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The Histadrut Economy of Israel: In Search of Criteria

Ephraim Kleiman

The terms 'Histadrut economy' and 'labor sector' are used in Israel to designate that sector of the economy which relates ideologically or organizationally to the General Federation of Labor in Israel, the Histadrut, and which is associated, though sometimes rather loosely, with the *Hevrat Ha'Ovdim* holding company. In fact, this definition covers several groups of economic entities differing from each other both in their objectives and their modes of operation. At one end of the scale, that closest to the private economic enterprise, are the *moshavim*, smallholders' settlements. At the other end, nearest to the accepted definition of public - i.e., governmental - enterprises, are agencies providing social services, the most prominent being Kupat Holim, the Workers' Sick Fund. Somewhere in between are the conventional cooperative frameworks, both of consumers and of producers. But *Hevrat Ha'Ovdim* also includes two types of economic organizations unique - at least in their size and number - to Israeli society: the kibbutz collectives on the one hand and the Histadrut enterprises, i.e., firms and agencies owned outright by the Histadrut, on the other hand. Because of this variety of organizational types, it is difficult to speak of the achievements and problems of the Histadrut economy as a whole. It follows from the special character of the kibbutz that its achievements cannot be measured by the same yardstick as those of, say, Kupat Holim; nor can the latter be compared to the achievements of Bank HaPoalim

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(Workers' Bank). Our discussion will concentrate mainly on the entrepreneurial segment of the Histadrut economy which includes the Koor industrial complex, the Solel Boneh and Shikun Ovdim construction companies, the financial agencies of Bank HaPoalim, and so forth. However, some of it will also be relevant to such enterprises as Tnuva (which markets the agricultural produce of Histadrut-affiliated settlements) and kibbutz industries.

Since the entrepreneurial segment of the Histadrut economy belongs at least formally to the Histadrut through its ownership of Hevrat Ha'Ovdim, the basis of the discussion will be the welfare of the former's membership as a whole. Class struggle still goes on, though the form it assumes today may differ from those in the past. Thus, the achievement of national objectives, however desirable, cannot be automatically equated with working-class gains, except in those cases when national and class goals coincide. This postulate may need some further elaboration, but I hope that it will become clear later in the course of this discussion. For the time being, without going into detail here, suffice it to reiterate unequivocally that the Histadrut enterprises have made important contributions towards the achievement of national objectives. Our main interest is to try and establish what were its past, and what should be its future achievements from the point of view of the working class.

Working-Class Capitalism in the Pre-State Period

The Histadrut entrepreneurial economy was the product of a combination of conditions prevailing in what was then Palestine during the early period of British rule. Capital-lacking immigration created a demand for jobs in an underdeveloped economy already plagued by an excess supply of labor. However, the resultant need for accelerated economic growth could not be accommodated by the passive policy of the Mandatory administration, which did not consider the encouragement of growth as part of the government's duties. Under these circumstances, a decisive role was played by the presence, among the immigrants of the Third Aliyah [the third wave of Zionist immigration, 1919-1923], of entrepreneurial talents, whose ideological and social commitments inhibited them from applying themselves to private profit making. Important also was the fact that, though the World Zionist Organization was willing to subsidize activities which would enhance the economic absorptive capacity of the country, it could only earmark meager funds for that purpose.

Private savings during this period accounted for only a minimal portion of the investment needed to provide the required employment. And unlike in later days, capital-less entrepreneurs were unable to avail themselves of the huge stream of public capital imports, like that which made possible the rapid economic development of the post-1948 period. Unable to secure loans, they could

only expand their investments out of profits earned in their business activities. Under these conditions - which, in effect, prevailed to the end of the Mandate period - capital accumulation became the primary immediate objective of the Histadrut economy. When the problem of unemployment was finally solved after the outbreak of the Second World War, capital accumulation even replaced the Histadrut economy's ultimate aim, the provision of jobs, which accumulation was intended to serve in the first instance. An initial setback - the 1927 bankruptcy of its Solel Boneh contracting company - became a traumatic memory for the leaders of the Histadrut economy, instilling in them the awareness of the need for sufficient own capital resources as a necessary condition for its existence.

Capital accumulation reached new dimensions during the Second World War. Handsome profits, to say the least, were earned from construction projects carried out for British forces throughout the Middle East. Lacking other investment opportunities - and perhaps also with some foresight - these profits were used to acquire ownership of failing industrial plants, which wartime demand soon made profitable and turned into a source of further capital accumulation. Paradoxically, perhaps, the primary role of Hevrat Ha'Ovdim prior to the establishment of the State of Israel, both in intent and in result, was par excellence capitalistic - capital accumulation in order to make possible the further accumulation of capital. In fact, this is less of a paradox than it may seem at first: despite the tendency, prevalent in certain circles today, towards idealization of pre-capitalistic lifestyles, there is no doubt that capital accumulation can provide the worker - potentially, at least - with a higher standard of living than is possible in its absence. The Soviet five-year plans, which left their mark on Western social-democratic thought between the two world wars, were an attempt to achieve capitalistic results while replacing the traditional private property motivation by state compulsion. Not by chance was this model adopted later also by the étatist regime in Turkey, which resorted to using it, not because of its opposition to private enterprise, but because such enterprise was non-existent there. In the absence of private capital formation, or alternatively - as was the case in Eretz Israel - of capital accumulation by the government, the Histadrut sector had no choice but to appropriate to itself the traditional role of the capitalistic entrepreneur.

Labor ownership of the means of production in a framework that is not a producer cooperative or a kibbutz is pregnant with unavoidable contradictions. The main one stems ultimately from the conflict of interests between labor and capital. The value added in production is divided between wages and profits, and the greater the share of the one, the smaller - at least in the immediate present - is that left for the other. Even when profits belong to the workers, as in the case of producer cooperatives, there still remains the contradiction between the alternative possible uses of the profits, i.e., be-

tween their use for consumption and their use for investment in expanding productive capacity. In other words, capital formation in itself constitutes the object of the conflict between present and future consumption. This antagonism is less obvious in the case of private or cooperative ownership, in that the future consumption is that of the present owners themselves or their descendants.

Not so in the Histadrut economy, which theoretically is owned by the entire working class, whether employed in the labor sector or not. Here foregoing consumable wages in favor of investable profits does not automatically guarantee higher consumption in the future for those presently employed in the Histadrut economy, so that the conflict between labor and capital, and between consumption and accumulation, remains unsolved. To this we must add another contradiction, that between the producers' interests of those employed in workers' enterprises and the consumer interests of the working class as a whole: the exploitation of monopoly positions increases the value added from which the wages of the former are paid. But, by raising prices, at the same time it also reduces the real income of all consumers. Thus, monopolistic restrictions of production raise the wages of employees in the Histadrut sector at the expense of the rest of the working class.

During the pre-state period, the Histadrut economy succeeded, if not to resolve these contradictions, at least to reduce the resultant antagonisms. This was made possible, in no small part, by the widespread recognition – especially among the workers – that without economic growth which would raise the country's economic absorption capacity, Zionist aspirations would be unattainable. As a result, the development and welfare of the Histadrut economy came to be equated with those of the Jewish 'state-in-the-making'. This was, perhaps, enhanced further by the small size of the labor sector of the economy, which enabled a relatively wide stratum of its employees – such as the so-called 'regulars' of Solel Boneh – to completely identify themselves with their place of work. However, these conditions were insufficient to solve the basic contradictions themselves, which surfaced anew from time to time. From the very outset, the Histadrut enterprises were faced with opposing demands: that their profits, instead of being reinvested in expansion, be placed at the disposal of the entire working class through the agency of the Histadrut; or, on the contrary, that they be divided among employees of its enterprises. As the Histadrut economy expanded, so grew its alienation from its employees. With the first strike in the Koor plants, in 1946, it became clear that insofar as labor relations were concerned the so-called workers' enterprises did not significantly differ from private ones.

The establishment of the State of Israel fundamentally changed the conditions under which the Histadrut economy operated, and neutralized some of its uniqueness. It was not that the need for rapid economic growth had vanished. On the contrary, the absorp-

tion of mass immigration in the early years of statehood required enormous investments and entrepreneurial initiative on an unprecedented scale. But now, it was the sovereign state which regarded accelerated economic development as one of its objectives: the Israeli government – unlike its foreign, colonialist predecessor – did not refrain from intervening massively in the economy and from playing a most active role both in capital formation and in its allocation. The huge public capital imports which have characterized the Israel economy from its inception flowed through governmental channels as did much of the capital raised domestically. Government development budgets overshadowed the capital accumulation of the Histadrut economy. Because of the availability of development funds, the extent of the Histadrut's investments no longer depended on the size of its profits, and the role of the labor sector's investments in the country's economic growth was now much reduced. Before we proceed to survey the development of the Histadrut economy since 1948, we should, therefore, inquire what other objectives this economy was supposed to, or could have, served.

Why a Histadrut Economy?

The stated objective of the Histadrut economy was, and still is, job-provision. Could there be a more appropriate target for workers' initiative than the creation of permanent employment, which would free the individual from the caprices of the market, protect his dignity and preserve – possibly even assure a steady rise in – his living standards? This was the primary objective and the not inconsiderable achievement of the earliest organizations – such as the Bureau of Public and Construction Works – founded over sixty years ago, from which the contemporary entrepreneurial sector of Hevrat Ha'Ovdim ultimately evolved. However, their achievements were largely due to the fact that organized Jewish labor, whose interests they were intended to serve, constituted at that time only a small proportion of the country's total labor force. In fact, the term used in those days, 'work-conquest', indicates that the provision of jobs for Jewish workers was expected to be achieved, at least in part, at the expense of the Arab population. The work-conquest policy had the added advantage (as I wrote some twenty years ago) of 'preventing the creation at the time of a colonial situation in which ethnic and class divisions coincide' (which sounds rather ironic in view of the place non-Israeli Arab labor came to occupy in the Israel economy after 1967).

Despite the growth of its material resources relative to pre-state days, the Histadrut economy can no longer play the same role in ensuring a high overall level of employment, especially given a government pursuing an active employment policy. A government which is authorized to levy taxes, and print money, and can obtain capital transfers from abroad, is placed in an incomparably strong-

er position to regulate employment than any non-governmental entity. Except in the case of giant multinational companies operating in very small economies, any non-governmental organization trying to pursue a macroeconomic employment policy opposed to that of the government will soon find itself bankrupt. The regulation of the general level of economic activity, which determines the level of employment, is, thus, no longer within the scope of objectives to which the Histadrut economy can aspire.

In contrast to the helplessness of the Histadrut economy in the face of governmental economic policy, it is not necessarily inferior in relation to private, i.e., other non-governmental organizations. This could enable it to serve the interests of labor in two different spheres: that of the price and quality of the goods labor consumes, and that of the remuneration which it receives, and the conditions under which it toils. A small economy which encourages economic development by protecting local production from foreign competition, as was the case in Israel, provides fertile ground for the growth of monopolies, and of restrictive-practice agreements among its producers. With few exceptions, this results in higher prices and the consequent lowering of the standard of living of all consumers, of which labor forms the overwhelming majority. Moreover, since monopolies and cartels can raise their prices only through restricting output, their activities also reduce employment. When labor unions own productive enterprises, they can decide to militate against such restriction of production, both by obstructing the formation of cartels by refusing to join them, and by the demolition of monopoly power, through the establishment of plants which would compete with private monopolies. Obviously, such tactics are also open to non-labor-owned enterprises, if they are large enough. But not only will such action not serve any interests of their owners, it will actually be diametrically opposed to their primary motive of profit making. With the exception of consumers' cooperatives, the Histadrut economy is thus unique in that campaigning against monopolistic practices serves the interests of its owners. Similarly, the Histadrut economy can influence wages and working conditions in the private sector, especially in those industries where this economy accounts for a high share of employment. Again, the same may be done by private enterprises with similarly high employment shares. But whereas achieving better wages and working conditions is in the direct interest of the ultimate owners of the workers' enterprises, it clashes with those of the owners of private firms. The Histadrut enterprises, then, are also unique in that they can supplement and reinforce the trade unions' struggle for higher wages.

Labor market competition is not limited to wages. Industrial production, especially in what is commonly termed 'heavy industry', tends to be highly hierarchic: there are those who give orders and those who carry them out. This is due in part to the very nature of

the production process; but it also reflects, as well as reinforces, the class differences between the owner-manager class and that of wage-earning workers. Unlike private owners, the Histadrut ownership is not interested in class differentiation *per se*. Since profits are not the only motive of Histadrut enterprises, they can experiment with alternative patterns of production which lessen alienation and boredom, such as work in task forces rather than on assembly lines. Thus another unique contribution of the Histadrut economy could be the development and introduction of innovative production processes, which would be socially superior to those presently available.

The possible benefits of the Histadrut economy to the working class as a whole, discussed so far, are those attainable at the expense of profits. Its ability to provide them depends, then, on its potential, if not even actual, profitability. Any attempt to provide such benefits beyond the limits set by profitability, may lead ultimately to the liquidation of the Histadrut's enterprises. Serious attention must be paid, therefore, to the claim that the Histadrut economy, along with lines accepted by consumer cooperatives throughout the world, must be run exactly like any other business enterprise, and that its uniqueness should be expressed only in the uses to which its profits are put. The notion that profits of publicly-owned enterprises should be distributed among the whole membership of a community or an organization is not novel, nor is it limited to labor-owned enterprise. It was a main tenet of 'social credit' parties in Western countries in the past; and it is applied today in a number of countries to state, or local authority, revenues from natural resources, or from concessions granted by them, and sometimes even from business enterprises which have come, one way or another, to be owned by the government. Generally, such profit sharing takes the form of reductions in the tax burden of the benefiting public, or of the expansion of the public services available to them. But straight cash handouts are not unknown: the state government of Alaska, for example, distributed some of its income from petroleum royalties in 1983 as a uniform monetary grant to all its residents.

Under the conditions prevailing in Israel, the profits of the Histadrut enterprises could have been placed at the disposal of the whole working class in a variety of ways: they could have been transferred to the Histadrut itself, as the ultimate shareholder of *Hevrat Ha'Ovdim*, to be used as it saw fit (including reinvestment). Alternatively, these profits could have been earmarked for specific Histadrut purposes - for example, the financing of health, cultural and educational services - the outlays on which would have then become conditional on the profitability of the labor-owned enterprises.

Lastly, the Histadrut economy could serve the political interests of the working class in those areas in which there exists a broad consensus of opinion among Histadrut members. Moreover, the very

concentration of economic power also confers political power, the desires and aspirations of the holders of which no government can afford to disregard. In the inter-party political struggle, the ownership or control of business enterprises provides an outstanding advantage in terms of the spoils, especially preferential employment, which can be handed out as a prize for loyalty, or can be withheld, as a punishment, from those who refuse to toe the line.

To summarize, the uniqueness of the Histadrut economy in Israel since statehood could have expressed itself in the following ways:

- Provision of financial resources to the Histadrut, earmarked for its general activities, or for specific activities which enhance the welfare of its membership in general.
- Action against monopolies and cartels in order to reduce prices and raise the quality of consumer goods, thus raising the real value of wages.
- Adoption of a wage policy which would compel the private sector to follow suit and increase labor's remuneration.
- Introduction of technically and managerially innovative production processes to reduce the alienation associated with most modern modes of production.
- Financial and organizational support for political parties representing the working class.

From 1948 to the Political Turnover of 1977

When we come to examine whether, and to what extent, the Histadrut economy achieved the objectives listed above, we ought to distinguish between the years between May 1948 and May 1977, and the period following the political turnover of May 1977. During its first twenty-nine years, Israel was governed by what are commonly acknowledged as labor parties, in their various permutations. These parties, which originated within the organized working class during the Mandate period, constituted the central and leading factor in government, and at the same time also dominated the Histadrut in its dual role as a trade union and as the owner of economic enterprises. Despite differences in emphasis resulting from the role of each of these entities, the leadership of all three represented the same social ideals and the same political stances and considered all three as extensions of one and the same political framework. Though for many years the political leadership was identified with members of the Second Aliyah (1904-1914), while the Third Aliyah provided the vanguard of the Histadrut, there was no sharp differentiation between them as both groups worked in harmony. A number of former Histadrut Secretaries-General became members of the Cabinet, and two former Cabinet Ministers became Secretaries-General of the Histadrut. The early years were even marked by a very unclear delineation of responsibilities so that the welfare of the Histadrut enterprises tended to be identified,

almost by definition, with the welfare of the state; some time would pass before the personalities involved would be able to differentiate between state policy and Histadrut policy. For many years the Secretary-General of the Histadrut, though not a member of the Cabinet, was a member of *Havereinu* (literally, 'our comrades') - the small committee of decision-makers in the government and the state. Only during the terms of two Secretaries-General, Pinhas Lavon in the late fifties and Yitzhak Ben-Aharon in the early seventies, did public clashes become unavoidable: in Lavon's case, with the managers of the more important Histadrut enterprises; in Ben-Aharon's, with the government, personified by the then Minister of Finance. Most of the time, the power struggles tended to be internal and, ultimately, between very unequal combatants, for from the establishment of Israel working-class interests were subordinated to those of the state. As a result, the Histadrut lost much of its stature, and was also weakened in relation to the managers of the workers' enterprises.

It was only natural that once Israel was established as a sovereign state, its government would come to dominate the country's economic scene. It is the government that has the ability and the obligation to look after economic activity. Under the special Israeli circumstances, it is also the government who raises the funds, both foreign and domestic, for development projects. For what were mainly historical reasons, some basic welfare services continued to be provided by the Histadrut, in the form of the pension funds administered by it and of the Kupat Holim Sick Fund. At the same time, the fact that the same political group ruled both the government and the Histadrut restricted the latter's freedom of action as a labor union. It would not be an exaggeration to say that the government envisaged the Histadrut as being responsible, first and foremost, for ensuring industrial peace and for securing the workers' support, or at least acquiescence, in the government's economic policy. In this view, the managerial sector of the Histadrut economy was relegated to playing only an entrepreneurial role in economic development. A regime that tends towards massive direct intervention in the economy finds it convenient to deal with large, centralized economic entities that necessitate negotiations with a relatively small number of persons. Especially so, when profits are not the only incentive for this entity and when it can also be enlisted in the name of national and class interests. For a long time the country's other economic units were too small to meet its development needs. The very size of the Histadrut economy and the professional and managerial experience it had gained over the years enabled it to undertake development projects that other firms could not even dream about. Its size also enabled cross-subsidizing between its different enterprises, thereby loosening the connection between investment and the return on it: the losses of unprofitable plants whose establishment or location were dictated by national or party

needs could be covered by increased profits from other transactions with the government.

As already noted, Israel's statehood detracted from the Histadrut economy's unique position in capital accumulation. It continued to reinvest its profits, but its role in the capital formation of the Israel economy as a whole was now greatly diminished. Moreover, even though the exact figures are not available, it can be said that thanks to government development budgets, the Histadrut economy's investments greatly exceeded its own capital formation. Its role in the country's economic growth was now more of a purely entrepreneurial rather than capitalistic nature. Even in this it no longer remained unique, as large private economic enterprises appeared on the scene, encouraged by generous government financing. To evaluate the achievements of the Histadrut economy in this period, we must examine the other possible objectives it could have set itself.

The entrepreneurial sector of the Histadrut never considered itself obligated to finance the Histadrut's other activities. 'Profit distribution contradicted the spirit of our undertaking', wrote the founder of Solel Boneh, Hillel Dan, in his autobiography;¹ profits 'had only one purpose - expansion and acquisition of further assets'. As late as July 1980, the governing council of Hevrat Ha'Ovdim decreed that 'two-thirds of the disposable profits of Hevrat Ha'Ovdim are earmarked for expansion of its incorporated capital and resources, and for the growth of its infrastructure...and one-third for profit-sharing among the workers', the latter not to exceed 10 per cent of total wage payments. The sums it transferred to the Executive Committee of the Histadrut were infinitesimal, both in comparison to its profits and to the needs of the Histadrut, and were actually payments for administrative services rendered to it by the parent body. Lacking reliable data on these payments (which, by itself, tends to suggest that they were insubstantial), we must accept at face value the statement by its former Secretary-General that 'the Histadrut economy is not meant to finance the activities of the labor union, or of Kupat Holim, or any political action whatsoever...the only sums transferred by the Histadrut economy to the Executive Committee's budget are meant to finance its own needs - to cover the office expenses of Hevrat Ha'Ovdim and those of the Histadrut comptroller in his capacity as comptroller of the workers' enterprises' (Yeruham Meshel in *Migvan* 7, June 1976). Even these sums seem to have been begrudged by the managers of these enterprises: 'About 12 per cent of the budget of the Executive Committee comes from the Histadrut economy... One can say with full responsibility, that even if the Histadrut should operate its economy only for this purpose - that would suffice' (Meir Amit in *Ma'ariv*, June 8, 1973).

As Meshel's statement shows, over the years the Histadrut leader-

¹ Hillel Dan, *BeDerech Lo Selulah* (Unpaved Road), Tel Aviv (Schocken) 1963, p. 34.

ship abandoned its attempts to control the profits of its enterprises. Relinquishing such sums was probably made easier by the availability of government funds placed at the Histadrut's disposal by successive labor cabinets, to finance its social services, such as health programs. One could go further and argue that in the final account, it was the labor unions who financed the workers' enterprises by letting them tap the Histadrut's pension funds.

The branches of industry in which the Histadrut sector started out as a manufacturer were chosen to meet the needs of its contracting companies, which aspired to self-sufficiency in the supply of construction and road-making materials. But one can also discern here the influence of the Soviet development model, which gave precedence to heavy industry, complementing the emphasis on physical capital accumulation as contrasted to consumption. To this should be added the view that whereas the development of light industries, with their small plants, could be left to the private sector, only the Histadrut could take upon itself the establishment of heavy industries whose technology demands, on the whole, large-scale plants. It is true that with the growth of the economy, the private sector lost much of its family-business character, and did develop large, heavy industry plants. The opposite process, however, did not occur in the Histadrut economy. At the beginning of the present decade, 55 per cent of Koor employees were concentrated in three industries - non-metallic minerals, electric and electronic products, and basic metals - as compared with only 14 per cent employed in these three industries out of the total labor force engaged in Israel's manufacturing, exclusive of diamond polishing.

The heavy industry character of the Histadrut economy prevented an open clash between its interests as a producer and those of the working class as consumers. The prices of construction steel, machinery, or building materials affect consumers only indirectly, via the prices of the goods in the production of which they serve as inputs. Consequently, the results of monopolistic output restrictions in heavy industries are less clearly noticed by consumers and, what is more important, are less easily traced to their sources, than those in consumer-oriented industries. But in protecting itself in this way against conflicts with its constituency, the Histadrut economy also missed the opportunity to promote the welfare of the working class as a whole. The fragmentary evidence available indicates that when faced by the need to choose between the welfare of the consumer and the profitability of its own enterprises, the Histadrut economy tended to prefer the latter. As cases in point: the food-industry sector of Koor did not hesitate to have its Shemen concern join the cartel of private producers of edible oils; and when it had the chance to prevent the formation of a monopoly in the chocolate and sweets industry, by acquiring control of one of the two surviving firms there, it refrained from doing so, and allowed this firm to be swallowed up by its only remaining competitor.

It should be noted that this attitude of the Histadrut's managerial enterprises is part of a more comprehensive philosophy which characterized the Histadrut economy as a whole, and even its labor unions. Generally speaking, the Histadrut tended to give precedence to the interests of specific groups of workers as producers over those of the working class as a whole as consumers. It was employment and wages, and not control over price and quality of output, which determined the Histadrut's attitude to the organization of production and marketing. As the owner of business enterprises, both self-administered and managerial, the Histadrut generally supported a customs tariff policy which protected local firms and employees from foreign competition, but at the same time harmed workers in their capacity as consumers. Moreover, the destruction of agricultural produce in order to maintain or enhance its price - is carried out in Israel by produce-marketing boards controlled by organizations identified with the Histadrut. The Histadrut's helplessness - if not outright unwillingness - to protect the consumer is one of the undesirable by-products of its ownership of a business sector of its own.

It is customary to point to the wage level in the Histadrut economy, which exceeds the national average, especially in manufacturing, as one of its achievements. However, this does not necessarily mean that it exerts a leading influence on the labor market. Among the factors which determine wages are industry and size of plant: wages in steel mills are generally higher than those in the food-processing industry; and for reasons as yet not satisfactorily clarified, larger plants all over the world pay higher wages than smaller ones. If we take into consideration the industry structure of the Histadrut economy, as described above, and the plant sizes associated with it, the wage advantage of its enterprises is no longer so impressive. In the absence of more recent findings, we quote here the results which the Histadrut's own Institute for Economic Research reported for the early 1960s. These have shown that while the average wage in Histadrut-owned industrial plants was, at the time, 30 per cent higher than the national average for manufacturing, standardizing the figures for the size of the former reduced this differential to only 10 per cent (*Histadrut Yearbook*, 1963, pp. 583-584). It seems also that the gross wage differential itself decreased over the years, amounting to no more than 17 per cent by the beginning of the 1970s. It is conceivable that if this last figure were to be adjusted, to allow for industry and plant-size effects, the seeming advantage of employment in the Histadrut sector, at least as far as wages are concerned, would have been found to be non-existent.

To show just how much the top executives of the Histadrut economy believed that it could provide leverage in raising the national wage level, we quote Mr. Meir Amit, who was at the time Director-

General of Koor Industries:

A Histadrut which owns economic enterprises is a more responsible body. It moderates the demands and claims of the labor unions... Only someone conversant with the give-and-take of the various price- and income-policy package-deal negotiations can realize what Israel gains because the Histadrut is also the owner of *Hevrat Ha'Ovdim*. (*Ma'ariv*, June 8, 1973.)

True, this was written before the 'political turnover' of 1977, at a time when government and Histadrut leaderships held the same political allegiance; moreover, it cannot be denied that during an economic downturn, for example, wage restraint may prevent unemployment, serving thereby the class interests with which the Histadrut is entrusted. But it would also seem, from the tenor of Amit's statement, that at least as far as its attitude to wage levels is concerned, the Histadrut economy does not substantially differ from private industry.

Over the last decade, the Histadrut did experiment, albeit somewhat marginally, with profit- and even management-sharing schemes for its employees. It is still too early to evaluate these attempts. But they do not seem to have exceeded the bounds of what is routinely experimented with in other countries, and can hardly be expected to lead to the introduction of the alternative social patterns of production, which have been pointed out earlier as a potentially unique role of the Histadrut economy.

We must conclude, therefore, that the entrepreneurial sector of the Histadrut economy has not served most of the unique objectives enumerated at the end of the last section. It has not been a source of financial resources for the Histadrut; it has not stood up to monopolies and other restrictive practices; has not provided leadership in the labor market; and has not brought about any radical changes in the social organization of production. There remains still the question of its achievements as a source of political power. We may learn about the Histadrut economy's role in this sphere by surveying its behavior against the background of the political change which followed the electoral turnover of May 1977.

Histadrut Political Power Under the Likud Government

During the nineteen-fifties and sixties, when the loss of the working class's political dominance would have been regarded by many as the end of Israeli democracy, there were some who saw in the Histadrut economy the factor that could thwart any right-wing attempt to seize power or - though this was not stated openly - even achieve it by parliamentary means. It would seem that those who thought along these lines considered the Histadrut economy with all of its sectors as an organizational framework capable of replac-

ing the state's own ones, or even of opposing them. The long-term developments that led to the political turnover of May 1977 vitiating any chance of such a development, if only because the change in political attitudes that made possible the Likud's rise to power occurred also among the Histadrut membership, and even in the sector once considered to be its invincible bastion - the agricultural cooperatives and collectives. Thus, it would be a mistake to view the Histadrut economy's passive stance, by itself, as proof that it shirked its duty as a source of political power. However, there is evidence that even if Histadrut members were completely monolithic in their political views, the Histadrut economy would not have played a role in this political struggle. In order not to benefit by hindsight, I shall take the liberty of quoting something I wrote a year before the political turnover:

It is probable that should political power be transferred to right-wing parties, no confrontation will occur between the Histadrut economy and the new administration. The former could be expected to lie low and to justify its behavior by the need to guard the economic power entrusted to it; for this is a fundamental characteristic of economic power centers: that those who have amassed it are loath to jeopardize the power in their hands. ('Administered Enterprises or Workers' Enterprises', *Migvan*, 5, April, 1976.)

Actually, after the 1977 elections, the Histadrut economy became a hostage of the Histadrut's good behavior. The high level of government intervention in the Israel economy means that its ability to punish or reward exceeds that of any other economic entity in the country. Due to the preferential status which it enjoyed throughout the period when the Labor Party ran both the government and the Histadrut, the Histadrut economy developed a much higher dependence upon the government than other sectors of the economy. It became especially vulnerable to government arbitrariness in precisely that sphere in which it excelled in earlier years, namely capital accumulation. A threat to reduce the volume of state-controlled credits enjoyed by the agricultural settlements associated with the Histadrut, or to restrict the access of *Hevrat Ha'Ovdim* enterprises to the Histadrut's pension funds, to finance the formers' capital formation, are the means by which the government can bring pressure to bear upon the trade unions to moderate their opposition to the government's economic policy. Similar pressure can be applied, even more directly, through the government's financial support of *Kupat Holim*, not to mention the threat of nationalizing it within the framework of the proposed national health insurance legislation. Under the conditions prevailing after 1977, the fact that the Histadrut had its own economic sector served to restrict rather than to enhance its political freedom of action.

The one - possibly inadvertent - political achievement of the Histadrut economy was that of restricting the power of the Likud government to fulfill its desire of transferring an appreciable part of economic activity into private hands. It has already been noted that there were in the country no private firms capable of assuming the role which the Histadrut managerial enterprises played in Israel's economic development. The only alternative would have been state-owned industries. If the latter was the case, then the rise to power of a political group that believed in decreasing the extent of state ownership would have resulted, most probably, in an attempt to sell such government companies, whether to foreign investors or to local entrepreneurs. The very existence of a large economic sector which is neither privately-owned nor nationalized, prevented such action from taking place on a large scale. It also prevented, thereby, the rise in property ownership inequality in Israel, which would have resulted from such a large-scale privatization of public capital.

The experience of the past few years suggests that linkage between economic enterprises and political entities may be a double-edged sword, as far as the latter are concerned. We have already shown that the large-scale ownership of such enterprises, simultaneously with the power it confers on whoever controls it, also makes them vulnerable to governmental economic pressures. We should now add that just as the successes of economic firms will often be credited to the political bodies with which they are affiliated, so may be also their failures. The many years' political identity between the leaderships of the national government, the local authorities, the Histadrut and the workers' economy gave rise to a widespread feeling of enclosure and bitterness to be vented against the whole system, which is conceived, not without justice, to be one organic unit. What under other circumstances would have remained within the limits of ordinary complaints against dismissals in Koor, spoilt milk in a Tnuva dairy, or the misdemeanor of the manager of a cooperative supermarket, now take the form of a general grudge against the Histadrut and the political parties which control it. Symptomatic of this attitude is the following, not atypical, reaction to the stock market crisis of October 1983, when, in view of the sharp fall in prices, trading in bank shares had to be stopped: 'If they cannot guarantee the value of Bank Ha-Poalim stock, let them sell Tnuva'. Other reactions, which attributed the crash to stock manipulations by *kibbutzim*, laid the blame squarely at the door of the Labor Party. The Histadrut's economic power seems to have been transformed into a political liability.

The Need for an Ideological Clarification

Throughout its existence, the Histadrut economy saw itself unique in that it reinvested its profits rather than distribute them as divi-

dends. Even today, its leaders maintain that it is this which distinguishes it from the private sector for, in the words of a former head of *Hevrat Ha'Ovdim*, 'the common Israeli entrepreneur aspires to the realization of [profits on] his investment, not to [capital] accumulation' (Ephraim Reiner, 'Hevrat Ha'Ovdim: The Next Sixty Years', *Riv'on LeKalkala*, August 1983). In fact, this characteristic of the Histadrut's entrepreneurial sector places it in the same league with a type of business organization typical of developed capitalist economies. The scale of production in such economies often requires capital investments which exceed what any single capitalist, however large, can raise from his own resources. At the same time, sophisticated financial markets enable the individual investor to reduce his risks by dividing his investment among several companies. Thus, the ownership of many of the largest companies is spread over such a large number of shareholders, that no single one of them has any real influence on company policy. Such a company is, in effect, under the control of its paid managers, and is known, therefore, as the 'managerial firm'. These managers are not necessarily - and often not in fact - shareholders in the company, certainly not to any appreciable degree. They constitute part of the technocracy of capitalism. Whether because they gain satisfaction from action for its own sake, or because they wish to enhance their personal power, they have an interest in the expansion of the companies they head, i.e., in accumulating capital for growth. On the other hand, they have no interest whatsoever in paying dividends, except for the bare minimum necessary to keep the shareholders quiet. The latter are often powerless to change this policy unless they can form a majority which would demand the dismissal of the present directors and their replacement by new ones. Generally, the shareholders actually support this policy of the directors, whether in the hope that the reinvested profits will produce even greater profits in the future, or because of tax laws which discriminate in favor of capital gains on sale of stocks as against the dividends paid on them. (We should keep in mind that from the point of view of the company's capital accumulation - and, as a matter of fact, of the economy as a whole - the indirect realization of profits through the sale of stock has a different effect than their direct distribution as dividends.)

The Histadrut economy's perception of the uniqueness of its capital-accumulation role was formed at a time when the country's private sector was dominated by family-owned firms, and *Hevrat Ha'Ovdim* constituted in effect the only representative of 'big capital'. The views occasionally expressed by the heads of the Histadrut economy seem to suggest that the ordinary Israeli entrepreneur is simply not enough of a capitalist for their taste; and that if Israeli private capital were big-business, and not small-time capital, its privateness would not have been censured. Without going into questions of ideology, it should be pointed out that this view

of the private sector is no longer correct. Moreover, even before the establishment of *Hevrat Ha'Ovdim*, some business enterprises were not interested in distributing profits. Bank Leumi, the oldest and long the largest bank in Israel, differs from *Hevrat Ha'Ovdim* not in its attitude to capital accumulation, but in the identity of the body which controls it, theoretically the long defunct Jewish Colonial Trust founded by Theodor Herzl. In fact, the same governmental development budgets, and the same state initiatives which contributed so significantly to the expansion of the Histadrut-administered economy, nurtured also the growth of other managerial firms, such as Klal. What distinguishes *Hevrat Ha'Ovdim* from such firms is not the commitment to economic growth, but its sheer size.

The present Secretary of *Hevrat Ha'Ovdim* recently defined what he believes should be its objectives today: (a) economic development; (b) the strengthening of development areas (i.e., the economically backward regions settled for non-economic considerations in the early years of statehood); (c) 'influence over social processes in Israel society' (Danny Rosolio, 'Alive and Kicking', *loc. cit.*). His message was, that, in the wake of the political turnover, *Hevrat Ha'Ovdim* should become active in some of the areas which used to be regarded as being in the province of the government under the Labor administration. However, the truth is that *Hevrat Ha'Ovdim* is incapable of carrying out an independent anti-cyclical policy, and it cannot accelerate the rate of economic growth in Israel without, at the very least, the acquiescence of the government. Only with such support could *Hevrat Ha'Ovdim*, by virtue of its size, influence the general level of economic activity.

The absence of sovereign national frameworks in the early days of the Histadrut enterprises caused national and class interests to overlap to a great extent; both were consistent with the yardstick by which a managerial firm judges its performance - capital accumulation. But this identity of interests ceased, to all effects, with the establishment of the State of Israel. Today, after two terms of Likud administration and with the consensus regarding national aims pretty well shattered, the lack of identity between class and national interests is even more pronounced. Therefore, if *Hevrat Ha'Ovdim* is indeed to be a workers' economy, it must adopt as its primary objective precisely the one which its head relegated to third place - the shaping of Israeli society.

A shift in emphasis from national tasks to class-oriented ones is not a simple matter. For it not to remain just a pious wish, it requires a serious ideological reform, which can hardly be said to be in progress today. It will be difficult, because such social-policy objectives may clash with the traditional ones of *Hevrat Ha'Ovdim*, especially of its entrepreneurial sector. A case in point is the debate that arose - and soon abated - regarding the participation of the Solel Boneh and Shikun Ovdim [literally, 'Workers Housing'] construction com-

panies in housing projects in the politically controversial Jewish settlements east of the old armistice demarcation line. The real question that should have been posed – whether such construction is consistent with the political and social objectives of the working class – was never raised, possibly because the rift in the public's attitude towards the so-called 'territories' runs also through the labor parties themselves. The main argument favoring participation was commercial: the construction will take place anyway, and the Histadrut companies cannot afford to relinquish the profits expected from it in favor of private firms. The ideological considerations, which would, perhaps, have conflicted with that of profit making, were never really raised.

One could point also to other examples of a seemingly minor nature, of business behavior which is inconsistent with lofty declarations about the need to combat the hedonistic trends which have spread so rapidly in Israeli society in recent years. How, for example, can striving for equality of the sexes be reconciled with an advertisement, by a kibbutz industry, depicting a stay-at-home housewife whose only wish is to pamper her husband when he comes home from work? Is there really no contradiction between the aspiration towards a socialist society and the extolling of 'exclusiveness' and 'life at the top' in the sales promotion of supposedly worker-owned enterprises?

The debate as to what should be the social objectives of Hevrat Ha'Ovdim can be delayed no longer – it is already long overdue. It will be a long and searching process, but it cannot be avoided. One hopes that both the Histadrut's entrepreneurial sector, and the political groups behind it, will be able to conduct it. As a business firm, Hevrat Ha'Ovdim will continue to exist also in the absence of such a debate. But its relation to the labor movement will become no more than a historical curiosity. And it will be most unfortunate if it turns out that in the mixed economy of Israel there is no room for a real workers' sector.

Avoiding the Irresistible: Should the Israeli Government Combat Jewish Emigration?

Ira Sharkansky

Jewish emigration from Israel is an issue that clearly defies treatment. For some of the country's intellectuals, Jewish emigration threatens the very survival of the state. For them, it is a national emergency of the first order. After several years of intense advocacy, however, the government has allocated little more than words to the issue.

Part of the problem of Jewish emigration is determining its extent. There is evidence of some 300,000 Jews living abroad. However, this number by itself does not define the problem. It is necessary to estimate the number of Jews emigrating from the figures of Israelis living abroad, and estimates available. Moreover, international comparisons indicate that Jewish emigration from Israel is low. Also, the number of Jews emigrating does not seem to be growing significantly, despite the fact that policy advocates. Indeed, one set of calculations indicates that Jewish emigration is actually declining. Finally, when viewed from the perspective of Israel's immediate needs, emigration may be seen as a threat to the vitality of world Jewry.

Policy Advocates

Proposals to combat Jewish emigration have been advanced by persons in prominent positions. A leading advocate is Professor General (i.e., the leading professional) in the Ministry of Mental Jewish Agency. He has been joined by

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