

o holds that the pressures brought to  
compel the administration to dance to  
ce is that, whereas Asad believes that  
o these pressures willingly and ends up  
l completely, Egypt and Jordan main-  
ement of coercion precludes total har-  
ef that, difficulties notwithstanding,  
nistration to shift sides are not neces-  
e as no surprise that initial ideas about  
the US emanate from this camp.<sup>22</sup>

### and its Pitfalls

ations between states can produce com-  
has its pitfalls. In the process of becom-  
initial expectations may become disap-  
on may engender friction. Although  
ates the feeling of strangeness, intimacy  
e enhancement of respect – which is  
tance.

nes appear to be at work in the relations  
pragmatic Arab states and the US. They  
ral dimensions: not as the embodiment  
m – the threatening shadow of the past –  
Uncle Sam' able to dole out largesse to its  
tries the recognition appears to be gain-  
rhaps they cannot get along without the  
long only with the US, as this could turn  
llite-states, and this time not by compul-  
tion.

Arab states continue to harbor the threat-  
nce they perceive the US as an adversary  
resources, they tend to regard it in terms  
and to identify its presumed hostility  
ng them harm. Paradoxically, then, the  
ear more respect for – or, perhaps, are  
han the pragmatists.

y 1, 1986, report on the deliberations of an inter-  
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## Economic Democracy and the Origins of the Israeli Labor Economy

Haim Barkai

### *The Weltanschauung of the '1928 Manifesto'*<sup>1</sup>

The term 'Economic Democracy' (henceforth, ED), as an interpretation of socioeconomic developments in the industrialized world, surfaced in Germany in the late 1920s. Some of its features, though not the term itself, were given currency by Sidney and Beatrice Webb in 1897.<sup>2</sup> The notion of ED, presented and developed in 1928, was more than just a conceptual framework for the interpretation of an ongoing historical process, and a platform for socialist policy. It was also a response to the Bolshevik Revolution, whose message had become an article of faith among many left-wing European intellectuals. As an interpretation of European economic and social history ED challenged Rosa Lux-

\* This article is the first of a two-part essay on 'The Notion of Economic Democracy: Its Relevance to and Impact on the Socialist Endeavor in Palestine and Israel', due to be published (in German) in a volume dedicated to the memory of Fritz (Peretz) Naphtali: R. Rürup (ed.), *Wirtschaftsdemokratie und sozialistischer Aufbau: Fritz Naphtali's Wirken im Deutschland und Israel* (Köln [Bund Verlag] 1989 [forthcoming]). I am indebted to Fred Gottheil for comments on an early draft, and to R. Rürup for detailed comments and advice on the final draft of this paper. The intellectual environment and research facilities at the Maurice Falk Institute and the editorial finesse of its editor, Ms. Maggie Eisenstadt, were of great help in the preparation of this essay. [Professor Haim Barkai teaches Economics at the Hebrew University of Jerusalem.]

<sup>1</sup> This is hopefully an apt description of the volume prepared and published by a group of people led by Fritz Naphtali: F. Naphtali et al., *Wirtschaftsdemokratie, ihr Wesen und Ziel*, Berlin (Verlagsgesellschaft des allgemeinen deutschen Gewerkschaft Bundes) 1928.

<sup>2</sup> Sidney and Beatrice Webb, *Industrial Democracy*, London (Longmans) 1897 (New Edition 1901). The relevance of the contribution of the Webbs is underlined in Naphtali et al., *Wirtschaftsdemokratie*, p. 7.

operate as a single, centrally-run, multi-settlement enterprise. By the same token, this involved the issue of the nature of membership: were kibbutz members directly or only indirectly members of the movement? The first alternative meant, of course, that the 'center' had the authority to move members from one settlement to another. The immediate operational problem that precipitated the whole debate was control of the cash flow, namely: whether finances from the Zionist development budget, and thus also revenues from sales, were to accrue directly to a specific kibbutz, or whether these were to flow into the central coffers of the movement, which would have authority over their disbursement.

In substance this was a debate between two alternative visions of the nature of the collective settlement movement: autonomy versus centralization.<sup>21</sup> Those in favor of autonomy maintained that membership is a relationship between a member and the kibbutz which he or she has chosen to join. The relationship between a member and the movement as a whole is consequently only indirect, and effected through membership in a specific kibbutz. This premise inevitably led to the operational rule that each kibbutz is a unique economic entity, though it does, of course, belong to a kibbutz movement which is to be endowed with specific functions.

Even those in favor of central control obviously did not advocate 'dictatorship' in the political sense of the term. They were committed to democratic principles of government, which meant that the leadership at the local and national levels was to be elected by members of the movement. Similarly, those favoring the autonomy principle did not reject the authority of the movement. They agreed, for instance, that the all-important control wielded by the movement over the flow of *new* manpower (due to incoming immigration), hence over allocation of candidates between existing settlements and new kibbutzim, would be one of the major functions of the central authorities of the movement.

The autonomy-versus-centralization debate represented significant differences in outlook on the workings of socialist entities. It caused a major rift, which was finally resolved in 1925 in favor of the autonomy principle. Henceforth, every kibbutz would be a distinct and unique enterprise, owned and run by its members, with the kibbutz movement being a voluntary organization of settlements. The central organs of the movement were not to have any direct power over members and finances of kibbutzim and would thus not be involved in their day-to-day operation. The central bodies were, however, authorized to assign newcomers to the movement to specific settlements, at that time a very significant function. Their most important mission was to initiate and

<sup>21</sup> This is almost identical to the debate on central planning that was raging at the time in the Soviet Union and in the socialist movement in Europe.

control the ideological and organizational effort in the Jewish youth movements in Europe – the main source of potential immigrants to Palestine and of candidates to the movement. The central organs were also empowered to coordinate and advise in education and membership matters, and to run an economic advisory (extension) service. Finally they were to function as the movement's representatives in the Histadrut and in Zionist organization, and as mediators with the (British) government.

The settlement of the rift in the kibbutz movement was of momentous significance.<sup>22</sup> It finally established a framework specified in terms of operational rules which set a pattern for the workings of the system at the plane of its basic cells – the individual settlements. It also cleared the way for the establishment of three (later two) different groupings of kibbutz movements. These differed on politics – the exact 'shade' of socialist, and particularly Zionist politics – but not on the working principles of the kibbutz, or on their identity as a distinct movement operating as an integral part of the labor movement and the labor economy.

In retrospect, the Histadrut's involvement in settling this dispute is of no less significance than its resolution: a group consisting of the leadership of the movement, in its capacity as a Histadrut arbitration committee, mediated between the disputants and finally imposed the solution. This involvement was of great significance for the future of the movement and the labor economy. It established and acknowledged the ultimate authority of the movement, represented by its formal organization, over one of its components – the kibbutz movement. This precedent endowed the Histadrut with informal authority over the comings and goings of the other groupings comprising the labor economy (Figure I). It also strengthened the authority of the political leadership over the Histadrut enterprise sector where, owing to the ownership arrangements, it *had* legal authority to run the enterprises (though only by replacing the management). It also bolstered the authority of the Executive Committee and its chairman, the Secretary General of the Histadrut (then David Ben-Gurion), in disputes between various constituent groups within the labor economy.

The tight Zionist settlement budget led to an inevitable scramble for funds, which meant struggles among all those who depended on the Zionist movement for capital funding. The leadership of the Histadrut, representing the labor movement, had to reconcile

<sup>22</sup> A sizable group of those favoring centralization, the so-called 'minority', split away to establish its own movement. But although the dissenting settlement returned to the fold in 1926, this happened only after several scores of members (including many of the leaders of the 'minority') left the movement and returned to the Soviet Union. In Russia they were allowed to establish a collective in the Crimea, which was later disbanded. Many of its members were later exiled to Siberia in the 1934 purges. Survivors of this group were allowed to return to Israel after 1967.