

The Cooperation in Israel: Past, Present, Future
edited by Menachem Topel

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The Bialik Institute • Jerusalem



Yad Tabenkin Research and Documentation Center
of the Kibbutz Movement

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Introduction

Menachem Topel

This book is the fruit of the initiative of **Dr. Yehuda Paz (of blessed memory)**, a member of Kibbutz Kissufim, an active member of the Histadrut Workers Union and the International Cooperative Alliance, and is dedicated to his memory. His dream of study and publication about the entirety of the Israeli cooperative movement began to be realized when he crossed paths with Attorney Ofer Fainstein, CEO of the **Coop Israel** Network at that time. The **Yad Tabenkin** Institute took upon itself the task. Yehuda Paz's sudden passing increased the desire to continue his efforts. The resources of the **Kitzis Fund** of the **Central Union for Cooperative Initiative in Israel** brought resources to the effort, with the support of its chair, Yitzhak Yoel.

The Center for Social Justice and Democracy in Memory of Yaakov Chazan in Van Leer Institute in Jerusalem, the Institution for Research of the Kibbutz and the Cooperative Idea at the University of Haifa, the Jewish-Arab Center at the University of Haifa and the Berl Katznelson Chair for Study of the Labor Movement at Beit Berl College contributed to the research and writing. The project was led by an academic team that included **Professor Yitzhak Greenberg, Professor Moshe Schwartz, Professor Michal Palgi, Dr. Abigail Paz-Yeshayahu, Ms. Na'amika Tzion, Mr. Mully Dor and Dr. Menachem Topel.**

The research was conducted during a period when cooperatives are thriving around the world. The scope is impressive: 2.6 million cooperatives with one billion, two hundred million members. A report by the McKinsey International Consulting Company from 2012 shows that cooperatives are a significant factor in the world economy. According to its authors, an additional period of

significant growth in cooperative activity is predicted. The report states that cooperatives have clear advantages over limited companies, but they also face unique challenges.

A characteristic of the cooperative camp is the bond between economic and social goals, in an organization designed to serve people and not economic profit, as defined by the International Cooperative Alliance (ICA):

Cooperatives are **people-centred enterprises** owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations. Cooperatives bring people together in a democratic and equal way.¹

Many cultures included systems of cooperation and mutual assistance, with their economies embedded in community systems. It is definitely possible to view informal mutual assistance as a kind of cooperative, as Schneider presents in his research on a moshav (collective settlement) in which the formal cooperative broke up, but its members developed informal systems of mutual assistance, that is, a cooperative.²

Beyond the general definition quoted above, the ICA notes that cooperative association is based on seven principles, formulated by a committee in which Yehuda Paz participated. They are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

1 <https://www.ica.coop/en/cooperatives/what-is-a-cooperative>, accessed September 6, 2019.

2 Schneider, A. (2014) *Organizational Culture Without Organization? Division of Labor on a Moshav after Privatization of the Cooperative Organization*. Ph.D. Dissertation, Ben Gurion University.

These are basic values, but they are only a reference tool. Many organizations manifest these values or some of them without formally registering as cooperatives. At the same time, many formal cooperatives are not capable of fully meeting all these conditions.

A significant challenge is meeting the principle of participatory democracy. This point is in great tension with the principle of encouraging cooperation among cooperatives. This encouragement, which is economically and politically important, leads to empowerment of the cooperative movement, but there is great difficulty in operating overarching organizations at a reasonable level of member participation;³ a similar issue exists with large cooperatives. They have a structural advantage in size, but the opportunity for democratic participation by members is small. This situation lead to criticism of management methods and level of member participation in decision making. On the other hand, according to those who favor large organizations, small corporations tend to be short-lived, without the ability to compete in the capitalist market. Only the power of large cooperative organizations, or unions of cooperatives, such as the Italian cooperative unions or the cooperative systems in Mondragon in the Basque country of Spain, can influence the country's social economy, they claim.⁴

There are some who claim that the large Israeli cooperative systems, in their strength, success and interests, were an obstacle to the spread of a classical social cooperative movement of small organizations.⁵ Whether or not this is true, there were many areas of cooperative activity during the *yishuv* period, spread throughout the sectoral map, and many of the organizations were short-lived.

In organizing the chapters, we first turned to cooperatives of all workers who unionized in the Histadrut Workers' Union, the "workers company." **Paz-Yeshayahu** and **Greenberg** survey the cooperative efforts beginning at the end of the 19th century. The structuring of a "workers company" as a centralized, hierarchical cooperative framework is examined by the authors as a practical way of ensuring control by the labor movement leadership over the

3 Shapira, R. (2008) *Transforming Kibbutz Research – Trust and Moral Research in the Rise and Decline of Democratic Cultures*, Cleveland, Ohio, New World Publishing.

4 Darpetti, G. (2003) *L'esperienza cooperativa di Mondragon*. Saggi e Documenti.

5 Russell, R. (1995) *Utopia in Zion, The Israeli Experience with Worker Cooperatives*, State University of New York.

advancement of national and social objectives. Bank Hapoalim is an example of a central organization that worked to promote objectives of the workers company. It provided a robust basis for development activities of the cooperative organizations.

The continuation of expansion policies after the establishment of the state served national interests, but also the leadership's political interests. The authors also note the impressive contributions to the periphery, to employment and to economic development. The chapter concludes with a survey of the changes that led the Histadrut to focus its activities as a professional trade union and ceased to function as a workers economy.

The kibbutz constitutes another multidimensional cooperative. The far-reaching changes the kibbutzim made in recent decades justify division of the analysis into two chapters. The first is devoted to the development of the kibbutz up to the 1980s. **Baruch Kanari** identifies the criteria for defining the cooperative kibbutz and presents its unique characteristics. He analyzes the formation of the ethos that united national with social utopia and turned it into an active imperative, through an innovative comparison with the revolution brought about by the Calvinist ethos. This effort succeeds only with the formulation of the large kibbutzim and the large kibbutz movements. Together with the author, we accompany the strengthening of the kibbutz sector up until the establishment of the state, the ups and downs of the kibbutz afterwards and its political weakening.

The chapter discusses the need for supportive systems to enable cooperative activity, a process accompanied by penetration of salaried employment, capitalist ethos and turning inward. These processes empower economic leadership, increase the autonomy of each kibbutz, decrease the role of centralized movements, awaken struggles within the kibbutzim and mute their impact on Israeli society. They are indicative of a transition from inclusive solidarity to a community of collective economy and private life.

Sociologists **Shlomo Getz and Michal Palgi** go on to define the kibbutz as a commune at the far end of the cooperative spectrum, with essential characteristics that differentiate it from other cooperatives. The authors seek the explanation for the turning point that took place in the current policy of the kibbutz movement leadership, which intends to change identity from communal to cooperative. They outline a graduate process of de-communalization and point to the crisis of

the 1980s as an accelerator of a snowballing process. The privatized or renewing kibbutz ceases to be a commune and turns into a “welfare community,” a model that has advantages and disadvantages in comparison to the classical kibbutz. In the kibbutz cooperative, the member becomes a property owner. The authors distinguish between different forms of ownership, in which there are those that preserve cooperative principles and those that do not.

Getz and Palgi reach the conclusion that de-communalization turns the kibbutz into a multi-dimensional cooperative space. However, there is deviation from cooperative principles, as a manufacturing cooperative, as a consumer cooperative and as a housing cooperative. From here they arrive at the challenging definition that the kibbutz is indeed a complete cooperative as defined by Martin Buber (multi-dimensional) when it is examined as a whole, but it is imperfect when examined in each of its aspects.

The Moshav Ovdim is another example of multi-purpose community cooperation. **Applebaum and Sofer** analyze the rise and decline of cooperation in the moshav as a result of economic, social and political processes in the outside environment that compelled adaptation of the moshav structure to outside reality.

The moshav began as a cooperative communal organization that assisted its members in maintaining family farms. Voluntary cooperation became institutionalized. The legal framework changed after the establishment of the state and became a barrier that made it difficult to adapt the moshav to circumstances and forced diverse creative solutions. This situation weakened the cooperative aspect of the moshav, while economic problems were solved by alternative organizations, and the cooperative aspect moved from the economic area to community life.

The social structure that developed fit cooperative principles, up until the dramatic change that took place after the state was founded, with the establishment of immigrant moshavim, which served as a government tool for settling immigrants, sometimes against their will. Concomitant with formal institutionalization, an inverse latent process began: a decline in cooperative frameworks and a blurring of the settlement identity as a cooperative association. When many farm owners found work and income outside the moshav, and the farmers transitioned to specialized farms, a gap was created between the interests of the moshavim and the interests of the growers within each moshav.

The willingness to preserve cooperation declined, and the treatment by the institutional establishment did not facilitate the required flexibility. However, the authors come to the conclusion that even in the absence of a values-based commitment to cooperation, a multipurpose cooperative system can exist if it provides economic advantages, if it has good leadership and if there is trust between the leadership and the members and among the members themselves.

The general trend is toward dismantling the cooperative and turning the settlement into a multifunctional village containing a variety of populations and occupations, including residents of expansion neighborhoods and non-agricultural businesses, a village with minimal cooperative components. Today, voluntary cooperatives are growing on moshavim among those with common interests and those seeking mutual assistance. The multipurpose cooperative settlement association is no longer suited to the variety of situations and interests, but correct adaptation of organizational and legal tools can provide focused support for forms of cooperation that are created from the ground up.

Over the years, diverse cooperative associations were established in Israel. In the chapter by **Abigail Paz-Yeshayahu** on the Cooperative Center we learn about the various incarnations of the institution that coordinated this activity within the Histadrut Labor Union and continues to this day to be an entity providing consultation, support and encouragement for establishing cooperatives. In the chapter we learn of the efforts to establish cooperatives that started at the beginning of Zionist immigration to Israel. With the establishment of the Histadrut, cooperatives fell under its auspices, but a gap in interests was created between the Histadrut leadership – who sought control and oversight of the cooperatives in order to direct them toward national and communal goals – and the desire of the directors of specific fields within the Histadrut (building, consumer goods, factories) who sought to control their particular areas.

The author notes the influence of social and national objectives on the Cooperative Center's activities and on the partial fulfillment of these objectives. Over the years, the manufacturing and service divisions declined and disappeared while the transportation division became stronger. The ability of the Center to support establishment of cooperatives decreased and a rift developed between the Center and the Histadrut. With the elimination of the 'workers' economy' and the far-reaching changes in the role of the Histadrut, the "Central Union for Cooperative Initiative in Israel," as it has been called since 2008, had difficulty

managing as it had in the past. The Center continues to consult, encourage and assist in establishing independent cooperatives, which currently exist in a range of cooperative methods in which cooperative principles are only partial, what is termed “compromises in advance.”

In another chapter, **Paz-Yeshayahu** presents pioneering research on consumer cooperatives. She notes the uniqueness of cooperative organizations built “from above” by the leadership of the workers’ movement, as part of its efforts to promote the national and social objectives of the Jewish *yishuv*. The chapter explains how mergers and management of the large organizations led to competition among them and alienation of members, leading to the elimination of most of the consumer systems, of which only Coop Jerusalem remained. Coop Jerusalem chose to continue as an independent cooperative association named Coop Israel, which was disconnected from the Histadrut and worked to encourage inter-cooperative partnerships and aspired to renewed momentum and establishment of diverse cooperative frameworks. This cooperative also collapsed at the end of the study, in the wake of challenges with growth and management.

An additional type of cooperative with particular importance in Israel is a cooperative made up of cooperatives, a category which includes central associations and regional organizations. The importance of this type of cooperative is mainly prominent in its contribution to settlement and peripheral regions. This cooperative system is presented by **Dana Shapiro and Moshe Schwartz**. The chapter discusses secondary cooperatives of kibbutzim and moshavim, whose interest was in the primary cooperatives that comprised the membership, and less in nationalist tasks. These organizations were managed “from the top” in an authoritative fashion, ensuring advantages of size. This kind of association also served to raise funds for investment, something that would later be its downfall. They also present sectoral central associations which played a role as support systems for farmers.

Shapiro and Schwartz explain the growth of secondary cooperatives prior to the establishment of the state as well as the appearance of a different kind of cooperative, the regional purchasing organization, that developed into a broadly branched and authoritatively managed system. The researchers describe the growth of regional factories and show how the aspiration for power and growth led the regional cooperatives, with the assistance of abundant public financing, to

establish some factories that were unnecessary or larger than necessary. This led to losses during the deep financial crisis of the 1980s, a period when secondary cooperatives declined to the point of elimination of the purchasing organizations on moshavim and reduction of regional and kibbutz factories. However, most of the secondary cooperatives filled their role as agents of development and contributed significantly to the kibbutzim and moshavim that needed them.

In the discussion of secondary cooperatives that remained in operation following the crisis, the authors caution that clear oversight mechanisms to prevent collapse from recurring were not created. An analysis of the current, primarily kibbutz-based, secondary system, shows preservation of cooperation through a limited system of mutual assistance. The important place of these organizations in the settlement system is clear to the banks and the government, and thus they support them and enable them to stabilize. The authors note the risks of cooperation between organizations and the danger of a recurrence of past failures. Likewise, they note the renewed development of support systems and mutual assistance between kibbutzim, funds that express inter-kibbutz solidarity, but are not essentially cooperative systems. The authors discuss two regional organizations that have successfully preserved the essence of a cooperative, and summarize the insights about the role of secondary organizations as the ability to provide back-up and advantages of scale to primary cooperatives and to impact institutions, but with the risk of non-democratic management, influenced by personal and political considerations.

In a pioneering chapter on cooperatives in the periphery – this time the social periphery - **Rassem Khamaisi** presents the growth and weakness of cooperatives in Arab villages in Israel. We learn that ascriptive cooperative associations within villages have always existed in Arab society, in accordance with Islamic culture, even if they did not meet the current definition of cooperative. Khamaisi surveys the situation in the land of Israel since the Ottoman Period, during which cooperation existed in the clan framework and through formal incorporation of Ottoman associations. Khamaisi describes the stages of reform in the Ottoman period, in which cooperatives were engaged in providing local services through cooperative associations that also established economic enterprises, with encouragement from the British Mandate.

Khamaisi explains the emphasis on the agricultural cooperative, which was cut off in 1948. The Arab cooperative movement split. One part operated in

Gaza according to Egyptian law, one part developed in Jordan (and later in the West Bank), and one part remained, without resources, in the territory of the state of Israel. Arab society, mainly rural, suffered from increased needs and cooperative efforts were intended to provide relief for the population. However, these efforts did not last long; their failure can be explained by the fact that they were established from the top down, by order of the military government.

The author describes how cooperative associations gradually spread “from the ground up” and notes that in recent years, most of the registered associations address water supply, some work on housing, and a few deal with other areas, but in fact most of them are inactive, in contrast to their growth in the first two decades of the state. At that time, Mapai stood behind government policy to develop Arab villages and integrate Arabs into the Histadrut Trade Union. The weakness of cooperatives in Arab society is explained by the policies of preserving economic and security dependence of the Arab population on the Israeli institutional establishment. Additionally, there were internal barriers in an ascriptive society where economic activity is viewed as a private issue. The author demonstrates the importance of the relationship between the government and the rural Arab population by comparison with the situation in the Palestinian authority, where the situation of cooperatives has improved more than the situation in Israel, due to institutional support.

In private settlements too, in moshavot, cooperative organizations operated, as **Aharonson and Applebaum** show, in research findings that are mainly based on original documentation. The authors show how economic cooperation between farmers in the moshavot grew from the ground up, to achieve economies of scale or to solve specific problems. In the first decade of the 20th century, cooperatives were established with the intention of creating permanency in light of the crisis in the moshavot. The remaining farmers needed mutual support. This need encouraged cooperatives and also explains the decline of cooperatives in moshavot when the members transitioned to other occupations.

The researchers provide in-depth analysis of two large, settlement-wide sectorial cooperatives and other associations. It appears that stated intentions are not what determined the areas of cooperative operation, but rather changing needs. The authors identify an important structural problem in cooperatives: what starts out as an association of independent business owners under their control requires expansion of activities and control of marketing in order to

achieve economies of scale, and thus the members lose their independence and control of the association.

In initial research it appears that many local cooperatives were established and ceased operations in a wide range of areas in every settlement, and not only serving farmers. The authors present middle class villages that were established in the 1930s as cooperative villages and that established secondary cooperatives for marketing and supplies.

The explanation suggested by the researchers for the proliferation of cooperatives in villages that were established on a private basis is based on the economic needs of the small inexperienced farmers without means, in a period without institutional support systems. The cooperative activities created unified leadership, economic advantages and mutual trust. The decline of cooperatives in private agriculture is connected with urbanization and structural changes in agriculture. They conclude that there is no inherent contradiction between private settlement or economy and cooperation. Separate, but together.

Moving to the city, we find the study by **Orna Shemer** about social cooperation, entitled “The Second Wave of Cooperativism.” It discusses a wave of initiatives that challenge the accepted capitalist economic structure. This is the implementation of classic cooperative principles in a new way. These cooperatives are part of the surge of social initiatives since the beginning of the current century, which has expanded since the social protests of 2011. The study maps 20 associations that are cooperatives according to their bylaws. The author notes that fluid, post-modern models have been created here, according to Bauman’s conceptualization,⁶ and that their stability is as yet unknown.

Shemer analyzes three grassroots cooperatives and concludes that the second wave is a political phenomenon that challenges the surrounding capitalist structure, part of a social awakening that seeks greater democracy, cooperation, equality and sustainability. This is a generational phenomenon in part of the middle class, small in scope, but with broad revolutionary pretensions among some young people. It is not always possible to stand by the declared principles, and covert mechanisms operate for selection and exclusion, hierarchical management and gaps in influence and participation. However, the members do succeed in creating meaningful social capital.

6 Bauman, Z. (2007), *Liquid Modernity* (Hebrew Translation), Jerusalem: Magnes.

The great diversity cooperative forms requires institutional recognition and beginning with the British rule, the law addressed these issues under the category of “cooperative associations”. However, as **Avital Margalit** notes in her challenging analysis of the legal treatment of cooperative associations, there are significant dilemmas between the cooperative values on which these associations are based and the principles of business law. The author asks whether the legal arrangement applying to associations in Israel is appropriate to the principles of cooperativization, and examines how the legal situation in Israel accords with the principles defined by the International Cooperative Alliance.

Most of the cooperative associations are intended to address not only economics but other aspects – social, educational, cultural, employment and community – that make them communities. This dimension is in tension with parts of corporate law that have governed the legal treatment of cooperatives over the years, accompanied by the constant gap between formal regulations and the dynamics of community life. Margalit identifies vulnerabilities in the existing legal situation that need to be addressed. She criticizes the trend of increasing legal oversight of cooperatives, while defining them as public organizations and not according to private law, a trend that limits their autonomy.

The chapters of the book present the successes and failures of cooperatives in Israel, over a period of more than one hundred years. This is the continuation of the search for the cooperative path that has existed throughout the generations, the same “red thread” that is woven into the search for a better society discussed by Gonzales de Oleaga and Bohoslavsky.⁷ The dismantling of the old, institutionalized cooperatives shows what had ceased working and the search for adaptation of cooperatives to contemporary reality. It is a process of dismantling and construction, while seeking another balance between the individual and the collective.

Most of the chapters deal with certain common dilemmas: Is the cooperative a tool for policy or does it exist for the sake of its members? Advantages of size or direct democracy? Supportive institutional framework or structural flexibility? Oversight or decision making freedom? Political involvement or

7 Gonzales de Oleaga, M. y Bohoslavsky, E. (2009) *El hilo rojo – Palabras y practicas de la utopia en America Latina*, Buenos Aires/ Barcelona, Ed. Paidós.

avoiding being a tool in political games? Preference going to economic interests or an emphasis on social aspects?

The chapters show the success of cooperatives as a basis for the Zionist project, a key tool for building the society and economy in the Jewish settlement in the land of Israel and in the first years of the state. As a tool of policy, the cooperatives received real backing from institutional entities with economic and political capacity. This success became a desirable model for many development policies; Israeli cooperative consultants were among the most sought-after in the third world and many people came to learn about Israeli cooperativization as a tool for development.

But there was a downside. The leadership encouraged cooperativization, but focused attention on organization intended to meet national, political and social goals. It did this through concentrated, hierarchical management, imposing solutions from above overtly or covertly. This policy succeeded as a development tool, but repressed the principle of democracy, and transparency was lacking, which caused alienation of members. It also impeded prospects for cooperatives to grow from the bottom up, because of lack of support systems. Moreover, corporate or multi-dimensional cooperativization, so vital for achieving national and social objectives, disintegrated over the course of different crises, when the political leadership lost interest.

This dilemma between being a tool for development (and receiving support) and being a partnership of individuals for their own sakes and for their community, is connected to the dilemma of size, which also exists in cooperatives that are organized “from below”. If small organizations do not have an independent support system, they will turn to institutional entities for assistance, because of their own limited resources and need for economic support. These institutional entities will naturally operate according to their own political considerations. However, there is an additional dilemma in the context of the institutional establishment: cooperative associations also need formal recognition in law and statutes. But these same laws are liable to operate like an iron cage that impedes growth prospects, as we see in the books’ chapters.

The dilemma can be solved by empowering independent movement organizations to provide backing, or large cooperative corporations with power. However, in the book’s chapters it again seems that the necessary independent cooperative organizations are also in competition in the general market. In search

of advantages of scale, efficiency, and agility in decision-making, they become hierarchically managed corporations, and move away from the democratic principle of cooperativity and from their members. And this does not only happen in corporations that were built as a tool to achieve national aims.

An additional dilemma is between the commitment to survive and to demonstrate economic advantage, and the social goals of being a cooperative. What is interesting is that if the decision-making process is cooperative, each decision strengthens cooperation. The decisions made in these dilemmas throughout the chapters outline a central trend of de-cooperativization and a decrease in cooperativization in the historical frameworks, dismantling of institutional frameworks, transition to representative democracy and a decrease in the number of cooperatives relative to the past. However, this dismantling of the systems of the past is not the end of the story. In various chapters we see how old structures give way to different kinds of cooperative structures, in a constant search for new ways of cooperation. This takes changing, often informal, and very diverse forms.

These characteristics fit the liquid reality of the post-modern era. Business organizations face the same dilemmas of advantage of size for controlling the market versus the advantage of remaining small for maneuverability; technocratic management versus employee participation; planning versus creative flexibility; strong homogenous organizational culture versus praiseworthy pluralism; all these lead to network organizations that integrate the size of a coordinated system with smallness and creative autonomy of network units. This is a culture that recognizes blurred boundaries, temporary and partial arrangements, corporate circles and participation at graduated levels.⁸

This tentative construction, whether it takes into account the interests of the individual, the autonomy of the networked units in a large corporation, the need for a strong, but independent support system, the need to constantly strengthen cooperation and democracy, can be seen as closer to the current cooperative principles, which also change in accordance with the reality embedded in everyday practice. Thus the kibbutzim continue to be cooperatives – this time

8 See for example, Manuel Castells, (2000). *The Rise of the Network Society – V.1: The Information Age: Economy, Society and Culture*. USA–UK: Blackwell Pub. The Network Enterprise.

explicitly and sometimes with more autonomy and participation than in the past; one dimensional cooperatives create community ripples around them or spread into additional cooperative efforts; regional organizations that make an effort to preserve cooperative principles are becoming stronger; in moshavim that are dismantling formal community cooperatives, voluntary agricultural cooperation is sprouting; seeds of independent social cooperation are being sown in cities and in the Arab sector; study of cooperatives is being renewed in academic institutions.

These are all hopeful signs, but they require a number of conditions to endure and grow, according to the lessons of this book: reliance on what works in the present and not on clinging to the past; adaptation of legal tools to the present situation; and the existence of an independent economic system of back up, such as the cooperative movement in Mondragon.⁹ The cooperative movement in Israel can attain these objectives, if it can learn to combine forces. Time will tell.

9 Romero Ramirez, A. J. (1997) *Workers' Participation in Labor-Associated Cooperatives in Andalusia – Spain*, Sevilla, Direccion General de Cooperativas.