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A Kibbutz Perspective

Individual *vs* Collective Forms of Sharing Ownership in Israel

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Abstract

This paper compares the development within Israel of four forms of ownership: the rural commune, or "kibbutz;" the more individualistic rural cooperative, the "moshav;" the worker cooperatives of Israel's cities; and enterprises owned collectively by the trade union federation. These forms of ownership are compared by three criteria: 1) their ability to attract and retain founders, sponsors, and members; 2) how long they survive; and 3) whether organizations that do survive lose their cooperative character as they age. By these criteria, the record of the kibbutzim is generally best, while that of the worker cooperatives is generally viewed as being the worst. These results are largely attributable to the concrete institutional environment in which these organizations were being created. For both ideological and practical reasons, the makers of Israel's labor economy always favored rural cooperatives over urban ones, and preferred more centralized and collective forms of cooperative ownership to more individualistic ones.

Despite its small size, the Israeli economy has produced the world's most diverse collection of cooperative and labor-owned institutions. The best known are the rural agricultural cooperatives, the kibbutzim and moshavim. More than 1,500 additional cooperatives have been formed in this century by workers in Israel's cities. While most of these urban worker cooperatives did not remain in business for long, two noteworthy survivors, Egged and Dan, now provide most of the bus transportation in contemporary Israel. Last but not least, there is the vast empire that was until recently owned by Israel's General Trade Union Federation, or "Histadrut", through its economic subsidiary, the "Chevrat Ovdim" (Workers' Society). The industrial complex Koor, the Bank Hapoalim, the construction firm Solel Boneh, and many other giants of the urban Israeli economy all operated through the 1980s as subsidiaries of the Chevrat Ovdim. The Chevrat Ovdim has itself been legally registered since 1924 as a workers' cooperative, in which all workers affiliated with the Histadrut are considered to be equal members.

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This paper originates in research on Israel's worker cooperatives, the main results of which have already been published elsewhere (Russell, 1991a, 1992, 1995; Russell and Hanneman, 1992, 1995a). A few prominent features of the history of these cooperatives seem well known to most Israelis. The bus cooperatives and other worker cooperatives were recognized as major pillars of the economy of Jewish Palestine and of the struggle for independence. In the initial years after 1948, they basked in the approval of the new state, and flourished under its patronage. But soon the Israeli government and the Histadrut began to accuse the bus cooperatives of profiting too much from the monopolies that had been entrusted to them, gouging high fares from passengers, and imposing high prices on their hired laborers for the privilege of becoming members. Such criticisms were widely repeated, both in the 1950s and many times since. Because the bus cooperatives were by far the largest and most prominent of the worker cooperatives in Israel, and the only ones that most Israelis dealt with every day, their souring reputations brought the very idea of forming worker cooperatives in Israel into disrepute, and helped reduce Israel's entire population of worker cooperatives to the moribund state in which we find it today.

This is the conventional Israeli account of what went wrong with the worker cooperatives, as reflected in the work of chroniclers like Preuss (1960, 1965) and Viteles (1968), and as many contemporary Israelis stand ready to repeat. It is a uniquely Israeli perspective, in a number of ways. In a country like the United States, it is difficult to imagine that anyone anywhere would express shock or disapproval at the thought that a cooperative was placing the profit of its members ahead of the public good. Economists do not normally expect altruism from cooperatives in their models of cooperative behavior, only collective self-interest. In Israel, however, cooperatives are held to a higher standard. That opportunities for hired laborers to become members of their cooperatives is a common basis of public discussion and condemnation seems another wonder unique to Israel.

The more attention one gives to judgements of this sort, the more they reveal about the world of opinion that produced them. Worker cooperatives became significant in Jewish Palestine only after the better known forms of cooperative ownership had established themselves, and they appear to have been harmed far more than they were helped by the presence of these alternatives. With so many diverse forms of cooperative ownership in one country, the structure of one cooperative becomes a basis for criticizing another. Israeli worker cooperatives are readily charged with selfishness, because their members accumulate capital individually in the form of equally divisible membership shares, while the capital of the kibbutzim and Chevrat Ovdim is the collective property of the Histadrut or the nation. Hired labor, similarly, could be made a basis for invidious comparisons, because the Chevrat Ovdim provided an example of a form of cooperative ownership in which

all workers were officially members and owners, and in which the exploitation of one class by another was therefore theoretically impossible.

Israel's worker cooperatives suffered not only because these alternative forms of cooperation were available for comparison, but also because the key actors in their institutional environment had explicit preferences in favor of these other ownership forms. These various forms of cooperation have competed for the patronage of sponsors like the World Zionist Organization and the Israeli state, and for the hearts and minds of succeeding generations of Jewish immigrants to Palestine and Israel. Whether attention is directed at the values and goals of the Jewish immigrants, or of their leaders in the Labor Party and the Histadrut, or of the World Zionist Organization that provided their funding, the worker cooperatives suffered from two disabilities in the eyes of all these constituencies. First, they were located in cities, while the chief inspiration of the Israeli cooperative movement has been the effort to settle Jews on the land. Second, the worker cooperatives are a form of cooperation in which capital is owned individually, while the founders of the labor economy in Israel preferred forms of organization that were collectively owned.

This paper argues that both the rise and fall of worker cooperatives in Israel can be understood only by taking into account the competition and at times division of labor among these alternative cooperative forms. They co-existed in Jewish Palestine and during the struggle for independence, each coming to occupy its own economic niche, and each making its own contribution to the goal of immigrant absorption. Once Israel's leaders got firm control of their own government, however, they became free to express their old preference for collective over individual ownership forms. In recent decades, the economy, polity, and society of Israel have become less supportive of cooperative and collective ownership of all types, causing all four of these alternative forms of work organization to be increasingly overshadowed by conventional ownership forms.

The formation of Israel's cooperative movements

What is it about Israel that has made it the birthplace of cooperative workplaces of so many types? Answers must be sought in the first quarter of this century, the period in which all of these organizational forms first appeared in the land that would become the state of Israel. We begin with Jewish immigration, or "Aliyah", both as an ideal or goal, and as an accomplished fact. If the immigration of Jews was to be encouraged, jobs would have to be created for them. Those jobs would of course need to provide the immigrants with a way to make a decent living, but they also had to meet an additional requirement – they had to be consistent with the values and other purposes that had caused the immigrants to choose Aliyah in the first place.

A number of factors contributed to an inclination among the "olim" (Jewish immigrants) of this period to reject capitalist forms of employment in favor of cooperative ones. Many immigrants of the Second Aliyah (1904–1914) and Third

Aliyah (1919–1923) were socialists, for whom capitalist employment was anathema on ideological grounds. Nonsocialist immigrants of this period had other reasons to view conventional capitalist employment with distaste. They had difficulty accepting the roles of hired wage laborers on plantations owned by immigrants of the First Aliyah. The market for wage labor on these farms presented Jewish immigrants with the choice of accepting the same low wages as the Arab workers, or allowing their jobs to be taken away by them. Becoming a capitalist employer of hired labor was also unappealing, because it meant that Jews would be recreating in the land of Israel the lives they had lived in the Diaspora, and their Aliyah would thus have no meaning. Under the influence of theorists like A.D. Gordon, Jewish immigrants in this period welcomed opportunities to do their own manual labor, but they wanted to perform this work in freedom and with dignity.

The formation of most cooperatives in Israel in this period reflected a mixture of practical and normative considerations of this sort. Because hired employment either was unavailable or paid inadequate wages, the immigrants were forced to create their own jobs. Because few lacked the means that would be required to create new businesses on their own, they pooled their resources by forming cooperatives. But these new businesses might have taken a different legal form from cooperatives, had not both the immigrants and their sponsors in the World Zionist Organization given preference to this ownership form, for reasons such as those outlined above.

Accounts of the birth of Degania, the first kibbutz, have long debated whether its invention owed more to the values or to the practical needs of its founders. The recent history by Near (1992), for example, emphasizes the former, while for Shafir (1989), the kibbutz originates in a pragmatic search for a form of agricultural employment that prevents Jewish labor from being supplanted by Arab labor. Shafir notes that the Degania group came together in 1909 while striking against the training farm at Kinneret over the introduction of Arab labor there. He also quotes the remark of Joseph Baratz, one of Degania's founders, that "the kvutza is not the fruit of the international cooperative idea...Its origin is in the Eretz Israeli reality" (Shafir, 1989:173). But what was that reality? According to Arthur Ruppin, the Zionist Organization representative who financed the Degania experiment, disputes over Arab labor were only one of the reasons why Jewish workers objected to the performance of wage labor on WZO training farms. A more general problem was that "The administrators...soon came into conflict with the Jewish workmen who, with their proletarian class consciousness and their high intelligence, required quite different treatment from a Russian Moujik...the administrator treated the workers merely as paid labourers...and denied them all say in the affairs of the establishment. Yet what the workers desired most of all was to cooperate creatively in the development of the farm" (Ruppin, 1926: 131-132).

The WZO, at that same time, was becoming increasingly attracted to the idea

of forming agricultural cooperatives, for reasons of its own. Pragmatically, it had observed that the capitalist plantations of the First Aliyah had created more agricultural jobs for Arabs than for Jews. Ideologically, it had recently adopted Franz Oppenheimer's model of cooperative agricultural communities as the most promising mechanism for settling Jews on the land. Oppenheimer's model of cooperative development, however, began with a training period of wage labor under the tutelage of an agricultural specialist. When the model was implemented at Merchavia in 1910, these workers, too, soon came into conflict with their director, elected a committee, and with Ruppin's approval, organized themselves as a kvutza.

A different mix of pragmatic and normative considerations went into the formation of the first moshavim. Like the kibbutzim, the moshavim were established on land owned by the WZO's Jewish National Fund, so they could not have been formed without that body's blessing. Oppenheimer had recommended that the WZO should be open to either of these two variants of the settlement cooperative, allowing the settlers involved to make the final choice in each case. After the formation of the first kvutzot, nonsocialist Zionists like Eliezer Jaffe began explicitly to advocate the more individualistic model of agricultural cooperation that became the moshav. In the end, it was again the demands of the settlers themselves that decided the matter, when some veteran members of Degania who were beginning to start their own families left that kibbutz in 1921 to found Nahalal, the first moshav.

Ruppin later acknowledged that until that time, he had been unwilling to support the formation of the more individualistic settlements, on the grounds that collectively owned settlements made more economical use of resources and skills, and gained other efficiency advantages from the mutual observation that takes place in them and the consequent weeding out of less productive workers. In 1925, however, Ruppin declared that the WZO was now equally prepared to support either form of settlement: "Now that there are sufficient agriculturally experienced workers available for colonisation, and that the Zionist Organisation has means incomparably larger at its disposal than during the previous period, the motives which induced the Organisation in the beginning of its colonising activities to give preference to group settlement have all disappeared. *Collective and individual settlement are today equally possible*" (Ruppin, 1926:140).

The formation of the Chevrat Ovdim and of its large family of subsidiaries was a response not only to the needs and values of the olim, but more specifically to the efforts of the future leaders of the Labor Party to organize them politically (Shapiro, 1976). The story begins with the formation of the precursor of the Labor Party, the "Achdut Ha'avodah", by David Ben-Gurion and his circle in 1919. When this new party failed to attract adherents, the Achdut Ha'avodah leaders realized that the immigrants' most pressing problems were not political, but economic. In 1920, Achdut Ha'avodah joined forces with the nonsocialist workers' party, "Hapoel

Hatzair", to form the Histadrut. With its Sick Fund and labor exchanges, the Histadrut was much more responsive to the practical needs of new immigrants, and much more successful in organizing them. Through its Bureau of Public Works, the Histadrut also gained access to WZO funding that allowed it to employ many of its members directly in road-building and various other construction projects.

For many olim of the Third Aliyah (1919–1923), these practical efforts on behalf of the immigrants were not enough. The Third Aliyah was taking place in the wake of the Russian Revolution, and its members insisted that the new organizations being created in Palestine should do something for socialism as well as for Zion. One group of them attempted to show the way by organizing themselves into a nationwide "Gedud Ha'avodah" or "Labor Battalion," in 1920. Anita Shapira reports that in 1921 and 1922, the Gedud "enjoyed great prestige in the labour movement and was recognized as its vanguard" (Shapira, 1984:68). In 1922 and 1923, the Gedud and the Histadrut competed for the loyalties of the Jewish settlement. The Histadrut's victory was not assured until Yitzhak Tabenkin and his kibbutz Ein Harod seceded from the Gedud in 1923.

The Histadrut defeated the Gedud not by rejecting its program, but by co-opting it. In 1923, the Second Convention of the Histadrut authorized the establishment of the Chevrat Ovdim ("Workers' Society") to serve as the all-embracing owner of all of the Histadrut's subsidiary economic ventures. Clearly, its formation was as much a response to the political needs of the immigrants and the Achdut Ha'avodah leaders as it was to their economic needs.

The formation of the Gedud Ha'avodah and of the Chevrat Ovdim also had an important impact on the kibbutzim. The Gedud had advocated the formation of large kibbutzim, in order to accommodate a greater number of immigrants and a more diverse occupational structure than was possible on the smaller kvutzot. And in the Gedud model, kibbutzim would not operate in isolation from one another, but would instead form part of a centralized movement. Once the Chevrat Ovdim had supplanted the Gedud, a new Chevrat Ovdim subsidiary Nir was created in 1926 to serve as the centralized owner of the movable assets of both the kibbutzim and moshavim.

Although cooperatives of seamstresses, tailors, and teamsters were being organized in Jaffa and in Jerusalem as early as 1908, the worker cooperatives were the last of Israel's many forms of cooperation to become institutionalized. The delay reflected a good deal of ambivalence among the sponsors of immigration regarding the wisdom of forming this kind of cooperative. For many socialist Zionists in the Diaspora, worker cooperatives appeared to be the best means available to promote the development of a Jewish working class in Palestine. Their party, Poalei Zion, gave material support to nascent worker cooperatives through its Palestine Workers' Fund, known in Hebrew as Kapai. The WZO, on the other

hand, was dead set against the formation of production cooperatives, because it subscribed to Franz Oppenheimer's view that cooperatives are viable in agriculture, but not in production. Oppenheimer argued that cooperatives were competitive in agriculture, because the productivity of agriculture is heavily dependent on the motivation of the laborer, and self-employment, whether individual or collective, is an effective way to motivate a laborer. Productivity in manufacturing, in contrast, depends more on technological innovation and rationalization. In such markets, self-financed production cooperatives suffer chronically from capital shortages and inefficiencies. This leads to high mortality rates among production cooperatives, and causes those that do survive gradually to transform themselves into conventional capitalist workplaces (Oppenheimer, 1896; Preuss, 1960).

The leaders of the Achdut Ha'avodah and of the Histadrut were also unenthusiastic about worker cooperatives, but for different reasons. While Oppenheimer was concerned about their economic viability, it was their class character and their politics that worried the labor leaders. In the early 1920s, the Achdut Ha'avodah criticized both the worker cooperatives and the moshavim for their individualistic and therefore "bourgeois" ownership structures. In 1920, when Poalei Zion transferred control of Kapai to Achdut Ha'avodah, it recommended the establishment of a new center to promote the formation of worker cooperatives, but Ben-Gurion refused. In 1921, Ben-Gurion echoed Oppenheimer in noting that there was a "tendency in the whole world for cooperatives to turn into private enterprises." As a result, Ben-Gurion "did not wish the Histadrut to aid them – since it would not be able to control them" (Shapiro, 1976:56). At the Second Histadrut Congress in 1923, while speaking in favor of the formation of the Chevrat Ovdim, Ben-Gurion raised concerns about the nature of all cooperatives that remained outside of the Chevrat Ovdim. "How will we preserve the social, class, and Zionist character of our economic enterprises," he asked. "We are founding cooperatives...What is to guarantee that the workers in these enterprises will not become owners who employ hired labor, as happened in other countries in a number of producer cooperatives after they were economically successful? What is to guarantee that institutions founded by the workers and at their initiative will actually be used for the benefit of the workers' community?" (Daniel, 1976, 1:208-209).

The Histadrut leadership eventually resolved its misgivings about the formation of worker cooperatives sufficiently to authorize the establishment of a Merkaz Hakooperatsia or "Cooperative Center" in 1927. Several developments that occurred over the intervening four years appear to have contributed to this change of heart. The bankruptcy of Solel Boneh in 1927 exposed one limitation of an employment policy that relied too exclusively on organizations that were owned directly by the Histadrut. Many worker cooperatives were struggling for survival at around this same time, and it was apparent that if some body did not provide help to them, many

additional jobs and therefore immigrants might soon be lost to the Jewish settlement. Moreover, this was now the time of the Fourth Aliyah (1924–1931). The Fourth Aliyah was an immigration primarily of refugees, not pioneers. The new immigrants had a much more "middle-class, individualistic outlook" (Shapiro, 1976:18-19) than the two previous waves. Larger than the two preceding waves combined, the Fourth Aliyah stimulated the development of an urban and capitalist Jewish economy in Palestine, and destroyed forever the Histadrut's dream of becoming the only significant employer in Jewish Palestine.

The Histadrut's formation of the Merkaz Hakooperatsia in 1927 thus seems to have been motivated more to co-opt and to control a portion of this new petty bourgeois immigration than to stimulate the free and independent development of worker cooperatives. The Histadrut retained for itself, for example, three of the five seats on the Management Board of the new Merkaz. And as a price for its support, the Histadrut made the Chevrat Ovdim a 25 percent owner of the assets of all worker cooperatives in the event of their liquidation.

It is this complex history that has made Israel the home of such a wide variety of forms of cooperation, both rural and urban, and both collectively and individually owned (Table 1). Assets are owned collectively in the kibbutz and in the wholely-owned subsidiaries of the Chevrat Ovdim. In a moshav, the land is owned by the Jewish National Fund as in the case of the kibbutz, but individual members own their own homes and tools, and retain all of the income from the crops they produce or other work that they do. In Israel's urban worker cooperatives, members usually own equal portions of the capital of their cooperatives; these amounts are refunded to members as they retire, while hired laborers who are accepted into the membership are charged equivalent amounts.

Table 1. Forms of cooperative ownership in Israel's labor economy

	Location	
Ownership	Rural	Urban
Collective	Kibbutz	Koor Bank Hapoalim Solel Boneh
Individual	Moshav	Worker Cooperative

Each of these ownership forms had found its way into the Israeli economy not in accordance with anyone's preconceived plan, but as a result of the unique evolution of the political economy of Jewish Palestine. By the late 1920s, each appeared to have carved out a place for itself in the new cooperative commonwealth. For several decades thereafter, the Histadrut's founders derived great benefit from their claim to stand at the head of a "labor economy" (Daniel, 1976) that was so large and diverse.

To Zionists, they could now claim to speak for the nation; to socialists, they could claim to have placed the entire economy under both the ownership and the leadership of the working class. Once the Achdut Ha'avodah and Hapoel Hatzair merged to form the Labor Party in 1930, they quickly became the dominant political force not only in Jewish Palestine, but also in the WZO, culminating in Ben-Gurion's election as chairman of the Zionist Executive in 1935.

Information about the subsequent growth of these various cooperative sectors is presented in Table 2 and Table 3. In the 1930s and 1940s, the joint Histadrut-WZO leadership sponsored the formation of cooperatives of all types, as well as creating the Chevrat Ovdim's industrial subsidiary Koor in 1944. The period of immigration in the first years after independence led to dramatic expansion in all cooperative sectors.

Table 2. Number of registered Israeli cooperatives by type, selected years, 1931–1988[a]

	Urban Worker Cooperatives				Moshavim		Kibbutzim
Year	Production	Service	Trans.	Total	Total (ovdim and shitufiim)	Shitufiim	Total
1931				49	17		22
1941				126	94		150
1948				212	116		192
1951			46	480	218		230
1954			34	371	271		231
1957			28	291	299		233
1960			30	246	315		228
1962			32	251	317		228
1966	129	83	37	249	318	17	228
1967	124	74	39	237	319	17	228
1968	114	76	40	230	329	19	236
1985	46	63	19	128	392	49	283
1986	43	61	19	123	392	50	282
1987	40	60	19	119	391	49	282
1988	38	53	17	108	392	49	281

[a] 1931–1962: Viteles (1966); 1966–1968 and 1985–1988: Registrar of Cooperative Societies (1968, 1988, 1989a, 1989b).

By the second half of the 1950s, however, the Histadrut had begun to be accused of pursuing a policy of "decooperatization" toward many of its affiliated cooperatives, such as those that provided housing or credit (Preuss, 1965; Viteles, 1966; Greenberg, 1986). Viteles reports, for example, that 22 credit cooperatives were fused into the Bank Hapoalim in this period against the wishes of their members (1966:149-150). Among the worker cooperatives, the cooperative bakeries

complained that the Histadrut-sponsored consumer cooperatives were now building their own in-house baking plants instead of marketing the baked goods produced by the bakers' cooperatives. In all of these cases, the Histadrut was showing an increasing preference for organizations that it owned and controlled directly through the Chevrat Ovdim, over more independent forms of cooperative organization.

It is in the context of this shift in policy that the growing rift between the labor leadership and the worker cooperatives in the 1950s can best be appreciated. In the late 1950s, the government entertained proposals to transfer the bus cooperatives to public ownership, and in 1960, the Histadrut leadership launched another of its periodic campaigns to root out the use of hired labor in the worker cooperatives. After more than a decade of open warfare between the Histadrut and the worker cooperatives, in 1967 the Histadrut appointed a committee under the leadership of Knesset member S. Shoresh to examine their relationship. The Shoresh Committee recommended in March of 1968 that the worker cooperatives should be permitted to take control of their own movement. At the congress of the Merkaz cooperatives that met in December of that year, the slogan was "cooperation for the cooperatives," and for the first time, a representative of one of its member cooperatives was elected to lead the Merkaz Hakooperatsia.

Since the 1960s, Israel's worker cooperatives have not clashed with the Histadrut and Labor Party leaderships as frequently as they once did, but they have also received very little help from them. The Histadrut's alliance with the kibbutzim and moshavim was not as easily disrupted, because these models of cooperation remained the labor leaders' two most attractive mechanisms for settling immigrants on the land. Thus the number of kibbutzim and moshavim continued to grow in the period from 1968 to 1985 (Table 2). Among the moshavim, a later and more collective form of economic organization, the moshav shitufi (the first one was founded in 1936) gained ground during this period, along with the individualistic moshav, the moshav ovdim. The number of worker cooperatives in Israel, on the other hand, had been in decline since the early 1950s. When one turns to data on employment (Table 3), the long-term relative decline of the worker cooperatives became absolute in 1981. The worker cooperative population now consists of the two bus cooperatives and very little else. Employment in production cooperatives has declined for decades, and has increasingly been overshadowed by the cooperative production accounted for by the kibbutzim and by the Chevrat Ovdim subsidiary Koor.

The behavior of Israeli worker cooperatives over time

The preceding discussion has emphasized that the various segments of Israel's labor economy did not arise in a vacuum. Their formation resulted not from abstract debates about their relative economic merits, but from concrete struggles for the hearts and minds of immigrants, and for the support of powerful patrons.

Table 3. Employment by industrial sector in Israeli labor-owned enterprises, selected years, 1926–1993

	Worker Cooperatives[a]			Kibbutzim[b]		Moshavim[b] (ovdim and shitufiim)	
Year	Production	Service	Trans.	Total	Manufac.	Total	Manufac.
1926	540	44	230	–	–	–	–
1933	264	179	527	–	–	–	–
1949	1,955	576	2,824	–	–	–	–
1960	3,394	1,572	8,758	–	–	–	–
1970	3,132	1,640	12,047	–	–	–	–
1978	2,711	2,140	13,548	71,700	16,800	42,300	2,200
1981	2,734	2,295	15,321	80,600	16,900	46,700	3,300
1983	2,609	2,396	14,656	86,300	19,100	44,500	2,500
1984	2,507	2,338	14,636	90,000	19,600	45,500	2,800
1985	2,465	2,225	14,306	90,200	19,700	46,700	3,700
1986	2,025	2,143	13,087	83,300	21,600	46,300	4,500
1987	2,187	2,252	13,390	84,000	21,500	46,500	3,600
1988	2,207	2,223	12,132	81,000	23,100	43,700	3,400
1989	2,089	2,037	12,132	79,900	21,300	42,800	3,000
1990	1,531	2,177	12,644	80,400	23,700	44,400	3,200
1991	1,535	2,198	12,681	79,600	23,500	41,300	3,900
1992	–	–	–	86,800	25,400	44,700	5,000
1993	–	–	–	88,100	26,800	50,400	5,800

[a] 1926: Dickenstein (1989:148); 1933: Cooperative Center (1933); 1949: Dickenstein (1989:149); 1960–1985: Daniel (1989); 1986–1988: Registrar of Cooperative Societies (1988, 1989a, 1989b); 1989–1991: Cooperative Center, personal communication.

[b] Central Bureau of Statistics (1979–1994).

– : data not reported

This section examines a different question, namely the extent to which the worker cooperatives' own behavior has contributed to their demise.

In so far as any economic theory has informed the choice of forms of cooperation in Israel, it is the theory of Franz Oppenheimer. For Oppenheimer, production cooperatives were inferior to agricultural cooperatives in two principal ways: 1) their competitive disadvantages would give them higher mortality rates; and 2) the production cooperatives that did survive would make increasing use of hired labor, gradually transforming themselves into conventional capitalist firms.

To what extent have each of these two predictions by Oppenheimer been supported by subsequent events? Data on the longevity of 1330 worker cooperatives formed between 1924 and 1992 are presented in Table 4. Although comparable data are not available for the kibbutzim, moshavim, and industrial plants owned by the Chevrat Ovdim, it is clear that for most of Israel's history, the worker cooperatives did indeed fail in much greater numbers and at much faster rates. An annual report of the Registrar of Cooperative Societies (1968) covering the years 1966–1968, for

example, reported the demise of 67 worker cooperatives, versus only four moshavim, and no kibbutzim. For the crisis years of 1986–1988, the Registrar (1988, 1989a, 1989b) reported the liquidation of five kibbutzim and one moshav, but failures of worker cooperatives remained far more numerous at 26, even though by this point the population of worker cooperatives was much smaller than that of the kibbutzim and moshavim.

Table 4. Survival of worker cooperatives founded 1924–1992 by sector and industry[a]

	Total	Duration at Survival Quartile (yrs)			Mean survival (yrs)
		75%	50%	25%	
Transportation	193	2	4	10	7.8
Passenger	43	3	6	13	9.7
Freight	61	3	6	14	10.6
Other	89	2	3	6	4.7
Service	352	2	4	11	9.6
Meat, Ice, Oil	46	2	5	15	10.5
Restaurants, Hotels	32	2	3	18	10.1
Schools, Theaters	49	2	4	19	10.8
Laundries	18	4	11	27	16.0
Port, Sailing, Fishing	23	2	4	11	7.4
Garages	13	2	4	10	6.0
Refuse collection	8	2	3	5	4.3
Other	163	2	4	10	8.5
Production	757	2	4	10	9.1
Baking	100	4	11	21	14.7
Woodworking	74	2	5	9	9.5
Printing, Paper	53	2	6	11	12.0
Metal, Electrical	86	3	5	11	10.4
Building materials	134	2	3	6	6.7
Sand, Cement, Drill	32	2	3	7	5.0
Textiles	77	2	3	7	6.2
Food processing	56	2	4	7	6.1
Leather, Shoes	35	2	5	9	7.7
Chemicals	19	3	4	9	6.5
Diamonds	18	3	5	7	6.4
Other	73	2	4	8	6.4
Sector unknown	28	2	5	12	6.6
TOTAL	1330	2	4	10	9.2

[a]Russell and Hanneman (1995b).

Also noteworthy in Table 4 are differences in the mortality of worker

cooperatives by industry and sector. Based on the arguments of Oppenheimer, as well as those of Russell (1985a, 1985b, 1991b) and Staber (1989), one might predict that worker cooperatives in production would be shorter lived than those in the services or in transportation. Surprisingly, however, the mean longevity of production cooperatives (at 9.1 years) is close to the average for the entire group, while it is the worker cooperatives in transportation that are the most short-lived. In transportation, however, at least twenty recorded cases of mortality were not liquidations, but mergers into cooperatives that remain in operation today. Overall, there are greater differences in mortality among industries within each sector than there are between the sectors themselves. In production, factories that produced textiles and building materials stand out as being unusually short-lived, but cooperatives of bakers and of printers have been more successful in Israel, as indeed they have been in many other parts of the world (Ben-Ner, 1988). This in turn suggests that if cooperatives are more suitable for some lines of work than others, the differences hinge less on the gross sectoral distinctions pointed to by Oppenheimer, and require a more detailed examination of the nature of work and incentives, capital requirements, and financial structures.

The available data on the use of hired labor since 1960 are presented in Table 5. The data indicate that Israeli worker cooperatives have indeed made increasing use of hired labor over time, as Oppenheimer predicted, and as the Histadrut has often complained. But when the worker cooperatives are compared to the kibbutzim by this measure, their performance is not greatly inferior. In the late 1960s and early 1970s, the use of hired labor was substantially higher in kibbutz factories than it was among worker cooperatives in transportation. One group of kibbutzim, those formerly associated with the Ichud Hakvutzot VeHakibbutzim, made more use of hired labor than any category of worker cooperative in many years. The use of hired labor in kibbutz factories declined significantly in the 1970s, but increased rapidly in the early 1990s, returning once again to levels comparable to those of the transportation cooperatives.

While the kibbutzim have been criticized for their use of hired labor throughout their history (Viteles, 1967; Daniel, 1975; Leviatan, 1980; Satt and Schaeffer, 1994), it has generally been treated as a flaw to be corrected, rather than a basis for denying legitimacy to the entire ownership form. Why have the worker cooperatives been judged more harshly for these practices than have the kibbutzim? The kibbutzim derive sufficient legitimation to withstand these criticisms from their agricultural purposes, and from their more collective structures. Because Israel's worker cooperatives treat capital investments as the equal property of their individual members, they return each member's share of the accumulated capital to him or her upon retirement, and collect equivalent amounts from hired laborers when they become members. This consequence of their capital structures makes it appear to

many Israelis that the worker cooperatives are not only exploiting hired labor, but are also earning additional profit by selling memberships. In the kibbutzim, on the other hand, because collective bodies hold title to assets instead of individual members, it is not necessary to charge fees for the privilege of becoming a member.

Additional evidence that the use of hired labor has been judged more harshly in worker cooperatives than in other forms of cooperative organization comes from the information that Israel's various cooperative movements submit annually to the Registrar of Cooperative Societies for publication in the annual report. The worker cooperatives are the only form of cooperative in Israel whose movement regularly provides information about the use of hired labor in its member cooperatives for inclusion in this publication. This appears to be a clear legacy of the forty-year period (1927–1967) in which the worker cooperatives' own movement was under the domination of the Histadrut.

We thus return in this section to the theme of the previous one. Israel's worker cooperatives have indeed had imperfections, but so have the others; yet the worker cooperatives have paid a heavier price for their shortcomings than any other cooperative form. Objections to the use of hired labor in cooperatives have old and deep roots in Israel. They go back to the practical failures of the First Aliyah, and to A. D. Gordon's ideal of redemption through manual labor. But in the hands of the Histadrut, the goal of "self-labor" was transformed from a value into a convenient stick with which to beat the worker cooperatives, in order to ensure their subordination to all other cooperative forms.

The successes and failures of Israel's cooperative workplaces

The generally disappointing record of worker cooperatives in Israel is old news. The influential commentator Zeev Schiff had declared their movement to be "bankrupt" as early as 1960 (Viteles, 1968:348). What was new during the period in which these data were being assembled was that by the late 1980s, the rest of Israel's cooperative economy was either already bankrupt, or was engaged in tense negotiations with the government and other creditors about forgiveness or refinancing of its debts. With Likud or national unity coalitions in power since 1977, the kibbutzim, moshavim, and Chevrat Ovdim could not count on the government to bail them out of their financial problems as they might have in the past. Instead, many Likud supporters rejoiced in these embarrassments to the labor economy, taking them as decisive proof of the inferiority of socialist or cooperative ownership to capitalist alternatives.

Of Israel's four major varieties of cooperation in the workplace (Table 1), it is the Chevrat Ovdim subsidiary Koor that suffered the most from these economic and political reverses. Employment in Koor plants fell from 33,543 in 1985 to 17,000 in 1993 (The Economist, April 3, 1993, p.66). The Chevrat Ovdim's financial stake in Koor dropped from 100 percent to 22 percent in 1993, before the remainder was

sold entirely to foreign investors. The Histadrut's own spokesmen acknowledged that Koor had been managed in the past with too much attention to politics, and not enough to economics. In response to this failure, the Histadrut membership elected a new leadership which proposed that the Histadrut should also divest its ownership stakes in the Bank Hapoalim and in the Sick Fund (Kupat Cholim). It appeared that the Histadrut was renouncing forever the goal of employing any of its members directly.

Table 5. Hired labor as a percent of labor force in worker cooperatives and in kibbutz factories, selected years, 1960–1993

	Worker Cooperatives[a]			Kibbutz Factories[b]			
Year	Production	Service	Trans.	Ichud	Meuchad	Artzi	All[c]
1960	57	43	46	–	–	–	–
1965	61	46	45	–	–	–	–
1969	56	32	40	77	36	22	52
1970	61	51	41	77	34	23	52
1971	62	56	39	76	35	21	50
1972	61	60	38	73	31	20	50
1973	65	55	36	72	29	19	48
1974	66	57	33	71	27	20	47
1975	69	59	36	65	26	20	43
1976	66	63	42	61	21	17	39
1977	69	71	41	61	23	18	41
1978	68	65	39	61	22	19	40
1979	–	–	–	57	21	13	38
1980	–	–	–	50	18	14	35
1981	74	78	45	–	–	–	–
1983	77	82	44	–	–	–	–
1984	76	84	45	–	–	–	–
1985	75	82	4	–	–	–	–
1986	78	80	43	–	–	13	–
1987	82	89	45	–	–	15	–
1988	83	89	44	–	–	19	–
1989	84	92	44	–	–	19	–
1990	81	83	49	–	–	23	30
1991	81	84	49	–	–	28	35
1992	–	–	–	–	–	33	41
1993	–	–	–	–	–	–	47

[a] 1960–1985: Daniel (1989); 1986–1988: Registrar of Cooperative Societies (1988, 1989a, 1989b); 1989–1991: Cooperative Center, personal communication.

[b] 1969–1977: Leviatan (1980); 1978–1980: Kibbutz Industries Association (1983); 1985–1993: Rosner, Shaeffer, and Rosolio (1993) and Kibbutz Industries Association (1993).

[c] Average figure for the factories of all kibbutzim.

– : data not reported.

Israel's moshavim were also severely affected by the crisis of the 1980s. By the

early 1990s, most moshavim were being described by researchers as having fallen apart socially, and having collapsed financially (Sadan, 1992). In Israel's diverse modern economy, moshav members seemed increasingly less capable of the shared decision making and consensus building and subsequent mutual monitoring required by a system in which individual households bear collective responsibility for one another's debts (Zusman, 1988, 1990). While the now bankrupt moshavim were not being liquidated as cooperatives, their economic roles were being reduced in many cases to little more than the provision to their members of water and electricity. Even the most pessimistic accounts, however, saw at least fifty or a hundred of the moshavim emerging from the debt crisis with their social and economic institutions intact (Sadan, 1992). The strongest moshavim, it appeared, were those that had been founded out of an explicit interest in forming cooperatives, such as some of the oldest moshavim, and many of the semi-collective moshavim that have become popular in recent years, the moshavim shitufiim (Table 2).

The kibbutzim were also extremely hard hit by the contraction that followed the government's anti-inflationary measures of 1985. Due to failures of ventures and defections of members, total employment in the kibbutz economy fell from more than 90,000 in 1985 to less than 80,000 in 1989. These economic and social reverses produced a crisis of confidence throughout the kibbutz movement, which by the 1990s had given rise to a new wave of reforms (Getz, 1994). Kibbutz industrial ventures are now governed by autonomous boards of directors, and can raise capital from outside investors. Kibbutz members are now free to take jobs outside their kibbutz, provided that the income earned on the outside is turned over to the kibbutz. The kibbutz federations also officially abandoned their historic prohibition on the use of hired labor, as part of a December 1989 agreement with the government on the refinancing of their debt. In the minds of many kibbutzniks, these last two reforms are connected; hired labor is now perceived as less objectionable, because it is seen as giving members the freedom to work outside the kibbutz.

The figures in Table 3 indicate that after hitting bottom in 1989–1991, employment on kibbutzim rapidly recovered, and by 1993 was once again approaching its 1985 peak. The same table also demonstrates that most of this recovery was due to an expansion of employment in industrial pursuits. By 1993, the proportion of kibbutz employment accounted for by manufacturing had risen to 30.4 percent, while agriculture's share had fallen to 22.5 percent. Although the individualistic capital structures of the moshavim made it more difficult for them to launch industrial ventures, by the early 1990s manufacturing had become the most rapidly growing portion of the moshav economy as well, especially among the moshavim shitufiim. Thus while the production cooperatives in Israel's cities have generally failed, cooperative production in other forms and contexts remains alive and well. Contrary to the predictions of Oppenheimer, the successes of Israeli

cooperatives have not been limited to the agricultural sector alone.

In the context of these developments within the other major segments of Israel's labor economy, it also seems appropriate to give the urban worker cooperatives another look. Israel's bus cooperatives were vilified in earlier decades for their use of hired labor, but that issue gained its impact from the contrast between the worker cooperatives and the Chevrat Ovdim. Now that Israel's bus cooperatives have outlived the Chevrat Ovdim, it is time for Israelis to stop viewing these organizations through the Histadrut's eyes. If one compares the worker cooperatives in transportation not to the Chevrat Ovdim, but to worker cooperatives in other sectors, their use of hired labor is not unusually high, but unusually low. And while the readers of Israeli newspapers have occasionally been entertained by scandals that have emerged from political infighting within Egged and Dan, no one gives these cooperatives credit for maintaining the extraordinarily high levels of workplace democracy that these struggles signify. In light of the large size and advanced age of these two bus cooperatives, they stand out as having been unusually faithful to their democratic traditions, and not at all quick to give them up (Russell, 1995: Chapter 4). The economic analyses of Berechman (1987) also suggest that despite the monopolies that they enjoy, Israel's bus cooperatives give fair value for the fares they collect, operating at a level of efficiency that compares favorably with international standards. But because Israelis continue to view these organizations in terms of the choices and priorities of the past, they are slow to give them proper credit for their achievements.

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