

The Rise and Decline of the Israeli Moshav Cooperative: A Historical Overview

by

Moshe Schwartz

J. Blaustein Institute for Desert Research
Ben Gurion University of the Negev, Israel

Journal of Rural Cooperation, 27(2), 1999 :129-166

Abstract

The moshav (village smallholder cooperative) emerged in the early 1920s. In the next three decades, its cooperative structure and rules underwent some changes, in response to developments in its environment. During Israel's first statehood decade, the moshav became the country's most prevalent form of agricultural settlement. Then, for almost thirty years, structure and rules were "frozen", despite the transformations which swept Israel's social, political and economic landscape. This "freezing", it is claimed, was allowed by insulation: the Zionist Movement and the State of Israel set up barriers, partly separating the moshav from the economy of the country in each of the four markets of classical economics (commodities, labor, capital, and land). Stabilization also occurred through recurrent government bail-outs, often channeled through powerful regional organizations which were linked to the moshavim through unlimited mutual financial guarantees. These bail-outs softened the "budget constraints" of the moshavim. In 1985-86, almost all regional moshav organizations became insolvent, in the wake of stringent anti-inflationary measures enacted by the government. An unprecedented financial crisis befell the moshavim, whose "budget constraints" were hardened as the government no longer provided them with unlimited (albeit unwritten) financial guarantees. The moshav "unfroze". Slow processes -decooperativization, the decline of agriculture, occupational change, suburbanization, loss of municipal autonomy and legal change -were considerably speeded up. We suggest that the acceleration of these processes was due to the hardening of the budget constraints of the moshavim as well as to the lowering of the barriers which had insulated them from other sectors of the country's society and economy.