Golani deserves congratulations for bringing this important chronicle into the light. Not everyone will agree with his interpretation, though. It is also unfortunate that instead of framing it with an introduction and a conclusion, he interpolates twenty-two “Perspectives” between the entries. This breaks up the flow of the diary and weakens its rhetorical effect. Moreover, it does Golani’s prose no favors to be in such close proximity to Gurney’s. Nor is Golani’s text free of errors. It made me laugh to see Sir Martin Charteris, former head of British military intelligence in Palestine, turned into Sir Martin Chairtrees, but such sloppiness would not have amused Sir Henry.

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Notes


David De Vries has produced in his new book a detailed account of Palestine’s diamond industry from its inception in the late 1930s, through its wartime boom years and the postwar downscaling, up to its early days in the newly born State of Israel. The author’s meticulous research, uncovering and fruitfully utilizing a rich body of archival and published sources, has enabled him to unfold the fascinating story of the war-related emergence of diamond cutting and polishing in Palestine and place it within its appropriate domestic, colonial, and international contexts.

Although the very general contours of the story are well known, De Vries has managed to present a coherent historical narrative of its “innards” which has hitherto not been told. Two instrumental and intertwined elements are brought to the fore in this narrative. One consists of the major “actors,” on stage and behind the scenes, whose motivations, deeds and intricate interrelationships are vividly illuminated. The other is the structure of the industry and its labor relations which the book thoroughly documents and carefully analyzes.

By concentrating on “actors” and structure, De Vries generates a wealth of new information and fresh interpretations concerning the uniqueness and complexities of the infant diamond industry in Palestine in the turbulent 1940s. First and foremost the book serves as an eye opener in exposing the pivotal and complex role played by the British government in the industry’s formation and early development. In particular, it demonstrates how the interests of Britain in turning Palestine into a – wartime – alternative to the paralyzed Belgian diamond industry evolved and how they colluded with Oved Ben-Ami’s initiative to transform Netanya from a citrus-growing center into a diamond-cutting
town by utilizing the capital and skills of the threatened Jews of the European “diamond Diaspora.”

The book then goes on to outline in detail the mechanism by which this meeting of interests produced in the early 1940s a thriving diamond industry, composed of 33 privately owned cutting and polishing manufacturing firms that were organized by the Palestine Diamond Manufacturers’ Association (PDMA). The PDMA operated essentially as a cartel, tightly regulated and controlled by the British government under the authoritarian chairmanship of Oved Ben-Ami (the author uses the term monopoly to describe the nature of the industry, but given its relatively large number of separately owned firms, the term cartel is more appropriate).

In discussing the motivation underlying the restrictions imposed on the industry, De Vries highlights Britain’s war-related aims of controlling the entire transnational flow of diamonds from mines (mainly in South Africa, Sierra Leone and the Belgian Congo which remained free and loyal to the Belgian government-in-exile in London), through manufacturing, to the final, primarily American, buyers. In doing so he points to Britain’s main objectives of securing a safe supply of rough and processed stones and turning a good part of it into a flow of US dollars to the sterling bloc, while avoiding possible smuggling of diamonds to Germany.

The subordination of the individual manufacturers to the PDMA-centralized control, the avoidance of home production, and the rigidity concerning the sources of supply of rough stones (limited to the Diamond Syndicate in London) and the destination of cut diamonds (confined to the US) were all means designed to assure the realization of the British war-determined objectives. The insistence on Jewish exclusiveness so as to maintain an informal ethnic-related network of trust within the industry was viewed as an additional safeguard against embezzlement and smuggling.

Apart from that, however, the book reveals that the tight governmental control of the industry was intended to serve Britain’s strategic goal of restoring postwar Belgium to its prewar dominant position in the international diamond market. Consequently, the British government and the Syndicate regarded Palestine only as a temporary alternative to Belgium, and therefore required that the wartime growth of its diamond industry be carefully monitored and restrained if necessary.

A noticeable case in point that the book illuminates in this context is the dominance of small stones in 1940–43 and its termination thereafter. In dealing with the Syndicate in 1940, Ben-Ami managed with Britain’s consent to secure the exclusiveness of sand (the raw material that would be turned into small stones) in the supply of rough diamonds. This enabled the specialization of Palestine’s industry in small stones and the buildup of its comparative advantage, formerly held by Belgium, in their production. De Vries convincingly indicates that the efficiency of Palestine’s small stones production and its fast growth could be attributed, not the least, to the adoption of a highly disciplined division of labor within precisely structured chain production processes, economizing on training and on labor time.

In 1943, however, while anticipating the end of the war and the postwar revival of the diamond industry in Belgium, the Syndicate decided to change the mix of rough stones supplied to Palestine, forcing the diversification of its types of cut diamonds. These moves, as shown in the book, were consistent with Britain’s strategy of supporting the restoration of Belgian hegemony and signaled the need of Palestine’s industry to adapt itself to the upcoming competition and to the foreseen loss of its war-protected status.

Turning to the internal scene of the Yishuv, De Vries shows that while Ben-Ami and the PDMA were heavily dependent on Britain in pursuing their productive and business
activities, they were largely independent of the Zionist institutions and of Palestine’s (Jewish) Manufacturers’ Association (PMA) that were distanced from the diamond industry in its heyday. Similarly, he demonstrates that in the labor relations arena, Ben-Ami and the PDMA, with the cooperation of a good part of their skilled labor force, succeeded in having four independent unions represent the diamond workers besides the Histadrut, thus preventing the latter from gaining a hegemonic position in the industry’s early years.

The book also informs us that the disciplined environment of the work place included strict restrictions on labor mobility, disallowing unauthorized movement of workers between employers, hence diminishing their bargaining power. On the other hand, it emphasizes the relatively high earning, typically on a piecework basis, of the skilled diamond cutters, which may have reflected partly a skill premium and partly a compensation for the industry’s harsh working conditions and hazards. De Vries emphasizes in addition the generous and rather protective collective agreements that the PDMA introduced already in 1940. Such agreements were unprecedented in the world of diamond cutting and reflected adaptation to the local culture of labor relations.

The story of labor relations in the industry, however, did not end there. It became quite complicated over the war years with labor unrest and a series of strikes becoming part of the picture, as exhibited by De Vries in his revealing discussion of the workers’ propensity to strike. He stresses on the one hand the volatility of the supply of rough stones and of the US demand for cut diamonds, causing the factory owners in Palestine to economize on labor cost whenever supply and/or demand dwindled, including by ignoring crucial items of the collective labor agreements. On the other hand he maintains that the weakness of the splintered labor representation in the industry, coupled with the effect of the large number of its unaffiliated workers, prevented the organized labor movement from effectively restraining the strike-prone diamond workers in their unrelenting attempts to secure their piece of the pie in downturns as well as in booms.

In the last part of the book De Vries leads the story through its final phase of crisis and adjustment in the postwar era. It starts with the need of Palestine’s diamond industry to cope with the reemergence of Belgium as a major player on the global diamond scene, and concludes with it becoming the Israeli diamond industry following statehood. Two processes are stressed here. One is the gradual deregulation and liberalization of the industry called for by the transition from wartime to peace. The other, highly significant process is the entry of the Zionist institutions and the Histadrut into the scene from which they were alienated during the war, while Britain gradually distanced itself from the industry.

De Vries points to the crucial role of the diamond supply and export crises, which started in the fall of 1946 and intensified in 1947, in making room for the intervention of the Jewish Agency and the Histadrut in the state of affairs of the severely hit industry and its labor relations. An important development in this respect was the establishment of diamond-cutting workers’ cooperatives affiliated with the Histadrut and backed financially by its holding company (Hevrat ha-Ovdim). These cooperatives constituted a substantial share of 25% of the PDMA membership in 1947.

Particular emphasis is put in the final chapters on the role of the Jewish Agency in filling the institutional gap created by the diminishing British authority, and in paving the way for the government of Israel to replace Britain, immediately upon statehood, as the industry’s regulator. The Israeli government for its part treated the industry preferentially and, as De Vries puts it, nurtured its revival in the 1950s within the framework of Israel’s managed economy shaped by economic nationalism and nation-building objectives.
In unveiling the story of Palestine’s diamond manufacturing, De Vries leaves the reader with the impression that the industry itself, and certainly the involvement of the British government in its evolution and makeup, were instrumental in shaping the capitalist nature and the economic environment of the Jewish polity, and in forming Britain’s role in and impact on Palestine’s social body. It seems to me, however, that the burden of these claims is too heavy for the diamond industry to carry. Moreover, I would argue that much richer empirical evidence is needed to substantiate the inference about the impact of the government on the country’s socioeconomic fabric than what is provided by the British sponsorship and control of Palestine’s wartime diamond manufacturing.

It should be kept in mind in this respect that important as the diamond industry may have been, as a major exporter and generator of export revenues in US dollars during the war, it was a rather small industry in terms of both employment and value-added (i.e. net income). It should be noted that the 4,000 workers in the diamond industry in 1945, the year of its peak production, constituted no more than 5.5% of the workers in Jewish manufacturing and 1.7% of the entire Jewish labor force.

As for income, according to the Supplement to the Survey of Palestine of 1947, the value of Palestine’s export of cut diamonds was about £5.9 million in 1945. This number was quoted also by the Israel Economist Annual of 1949–50. Assuming quite generously that the ratio of net to gross income in Palestine’s diamond industry was one third over the war years, one gets a net income figure of £2 million generated by the export of diamonds in 1945. This order of magnitude would make for 1.3% of Palestine’s total income, 2.3% of total Jewish income, and no more than 6.7% of net income produced by the entire Jewish manufacturing industry in 1945. These relative shares are appreciably lower than the percentages quoted by De Vries, even though the figure of £300,000, which he quotes for net income from diamond manufacturing in connection with those percentages, is unrealistically small (p. 118). Moreover, it is also totally inconsistent with the export figures in US dollars which he reports in Table 7.1 (p. 208).

These points of criticism, however, should not be taken to overshadow my overall appreciation of this fine and well-researched book. The detailed and insightful narrative it offers is a valuable contribution to our knowledge and should be welcomed by all readers who are interested in the social and economic history of Mandatory Palestine and early Israel.

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1. This assumption is derived from the annual series of Palestine’s import of rough diamonds and export of cut diamonds in pounds sterling in 1940–48 as quoted in the Israel Economist Annual (1949–1950): 148–49.
2. See Jacob Metzer, The Divided Economy of Mandatory Palestine (Cambridge: Cambridge University Press, 1998), appendix A, for data on labor and employment and for total and manufacturing-generated income figures.