affected the electoral fortunes of the ethnic party Shas in the small township of Qiryat Gat. I demonstrate that despite the economic benefits brought about by massive foreign direct investment, the skill needs and employment strategy of the multinational investor generated amongst town locals a sense of economic and culture-based rejection, making them particularly receptive to the campaign appeals of Shas. The study illuminates a broader mechanism by which economic integration generates cultural and ethnic-based political responses.

Introduction

Global economic integration has grown dramatically in recent decades. One area of exceptional growth has been foreign direct investment, increasing almost eightfold during the 1990's alone[1]. The flourish in cross-border investment activity has generated vast research examining its economic consequences on a host of outcomes such as wage competition (Jun and Singh 1996; Feenstra and Hanson 1997), growth (Borensztei et al,1998; de Mello 1999), efficiency gains and competitiveness of local businesses in the host nation (Aitken and Harrison 1999). The study of the political consequences of foreign direct investment (FDI) has been more limited, and is largely focused on the interplay between political institutions, government policies and the investment decisions of foreign businesses (e.g. Ramamurti 2001; Hines and Rice 1994; Gastanage et al 1998; 2005). Yet despite the fact that FDI is now a key feature of economies worldwide, very little is known about its impact on domestic constituencies. How individuals perceive FDI inflows and the growing presence of multinational enterprises to affect them, and whether this effect has a bearing on their political preferences, are questions that were unexplored to date.

In studying the impact of globalization on domestic politics, the predominant approach in the literature is to use the standard models international trade of to generate predictions about the likely gainers and losers from economic integration, and then to examine the extent to which people's political preferences align with the theoretical predictions (e.g. Scheve and Slaughter 2001; Mayda and Rodrik 2005). In using these models, these studies are making two important assumptions: first, gain and loss from economic globalization is assumed to be a function of its impact in objective material terms. Second, the political response to globalization is assumed to fall along the lines of industry of

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[1] World Development Report, 2005.

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employment or by factors of production. In other words, knowing about globalization's impact on one's earning prospects is assumed to shape one's political view.

Yet this approach faces significant empirical challenges. First, the standard trade models are found to offer only limited explanatory power in accounting for people's attitudes on economic integration. Most notably, industry of employment is only marginally associated with individuals preferences on trade (Beaulieu et al 2005; Baker 2003). Second, one would be hard-pressed to find contemporary examples of countries in which political cleavages are in line with the predictions of the arguments based on trade theory[2]. This empirical weakness of existing accounts may be a result of (at least) two causes. It could be that the people's perceptions of gain and loss from globalization are shaped by factors other than objective material gains. Alternatively, it could be that people's discontentment with the consequences of globalization is simply too weak to actually influence their voting preferences.

This study seeks to offer insight on the question of globalization's political consequences, by examining the effect FDI into a small township in Israel had on the political preferences of the locals. The case under study is that of Qiryat Gat, a small township in Israel's southern periphery, which in 1996 received a $1.6 billion investment from Intel Corp., the world's largest semiconductor manufacturer. The outlay for building a new production plant in Qiryat Gat was the largest foreign direct investment in the country's history, and the jobs it was projected to generate were expected to transform the fortunes of the town's forty-five thousand residents. Indeed, in the following years after Intel's arrival, the multinational's investment contributed to the town's economic development on a

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[2] The "trade competing sector" or "export oriented industries" rarely form electoral cleavages in today's politics.

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multitude of indicators. Yet in the national elections held three years after the company set up shop, the religious party Shas almost doubled its support in Qiryat Gat, becoming for the first time the party with the largest vote share in the town. What explains the swelling support for a traditionalist party that symbolizes the resistance to modernization, in a town that by all standard accounts was modernization's fortunate beneficiary. More concretely, the key question in the context of this study is whether the foreign investment had an effect on bringing about this unexpected political outcome.

Media and scholarly analyses have attributed the electoral success of Shas at the national level to several different factors: to clientalism centered on the party's national welfare network, to the ethnic appeal of its campaign to "restore the past glory" of Sephardic Jewry, and to the religious appeal of its rabbinic leadership. These factors no doubt account for much of Shas' nationwide popularity, and surely apply also in the case of Qiryat Gat. Yet these factors do not explain the increased support for Shas in Qiryat Gat that went beyond the national trend or beyond the level of support in other comparable towns, at a time when many might have expected a relative decline in the town's support for the party.

This paper puts forward an explanation for this puzzle. I argue that processes associated with Intel's arrival brought to the fore social tensions which were dormant and which, once on the surface, bolstered Shas's electoral appeal. Despite the fact that Intel's investment provided jobs to many of the town's residents, improved the local municipality's financial standing, and contributed to the improvement of the local education system, the arrival of the foreign multinational also sparked wide-spread feelings of relative deprivation and of rejection. More specifically, many Qiryat Gat residents felt hard done by the company's de facto policy of employing town locals only in low-skilled jobs that pay little, while filling the higher level positions almost exclusively by "outsiders". The rejection by

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Intel of the locals on professional grounds, for not being sufficiently qualified – especially for their lack of proficiency in English – became a source of great aggravation. In addition, the preferences of Intel's high-skilled employees not to relocate to town but to live instead in better-off neighboring localities, was perceived as further rejection on cultural grounds. Since class divisions in Israel closely follow ethnic divides[3], the resentment generated by this perceived rejection made the town locals particularly receptive to the campaign appeals of Shas, appeals that centered on themes of cultural and ethnic-based discrimination.

While the literature offers some important insights into the ways in which globalization affects individual attitudes, existing studies overlook an important route by which market integration affects domestic politics. This route is rooted in the fact that people's level of skill and professional association are often highly correlated with other socio-demographic characteristics, such as people's ethnic affiliation or geographic location. In addition to the effect of widening gaps between skilled and unskilled workers, or between producers of tradeable and of non-tradeable goods, then, the distributive aspects of economic integration can also have the effect of exacerbating cultural and ethnic-based cleavages. These latter cleavages make for potent appeals for political mobilization, and hence could effectively translate into voting behavior.

This paper departs from existing studies in several important ways. First, it traces the sources of people's discontent to actual distributive outcomes resulting from globalization, rather than just assuming that discontent is a result of such distributional aspects. Second, the paper demonstrates that perceptions of loss have a tangible effect on how people vote.

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[3] See for example, Sammy Smooha (1993). The two main ethnic groups in Israel are Ashkenazim and Sephardim. The former includes Jews from European or Anglo-Saxon descent; the latter are Jews that migrated from Arab countries in North African or Asia. The socio-economic differences between the two ethnic groups have subsided somewhat over the years but are still quite present. According to Cohen and Haberfeld (1998) in 1995, 72% of second-generation Ashkenazim worked in white-collar occupations and 28% were blue-collar workers; among second generation Sephardim, the figures were 46% and 54% respectively.

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The political outcome explored in this paper, an increase in support for Shas, is particularly illuminating because it shows how globalization-driven economic development can have the seemingly counter-intuitive effect of leading to the growth of sectarian and religious parties.

Finally, a methodological clarification is needed. The claim advanced in the paper is not that Shas succeeded in Qiryat Gat by campaigning directly on the Intel issue. The "Intel effect", I contend, was more indirect and subtle: the multinational's arrival created conditions in which ethnic and class-based appeals resonated more strongly among the town locals. For this reason there could not be a "smoking gun" that unambiguously links the economic shock of Intel's arrival to the increased vote for Shas. The argument developed in the paper therefore consists of two separate parts. The first is essentially a 'proof by elimination', seeking to show that none of the alternative existing accounts, or a combination of them, can fully account for the observed voting outcome in Qiryat Gat. In other words, I seek to show that an additional explanation is needed. The second part of the argument makes the case for the plausibility of the explanation I am advancing for the town's increased vote for Shas.

The rest of the paper proceeds as follows. The next section briefly lays out the background to Intel's decision to invest in Qiryat Gat. Section Two discusses the Shas phenomenon and the extant theories used to explain the party's success. Section Three utilizes a synthetic control method to demonstrate that the increase in Shas vote in Qiryat Gat is unique. Section Four estimates the size of the effect of Intel's arrival on Shas' electoral performance in the town using detailed micro-level voting data. Section Five develops the paper's argument, supported by data on the distribution of gains from Intel's arrival. Section Six uses archival material from newspapers and interviews with Shas' leadership to substantiate this argument further. Section Severn tests the argument with survey data I

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collected in the town. The final section discusses the broader implications of the findings and concludes.

I. Background: Qiryat Gat and Intel's Arrival

The township of Qiryat Gat was established in September 1955. It belongs to what later came to be known as "development towns" – small localities set up mostly in the periphery by the Israeli government in order to facilitate the absorption of newly arrived Jewish immigrants from North Africa and Asia. Because of the generally low level of education of the population of these towns, and also because of their distance from the metropolitan center of the country, these towns suffered from chronic high rates of poverty and unemployment. To address these problems, the government enacted the Law of Investment Encouragement, which assigned a "development status" rating to the various localities. The law allocated the highest government subsidies for plants setting up shop in localities with Level A status, a status initially assigned to all development towns. This policy succeeded only very partially, however, in relieving the towns' economic struggles.

In the late 1960's and early 1970's, the arrival of mid-size steel plants and several textile manufacturers to Qiryat Gat provided much-needed employment opportunities for locals. Over time the town became the "textile capital" of Israel, hosting four major textile manufacturers that belonged to the Polgat conglomerate and that employed over 4000 workers, many of them town locals (Razin 1991). But with the opening up of the Israeli economy to international markets in the late 1980's, cheap imports rendered the Israeli textile industry almost non-viable. The situation was exacerbated with the advances in the peace process in the early 1990's, as Israeli manufacturers were suddenly able to "offshore" much of their production to cheaper facilities in Jordan and Egypt. Indeed, the largest textile

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employers in Qiryat Gat soon downsized their operations and left many of the town locals jobless.

At the same time that the textile producers were seeking locations abroad for their manufacturing facilities, Intel Corp began searching for a location for its new production plant, the future Fab 18. Since Intel already had two large plants in Israel, one in Jerusalem and the other in the northern city of Haifa, it seemed natural for the company to expand one of its existing locations and build the new plant nearby. The problem was that Haifa was not assigned "Level A" investment status, and in Jerusalem orthodox residents living near Intel's location protested, anticipating that the new plant would operate seven days a week, and would thus desecrate the holy Sabbath: they demanded that the municipal approval of the new plant would be conditional on Intel halting production entirely during the weekend. Following this demand, and with additional bureaucratic obstacles mounting, the members of Intel's search committee decided to look for an alternative location.

Finding a location proved to be difficult. Different alternatives were discarded for various reasons: for not qualifying as "Level A" development area, for being located too far from the country's center and thus remote from the main pool of high-skilled employees, or for desert-like conditions that raised concerns of potential dust storms[4]. Qiryat Gat was excluded from Intel's initial consideration because at the time it had only a "Level B" investment rating. But as Intel's search seemed futile, and with its announcement that it was considering building the new plant in another country instead (Ireland was regarded as the leading alternative), the government reassessed its options[5].

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[4] See Shachar and Israel (2005) for a detailed description of Intel's search process.
[5] The title of an article in *Kol Hair,* Jerusalem's leading local paper, read "Intel Decides that Dublin is Preferable to [Jerusalem's] Har Hotsvim" (5.12.1994)

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Finance Minister Avraham Shochat, who for a long time was adamant in his opposition to changing Qiryat Gat's classification to a "Level A" status, was willing to reconsider his position[6]. A change in the town's status was also in line with the Labor government's stated policy of diverting resources from settlements in the occupied territories to the development towns located in Israel proper. The fact that support for Labor was traditionally weak in the development towns was probably not overlooked by Shochat and Rabin.

In the event, and not without confronting several bureaucratic difficulties at the municipal level, the deal was finalized. The agreement between Qiryat Gat, the Israeli government and Intel included the acquisition of 130 acres, an area four times as large as Intel's existing location in Jerusalem[7]. In return, Intel's total investment in the new plant was to be $1.57 billion, 38% of which ($608 million) were to be funded by government grants and subsidies, spread out over 10 years. In addition to the agreement, it was decided that the government would help subsidize a brand new industrial zone that would be built around the Intel plant, with the intention of attracting to the South some of Intel's key suppliers, as well as other high tech companies that would be enticed by the state-of-the-art infrastructure built for Intel's purposes.

The closure of the deal was greeted by the Israeli media with exuberance. The size of the investment, the largest FDI in Israel's history, combined with the location – a struggling development town in the periphery – drew spectacular attention in both the national and local media. Some questioned whether the government subsidy was too generous and whether these funds could not be better spent by supporting a large number of smaller

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[6] Shochat's argument for opposing the granting of the coveted Level A status to Qiryat Gat was that the town was relatively close to the country's center and thus could be able to attract investments even without the government's assistance. He was concerned that helping out Qiryat Gat's cause would come at the expense of other struggling towns located further down south.

[7] Intel demanded such a large land reserve so that it could expand in the future and avoid a repeat of its lengthy search for a location for Fab 18.

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businesses instead. But one of the main counter-arguments brought up in defense of the government's policy was that Intel's arrival to Qiryat Gat was bound to spark further large investments in Israel's South.

The impact of Intel's investment on Qiryat Gat's economy was projected to be dramatic. The plant was planned to generate over 2,500 new jobs. In addition, other companies setting up shop in the town's new industrial zone surrounding Intel were expected to further improve the town's employment situation. Much hope was also placed on the spillover effects to be attained from the spending of Intel employees in the town's businesses, as well as on a mass increase in the town's land-tax revenues. Intel's commitment to engage in advancing community projects, and especially in investing in the town's schools, was regarded as an important additional benefit to be gained from the multinational's arrival.

Table 1 presents some of the changes Qiryat Gat underwent in the years following Intel's arrival in May 1996 and compares them to the average change in all other development towns during the same time period[8]. As the table shows, the town's economic situation improved in several important respects. The average income went up for both men and women; unemployment went down, declining at a significantly higher rate than in the other towns, and the town's tax revenues rose. Change in other areas was smaller, in some cases even negative, such as in the number of individuals needing income support from the government. But given that the national economy experienced two years of recession (1997-1998), Qiryat Gat was doing better in relative terms even on these dimensions compared to the other development towns.

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[8] The list of "development towns" included in the analysis is based on the standard definition used by the Israeli Central Bureau of Statistics. See CBS, Manpower Survey 1995, p. 36.

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Table 1. Economic Change 1995-1999: Qiryat Gat vs. Other Development Towns

	1995	1999	% Change	Mean Change in Development Towns
Average Income Males (NIS)	4320	4792	10.9%	8.8%
Average Income Females (NIS)	2637	2976	12.9%	11.2%
% of Sub-Minimum Wage Earners	43.7	42.4	-3.0%	-1.6%
Unemployment Rate (%)*	13.2	7.0	-39.4%	-21.4%
Land Tax Revenues from Industrial Zone (NIS, Millions)	0	3.57	+	N/A
Land Tax Revenues from Intel (NIS, Millions)	0	2.79	+	N/A

Note: The method used to calculate the unemployment rate differs across the two time periods (see Appendix for an explanation of the change in the method of calculation). Importantly, this difference applies to the calculation of the unemployment rates in all development towns. The relative rate of change in Qiryat Gat vs. the mean change in the other towns is the meaningful measure of interest rather than the absolute rate of change within the town.

Expert estimates of the spill-over and multiplier effects of Intel's arrival on the town's economy also offer evidence of the positive externalities that Intel and the other companies in the Industrial Zone around it generated for the town. Studies estimate the employment multiplier in Qiryat Gat itself at 2.34, i.e. for every job directly created in the Industrial Zone, 1.34 additional jobs were generated in the town. The income-multiplier was estimated to be 1.32, meaning that every Shekel earned as income through the Industrial Zone generated an additional 32% of income[9] (Felsenstein, 2005).

Yet despite the overall positive changes that Qiryat Gat began to experience in important economic indicators, and despite the projection of further improvements as Intel and the Industrial Zone were to develop and grow, in the 1999 national elections the town's residents voted in unprecedented levels for Shas. Up from 13.9% to 26.2%, the dramatic increase in its support made Shas the party with the largest vote share in Qiryat Gat, at once

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[9] This income multiplier is considered quite low. In a similar survey studying the economic effects of an Intel plant in Washington, the income multiplier was estimated to be 1.7. The low income multiplier in Qiryat Gat is attributed to the fact that the higher-earners in the Intel plant were spending most of their income in their area of residence, i.e. outside of the town.

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breaking the Likud's 22-year political stronghold on the town. This increased rate of support was well beyond the national trend and higher than that in the other development towns, a fact that is particularly surprising given the expectation that economic growth would *decrease* support for Shas.

As Figure 1 shows, in the 1999 elections the support for Shas in Qiryat Gat eclipsed, for the first time, the party's average support in the development towns. Given that Qiryat Gat fared better in economic terms than other towns that were hit, as the rest if the country was, from two years of economic recession, Shas' surprising showing in Qiryat Gat is particularly puzzling. The next section briefly describes the historical background for Shas' rise on the national scene and lays out the prevailing hypotheses for its success. The extent to which these hypotheses account for the party's success in Qiryat Gat is the tested in the empirical sections.

Figure 1. **Vote for Shas in years 1984-2006.**

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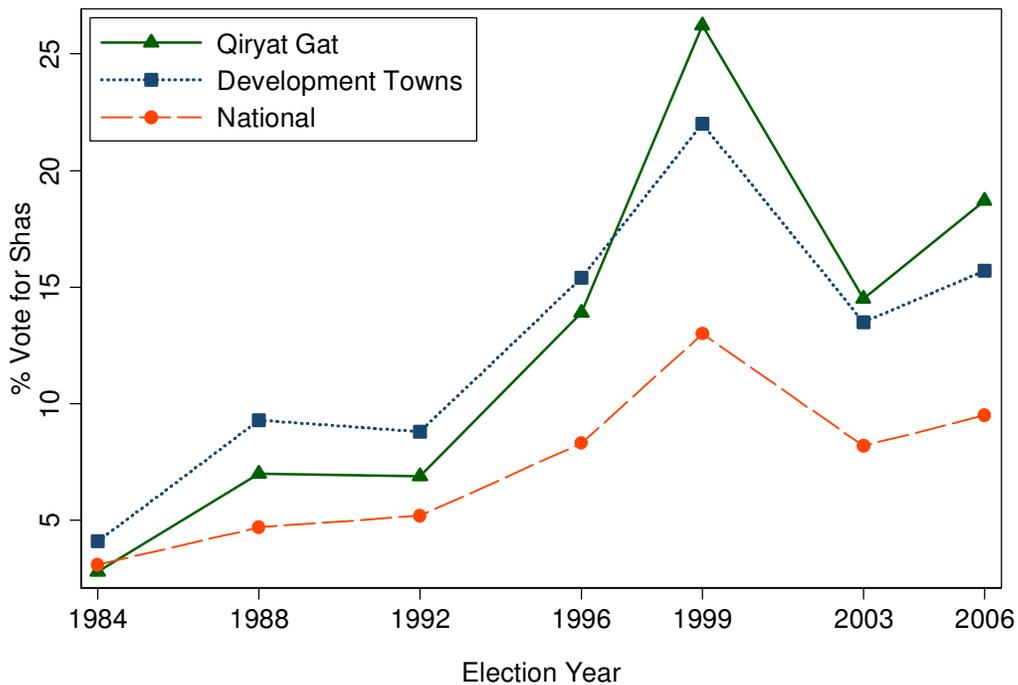
II. Shas: Existing Theories for its Success

The rise of Shas runs very much against the Israeli political history, in which parties appealing to a specific ethnicity consistently failed to gain ground (Herzog 1985, 1990). The standout aspect of Shas' growth has to do with its transformation over the years from a small religious party, appealing to a narrow Orthodox base, into a national phenomenon – a big tent hosting Orthodox as well as traditionalist and secular Sephardim, and becoming the party representing many of the country's economically left-behinds. In the literature discussing the sources of the electoral success of Shas, several explanations are prevalent.

One common strand emphasizes the ethnic aspect of the Shas following, i.e. the party's strong appeal to Sephardic voters. Shas, by this view, was able to succeed as an ethnic party because it adopted a different approach to the "ethnic card" than other ethnic parties have taken in the past. Whereas the Israeli ideal of a melting pot has historically led ethnic parties to demand an end to stereotyping and acceptance as equals, Shas adopted a very different approach. Instead of seeking integration into Israeli society by downplaying sectarian differences, it harnessed feelings of resentment anchored in a sense of ethnic and cultural discrimination (Weissbrod 2003). By another account, the ethnic resentment was directed not towards the Ashkenzy ethnicity per se, but rather against "the secular, mordernizing component of the dominant culture" (Peled 1998)[10].

Shas's campaigns have also centered on religious themes. According to Herman and Yaar (1999), only 8% of Shas voters define themselves as secular (*hilonim*). Approximately one third are ultra-orthodox (*haredi*) and the rest either practicing Jews (*dati'im*) or traditionalists (*masorti'im*). It is therefore probably misguided to attribute the success of Shas

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[10] According to Peled's account, Shas's appeal stems from its effort to advance religious Judaism as an alternative ideology to replace the hegemonic secular Zionist ideology represented by the Ashkenazy establishment.

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to either its ethnic *or* to its religious appeals is perhaps misguided, since in many of its campaign ads Shas combined both appeals. For example, in the 1999 campaign Aryeh Deri attacked the "secular left" (essentially a codename for Ashkenazim) for its enmity "… against all we [Sephardim] brought with us from the Diaspora, against our spiritual inheritance"[11].

The extent to which the class cleavage plays a role in Shas's success is a matter of debate, resulting from the fact that in Israel ethnic and class divisions largely overlap (Kraus and Hodge 1990, Cohen and Haberfeld 1998). According to Shalev and Kis (2002), the vote for Shas should be understood as an interaction between ethnic affiliation and economic standing. Analyzing the vote in the 1999 elections, the authors find that vote for Shas is strongest among Sephardim, but that the Sephardic vote for Shas is negatively correlated with income. In other words, it is mostly Sephardim that support the party, but well-to-do Sephardim tend less to vote for Shas. This finding is shown to hold also in the 2003 elections (Shalev and Levi 2003).

The collapse of the Soviet Bloc and with it the arrival of over half a million Russian immigrants to Israel generated economic and social tensions which are considered to have bolstered the appeal of Shas. In part, this was because some Sephardim viewed the immigrants as competition for jobs in the low-skilled labor market. The fact that there were also widespread doubts about the "Jewishness" of some of the new immigrants meant that strains between Sephardim and Russians revolved around more than just economic competition; they also entailed strong ethnic and religious tensions centered on the fear that the immigrants represented a threat to the traditional Sephardic values. These tensions were

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[11] Bick, 2004.

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considered to be particularly heightened in the development towns, where many of the Russian immigrants settled.

The different arguments explicated here point towards several factors contributing the party's success. Level of support for Shas in any given locality should be tied to its ethnic composition (particularly the percentage of Sephardim), the locality's economic standing and the prevalence of poverty, the presence of Russian immigrants, and the size of the religious population living in it. In the next section I analyze the extent to which these explanations discussed in the context of the national vote for Shas can account for the voting results observed in Qiryat Gat.

III. Counterfactual Analysis: Was the 1999 Result Unique?

The increase in support for Shas in Qiryat Gat in the 1999 elections was very significant. Figure 1 illustrates the extent to which the town's vote differed from the national vote. It also shows that this election represented the first time that the rate of support for Shas in Qiryat Gat surpassed the average rate of support in all other development towns. In this section I seek to analyze more rigorously the extent to which this increase is unique. By showing that any comparative analysis based on past voting behavior consistently under-predicts the 1999 Shas vote in Qiryat Gat, I shall argue that an explanation centered on local circumstances at the town level is called for.

In estimating the effect of Intel's arrival to Qiryat Gat on the support for Shas in the town, I follow Abadie and Gardeazabal's (2003) synthetic control method for counterfactual analysis. This method is applicable in cases where a certain "intervention" (e.g. a new policy, a natural disaster) affects a small number of units but leaves other "similar" units untouched. In such cases, particularly when the small number of comparable units renders traditional regression methods inappropriate, the synthetic approach produces informative inferences

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that help generate counterfactual estimates. The idea of simply comparing the unit exposed

to the intervention to a unit that was not exposed to it is often problematic, because a

sufficiently similar unit may not exist. In the synthetic control approach, this issue is

overcome by using a combination of other units in the sample to construct a "synthetic"

entity replicating key features of the exposed unit in the pre-treatment period as closely as

possible to its true values. For example, in their study of the effect of terrorism in the

Basque Country on the region's economy, Abadie and Gardeazabal employ the synthetic

control method using data on other regions in Spain that were unaffected by terrorism.

Calculating the counterfactual, i.e. the predicted economic performance of the "synthetic"

Basque Country, the authors are then able to estimate the cost of terrorism to the region's

economy.

Building on the fact that many of the development towns in Israel, including Qiryat

Gat, share important historical and demographic characteristics, I am able to construct a

hypothetical ('synthetic') Qiryat Gat unit. This unit is generated using a weighted sum of

other development towns. The weights are calculated using the *Synth* software package

(Abadie, Diamond, and Hainmueller 2007)[12], and are chosen such that predictors of the

town's vote for Shas are reproduced optimally for the period prior to Intel's arrival[13]. I then

compare the actual vote in Qiryat Gat to that predicted by the synthetic model. The gap

between the actual vote and the synthetic prediction offers an estimate of the "Intel effect"

on support for Shas. This approach can be seen as an extension of the logic underlying

matching techniques and the use of propensity scores for comparative counterfactual

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[12] Appendix A1 presents the results of the weighting process. See Abadie, Diamond and Hainmueller (2007) for a detailed technical explanation of the weighting procedure calculation.
[13] If more than one combination of weights can produce the same results for the pre-treatment period, the weights selected are those that minimize the deviations between the synthetic and the treated unit on all the other predictors.

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analysis. This relatively new technique has so far been used in economic and medical analyses: to the best of my knowledge, this is the first application of the synthetic control method to voting behavior.

III.1 The Data

The predictors of the Shas vote I use for constructing the weights are measures of the variables typically assumed to affect support for Shas. They are: average monthly income (1995), registered employment seekers (1984), percent of Russian immigrants (1999), religiosity (measured as the overall support for the three religious parties in the 1996 elections), percent of residents from North African descent and from Asian descent (two categories that form the broader ethnic category of Sephardim), percent of locals with high-school diploma, percent with college degree, and unemployment rate (1995). Several of these predictors were not readily available, in some cases because they were not reported, in other cases because their calculation was done in aggregation levels not suitable for this analysis. In these instances I construct the measures myself. For example, rate of unemployment insurance beneficiaries in 1984 was not reported at the municipal level by the Israeli Central Bureau of Statistics (CBS). Instead, I use data from the annual reports of the National Insurance Institute Social Security (*Bitu'ach Le'umi*)
that provide the absolute number of individuals registered to receive unemployment benefits in each municipality. I then use the number of eligible voters in the municipality reported in the voter registry as a proxy for the working population in the town. By dividing the number of individuals signed up for unemployment benefits over the (proxy for the) town's work-force, I obtain a comparable rate of unemployed for each of the towns. The sources and methods used for constructing the variables are all detailed in the appendix.

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III.2   Synthetic Control: Results

The selected weights used in this analysis are presented in appendix Table A.1. As the table shows, a convex combination of four towns from the potential "donor pool" of 24 towns produces the best synthetic model, i.e. one that best replicates the "real" Qiryat Gat in the pre-intervention period[14]. Figure 2 illustrates the comparison of the synthetic (i.e. predicted) and the actual voting results. As the graph shows, the synthetic model closely traces the outcome of the Qiryat Gat vote for Shas in the elections held between 1984 -1996, with a root mean squared predicted error (RMSPE) of 0.511 (i.e. of about one half of a percent). However, in the elections three years following Intel's arrival, the actual vote for Shas was significantly higher than that which the synthetic model predicts (26.2% vs. 21.4%). This rate of difference is 4.8 percentage points, which theoretically implies that Shas received

Figure 2. **Vote for Shas: Qiryat Gat vs. Synthetic Qiryat Gat**

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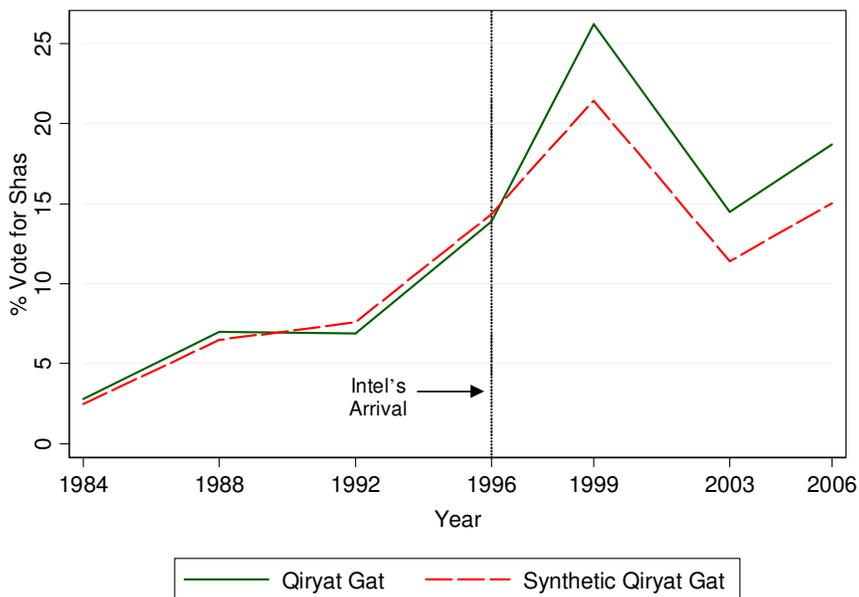
[14] Of the 26 development towns, all the analyses exclude two towns (Shlomi and Mitzpeh Ramon). These towns are excluded because of missing data; the Israeli Central Bureau of Statistics does not report some of the measures for towns that have less than five thousand residents. These are the only two towns that have such a small population.

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22.4% more votes than the model predicts it would have received without the Intel "intervention". But prior to interpreting the significance of this observed deviation, two important methodological issues need to be addressed. The first is the extent to which this result is sensitive to estimation specifications; one would like to be assured that this deviation is not driven by an outlier observation, in this case a single town. The second issue has to do with the probability that the predicted deviation could be obtained by pure chance. Below I present results of several analyses that address these issues in turn.

To conduct a sensitivity analysis of the results, I attempt to reproduce the counterfactual estimate four times, each time excluding one of the units that received a positive weight in the construction of the "best" synthetic Qiryat Gat (as seen in appendix Table A1). This means that in each repetition of the estimation, a new synthetic model is constructed from a different set of towns that are assigned a new appropriate weight. This method helps ensure that the result is not dependent

on a certain unit included in the "donor pool" of units from which the synthetic model is constructed. Reassuringly, the estimation results remain practically unchanged: the RMSPE for the pre-treatment period remains in the 0.54-0.92 range, and the deviation for the 1999 elections remains in the 2.8-5.6% range[15]. This strongly suggests that the results are not driven by a single outlier unit.

To address the second issue of the uniqueness of the Qiryat Gat result, I follow Abadie at el (2007) and run a series of placebo tests. The tests apply the same synthetic control method I used for Qiryat Gat to all the other development towns that did not receive the Intel "treatment". I then compare the results of the placebo tests to those obtained for

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[15] Note that a 2.8 point deviation for the 1999 elections is lower than that obtained in the "original" synthetic model. However, this is obtained by a model that does worse in predicting the previous elections in the "pre-treatment" period, which is the criterion for constructing the synthetic weights.

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Qiryat Gat. The unit of interest for comparison is the ratio of deviation in the post-treatment period (i.e. the 1999 elections) to that of the pre-treatment period. In other words, we would like to know whether the deviation observed in Qiryat Gat in the 1999 elections is indeed distinctly larger compared to the predictions generated in the placebo tests of all other towns. Figure 3 presents the distribution of the post/pre-Intel intervention ratios of the MSRPE of Qiryat Gat and all other 23 towns. The ratio obtained for Qiryat Gat is indeed much larger compared to all others. If one were to assign the intervention at random in the data, the probability of obtaining a post/pre-Intel MSRPE ratio as large as Qiryat Gat's is 1/23=0.043. In the Appendix I report results of a third test of the significance of the Qiryat Gat vote for Shas, this time constructing a synthetic unit with weights based solely on

**Table 2. Mean of Predictors of Shas Vote Prior to Intel's Investment**

	Qiryat Gat	Synthetic	Average of Development Towns
Average Income (NIS)	3568	3635.4	3873
High School Diploma (%)	13.7	13.5	14.3
Religious Bloc (%)	23.5	23.7	28.5
Registered Unemployment Beneficiaries 1984 (%)	1.2	2.2	4.2
Asian Descent (%)	7.6	8.0	12.8
North African Descent (%)	38.5	33.8	34.2
University Degree (%)	6.2	7.4	10.1
Unemployment Rate 1995 (%)	13.2	10.7	7.6
Sub-Minimum Wage Earners (%)	43.7	44.2	42.7
Post-USSR Immigrants (%)	30.8	31.4	22.8

Note: Average income, high-school diploma, university degree North African descent, Asian descent, are based on the 1995 Census data. The rate of registered unemployed individuals is calculated for 1984 based on the Social Security annual report and voter registration records. The average of the development towns for all variables is calculated after excluding Qiryat Gat. See Appendix for more detailed information on the calculation methods.

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the towns' voting records. The magnitude of the prediction's deviation and the statistical significance of this additional test comes out remarkably close to the one obtained in the second test reported here ($p<0.06$).

In sum, the synthetic control method generates useful inference. Given the limited number of observations in the pre-Intel period (four elections in total), any exact estimate of the size of the effect based solely on the synthetic model is bound to be noisy. Yet the finding that the set of analyses presented here does substantiate is that the vote for Shas in Qiryat Gat was clearly greater than what one would predict based on socio-democratic characteristics and past voting behavior. In the next section, I employ a different method and utilize a much larger data sample to generate an estimate of the size of the unexplained increase in the Shas vote.

Figure 3. Ratio of 1999 Elections and Pre-Intel (1984-1996) RMSPE: Qiryat Gat and 23 Other Development Towns

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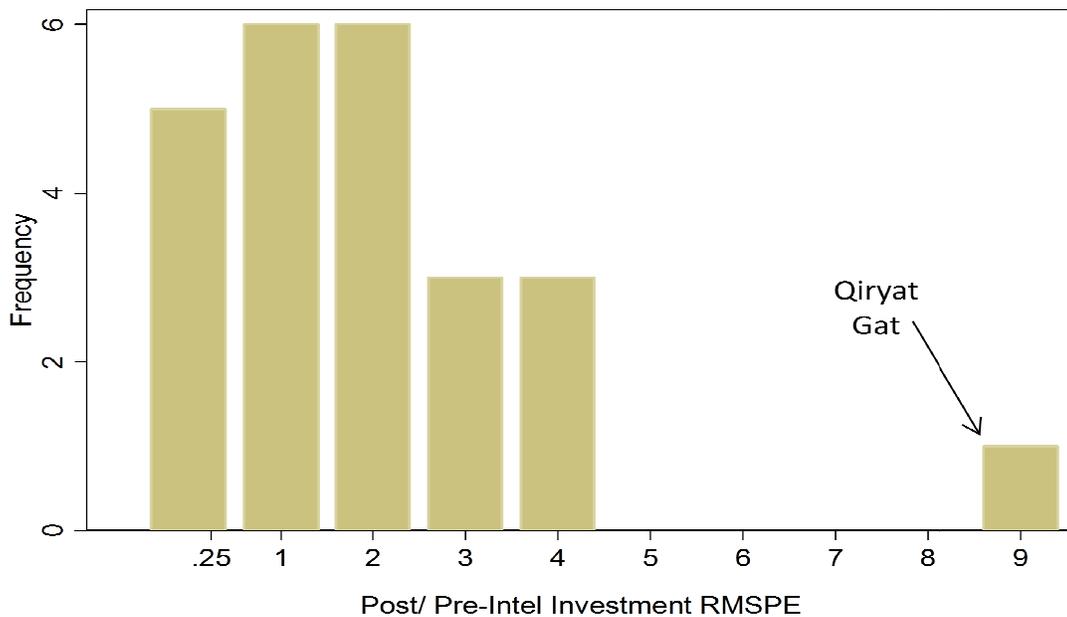
IV. Estimating the Size of the Unexplained Vote

The support for Shas in Qiryat Gat in the 1999 elections, as shown in the previous section, exceeded the rate of increase predicted based on the past voting of the town locals. In this section I use micro-level socio-economic and voting data to develop an estimate of what I later describe as the "Intel Effect" on the vote for Shas in Qiryat Gat. The unit of analysis I use is that of Statistical Areas (SA's), a unit which roughly accords with a division into neighborhoods[16]. I do so be estimating a number of models predicting the vote for Shas. These models control for a multitude of factors considered in the literature to explain support for Shas, and are estimated using "out of sample" data, i.e. the data on the country's entire set of statistical areas *excluding* the SA's in Qiryat Gat. I then use these models to generate a prediction of the support for Shas in each of the SA's of Qiryat Gat. After weighting each SA in the town according to the size of its electorate, I am able to calculate an estimate of the deviation in the voting behavior in Qiryat Gat by comparing the actual vote to the model's prediction. This method of analysis, compared to the synthetic control method used in the previous section, has the disadvantage of not having an inter-temporal aspect since the data covers only a single period, but it also has two important advantages: First, this data is extremely detailed; Second, by changing the unit of analysis from the aggregate locality level to the narrower SA level, the estimation gains from being based on a *much* larger sample.

In total, Israel is divided into 2,235 SA's, fourteen of which are in Qiryat Gat. The median size of an SA in the country is 2,095 residents. In estimating the Shas vote, the models include variables that control for the factors commonly assumed to affect support for the party, such as average income, poverty rate, religiosity, the percent of Sephardic

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[16] Statistical Areas (SA's) are unit of analysis in which the Israeli Central Bureau of Statistics collects data.

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population and the percent of immigrant households. Importantly, all variables are measured at the SA-level.

I estimate four models. The Basic model includes the average income, median level of education, the size of the population, the percent of Jewish people in the SA, and a proxy for the size of its religious population[17]. The Economic Model extends the specification in the basic model by adding additional economic controls such as the percent of residents participating in the civil workforce and the percent of high-skilled workers[18]. The Electoral Model includes a set of variables that measure the vote breakdown in the preceding (1996) elections. Particularly, I focus on the parties considered to be the "bank" of potential votes for Shas: the three religious parties, Likud, and the far right Moledet. Lastly, the Ethnic Model also includes data on the SA's ethnic composition. The ethnic data is very granular and goes beyond a rough Sephardic-Ashkenazi distinction. Instead, categories based on the father's country of origin are used.

Table 3 presents the level of fit of each of the models and their overall deviation from the actual Qiryat Gat vote[19]. As expected, the deviations decrease as the general fit of the model to the out-of-sample observations increases. In the Basic Model only half the variation in the Shas vote is accounted for, and accordingly the deviation of the predicted Shas vote is highest. In the Ethnicity Model, where the overall fit is highest (R^2 of 0.91), the deviation from the actual Qiryat Gat vote is of 3.8 points. Note that the specification of this best-fit model (as well as that of the Electoral Model) includes the vote percentage for Shas in the previous elections as an explanatory variable. This variable, in many ways, functions

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[17] It is difficult to come up with a proxy for religiosity at the SA level. I therefore use the total percent that all religious parties – Agudat Yisrael, Mafdal and Shas - received combined in the SA in the previous (1996) elections.
[18] I use the percent of individuals with academic degree as a proxy for high skilled individuals.
[19] Table A.3 in the appendix presents the actual model specifications.

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like a control for SA-level fixed effects. Even with these controls, a clear upward digression of the Shas vote in Qiryat Gat remains unexplained.

Table 3. Deviation of Actual Vote for Shas in Qiryat Gat

	Basic Model	Economic Model	Electoral Model	Ethnicity Model
Observations	2201	2200	2183	1755
R-squared	0.5	0.59	0.86	0.91
Deviation (Absolute)	-7.7	-5.5	-5.2	-3.8
Deviation (Percentage)	29.4%	21.0%	19.9%	14.5%

Note: Absolute deviation refers to the point difference between the percent of Shas vote predicted by the model and the actual vote. The bottom row (deviation in percentage) denotes the percent of actual Shas vote that remains unexplained by the model.

The estimates obtained in each of the different specifications consistently under-predict the vote for Shas in the town. Moreover, the analysis is based on data from the 1995 census, i.e. before Qiryat Gat attained any of the economic gains from Intel's arrival. The gap between the model's predictions and the actual vote in Qiryat Gat is therefore almost certainly a "floor" estimate of the true gap, since in the data used in the analysis Qiryat Gat is in economic terms (compared to the other localities) relatively worse off than it actually was in 1999. Even if we take the deviation of the best-fit model, the 3.8 percentage point gap implies that 14.5% of the total Shas vote is unaccounted for[20]. When I include the fourteen SA's of Qiryat Gat in the regression and add a "Qiryat Gat" dummy variable in the regression (denoting whether the SA is located in Qiryat Gat or not), the coefficient for the variable is statistically significant at the $p<.001$ level under all four specifications, and the magnitude is similar to the deviation reported in Table 3 (Results shown in Appendix Table A5). In the sections that follow, I argue that this gap between the predicted and the actual

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[20] The calculation is 3.8/26.2=14.5. This figures goes up to 14.6 when weighing the SA's by the population size of the district rather than by the number of votes recorded in each district.

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vote for Shas in Qiryat Gat can be attributed, to a large extent, to what shall be described as the "Intel effect".

V. The "Intel Effect"

The announcement of Intel's planned investment was perceived by many to be a dramatic turning point for the town. With its promise of supplying almost 2,500 new jobs, this optimism did not seem out of place. Indeed, as shown earlier, in the few years following the arrival of Intel, important economic indicators in the town improved, particularly when considering that the rest of the country was experiencing a tough period of recession. What, then, are the sources of discontentment that are at the heart of this paper's argument? To answer this question, let us begin by examining data on the location of residence of the employees at Intel and in the newly built Industrial Zone in Qiryat Gat.

Table 4 presents data from a survey of occupation, residency and income that includes all workers in the Industrial Zone, 65% of which are Intel workers[21]. It makes several striking findings apparent. The first is that only about a quarter (26.4%) of the full-time employees actually live in Qiryat Gat itself (see bottom row of table). Strikingly, this is almost the exact same figure as the number of workers living in the metropolitan areas beyond 30 kilometers north (24.5%). This low count of Qiryat Gat residents is explained by the fact that the overwhelming majority of town locals working at Intel was employed as contractors through manpower companies and is therefore not part of the official workforce. The second, and perhaps even more striking finding that the table points towards, has to do with the relationship between the residence of the employees and their income. The contrast between Qiryat Gat and its neighboring towns is stark: the vast

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[21] Data is taken from Razin (2005). The survey included Intel employees as well as of three other plants in the Industrial Zone: Visonic, King and Chromalloy. Data for the other plants in the Industrial Zone was extrapolated from the latter three plants.

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**Table 4. Income Level of Industrial Zone Full-Time Employees, by Residence**

Income Level	Qiryat Gat	15km Radius from QG	15-30km Radius from QG (South)	15-30km Radius from QG (North)	>30km Radius South	>30km Radius North	Total Employees
6 (Highest)	0.1	7.3	3.4	4.7	1.2	8.8	129
5	1.2	15	11.8	11.8	12.6	17.8	346
4	6.3	25.6	19.3	21.8	23.9	24.3	595
3	6.9	21.9	14.8	15.6	16.8	12.5	417
2	11.8	18.6	27	19.6	35.2	18	648
1 (Lowest)	73.7	11.7	23.7	26.7	10.2	18.6	1084
Total	100%	100%	100%	100%	100%	100%	**3219**
As % of All Employees	26.4	6	13.6	16.2	13.2	24.5	**100%**

Source: Razin 2005, Table 8.8. The figures for the other plants in the Industrial Zone are based on surveys of three plants (Chromaloi, King and Visonic) and assume a similar distribution of workers across all other plants in the Zone. The data on Intel was collected in 2002; the data on the other plants was collected in 2003.

majority of Qiryat Gat locals (73.7%) were employed in the lowest salary range[22]. Among individuals living further up north towards the country's center, the percentage of higher paid employees increases dramatically. This finding cannot be explained simply by a self-selection argument, namely that this disparity is due to a lack of incentive amongst people living further away from Qiryat Gat to commute for a low-level position. The fact is that even in the 15km radius outside of Qiryat Gat, the share of low-wage earners drops dramatically (from 73.7% employed in the bottom wage category to 11.7%), indicating that distance from the workplace was not the reason why the town locals were so over-represented in the low-level job category. Lastly, as Figure 4 shows, only a fraction of the high-level employees in the Industrial zone lives in Qiryat Gat itself, as opposed to almost 54% in the 30 km radius and further up north.

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[22] This figure is certainly an underestimation since the numbers exclude contractors working through manpower companies. Contractors typically earn lower wages. In the Industrial Zone, the contractors are disproportionately Qiryat Gat locals, estimated at approximately two-thirds of the total hired labor (Razin, 2005 p. 143).

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Figure 4. **Salary level by location of residence**
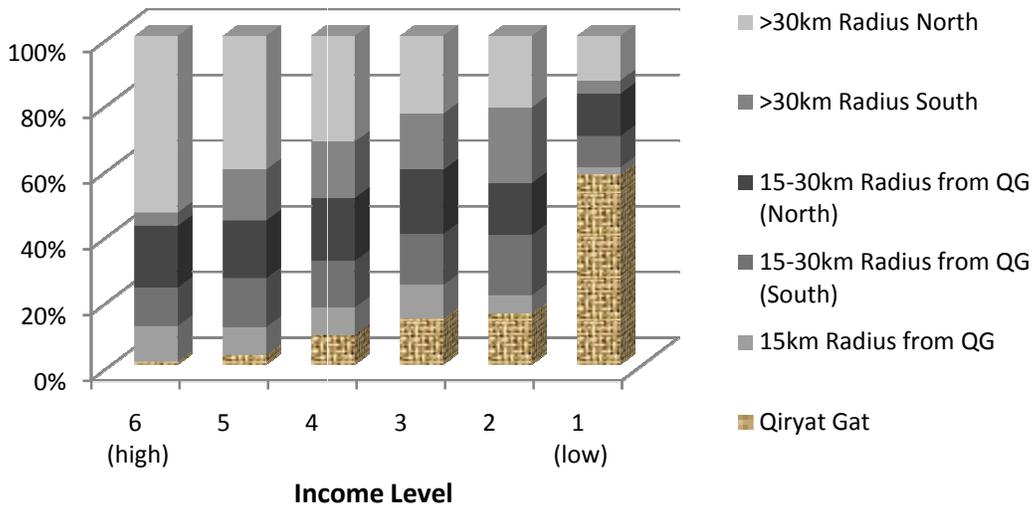
The salary gap between the high-end positions filled by "outsiders" and the low-end positions filled by town locals was perhaps the most obvious source of discontent. Yet interviews with workers at Intel point towards an additional source of disparities, that between the company's own employees and those it hired as contractors through manpower companies, with the latter group being predominantly Qiryat Gat locals. A Human Resources recruiter at Intel describes the difference as follows:

 "At Intel, all employees have blue ID cards with which they enter the building, the dining hall or any of the facilities. Contractors, hired through manpower companies, are given green IDs. The 'blues' and the 'greens' not only have different salaries and employment benefits, they also eat in separate cafeterias that offer different food and seating conditions. Walking around the building with each of the different tags has an undeniable status attached to it. The logic for the blue/green distinction is merely technical, but the outcome is unquestionable… The contractors complain about Intel treating them as

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second class citizens, and the common joke is that the blue cards represent the blue blood of the Intels"[23].

In sum, Intel and the new plants that followed it by relocating to Qiryat Gat's Industrial Zone did indeed generate a substantial new source of employment. As the data presented here indicates though, there was a sharp distinction in the way the jobs were filled. Whereas the majority of the low paying jobs went to Qiryat Gat locals, only few top-level positions were filled by people living in the town. This disparity was not lost on the locals. In the next section I examine the way Intel's arrival was viewed by the people of Qiryat Gat, as reported in the media.

VI. The "Intel Effect" as Perceived by Locals

The local and national media reported closely on issues relating to Intel's arrival in Qiryat Gat. These reports serve as an insightful source for tracing the changing perceptions of the people in the town to Intel's impact. Based on archival research covering a six-year period starting from the early announcement of Intel's decision to locate its new plant in Qiryat Gat, this review follows the publications of the two local weeklies (*Ma Nishma* and *Kan Darom*) and one national newspaper (*Haaretz*). I then seek to enhance the picture these reports depict using evidence from interviews I conducted with the leadership of Shas at both the local and national levels.

The archival review captures a gradual process of disillusionment that can roughly be divided into three stages. The first stage was one of exuberance and hope among the town locals at the prospect of Intel rejuvenating Qiryat Gat. The second stage was one of gradual disappointment, as the actual distributive effects of Intel's arrival grew apparent. The final

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[23] Author's interview conducted with an HR recruiter at Intel, Tel Aviv, September 2005.

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stage was one of disillusionment and resentment directed at Intel and its employees. The excerpts below chronicle this process in clear terms.

With the announcement in late 1995 that Intel had chosen Qiryat Gat as the site of its new plant, the initial response of the town's politicians and locals was that of expectation and hope. Promises and predictions of a "dramatic change", of "new opportunities" and of a transformation into "an Israeli Silicon Valley" were frequently mentioned in the media. Dov Fruhman, Intel's CEO, famously predicted that "In ten years, Israel's Center will reside here in the South". These predictions went beyond mere slogans. When addressing the concrete issues related to Intel's arrival, such as the possibility of new highly-educated populations emigrating into town, or the prospect of an economic boom that would follow Intel's arrival, local politicians were highly optimistic. The town's Mayor, Ze'ev Boim, was asked in an interview in early 1996 about the likelihood of Intel engineers emigrating to Qiryat Gat. His prediction was that "At first they might live in the center of the country, but over time as they get stuck in traffic en route to work, I am convinced that some would move here [to Qiryat Gat][24]". A couple of months later the Mayor addressed the economic implications of Intel's arrival on the struggling municipality's financial standing. "Intel's water consumption alone would be equivalent to that of 50,000 residents. Land tax and other local taxes will increase the [locality's] revenue too[25]." In another interview Boim forecasted that "The main effect of setting up the new [Intel] plant in town would be on education. Many bright minds will come to town – people that until today were not exactly enthusiastic about coming to Qiryat Gat"[26].

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[24] *Kan Darom*, March 1996
[25] *Kan Darom*, May 1996
[26] *Ma Nishma*, May 1996

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There were however early signs that the general optimism of the locals was about to confront a harsher reality. In an article in a local paper, the officer of Qiryat Gat's Workers' Council was skeptical: "I am doubtful that Intel can solve the town's difficult employment situation. The town does not have many of the engineers or technicians that Intel needs"[27]. In the same article, a local unemployed worker was interviewed saying: "I am unemployed for several years now after working for years at [textile manufacturer] Polgat. What can Intel offer me? I am a simple man who can barely read or write". Concerns about not being qualified to join Intel were becoming increasingly prevalent. Especially disconcerting for the town's residents was the possibility that they will be hired only for menial positions and not integrated as professionals. In a letter to the editor in March 1996, a town local warned: "I would advise [mayor] Boim to have most of the town's unemployed go through a proper professional training, so they could find work in the [Intel] plant in the future. And God forbid that Intel will use Qiryat Gat's unemployed only for cleaning work and the like." [28]

As months passed by, the realization that Intel was not about to solve the town's employment problems began to sink in. At first, criticism was targeted at the fact that most of Intel's employees were not Qiryat Gat locals. The town's paper *Ma Nishma* reported that "The workers are furious at Intel's persistence in employing 'foreign' workers, rather than Qiryat Gat residents"[29]. A Qiryat Gat local who works as a welder, complained about this point in an interview to Channel 1 and questioned the wisdom of the government's subsidy strategy: "Instead of giving Intel 600 million dollars in government subsidy, they could have brought and supported ten plants that would have employed locals, in the old and proven way of the past… Intel does not employ locals. Even the cleaning contractor is brought

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[27] *Kan Darom*, February 1996
[28] *Kan Darom*, March 1996
[29] *Ma Nishma,* December 1997

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from outside, and he has his own workers who come from the north. All their welders and professionals they bring from outside, fire them after 11 months and pay them minimum wages"[30]. A former Qiryat Gat resident interviewed to the local *Ma Nishma* was also critical of Intel's hiring policy: "The precondition that should have been put in place [by the government] for allowing Intel to set up shop in town was that all the plant's employees, without exception, would be Qiryat Gat locals.[31]" In an interview in 2002 Alex Kornhauser, the CEO of Intel Israel, reflected on his company's recruitment strategy and defended it against this criticism: "I would be the happiest person on earth if I could recruit, back then and today, all of Intel's employees from Qiryat Gat. It would make life much simpler. But that is not the reality. What hasn't been done in the town for thirty years will not be resolved in an instant. And even so, 1,300 of Intel's workers live in Qiryat Gat"[32].

The notion that Qiryat Gat locals were not the real beneficiaries of Intel's arrival was growing into a widely shared view. In a letter to the editor, a Qiryat Gat local wrote a piece titled "InteliShas". In the letter the reader compared the tactics of the multinational corporation to those of the political party. Both Intel and Shas, charged the reader, cynically used a lofty ideal to advance their growth, but then once successful, went on to abandon the ideal: "What has Shas done? It represented the weak and the left-behinds (*hadfukim*), grew and expanded, but continued to perpetuate their misfortune so as to ensure their continued support. What has Intel done? It represented the idea of unemployment reduction, grew and expanded, but then moved on by contributing only symbolically to its surroundings[33]".

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[30] Israeli law stipulates that a minimum of 12 consecutive months of employment are needed in order to be eligible for employment insurance benefits.

[31] *Ma Nishma*, February 2002

[32] *Ma Nishma,* July 2002

[33] *Ma Nishma,* May 2000

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Tracing the reporting of Intel-related news in the Qiryat Gat papers suggests that over time the disappointment of the residents from the impact - or lack thereof – of Intel's arrival, was developing into growing resentment. The resentment towards Intel and its qualification demands was most noticeable when it came to the issue of the knowledge of the English language. As one local told *Haaretz* newspaper, his dream was to see his daughter work at Intel. But after she applied for a position, she was invited to an interview in which she was asked to take a test in English. "They told her they were sorry, but that they cannot give her a respectable job because she doesn't know English. Where would my daughter know English from? Why, did she grow up in the United States? I ask myself: Why do they build a plant in Qiryat Gat if they want only employees that know English?[34]" In another interview, a Qiryat Gat education expert addressed this issue and concluded: "One cannot get a job at Intel without perfect knowledge of Math at a 5-unit level, knowledge of English, and proficiency in computers…" He then concludes: "We must begin the English studies at an early age, when the learning ability is at its best[35]"

Rejection at not being qualified for work at Intel was only one component of the grievance. The other component was that of not being good enough for the workers of Intel. This feeling stemmed first and foremost from the perceived snub by the "Intels" in their decision not to relocate to Qiryat Gat. As one local store owner put it in an interview in June 1999:

> "All the locals here want Qiryat Gat to be an attractive place for people that can help it advance. Unfortunately, in reality that's not how it works. [Intel's] employees are not living with us and refuse to buy apartments with us. They prefer to commute every day to Tel Aviv and to the country's center, everything

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[34] *Haaretz,* 06/25/1999
[35] *Ma Nishma,* October 1998. The 5-unit math test is the highest qualifying exam students can take when completing their high-school studies.

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in order not to have to live next to us. What are we, lepers? There are no engineers or professionals there [at Intel] who are locals; only janitors, cleaning people and security guards. If it stays that way, the situation will only grow to frustrate the people here [in Qiryat Gat] even further" [36].

Another Qiryat Gat resident complained at what he described as Intel's *hutspa*: "Hundreds of millions of dollars Intel received a while back as an indirect assistance to our area, and what did we get in return? They expanded the by-pass road for them, and built a large wall in its sides so they won't have to notice our existence…"[37]. A vendor in a local coffee shop interviewed in *Haaretz* described this cultural divide between the locals and the "Intels" even more bluntly: "Of course [Intel's engineers and technicians] will not come here, because for them we are not worth anything and they are afraid their children will have to study with our children. And heaven forbid, their daughters will have to mix with our sons"[38].

The question that arises from this review of the locals' developing perceptions of the impact of Intel is why the discontent translated into increased support for Shas. On this point, the explanations vary according to the source one speaks to. Aryeh Deri, the former political leader of Shas, accredited the electoral appeal of the party to its message. "One of the strengths of Shas' appeal is its simplicity. We offer people a clear set of values and priorities, which are eternal. If facing struggles, big changes or what you call 'globalization', Shas offers them clarity. The mistake [pundits] make is that they trivialize this, but there is nothing trivial about it". On the question about the competing appeals that Shas and Intel represent, Deri sees no competition. "If a person needs to worry about bringing more

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[36] *Haaretz,* 06/25/1999
[37] *Ma Nishma,* May 2000
[38] *Haaretz,* 06/25/1999

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money home vs. worrying about what type of Jewish life his children will grow to live, there is no dilemma. The latter dominates[39]".

When asked about the effect Intel has had on the town, Deputy Mayor Ami Bitton, Shas' most senior representative in Qiryat Gat's municipal Council, describes the effect as complex. "One cannot understand the attitudes in town towards Intel only in economic terms. For people here [in Qiryat Gat] Intel is much more than that. People have mixed feelings. On the one hand, it's seen as a source of new opportunities and also as a source of much pride. But at the same time there was much disappointment and anger towards Intel because of how things developed after it arrived." Addressing the issue of how this discontent affected support for Shas, Bitton attributes Shas's success to its ability to combine both material and spiritual relief. "Of course people were angry. But they didn't vote for us just because they were angry. They voted for us because we offered them a better way to cope with the situation than others did. [Shas] obviously can't offer them the money Intel or such companies offer. But we offered them both a community and a place that can help them, whether it was with schooling for their children or Torah lectures for the parents…. When things are changing rapidly, people want stability; they want a sense of security. Shas works harder than anyone else to give them this sense of security. [40]"

The different quotes presented above outline a gradual process of disillusionment that offers a possible explanation for how Intel's arrival helped increase Shas's popularity in the town. The central components of this process can be summarized as follows: (a) the gains from Intel's arrival to the town's locals were viewed by the locals as small, if that; (b) Others, residents from better-off neighboring towns and from the country's center, were perceived to be the main benefactors from Intel's arrival, not the Qiryat Gat locals; and (c) The Qiryat

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[39] Author's interview with Aryeh Deri, Jerusalem, September 2005.
[40] Author's interview with Mr. Bitton, Qiryat Gat, May 2006.

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Gat locals were seen to be "not good enough" for working at Intel or for being the neighbors of Intel's high-skilled employees that preferred to reside elsewhere. These perceptions, I hypothesize, were particularly salient among the potential support base of Shas. Examining this claim more systematically and addressing alternative explanations is the task I now turn to.

VII. Survey Results

This section reports results of a survey I administered in Qiryat Gat among 248 locals, with the aim of evaluating the strength of the explanation I offer in the paper for the increase in Shas's popularity in the town. The survey was administered over the phone in June-November of 2006, with a random selection of the survey participants[41]. Respondents were prompted with a set of 25 questions that covered basic socio-demographic characteristics as well as views on political and social issues. The sampled population represents the actual Qiryat Gat voting population quite well, though there is an over-representation of voters of the three largest parties at the expense of the very small ones (See Table A.2 for comparison of the real and the sampled populations). Overall, the sample included 17.5% voters of Shas, a number very close to the actual figure in the 2006 elections (18.7%)[42].

Let us begin by comparing the attitudes of voters of the different parties to the increasing openness of Israel to the world. The question used to gauge these attitudes asked as follows: "Since the 1990's, the country has become more economically and culturally open to the world. In your view, how has this increased openness affected *the country*?" Responses

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[41] See Appendix B for details of the randomization procedure.
[42] This is not a trivial feat considering the widely discussed problem of successfully sampling Shas voters in national surveys. For example, only 3% of the sample in Shamir and Arian's 1999 pre-election survey identified themselves as Shas voters, although approximately 14% of the Jewish population was Shas voters. See Yaar and Herman (1999) for a discussion of the difficulty in sampling Shas voters.

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ranged from 1 ("very positively") to 5 ("very negatively"). The same question was asked also about respondents' views of the effect of openness on *"you and your family"* (rather than on the country). Table 5 presents the results. Overall, a large majority of respondents believe that integration with the world has had a positive effect on the country[43]. However, on the question regarding the effect of openness on the respondents and their families, several differences are notable. First, people's responses to this question were significantly more negative that when asked about the effect of openness on the country in general. This is notable among voters of all the parties. Interestingly (and perhaps unsurprisingly), the voters of Yisrael Beytenu, predominantly Russian immigrants that migrated post 1990, are the most positive in their assessment of how openness has affected them personally. Second, the voters of Shas hold the least positive views on the process of openness. Particularly, when asked about its effect on them and their family, only 30% view it as positive.

More directly, the survey helps examine three hypotheses regarding the factors underlying the Shas vote in Qiryat Gat, hypotheses that cannot be evaluated using aggregate level voting data. The first holds that Shas voters in Qiryat Gat held more negative views regarding the effect of Intel's arrival than voters of other parties; The second, that among Shas voters the sense of relative deprivation was particularly strong in regards to the allocation of the benefits from Inte's arrival; Third, that the distinct increase in the Shas vote in Qiryat Gat can be attributed to a charismatic local leadership or to clientalistic ties at the municipal level.

I begin by examining whether the Shas voters were indeed more negative in their assessment of Intel's effect on them personally. The question asked "How has Intel's arrival in Qiryat Gat affected you and your family?", and answers ranged from "very positively" (1)

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[43] The answers "very positive" and "somewhat positive" to the question on the effect of increased openness are combined in this analysis into a single category.

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Table 5. Views on Globalization and on Intel, by Party Affiliation (% Positive)

	Likud	Kadima	Labor	Israel Beytenu	Shas	Gimla'im
Positive effect of "openness" on:						
The Country	93	100	100	100	67	100
You and Your Family	45	71	57.9	80.3	30	75.6
Positive effect of Intel's arrival on:						
Qiryat Gat	50	86.7	78.7	62.2	45	90.9
You and Your Family	28.1	77.4	61.7	43.2	32.5	45.5

Source: Survey administered in Qiryat Gat by the Author between June and November, 2006. The sample includes 248 respondents. Figures represent the percentage of respondents among the party's voters that described the effect as positive.

to "very negatively" (5). From the results presented in the lower panel of Table 5, it is evident that Shas voters hold - together with the Likud voters - the least positive view of Intel's effect compared to voters of all other parties. However, it is important to note that even among the Likud and Shas voters, the average assessment is still in the positive range (2.7), implying that on average, the Shas voters do not Intel's effect as harmful to them directly. Rather, the majority of the Shas voters view it as having had little or no impact at all on them. This finding leads us to the next point of interest, namely the issue of *relative* loss, namely to the paper's contention that perceptions of relative deprivation in regards to the distribution of the gains from Intel's investment were particularly prevalent amongst the Shas constituency.

I test the relative loss hypothesis using answers given by respondents to the following question: "Who do you think gained from Intel's arrival?" Respondents were prompted with a set of five options and were asked to select as many answers as they thought applied. The possible answers were: (a) Intel itself; (b) Qiryat Gat locals; (c) Residents of other localities; (d) The government; (e) No one gained. The answers to this question reveal some clear patterns. When comparing the responses to this question based

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on respondents' party affiliation in the 1999 elections, we see that voters of leftist Labor

have the most positive outlook on Intel's effect on the town, sighting Qiryat Gat locals as

gainers in 82% of the cases. 46% of the Likud voters sight Qiryat Gat locals as having

benefited from Intel's investment. Shas voters, in contrast, identify the town's locals as

gainers in only 14% of the cases, by far the lowest figure for any of the parties. However,

Shas and Likud voters sight residents of other localities as gainers more often (76%) than

voters of any of the other parties. These differences remain intact also when comparing the

results based on how respondents' voted in the 2006 election (see Table A5 in the appendix).

To further analyze the association between views on Intel's effect and the vote for

Shas, I generate a dichotomous *Relative Loser* category which takes the value one for

individuals who identify others – residents of neighboring localities, the government or the

multinational itself - as having gained from Intel's arrival, but not the Qiryat Gat locals; All
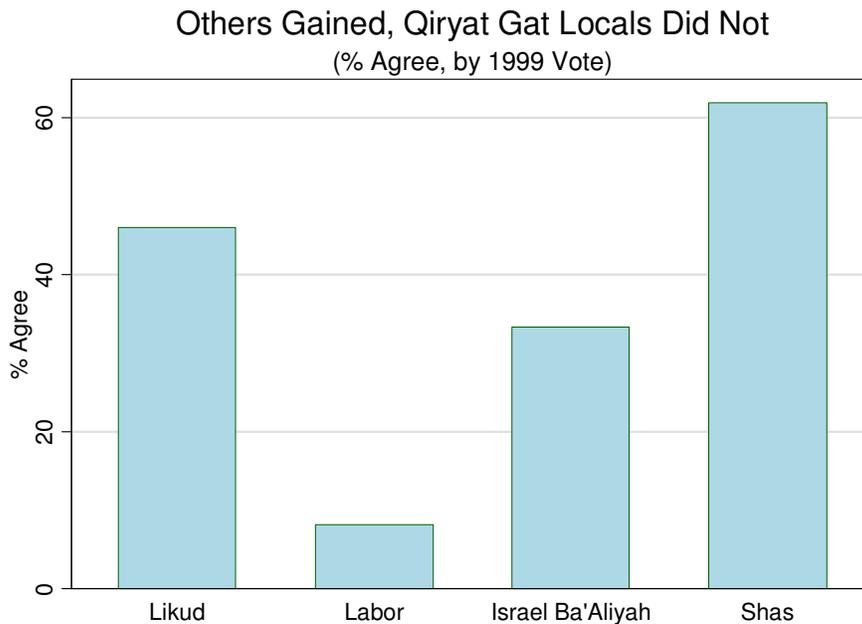
Others Gained, Qiryat Gat Locals Did Not
(% Agree, by 1999 Vote)

Figure 5. Party Affiliation and Views on the Gains from Intel's Arrival

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other respondents are coded as zero. I then include this variable in a multivariate regression analysis which includes key socio-demographic characteristics of respondents as additional controls. The model tested is a logistic regression with a dichotomous dependent variable taking the value of one if the respondent voted for Shas in the 1999 elections and zero if voted for another party. Table 6 presents the regression results.

The results reveal an association between *Relative Loser* and a vote for Shas, even when controlling for a host of other individual characteristics. The size of the effect is also substantively large. Model 1 presents results of a baseline regression that includes age, gender, years of education and a dummy variable denoting whether the respondent is of Sephardic ethnicity or not. Being Sephardic, low educated or a female is associated with a higher likelihood of support for Shas. Model 2 includes the dummy variable *Relative loser*, which is statistically significant at $p<0.05$. Holding all other variables at their means, being a *Relative Loser* is associated with almost a ten point increase in the likelihood of being a Shas voter (from 11.5% for a "non-loser" to 21.4%). In model 3 I add occupational characteristics. The category of low-skilled workers is the baseline (omitted) category. The results indicate that being unemployed or low skilled is positively associated with support for Shas, although only the former is statistically significant at conventional levels; Self-employed individuals are less likely to vote for Shas. The *Relative Loser* variable remains significant at a $p<0.1$ level. Models 4-6 replicate the same analysis for the 2006 vote. The results are broadly similar. The *Relative Loser* variable is statistically significant in Model 5, and remains significant also when including occupational characteristics as controls. Substantively, being a *Relative Loser* is associated with an increase of 8% in the likelihood of being a Shas voter.

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Finally, the survey results also enable us to evaluate two potential alternative arguments for explaining Shas' success in Qiryat Gat. The first is that the party's unique support has to do with a strong organizational operation in the town; the second explanation attributes the success to a charismatic local leadership. When Shas voters were asked their reasons for supporting the party over all others, they were prompted with a set of five possible answers from which they could select as many as applied. The most common answer respondents chose for explaining their vote was that they "Hold the Shas leadership in high regard" (40.5%). The second most cited response was "Because the party helps families in need"

Table 6. Individual Level Predictors of Vote for Shas in Qiryat Gat

	1999 Elections			2006 Elections		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Years of Education	-0.098	-0.063	-0.049	-0.176***	-0.152**	-0.157**
	(.071)	(.075)	(.078)	(.06)	(.062)	(.063)
Sephardic	0.577	0.547	0.527	0.876**	0.835**	0.827**
	(.488)	(.496)	(.499)	(.373)	(.377)	(.379)
Mid-Age (35-54)	1.338**	1.236*	1.099	0.66	0.556	0.511
	(.664)	(.675)	(.692)	(.407)	(.414)	(.418)
Age Old (55+)	0.442	0.74	0.478	0.066	0.205	0.031
	(1.221)	(1.239)	(1.279)	(.863)	(.877)	(.905)
Gender	-1.273**	-1.348**	-1.342**	-0.546	-0.545	-0.545
	(.521)	(.533)	(.535)	(.374)	(.378)	(.378)
Relative Loser		1.025*	1.108**		0.728*	0.729*
		(.523)	(.547)		(.388)	(.393)
Mid-Skill			-0.531			-0.22
			(.63)			(.458)
High-Skill			-0.365			-0.381
			(.722)			(.502)
Constant	-1.553	-2.371*	-2.254*	0.103	-0.458	-0.221
	(1.1)	(1.217)	(1.268)	(.819)	(.885)	(.939)
Observations	191	191	191	226	226	226
Pseudo R-squared	0.12	0.15	0.15	0.11	0.12	0.13

Note: Dependent variable is dichotomous, denoting whether the respondent voted for Shas (coded as '1') or not (coded as '0'). Age category young (18-34) is the omitted baseline category. The "Low skilled" category is omitted from models 2,3,5 & 6. Standard errors in parentheses. * significant at 10%; ** significant at 5%; *** significant at 1%

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(33%), and the same rate of respondents cited "Because it is a lesser evil, compared to all other parties". Seven percent of the respondents chose "Because it advocates the conservation of Sephardic Jewish tradition". Only 5% of the Shas voters chose "Because its local leaders helped me and my family". This finding seems to weaken the argument that the unique success of Shas in Qiryat Gat is attributed to a clientalistic vote. It could be the case though that respondents cited other reasons for their vote because of "social desirability" concerns, i.e. because they viewed the other answers offered in the survey as more ideological and thus more respectable rationale for explaining their vote preference. I therefore report results of a second and more indirect test of the clientalistic explanation.

Survey respondents were also asked whether they could name their preferred party's local representatives (and asked to mention "a name or two"). Of those respondents who reported to be Shas voters, 62% were not able to do so[44]. This figure, combined with the fact that only 5% of the Shas voters mentioned the local leadership's assistance as a reason for supporting the party, suggests that charismatic local leadership or patronage at the town level were probably not a central factor underlying the party's success in Qiryat Gat.

In sum, the survey results offer several important findings. First, when asked about the direct effect of Intel's arrival on their family's well being, Shas voters are the least enthusiastic, yet overall appear to hold a benign view on Intel's effects[45]. Where Shas voters most systematically differ from voters of other parties is in their assessment of the relative distribution of the gains associated with Intel's arrival: Shas voters are more likely than voters of other parties to view Intel as beneficial for residents in the neighboring localities,

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[44] Due to the need to minimize the time it took to answer the survey, the survey protocol was designed such that only respondents that voted for Shas would be prompted with the follow-up question about the names of the local leaders. This is regrettable, since it means there is no baseline with which to compare the Shas voters' 38% rate of leader recognition.

[45] Importantly, one should remember that this is a decade after Intel's arrival and seven years after the 1999 elections.

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for the government and for Intel itself, while being the least likely to view it as having had a positive effect on the Qiryat Gat locals. This finding holds true even when controlling for a host of other socio-economic characteristics. Lastly, the hypothesis holding that charismatic local leadership or an effective local party apparatus is at the heart of Shas' success in Qiryat Gat does not find strong supportive evidence.

VIII. Discussion and Conclusion

The relationship between international economic integration, development and social liberalization is still much debated in the literature. A popular notion holds that "all good things come together," namely that with the advent of one component of modernity such as a free market, other components– economic growth, the diffusion of liberal values, secularization and even democratization – are bound to follow suit. The relation between these different components is thus often believed to be mutually-reinforcing. Yet electoral outcomes in countries such as India (2004) and Turkey (2002) raise important questions about this presumed relationship. In both countries modernizing, market-friendly governments were dramatically voted out of office by large segments of the electorate that felt aggrieved by the process of economic liberalization. The political alternative for which they rallied was, in both cases, conservative-leaning Islamic parties that promised a different approach to dealing with the process of market openness[46]. It is in this broader context that the study of Shas's success in Qiryat Gat should be examined.

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[46] In India, the BJP's campaign slogan was "India Shining", meant to emphasize the economic progress the party's pro-market reforms have generated. In contrast, the Congress Party's campaign slogan was "Congress is with the common man" (*Congress ka haath aam aadmi ke saath"*), a campaign that appealed to the discontent of many who felt the country's new-found prosperity benefited only the few, but not them. See Edward Luce (2006) for an excellent account of the sources of the BJP's loss. In Turkey, the AKP's success was a result not only of its traditionalist appeal, but to an important extent because the party combined it with an anti-corruption "clean politics" message. See Ziya Onis, (2006) "Globalization and party transformation: Turkey's Justice and Development Party in perspective", for a more thorough discussion of the AKP's appeal.

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Studying the mechanisms by which economic openness and the liberalization of markets generate discontent is important if we are to gain greater understanding of how globalization is likely to affect politics in other countries. It is certainly not the case that economic openness necessarily produces a political backlash. However, certain factors prominent in the case of Qiryat Gat do make the possibility of a backlash more likely.

The first is the relative distribution of gains. Even in circumstances where market integration produces clear gains, the question of who benefits more and who benefits less (or not at all) is highly consequential to the way people judge whether openness is good for them or not. The second factor, one that received little attention in the literature, stems from the fact that skill-based or occupational segmentation often overlaps with other socio-demographic attributes such as ethnic affiliation or geographical location. Since the gains from international economic integration tend to benefit certain segments of the population while bypassing others, this correlation between skill level and other individual characteristics means that economic openness has the ability to exacerbate social and cultural cleavages. The adage about globalization being the "tide that lifts all boats" should thus perhaps be revised. How high the other boats have lifted, as well as their make and color, are considerations that, at least in terms of their political implications, are at least as consequential as whether, and to what extent, one's own boat has lifted.

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Appendix A.

Data Sources and Calculation Methods for Tables 1 and 2

<u>Data Sources</u>:

Central Bureau of Statistics, Local Authorities in Israel 1994, Physical Data, Publication No. 1021

Central Bureau of Statistics, Local Authorities in Israel 1996, Physical Data, Publication No. 1082

Central Bureau of Statistics, Local Authorities in Israel 1997, Physical Data, Publication No. 1103

Central Bureau of Statistics, Local Authorities in Israel 1998, Physical Data, Publication No. 1134

Central Bureau of Statistics, "Demographics Characteristics of the Population in Localities and Statistical Areas; Volume C: Population in Jewish and Mixed Localities by Origin and Period of Immigration", 1995 Census of Population and Housing Publications, No. 7, Jerusalem, December 1998.

Central Bureau of Statistics, Local Authorities in Israel 2000, Publication No. 1186

Central Bureau of Statistics, Characterization and Classification of Local Authorities by the Socio-Economic Level of the Population 1999, Publication No. 1197

National Insurance Institute of Israel, Publication # 161. "Average wages and incomes and their distribution by various economic variables, 1995-1996", by Jacques Bendelac, 1999

National Insurance Institute of Israel, Publication # 164. "Average wages and incomes and their distribution by various economic variables, 1996-1997", by Jacques Bendelac, 2000.

National Insurance Institute of Israel, Publication # 166, "Recipients of unemployment benefits in 1999", by Esther Toledano, 2000

National Insurance Institute of Israel, Publication # 177 "Average wages and incomes and their distribution by various economic variables, 1998-1999", by Jacques Bendelac, 2001.

<u>Calculation Methods</u>:

Registered Unemployment Beneficiaries (1984): The rate of registered unemployed relies on data from the National Insurance Institute which reports that absolute number of individuals registered to receive unemployment benefits in each municipality. For calculating the eligible workforce (i.e. the denominator of the unemployment rate), I multiply the number of eligible voters in the municipality reported in the 1984 voter registry by 55%, the average eligible workforce of all adult population.

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Unemployment Rate 1999: The rate of unemployment at the municipal level was reported for 1995 (the year of the Census) but not for 1999. Instead, in 1999 the Central Bureau of Statistics (CBS) reported only figures based on the National Insurance Institute of the absolute number of recipients of unemployment insurance. I use this figure as the nominator to calculate the unemployment rate in each of the towns. The denominator is constructed by summing up the total number of the self-employed, the employed, and the unemployment recipients. Crucially, I employ this method in calculating the unemployment rates of *all* development towns, not just Qiryat Gat. The comparison in unemployment rates of 1995 and 1999 is thus instructive in relative terms, i.e. in comparing the difference between Qiryat Gat and the other towns.

Percent of Below-Minimum Wage Earners: The data used for calculating the change in the percent of earners receiving less than minimum income (i.e. relying on support from social security) is based on the data reported in 1999, which includes figures for the preceding year. This is due to data availability. This figure was used in calculating the rate of change in all development towns.

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Table A1. Weights of Development Towns in Synthetic Qiryat Gat

Locality	Weight	Locality	Weight
Or Yehuda	0	Arad	0
Ofaqim	0	Yavne	0
Bet She'an	0	Yoqne'am Illit	0
Bet Shemesh	0	Ma'alot-Tarshiha	0.468
Dimona	0	Nazerat Illit	0
Yeroham	0	Akko	0.133
Karmiel	0	Tiberias	0
Afula	0	Zefat	0
Migdal HaEmeq	0	Qiryat Mal'akhi	0.333
Sederot	0	Qiryat Shmona	0
Eilat	0.066	Hazor HaGelilit	0
Netivot	0		

Table A2. Party Support in Qiryat Gat,
Survey Respondents vs. Actual 2006 Vote

Party	Actual Vote (%)	Survey (%)	Survey (n)
Kadima	17.6	23.7	54
Likud	10.6	14	32
Labor	12.9	20.6	47
Yisrael Beytenu	20.7	16.2	37
Shas	18.7	17.5	40
Gimla'im	3	4.8	11
Others	16.6	3.1	7
Refused/ N/A	--	--	20
Total Votes	19391	100%	248

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Appendix B. Survey Protocol

<u>Sampling Procedure:</u>

The survey was carried out over the phone during the months of May-November of 2006. Selection of respondents was carried out as follows: The survey interviewers were allocated different sections of the Qiryat Gat phonebook (each receiving a range of alphabet letters). Interviewers would begin with the first number on the list. If a number was not answered, interviewers would call the next number down the list. After a successful call (i.e. one in which the respondent agreed to be interviewed), the interviewers would skip to the number ten rows down the list. Survey calls were made in evening hours so as to maximize the likelihood of interviewing also working adults. Response rate was approximately 40%.

<u>Survey Categories:</u>

Sephardic: All respondents whose grandfather from the father's side was born in one of the Muslim countries in North African or Asia (e.g. Algeria, Iraq, Kurdistan, Libya, Morocco, Persia, Tunisia).

Low Skill: Positions that require short periods of training or professional education, or none at all. In the Qiryat Gat sample, the low skilled category included positions such as a clerk, a waitress and a truck driver.

Medium Skill: Positions that require a non-negligible period of training or professional education. Included in this category are also low level supervisory roles. The medium skilled category includes positions such as a policewoman, store manager, and a driving instructor.

High Skill: Positions that require either (a) a university degree, or (b) an extended period of professional training, or (c) substantial managerial responsibilities. Positions in this category are also typically better paid. In the sample, high skilled positions include lawyers, accountants, a supervisor in the town's education system.

Relative Loser: Coded as '1' if respondent does not cite Qiryat Gat locals as gainers from Intel's arrival, but does identify others – residents of neighboring localities, the government or the multinational itself - as having gained from Intel's arrival. All other respondents are coded as '0'.

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Additions to the Synthetic Control Analysis (Section III)

An additional "synthetic" test for the uniqueness of the Shas vote in the 1999 elections in Qiryat Gat is carried out as follows. Unlike the synthetic control tests discussed in Section III, in this test I drop all covariates used to construct the synthetic unit, and instead estimate a new model based solely on the voting records of the different towns in past elections. I calculate the square predicted error of each town in the pre-"treatment" period, and construct the model with weights assigned only to the three towns with the closest voting record to Qiryat Gat's in the pre-1999 period[47]. These towns are assigned weights using a standard ordinary least squares regression. I then calculate the predicted Shas vote for the 1999 elections for this alternative synthetic unit. The prediction that this model generates (19.44%) is slightly lower than the one obtained from the more complex synthetic control procedure described in Section III, and implies a deviation of 6.76% from the actual vote. I then

calculate the standard deviation of the estimate: $sd(S) = \left[\sum_{i=1}^{3} Var(W_i) * (S_i^2) \right]^2$ where S_i represents

the support for Shas in town i and W the weight assigned to the town. The standard deviation is estimated to be 3.488. We can now obtain the t-statistic of the estimate which is (6.76/3.488)=1.93. This figure is very close to the 1.96 t-statistic of a 95% confidence interval in a two-tailed test, implying that we reject the null hypothesis that difference between the actual vote and the predicted vote is zero with a $p<0.06$.

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[47] The closeness of the voting record is calculated again based on the square predicted error. Three towns are the maximum one can use in constructing this synthetic model since there are only four observations of Shas vote in the pre-1999 period and no additional covariates.

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Table A3. Vote for Shas in the 1999 Elections (in %), by Statistical Area (excluding Qiryat Gat)

	Basic Model	Economic Model	Voting Model	Ethnic Model
Average Income	-1.936***	-0.962***	-0.441***	-0.301***
	(.218)	(.202)	(.095)	(.081)
Education Yrs (Median)	-4.076***	-2.319***	-0.508***	-0.374***
	(.294)	(.35)	(.156)	(.143)
Population	0.000	0.000	0.001***	0.001***
	(.000)	(.000)	(.000)	(.000)
% Jewish	0.155***	0.111***	-0.013**	0.018*
	(.011)	(.011)	(.006)	(.01)
Religiosity	0.270***	0.312***		
	(.026)	(.02)		
Civil Workforce Participation (%)		-0.605***	-0.091***	-0.015
		(.116)	(.03)	(.031)
Males >15 (as % of Population)		0.002	-0.003***	-0.002***
		(.001)	(.001)	(.001)
Dependency Ratio		-0.006***	-0.001**	-0.001**
		(.001)	(.000)	(.000)
Academic Degree (% with)		-0.224***	-0.051***	-0.003
		(.037)	(.015)	(.013)
Shas (% '96 Vote)			1.083***	1.072***
			(.015)	(.016)
Likud (% '96 Vote)			0.129***	0.050***
			(.009)	(.009)
Moledet (% '96 Vote)			0.154***	0.157***
			(.036)	(.03)
Mafdal (% '96 Vote)			0.116***	0.090***
			(.008)	(.008)
Aguda (% '96 Vote)			0.082***	0.084***
			(.011)	(.009)
North African Descent (%)				0.088***
				(.01)
Asian Descent (%)				0.029**
				(.013)
European/USA Descent (%)				-0.039***
				(.011)
Post-1990 Russian (%)				-0.005
				(.003)
Constant	48.642***	94.264***	18.801***	6.634**
	2.739	10.682	3.204	3.325
Observations	2184	2183	2183	1793
R^2	0.501	0.591	0.858	0.907

Standard errors in parentheses.

* significant at 10%; ** significant at 5%; *** significant at 1%

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Table A4. Coefficients for the Qiryat Gat Variable when Included in the Model

	Basic Model	Economic Model	Electoral Model	Ethnicity Model
Qiryat Gat	7.598***	5.176***	4.418***	2.927***
	(0.537)	(0.798)	(1.273)	(1.000)

Note: The table reports the coefficients for the Qiryat Gat variable when included in the regression specifications used in Table A4. The dependent variable is the percent vote for Shas in a Statistical Area (SA). Standard errors reported in parentheses.*** significant at 1%

Table A5. Perceived Gainers from Intel (% Agree, by 2006 Vote)

	Likud	Kadima	Labor	Israel Beytenu	Shas	Gimla'im
Qiryat Gat Gained	34.4	73.6	59.6	40.5	27.5	46.7
Neighboring Localities Gained	81.3	69.8	66	64.9	82.5	52.2
Other Gained, Not Qiryat Gat	53.1	24.1	31.9	40.5	60.0	9.1

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