After the 1967 Israeli military occupation of the West Bank, Israeli military commander Moshe Dayan adopted an approach to Palestinian society that purportedly kept the occupation “invisible,” allowing for the continuation of the preexisting Jordanian system of governing through a network of urban and rural notables. In 1977, Menachem Begin’s Likud party took power in Israel, becoming the main partner for peace with Egypt in the U.S. sponsored negotiations process that culminated in the Camp David the following year. Egypt had stressed the centrality of implementing Palestinian autonomy over the 1967 occupied territories to the peace deal. In 1981 Begin’s government attempted to preempt and indeed bypass the Camp David autonomy negotiations by creating an administrative body to govern Palestinians that would also be composed of Palestinians answerable to the specially created civilian arm of the Israeli military: the “Village Leagues.” This Israeli experiment was ultimately foiled by a surge of Palestinian resistance that overlapped with Israel’s invasion of Lebanon. Drawing on the U.S. congressional and senate documents and debates from the period, this paper examines the U.S. response to Israel’s disingenuous strategic maneuvers, focusing on a critical moment in the formation of the U.S.-Israel special relationship.