

The Comparison of Kibbutz Productivity to National Statistics: Analysis and Remarks

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Abstract

This study examines conceptual problems in measuring product and disposable income of the kibbutz and in comparing them with the relevant national data. The inquiry was prompted by Kroll and Polovin's paper in this Journal (1997), in which the authors found that per capita product and disposable income of the kibbutz are significantly lower than the national average in Israel. To carry out the analysis, we develop a formal-conceptual model of a national economy which consists of several sectors. Using this model it is shown that the "terms of trade" between the sectors - and the income transfers involved - have a marked effect on the per capita income in each sector, independent of its own productivity. In particular, two downward accounting biases may account for the results of Kroll and Polovin, regarding the kibbutz economy: the "interest effect" and the "tax effect". We hope that this analysis will contribute to a better understanding of this issue, and also - more generally - to the national accounting theory.