

REVIEW OF: “THE MYSTERY OF THE KIBBUTZ: EGALITARIAN
PRINCIPLES IN A CAPITALIST WORLD”

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Overview

Much has been written about the kibbutzim (plural of “kibbutz”, a uniquely Israeli social collective), and their eventual decline may seem, at least to many economists, an obvious and inevitable outcome. As such, writing a new book that offers a rigorous and nontrivial economic analysis, brings new findings and insights, and makes a meaningful contribution to the current debate on key issues, such as inequality, is no small endeavor. The author's writing style, his broad perspective, which goes beyond economics, and a smart organization of the book make its reading intriguing and enjoyable not only to professional economists, but to a wider audience as well.

While the book explores the particular case of the kibbutzim, the questions it raises and the lessons it provides are much broader. These relate to the role of incentives in motivating individual behavior, economic and social mechanisms that may mitigate the effects of flawed incentive structures, and the costs and implications of excessive equality. Yet the book also serves an important reminder against over-simplistic or cynical approaches. While an excessively egalitarian structure eventually proved unsustainable, the author emphasizes that under certain historical circumstances it had important economic advantages (such as exploiting economies of scale in the provision of services), provided important economic amenities to its members (notably, insurance in a very risky environment), and proved very instrumental in attaining collective (even national) goals.

Abramitzky includes some family and personal experience in a predominantly scholarly book and feels obliged to explain such an unorthodox combination. I liked this combination. The personal anecdotes give a better sense of the realm in which the economic mechanisms operated, highlight the role of non-economic forces (such as ideology, culture, self-esteem and commitment), and provide vivid examples of theoretical arguments (e.g., the excessive use of the laundry services as an illustration of the free rider problem, and the various ways in which the author's grandmother benefited from the kibbutz's insurance). At any rate, the line between such anecdotes and the more academic discussion is clearly drawn and observed.

¹ Published by Princeton University Press.

The book focuses on the internal structure of the kibbutzim in explaining both their rise and subsequent decline. Importantly, it does not neglect to account for external factors that played a significant role both in the ascent of the kibbutzim (such as extensive political pre-state and state political and material support) and in their descent (a shift in political power and in the general public sentiment towards the kibbutzim, changes in the Israeli economy and in opportunities outside the kibbutz, the financial crisis of the 1980s, and more).

Structure of the Book

The book is organized into three parts, which roughly follow the historical timeline: the rise of the kibbutzim, their survival and their fall. Yet these parts differ not just in their chronological phases.

Part I provides a useful exposition in three dimensions: the very particular (the personal experience of the author's family with the kibbutz), the very general (a brief history of the kibbutzim which many readers, especially outside Israel, may find helpful) and the general-economic dimension, which provides an overview of the economic rationale that contributed to the founding of kibbutzim² and their initial success as well as the fundamental economic problems that the kibbutz would constantly struggle with later on.

Part II deals in depth with the fundamental problem of the kibbutz in the eyes of an economist—incentives. Three chapters offer analytical clarity as each focuses on a distinct dimension of the general incentives problem: the free-rider problem, the adverse selection and brain drain problems, and the problem of (insufficient incentives for) human capital investment. Of the three parts of the book, I found this one the most interesting. While the incentive problems are quite well known, it is impressive that kibbutzim survived as such, and some actually flourished, for so long (albeit with some adaptations) and it is the discussion of how they managed to do so that I find particularly interesting. This part also includes an insightful empirical investigation— using census data on kibbutz members, the author examines the significance of each of the above-mentioned incentive problems.³

Part III, as its title indicates, deals with the fall of the traditional kibbutzim. The title is perhaps somewhat over-dramatic as the decline did not happen overnight, but rather took the form of a gradual decline intertwined with various reforms and crises (as documented in Chapter 8). At any rate, the process revealed important heterogeneity among kibbutzim, and had interesting consequences on the (reformed) kibbutzim and their members over time. The author exploits some of this heterogeneity to test several explanations for differences among the kibbutzim in the way they were affected by the crisis or reformed in response to it (kibbutz exit rates and extent of shift from full equality). He does that using an impressive kibbutz-

² To many economists, the section titled "Why an Economist Might Create an Egalitarian Kibbutz" in Chapter 3 may first appear counter-intuitive, and is thus particularly intriguing.

³ The data refer to 1983-1995 (census years). This period is short relative to the time span of the book. There are several reasons (beyond data limitations) why this period is particularly suitable to test for adverse selection and brain drain, but generalizing to a longer period should be considered carefully.

level dataset that he constructed (Chapter 9).⁴ Such reforms (shift from full equality) that changed the incentive structure in turn, affected individual members' investment in human capital, as shown using data on kibbutz students (Chapter 10).

Industry and Agriculture

In terms of industrial composition, the kibbutzim had for decades relied primarily on agriculture and (increasingly) on traditional or semi-traditional manufacturing. While these industries are briefly mentioned in the book, a wider discussion could be instrumental to the book's theme in two aspects. First, the reliance on these industries, which faced many difficulties since the 1980s⁵, probably aggravated the economic difficulties of the kibbutzim and accelerated their decline. More interestingly, in view of book's overall paradigm, it could be insightful to discuss whether the reliance on these industries (apart from historical reasons), was actually a manifestation of the kibbutzim's incentive problems, primarily that of under-investment in human capital. A further question in that respect is whether the egalitarian structure that has been able to sustain such industries, has any chance of sustaining kibbutz-run high-tech firms given the special features of such firms and of their workforce. An elaboration on this may offer some help in gauging whether an expanding high-tech sector (such as is the case in Israel for example) is a driving force for more or less inequality in society.

Homogeneity vs. Equality

Equality is naturally a key theme discussed in the book. Homogeneity of kibbutz members is also discussed. Equality refers to income and other material outcomes. Homogeneity refers to personal abilities, preferences, beliefs, and so on. However, they are not strictly orthogonal. A wider and more explicit discussion of homogeneity and its interaction with equality could benefit major issues discussed in the book.

Several forces acted to increase homogeneity. These included mechanisms designed by the kibbutz such as screening entrants, trial periods, communal child-rearing (including sleeping) arrangements that among other things enhanced common values, and kibbutz-specific human capital accumulation. As the author notes, these mechanisms were largely designed to mitigate incentive problems that stemmed from the desire for equality. Interestingly, some of the incentives problems themselves, such as brain drain, adverse selection, and underinvestment in human capital acted to increase homogeneity in innate and acquired abilities. The author observes that homogeneity of preferences and ability helped to

⁴ The data cover 188 kibbutzim over the period 1930–2002.

⁵ Difficulties facing traditional manufacturing industries (e.g., increased import competition, increased competition in export markets) and agriculture were not unique to the kibbutzim. However, the impact on the kibbutzim may have been particularly strong given their reliance on these industries.

sustain equality. It actually appears that this worked in both directions: homogeneity reinforced equality and vice versa.

However, homogeneity may have affected two other major issues emphasized in the book. First, homogeneity of abilities may have contributed to the decline of the kibbutz by hindering its ability to adapt to changes in the outside economy and society. Additionally, the author underlines the importance of insurance among members in the kibbutz. Homogeneity probably helps to maintain members' support of mutual aid and insurance arrangements. However, it may harm such arrangements' resilience to aggregate shocks that hit all (similar) members alike.

Finally, while the book emphasizes that the experience of the kibbutz offers general lessons regarding equality and incentives, it is worth noting that this experience may offer lessons regarding homogeneity as well. The merits of diversity are often hailed nowadays. Indeed, homogeneity may have burdened the kibbutz in some ways. Yet, various aspects of the kibbutz described in the book are an important reminder that homogeneity has its advantages as well. These may include the contribution of homogeneity to the political acceptability and thus viability of redistribution and insurance mechanisms, and the provision of public services. A potential tradeoff between diversity and reducing inequality in society is thus a point to keep in mind.

Haredim (Ultra-Orthodox)

An important theme of the book is the desire to draw lessons from the kibbutz to societies or countries regarding the desirable degree of equality and redistribution, the means to sustain it, and its costs. In particular, Chapter 11 compares the kibbutzim with other communes around the world. I suggest that many lessons and insights from the book may actually be relevant to the ultra-Orthodox (Haredi) society in Israel—a prominent issue in current public debate in Israel.

The analogy is of course not at all straightforward, and perhaps unacceptable to some. Haredi society is very different from the kibbutzim in numerous respects, and equality is not a fundamental feature or virtue in this society.⁶ Yet, many features of the kibbutz described in the book are significant in the Haredi community as well. These include strong commitment to a shared ideology that largely defines the group and affects almost all aspects of life, powerful communal education that instills the community's values and reinforces commitment to it, disincentives to invest in (labor market relevant) human capital, strong internal communal institutions for mutual assistance and insurance, major non-monetary incentives, strong peer pressure and normative control and social sanctions to deter undesired

⁶ Equality in income is not an inherent attribute of Haredi society. However, the ideology encourages men to favor religious study over work, and consequently acts to reduce income dispersion within large parts of this society. Ideology also implies that social status is not necessarily correlated with income, which again is reminiscent of the traditional kibbutz.

behavior, strong mechanisms to discourage exit and scrutinize entry, and substantial dependency of the community on external (state) support.

These similarities suggest that Haredi society may also face problems of free riding, brain drain, adverse selection, and under-investment in human capital and may have developed mechanisms to mitigate these problems. Comparing these problems and mechanisms in the Haredi society and kibbutzim could be fruitful. Perhaps more important is whether one can draw lessons from the kibbutzim regarding the resilience of ideological commitment to economic incentives and opportunities and regarding the sustainability of Haredi society in its current form given outside opportunities and its increased interaction with the general society. The same applies to the sustainability of the Haredi society's internal mechanisms for insurance and mutual assistance.

Reforms

Lessons regarding equality and redistribution are extensively discussed in the book. However, it seems that many of the book's insights may also offer lessons for the very conduct of reform processes, particularly in countries that contemplate reducing redistribution. One such lesson is the importance of identifying the core elements that policymakers wish to preserve and devising reforms accordingly. Insurance in the kibbutzim can illustrate this point. The author points out time and again that perhaps it is insurance (safety net) rather than equality that was the most important economic amenity that the kibbutzim offered their members⁷, and despite changes in scope and form, the most resilient to the various reforms in the kibbutzim over time. Insurance was an important motivation and outcome of equality but it may be argued that significant (albeit incomplete) insurance need not require full equality.

Other features of the reforms in the kibbutzim seem relevant to reforms elsewhere: Once initiated, reforms may take a life of their own and their dynamics may lead to greater changes than their initiators had intended or envisioned at the outset. Additionally, crises tend to trigger reforms, but the underlying weaknesses may have been there long before.

⁷ The author argues that the insurance motive for equality in kibbutzim has been largely overlooked (p. 68). This may suggest that identifying the core rationale for an existing institution or arrangement is not always trivial.