

## 1. WORKER COOPERATIVES IN ISRAEL'S LABOR ECONOMY

This chapter examines the birth and early development of Israel's worker cooperative movement, in the context of the larger "labor economy" (Daniel, 1976) of which it forms a part. The chapter begins with a general discussion of the processes by which worker cooperatives have historically been formed. This discussion points out a number of general considerations that have helped to make Israel unusually productive of labor-owned workplaces of many types. The chapter's second section looks more specifically at the origins of the various institutions that make up Israel's "labor economy," including the kibbutz, the moshav, the Histadrut, and the Chevrat Ovdim. The third section examines the birth of Israel's urban worker cooperative movement within this preexisting family of labor-owned institutions. This discussion particularly calls attention to certain features that made the relationship between the worker cooperatives and the Histadrut ambivalent from the start and that became the source of much later contention. The final section addresses the later history and dynamics of this uneasy relationship. The chapter concludes that Israel's worker cooperatives were probably never fully accepted as equal partners of Israel's labor economy, and that their incorporation

into this institutional environment may ultimately have done these worker cooperatives more harm than good.

## WHY DO WORKERS FORM COOPERATIVES?

Both empirical instances of workers' cooperatives and theoretical discussions of the processes that lead to their formation suggest that workers have historically been prompted to form these organizations by a broad range of economic, normative, and political motives.

A cooperative is in the first place a business, and its formation is always to some extent an economic act. Many historical instances of workers' cooperation have been formed by formerly independent workers who joined together to pool their capital, to gain scale economies, and to reap other advantages of size (Russell, 1985b). Nineteenth-century utilitarian reformers like John Stuart Mill anticipated that the pursuit of rational self-interest would eventually lead the vast majority of workers to organize themselves into cooperatives. Mill reasoned first of all that workers would begin to create cooperative ventures in order to "free themselves . . . from the necessity of paying, out of the produce of their industry, a heavy tribute for the use of their capital" (1909, pp. 773-74). Once established, Mill expected cooperative workplaces to reveal an additional competitive advantage over conventionally owned firms, which would come from "the vast stimulus given to productive energies, by placing the labourers . . . in a relation to their work which would make it their principle and their interest . . . to do the utmost, instead of the least possible, in exchange for their remuneration" (1909, p. 789). Mill predicted that "by the very process of their success," the earliest cooperatives would provide "a course of education" to other workers, and that "As associations multiplied, they would tend more and more to absorb all work-people" (1909, p. 791).

Well over a hundred years have passed since Mill first expressed these thoughts. It now appears that workers have been a good deal slower to organize themselves into cooperative workplaces than Mill expected. A major reason for this has been that the economic arguments in favor of cooperation have not been nearly as compelling in practice as Mill imagined them to be. Cooperative workplaces have not been found to outcompete conventionally owned firms and have instead managed no more than

to cling tenaciously to the small niches in which they are initially formed. Many economists since Mill have argued that the calculation of individual self-interest gives workers a powerful disincentive against forming a cooperative business, because to do so would expose workers to the risk of losing their jobs and their life savings at the very same time. Thus workers who are rational investors are more likely to allocate their assets in a diversified portfolio of investments not connected with the firm that employs them. And insofar as rational individual workers or groups of workers are motivated to take the risk of creating their own firms, they tend to compensate themselves for these risks by reserving for themselves all of the profits that result from this entrepreneurial activity; they thus avoid structures like worker cooperatives that obligate them to share ownership and profits with workers who are hired after the firm is formed.

In sum, the rational calculation of individual self-interest that was so prized by Mill and other utilitarians has generally done more to discourage the formation of worker cooperatives than to promote it. Insofar as the pursuit of individual self-interest has played a prominent role in the formation of labor-managed workplaces at all, it has been in situations in which this step is driven by economic necessity, because alternative forms of employment are unavailable or unworkable. One instance of this may be the creation of cooperatives by unemployed workers, which some authors have seen as a significant factor in the spread of worker cooperatives (Shirom, 1972; Ben-Ner, 1988a, 1988b). The predominance of group practices in the professions and of cooperatives in other services can also be attributed to economic necessities of this sort. Because these occupations are intensive of human capital, rather than physical capital, the disincentives to the formation of worker-owned businesses are less salient in these fields, and successful firms within them have often found that there is no more effective way to motivate and retain the key members of their labor force than to offer them a share in the ownership of the firm (Russell, 1985b, 1991).

While calculation of individual self-interest may provide the prime motivation for the formation of worker cooperatives under these rare circumstances, in most historical instances of worker cooperatives much more has been involved. For one thing, the formation of cooperatives is almost always a normative as well as economic act; it engages the founders' ideals, as well as their interests. Cooperative founders typically have what Rothschild-Whitt

(1979) refers to as a "social movement orientation." They see the foundation of their firms as taking place not in isolation, but as part of a broader effort to transform capitalism, or at least to reform it. As Mill noted in a discussion of nineteenth-century French worker cooperatives, "It is the declared principle of most of these associations that they do not exist for the mere private benefit of the individual members, but for the promotion of the co-operative cause" (1909, p. 781).

In addition to supplementing economic considerations with values, the formation of worker cooperatives commonly contains an element that is a combination of both. This is a tendency for firm founders to think of themselves not as individuals, but as members of a group, and for them to see their firms as serving the interests not only of themselves as individuals, but also of their entire group. In this respect there is indeed "rationality" in the formation of worker cooperatives, but it is a collective rationality rather than an individual one (Rothschild-Whitt, 1979; DiMaggio and Powell, 1983). This collective rationality typically plays a crucial role in prompting firm founders to share ownership not only among themselves, but also with workers who will later enter their firms.

Potentially, such collective rationality might be derived from the class consciousness and solidarity that firm founders feel with the entire working class, but in practice, it usually has more narrow bases than this. One very common source of it is the homogeneity and sense of community among the practitioners of a common occupation, particularly one whose working hours or work activity isolates them from others. Thus, for example, groups of printers, bakers, truckers, or refuse collectors have often been observed to form cooperatives (Russell, 1985a; Ben-Ner, 1988a). A feature of such cooperatives that both demonstrates their roots in occupational solidarity and illustrates its limits is the fact that membership in such cooperatives is rarely and only slowly extended to clerical employees or other workers who ply different trades within these same firms.

Another important source of group identification consists of ethnic ties among cooperative founders. The best-known and most successful worker cooperatives in the world today are the Mondragon cooperatives in the Basque region of Spain; identification with the Basque cause appears to have played an important role both in the formation of these cooperatives and in the preser-

vation of their structures (Whyte and Whyte, 1988). Other well-known cooperatives have been established by immigrant ethnic groups, including the plywood cooperatives of the American Pacific Northwest and the worker-owned scavenger firms of the San Francisco region. Ethnic solidarity, like occupational solidarity, can act as a double-edged sword, reducing conflicts of interest between members and nonmembers from the same ethnic group, but creating barriers to the admission of members from other ethnic groups (Russell, 1984).

In sum, the formation of worker cooperatives is always to some extent an economic act, but it can almost never be ascribed to the operation of individual self-interest alone. Worker cooperatives are created in order to meet the needs not of individuals, but of groups. And cooperative structures are typically chosen over more conventional capitalist alternatives at least in part because of their consistency with the values of those groups.

This brief discussion can in itself help us to understand why the Jewish settlement (or Yishuv) in Palestine in the early decades of this century was so unusually productive of cooperative and collectively owned workplaces of many types. The answer lies in the fact that this environment provided an unusually strong combination of all of the considerations outlined above. Economically, Jewish immigrants to Palestine were driven to create a new array of worker-owned firms first of all by the absence or unsuitability of conventional alternatives. Palestine in the early part of this century offered scarce opportunities for employment of any kind and even fewer that could allow Jewish laborers to maintain any semblance of the European standard of living that they were accustomed to. Normatively, the early settlers were strongly imbued with anticapitalist values and a social movement orientation. It was their explicit intention to create a new and better society. And above all, these architects of a new society were driven by the pursuit of collective rather than individual goals. Here, for example, is how Aharoni characterized their motivation in a recent history of the Israeli economy:

The forefathers of Israel were not only revolutionaries but also dreamers, utopians and romantics. They yearned to create a new and just society, anchored in strong values of social justice and equality.

While these zealots were different in many ways, they

all shared at least two basic beliefs. First, that cooperation, based on sentiments of brotherhood, could be made into the dominant mode for social relations. Second, that the needs of the country, of the movement, and of the community were the only criteria for judging the desirability of an operation. These persons did not live for themselves, but for the group, for the ideals, and for the future of the nation . . . p. 149).

These immigrants had thus come to Palestine to benefit not only themselves as individuals, but also the entire Jewish cause, and they therefore created organizations that would be equally broad in their ownership structures and in the purposes they would serve.

## THE ORIGINS OF ISRAEL'S LABOR ECONOMY

### *The Birth of the Kibbutz*

A discussion of the origins of Israel's labor economy must begin with the kibbutz, its oldest and most famous element. The first kibbutz, Degania, was established on December 1, 1909, by six founding members. While the time and place of its formation are not in dispute, the literature on the kibbutz offers many contrasting views of the dynamics that led to its creation. Some authors see the kibbutz as Israel's most "utopian" institution and attribute its creation primarily to the Zionist ideologies and socialist values of its founders (e.g., Curtis, 1973; Daniel, 1976). Other scholars, including Preuss (1965), Sussman (1969), and Shafir (1989), have emphasized the extent to which the birth of the kibbutz was a pragmatic response to pressing economic concerns.

For these latter scholars, the most important practical problem that the kibbutz was created to solve was the need to create viable employment opportunities for Jewish immigrants to Palestine. Until the kibbutz was invented, the principal strategy that Zionist philanthropists like Baron Edmond de Rothschild had been promoting was the development of agriculture along capitalist lines. A major problem with this strategy was that each new farm required a great deal of capital to be established, but placed only a single Jewish immigrant in the position of owner. Other Jewish immigrants could seek jobs as hired workers on these capitalist farms, but they faced competition from Arab laborers who were willing to work for lower wages. This competition from Arab

labor caused many Jewish workers to be entirely displaced and caused the wages of many others to fall far below the European standard. By the time Kibbutz Degania was being founded, this problem had become so critical that "the overwhelming majority of the immigrants from the earlier years" were either returning to their country of origin or were leaving "for more promising destinations" (Shafir, 1989, p. 75).

The creation of Kibbutz Degania and others like it provided a solution to this problem by creating a form of organization in which only Jewish labor would be employed. Whereas Jewish capitalist employers would always be tempted to hire cheaper Arab labor, cooperative agricultural settlements created by Jewish immigrants would insist on accepting only other Jewish immigrants as members. Shafir uses the vocabulary of Edna Bonacich (1972, 1979) to argue that the creation of the kibbutz "split" the agricultural labor market in Palestine into two segments, one that was both cooperative and Jewish, another that was capitalist and still predominantly Arab. The kibbutz also carried the additional advantage of inducing the Jewish workers to pool the meager resources they had available for consumption, thus making it more possible to recreate some semblance of a European lifestyle on the basis of a still quite modest average wage.

Several historical circumstances surrounding Degania's creation support this economic interpretation of its origins. The founders of Degania had worked previously on a training farm sponsored by the World Zionist Organization at Kinneret, but had left the farm in protest over a plan to hire Arab labor. And the founders of Kibbutz Degania themselves later denied that any but practical considerations governed their actions. Shafir quotes one of them, Joseph Baratz, who insisted in 1923 that the kibbutz "is not the fruit of the international cooperative idea. We did not learn from it, and in the beginning of our path we paid no attention to it. Its origin is in the Eretz Israeli reality" (Shafir, 1989, p. 173).

It is thus clear from the historical record that, as Joseph Tabenkin later noted, "The kibbutz came prior to its idea. It had no preplan" (Kellerman, 1993, p. 50). But it would be a mistake to conclude from the improvisational nature of its origins that the kibbutz was created in response to economic considerations alone. At the very least, it is necessary to note that the kind of economic rationality that led to the creation of the first kibbutz is not individual, but collective. If the founders of the kibbutz had been

trying to maximize their own personal incomes, they would have immigrated not to Palestine, but to the United States, a destination that was in general much more popular among the Eastern European Jews of that time. Their personal sacrifices, both in coming to Palestine and in creating the kibbutz, are understandable only against the backdrop of their commitment to the greater Zionist project.

The goal of finding forms of agricultural employment that would be suitable for Jewish labor also cannot be separated from the socialist and Zionist ideology of the Jewish immigrants. As socialists, they sought to create a Jewish working class in the new land, not another Jewish bourgeoisie. As Zionists, they were influenced by ideologists like A. D. Gordon, who saw work on the land as essential to the spiritual rebirth of the Jewish people. This was seen as the only means by which Jews could eradicate the harmful effects on their occupational structure and on their thought that had been brought about by centuries of living as merchants and moneylenders in countries where Jews were forbidden to own land (Winer, 1971).

It thus seems most accurate to say of the origins of the kibbutz that they were neither purely ideological nor purely economic, but were rather a creative combination of the two. In this respect they are an archetypal creation of the Second Aliyah, as the wave of Jewish immigrants to Palestine that arrived between 1904 and 1914 is customarily called. This was the generation that created the Israeli stereotype of the *chalutz*, or "pioneer" (Eisenstadt, 1967, pp. 17–18). These *chalutzim* prided themselves on their practicality and their readiness to improvise, but they also never strayed far from the Zionist and socialist ideals that had first brought them to Palestine. As Martin Buber pointed out in his *Paths in Utopia*,

One element . . . has been repeatedly pointed out: that the Jewish Village Commune in Palestine owes its existence not to a doctrine but to a situation, to the needs, the stress, the demands of the situation. . . . But what is called the "ideology"—I personally prefer the old but untarnished word "Ideal"—was not just something to be added afterwards, that would justify the accomplished facts. In the spirit of the members of the first Palestinian Communes ideal motives joined hands with the dictates of the hour; and in the motives



there was a curious mixture of memories of the Russian *Artel*, impressions left over from reading the so-called "utopian" Socialists, and the half-unconscious after-effects of the Bible's teachings about social justice. . . . There were various dreams about the future: they saw themselves as the advance guard of the Workers' Movement, as the direct instrument for the realization of Socialism, as the prototype of the new society; they had as their goal the creation of a new man and a new world (1958, pp. 142–43).

Other writers have seen a similar combination of ideal and practical considerations in the origins of the kibbutz. For Eisenstadt, for example, the kibbutz was created out of a "general attitude . . . of experimentation" (1967, p. 20), but was also tailored to the needs of young people "with strong socialist and nationalist aspirations" (p. 19). Infield sees the creation of the kibbutz as a response to practical necessity (1946, p. 14), but notes also that "From the first, an air of social reform pervaded the colonization work in Palestine" (p. 13).

These authors also note that while the first kibbutz was created in an act of improvisation, its later spread owed much to its ability to appeal to the ideals of later generations of Jewish immigrants to Palestine, beginning with the Third Aliyah. As Shafir puts this point,

Only the Third *Aliya*, arriving between 1918–23, having experienced the Russian Revolution of 1917, painted the kibbutz in its subsequent ideological armor, viewing it as the Eretz Israeli path to socialism.

It was then that inchoate cooperativism was reinterpreted as ideologically grounded collectivism (1989, p. 184).

Eisenstadt agrees with Shafir that "It was later, during the third aliya, that the more sacrosanct attitudes to the kibbutz . . . tended to develop" (1967, p. 20). Shapiro notes similarly that, "In order to survive, laborers organized these self-governed settlements. The self-government, which had started by necessity, became an attractive element in the new organizations for many newcomers" (1976, p. 13). Infield is particularly eloquent in describing how the kibbutz came increasingly to capture the imagination of idealist young Jews in the Diaspora:

Of all the messages from Palestine . . . that of the kvutza [kibbutz] had a special appeal. Here, there were not merely revival and refreshment; here a new life was being created, fashioned by social justice. Preparing for the "ascent" to Palestine, as emigration was happily termed, came to mean preparation for joining a kvutza. . . .

At this juncture, there is a semblance of truth in comparing the kvutza, as Charles Gide did, with communities founded on a utopian philosophy (1946, p. 16).

The same mix of ideal and practical considerations that contributed so much to the origin and early spread of the kibbutz was also important in the reception given to the kibbutz by the World Zionist Organization. The role of this organization in the development of the kibbutz should not be underestimated, as the WZO made extremely important material and institutional contributions to Kibbutz Degania and all later kibbutzim. Most important is the fact that through its subsidiary, the Jewish National Fund, the WZO owned the land on which most kibbutzim and later moshavim would be established. The WZO and JNF have made a crucial contribution to the kibbutzim and moshavim, first of all by giving them free use of this land. And they may have made a second contribution of equal or greater importance by retaining the title to this property. By keeping the title to kibbutz and moshav property in public hands, they have underlined the institutional requirement that the economic activity in these organizations should be directed toward the pursuit of national goals. This arrangement has also removed from the life of these cooperatives what has elsewhere been one of the most important incentives behind the degeneration of worker-owned firms, the unrestrained appreciation of workers' capital stakes.

The WZO's support for cooperative settlements on collectively owned land had developed for reasons similar to those that motivated the Jewish immigrants in Israel. Zionist philanthropists like Baron Rothschild had begun by supporting capitalist agriculture, but were increasingly disappointed in the results. Capitalist planters hired Arab laborers to work their farms and often ended up having little direct contact with the land that they owned. Moreover, the Eastern European Jewish immigrants of the Second Aliyah were simply too poor to establish capitalist farms on their own. They needed to be supplied with land, and it became the mis-

sion of the WZO to get it for them. But it was impractical for the WZO just to sign the land over to them, as the immigrant farmers also needed training and equipment. So the WZO soon began establishing training farms in Palestine, such as the one at Kinneret that became a forerunner of Degania. The WZO also began to be influenced by ideologies that made a virtue of these necessities. The WZO was led to think in increasingly idealistic terms about the ownership of land in Palestine in part in its role as custodian of the Jewish National Fund. Here is how Infield summarizes the kind of hopes that were expressed for this fund when it was first established in 1901:

The land was never to be made private property; further, it was not only national property, but he who acquired it had to serve higher purposes than that of personal profit. It was never to be defiled by speculation or by the exploitation of others in its working (1946, p. 12).

The convergence of ideological and practical considerations that would make the WZO the chief patron of the nascent kibbutz movement came to a head as the first decade of the century was coming to a close. At its Eighth and Ninth Congresses, the WZO adopted the plans of Franz Oppenheimer, a cooperative theorist, who called for WZO training farms in Palestine gradually to transform themselves into cooperative settlements (Shafir, 1989, p. 157). When Degania's founders approached Arthur Ruppin, the WZO's representative in Palestine, to request support for their new settlement, he was happy to oblige. Infield reports that Ruppin agreed that "the immigrants had no choice. At the time, at least, it meant, 'either settlement in groups or no settlement at all'" (1946, p. 14). Infield adds that "Cooperative farming was thus forced upon those responsible for the survival of Jewish agricultural settlement and was not a consequence of any preconceived idea" (p. 14). Thus for the WZO, as for its founders, the kibbutz was born in an act of pragmatic improvisation; but in the WZO, as among the kibbutz founders, the kibbutz also struck a responsive ideological chord. This point is well illustrated by a quotation Yonathan Shapiro extracts from a Hebrew source, which notes that for WZO leader Chaim Weizmann, "every new settlement was for him an additional string in the violin of Zionist propaganda in the Diaspora" (1976, p. 74).

In giving birth to the kibbutz, that small group at Degania had thus created an institution that had a remarkable ability to meet both the practical and the ideological needs of Zionists both in Palestine and in the Diaspora. But the work of creating a new Jewish economy in Palestine had scarcely begun. As Buber has noted, the "pioneers" who created the first kibbutzim were "an elite," and the kibbutz was "the form of life that befitted this elite" (p. 143). The question left unanswered by the creation of the kibbutz, therefore, was the question of what forms of organization would provide employment and living accommodations for the many thousands of Jewish immigrants who were about to arrive in Palestine who were not ready to join this moral elite—immigrants who in most cases were also committed Zionists, but who were not prepared for the extremes of self-sacrifice and asceticism that were required by the life on the kibbutzim of that era. It was the effort to answer this question that led to the creation of the other major portions of Israel's labor economy, including the Histadrut and the Chevrat Ovdim.

*From Elite to Mass Institutions*

The story of the birth of the Histadrut and the Chevrat Ovdim is well told by Yonathan Shapiro in his 1976 book, *The Formative Years of the Israeli Labour Party*. Shapiro portrays the formation of these institutions as an outgrowth of the political activity of David Ben-Gurion and his circle. They set out to found a party and a nation, but soon found that they could not accomplish either goal without first becoming founders of an economic empire. Only after they had created and established firm control over this economic foundation did their later political hegemony become assured.

The forerunner of what we now know as the Israeli Labor Party was founded under the name Achdut Haavodah (Labor Unity) in 1919. As was true of the kibbutz, its founders were members of the Second Aliyah whose ideological fervor was now mixed with pragmatism and a readiness to improvise under the impact of previous failures. Most of these men had already devoted more than a decade to political work in Palestine and had little to show for their efforts. Shapiro estimates that the two major pre-war workers' parties, Hapoel Hatzair and Poalei Zion, together could count as members only four hundred to five hundred of the five thousand Jewish laborers in Palestine in 1918 (1976, p. 14). Now in 1919, under the impact of the Balfour Declaration and the estab-

lishment of the British Mandate, Jewish immigrants were pouring into Palestine as never before, but it remained to be seen whether any political party would be able to divert their attention from their pressing economic needs.

Shapiro makes several points about the founding of Achdut Haavodah that provide important insights into the strategies that they would later pursue. First, like the Bolsheviks, Achdut's founders were products of the Russian socialist political culture, and they felt a good deal of affinity with the goals and tactics of their counterparts in Moscow; but they were also well aware that the situation in Palestine required a different strategy. They were socialists without a state, so it would be their mission to create one. Until that goal was achieved, they would be forced to rely on moral methods, not coercive ones. They would need to persuade, rather than force, Jewish workers into joining them, and they would need to coax financial resources out of the WZO as well. In Shapiro's words, "Their lack of coercive power . . . forced them to put great emphasis on achieving a high degree of consensus in the Jewish community in order to legitimize their authority" (1976, p. 4).

This point is an important one. While some accounts of the origins of Israel's labor economy place most of the burden on Zionist and socialist values and others emphasize the role of economic interests, Shapiro incorporates both and proves an important connection between the two. For Shapiro, the two come together through the intermediation of the Achdut Haavodah leaders, who forged a link between them in pursuit of their own organizational interests. Thus in Shapiro's treatment, value consensus within the Jewish settlement is not taken as a given, but is instead treated as the consequence of a deliberate political strategy pursued by the Achdut Haavodah leaders. For Shapiro, it was "the ability of the Achdut Haavodah leaders to use ideology . . . pragmatically" (1976, p. 69) that provided the basis of both its moral and political hegemony. Aharoni offers a similar interpretation, observing that

there was a great need among Jewish settlers to develop means of enforcement without enjoying the sanctions available to a government of a sovereign state. The Jewish Yishuv was able to achieve a far flung level of discipline and coherence by developing a political culture based largely on consensus as a basis of legitimacy (1991, p. 151).

The first consequence of this strategy for the Achdut Haavodah organizers was that they made a conscious effort to do everything possible to achieve the broadest possible appeal to the new immigrants who were then streaming into Palestine. One way to do this was to blur their ideological stance; they identified their philosophy as "social Zionism" rather than "socialist Zionism" because they did not want to deter workers who were not socialists from joining. Aharoni notes of such formulations:

The politics of the Yishuv period were characterized by the enormous importance of ideas, beliefs and hair splitting, but also by the ability of the dominant party to achieve coherence around a wide consensus after a long process of debates, of convincing, and of compromises (1991, p. 152).

The Achdut Haavodah leaders also recognized that their organizing efforts would have to take on a more economic than political character, as the immigrants' most pressing problems were being created by the Palestinian economy, not the British Mandatory government.

Among the Jewish immigrants' economic needs, jobs remained the highest priority. Jewish workers' parties in Palestine had recognized this as early as 1905, when Hapoel Hatzair made "the conquest of labor" a part of its platform (Shafir, 1989, pp. 124-25). To assist the immigrants in finding jobs, Achdut Haavodah established a network of labor exchanges, pressured Jewish employers to hire only Jewish labor, and sought funding from the WZO and the international Poalei Zion movement for projects that would create more jobs for Jewish workers in Palestine.

These were tactics that would later be pursued with great success by the Histadrut, but by its own efforts alone the Achdut Haavodah achieved only disappointing results. One reason for this is that the Hapoel Hatzair party refused either to merge with Achdut Haavodah or to participate in its programs and instead created its own competing network of labor exchanges and projects. In 1920 the WZO approved funding for a Workers' Bank in Palestine, but when both the Achdut Haavodah and Hapoel Hatzair sought control over it, the WZO refused to release the funds to either one. Most of the new immigrants who were then flooding into Palestine, in the meantime, remained indifferent to the political activities of either party and showed little inclination to join either

one. One group from Russia under the leadership of Joseph Trumpeldor explicitly advised its adherents not to join any existing party and urged them to fight instead for "a united federation of labour which would provide work, housing, medical insurance, etc." (Shapira, 1984, p. 64).

The leaders of both parties increasingly saw the wisdom of merging their separate economic programs into a nonpartisan General Federation of Jewish Labor in Palestine. They formally took this step in December of 1920. The organization they established, known ever since as the Histadrut, is officially a trade union, but its decision making has been dominated since its formation by the political parties that created it. To ensure this result, the Histadrut's founders gave it a constitution that calls for its central bodies to be elected directly by the membership in national elections, rather than by the union organizations that make up the federation. Thus Histadrut politics have tended to operate like national politics: each party puts up its own slate of candidates, and Histadrut offices are later allocated among the leaders of the winning coalition in much the same way in which cabinet positions now get shared out among the winning parties in Israeli national elections.

According to Shapiro, this party domination of the Histadrut served a number of political purposes. For the long term, it was intended to prevent the Histadrut from transforming itself into a narrowly focused labor union, which could become so protective of its members' employment prospects that it might turn hostile to further immigration (Shapiro, 1976, pp. 52, 68). And more immediately, "it served the leaders of the Second *Aliya* as the tool for the cooptation of the third wave (1918–23) of immigrants" (p. 193). With this new structure, the Achdut Haavodah leaders rapidly extended their influence. Shapiro estimates that by 1922, the Histadrut had enlisted half of the Jewish laborers in Palestine; by 1926, the proportion who were members had risen to 70 percent (p. 78).

Once the Histadrut had been created, the attention of its organizers shifted to the creation and organization of subsidiaries that could provide its members with employment. Many Histadrut members were employed in building and public works projects that were organized by a subsidiary that later came to be known as Solel Boneh. Many others received funding or employment from the Workers' Bank, known in Hebrew as the Bank Hapoalim. Each

of these organizations quickly became a large and semiautonomous bureaucracy in its own right. In order to establish more effective centralized coordination over these activities, the Histadrut put all of them under the control of a new economic subsidiary, the Chevrat Ovdim, in February of 1923.

The formation of the Chevrat Ovdim was not only a response to internal control problems within the Histadrut, but also reflected a political and ideological preference by many Achdut Haavodah leaders for collective and centralized forms of ownership. This preference was encouraged by the Russian Jewish immigrants who comprised the bulk of the Third Aliyah, and whose socialist fervor had been stirred by the Russian Revolution of October 1917 (Shapira, 1984, 1989). Upon returning to Palestine from a trip to Russia in 1921, Ben-Gurion himself called for "the creation of a general commune with military discipline of all laborers in Eretz Israel" (Shapiro, 1976, p. 58). Ben-Gurion explained at the time,

If we decide just on paper that the public must obey our orders, it will remain ineffective so long as the economic state of affairs does not bind the people . . . and this will be possible only if we create one collective economy. . . . How else are we going to enforce discipline unless we control the economy (Shapiro, 1976, p. 57)?

This goal of imposing military discipline throughout the economy was taken literally by a group of Third Aliyah immigrants that organized itself as the Gedud Haavodah, or Labor Battalion, in August of 1920. These new immigrants from Russia were followers of Joseph Trumpeldor, a former soldier who had served with distinction in both the Czarist and British armies. Although Trumpeldor himself had died in defense of the settlement at Tel Hai in February of 1920, the new labor battalion was named in his honor. The Gedud's founders were looking for organizational models that could both absorb mass immigration and make an immediate contribution to the building of socialism in Palestine, and the idea of forming "labor battalions" appeared to meet their needs on both counts (Shapira, 1984).

In the beginning the members of the Gedud supported themselves with contracts for road building work. They were able to increase the scale and importance of their activities dramatically when the Zionist Congress authorized the establishment of the



largest kibbutz yet attempted on newly acquired land in the Jezreel Valley in 1921. The collective agricultural settlements that had been organized until that time were small, intimate, and selective groups known in Hebrew as kvutzot, or communes. The new "large kvutzah" that the Gedud would establish at Ein Harod was seen as a key to the further growth of the kibbutz as an institution and to the absorption of mass immigration. It was hoped that the new large kvutzah would have many economic advantages over the smaller kvutzot, including economies of scale and the ability to combine both agricultural and industrial activities in the same undertaking; but the main attraction, according to Shapira, "would lie in its non-selective absorption of immigrants" (1984, p. 67).

In 1921 and 1922, the Gedud's struggle to create large kvutzot at Ein Harod and in nearby Tel Yosef "enjoyed great prestige in the labour movement and was recognized as its vanguard" (Shapira, 1984, p. 68). Its leaders threatened to displace the Achdut Haavodah as the most important political force in the Histadrut. While the Achdut Haavodah managed to retain control of the Histadrut, Shapiro reports that the power struggle between the Histadrut and the Gedud "was the main event in the life of the labor movement in Palestine during 1922 and 1923" (1976, p. 105).

By co-opting part of the Gedud's program, and aggressively attacking the rest, the Achdut Haavodah leadership gradually managed to beat back its challenge. At its Second Convention in 1923, the Histadrut formally approved the formation of labor battalions, but at the same time authorized the formation of the Chevrat Ovdim. The Chevrat Ovdim supplanted the Gedud as a collective organizer of road building, construction, and other such work, without attempting to pay all workers equally out of the "common purse," as was advocated by the Gedud and the many smaller urban workers' communes of that time (Sussman, 1969; Shapira, 1984). In 1923, the Gedud leaders were persuaded to allow Kibbutz Ein Harod to leave the Gedud, while the neighboring Kibbutz Tel Yosef remained in the Gedud. Under the leadership of Joseph Tabenkin, the kibbutz at Ein Harod quickly gained the Achdut Haavodah's blessing as the nucleus of a new movement of larger, more centralized, and more closely federated kibbutzim.

While the assets of the kibbutzim at Ein Harod and Tel Yosef were being divided, an incident occurred that was to acquire great significance because of what it symbolized about the new political economy that was then emerging in the Yishuv. Although the

Gedud loyalists in Tel Yosef outnumbered the departing members going to Ein Harod by better than two to one, the formal terms of the separation agreement called for an equal division of assets between the two. Many members of Tel Yosef considered this unfair and began to help themselves to all the livestock and farm equipment at Ein Harod that they could get their hands on. On June 6, 1923, the Histadrut sent Tel Yosef an ultimatum, threatening that all Histadrut institutions would immediately "sever" their relations with Tel Yosef if the disputed property was not immediately returned. When the Tel Yosef assembly sent an equivocal reply, Ben-Gurion sent out letters to all Histadrut institutions on June 10 instructing them to break their ties with Tel Yosef. This left Tel Yosef without flour for its kitchen, without cash or credit, and potentially without access to the medical services provided by the Histadrut's Kupat Cholim, or Sick Fund. While these orders were soon rescinded, they sent a shock throughout the Yishuv. Ben-Gurion's biographer Shabtai Teveth writes that for Ben-Gurion personally, this affair would make his reputation as "a man of force" (1987, p. 219). Shapiro agrees that "During their fight with the Gedud, the Histadrut leaders acquired an image of tough leaders who demanded obedience and would not hesitate to use their economic power to secure compliance" (1976, p. 119).

To make the Histadrut's control over the labor economy more complete, new arrangements were soon sought that could more effectively subordinate the agricultural settlements to the Chevrat Ovdim. These included not only the kibbutzim, but also the more individualistic moshavim. The first moshavim were formed only in 1921, but already by 1922, their population exceeded that of the kibbutzim (Shapiro, 1976, p. 102). As had been the case with the kibbutzim, the birth of the moshavim reflected a mix of ideology and improvisation. Many of the first moshavniks had been influenced by the individualistic philosophy of Eliezer Jaffe of the nonsocialist workers' party Hapoel Hatzair; others were former kibbutzniks who, as Kellerman (1993, p. 52) has noted, merely sought a "socially less challenging" way of life than the kibbutz had permitted, with more scope for personal independence and autonomous family life.

The individual members of the kibbutzim and moshavim had been accepted as members of the Histadrut from the time of its formation; the cooperative nature of these settlements permitted the Histadrut to think of their members as workers rather than as capi-

talist farmers. But many Achdut Haavodah leaders remained wary of the farmers' independence. Ben-Gurion was concerned, for example, that "The settlers of a moshav . . . pursue their own interests instead of being guided by an overall national plan" (Shapiro, 1976, p. 56). He felt that even the kibbutzim, if left to themselves, would end up "in each being 'ruled by itself and for itself'" (Shapiro, 1976, p. 56).

Shapiro reports that Ben-Gurion was convinced that the Histadrut could not continue to rely indefinitely on "moral precepts" to preserve the unity of the workers' movement: "One also needs legal authority to force traitors" (1976, p. 134). The solution adopted in the case of the kibbutzim and moshavim was the creation of another Chevrat Ovdim subsidiary, Nir, that would become the legal owner of all of these settlements. Thus while the Jewish National Fund would continue to own the land on which the settlements were located, Nir would become the owner of their movable assets and would also become the sole conduit for all future aid from the WZO.

It was not easy to persuade all the settlers to sign over all their assets to this new Histadrut body. After lengthy negotiations, it was agreed that the Histadrut Central Committee would receive only 41 percent of the founder shares in the Nir cooperative, not the 50 percent that the Histadrut had initially proposed. But with this change, the Organization of Agricultural Laborers approved the proposal at its convention that met early in 1926. According to Shapiro, it was the Histadrut leaders' appeals to the values and ideology of the agricultural workers that were decisive in inducing them to take this step: "The principal of the collectivity over the egoistic wishes of individuals, of public over private interest, was most persuasive" (1976, p. 133).

Such ideological appeals were also useful to the Histadrut leadership in their dealings with the WZO. The creators of the Histadrut and the Chevrat Ovdim were extremely dependent on the WZO not only for funding, but also for keeping up the flow of new immigrants into their projects, as the League of Nations had given to the WZO control over the certificates that permitted entry into Palestine. Shapiro reports that "To enlist the support of the WZO, the labor leaders had to impress upon the Zionist leaders that by helping the laborers, they helped the Zionist cause. This use of Zionist ideology was known as 'the appeal to the national conscience'" (1976, p. 74).

The WZO was responsive to such appeals, because its goal was immigration, and it could see that the Histadrut was both representing the interests and capturing the imaginations of the idealistic young immigrants. Shapiro reports that "The leaders of the Zionist movement slowly accepted the claim of the laborers that only their interests were in accord with the national interest, while the economic interests of private property were in conflict with the national interest" (1976, p. 13). The Jewish capitalist farmers' tendencies to hire Arab labor had tarnished their image not only among the Jewish workers, but in the eyes of the WZO as well: "The immediate need to supply work to the laborers, and the farmers' refusal to employ them, was considered a selfish act and a neglect of their Zionist duties" (Shapiro, 1976, p. 13). Thus many WZO leaders themselves began to see merits in the Histadrut's preference for collectively owned projects. Here, for example, is how Chaim Weizmann defended it:

The halutz must know that when he builds the Rutleberg project [the new electric power plants] or the roads, that he will build it in such a way that not a ha'penny goes into the pocket of a private person, but into the pocket of the nation (Shapiro, 1976, p. 73).

Not all the WZO leaders were as enthusiastic in their support for the labor-owned economy as Weizmann. Some, like Louis Brandeis of the United States, continued to advocate support for more capitalist projects (Kimmerling, 1983, pp. 19–20). To avoid a breach in the movement and to ensure an uninterrupted flow of aid, the Histadrut leaders had to permit the continued development of a Jewish capitalist sector, which is the root of the mixed economy that one finds in Israel today. So relations between the Histadrut and the WZO required compromises on both sides. Michael Shalev has pithily characterized their relationship as an alliance between "a settlement movement without settlers" and "a workers' movement without work" (1990, p. 89).

This alliance between the WZO and the labor leaders in Palestine was further cemented in the 1930s, after Achdut Haavodah and Hapoel Hatzair had merged to form the Labor Party, or Mapai, in 1930. This Labor Party would dominate the politics of Jewish Palestine and later Israel for more than forty years, until the Likud electoral victory of 1977. With the help of its overseas allies,