

# DIAMONDS and WAR



STATE,  
CAPITAL,  
AND  
LABOR  
IN  
BRITISH-RULED  
PALESTINE

DAVID DE VRIES



## DIAMONDS AND WAR



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State, Capital, and Labor in British-Ruled Palestine



*by*

David De Vries



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*To Relli and Ruti*





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### **Note on the Sources**

A significant bulk of the primary sources, press, and secondary literature used in the research for this book is in Hebrew. The titles of all the references to these sources were given in translation.

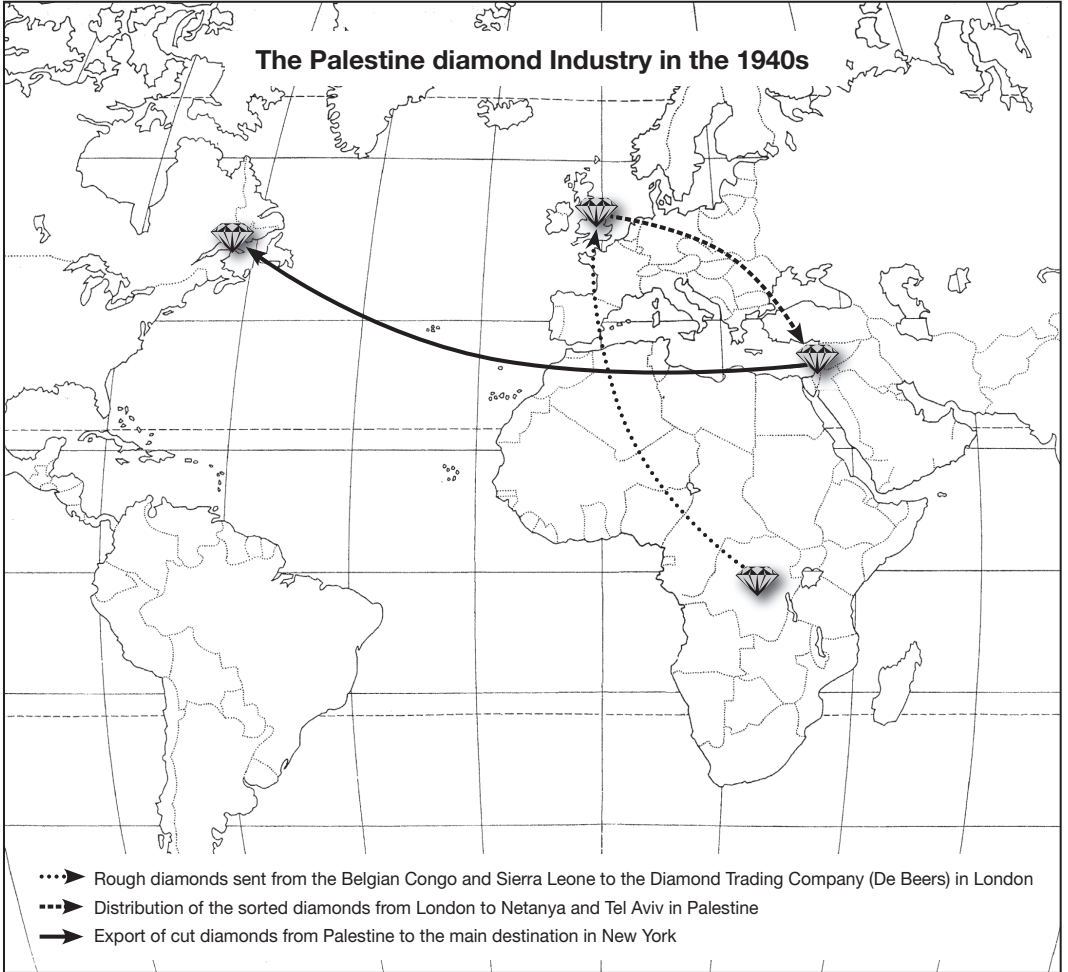


## ABBREVIATIONS



ADB	Algemene Diamantbewerkersbond van België, Antwerp
ANDB	Algemene Nederlandse Diamantbewerkers Bond—General Dutch Diamond Workers' Union
BA	Ben-Ami private papers, Family archive, Haifa
CO	Colonial Office, London
CSO	Central Selling Organization, De Beers
CZA	Central Zionist Archive, Jerusalem
CT	Carat, roughly 0.02 grams
DCB	Diamond Control Board in the Department of Customs and Excise, Palestine Government
DI	Diamond Institute, Ramat Gan
DTC	Diamond Trading Company in London, De Beers
DWO	Diamond Workers' Organization (Histadrut)
GFJL	Ha-Histadrut Ha-Klalit shel Ha-Ovdim Ha-Ivri'im Be-Eretz Israel—General Federation of Jewish Labor, the Histadrut
HC	High Commissioner, Palestine Government
IDFA	Israel Defense Forces Archive, Ramat Gan
IISG	Archive of the International Institute of Social History, Amsterdam
JA	Jewish Agency, Palestine
LA	Labor Movement Archive, Lavon Insitute, Tel Aviv
LP	Palestine Lira
MEW	Ministry of Economic Warfare, London
NLC	Moetzet Poalei Netanya, Netanya Labor Council, in GFJL
NCA	Netanya City Archive, Netanya
NLC	Netanya Labor Council (Histadrut affiliated)
NWF	National Workers' Federation (Histadrut Ha-Ovdim Ha-Leumit)
PDMA	Hitachdut Ba'alei Taasiyat Yahalomim Be-Eretz Israel—Palestine Diamond Manufacturers' Association
PMA	Palestine Manufacturers' Association (Hitachdut Baalei Ha-Taasiya)
PRO	Public Record Office, London
TNA	The National Archives (formerly Public Record Office), London
UADW	Universal Alliance of Diamond Workers, Amsterdam

## The Palestine diamond industry in the 1940s



## Introduction

# GLOBAL AND NATIONAL

## War, Diamonds, and the Colonial State



“Processes” do not imply that different spheres of life are marching in step like soldiers on a parade. Although the term may conjure up some picture of nonlinearity, the concept of process does not imply such an unrealistic idea. The opposite is true: trends are multifarious. Hence all kinds of crises and all kinds of surprises: deep retreats and setbacks, the sturdiness of historical traditions even in and despite hectic changes, considerable flux and fogginess produce occasions and circumstances when actions by an individual can make a difference—or be entirely futile. —Moshe Lewin, “Agency and Process in Russian and Soviet History,” in *Extending the Borders of Russian History* (2003).

## Global and National

The book was triggered not by the usual reasons that produce books on diamonds. After years of research in the social and urban histories of Palestine during the first half of the twentieth century, I found myself focusing on labor strikes. I was puzzled by the intensity of labor disputes during British rule, the centrality of strikes in Palestine towns in shaping relations between labor and capital and their use, with a strong national sentiment, in both anticolonialist struggles and in state building. While examining the peak levels of labor militancy during World War II and the concurrent cooperation in strikes between Arabs and Jews, I noticed that the most vocal and militant among strikers were Jewish diamond cutters and polishers. At first I imagined this group of highly skilled workers to

be an untypical segment of Palestine's industrial force. They seemed an unlikely candidate for widespread workers' solidarity and co-organizing with unskilled industrial workers, a "labor aristocracy" of a sort enclosed in small ateliers and cutting workshops.

As a social historian I have always seen the potential in researching strike action in history to bring forth workers' unheard voices and subjectivities. I began searching for a clue for this propensity. I quickly realized, however, that accounting for the wartime salience of these skilled craftsmen in labor disputes was nothing but a corridor to a wider understanding of some central features of Israel's early capitalism; in particular the close association of the evolution of the private sector with exogenous factors—the rise of European Fascism, British colonialism, and the war against Germany. Salient among these features were the umbrella given by the British Mandate to private capital, the growing legitimacy Jewish society in Palestine gave the capitalists, and last but not least the increasing power of the Jewish middle class vis-à-vis the politically hegemonic Zionist Labor movement. Furthermore, looking closely into the dynamic world of the diamond industry during the 1930s and 1940s and its transplantation into Mandate Palestine unraveled some wider historical continuities—the longstanding global presence of Jews in the occupational niche of diamond production and trading, the centrality of the Low Countries in the history of diamonds and diamond workers' unionization, the transnational nature of the trade, and the winding path that the spread of diamond-polishing centers in the modern era has taken. The result is this book, which explores the intense ripening of capitalism in Palestine under British rule through the complex formation of what has become—and still is—one of the world's main strongholds of diamond production and trade.

Diamond cutters and polishers are situated on a commodity chain that starts with the mining and collecting of rough diamonds. Before World War II, these raw materials were sent primarily from South Africa, the Belgian Congo, and Sierra Leone to the London-based Diamond Trading Company (DTC), the sales and marketing subsidiary of the De Beers monopolistic diamond-mining cartel (the Diamond Syndicate).<sup>1</sup> At the DTC the stones were allocated, through a traditional distribution ritual, to sight-holders, who passed the sorted rough merchandise on to other middlemen. The stones then found their place on the tables of the cleavers, sawyers, cutters, and polishers. After a highly skilled labor process they would be returned to middlemen and then to the diamond exchanges—notably in Antwerp and Amsterdam—where they would be evaluated and sold. At the end of the commodity chain the polished diamonds would reach the jewelry shops and the consumers, the latter seeking symbols of everlasting love, marital bond, status, or investments. They would also reach

countries and companies that used them industrially for abrasives and drilling, and even rebel armies who bartered them for arms.<sup>2</sup>

This commodity chain has persisted since the start of the take-off in diamond mining, trading, and finishing in 1870s until quite recently, without national borders seriously bounding it. The swift cross-country movement of the gem dealers matched the minute size and easy mobility of the merchandise. Ethnic networks of Jews and Palanpuri Jains families among which the diamond trade has been flourishing drew alternative coordinates to geopolitical boundaries. And the itineraries mapped by the diamond commodity chain easily blurred accepted political and economic divisions. This transnational mobility, in addition to diamond cutting being historically outside the traditional guild system, was perhaps one of the main preconditions that enabled Jews from North Africa and Europe to occupy so decidedly the occupational niche of the diamond trade. After all it was a niche they were allowed by rulers and states to hold, that fitted well their conditions as migrants and intermediaries, and one in which they could cultivate a business culture based on such classic ingredients of social capital—informal communal arrangements, reputation, and trust.<sup>3</sup>

At the same time, however, diamond cutting and polishing has always been attached to localities; and it has often been colored by national adaptations and local diversifications of traditional cutting and polishing skills. Like other consumer goods (as Leonard Helfgott reminded us in his work on the Iranian carpets),<sup>4</sup> diamonds never moved only through the continuum of production, distribution, and use in what might seem a historical vacuum. Each stage of their social existence was shaped by political, cultural, economic, and technological factors within the region of their initial production and within their national and international socioeconomic and political contexts. If in recent years the transnational perspective has been encouraging labor and business historians to think in terms of commodity chains, diamond production demonstrates also the need to interlace international linkages with local and state specificities and examine the extent to which the interactions between them have been formative and mutually influential.<sup>5</sup>

In the history of the diamond industry, the state and local bureaucracies were present in each of the different phases of the diamond commodity chain. Moreover, national wars, imperial rivalries, and state interests made use of locally diamond-producing communities, financially and militarily, and the economic impact of national and civil wars has strongly affected diamond sales and distribution. One cannot imagine the mining activity in South Africa, Belgian Congo, and Sierra Leone without the close relations between the De Beers cartel, its mining subsidiary companies, and British colonialism. The operation of the diamond exchanges in the Low Countries was overseen by the latter's governments and always been per-

ceived by them as necessary components of their national economies. Diamond cutting has often seen attempts of state regulation and more often competition between states over the exporting capacities of the diamond production centers.<sup>6</sup> The Netherlands and Belgium traditionally placed their diamond industry and business as a central asset of their economic nationalism, and Nazi Germany purposefully adapted diamond production to its 1930s remilitarization. As will be demonstrated in this book, during World War II diamonds were not just a means in the Allies' anti-German economic warfare. Rather, they were a turbulent site of national competitiveness in Europe over the great income diamonds could accrue from the American market. As much as diamond mining, cutting, trading, and selling was a capitalist venture, initiated and driven by private entrepreneurs, firms, and capital, they were no less structured by states, national movements and conflicts, and tense international relations.<sup>7</sup>

In the historical presence of Jews in diamond production and trade, states and national bureaucracies have played a prominent role. The intermediary position Jews played in the diamond trade centers of Amsterdam and Antwerp cannot be explained without the blessing of their respective rulers, and without these rulers and elite groups practically using the middling minority function to promote commerce in luxury goods such as gems and precious stones. State-like intervention in the formation of this ethnic occupational niche was explicit in the diamond-mining history of South Africa, where the presence of Jews in the early De Beers cartel structure was favored by the British and by the state-backed activities of the London City in the trade. The decline after World War I of Amsterdam as a diamond-cutting center in favor of Antwerp, and the related passage of Jews in the diamond trade from one city to the other, was regarded in the Netherlands as harming the national economy. In Belgium it was likewise supported for the same reasons. Nazi Germany's advancement in the latter part of the 1930s of the German diamond-cutting industry impacted not only the diamond industry but specifically also the Jews in Europe who were directly associated with it. As will be argued below, the creation of a diamond-cutting and -polishing industry in Palestine and the migration of the craft on which it was based was a product of a multifaceted change and dislocation in which the specific qualities of its social carriers intersected with imperial and state structures and interests. The process started with the flourishing of the cutting center in Amsterdam in the last third of the nineteenth century. It was then followed by Antwerp's hegemony after World War I, and continued with the spread of fierce competition among the European cutting centers by Nazi Germany. Antwerp's fall in spring 1940 brought this spatial dislocation and relocation to a climax.<sup>8</sup>

The duality of the national and the transnational that has come to characterize the modern diamond industry in the first third of the twentieth

century was dramatically enhanced by World War II. First and foremost the war paralyzed significant parts of the international diamond trade, in particular those that linked the Low Countries with mining posts in Africa and marketing targets in the US. The breakdown of these connecting links strongly impacted localities of mining, making, and trading—in particular their capacity to thrive on international resources and on their traditional dependence of world production on them. Secondly, the proliferation the war caused in diamond-cutting centers—largely stemming from the flight of Jews out of Antwerp and Amsterdam—was in itself a signal of the increasing splintering of the system of diamond making and trading into nationally and locally based production centers. The competition between these centers emphasized the interplay in the diamond industry between global business systems and economic nationalism. Finally, the war also kept alive the international system. In mobilizing the diamond industry to the economic warfare against Germany and in solidifying the ties between the warring states and the diamond business, it sustained the infrastructure of linkages between the cutting and trading centers and of a system that did not (and could not) collapse into totally estranged producing and commercial units.<sup>9</sup>

## War, Diamonds, and the Colonial State

These processes bore specific relevance to the historical centrality of Jews in diamonds and the impact of the relocations of the industry on them. The decline of the diamond industry in Amsterdam was closely associated with the migration of Jews to Antwerp. The Nazi from-above engineering of a diamond-cutting industry was a direct response to the departure of many Jews from Germany in the 1930s. And the paralysis of the industry in Antwerp at the turn of the decade was a blatant expression of the terrible fate of the Jews, their uprooting, spoliation, and decimation. Evidently, the “diamond diasporas” that sprang out of the Belgian mother-center and sprouted in South Africa, Palestine, Brazil, Puerto Rico, Havana, New York, and the United Kingdom were almost entirely established by Jews and depended on the diamond manufacturing they cultivated and on the ethnic-occupational enclaves they created.<sup>10</sup>

The impact of the war on the diamond industry raises two historiographical problems. Diamonds have for long attracted scholarly attention. The mining of diamonds, their trading mechanisms, their financial institutions, and not least their cultural expressions as luxury items have engaged the work of historians, economists, social scientists, and international relations experts. However, manufacturing and the social history of diamond cutting and polishing have been relatively neglected and were often left to

the technical writings of gemologists and diamond inductors. This is correct also with regard to the massive presence of Jews in diamonds. Their history has largely centered on Jewish merchants, the ethnic foundation in their capacity to become hegemonic in the occupational niche of diamond making and trading, and their particular noncontractual arrangements that allowed them to save on trading transaction costs. Much less attention has been paid to the social history of the manufacturers and the cutters, their prominence among the laboring and low-middle classes in the Low Countries, and above all their experience as immigrants. Palestine, which developed during World War II one of the world's largest and fastest-growing polishing centers, received equally uneven treatment. Overdue emphasis has been laid in the literature on explaining the spectacular performance of diamond manufacturing in Palestine during the war, while the nature of the manufacturers and their organization, the workers and their unions, the production culture, and the close association of the industry with Europe have been largely ignored.<sup>11</sup>

These lacunae harbor a second and much thornier problem. It has long been recognized that communities and socially distinct groups create institutions and mechanisms of trust, reliability, accountability, and reputation, and that these further propel their social formation and create for them economic advantages and occupational niches. This was well demonstrated in the historical and contemporary example of Jewish diamond merchants that has featured widely in the economic and legal literature since the early 1980s. Basing themselves on the thought-provoking work of Avner Greif on the eleventh-century Maghreb traders, legal and business scholars such as Lisa Bernstein and Barak Richman have carefully dissected the social and legal institutions that for many years helped Jewish diamond merchants to distance themselves from formal state and public legal institutions; and through reputation, community institutions, familial connections, and trust to gain hegemony in the diamond industry and to get selected by forces of capital as efficient carriers of low-cost transactions. In recent years the interests in such mechanisms increased because of the success in globalization of groups to use their inner trust systems and social capital to move freely in the economic networks, and sustain private governance systems that fit the so-called waning of the state.<sup>12</sup>

In most of this literature, however, the state's positive reaction to the kind of social activity the diamond communities and networks operated is assumed as fixed and continuous; a mere bystander and a contextual framework for the real activity that goes on in this particular industry and trade. Significantly, this distancing from state intervention has also been the picture that the diamond merchants themselves and the networks they are immersed in promoted through their secrecy, trading rituals, informal justice system, and their enclave-like noncontractual understandings.<sup>13</sup>



In focusing on the diamond industry in Mandate Palestine, this book aims to provide a more nuanced picture to this approach that takes the impervious boundaries of such communities and groupings too uncritically. In this picture the state is brought into the discussion as a primary force that enables the existence and operation of such occupational communities, well embedded in their quotidian routines, business strategies, and future calculations, to the point that the boundaries between state and capital become often blurred.<sup>14</sup>

That Palestine was transformed between the late 1930s and the late 1940s has been for long an acknowledged wisdom. The rise of Fascism in Europe and World War II changed the character of the country's economy. The Holocaust transformed its demographic and cultural horizons. The retreat of the British Empire impacted Palestine politically, and by the decade's end a bloody war resulted in the birth of the state of Israel and the uprooting of thousands of Palestinians. Historians have fittingly dedicated enormous efforts to unravel these vicissitudes. However, only in recent years economic and social historians began to draw attention to the fact that the British-backed maturation of capitalism in Palestine, and in particular British-backed empowerment of private capital in the Jewish polity (the Yishuv), was a major part of the transformation.

Indeed, after years of capital import and slow-paced economic growth, the 1940s saw a remarkable economic boom, a flourishing of industry largely at the expense of agriculture, and unprecedented activity of private manufacture aided by the economic policies of the Palestine government. As contemporaries readily recognized, this industrialization phase was also expressed in strengthening the organizations of manufacturers and merchants who aspired to translate the economic achievement into social and political power, and in the destabilization of Jewish organized labor (represented mostly by the Histadrut) and its relative power in the Jewish industrial sector. Furthermore, an unprecedented upsurge of workers' strike-action in 1941–1946 (partly independent of and occasionally against the authority of the organized Labor movement) signaled that capital was indeed on the rise. State-espoused strengthening of private capital was a contemporary Middle Eastern pattern, and the social unrest it brought forth in Palestine as elsewhere exposed an infrastructure for subsequent social change.<sup>15</sup>

Even less noticed, however, was the growing integration of private capital and entrepreneurship in the life of Jewish society in Palestine by groups seeking to enhance the legitimization of capitalism as a way of thinking and social practice. Built on the assimilation in the 1930s of capital's national role in Zionist state building, and pushed further to the center of economic activity by Palestine's economic boom and British war-

time protective economic policies, Jewish industrialists and manufacturers could in the 1940s claim a victory over the suspicion, even derogation, they had experienced earlier regarding their social and Zionist roles—their “national egoism” as Labor’s leader David Ben-Gurion phrased it in the mid-1920s.<sup>16</sup>

The central economic role of private capital in Palestine and its social acceptance has been gradually advancing since the early rise of manufacturing in the mid-1920s despite contemporary ambivalence towards the Jewish participation in a capitalist economy and towards the urbanization of the Zionist project. It further intensified during the invigorated industrialization of the first half of the 1930s, as reflected in the parallel ripening of the industrial activity of the private sector in Palestine’s towns, the rhetoric of the national role capitalism came now to fulfill, and the recognized capacity of capital to work for the “Zionist social good.” What was novel in the latter part of the Mandate period was that capitalism and its legitimization were gradually becoming far from an internal Jewish affair and much more tightly linked to exogenous forces and events. Furthermore, during the war particular standard bearers of the process could grow, operate, and struggle to carve a recognized place in society because they were located at the juncture of local and international contexts created and shaped by changes wrought in Europe by Fascism and war. In both senses the economic and social boundaries of Palestine’s Zionist polity were blurred, assimilating not only in larger political and military systems, but also in imperial networks and rivaling international economic interests.

Capitalism as a way of thinking and a practice in business and society was making a headway in Palestine well before the 1940s. It could be seen emerging in the Palestinian villages, in the coastal mixed towns and even up in the hillier areas. The increasing presence of foreign capital and powers since the late nineteenth century and involvement of imperial powers in the regions acted as agents of capitalism no less than the minority social groups that had by the 1920s and 1930s accumulated capital and led more comfortable lives. But in the course of the latter part of the Mandate period under discussion here, new possibilities opened and spaces created for the transformation in thinking and action to start taking place. The significance of this process in the formation and advancement of capitalism in modern Palestine would seem self-evident. But only by analyzing the specificity of the ties woven by these groups in the context of the war can we uncover the meaning of this blurring and explain its relation to the British presence. The formation of the diamond industry in the late 1930s and in the course of the 1940s is aptly instructive in unraveling this process.<sup>17</sup>

The history of relations between state, capital, and labor in Palestine during the British Mandate is one of the most understudied phenomena that have shaped the country, its social make-up, and the politics of the Arab-Jewish national conflict. While the ideological and political foundations of these relations have been explicated long ago, the ways they have unfolded in practice, their multifaceted materialization at the branch and workplace level, and their diversity across economic sectors and occupations have yet to be researched. This is true in particular in the case of the Yishuv, the Zionist polity in Palestine, where capital-labor relations were a key factor in determining its internal cohesion, power, and political path, and therefore its relations with Palestinian society. The firm, the factory, and the office, no less than the citrus plantation or the building sites, the shops, and home as a place of work—all these have been hidden in the Yishuv's economic and social histories as if they were silent and fragmented components of a highly politicized and ideological civil society. They were masked, however, more by the historians than by the politicians and ideologues of the period who saw the significance of their mobilization, their importance as arenas of social tension.<sup>18</sup>

The little that has been written about the social history of these relations told a story of exchange of political hegemony for economic liberalism. The Labor movement grew through this exchange to become in the 1930s the politically hegemonic force in the Yishuv while the capital owners and private employers enjoyed the liberty to pursue their capitalist enterprise. Both sides espoused Zionism but they differed in their conceptions of the social order in the Yishuv and the path to Zionist state building—the former upholding a collectivist approach and the latter a more individualistic and liberal one. Private capital, the stronger economic force in the Yishuv, gave Labor its way because of the latter's national functions. Labor, representing a larger electorate, allowed capital to maintain its enclaves of Arab cheap labor.<sup>19</sup>

Significantly, British colonial rule had a crucial role to play in this system. Since the early 1920s the authorities supported the “strong” sectors of the economy, gave half-hearted recognition to trade-unionism, and shied away from protecting workers through labor legislation. The relatively low colonial presence in the Jewish community in the early Mandate period was therefore buttressing a system of relations that was perceived as low-cost for the Empire and the British taxpayer and as a barrier against social disorder. Evidently, as long as the Mandate state kept relatively low levels of intervention in civil society, the exchange relations between capital and labor remained stable. The fierce political and ideological conflict between the Mapai party, Labor's main political power, and the Revisionist Movement in the 1930s did not destabilize the exchange system either. When in 1935 David Ben-Gurion became head of the Jewish Agency, the

leading Zionist national institution, nothing changed in Labor's power to impact the capital owners. On the contrary, capital's liberty of operation only increased.

In fact little could hamper the growing centrality of capitalism in the Yishuv economy and society to the point that it hardly needed expression of political power. The dependence of the Yishuv economy on the import of private capital was one reason for this growth. Another was the orientation of the Jewish population, mostly increasing through massive immigration in the mid-1920s and early 1930s to settle in Palestine's towns and advance the Yishuv's urbanization. On the eve of World War II the Yishuv, a small polity of half a million inhabitants, was already on the path that distanced it from Labor's earlier conceptions of a Socialist society and closer to becoming a capitalist society. As the emergence of the diamond industry demonstrates, World War II and the dramatic intervention of the British Mandate state in Palestine's civil society and in the Yishuv in particular made the process irreversible.<sup>20</sup>

This argument touches first and foremost upon the marked contrast in the economic historiography of the region: the accepted notion of the role of colonial rule in the development of capitalist structures in Middle Eastern countries on the one hand, and the older perception of relatively weaker British intervention (mainly until World War II) in Palestine's economy on the other. More recent literature has demonstrated clearly the centrality of the Colonial Office and the Palestine government to economic developments and relations in Palestine's civil society. However, understanding the myriad interventions and involvement of the British Mandate state in the diamond industry from the late 1930s to the end of the Mandate in the late 1940s pinpoints the need to soften this contrast. This is clearly borne out by the centrality of the British Mandate rule and the Colonial Office in London in shaping the Jewish control of the diamond industry and thus in the segmentation of Palestine's urban labor market which was traditionally thought of as driven and operated by ethnic groups and market mechanisms.<sup>21</sup>

Furthermore, these arguments concern the puzzling conflation in the Palestine/Israel historiography between two state structures. Because of the embryonic state-like bureaucracy developed by the Yishuv, the Jewish polity in Palestine before 1948, and because of the dramatic emergence of the state of Israel as a Jewish sovereignty during the 1948 war and after, the state of Israel was read back into the Mandate period as the reference point for Jewish private capital and the main apparatus with which it was in relation. Consequently the role of the more significant authority of the British Mandate that impacted Jewish capital owners and its later substitution by Zionist institutions was underrated. Even the recognition of the intensified intervention of the British in the economy during World War

It still left the Mandate state as a contextual and external force, deeply involved in regulating security, immigration and land transactions but foreign to and distant from local civil society. The evolution of the diamond industry clarifies this conflation between the two state structures. First, it pinpoints the need to reposition British colonial regime (the ‘Mandate state’) in its proper place in the flourishing of private capital, in the formation of Palestine’s industrial and business environments, its deeply felt presence in Palestine’s social fabric. Secondly, it unravels the foundations of state-capital relations laid during the Mandate and which were reproduced upon the establishment of the state of Israel.<sup>22</sup>

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To account for the emergence of the diamond industry in 1930s–1940s Palestine and its complex interlacing with international history and with the history of diamond production, I followed its principal actors, the frameworks in which they intersected, and the perceptions they conveyed on the realities and forces they encountered. Ample material on states’ interests and policies regarding diamonds and their financial and industrial use were found in archive material in the United Kingdom, the United States, and Israel. The centrality and involvement of the De Beers diamond cartel and its central selling organization in London were drawn on the rich correspondence between the cartel, the British Ministry of Economic Warfare, the Palestine Diamond Manufacturers’ Association, the office of the economic advisor and light industries in the Palestine government and with the Ministry of Trade and Industry of the State of Israel. The rich archive of the Palestine Diamond Manufacturers’ Association in Netanya enabled a thick description of the business world of the diamond owners and manufacturers. Finally the portrait of the diamond workers and the analysis of the actions of their unions were well explicated by the archives of The General Dutch Diamond Workers Union (the ANDB) in Amsterdam and of the Zionist Labor movement in Israel. I followed also the rich press that accompanied the actors and often served them—from the daily press in Palestine to the labor press of the diamond workers and ending with the rich occupational and business bulletins of the diamond industry itself. Equally significant were the treasures of books on diamonds in Amsterdam, Antwerp, and Ramat Gan, and the expanding internet sites of diamond companies and of the diamond industry and bourse in Israel.<sup>23</sup>

On the basis of the letters, reports, protocols, quantitative evidence, and biographical and memoirist texts, I drew a narrative of the making of the diamond industry in Palestine and its myriad relations within its own boundaries, and with the international contexts and forces in which

the industry was embedded. The discussion is divided into three parts. The first (chapters 1–3) focuses on the emergence of the industry in the context of the Belgian hegemony. It unravels the inherent tension between development and delimitation that characterized British policy towards the industry and looks at the organizational implications of that tension. The second part (chapters 4–5) looks at the spurt of diamond production in Palestine during the war. It explores the challenges this take-off posed both to internal Yishuv arrangements and norms, and to the exogenous attempts to limit its competitiveness. The third part (chapters 6–8) discusses the harsh effects of the liberation of Belgium on the industry in Palestine and the crisis that beset the industry on the eve of British withdrawal. The narrative closes with the re-emergence of the pact between capital and state during the 1948 war and the recuperation of the industry in the wake of the establishment of Israel.

Illustration  
1. Diamond  
Workers at  
a Netanya  
Factory, 1943,  
unknown  
photographer.  
Source: CZA,  
PHG/1017028.  
Used with per-  
mission of the  
Central Zionist  
Archive.







## Chapter 1

# PALESTINE AS AN ALTERNATIVE



I cannot see any reason why a prosperous secondary industry in the cutting and polishing of diamonds should not be developed in Palestine, but if the scheme is to succeed, there should be a very strict limit to its immediate extension. It is not only a matter of establishing an industry by setting up factories and plant, obtaining labour, raw materials, and the selling of the manufactured articles; involved in this question are politics, the co-operation of diamond producing countries and the necessity of safeguarding that control of marketing now exercised by the Diamond Corporation. I doubt very much whether it would be politic to give official support to any *unrestricted* scheme, as such support might have the effect of repercussions most harmful to the industry as a whole

—Frederick A. Mathias, “Palestine–Diamond Cutting Industry,” Report, 27 March 1940, TNA: PRO CO 852/289/1.

## Preconditions

The story of the birth of the diamond industry in Palestine has been told many times before.<sup>1</sup> The industry’s collective memory has always been part of its distinct sense of an ethnically based business network and a highly skilled occupational community. Its foundation on noncontractual business culture and on social and personal trust—themselves maintained by long-standing norms and shared memories of the diamond dealers,

manufacturers, and workers—encouraged a popularization of the industry’s history and fascination with its mysteries. Adding to this appeal were stories of the initiative and valor of the founding fathers that succeeded in establishing an industry against all odds.

This personalized and heroic approach to the history of the industry was also associated with the embryonic nature of pre-state Palestine in which the all-powerful image of the leader, politician, and intellectual as social shapers was cultivated. The diamond Zionist immigrant-entrepreneur, the national-capitalist diamond manufacturer, or the diamond expert who for years inducted the young apprentices—was part of this constructivist and entrepreneurial culture. Further enhancing the heroic ethos were features that singled out the diamond industry as the locus of smuggling, wartime espionage, and illicit world trade. This imagined “exceptionalism” of the diamond industry also sparked the imagination of historians and novelists who for long have been lured by the business acumen of the diamond dealers, their trading rituals, and occupational culture. However, evoking similar personalized foundational stories, the beginning of the diamond industry in Palestine also demonstrated the extent to which individual agency ought to be contextualized within an interplay of myriad interests and key forces of international politics, global finance, and local entrepreneurial energy, of which the participating actors were only partly aware.<sup>2</sup>

The emergence of some of these forces dates back hundreds of years. For many centuries Palestine had been situated on main Middle Eastern trading routes, often frequented by Arab and Jewish diamond merchants. Since the Middle Ages, and more intensively since the sixteenth century, Middle Eastern dealers in precious stones were involved in trading networks that stretched from Africa eastward. In Ottoman Palestine the crafts of jewelry making and silversmithery primarily of religious artifacts were fairly widespread. Early initiatives to develop diamond cutting and polishing emerged at the dawn of the twentieth century. In the eighth Zionist Congress in The Hague in 1907 a scheme was drawn to apprentice orphans of the Kishinev Pogrom to diamond cutters in Jerusalem. In 1908 the Bezalel Art Academy in Jerusalem suggested to combine the traditional Yemenite art work with jewelry making and diamond cutting, but the idea failed because the Ottoman authorities objected to waiving customs on the import of diamonds. During World War I Chaim F. Friedman, an Antwerp diamantaire, and Jean Fisher (1871–1929), a prominent leader of Belgian Zionism, formed a group of Belgian Jewish diamond entrepreneurs whose businesses were harmed by the war to negotiate with the Ottoman rulers of Palestine the creation of a polishing industry.<sup>3</sup> In 1910 the group, now organized by the Polish Rabbi Shlomo Weinstein (1898–1976) and greatly assisted by the recently created Zionist institutions in Jerusa-

lem, began to transfer part of their manufacturing activities from Antwerp to Palestine. In 1915 Max Bodenheimer—the German Zionist leader and founder of the *Komitee fuer den Osten* (Committee for the East) for the welfare of Jewish Russian communities under German and Austrian occupation—outlined a scheme to weave a network of diamond cutting centers in Cologne, Warsaw, and Jerusalem. None of these projects struck root and the main diamond-cutting centers of Amsterdam, Antwerp, and—on a smaller scale—New York remained unchallenged.<sup>4</sup>

In principle diamond cutting could have been considered an ideal candidate for the autonomous Jewish economy that the Zionist enterprise sought to create in Palestine through the migration of Jewish manpower, capital, and skill. Diamond cutting was associated, after all, with a key Jewish occupational niche, and Jews had been for long the main force in the development of the diamond industry in Amsterdam and Antwerp (and one of the main causes for the success of the integration of east European Jews in Dutch and Belgian societies).<sup>5</sup> Furthermore diamond cutting in Belgium was partly based on domestic work and familial apprenticeship, which, as some of the initiators mentioned above believed, could have well fitted the artisanal character of Palestine's manufacture. However, Palestine's geoeconomic location, the ethnic-occupational traditions of Jews, even the concerted efforts made by the Zionist Movement and Belgian diamond merchants in the 1920s were not powerful enough to induce the establishment of a local diamond industry.<sup>6</sup>

The reasons for Palestine's absence from the world's "diamond scene" may shed light on the context in which the industry finally did emerge. First and foremost, until the late 1930s Palestine had not been part of the diamond commodity chain<sup>7</sup> chiefly because of patterns of Jewish immigration. Palestine was hardly an attractive destination for the Russian, Polish, Rumanian, and German Jewish immigrants who had settled in the Netherlands and Belgium between the 1880s and the 1930s.<sup>8</sup>

Furthermore, while the Zionist Movement sought to encourage the immigration of skilled workers to Palestine, in the interwar period diamond cutters and dealers were largely overlooked, possibly because of the influence of Labor Zionism on the preselecting of Jewish immigrants and the clear preference for agricultural and construction workers. Labor's constructivist ideology may have influenced the reluctance of the skilled diamond polishers and dealers to replace their integration in the tolerant Low Countries with the realization of Zionist settlement in Palestine.<sup>9</sup>

The second reason for the slow start of the diamond industry in Palestine was Belgium's hegemony over the international diamond scene. Dominant since the decline of diamond cutting in Amsterdam after World War I, the industry in Antwerp hardly encouraged the development of rival cutting centers. The De Beers diamond cartel reinforced this hegemony

because Belgium and Belgian companies (mainly Forminière) controlled the Belgian Congo and its diamond mines on which the cartel's work depended. Antwerp, both a cutting and a trade center, housed thousands of workers, merchants, and dealers who swarmed the diamond clubs and exchanges, linking Antwerp with the Diamond Syndicate in London, and the main exporting destinations of the polished stones in the United States and India.<sup>10</sup>

Furthermore, though Antwerp cut and traded in a variety of sizes and shapes of diamonds, it specialized in cutting very small stones—Sand and Melees.<sup>11</sup> The specialization was maintained by the high wages Belgian employers paid their expert cutters and polishers, and it could be endangered by low-wage cutting offered by new cutting centers. The only significant center to have advanced during the 1930s that surpassed Amsterdam<sup>12</sup> and turned into Antwerp's main competitor was Nazi Germany, and it too aimed at specializing in small diamonds. Other centers, dependent on skilled workers from the Low Countries and on the supply of rough stones from the De Beers cartel, did not have much chance to expand, nor could they thrive without the blessing of the cartel that monopolized almost the entire mining of raw materials and their distribution. Moreover, in 1932–1934 the cartel was recovering from a slump in world sales of rough diamonds, partly by meeting the rising world demand for industrial diamonds and partly through expanding its mining activities in Africa. Its ties with the British imperial presence in South Africa and Sierra Leone were enhancing, as indicated by the mining concession given in 1935 to one of its subsidiary companies—the Sierra Leone Selection Trust (SLST). Deeply involved in diamond politics since the discovery of the mining fields in South Africa in 1870, Britain agreed in this concession to give SLST exclusive mining and prospecting rights in Sierra Leone, thereby cementing the ties between the Empire and the cartel. The Belgium-De Beers axis, which the British were now part of and advanced, was suspicious of competing cutting centers that might threaten the accepted patterns of the politics of the diamonds industry.<sup>13</sup>

The third factor hindering the establishment of a diamond industry in Palestine was the absence of a substantial middle class, traditionally the potential consumers of diamonds. This social stratification, unaltered by rapid urbanization in Palestine 1925–1935, was accompanied by a culture of asceticism and modesty that was hardly conducive to the growth of a luxury industry. Diamonds for engagement rings or for industrial usage were mainly consumed in the United States, India, and Europe. In interwar Palestine industrialization and the expansion of commerce were largely based on agricultural and building products (such as citrus and cement). Its exporting destinations were largely confined to Middle Eastern countries and the United Kingdom, and the tempo of urban social forma-

tion could not significantly alter local consumption patterns. The absence of diamond merchants and manufacturers in Palestine's social scene, and the scarcity of well-paid, skilled experts and cutters, added to the climate of small social distances and thrift culture prevalent amongst the local lower and middle classes.<sup>14</sup>

The fourth and more significant factor was the economic obstacle. Dominating the diamond trade in the Low Countries as experts or capital owners, Jews did not conceive Palestine as a viable option for an industry that was wholly dependent on ethnic and commercial networks and on Europe as the *entrepôt* of international diamond trade. The greater difficulty was the high custom rates placed by the British Mandate on the import of rough diamonds from Europe. The exorbitant rates, which the Ottoman rule instigated as a source of local revenue for the Palestine government, served to lower the value added (the sum of profits minus all inputs and expenses) of the finished product. Local diamond cutting thus became a costly business, with the rates supplemented by the high prices paid for the raw materials and the length of time needed to train cutters and polishers. The custom rates thus added to British financial considerations, and the understanding with De Beers that alternative diamond cutting centers should be discouraged, in making diamond polishing in Palestine quite an unprofitable business.<sup>15</sup> In sum, none of the historical forces that shaped the centrality of Jews in the European diamond production and business as a middlemen minority and occupiers of an occupational niche were therefore present in Palestine. Despite traditional Jewish concentration in the diamond industry, Palestine lacked the financial resources, the required skill, and the ties that the Zionist institutions and private dealers needed to have with De Beers that were necessary for sustaining a diamond industry. The change came only when a tremendous shift began to crack Belgium's long-standing domination.<sup>16</sup>

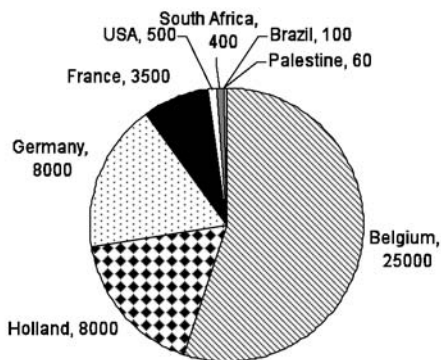
The main process that constituted this shift was the rise of Fascism in Europe. On Hitler's assumption of power in 1933 the world diamond industry was in midst of a recovery from the economic slump of the early 1930s. De Beers's sales were growing again and the diamond industry in Antwerp was expanding, partly due to the movement in Europe of merchants, capital, and expertise that National Socialism and its racial policies were pushing. More significant was Germany's policy to enlarge its diamond industry.

After World War I cutting of small stones were offered in the traditional jewelry centers of Hanau and Idar-Oberstein to Dutch and Belgian dealers in cheaper prices than those offered in Amsterdam and Antwerp. The Germans obtained in this way a cheaper source of rough stones and the diamond manufacturers in the Low Countries could cut their labor costs and increase their profits.<sup>17</sup> The advance of National Socialism in Ger-

many provoked a Dutch and Belgian embargo on this reciprocal system, but to no avail. Since 1936 the German Reichsbank paid high export premiums and subsidies to keep the difference between the German and Belgian wage levels, and once it was realized in Belgium that Nazi rule was not temporary, the arrangement with the German factories was renewed. Intentionally supported by the Nazi regime, the production of stones in Germany became ever cheaper. The Belgian-German network included Jewish dealers as well, notwithstanding the fact that at the same time in New York, the Jewish anti-Nazi boycott movement called diamond dealers in Europe and the US to cease trading with the Germans. Encouraged by the imperviousness of the diamond trade to the burgeoning international conflict, the Nazi regime stepped up the local industry's production of diamonds for industrial-military use. No wonder that in 1938 the Belgians expressed the fear that British appeasement policy towards Germany might lose the Belgian Congo—coveted for its diamond-mining sources—to the Germans.<sup>18</sup>

Germany's growing diamond power was justly feared because it coupled its amassing of rough diamonds for industrial use with the introduction of Taylor-inspired efficiency work methods. By cutting down wages and prices, the flourishing of the diamond-cutting centers in Germany in the latter part of the 1930s caused unemployment among diamond workers in the Low Countries, and despite replenishment by Jewish migration from Germany to Belgium it significantly brought down the number of active diamond workers in Antwerp. The weakening of Belgium's hegemony was a crucial background for the concerted search in the world diamond industry in 1939–1940 for alternatives.<sup>19</sup>

Figure 1.1 Employed in the diamond industry in early 1939



Included are diamond cutters, polishers, administrative staff in the factories, and diamond dealers. Diamond miners in South Africa were excluded. In Palestine the number of employed would rise in a few months to 180. In autumn 1939 it was estimated that only 14,000–15,000 of the 25,000 workers in Belgium were working. Sources: Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); "On the Crisis in the Industry," *Niv Poaeli Hayahalomim* (January 1947): 6; Laureys, *Meesters*, 131–32.

The shift was further affected by the instability experienced by the Jews of Belgium and the increase in anti-Semitic sentiment in Europe. Though the majority of the 90,000 Belgian Jews in the late 1930s (about 65,000 of whom lived in Antwerp) were not Belgian citizens, their social and economic status reflected a relatively successful integration into Belgian society. This was demonstrated by the role of the Jews in diamond cutting and trading—in early 1939 constituting 350 of the 400 diamond brokers, 6,000 diamond manufacturers and some 80 percent of the 25,000 diamond workers. While destabilization of Jewish life did not immediately propel cessation of trading relations with dealers and workshops in Germany or large-scale flight of Jews from the country, after anti-Jewish riots in August 1939 and the outbreak of the war Jews began to move, mainly to Southern France and to London. Increasingly the diamond community in Antwerp became aware that diamond capital and skill might have to seek alternative locations.<sup>20</sup>

More crucial, however, was the concern of the British and De Beers over Nazi advances. De Beers's sales, which had only recently recovered, plummeted again as a result of the German threat over the Belgian Congo, and in 1938 the cartel's sales were a mere third of what they had been the previous year. De Beers's decline, in turn, jeopardized British business interests in Africa and thus the De Beers-Britain connection became ever stronger. De Beers's work depended on Britain's imperial hold over the Belgian Congo and its policy towards Germany, while Britain needed De Beers's reserve of rough diamonds for industrial use and subsequently its assistance in recruiting the diamond industry in the war against Hitler. Their interests thus intertwined, De Beers and the British government could not afford to have the Belgian industry crumble and its hegemony pass into the hands of Germany, and on the outbreak of the war they launched a worldwide search for an alternative to Antwerp's diamond center. This was a crucial precondition for the part diamonds played in the Allied economic warfare against Germany and, ultimately, for the emergence of the diamond industry in Palestine.<sup>21</sup>

## Local Initiatives

The changing political atmosphere in Europe and the search for a stand-in for Antwerp's diamond center revitalized the then stagnant attempts to create a local industry in Palestine. Recognizing the rare window of opportunity, the Department of Trade and Industry of the Jewish Agency (the formal representative of the Jewish community in Palestine vis-à-vis the British government) sought to encourage the migration of Belgian dia-

mond manufacturers and cutters to Palestine. Emissaries from the Zionist Organization in London tried to persuade Belgian diamond experts to transfer their business to the Middle East. The Histadrut (the General Federation of Jewish Labor) for its part set about gathering information on the wages of the Belgian diamond industry, assessing the feasibility of creating an industry in Palestine. Both undertakings were carried out clandestinely, for fear of raising the suspicion of the ADB, the Belgian Diamond Workers Union (which opposed another low-wage cutting center) and provoking anti-Jewish reactions from Flemish Nazi supporters in Antwerp. At the same time, the Jabotinsky-led Revisionist Movement, often with stronger ties with the Zionist Organization in Belgium than the Histadrut, organized financial assistance for would-be immigrants from Antwerp to Tel Aviv. Attempts were even made by the Jewish Agency to induce the immigration of expert polishers from Nazi Germany, a prospect that could have well enraged the Belgians who bore the main burden of German competition in the cutting of small stones.<sup>22</sup>

However, only few immigrants followed these schemes and relocated their business to Palestine in 1934–1937. Among these were Romanian-born Zvi Rosenberg (1902–2005) and Asher Daskal (1908–1990), who opened the first cutting workshops in Tel Aviv and in the plantation town of Petah Tikva in early 1937. Both learned the craft of diamond polishing in Antwerp in the 1920s and never quite relinquished their Belgian business and occupational sources. Another newcomer, the internationally renowned diamond expert Joseph Nadel (1914–2002), was born in Poland and apprenticed to a diamond polisher in Antwerp. In 1934 he came to Palestine to join a kibbutz, and three years later established a small diamond atelier in Tel Aviv, where he became a model trainer of the polishing methods he had learned in Antwerp. The brothers Carol [Akiva] Pickel (1909–1996) and Arie Pickel (1910–2003), were born in Hungary, and in 1927 moved to Antwerp to learn diamond cleaving. In 1936 Arie Pickel opened a factory in Tel Aviv, whose chief craftsman, the Belgian diamond expert Aharon Moritz (1887–1967), attracted many young apprentices. Carol Pickel, who remained in Antwerp to guarantee the provision of rough stones, finally joined the factory in 1939.<sup>23</sup> Heinrich (Chaim) Goldmann (1882–1974) was born in Hungary, studied mining engineering in Germany and from 1905 was trained in diamond cutting in Antwerp. In 1907 he joined Jean Fisher in proposing the Ottoman representative in Brussels to establish a diamond industry in Palestine, and after they were rejected Goldmann opened a diamond factory in Antwerp and later also in Vienna. He immigrated to Palestine in 1934 and three years later opened a diamond factory in Tel Aviv in which many of the first workers of the industry in Palestine were apprenticed. Similarly, both Shmuel (Sam) Moed (1875–1952) and Moshe Offen (1900–1969) had had many years of experience in diamond



manufacturing in Antwerp, and the factories they established in Tel Aviv later turned into central training centers, entirely depended on the delivery of rough diamonds from Belgium.<sup>24</sup>

By 1939 the factories in Palestine, supporting scarcely sixty workers (0.03 percent of the 192,000 earners in the Yishuv), were still little more than an extension of the Antwerp mother-center and too dependent on Belgium for the supply of raw stones and commercial outlets to achieve any international standing. The history of the traditional cutting centers in Europe showed that the establishment of a viable diamond industry entirely depended on factors Palestine was still lacking: a steady supply of rough stones, entrepreneurial initiative, an expanding skilled labor force, a favorable customs environment, and a capacity for competition.<sup>25</sup>

The first change originated in a joint pressure by the founders of the industry and the Jewish Agency on the British to reduce customs. The pressure was based on an understanding between the diamond manufacturers and the Jewish Agency that none of the preconditions listed above could be achieved but through collaboration of public funding of the Zionist Movement with the privately owned factories. The latter would have to cooperate with the Jewish Agency for facilitating the immigration of diamond experts and for backing financially the apprentices, and with the Histadrut, which was needed for allocating young workers to training in workshops and for keeping the factories free of labor disputes. Like many industries in the Yishuv, so the understanding assumed, diamond cutting had to become a national-capitalist-oriented enterprise, marrying Jewish immigration, economic advance, and Zionist capital-labor partnership on the lines molded in the Yishuv since the mid-1920s.<sup>26</sup>

The first to follow this model of partnership of public and private forces and a key factor in the anti-customs campaign was the Diamond Club (Mo'adon Hayahalom)—a private initiative supported by the Trade and Industry Department of the Jewish Agency. Established in Tel Aviv in November 1937, the club was run by Akiva Weiss (1868–1947), a clockmaker and trader in precious stones who was one of the founders of Tel Aviv early in the century. Not unlike the older Diamantclub van Antwerpen, which was a society of diamond traders, or the Diamant Raad (Diamond Council), which administered the entire diamond sector in Antwerp, or the New York Diamond Dealers' Club (established in 1931), the club in Tel Aviv brought together diamond merchants and manufacturers to transact business, socialize, and determine the sector's ethical code. "To become a member," maintained the "Internal Regime of the Club," "one must have a good repute [Shem Tov], negotiate in good faith and behave toward others as comrades [Rei'm]." Only individuals engaged directly in dealing or manufacturing precious stones were eligible to join, and it was only they who were granted licenses by the British authorities to import rough

stones and export polished diamonds. The location of the club in Tel Aviv (with forty members in 1938) under the leadership of the distinguished Akiva Weiss made the city the first diamond center in the country and the locus of the pressure on the British authorities.<sup>27</sup>

The Jewish Agency, recognizing the nascent diamond industry as a valuable national resource, took the club under its wing and, similar to the protection the Belgian government afforded the Jewish workers of Antwerp's lucrative diamond industry, provided it with both financial and political support. This institutional backing made the club a sort of a Zionist middle-class pressure group, marking the formidable custom taxes imposed by the British authorities on various species of unset diamonds as its main target.<sup>28</sup>

Intending to nurture the diamond industry, the British finally bowed to the pressure and in September 1938 drastically reduced the custom duties. The reduction was a turning point in the development of the diamond industry. Not only did it lower manufacturers' expenses on the import of rough diamonds, thereby creating a financial climate conducive to the industry's growth, but it also served as a clear indication of the British intention to support the industry—adding to Belgian fears that Palestine was aiming at cutting diamonds at competitive prices. It demonstrated the British interest to counter the growth of the German cutting industry and to use the export of diamonds from Palestine as a source of income for the treasury of the Palestine government. Clearly the British involvement turned local diamond manufacturing more appealing to diamond dealers from Europe, but mostly to entrepreneurs and investors in Palestine itself.<sup>29</sup>

Among those fascinated by the new prospects of diamond cutting in Palestine was Oved Ben-Ami (1905–1988), the chairman of the small urbanizing plantation of Netanya. An entrepreneur dealing in agriculture and land transactions, Ben-Ami had no background in diamonds. He was born in Palestine to an East European family and rose to power in local Zionist circles in the 1920s. Land deals and urban planning in the 1930s acquainted him well with British officials.<sup>30</sup> From early on Ben-Ami was drawn to a liberal version of Zionism that espoused the establishment of a Jewish state in Palestine on private capital and individual initiative. He expressed his Zionist liberalism in numerous articles in the right-wing press in which he was active. It was in this period that his insistence on individualism and capital-based nation building was shaped. In his two functions as an activist in Bnei Binyamin (the young militants of the farmers' organization in the Yishuv), and in the Hebrew moderate-right-wing journal *Doar Hayom*, he traveled abroad extensively attempting to persuade Jews to invest capital in Palestine, in land purchase and in planting

citrus orchards to be farmed by local Jewish farmers. In 1929 he was one of the founders of Netanya, a plantation some 30 km north of Tel Aviv.<sup>31</sup>

Seeking to establish the plantation as a model for capital-based nation building, Ben-Ami envisioned Netanya as the spearhead of the Zionist urbanization of the coastal region on the principles of private initiative, close relations with the British authorities, the disengagement of the plantation from neighboring Arab settlements, and the formation of Netanya as an economic and political nerve center for adjacent Jewish settlements. The purchase of the lands and the actual development of the town were to express entirely these tenets of the capitalist road to Zionist state building. In rejecting the Zionist-Socialist road espoused by the Zionist Labor movement and the interventionist policies of the Jewish Agency (which Labor's leading party, Mapai, controlled) he accorded the town's people to take its development as a private investment and individual risk. Little help was asked from the Zionist national institutions, public investment was rejected, and independent initiative was cherished. At the same time, however, Ben-Ami's conception was Zionist and national, and the institutional backing of the national institutions was welcomed as long they refrained from intervention. Moreover, close cooperation between the town's leaders and the British authorities struck root, associating the government with capital, local politics, and land transfers. Significantly these principles would be subsequently reproduced in Ben-Ami's taking over of the development of the diamond industry.<sup>32</sup>

Though not a diamantaire himself, Ben-Ami was well aware of the financial possibilities of such an industry (especially now, with the lifting of import customs), of Jews' historical association with the diamond trade, and of the deteriorating conditions of the Jews in the Low Countries.<sup>33</sup> A local diamond industry seemed a natural choice for his Zionist vision to urbanize and industrialize his plantation town and for personal gain. Focusing less on diamond merchants and trade and more on actual diamond manufacturing, Ben-Ami's first step was to attract manufacturers from Petah Tikva and Tel Aviv to Netanya. In 1939 he established a municipal fund that guaranteed manufacturers free land and factory space in return for their commitment to build their factories in Netanya and become the town's citizens. Providing the main entrepreneurial drive, Ben-Ami's early involvement in the diamond industry therefore characterized the strengthening in Palestine of agents of economic change whose capitalist orientation was immersed in their liberal nationalism, the vision of Zionist Jewish industrialization, and the claim for entrepreneurial independence.<sup>34</sup>

The significance of Ben-Ami's scheme was in planning an alternative to the concentration of the diamond factories in Tel Aviv and Petah Tikva, and in attracting entrepreneurs who had no previous background in the

diamond industry.<sup>35</sup> Moreover, it created (soon with the help of the Palestine government) an alternative path to the efforts of the Jewish Agency and the Diamond Club in Tel Aviv to regulate from above the prospected movement of the diamond people from Antwerp to Palestine. Ben-Ami's success hinged, however, on the ability to challenge Belgium's supremacy in diamond cutting and on forcing a way into Antwerp's traditional niche of small-stone polishing over which Antwerp competed with the Germans. Moreover, dealers in Belgium were still Palestine's sole suppliers of rough stones, and to materialize the challenge, skill and supply were paramount. To overcome these obstacles, and secure for his center the necessary skilled labor force and raw material, Ben-Ami would need to connect himself with the De Beers diamond cartel and the decision makers in the Colonial Office in London. What seemed like an impossible feat suddenly became feasible with the outbreak of World War II, when the British and the cartel's search for a substitute for Antwerp's diamond center climaxed.

### **The Pressure of the War**

During the first months of the war the fear of German invasion of the Low Countries increased. In addition to disrupting the international diamond trade, the onset of war gave rise to the fear that Germany might appropriate the Belgian industry and its reserves, a fear that decisively shaped British economic warfare strategies. As far as Britain was concerned, all diamonds were now potentially industrial and therefore of strategic value. British colonies were expected to support the war effort by producing more and consuming less; the export of goods such as rough diamonds from London to the Low Countries was suspended by law; and maintaining good relations with De Beers, the supplier of diamonds to the Allies, became a crucial interest. Accordingly, the British Board of Trade established a Diamond Export Committee consisting of government officials and De Beers representatives. Among the latter was Frederick Albert Mathias (1891-1981), director of the Sierra Leone Selection Trust, who would become a key figure in shaping British policy regarding Palestine's diamond industry.<sup>36</sup>

At first blush, the war did not seem to do the budding industry in Palestine any good. The situation of Belgian Jews became even more precarious. The growing anxiety over a possible German invasion and the outburst of anti-Semitic attacks in December 1939 and January 1940 caused many Jews, including the more wealthy diamond manufacturers and dealers, to escape to Southern France. At the same time, Camille Huysmans (1871-1968), Antwerp's Socialist mayor, and Romi Goldmuntz

(1882–1960), a senior Jewish diamond dealer and one of the leaders of the Jewish community, began directing Jews to England, believing this to be the best way of guaranteeing the recuperation of Antwerp’s diamond center after the war. The idea was initially resisted by some who thought the danger was temporary and that a German invasion was unlikely. Others claimed diamond workforce and capital would be best guarded in neighboring France, not across the channel, where an imminent German attack was expected. German military advances finally put an end to the dispute, prompting large-scale immigration of diamond manufacturers, dealers, and workers to England and Portugal—and from there to Cuba, New York, South Africa, and South America.<sup>37</sup>

Palestine was hardly a favored destination and its factories were severely harmed by the disintegration of the Belgian-Jewish diamond community, its chief supplier. By January 1940 the supply routes of rough diamonds from Belgium to Palestine were cut off. In what seemed a deepening intervention of the Palestine government in the industry, the diamond manufacturers in Tel Aviv were forced to buy collectively their raw materials from the London-based DTC, to obtain special authorization from the government to export the finished diamonds, and to direct the exports exclusively to the US in order to secure income in American dollars.<sup>38</sup>

The effect of the spread of the war was wider, however. The deterioration of international relations before the outbreak of the war affected the industry more in terms of trade relations between states, and between states and the De Beers cartel, and less in terms of personal trust among diamond merchants. The negative responses to the spurt of the German cutting industry hardly harmed the vitality of the trade and the trustworthy relations among the dealers on which this vitality fed. No embargo in New York (conducted at the time by a boycott committee), nor the distribution by British intelligence of “black lists” of those dealing diamonds with the Germans, could destabilize the delicate mechanics of this long-established trust network. After the outbreak of war, however, this all changed. The industry was beset by an atmosphere of animosity and suspicion, undermining the working relations between Jewish and Christian dealers, even amongst Jews themselves. It was in this context that the various forces that played key roles in initiating the manufacturing of diamonds in Palestine gradually perceived the latter as an alternative to Antwerp. The trust system on which the ethnic-economic complex of the diamond industry and trade had been built turned a chief factor in the choice of Palestine for the role it was going to fulfill.<sup>39</sup>

The effect on the British and De Beers was crucial. The increasing paralysis of diamond production in Belgium hit the diamond cartel, but it

also tightened the British-De Beers coalescence of interests. Good relations between England and Belgium (and later with the Belgian government-in-exile in London) seemed essential now because of the dependence on diamonds mined in the Belgian Congo. Opting for Palestine as an alternative center was regarded by the diamond cartel as providing continuity in diamond production necessary for guaranteeing the future return of the Low Countries to their prewar status as leaders of the industry. Realizing the increasing importance of diamonds for the war effort, the British government saw in Palestine a convenient lever to counter the German effort to increase diamond production and to prevent diamonds from reaching them. Palestine could serve as a lucrative export industry to the US, a source of financing for England's colonies and warfare, and an effective stumbling block to the expansion of the German diamond industry—drawing diamonds that might otherwise reach its factories.

The British needed American dollars to maintain their colonies and finance the war effort, and the cultivation of a diamond-exporting industry to the US seemed to fit. The De Beers cartel, on the other hand, feared that decreasing demand of the Low Countries for rough stones due to the war would harm its sales. Belgian Congo, one of the chief sources of diamonds, could be in danger now. The reserves of rough diamonds mined in Sierra Leone were dwindling. Both the British government and De Beers urgently needed an alternative to the increasingly paralyzed diamond trade in Europe. For both entities, Palestine seemed an obvious choice: it was far from the European front, Jews for centuries have dominated diamond cutting and trading, Zionism fervently opposed Nazi Germany, and Palestine's exports were controlled by British rule and its recently issued White Paper.<sup>40</sup>

Against the joint search for alternative diamond production center, in winter 1940 all those involved in the small diamond industry in prewar Palestine focused their energy on persuading the British Government and De Beers that Palestine was indeed what they were looking for. The pressure provoked some thorny issues, however. The first concerned the supply of the rough stones. As Palestine received most of its raw material before the war directly from dealers in Belgium, how could the Diamond Syndicate would be convinced to consider Palestine and its few diamond workshops to be one of its new alternative targets? Moreover, as the factories in Palestine focused their production on small stones (or Sand), and as the syndicate persisted with its decision of mid-1938 to sell small stones only to those who worked also Melees (the slightly bigger stones)—how would the syndicate be convinced to adapt itself to Palestine's new specialization? The second issue was graver. How the British government could be assured that the diamond industry in Palestine was secure enough so as to prevent diamonds from reaching the Germans through their Middle

Eastern connections (mainly in Syria and Egypt)? Moreover, would not the immigration of Jewish experts from Belgium, and the growth of a local industry, threaten the future return of Belgium to full production in which the British were keen to secure? And finally, as the British wanted diamonds to be exported from Palestine to the US in exchange for dollars to be earned by the Sterling Bloc, how could they be convinced that the export would not be oriented elsewhere?<sup>41</sup>

That the challenge these problems posed split those involved with the diamond industry into two competing factions is essential for our understanding of the shaping of Palestine as an alternative production center. One faction, the Tishby-Weiss camp, comprised the Jewish Agency in Jerusalem, its Trade and Industry Department headed by Nachum Tishby, and leaders of the Diamond Club in Tel Aviv, among whom Akiva Weiss was the most prominent. The second faction consisted of Oved Ben-Ami, fellow bureaucrats in the Netanya town council and the owners of the newly established diamond factories in Netanya who were drawn by Ben-Ami to the town. The division between the two camps emerged already in 1939 when Ben-Ami and his entrepreneurs, who lacked previous experience in diamond manufacturing, entered the scene—much to the chagrin of the professionally restrictive Diamond Club. The growing paralysis of the industry in Belgium and the consequent window of opportunity for Palestine drove the two camps in the winter of 1940 to a head-on confrontation.<sup>42</sup>

Though differing in tactics, the two factions shared many common ideals. Both groups were dedicated to Zionist state building in Palestine. Both were keen to see Palestine's diamond industry accelerate, absorb as many immigrants and experts, contribute to the finances of the Yishuv, and serve financially the Zionist State-building enterprise. Indeed, neither faction intended for the new industry to remain a temporary alternative to Belgium. Also both camps upheld a liberal economic approach and at the same time both were dependent on the Jewish Agency to secure the immigration certificates for the Jewish experts and capital owners expected to arrive from Antwerp and Amsterdam.

The two factions differed, however, in concept and tactics. Advocating a national-liberal approach, the Tishby-Weiss camp envisioned Palestine's diamond center as a private industry, run by expert dealers and diamond manufacturers. Its factories would be spread throughout the country, operating under the auspices of the Zionist institutions and backed by banks connected to the Zionist Movement. Most importantly, the Diamond Club would serve as its sole organizing body—working in conjunction with the Palestine Manufacturers' Association (PMA), the long-established umbrella organization of manufacturers in the Yishuv under the leadership of industrialist Arie Shenkar—of the diamond manufacturers and mer-

chants, though without restricting their freedom of action. In many ways these conceptions were reminiscent of what was known in Zionist liberalism as the national-liberal approach.<sup>43</sup>

Ben-Ami's group maintained a far more radical approach. It presented a decentralized concept of a private industry based mainly in Netanya (Ben-Ami's small urbanizing fief), and involving both experienced diamond experts and capitalists with more background in agriculture and construction than in diamonds. Accordingly, the group contended, the industry should be based on a monopolistic organization, closely inspected by the government and not the Jewish Agency or any other Zionist institution, and totally free of the intervention of either the Jewish Agency or PMA. The British were promised in this scheme more presence and power over the industry than Jewish national institutions. Moreover, in defiance of national-bureaucratic incursions from the Jewish Agency in Jerusalem and from the Diamond Club or PMA in Tel Aviv, control of the diamond manufacturing and trade would be secured by a strong hierarchical organization under Ben-Ami's management. The two factions represented, therefore, within the Zionist Movement different concepts of the organization of the industry, its control structure, and internal hierarchy. The difference testified also to the extent to which the involvement of the colonial state could impact contestations within the local elite.<sup>44</sup>

The campaign of the two groups in winter 1940 to secure the recognition of the Palestine diamond industry by De Beers and the British demonstrated the intersection of colonial politics, ethnic networks and military considerations. Knowing that Palestine was a serious candidate for replacing Antwerp's diamond center, each faction did everything in its power to convince officials of the British-De Beers coalition to establish a full-fledged industry in Palestine—according to its vision and strategy. The Diamond Club in Tel Aviv (the Tishby-Weiss camp) organized the diamond manufacturers to present their case before Geoffrey Walsh, the economic advisor of the Palestine government and John Fletcher of the Customs department.<sup>45</sup> Nachum Tishby and Dr. Emil Schmorak of the Department of Trade and Industry of the Jewish Agency in Jerusalem lobbied at the offices of the Zionist Organization in Johannesburg, Antwerp, and London. Ethel Hayman, a Zionist activist in Johannesburg, was asked to approach Sir Ernst Oppenheimer, the chairman of De Beers, in order to secure his consent to provide Palestine with rough diamonds and small stones. Chaim Friedman of the Zionist Federation in Antwerp was supposed to coordinate contacts with Jewish diamond circles and with the Belgian authorities regarding immigration permits, and Joseph Linton, a pivotal figure working under Selig Brodetsky at the London Office of the Jewish Agency, was asked to contact the DTC and the Colonial Office.



If the efforts of this camp, and the Diamond Club as its main voice, focused before the war on the Palestine government to reduce the customs on the import of rough diamonds, now the orientation was on wider political pressure and on mobilizing Jewish and Zionist networks. Furthermore, as a countermeasure against the Ben-Ami Netanya-based faction, in February 1940 Tishby and the Jewish Agency started to organize the Tel Aviv diamond experts and entrepreneurs as a section in the Agency's Trade and Industry Department. The group believed that they had gained the upper hand, unaware of the detour Ben-Ami and the British Ministry of Economic Warfare prepared for them.<sup>46</sup>

The Ben-Ami group was indeed no less active. Despite the objections voiced by the Jewish Agency that he strongly criticized, Ben-Ami made separate contacts with Walsh, the government's advisor, and with John Fletcher of Customs, in order to pull them to his own line of reasoning. Through them, and without the blessing of the Jewish Agency, he contacted the Colonial Office and Ministry for Economic Warfare. The experts Ben-Ami attracted to Netanya before the war acquainted him with diamond experts and dealers in Antwerp who would soon help him to select diamond experts and manufacturing for settlement in Netanya. More crucially, the Antwerp people recommended him to contact George Prins (1889-1973) in London, one of the owners of the Hennig & Co. diamond brokerage company, and a long-time dealing associate with De Beers. As we shall soon see, Prins and the Hennig brokerage would play a crucial role in the evolution of the Palestine diamond industry.<sup>47</sup>

Naturally Ben-Ami's independent moves were strongly objected to by the national faction who claimed that at a period of sensitive relations between the Zionist Movement and the British government all projects in the Yishuv ought to be coordinated by the Zionist institutions. The rivalry came to a head in March 1940 when Ben-Ami traveled for a month-long visit to London, Antwerp, and Amsterdam, disregarding the efforts made in parallel in Antwerp to bring diamond manufacturers to Palestine by Asher Daskal, who since 1936 was one of the leading diamond manufacturers in Palestine and now the emissary of the Tishby-Weiss national camp. Both groups sought now to make a diamond-cutting center in Palestine viable, and both had to obtain the same assets Palestine lacked—raw materials, capital, and expertise.<sup>48</sup>

On his way from London to Antwerp Ben-Ami thought that he would be met by many in the diamond industry and trade that would be craving to flee from Europe. Before his trip he asked the Netanya town council to file applications for the immigration for about 150 candidates of whom he has been informed by diamond and Zionist activists, and he expected now to finalize the arrangements. However, in Antwerp he heard "a wholly different song," as he later told. Only a few were willing to leave Europe.

Most wished to move to Southern France for what they believed would be a close and temporary sojourn. Among them were many from Poland and Romania who had arrived in Belgium in the mid-1920s and early 1930s and hardly considered Palestine an option. They would have preferred New York, Cuba, or Brazil but were persuaded now by the Belgian government and Huysmans, the mayor of Antwerp, that France was safer. To Ben-Ami's disappointment, only fifteen diamond manufacturers and some experts were willing to commit themselves to emigrate.

The commitment the applicants signed was instructive. They testified that they were capital owners and wished to immigrate to Palestine "to establish and develop the trade of diamond polishing." In joining the project the immigrant committed himself not to go to any other place but to settle in Palestine within two months of receiving the immigration certificate from the government's immigration department. More significantly the newcomer pledged himself to a specific destination and occupation: "To settle in the town of Netanya and to use and invest my capital in construction of a factory and arranging the tools and all the machines necessary for cutting and polishing gem stones." These selective and regimenting aspects climaxed in expression of loyalty to the project—"I take it upon myself to materialize the above project in three months from my arrival in Palestine in accordance with agreed plans of, and under the supervision of, the industry department of the Jewish Agency for Palestine and the head of Netanya's town council." To Ben-Ami's dismay some of the merchants in Antwerp maintained trading relations with German diamond dealers and factories. Now they would all have to be screened by the British intelligence, and once affirmed to be trustworthy that they would not sell diamonds to the Germans, their immigration was authorized. The project therefore entailed close cooperation with the government.<sup>49</sup>

The most important thing Ben-Ami learned in Antwerp in winter 1940 was not diamond cutting and polishing techniques he knew little about, or the secrets of the noncontractual culture of diamond dealing and trading he read about in popular sources, but how political everything was. Politics was at the heart of the industry because it determined the supply of the rough diamonds, and politics was needed because the key for obtaining rough diamonds for cutting was at the DTC, depicted by Ben-Ami as the "citadel in London." It was here that the Ben-Ami victory over the Tishby-Weiss faction was secured.

The reason was not a drastic difference in argumentation. After all, both groups argued in British ears that Palestine did not mean to compete with Belgium but to harm Germany, which had developed a competitive diamond industry before the war and aimed to capture the diamonds of Belgium and the Netherlands. If the Germans were buying diamonds freely in South Africa, so the argument ran, why was not Palestine permitted

to buy diamonds directly from the DTC in London? Furthermore, both Tishby and Ben-Ami promised the British authorities that Palestine would export the polished diamonds chiefly to the US, thus demonstrating the future financial usefulness of the industry to the British. And finally, both camps promised that the industry in Palestine would be organized and operate under supervision, so that diamonds would not reach the enemy. What determined the British preference for Ben-Ami encapsulated a much more thoughtful logic.<sup>50</sup>

## The Logic of Limited Expansion

The most influential figure on diamond issues on the British side, and practically the shaper of the colonial framework that made the development of the diamond industry in Palestine possible, was the economic advisor at the British Ministry of Economic Warfare, Frederick Albert Mathias. Born in 1891 in Australia, with a long history of working in subsidiary companies of De Beers and in British colonial service, Mathias was well experienced in the diamond business. His position since 1934 as the government director of the Sierra Leone Selection Trust (SLST), a De Beers subsidiary with deep British involvement, and his experience in diamond deals in his own company (Diamond Realisations), made him a fitting participant in the steering committee established jointly by the Ministry of Economic Warfare and De Beers in early 1940.

Though the operation of diamond mining, as that in Sierra Leone, and the operation of the cutting and polishing of diamonds, as that planned for Palestine, entailed completely different tasks and organization, Mathias's earlier experience in working through a local chief in the Kono District in Sierra Leone was quite consistent with the idea of working through the representation of a local entrepreneur such as Oved Ben-Ami of Netanya. If in Sierra Leone an on-hand supervisor was needed to prevent illicit mining, in the Middle East one was needed to prohibit uncontrolled trade. Ben-Ami was destined to play the position of an economic intermediary between the British colonial power, the experts that were destined to be brought over from Antwerp, and capital investors. Seen from this perspective of the way colonialism and business worked together, it was Mathias and the understandings he reached with Ben-Ami in March 1940 that made him a sort of a private entrepreneur in the service of the colonial state, and the latter a formative instrument in the advance of Zionist capitalism. He was not simply a "comprador" working against the interest of his own community and country in the service of the business interests of a foreign entity, but a pivotal intermediary in a system that both harnessed political power and resources for capitalist and Zionist goals, and at the

same time mobilized for imperial and business interests that coalesced in the specific conditions of a war.<sup>51</sup>

The imminent danger of a German invasion of the Low Countries impelled Mathias to devise a step-by-step plan for the establishment of an alternative to Antwerp's diamond center. Following his meeting with Ben-Ami, Mathias prepared a proposal that he subsequently presented to the MEW. According to the proposal Palestine was ripe for a diamond industry. It had a skilled labor force, initial capital, and a host of experienced diamond traders organized under the Diamond Club. It was of utmost importance, however, that the industry not be developed too quickly, "because not all those involved there are certain to be 'men of integrity'" and may smuggle their diamonds to Germany—a danger exacerbated by the industry's proximity to Syria, whose diamond traders, closely connected to Lebanese dealers in Sierra Leone, were suspected of illicit trading.<sup>52</sup>

Second, Mathias reasoned, the establishment of diamond factories, the recruitment of cutters and polishers, and the obtaining of rough diamonds for polishing were economic issues, but also deeply political. It involved the cooperation of other diamond-producing countries (e.g., Belgium, the Netherlands, South Africa, and Germany), and it also necessitated, from a political standpoint, the safeguarding of the control of diamond marketing exercised by the De Beers. Accordingly, as unrestricted development might have harmful repercussions on the industry in other parts of the world, any development in Palestine should be limited.

The third point in Mathias's proposal was that the diamond industry was inherently sensitive to fluctuating world conditions, and the demand for diamonds greatly affected the number of workers employed in the industry. This was true in particular for Belgium, which, despite the varied types of stones polished, specialized also in a particular type of small stone (Sand). When world demand for all types of diamonds declined in the early 1930s, the marketing of Sand became, in Mathias's words, the "life's blood of the people engaged in the cutting industry in Belgium," because "the principal element of cost in this particular class of diamond is not the cost of the raw material but the cost of manufacture." Belgian Congo was the largest producer of Sand and therefore Belgian producers, supported by their government, could contract to sell to the DTC their entire production on condition that the Belgian cutting industry would be kept fully supplied in its demand for this particular type of raw material. This also meant that the Belgian government and diamond producers sought good relations with the British because diamonds were economically crucial in British colonies and dominions, and the increase in the demand of Sand affected prices of other types of diamonds mined and polished in these colonies. Therefore, the value of good political relations, European and imperial, was closely associated with the economic aspects and trade rela-

tions. Furthermore, Mathias argued, the US, being the largest purchaser of small stones, was interested in developing the diamond industry in Palestine (partly pressured by American Jews) because its stones would be cheaper than the European ones. This meant that Palestine, developing a Jewish-centered industry that might have to be based on cheap Jewish labor, would become not only a competitor for Belgium but also a threat to the level of employment of Christian diamond workers in Europe. The fear was that the cutting industry in Palestine might grow to such an extent that its competition with Belgium may have the effect of antagonizing the Belgian government and thereby causing friction amongst the producers—the Belgian Congo being the large producer. According to Mathias this association between the problem of demand and the “Jewish question” was another reason why “progress must be slow and patience exercised by those in Palestine,” and why “people in Palestine must appreciate that the policy adopted by those controlling distribution must not be influenced by creed.”<sup>53</sup>

Mathias’s logic thus integrated interests with war. The fear that diamonds would reach the enemy through Palestine was closely associated the fear that Palestine’s use of sweated labor (including cheap Arab labor) and paying lower wages would compete with the Belgians. If Palestine expanded beyond a limit not only would there be too many diamonds around to be picked by the enemy but Palestine competitiveness would also pose a serious menace to Belgium’s economic recuperation in the future. Moreover, these developments would be anathema with wanting to keep good relations with Belgian Congo. This seemingly economic–international relations argument for the need for Palestine to be a “contained alternative” legitimized British preference for an entrepreneur who would be totally dependent on them and on the DTC, and would not dare to challenge these arguments. Working with Zionist national institutions would be a totally different matter altogether.

After detailing the reasons for the limited expansion of the industry, Mathias went on to enumerate his recommendations for the industry’s economic and organizational structure. Wholly unaware of the reality in Palestine, Mathias based his suggestions on his extensive experience in the diamond world in general and in SLST in particular. The precarious situation of the trust relations between dealers and the threat of diamonds falling into German hands warranted careful scrutiny of potential dealers and manufacturers in Palestine—particularly of those considered “most undesirable citizens” (men suspected of illicit trade, blacklisted by trading and insurance companies, or of otherwise questionable reputation). A firm believer in the bureaucracy and centralization he developed in Sierra Leone, Mathias was in favor of applying a similar control system to Pales-

tine, where the local Palestine government under the high commissioner was already running a complex bureaucracy.<sup>54</sup>

Mathias therefore recommended that the Mandate government appoint a committee of government officials and industry representatives, “so as to leave no loophole whereby diamonds could pass from Palestine directly or indirectly to Germany”; a Jewish-only organization must be formed under Ben-Ami’s strict management, confederating all diamond manufacturers—both veterans and newcomers; diamonds should be imported only under government license, through a joint purchase (coordinated by the organization) and from a single source in London, namely, the DTC; representing the industry in London would be a trustworthy broker, a man of outstanding integrity and professionalism who would ensure the steady supply of raw material, putting the interests of the budding industry before his own; and upon receiving the diamonds, the organization would issue them to its members, closely supervising their work methods. This monopolistic scheme would guarantee not only the complete control of the industry by the organization (a proxy for the Mandate government), but also the exclusion of diamond dealers from the import-export process, reducing the likelihood of illicit trade with German and Syrian dealers. Furthermore, in order to prevent Palestine from developing a cheap or sweated labor-based industry, Mathias recommended that all cutting and polishing should comply with the ILO Labor Code (issued in the early 1930s), which asked employers to provide reasonable conditions for the diamond workers. This meant the fixing of a minimum wage established by the government itself on the lines fixed for the workers in Belgium (i.e., 250 francs a week). It also meant, however, barring the possibility that Jewish manufacturers would employ cheap Arab labor.<sup>55</sup>

In order that the diamond-cutting industry in Palestine would not become competition for Belgium, antagonize the Belgian Government, and thereby cause friction amongst the producers, the control system according to Mathias ought to carry the confidence and support of all other producers and assure that Belgian diamond producers would continue to work with the producers in the British Empire. Practically this meant that the growth of the industry in Palestine during the war should be kept within limits. This should be done either by restricting the number of workers employed, by limiting the supply of raw material, by not allowing Palestine to specialize exclusively in small stones, or simply by the government restricting the industry from purchasing rough diamonds from wherever it wished. The restriction of further migration of workers aimed to prevent the antagonism of the Belgian government and the people in the trade. Belgium, Mathias contended, in any case would not permit men of military age to leave the country, irrespective of the question of competition. Thus there should be a limit placed on the number of workmen allowed

to migrate, and natural development should be fostered within Palestine. Finally, Mathias's recommended that in view of the danger of illicit diamond trade by Syrian traders, partly enabled by the proximity to Palestine, the Palestine government should, through its import and export system, prevent attempts to establish a market for the disposal of illicit diamonds. The elimination of the dealers and the introduction of a system whereby the cutters are directly provided with supply from their broker in London, should further assist in this.<sup>56</sup>

In the final analysis diamond experts, who were finally recruited for the project with the Colonial Office and the Palestine government taking care of the necessary certificates, were destined to form an organization of Jewish diamond producers, to be joined also by the existing Jewish manufacturers in Palestine and to adhere to Ben-Ami's regime. In return for being granted this monopoly over all Palestine's current and future diamond manufacturing, Ben-Ami reiterated his commitment to purchase raw material only from the DTC, to bow to any regulation by the British authorities, and to export all polished product to the US. Furthermore, the central principle on which Mathias and the British insisted and Ben-Ami reluctantly accepted, was the limitation of expansion, namely, not to threaten Belgium's postwar recuperation.<sup>57</sup>

In this way the scheme, finalized in spring 1940, not only created a temporary alternative to Belgium, but was incorporated into the Allies' war against the Germans. Accordingly, in late April 1940 the High Commissioner of Palestine Sir Harold MacMichael (1882-1969), ordered that no imports of rough diamonds would be allowed into Palestine but from the Diamond Trading Company and through Hennig & Co. As a prospective buyer of diamonds, the achievement of Ben-Ami's group was to have already in 1940 Hennig & Co. as brokers that obtained rough diamonds directly from the DTC. This should not be considered lightly. The DTC, established in 1934 as a sole selling agency for all diamonds mined by De Beers and its subsidiary companies, was selective in its choice of those privileged to buy diamonds directly from it. The brokerage company (founded in 1890 by Isadore Hennig) was since the establishment of the DTC in 1934 one of the most renowned sightholder companies in mediating between De Beers and its clients, and its association with Palestine and the Ben-Ami group expressed the importance of trust in diamond circles. But it also signaled the political goodwill of the Colonial Office and Ministry for Economic Warfare, both of which were highly suspicious of unreliable brokers during these times of war. George Prins, one of the leading associates in the company, was instrumental in persuading Ernst Oppenheimer to supply Palestine with diamonds. In being promised by De Beers a continuous supply of diamonds, the undoing of Belgian long-

standing resistance to the creation of competitive diamond-cutting centers was now complete.<sup>58</sup>

The British decision to promote the industry in Palestine, not through the representative national institutions of the Yishuv but through the capitalist private sector, was much more dramatic than they had envisioned. For the Colonial Office and the Ministry of Economic Warfare in London, and no less for the high commissioner of Palestine, it was a logical corollary of the British experience with diamond mining in South Africa and Sierra Leone, and of what turned into an imperial tradition of the state associating itself with transnational firms, local chiefs, and entrepreneurs of sorts. Frederick Mathias, who gave the initial shape to the Palestine diamond industry, embodied this transfer of the model. But the decision was also a product of the British eighteen-year-long experience with Palestine politics in which they habituated themselves to indirect involvement and manipulation of religious, political, and economic groups. Why trust the national institutions of the Yishuv when a small group of unofficial entrepreneurs could deliver the best results without the cost (during the current White Paper regime) of supporting a Zionist-oriented project? Why associate the British government with the Trade and Industry Department of the Jewish Agency and thus entangle a project driven by the necessities of the war with Palestine's national politics and Arab opposition? More so, how would it be accepted as legitimate to support an all-Jewish industry while Jewish immigration to Palestine and land transfers in Palestine were barred? Answers to such questions were at the heart of the British move to entrust the diamond project in the hands of Oved Ben-Ami.<sup>59</sup>

Ben-Ami's advantage was that his intermediary position made it possible, much more than formal Zionist institutions, to secure real British control over the private industry. This control was necessary in order to prevent diamonds from reaching the enemy, to maintain controlled and gradual pace of development so Belgium's future return would not be threatened, and in order to promise export to the US for dollars. Centralizing imports and exports and the administrative presence of the British in the organization reflected these goals. And this meant, of course, involvement in the selection of members and control in daily activities. A deeper colonial intervention was marked therefore in the Yishuv's national politics. The fact that the British gave Ben-Ami precedence meant that Yishuv national institutions would lack the power to control the industry, the selection of its members, and its development. It also meant that the founders of the industry, the first experts who established factories in Petah Tikva and Tel Aviv in 1936–1937, were robbed of their independence and would have to seek inclusion in Ben-Ami's organization. The fact that Ben-Ami represented entrepreneurs that had no prior experience in the diamond trade was crucial in this regard because it demonstrated



the British preference for controlled organization over expertise as such. In return Ben-Ami was expected to give the British presence and a sense of control, something that would not have been possible if the entrepreneurs were acting freely and independently and the national institutions were running things. The British, driven by the needs of the war and American dollars, set in this way a precedent—using Ben-Ami as an external force to the Yishuv without for a moment him shirking his Zionist orientations.<sup>60</sup>

The Tishby-Weiss faction was furious at Ben-Ami's triumph. Seeing it as a direct affront to the Zionist Movement, members of the faction exerted pressure wherever they could to have the decision reversed: Joseph Linton approached the Colonial Office in London, Zionist activists appealed to Ernst Oppenheimer in Johannesburg, and Jewish Agency officials petitioned Geoffrey Walsh in Jerusalem. Attempts to influence Oppenheimer to endorse the Tishby-Weiss faction persisted even after the agreement between Ben-Ami and Mathias became known. The outraged Tishby tried to rally the diamond manufacturers already operating in Tel Aviv against what was described as Ben-Ami's imperious and domineering scheme. All, however, was to no avail. The failure of these pressures reflected the new British interventionist style of rule in Palestine. In accordance with the role assigned to Palestine in the larger Middle Eastern scheme of the war against the Germans, the advisors on economic warfare to the Colonial Office and the British functionaries in Jerusalem would not succumb to local political machinations that might endanger the larger scheme of finding a temporary alternative to Belgium. The government functionaries in Jerusalem did not mind very much who was destined to materialize the scheme to find a reliable temporary alternative to Antwerp, and in any case its opinion was less weighty now after few months of war. The fact that Ben-Ami won the day despite mounting efforts exerted by the Jewish Agency in England and South Africa demonstrated the extent of the intervention of the Colonial Office in Zionist local politics. More significantly, in distancing Zionist national institutions from involvement in the diamond industry, the British strengthened the capitalist camp in the Zionist state-building debate.<sup>61</sup>

In a wider perspective, the choice of Palestine as an alternative diamond-cutting center to Antwerp demonstrated how the outbreak of the war intertwined with economic interests and European imperial politics, and how private capital and entrepreneurship were thought of by the British authorities as favorable agents. Evidently the latter reflected British economic policy in Palestine since the early 1920s of favoring strong economic sectors so as to reduce the financial burden Palestine exerted on the British taxpayer. However, the designed creation of the diamond industry in Palestine on the eve of the German invasion of the Low Countries pinpointed to actual British intervention. It would now provide a facilitating

framework for the industry and it would be deeply involved in shaping its organization and its organizational culture.

The agreement between the Colonial Office and the Ministry of Economic Warfare on the British side and the entrepreneurs in Palestine that the industry would be open only for Jewish manufacturers and workers was not a rare understanding in the British Empire. State and capital agreed here formally not only on maintaining an ethnic occupational tradition but also on ethnic segregation and Arab exclusion, which impacted labor market tensions between Arabs and Jews. The diamond cutters were therefore to become Britain's and De Beers's "special natives," similar to the tribal groups and chiefs chosen to mine diamonds in Sierra Leone by the British-backed Selection Trust company. The Jews were tasked with a particular role, and relying on them was based on the perception of their historical occupational niche and on the application of the ethnic trust system in trade to production itself. In this way a complex coalescence of interest was created by Britain and Zionism, in which Palestine was serving the needs of the war by replacing paralyzed Belgium on the one hand, and Britain was serving the economic foundations of the Zionist polity in Palestine on the other. Much of what was happening in the workshops closely followed the vicissitudes in these relations.<sup>62</sup>

Furthermore, the coalescence of international and local interests that in spring 1940 began to transform the small number of workshops in Palestine into a full-fledged diamond cutting and polishing industry indicated a shift in the structure and dynamics of the industry. Up to the war most developments in the diamond industry and its world spatial location occurred as a result of geological findings, movements of finance, state-firms cooperation in investment, and migrations of know-how and skill. Now it was a designed creation, a state-sponsored planning to artificially reallocate an industry as a temporary wartime measure. This quality of the Palestine diamond industry determined British protection and continuous wartime involvement, an economic parenthood that would be undone only by later political events. From a long-term perspective it demonstrated the deep involvement of colonial powers since the 1870s in enabling the diamond industry to overcome the stumbling blocks like wars, regime change, and population movements that it occasionally encountered.<sup>63</sup>

The Palestine diamond industry was thus established at the nexus of three momentous enterprises: the British war effort, which it was to serve financially, industrially, and as a controlling countermeasure against the German diamond industry; De Beers's economic survival, for which it was a temporary alternative to the occupied Low Countries; and the Zionist project, which saw it as a means of industrializing an agriculturally dependent town, saving the persecuted Jews of the Low Countries and developing a local, private, and Jewish-only industry. Historically, therefore,

the laying of an infrastructure for a diamond industry in 1937–1940 represented the maturation, within the climate of world war and local national conflict, of the cooperative efforts of the Mandate government and Jewish capital. While the former was guided by a novel interventionist approach, which would become extremely conducive to the Zionist economic build-up, the latter was chartering new avenues of capital's influence on Palestine's social reality. That the Colonial Office and the Palestine government enabled that novelty would prove to be one of Mandate's long-lasting legacies. The next chapter shows how this presence would find an expression also in the organization of the diamond manufacturers.<sup>64</sup>



Illustration 1.1. Alamz diamond factory in Netanya, 1944.  
Source: Government of Palestine, *Palestine Trade Catalogue*. Part IV. Jerusalem, 1944.

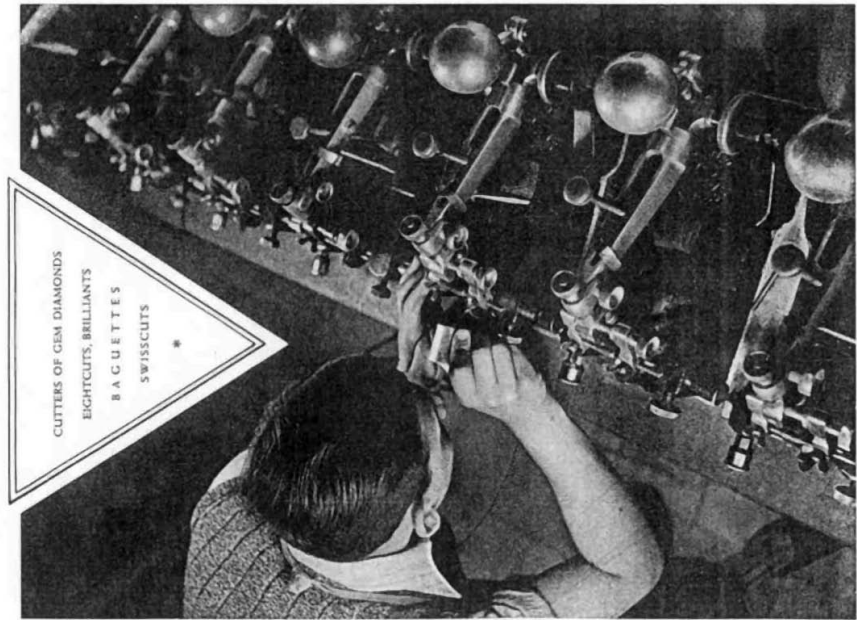
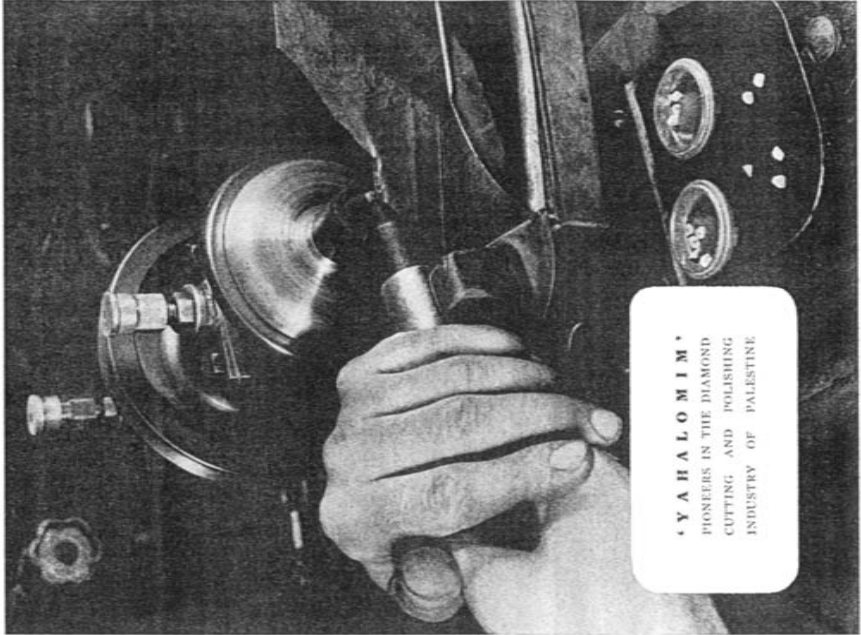


Illustration 1.2.  
Feldman diamond  
factory in Ne-  
tanya, 1944.

Illustration 1.3.  
Diamond cutting  
at Yahalomim  
(Pickel) factory in  
Tel Aviv, 1944.

Source: Govern-  
ment of Palestine,  
*Palestine Trade  
Catalogue*, Part IV.  
Jerusalem, 1944.





## Chapter 2

# THE MAKING OF A MONOPOLY



The diamond industry is destined to become the most important branch of our industry, to feed tens of thousands, to tie us to wide world markets and bring the name of our country to distant corners. It is in our hands whether the future of this industry is for thriving and flourishing or for liquidation and loss. Worker, industrialist—guard this important branch. Know at all times that your fate and the fate of the industry is in your hands. Remember! It is not only for us that we toil and construct and build, we are the pioneers of moaning and suffering brothers. We build for ourselves and prepare for them a livelihood, those that starve and on whom hell fell, but whose redemption is near.

—David Rothblum, “Wish Them Godspeed!” *Dapei Hamenahel*  
(January 1944): 6–7

## Effects of the Occupation

The political and economic historiography of Mandate Palestine has long recognized the presence and power of private capital, in the Jewish sector in particular. It was reflected first and foremost in the centrality of small businesses and larger privately owned manufacturing units in the economic life of the country compared with the parts played by the British government sector and Jewish national Zionist institutions.<sup>1</sup> Despite the relative political weakness of the Jewish middle classes during the Man-

date, it found further social expression in the delimitation by private employers of the capacity of organized labor (the Histadrut) to achieve widespread acceptance and coverage of collective bargaining. Culturally this power could be seen in as varied aspects as in the proximity of capital and industrial owners to British official circles, in their respected status in the towns such as Tel Aviv and Netanya, and in the paternalistic atmosphere they created in their workplaces and offices.<sup>2</sup>

The Mandate colonial state since the 1920s played a key role in these expressions of power: the support it provided Jewish private industry, and their perception of the Yishuv economy as a leading economic sector that could save on their imperial expenses and justify British colonial developmental approaches.<sup>3</sup> However, the deep involvement of the Palestine government and the Colonial Office in defining the public functions of the private diamond industry as a “war industry” reaffirmed the change the British brought to Palestine in previous patterns of state intervention.

Indeed, since the outbreak of World War II, and in particular in the wake of the growing fear in Belgium of German invasion, an urgent sense arose that the project required institutional power and authority. The diamond industry in Palestine needed to be controlled so that no diamonds (rough, polished, or for industrial use) would reach the Germans. All production should be exported so that, apart from owners’ and manufacturers’ profits, ample income of American dollars to the Palestine government and the Sterling Bloc would be assured. All rough diamonds destined to be cut and polished in Palestine ought to arrive from a single source, the DTC (the Diamond Syndicate), so that De Beers could dispose of its reserves and London could maintain its position as the nerve center of diamond trading and distribution. Effective control was also needed to safeguard the Jewish-only character of the industry, to make certain that Ben-Ami’s town Netanya would be the project’s capital, and not least to prevent the Jewish Agency from meddling in the affairs of the diamond manufacturers and their economic aspirations. It was therefore a social engineering of capital and labor, a from-above project through which the Palestine government and Ben-Ami as their entrepreneurial emissary sought to structure the framework of all diamond activities in Palestine. In the eyes of the functionaries at Ministry of Economic Warfare, Palestine was not that different from the subcontractors in diamond mining in Sierra Leone. The status they accorded to the “special natives” who established the diamond industry under their supervision allowed a reproduction of the model. Moreover, the model fitted well the system of concessions and monopolies that colonial Britain routinely used to govern across its empire and also the Middle East.<sup>4</sup>

The urgency to grant the nascent industry institutional power was further aggravated by events in Europe. In May 1940, in the midst of the



preparations in London, Antwerp, and Netanya for the immigration of the diamond experts and for the first shipments of rough diamonds, the Germans occupied Belgium and Holland. German military rule (under Alexander von Falkenhausen) paralyzed the economic functioning of Antwerp, drastically decreased the number of employed in the diamond industry, and the city's communication with main markets for polished stones in the US and India was cut off. The activity of Belgian Jews in the diamond business was curtailed and would soon be mobilized for German interests. The meager supply of rough diamonds that arrived in Palestine from dealers in Belgium now totally ceased. Belgium was therefore placed outside the system of competition among the world's diamond-cutting centers and the hegemony it acquired after World War I was abruptly curtailed. This was one of the main reasons why new centers in Cuba, Costa Rica, England, British Guiana, and Palestine could thrive. Moreover, the occupation of Belgium also nipped in the bud the scheme to bring over to Palestine the manufacturers and experts, and the local initiators of the industry were forced to search for and select entrepreneurs and investors in Palestine itself.<sup>5</sup>

The sense of pressure had another effect. During negotiations in early 1940 in London Ben-Ami suggested to Mathias that Palestine should specialize in the cutting of small stones, just as Belgium and Germany did before the war. Mathias and Ernst Oppenheimer opposed the idea. Palestine's specialization, they argued, would harm the young diamond industry because it could not guarantee full employment during fluctuations in demand for diamonds and periodic downturns in supplies and sales. Moreover, if Palestine specialized in small stones, Belgium's recuperation after the war might be endangered. The argument was far from resolved at the time despite De Beers's consent on direct supply of rough diamonds and on the representation of Palestine at the DTC by Hennig & Co. Ben-Ami's quest for small-stone specialization was accepted only because of the pressing need created by the German occupation to continue with diamond production outside Belgium. The Germans were getting hold of diamonds after all and Belgium needed to be quickly replaced.<sup>6</sup>

Another effect of the occupation was on the spatial structure of the industry. In the early summer of 1940 it was still assumed that because Britain controlled the South African sources of rough diamonds, and the syndicate managed their distribution, London would become the world center of the industry. The assumption was strengthened by the arrival in London of Dutch and Belgian refugees, among them diamond manufacturers, dealers, and skilled diamond workers, who would contribute to the small cutting industry in England but expected to return to Belgium after the war. The German occupation thus aggravated the British dilemma of how to encourage the new industry in Palestine and at the same

time adhere to Mathias's principle of a "temporary alternative," which purported to secure Belgium's recovery after the war. It was imperative now, both the British and the Palestine entrepreneurs felt, to hurry up with the establishment of the diamond industry in Netanya and place it under much stricter control than diamond cutting in England itself. The occupation of Belgium turned therefore a catalyst not just for Palestine's quick replacement of Antwerp but also for its molding as a controlled venture so that diamonds would not reach the Germans and the expansion of the industry in Palestine would be limited.<sup>7</sup>

The establishment of the Palestine Diamond Manufacturers' Association (hereafter PDMA) began in Netanya on the morrow of the German occupation of Belgium and the Netherlands.<sup>8</sup> The drawing of its regulations followed suit and in late July 1940, with six diamond-cutting factories in operation, the government gave the association its authorization in accordance with the Ottoman Law of Societies.<sup>9</sup> The process was conducted by Ben-Ami, who placed himself as the PDMA's president, and Chaim Friedman, the former Antwerpian diamond merchant and Zionist activist who became the PDMA's administrative secretary. Advised by diamond experts such as Zvi Rosenberg and Asher Daskal, and by PDMA's "Responsible Directors," the two drew a draft of the organization's regulations that required government affirmation.<sup>10</sup>

In summer 1940 they began the screening of the candidates who as PDMA members would be allowed to receive rough diamonds, operate factories, and export the polished stones. The process was closely watched over by John L. Fetcher, the assistant director of the Customs Department in Haifa, and Geoffrey Walsh, the economic advisor to the high commissioner in Jerusalem who reported to the Colonial Office in London on every move. Practically, the shaping of the PDMA took place in the discussions in the government-nominated Control Committee of Rough and Polished Diamonds in Palestine, of which Fletcher, Ben-Ami, and Friedman were members. The committee took care to obtain the initial permits to import the raw material from the DTC and export the products abroad. However, it also assisted the PDMA in determining, as written into its regulations, how to protect the interests of the manufacturers, how to operate the industry, and how to make it certain that in no circumstances would imported rough diamonds be disposed of in an improper manner. In this way government control over the new industry, based as it was on the need to prevent diamonds from reaching German hands, was assured. Moreover, it determined the deep dependence of the industry on the colonial government, both in Palestine's relations with De Beers and in its from-above management of the individual factories. In August 1940 the first shipment of small-sized rough stones arrived from Hennig & Co., the brokerage company in London. Shortly after, the British affirmed

PDMA's regulations and the formal joining of the members of the Association began.<sup>11</sup>

## Organizing Capital

The history of the diamond industry could have provided ample models of organization—from diamond exchanges, administrative and ethical councils, of manufacturers' associations, clubs of merchants and dealers, and even craft unions. They could teach the organizers of the separation between the various phases along the diamond commodity chain and on the separate networks of producers' associations and dealers' organizations. However, because of the way the industry was initiated, its informal character as a "war industry," and the direct engagement of the colonial state with private capital, this rich and varied legacy was hardly influential. The monopoly character of the De Beers cartel and the centralized structure of activity in the diamond mines could have been sources of principles of hierarchy and dependence that could fit well the from-above design of the Palestine industry. But these too were less relevant because of the focusing of Palestine at this stage on cutting and polishing and not on trading. Moreover, while diamond industries in the Low Countries did not lack institutional restraints or politicians who promoted their national import, they were incomparably less centralized, received much less stately attention, and were, as the Jewish concentration in the diamond industries of Amsterdam and Antwerp demonstrated, much more pluralistic.<sup>12</sup>

The second tradition stemmed from the organizations of manufacturers and employers that emerged in Palestine itself twenty years earlier, following the shift from Ottoman to British rule. These organizations were mostly focused on the citrus plantations and on the small commercial businesses in the urbanizing centers of the country. One type was a totally independent initiative, stretching from home industries to factory-based productions, from piecework contractors in various branches to professional services. Another was cooperative industries, practically within (and financially supported by) the roof-structure of the General Federation of Labor. Still another type of organization was of a more protected kind, usually through protective tariffs introduced by the Palestine government since the 1920s.<sup>13</sup>

More influential perhaps were the few industrialists who pressed for larger unifying structures (reminiscent of the individualist and liberal approaches of citrus growers, merchants and small-scale manufacturers). In 1921 the Palestine Manufacturers' Association (PMA) began to represent manufacturers and industrialists, but it was a loose organization and could little inspire action in specific branches. Ben-Ami himself was active in

the 1920s in Bnei Binyamin—an association dealing with land acquisition and assistance to citrus growers—and his experience in the organization undoubtedly affected his later diamond project. More solid organizations (such as the electricity, oil, and potash concessions and, from another angle, the Histadrut's holding company) comprised only a small part of the industry. The points of contact among this plurality of organizations were largely based on the Zionist orientation of private capital and support it sought from Zionist national capital. Still, the organization of business in Palestine was quite frail and the power of capital was more explicitly expressed by individual industrialists and small family firms. The legacy of hierarchy and centralization among capital owners, manufacturers, and employers that came to characterize the diamond industry was there, but the extent of these influences was quite limited.<sup>14</sup>

The diamond industry introduced a novel type of organization: an association of manufacturers and capital owners that operated as a private monopoly under close government inspection and control. Compared with existing employers' associations in Palestine, the association became during the war the most powerful and regimented, and practically exemplified a new phase in relations between state and capital. The novelty lay in the degree of state interventionism in the private sector of Palestine's economy, and in the scale of protection and support of private capital, Jewish and Zionist in particular. Furthermore the negotiated state-capital organization of the business created a new atmosphere of mutuality and reciprocity. It was for this reason that the victory of the Ben-Ami faction over the Tishby-cum-Zionist institutions faction was crucial. Once the Palestine government was defined as the source of power and legitimacy of the diamond manufacturers' organization, the Zionist institutions that ran the Yishuv and their close ally the Palestine Manufacturers' Association were kept distant. This reflected the liberal tradition of institutional independence that Ben-Ami and many capitalists in the Yishuv represented. It also served the British, who aspired for economic cooperation with Jewish capital without wanting to be seen as siding with the Yishuv and the Zionist Movement during this period of the White Paper regime. That such a possibility was incarnated in the government's special relations with Ben-Ami enraged the Jewish Agency and would later serve to challenge the PDMA's leadership.<sup>15</sup>

The PDMA was defined as a monopoly in six senses. First, it was declared as the sole importer of rough diamonds to Palestine. All diamond merchants in Palestine and all manufacturers who chose not to join the PDMA were not allowed to import diamonds independently. Even PDMA members themselves could not. The members of the Diamond Club, on the other hand, who for years cultivated trading ties with Belgium, the Netherlands, and Germany, were placed outside this controlled system.

Declared as the sole channel through which diamonds could be distributed, the PDMA was therefore made part of the system of British economic warfare against the Germans.<sup>16</sup>

Second, joining the PDMA was open for Jewish applicants only. This discrimination leaned on the long-standing association of Jews with the diamond trade and on the centrality of Jews in the diamond industry in the Low Countries. The notion that an ethnic community would be the best guardian and efficient agent of the diamond business mixed here with the Zionist contribution to the Allied war effort and the British support of the Yishuv industry. Moreover, an informal understanding between the British government, the Syndicate, Hennig & Co., and Ben-Ami determined this principle to be an essential prerequisite to the attainment of American dollars for the British war effort.<sup>17</sup>

Third, any manufacturers wishing to cut and polish diamonds in Palestine would have from now on to be members of the PDMA. Otherwise they would not be able to obtain the authorization from the British authorities to import or operate the equipment needed to run a factory; neither would they be able to place with the PDMA orders of rough diamonds from London. British intelligence and the Ministry of Economic Warfare kept "black lists" of European and American diamond dealers suspected of trading with the Germans and were therefore involved in the PDMA's screening of applicants for membership.<sup>18</sup> Furthermore, factories would always be owned by PDMA members. Therefore, cutting and polishing at home was not permitted and the entire putting-out and domestic-labor system that developed in the Belgian countryside was transformed in Palestine into factory-based production. The implication of this definition of a PDMA member would be clearly reflected in employment relations, in organizational and workers control, and in relations among the workers themselves.<sup>19</sup>

Fourth, De Beers and the Diamond Syndicate were defined as the single authorized source of rough diamonds, and Hennig & Co. was fixed as Palestine's sole representative or "sightholder." The PDMA was not allowed to purchase rough diamonds in any other country and from other dealers, and non-PDMA dealers who kept trading relations with the Low Countries, South Africa, and South America were closely watched. The PDMA's accounts of its imports and allocation of raw material to its members were closely inspected by the government and the MEW, and the entire correspondence (including transaction telegrams) between the PDMA and Hennig was either reported or screened by the British censor. The arrangement that gave Hennig & Co. exclusive representational rights also assured Ben-Ami, as the PDMA's president, 1 percent of all import orders. The moneys were transferred to what was defined as the President's Fund and formally declared as needed for the president's expenses. The ties be-

tween Ben-Ami and George Prins, the leading manager at Hennig & Co., practically turned into the backbone of the system.<sup>20</sup>

The fifth distinctive aspect of this control system was the orientation of all polished stones to export, and the barring of free marketing of the stones in Palestine itself. Clearly this combined the British interest in increasing the income of American dollars to the Sterling Bloc countries, and, at the same time, attempted to decrease as much as possible the potential of stones reaching the Germans. Thus, from the moment of the PDMA's birth the British authorities were present in almost every move made by the new organization, and through the joint control committee (later developed into Diamond Control) this presence made the incipient industry a war-related one. More than anything else it came to express the new interventionist orientation of the colonial government in Palestine's economy.<sup>21</sup>

Exporting the polished stones was to be based on a twofold system. The manufacturer (the factory owner and PDMA member) would make contacts with authorized dealers, mostly in New York, and he would export an authorized amount of polished stones through the PDMA's offices. In this way the manufacturer was also an exporter but he would not be able to digress from the exporting quotas determined by the PDMA, neither would he be able to export freely on the open market. In this way the British hoped polished diamonds would not reach the Germans, either through their agents in occupied European countries or through Middle-Eastern dealers operating from Syria. Moreover, the system totally bypassed the exporter-members of the Diamond Club in Tel Aviv and the national institutions of the Yishuv and further tightened the unity of functions of import and export held by the PDMA.<sup>22</sup>

The final aspect related to ownership. In Belgium the production unit was owned by a diamond entrepreneur, and it could either be his home, an atelier, or a factory. The rough diamonds were bought by dealers who handed them over to the entrepreneur for cutting and polishing. The latter would employ workers, usually on a piecework basis, and on completion of the polishing he would hand the product back to the dealer. In Palestine the functions of buying and owning the rough stones and of producing the stones were to be united and centralized in a factory. In compliance with the designed prevention of free trade and exporting, the factory owners were also supposed to be their own exporters. Practically a diamond manufacturer in Palestine was therefore an integral entity, importer-cum-industrialist-cum-exporter, an integrity that was to serve as a source of power that in the last instance was expressed in the manufacturers' organization.<sup>23</sup>

In sum, therefore, even before the gathering of the manufacturer-members, the PDMA's monopoly created an infrastructure of a highly central-

ized and hierarchical organization. In contrast to the organizations and clubs of the industry in the Low Countries, and the often familial character of the diamond-cutting production unit in Belgium in particular, the organization of the manufacturers and the centralization of their activities in the factories were given preference over the independence of the manufacturer and the freedoms diamond manufacturers and traders enjoyed in the traditional cutting centers before the war. Ben-Ami, as the head of the hierarchy, was entrusted with enormous power. Hardly anyone before him in Palestine's economy was turned by the colonial government into such a linchpin of an entire import, production, and export system. Likewise Netanya, still in transition from a plantation to town, was destined to become the nerve center of the organization, surpass the older trading locations in Tel Aviv, and serve as an attraction point for further expansion of the industry (see appendix tables A.1 and A.2). The intended spatial concentration in Netanya seemed to promise control from above, similar to the intended focusing on a single entrepreneurial and municipal bureaucrat. On Ben-Ami (both creator of the organization and created by it) would depend the politics of supply of raw material from London, the production and labor relations policies of the manufacturers, and obviously the selection of the PDMA's future members. Naturally this position would define Ben-Ami's allegiance to the British but also the clientele-like dependence of the selected members on him.<sup>24</sup>

This allegiance was crucial because it followed the severance of Palestine from the intermediary dealers in the Low Countries and because the diamond merchants in Palestine itself were taken out of the trading chain. Forced by the British to accept De Beers's exclusive supplying position, Ben-Ami and the PDMA turned into the sole clients of De Beers in the Middle East. In diversifying supply routes and organizational traditions in the diamond industry of the Low Countries, these instructions shaped the high degree of centralization of the manufacturers' and employers' organization and seriously limited the freedom of action of the manufacturers within the industry. No less formative was the decision that all work was to be centralized in the framework of a factory. Home work and familial induction systems—among the hallmarks of the industry in Belgium before the war—were barred, and the free movement of expert cutters and inductors between the workshops was equally restricted.<sup>25</sup>

The myriad aspects of regimentation of the nascent industry and its mobilization for the war effort made the diamond manufacturers' association extremely powerful. It was selective in accepting new member manufacturers, it controlled the wages paid, and it practically turned into an entrepreneurial community espousing a cultural *mélange* of profit, nationalism, and a sense of participation in the fight against Fascism. It was an organization of capitalists that succeeded to make the Mandate govern-

ment an ally, and at the same time to present itself as serving Zionism and Empire. Zionist capital supplied the British with an alternative to Belgium, and the British supplied Jewish private capital with power and opportunity. This reciprocity further impacted the social relations among the diamond manufacturers and between them, the diamond cutters, and their representative organizations, and it demonstrated the extent to which the British became part of and deeply impacted Palestine's social body.<sup>26</sup>

The formative role of states and governments in the world history of the diamond industry was in impacting and intervening in one of its main features, its relocation. The genesis of the center in Palestine in the wake of Fascism and war demonstrated how these intervention patterns of the state in the diamond industry have now been further activated. Moreover, it was not merely a change of the degree of intervention, but a blurring of the boundaries between sectors with state officials taking part in running the industry; diamond manufacturers, dealers, and experts participating in shaping national policies on usages of minerals and their military-industrial uses; and both cultivating mutual interests, trust, and cooperation. It is this further phase of the state moving from a position of being a midwife of capitalism to actually cementing its foundational position in local society that the diamond industry in Palestine illuminates.<sup>27</sup>

## Power and Contestation

On the PDMA's establishment only a few diamond factories were in operation. Home-work was already announced as forbidden and, in contrast to tradition in the Low Countries, all diamond cutting was forced from above to be concentrated in licensed factories. An entirely new group of factory owners had to be created from the immigrants from Belgium and the locals, and the drawing up of the PDMA's regulations was therefore followed by the urgent task of recruiting the member-manufacturers, of assuring the workings of the monopoly by providing the new organization with a social base. Furthermore, as many of those destined to arrive from Belgium were hampered by the German occupation, the capital owners and investors had to be selected locally. In the next two years the PDMA's social basis was created and by mid-1942 it consisted of thirty-three factories, many of which were owned by two and three owners.<sup>28</sup>



Table 2.1 Palestine diamond factories and their employees, 1936–1942

	June 1936	Aug. 1937	Aug. 1938	Aug. 1939	Aug. 1940*	Nov. 1941	May 1942
Factories	1	2	3	5	9	26	32
Employees	10	30	60	200	700	1820	2500

\* Since summer 1940 all diamond factories in Palestine had to be members of the PDMA.

Sources: CZA, S40/269/2; Jewish Agency, *Census of Palestine Industry*, Compiled by David Gurevich (Jerusalem, 1943), 210–19.

The recruitment of members was entirely controlled, and the activity of members in their individual workshops had to be closely watched. In practice it meant that member-manufacturers had to be authorized by the government, a process that was not only conducive to the centralization of the PDMA but effectively turned it into an informal department of the government, and which encouraged among the new members and factory owners the cultivation of a language that espoused the service of an empire at war. The trust that the Ministry of Economic Warfare and the Diamond Syndicate developed in Oved Ben-Ami in the first months of 1940 was now to be extended to the candidate members, those whose capital and initiative were necessary to make the project viable, but whose integrity and self-harnessing to the project's cause were potentially suspicious. Therefore, while the granting of a monopoly drew the structural features of the PDMA's centralization, the involvement in the selection of members and in the individual operation of the factories turned the British presence in the industry dynamic and thus overtly political.<sup>29</sup>

An examination of the PDMA's members, the application letters of those accepted and of those rejected, and the association's formal definitions of qualified membership reveals a complex picture.<sup>30</sup> Some of the applicants had had some background in the diamond industry in Belgium and Holland and wanted to pursue their trade after immigrating to Palestine. Among these were a few who immigrated to Palestine in the late 1930s and opened workshops in Petah Tikva and Tel Aviv, and some diamond dealers and polishers who were able to flee Antwerp between the outbreak of the war and the occupation of the Low Countries in May 1940. These two groups were characterized as having a substantial expertise in the diamond trade, but mostly in cutting and polishing. Some managed to bring with them equipment and tools, they might have had some diamonds in their pockets or a certain amount of capital, but they based their quest for membership mainly on their know-how. The latter consisted not only of actual expertise but also of their prestige as experienced diamond manufacturers in their countries of origin and their status as having familial and communal connections. Actual capital involved with social capital strengthened their application. The fact that they were in demand and

that the new organization sought to base itself on them, made their acceptance as members a relatively straightforward process. That is, unless they had had some problems regarding their reputation (connections with Germany or illicit dealings), as some clearly did.<sup>31</sup>

A second group of applicants were cutting and polishing workers who acquired the necessary skills either in the Low Countries or already in Palestine—either in the few workshops that operated before the establishment of the PDMA or during its first year of existence. They usually lacked the capital to start a venture on their own and thus gathered a number of experts, workers, and capital owners in order to fill in the membership application. In contrast to the first group they were a sort of a transitory group, moving from being workers and employees into ownership, management, and employing others. This group was too in demand by the association, both for their proven skills and for their dependence on the centralized sources of supply of rough diamonds.

The third group consisted of applicants with no background in the diamond industry and trade who therefore based their application on either having the necessary capital to open a workshop or the willingness to transfer their financial operations from one branch to another. They could be veteran immigrants, Palestine-born, or recent immigrants, but what made them a distinct group was their economic perception of the opportunities opened by the fast-growing industry. Investing the capital they accrued in Palestine's building, commercial, and agricultural sectors in a diamond venture would usually entail gathering experts and workers, buying or renting the necessary equipment, and proving their financial viability. While the first two groups could base legitimacy on expertise and experience, this group was potentially suspicious, in British eyes in particular, because they were perceived as not being previously part of the trust system so prevalent in the diamond world.<sup>32</sup>

Moreover, the "diamondless" background of the owners would have long-term effects. "The majority of the [diamond] industrial owners in Palestine," wrote one expert "is made of groups of capital owners that only a part of their wealth and investments is invested in the diamond industry, and they were attracted during the boom of the war days in order to make easy profits. In general there are a few groups of owners in each enterprise there and most of them not only lack any knowledge of the profession but they are actively engaged in another work and participate only in management meetings or stock-holders assemblies."<sup>33</sup>

Beyond the proven financial viability and the capacity to employ capital and expertise, three significant aspects gave these groups a homogeneous character. The first was that all applicants were Jews. This ethnic exclusion, a clear corollary of the project's planning, was partly an un-

spoken assumption by the applications of the membership policy jointly designed by the British and the PDMA, and partly a self-selection process. The traditions of the diamond trade and the perception of the Palestine diamond industry as an exclusive ethnic agent made certain that a Jewish business-ethnic complex would be the rule. And as far as can be gauged from the sources, no Arabs applied until after the war ended, and the few who would were mostly merchants, not manufacturers.<sup>34</sup>

The second aspect was that in terms of class and status they perceived themselves as middle or low-middle class. All applicants, even those who might have been once members or fellow-travelers of the Zionist Labor movement, and even those who were once part of the urbanized lower classes in Mandate Palestine, appeared distinctively as belonging, economically or politically, to what was known in Palestine during this period as the Civic Circles. Thirdly, through their financial, skill, and networking capacities they formed, in the eyes of both the British and the association's organizers, a group that did not harbor a risk. Credible, unscathed background and a reputation of reliability in either trade or work were often as important as the material requirements. This third aspect was the most difficult for the association to screen, and during the first years of its existence it confronted a series of cases in which formal membership was questioned. Contesting an existing member was in part based on information supplied by the British authorities whose intelligence discovered among merchants in Belgium or New York unknown facts about a member.<sup>35</sup>

Selection of members was mainly based on expertise, good name, and the proven resources of self-capital. "I have been interested for quite a while in the diamond industry," wrote one applicant in affirmation of these expectations. "I am in the profession of diamond polishing and as a capital owner I wish to open a workshop on the model of the workshops in Netanya and Tel Aviv. . . . As far as I know I have the financial means needed for the profession. More so, I have under my hand experts in sawing and polishing who have been working in the industry for two and more years (their names I would not detail here). I have the capacity to organize among my relatives and acquaintances workers who would not be affiliated with any organization or association of workers (so as to prevent employment disputes). In the building I am about to construct at the center of Tel Aviv I could offer a part for a coffee-place or a club well fitting to an important business of this type."<sup>36</sup>

Clearly the selection process conformed to the principles and guidelines set up by British policies, in particular those that referred to limited expansion alongside a controlled and trusted membership. "The political situation then prevailing had in a certain measure moved capitalists

to invest in new establishments," wrote Oved Ben-Ami to the British in October 1942.

It was natural in such circumstances that the Association should have been flooded with offers of investment in new or existing establishments. Rather than accept such offers indiscriminately, however, we preferred the safer and more circumspect attitude both as to the commercial and other "bona fides" of the persons and firms making these offers, and, more important, as to the technical skill available at their disposal. We realized that we faced the danger of a mushroom growth of new establishments, with its inevitable concomitant of serious loss to existing factories and, worse still, of the definite injury that it was likely to cause to the good name that the young industry had won for itself; further, the few trained experts and cutters at the disposal of the young industry were inclined to a tendency of greed which was beyond the capacity of a young industry to pay for. A policy of realistic caution enabled the Association to rise to the occasion, discharging the disagreeable task of putting severe checks on any hasty development and resisting the heavy pressure exercised on us for the opening of new establishments. With the complete accord of the Competent Authority (Diamonds) the principles were then laid down which have since governed the authorization of new establishments on the basis of a fixed six-monthly quota. On the strength of that quota sixteen new establishments were authorized in 1941, in addition to the seventeen already in existence, thus making a total of thirty-three diamond cutting establishments in Palestine.<sup>37</sup>

Some of those accepted wished to develop their manufacture in Tel Aviv, perceived at the time as Palestine's main business center. Ben-Ami was interested, however, in luring them to Netanya, and as he controlled the local land company and the town council he could promise them land and credit for investment. The image of security and permanency of land ownership balanced the reputed risks of the diamond business. Moreover, a share of the profits made in the industry by the Netanya-based manufacturers would be later invested in further land expansion and housing projects. This was the reason why capitalists without prior background in diamonds became part of the community that evolved around the PDMA, and why the number of the factories in Netanya increased during the war no less than those in the main commercial center of Tel Aviv.

Table 2.2. Distribution of diamond factories in Palestine, 1939–1944

	Dec. 1939	Nov. 1941	Oct. 1942	Nov. 1944
Petah Tikva	1			
Netanya	2	12	14	13
Tel Aviv	3	14	16	16
Ramat Gan			2	2
Jerusalem			1	2
Total	5	26	33	33

Sources: Oved Ben-Ami, “The Diamond Cutting Industry in Palestine: A Report presented to His Majesty’s Principal Secretary of State for the Colonies,” October 1942, TNA: PRO CO 852/457/2; CZA, S40/269/2 and S8/315; Report, 11 October 1942, LA IV250–72–1–335; NCA, G/66/379 and G/117/960; Government of Palestine, *Palestine Trade Catalogue*, Jerusalem, 1944.

In the context of the halt of Zionist expansion following the restrictions of the 1939 White Paper, and in the more specific context of Netanya’s transformation into a full-fledged urban center, this complex private capital investment in diamonds, land, and construction was crucial.<sup>38</sup>

The approved members<sup>39</sup> entered a framework that aspired to a measure of collectivity. The letter of approval taught the new member-manufacturer the rules of the association, mode of operation, and the industry’s structure of authority. The manufacturers—as the correspondence with the factories demonstrated—committed themselves to minute bookkeeping, refraining from free sales of polished diamonds, and having the PDMA approve the destined purchasing dealers abroad.<sup>40</sup>

The president, Oved Ben-Ami, put himself at the top of the hierarchy and saw to it that he would be repeatedly reelected by the members. Together with Chaim Friedman, the PDMA’s administrative secretary who functioned also as Ben-Ami’s personal assistant, he led what many considered a “dictatorship.” He conducted the annual meetings, was personally involved in selecting new members and corresponding with them, and all the functioning committees were accountable to him. Because of the hierarchical nature of the organization, the small number of members, and the narrow geographical distribution of the industry (mostly Netanya, Tel Aviv, and Jerusalem) the members were expected to take part in the working of the PDMA’s committees (in particular the executive and the labor committee) and in their decision-making processes. As the mayor of Netanya, Ben-Ami ran the association from his town office. British customs and light-industry officials had often to come to Netanya to discuss the conditions in the industry and its prospects, thus extending the Mandatory seat of power in Jerusalem to the government-sponsored operations elsewhere. The bureaucratic structure Ben-Ami cultivated was based on a detailed and systematic archive (on which this book is partly based) and

on a minute system of personal members' and employees' cards. No wonder he was often accused of turning Netanya into the main focus of the industry and neglecting the local interests of the workshops in Tel Aviv and Jerusalem.<sup>41</sup>

Perhaps more significant were Ben-Ami's privileges. In principle the PDMA financed its activities partly by membership dues and partly by the costs paid by a manufacturer for ordering rough diamonds from London. From the start 1 percent of all the orders went to the President's Fund. Formally the fund was meant to finance Ben-Ami's pay and expenses. In practice only Ben-Ami had full control of the fund's expenses, and it thus sustained him personally and blatantly expressed his perception of his role as founder. The British promise to Ben-Ami of the gain he would personally accrue from the industry was never formally recorded but their consent was never doubted. The centralized character of the PDMA was Ben-Ami's creation, and was a corollary of the role he was entrusted with by the British and De Beers. The material gain that accompanied the process turned in reality into a crucial lever of power and influence.<sup>42</sup>

The British soon realized that the economic and institutional power the monopoly was entrusted with could well challenge the policy of restrained development. One reason was contestation from within. The attraction of the new industry to investors who lacked prior experience in diamond-factory production intensified the competition over experts, inductors for apprentices, and skilled workers. A shortage of experts, caused by the German occupation of Belgium, endangered the investment of a capital owner who was totally distant from the know-how of the industry. Competition even spread to obtaining apprentices. From early on experts were offered higher pay and apprentices were promised assistance in sustaining financially the apprenticeship period.<sup>43</sup> The rush and competition inevitably threatened to destabilize the orderliness and image of the obedient economic agents envisioned a few months earlier by the British and the founders of the industry. Some of the investors sought quick profits and were less interested in industrial infrastructure, in producing high-quality polished diamonds, and in long-term Zionist industrialization. Others would not waive their independence (as expressed in this competition and attempting to sell diamonds locally) for the sake of British war efforts. Moreover, additional factories sprouted, in Tel Aviv in particular, and the formal registration of the member-manufacturers in the PDMA had to advance quickly and even be less selective. Increasing numbers of entrepreneurs wished to open workshops and become members of the PDMA to a much greater degree than allowed by the quantities of supplies of rough stones from the syndicate in London and on which the entire operation depended.<sup>44</sup> The British, worried that local diamond marketing would end in diamonds reaching the Germans, counted on their

arrangement with Ben-Ami but did not expect the conflicts over resources and space the diamond venture provoked. Ben-Ami, on whom the new member-manufacturers were so dependent, conceived the industry as a monopoly but took for granted their restraint. It was an enterprise under state auspices and strict hierarchy but impregnated with entrepreneurial energies and driven by motivations and quest for quick gain that could not be easily streamlined.<sup>45</sup>

However, the more serious contestation to developments in Palestine came from without. As we saw earlier, the plan to bring diamond experts from Antwerp to Netanya brought in spring 1940 meagre results, and many found their way during 1940–1941 to other cutting centers. The London center in particular became ever more associated with developments in Palestine as rough stones from the DTC replaced the prewar Belgian dealers as the source of Palestine’s supplies. By the first year following the German occupation, some fifteen thousand Belgian refugees gathered in England, and in October 1940 a Belgian government-in-exile was established in London. From spring 1941 the confiscation of diamonds in Antwerp and the exploitation of the cutters’ and polishers’ labor force intensified. In London itself refugee diamond cutters were mobilized for the war effort and they were joined by the silversmith and jewelry infrastructure of Birmingham and other British cities. For the exiled Belgians and their government the problem now was how to save their diamond industry and secure its recovery after the war. The information on Palestine’s advance spread very quickly and the other cutting centers seemed to progress too quickly—in Palestine with British support and in New York with the help of the Diamond Dealers’ Club.<sup>46</sup>

In this context two renowned diamond merchants from Antwerp, Romi Goldmuntz and Herman Schamisso, conceived of the COFDI idea.<sup>47</sup> The two, who were also involved in winter 1940 in the plan to send diamond experts to Palestine, knew how to read the challenge posed by Palestine’s specialization in small stones and the growing American demand of stones cut and polished there. In responding to the emergence of the Palestine challenge and in order to secure the support of De Beers for a scheme to safeguard Belgian postwar interests, they established in October, with the help of Antwerp mayor Camille Huysmans and Camille Gutt, the finance minister of the Belgian government-in-exile, the Correspondent Office of the Belgian Diamond Industry (COFDI). Using the enormous amount of diamonds the British seized during the 1940 sea blockade, and relying on the common interests of England and Belgium in future diamond production and trade, the project installed diamonds at De Beers vaults to be guarded until the end of the war.<sup>48</sup>

Aiming to save the Antwerp diamond industry from total disaster, COFDI’s way of working was not only to reserve diamonds for polishing

but also to maintain contacts among the refugees in the various centers and help them materially and mentally so they would return to Belgium after the war. Diamond experts in Palestine and New York were expected to do so as well. COFDI became therefore a sort of a diaspora organization that lobbied persistently against enlarging rough-diamond supplies to these centers, and in the last resort entailed also a Belgian national stance.<sup>49</sup> In a strange way both in Netanya and in London the same pattern emerged, of capital and state cooperating to advance a business from which both benefited. In London Goldmuntz represented capital and Huysmans the state; in Palestine, Ben-Ami and Walsh respectively. The two projects were linked together by the MEW (and the Royal Navy) pursuing smuggled, black-market, and confiscated diamonds that multiplied during the war conditions, and were partly sent by Germans from Portugal and Spain for sale on the American market.<sup>50</sup>

It was against the threat of conflict among the member-manufacturers and the impact on the British of the pressure from London that the PDMA moved in 1941 to enhance control over the factories. The free movement of experts between the factories was further restricted, and the regulation of the recruitment policies of its members and the production of their factories was tightened. Evidently, the British authorities were not blind to the challenge Palestine began to pose to the "limited expansion" principle and to the logic behind COFDI's response; and Fletcher and Walsh, who oversaw the industry on behalf of the government, took care to make Ben-Ami and the PDMA aware of the limits they were on the verge of crossing. PDMA members would now be repeatedly reminded that they should conform to the rules laid down in summer 1940 and, no less significant for the freedom of action, avoid the temptation to buy diamonds directly from dealers in South Africa or to market polished diamonds in Palestine and the Middle East. "In its infant stages," Fletcher ordered the PDMA in June 1941, "the industry shall be strictly controlled, not only in respect of supplies of raw material, but also in the disposal of finished products." Manufacturers were therefore "required to keep accurate records of all stages of manufacture," and warned that "in the interests of the manufacturers themselves it is not desirable, so long as adequate demand exists in the U.S.A. for diamonds manufactured in Palestine which can be supplied by the manufacturers themselves, that any such diamonds should be disposed of on the local market and this is accordingly prohibited."<sup>51</sup>

Without the regimentation by the PDMA, steady supplies from the DTC—where COFDI focused its lobbying—was endangered and Palestine was threatened with a "diamond famine."<sup>52</sup> Consequently in spring 1941, while the screening of new members was still on its way, the PDMA decided to clarify the definition of its membership. At the heart of the reworked definition was the wish to prevent the industry from splintering



into small workshops, and therefore the ideal member was fixed to have no less than fifteen diamond-cutting machines. Significantly for the corporate culture, Ben-Ami stated that the new rules aimed to encourage new factories, know personally the members and their work experience, and more significantly assure high quality of production. While the regulations allowed new members to join the PDMA and accept all the privileges without discrimination, they also fixed a transition period of two months' candidacy before becoming permanent members. The new regulations, well inspected by the government, also redefined the power relations in the PDMA and voting procedures. As the factories were partnerships (an average of three owners per factory in mid-1943) each factory was given the right for two votes in the PDMA's assemblies. Moreover, in September 1941 PDMA screening of new candidates stopped completely. The official reason given was the need to finish the training of the apprentices already admitted. In reality the halt, which was to last until winter 1942, reflected the signals Palestine had been receiving from Jerusalem and London that the industry was pushing its accepted limits of expansion.<sup>53</sup>

Looking back at their industrial and managerial experiences in Antwerp, the experts and manufacturers who took part in establishing the new diamond-cutting center in Palestine could outright sense a difference in the extent of government intervention and the power of the monopoly. Managerial hierarchy, organizational centralization, and disciplining of the individual member-manufacturers were becoming the hallmark of the monopoly of the PDMA and a divergence from the tradition to which they were loyal. If through the establishment of the industry the Colonial Office and the British government explicated a new phase of intervention in Palestine's economy, in the PDMA's monopoly, and in its underlying logic of limited expansion, their impact was wider. Under their auspices and in service of the needs of an empire in war sprouted a capitalist project that could use the colonial umbrella to control an economic niche and attain extensive organizational power. Palestine had hardly known before such a type of employers' association or manufacturers' conglomerate. It was not surprising perhaps that the locus of the project was in the Netanya area, a sort of local frontier that was itself in transition from plantation to town, where new forms of relations between state and capital could be experimented with.<sup>54</sup>

The corporate organization of capital served well the forces that asked to shape this protected industry in accordance with their interests. Moreover it catered to the aims of Ben-Ami, who asked to harness the diamonds to his goals of municipal development. Despite the scathing criticism by some members of the PDMA over centralization and over the constraining of their principled economic liberalism and their freedom of business action, it nevertheless served them well. It provided their ventures with

British protection and organizational backing. It tied them to steady supplies of raw materials and external sources of demand for their produce. Moreover, it shaped for them an organizational and club-like cultural environment that transformed them, at least in self-image, from ordinary investors and manufacturers into a distinct group of nation-builders and respected businessmen. Above all the organizational power of the PDMA set novel international and local standards—internationally, in inventing a new business tradition; locally, in setting a precedent. In Ben-Ami's perception he was building not just a powerful association of manufacturers vis-à-vis the market and the authorities, but, as we shall see later, also against labor.<sup>55</sup>

As a regimented grouping of capital-owners and manufacturers, the PDMA also harbored a potential threat to Britain's and De Beers's concept of restrained development. Its monopoly enabled the PDMA to frame a manufacturing system that was authoritarian but also conducive to focused economic performance. Though the British began to enjoy the income of dollars gained from Palestine's gradually increasing export of polished diamonds to the US, they never imagined the profitability rates and the personal gains that would soon be accrued by the PDMA's members, and so close to the birth of the industry. While deeply involved in the PDMA's organization and culture of regulations and restrictions, the British suddenly realized that the organizational entity they gave birth to was turning into an uneasily tamed creature that used the British shield but also disliked its fetters. This challenge to Mathias's original notion of limited expansion will be better understood by turning now from the diamond manufacturers to the labor process in the factories, and to the diamond-cutting experience itself.<sup>56</sup>

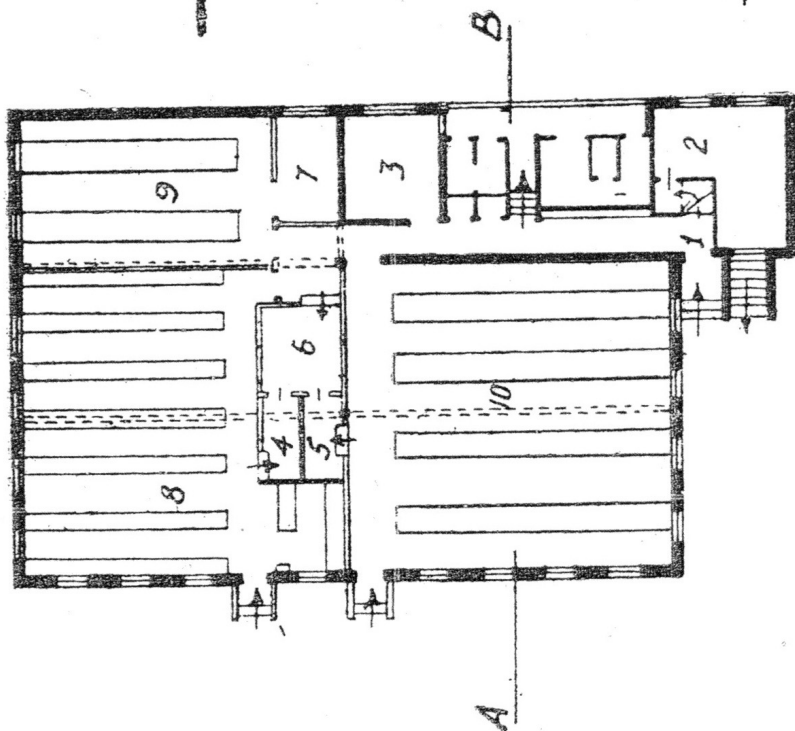
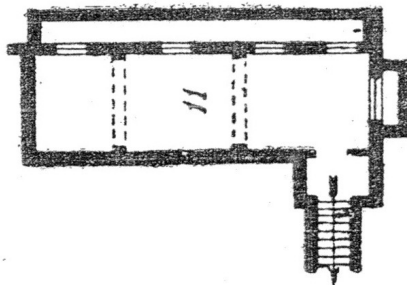
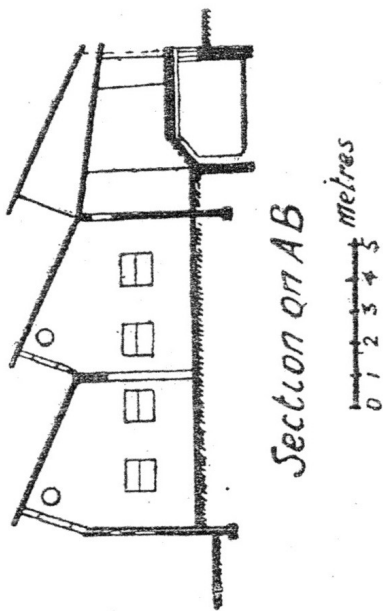


Illustration 2.1.  
Plan of Palnat  
diamond factory in  
Netanya by Architect  
Yehuda Magidovitch  
(1886-1961).

Source: Paul Grodz-  
insky, *Diamond Tech-  
nology: Production  
Methods for Diamond  
and Gem Stones*,  
London, 1942.



Illustration 2.2. a diamond factory in Tel Aviv, 1945.

Source: Emil Schmorak, *Palestine's Industrial Future*. Jerusalem, 1946.

## Chapter 3

# DIAMOND WORK AND ZIONIST TIME



In our country the kind of system called “conveyor system” is usual. Every worker does only a small part of the work to begin with preparing the stone for cutting up till the cutting itself. Whereas the worker in Amsterdam and Antwerp completed the polishing from beginning to end, his Palestine colleague does only part of it and than hands the stone on to the next worker and so on, till the stone is finished. And since cutting a single-cut is rather uncomplicated thing and every worker does only part of it, it is clear that the necessary skill is easily acquired.

—David Rothblum, “Memorandum on the Prospects of the Diamond Industry in Palestine,” submitted to the Jewish Agency, 21 September 1943, CZA, S40/269/2.

## The Reign of the Small Stone

It would have been expected that the traditional organization of diamond production as it had evolved for centuries in Amsterdam and Antwerp would be maintained in its new locations in Netanya and Tel Aviv. After all, the know-how of the craft, the methods of cutting and polishing, and the manner of enumerating the workers stood on deeply rooted norms and expectations, some of which were institutionalized in the nineteenth century in Amsterdam and after the First World War in Antwerp. Further-

more, the few diamond experts in Palestine who prior 1939 were already apprenticing the new workers carried with them from Belgium their cutting and polishing tools, know-how, traditions of induction, and also their notions of hierarchy and authority. Perhaps this burden of tradition and strict occupational-cultural norms were partly the reason why the British, advised as they were by such experienced figures in the diamond business as Ernst Oppenheimer, George Prins, Frederick Mathias, and Romi Goldmuntz, placed so much expectation on the “limited expansion” principle and on the adherence to it by Palestine’s diamond manufacturers. Limiting the expansion of Palestine’s and other centers’ diamond industries was perceived by these interested figures as guaranteeing Belgian postwar recuperation and a Jewish central role in it, and the maintenance of institutional traditions could well serve this purpose. In reality, however, the transplantation of the diamond industry to Palestine was more complex. It turned into a negotiation between tradition and novelty in which some occupational and organizational forms of operation were reproduced while others underwent an adaptation that was shaped by and catered to a variety of interests.<sup>1</sup>

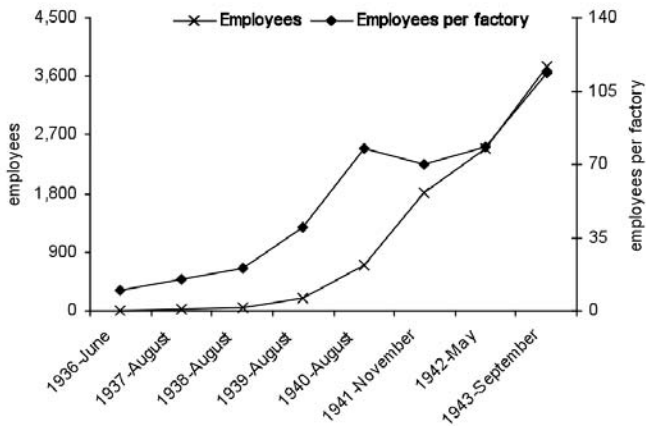
The context in which this negotiation developed was the restructuring of the map of the diamond commodity chain by the swift occupation of Antwerp and Amsterdam in spring 1940. Diamond mining could continue in countries yet untouched by the war, including in the Belgian Congo, which despite Belgium’s fall remained free and remained loyal to the Belgian government-in-exile in London. Diamond trading was, however, severely hit by the shutting down of the diamond exchanges in the Netherlands and Belgium. Business focused now on London and Johannesburg and was kept alive primarily by the distributive mechanisms of the De Beers cartel, by the American Diamond Dealers’ Club and by the shops on 47th street in New York. The decrease in trading by individual dealers caused by the paralysis of the Low Countries was now replaced by the invigoration of the purchasing activity of industrial diamonds by the warring governments.<sup>2</sup>

No less significant were illicit trade in diamonds and smuggling, which substituted formal business channels. The latter were evidently enhanced by the fervent search of the Axis countries to bypass the blockades imposed on them by the Allies, and by individual dealers who wished to profit from the war and challenge the boycott campaigns against the Germans. The map of cutting and polishing centers was thus redrawn. The cutting centers in Antwerp and Amsterdam were paralyzed by the occupation. Those in Hanau and Idar-Oberstein lost the contacts they had had with those centers that Germany attacked. The Germans occasionally revived diamond-cutting activity by forcing Jewish diamond workers to continue working. This was mainly done in the occupied countries; but

also in transition camps (such as Vught in the Netherlands), and from 1943, in the Star Camp in Bergen-Belsen in Lower Saxony, where skilled diamond craftsmen, mainly from the Netherlands, were forced to operate a diamond industry. Balancing the decline of the veteran polishing centers was the sprouting, in relatively short time, of the new centers in Palestine, England, Wales, Cuba, the US, South Africa, Brazil, and Puerto Rico.<sup>3</sup>

The spatial relocation and redistribution of the diamond-cutting centers evolved in different time spans, depending on the arrival of the refugees, the attitude of the governments, and the capacity of private capital to sustain the purchase of the rough diamonds and the labor cost of the diamond experts and workers. In the early years of the war Palestine seemed to have taken the lead as the fastest growing center (as demonstrated by the table below) because of the war-associated roles it was assigned to: to temporarily replace Antwerp, to keep the sales of De Beers going, to prevent the Germans from getting diamonds, to earn dollars for the war economies, and so on.

Figure 3.1 Palestine diamond employees, 1936–1943



Note: The total 3,759 in September 1943 consisted of 92 owners, 165 technical personnel, 154 clerks, 2,806 male workers, and 354 female workers. The technical personnel consisted of experts and work managers or foremen who considered themselves independent employees and apart from the workers and clerks.

Sources: CZA, S40/269/2; Jewish Agency, *Census of Palestine Industry*, Compiled by David Gurevich (Jerusalem, 1943), 210–19.

The sense of urgency in Palestine was fed also by the failure to bring over as many diamond experts because of the swift conquest of Belgium, and by the fear that an insufficient number of diamond workers could be duly inducted to sustain an industrial center. The “politics of limited

expansion” the Belgians and COFDI were practicing in London further fueled this sense of urgency, and they would keep up the tense atmosphere around Belgium’s “return” until late 1944. For the Palestine capitalist venture to succeed, the PDMA and the diamond manufacturers needed therefore not only steady supplies of raw material from the DTC, government backing in London and Jerusalem, and persistent demand for diamonds on the American market, but also time. The hurried selection of the new PDMA members, the consequent entry of investors lacking background in diamond production, and the prompt eruption of competition among the factories over experts reflected a sense of anxiety (less recognizable in other centers) over the short time given to the industry to strike root. No wonder therefore that the British, who needed nothing but disobedient capital owners and investors in Palestine, were quick to convey to the president of the PDMA Ben-Ami that the number of factories was reaching its limit, and that the expansion of the diamond industry in Palestine seemed already a challenging transgression.<sup>4</sup>

Time pressure affected, as we saw earlier, also the structure of the PDMA. The need to quickly establish a mechanism that would organize the industry, select its member-manufacturers, and negotiate the purchase of the rough diamonds in London, contributed to the PDMA’s hierarchical and centralized character. Ben-Ami’s authoritarian handling of the industry, and the network he wove among the manufacturers that was to depend on him, were partly a result of the pressure to act hurriedly in view of the German advance in Europe, COFDI’s pressures to limit Palestine’s advance, and even the attempts of the Department of Trade and Industry at the Jewish Agency to expand its influence over the manufacturers. This was one of the reasons why for many months to come the diamond manufacturers, who felt loyal to their occupational traditions in Antwerp and to the traditional relations in the industry, would revere Ben-Ami for his leadership and the business opportunity he created for them, and at the same time criticize him for the highly centralized orientation and regimentation the diamond organization was taking. The criticism was also the basis on which an internal opposition was gathering in the PDMA that would insistently call for a more liberal and pluralist employers’ association along the prewar Belgian model. This negotiation between tradition and adaptation, typical of the transplantation of the industry from Belgium, would focus, however, mainly on the labor process—the nature of work, the creation of the labor force, and, in the last instance, over employment relations.<sup>5</sup>

Any discussion of the labor process in Palestine’s diamond-cutting industry must start with what can be called the “reign of the small stone.” When the first factories began cutting diamonds in Petah Tikva and Tel Aviv in 1936–1938, rough diamonds did not arrive from the Diamond



Syndicate in London but from secondary middlemen and dealers in Antwerp. The latter kept close ties with the founders of the industry whom they knew from Belgium, and they were responsive to their demand for what they were accustomed to—a varied supply of all types of stones such as Sand, Melees, and Baguettes.<sup>6</sup> The cutting and polishing of the small stones was Belgium's specialty in the 1920s and 1930s, and the mix of rough stones that was sent to Palestine did not seem to the Belgians a serious threat to their hegemony. Maintaining good trading relations with the Belgian dealers was more important for the few Palestine manufacturers than competing with the mother-center and the source of their supplies. When the war broke out the supplies from the Belgian sources dramatically decreased, and in winter 1940 the issue of the dried-up reserves of rough diamonds intersected with the turning of the syndicate in London into Palestine's sole source of supplies. It was during these negotiations that Ben-Ami and the manufacturers who joined his project began calling for a change of stone.<sup>7</sup>

The idea that Palestine should specialize in cutting and polishing small stones (and not in all types of stones) seemed to fit the notion of an alternative center to Antwerp that Mathias and Ben-Ami concocted in spring 1940. The paralysis of Antwerp could place De Beers in the trouble of unsold reserves of small stones. The American market was craving not only for industrial diamonds but also for small stones, which were perceived as a good investment for times of war. More significantly, in order to make a quick start (so the argument went) the Palestine industry should focus the induction of new workers on a narrower mix of stones, in particular on the small stones that required less expertise and training. The German success in competing with Belgium in the 1930s was, after all, based on a similar specialization.<sup>8</sup>

Mathias and Oppenheimer initially opposed the idea, contending that a new cutting center could not survive for long on a narrow selection of stones. They also suspected that Palestine's specialization in small stones would compromise the principle of "limited expansion" and harm Belgium's future recovery. What seemed to convince them to agree to Palestine's request was first that a variety of stones reaching Palestine would make it difficult to prevent some of them reaching the Germans (allegedly via Syria). Second, focusing on small stones allowed a smoother transition from Palestine's dependency on individual Belgian middlemen, to direct maintenance by the DTC and therefore greater regulation and control capacity by De Beers. Finally, Palestine needed a quick start, quick training of as many workers as possible, and the relatively quickly inducted small-stone specialization could well serve these purposes.<sup>9</sup>

The decision to focus on small stones that Ben-Ami and his leading manufacturers advanced was crucial. It was made before the establish-

ment of the PDMA and the selection of its member-manufacturers and thus impinged on the few existing factories, and on the future character of the industry. Palestine was now placed in a specific slot in an international division of labor, a slot occupied before the war by Belgium and fought over in the late 1930s by the Belgians against the advancing cutting centers in Germany. As the production of small diamonds was chiefly oriented to American consumers and to obtaining American dollars, the decision mixed the aims of British economic warfare with the economic needs of the government of Palestine and no less so with capitalist profit. Furthermore, the small stone gave Palestine an advantage over other centers that developed early in the war and did not have the institutional capacity to enforce such specialization. As we shall see later this specialization was indeed to play a crucial role in the industry's spurt and in Belgian apprehension of that spurt. At the same time, however, the small stone specialization determined Palestine's dependence on the DTC. After all, it would have to live off De Beers's reserves of small stones and the DTC channel was the only source of supply the British allowed Palestine to buy from. In turn this dependence harbored many risks. Any small-scale fluctuation in the supply of small stones (a routine phenomenon in the diamond trade) could hamper the smooth continuity of production in Palestine's new diamond factories, and any decision by De Beers to withhold (for a variety of financial or political considerations) such supply could well destabilize the relations in the factories. The diamond workers were mostly employed on a piecework basis and recurrent cessations of work due to this instability could fuel much anger. This is clarified by examining the labor process.<sup>10</sup>

The implications of the decision on small-stone specialization and its imposition on the factories shaped the labor process. Modern diamond cutting consists of four basic stages: assorting, sawing, cutting (or "brutting") and polishing.<sup>11</sup> The task of the first phase is to sort between rough stones (the raw material) that can be sawn and those that cannot. "Unsawable" stones (known as *Kappes*) would then undergo hand cleaving, cutting, and polishing. In contrast, the "sawable" stones (*Seigers*) would need first to be sawn and only then be cut and polished.

In the sawing phase that follows the assortment the stone is made a suitable shape. The rough stones are sawed into halves (or more workable pieces) by a sawing machine, usually with one worker-sawyer operating ten to fifteen sawing machines. The direction in which the stone is to be sawn is determined by the manager who takes into consideration the shape of the stone and the position of any flaws that may be in it. He marks on the stone a guiding line that shows the place at which it is sawn and the direction in which it would be sawn. The stone is then passed to the sawyer. The sawyer fixes the stone in cement, places the cement in a

sort of vice, and works through it with a power-driven saw in the direction marked out for him.

Then comes another phase in which the stones are cut into various forms suitable for polishing, and here one cutter is employed at one cutting machine. The cutter (or “bruter”) places the stone on a high-speed lathe and cuts the stone with another diamond. The cutter literally grinds away the edges until the stone has a round or circular base. These processes require great accuracy in the adjustment of the stone, steadiness of hand, and knowledge of the proper degree of pressure to be applied. An inexperienced hand might shiver a stone by applying undue pressure, and thus the main requirements are manual skill and knowledge of how to apply it.

In the final phase the facets of the diamond are polished or faceted, literally making the surfaces flat. Each facet is created by grinding the diamond on a horizontal blade as it spins with diamond dust and oil. The phase consists of four subphases. First, the large facet at the top is ground until level and smooth. Then the major facets are created on the bottom (the pavilion, the lower half below the girdle, which is the middle of the stone). This is followed by the large facets on top (the crown, the top half above the girdle). Then the pavilion facets are refined into more facets, followed by the crown facets. The final touch is often the tiny flat facet at the point of the pavilion (the culet).<sup>12</sup> These four subphases are applied in small stones, while in the slightly bigger ones another two are applied. A typical diamond worker in Amsterdam and Antwerp had to learn all the stones and all the phases, and even if he specialized as a sawyer, cutter, or polisher he would still need to learn all the four or six polishing subphases. It was for these reasons that apprenticeship in the Low Countries was a lengthy process, often up to three years, with the apprentice usually bound—by various material and nonmaterial ties—to the factory where he was apprenticed or directly to the trainer.<sup>13</sup>

In 1937–1940 the first diamond workshops in Petah Tikva and Tel Aviv taught their young apprentices the entire process. The experts—Zvi Rosenberg, Yosef Nadel, Sam Moed, Heinrich Goldmann, Moshe Offen, and Aharon Moritz—insisted on reproducing the traditions they themselves had acquired and taught in Antwerp. However, as we saw earlier, the outbreak of the war and the urgency felt by the British and in Palestine to quickly replace Antwerp and train new diamond workers in cutting of small stones determined that 70–80 percent of the stones supplied to Palestine was Sand, about 20 percent the slightly bigger Melees, and the rest big stones such as Baguettes. In the small stones there are 70–80 stones in 1 carat, while in the bigger ones 5–18 stones in 1 carat. Palestine’s concentration on the small stones meant therefore that the nascent industry needed and could absorb hundreds of workers. Moreover, the two main shapes

or cuts applied to the small diamonds were the single-cut and the full-cut. The single-cut (or eight-cut) shape (*Acht-Kant* in German or *Metuman* in Hebrew) has eighteen facets and it is often used for very small diamonds, Sand in particular. While the full-cuts (fifty-eight facets) have more brilliance and liveliness than the single-cuts, the latter have fewer facets and therefore are easier and less expensive to cut. Clearly, the concentration in single-cuts allowed greater industrial productivity.<sup>14</sup>

Finally and more significantly the logic that determined the concentration in the small stones and in single-cuts was reflected also in the restructuring the production process. The process was divided into a chain of specialized work stages (literally the “conveyor system,” in Hebrew *Shitat Ha-Sharsheret*), with each worker learning just one phase of the cutting, polishing, or even the subphases of polishing and the workers at each stage depending on the speed and quality of the workers in the former stage. A sort of an Adam Smith principle of the division of labor was adopted here, where instead of a factory based on working diamonds from start to finish and producing small amounts of finished diamonds, factories with workers allotted specialized tasks would produce many more diamonds. Thus compared to Antwerp, in Palestine four to six more workers were required to complete the polishing.<sup>15</sup>

This emphasis on the need for increased efficiency, productivity, and minute exploitation of time, and therefore on separating actual work from its planning and supervision was reminiscent of the principles of scientific management popularized by Frederick Taylor on the eve of World War I. Here again the time factor was behind the change in tradition: the need to quickly establish a cutting center, to preempt Belgium’s return to competition, and to prove the capacity of the new industry in Palestine to sustain its advancement. Similar to other areas of Zionist activity in interwar Palestine, also here the time factor became strongly associated with economic practice. Notions of increased efficiency, productivity, and Taylorization greatly advanced in Palestine during the Second World War and diamond finishing was certainly one of its leading carriers.<sup>16</sup>

The specialization and intensification of the labor process received the blessing of the British authorities and were effected from early on while the formation of the labor force had been still in progress. Geoffrey Walsh and John Fletcher learned first hand the difference that the new diamond factories were creating from the traditional centers and their support of the process was demonstrated by the pride the authorities felt and made known of the country’s new industry and new employment opportunities. The British interest in the issue stemmed from the contribution of the specialization and fragmentation of the labor process to the quickened turning of the Palestine diamond industry into a viable (albeit limited) alternative to Antwerp. No less significant was the prospect of more Ameri-

can dollars expected to be accrued from an intensely expanding industry. The British did not take part in the inner debates among the manufacturers on the problems that the fragmentation gave rise to. Neither did the British deal with the effects of the process on the work loads and working conditions of the individual worker. But the fact that the colonial state supported the process was as significant as its support of the industry's exclusion of Arabs. In both cases the British demonstrated a formative influence over the internal structure and relations in the industry.<sup>17</sup>

The implications of the conveyor system were obvious from the start. The increased number of workers that the division of production required brought about greater inspection. More crucially, the duration of training of the workers was drastically shortened from the three-year Antwerp model to three months. Small-stone specialization and chain production therefore needed an extensive system of induction, a great number of new apprentices, and adaptation of the manufacturers to the local model and to the contraction of the master-apprentice relations system.<sup>18</sup>

The shortening of the apprentice period dictated another change in tradition and in the occupational culture of the industry. An apprentice in Belgium would start his or her training by getting intimate knowledge of the cutting machine as well as from cloven stones, but not from sawn stones. This required the apprentice to get to know the stone very deeply and what effects the cutting machine could have on it. In Palestine the start of training was only from the "sawable" stones, thus neglecting deep knowledge of the quality of the stone and the intricate impacts of the cutting machine.<sup>19</sup> The long apprenticeship in Belgium required extensive financing of the apprentice and his upkeep, and it also prolonged the period before he was able to start earning on his own. The system of bondage and obligation tied the apprentice and worker to the master and the factory and delayed his entry to the labor market.

In Palestine the apprentice became an earning worker after three months and could in a relatively short span of time turn into an ordinary factory worker. Workers' independence received therefore a new meaning. In Belgium independence was expressed in know-how and skill, in home work, in the respect of the arduous training process, and in the quality of work that stemmed from the long apprenticeship. These seemed to ease or balance the bondage. In Palestine the worker first achieved material independence. He was freer from the dependency on the factory owner or the labor unions to maintain his upkeep during training and he could become an earner at a quicker pace.<sup>20</sup>

The chain or conveyor system of the labor process accentuated the supplanting of home work by the factory, did away with the integral character of the worker, and seriously impinged on the autonomy the diamond workers enjoyed in their traditional set up in the Low Countries.

Taylorization could add to profit and to quick expansion but it could also narrow the knowledge and multiple skills of the apprenticed worker. The body of the estranged worker became the extension of efficiency, as wrote one diamond worker in 1943: “The specialization of the worker in one part of the diamond processing which acquires the worker dexterity and great speed in a narrow and limited part of the profession, and considering that this is piecework—reduced the worker to the level of a machine without him being able to acquire for himself full and wide knowledge of the profession.”<sup>21</sup>

Thus, an entire work culture was undergoing a transformation, weakening the prewar linkages between old and new cutting centers. Notions of time, of the wholeness and totality of the skill, of the character of those initiated into the craft and of the traditional solidarities created by the old system—all these were changing now, blending technological change and efficiency for the sake of profit maximization with Zionist time considerations. The “Zionization” of the labor process, the merging of capitalist efficiency with quickened development and international competitiveness interested the Zionist economists who propounded the association between Herzl and Taylor, between national home for the Jews and efficiency. It also attracted the attention of the diamond people in London, some of them Jewish Belgian exiles, who feared that Palestine’s consequent specialization in small stones would not only surpass Belgium’s prewar supremacy but practically hamper its postwar recuperation. It was not therefore merely the German occupation of the Low Countries, their diamond industry being cut off from the Allied countries, and the fate of the Jewish diamond cutters that turned these worlds so distant in such a short time. It was also the diversification in Palestine of the traditional production process and its adaptation to local needs and interests that temporarily destabilized the continuity.<sup>22</sup>

## **Gain and Discipline**

The composition of the stones and the labor process determined the need for a large number of employees and thus quickened the selection of the labor force. The latter could be derived entirely from the Yishuv population as hardly any diamond workers were able to immigrate to Palestine after Germany occupied Antwerp. Young workers, male and female, who would be willing to be trained and to experience the intensive single-phase induction and the long hours of hard work that the expectation for high productivity dictated, were sought after. The young age of the apprentices (and consequently the high proportion of bachelors) was also influenced by the fact that the industry was new and that its novelty might have

deterred older workers in the Yishuv from risking moving to a new and unknown occupation and being treated as apprentices. This could also influence the majority of male workers. The fact that throughout the war about a quarter of all the workers was women indicated the extent of the industry's attraction and also the search of the industry for workers to whom it could pay less. It could well be that the new diamond manufacturers searched for workers with no previous affiliation to organized labor, and the young would therefore be preferred in particular when about 70 percent of the Jewish labor force in Palestine was part of the Histadrut.<sup>23</sup>

Table 3.1 Employment in the Palestine diamond industry, late 1943

	Workers	Clerks	Foremen	Various	All Employed
Total	3,110	160	130	200	3,600
Tel Aviv	1,701	90	80	120	1,991
Netanya	1,181	60	40	70	1,351
Jerusalem	228	10	10	10	258

Note: Analysis was based on 32 factories: 17 factories in Tel Aviv, 13 in Netanya, 1 in Ramat Gan (included here in Tel Aviv) and 1 in Jerusalem. Of the 3,110 workers only 304 were women.

Source: D. Gurevich, *Workers' Wages in the Jewish Diamond-Polishing Industry in Palestine, 1944* (Jerusalem, 1945), 6.

In accordance with the ethnic character of the manufacturer membership, all the selected apprentices were Jews. The principled exclusion of Arabs reflected the joint British-PDMA consent on what they perceived as the need to create a trustworthy labor force, based on ethnic specification and ethnic solidarity, respect for the longstanding Jewish association with the diamond industry, and loyalty to the Jewish manufacturers. To create a Jewish-only industry was to strengthen the economy of the Yishuv and decrease unemployment among Jewish workers.<sup>24</sup> The ethnic and age selection drew many to the new industry and in turn added more to its sheer attraction among Yishuv workers. A wave of Jewish workers, Ashkenazi and Sephardi alike, from the Histadrut's youth organization to other labor organizations, flooded Histadrut-affiliated labor councils in Tel Aviv and Netanya in demand for a place in the new factories and training in diamond cutting. Many claimed they were willing to enter training in any condition, prepared to pay for the training and endure the hardships that the hasty apprenticeship entailed. The perceived profit was an equally important cause of attraction. The expected earnings of the individual worker, the promise it entailed even to support the parents,

and the expectation for material independence quickly overshadowed the training hardships.<sup>25</sup>

Once the perception of the tempo of the industry's development became widespread, the supply of workers increased exponentially. Soon diamond cutting became Palestine's fastest growing industry with exports of polished diamonds increasing from LP 700 in 1940 to LP 2,600,000 in 1943. Other cutting centers, the industrial diasporas of the Belgian and Dutch diamond industries, could hardly match this growth. Moreover, hardly any industry in Palestine saw such dramatic increase in the size of its production units and average personnel.

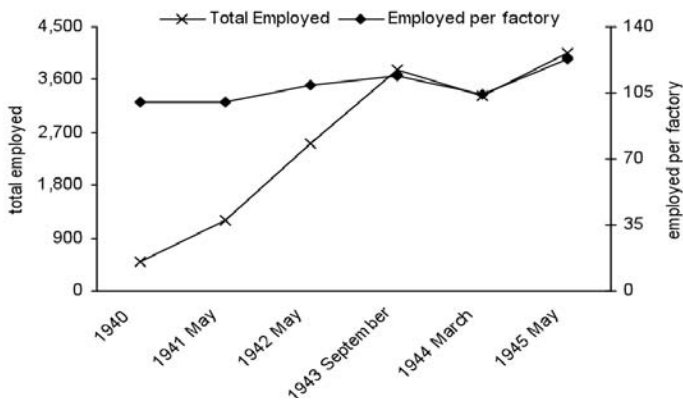
Table 3.2 Employment in the Palestine diamond industry, 1940–1945

	Factories	Workers	Other Employees	Total Employed
1940	5	400	100	500
1941 May	12	1,000	200	1,200
1942 May	23	2,100	400	2,500
1943 September	33	3,341	418	3,759
1944 March	32	2,875	455	3,330
1945 May	33	3,650	399	4,043

Note: On the eve of the German occupation there were 23,000–25,000 diamond workers in Belgium, of whom 18,000 were members of the *Algemene Diamantbewerkerbond van België* (ADB).

Source: "The Diamond Industry," *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 148.

Figure 3.2 Employment in the Palestine diamond industry, 1940–1945



Source: "The Diamond Industry," *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 148.



The employment arrangements in the factories were similarly associated with the consideration of control, time, and international division of labor. While home work in diamond cutting and the employment of domestic and familial labor were historically predominant, factory work became widespread in the Dutch and Belgian diamond scene already in the last third of the nineteenth century. Antwerp's increasing hegemony in diamond production and Germany's competitiveness were partly based on factory work, and in Palestine itself initial work was done in workshops that quickly developed into small electrical-driven manufacturing houses. At the same time, however, factory-focused cutting in Netanya and Tel Aviv was a built-in principle of the PDMA monopoly, and as a designed policy should be seen as another aspect of the cooperation between the manufacturers and the British. Home work was largely perceived as uncontrollable and thus exposed to the main danger the British feared in transplanting the industry to Palestine, namely, that stones would reach the Germans. Furthermore, the concentration of work in factories allowed the Ben-Ami monopoly to function, enforce the chain system and purchasing and exporting policies, reach generalized pay levels, and promise single-channel representation of the industry vis-à-vis the authorities and the diamond cartel in London.<sup>26</sup>

The concentration of workers in factories and the associated prohibition of home work increased the PDMA's control of the manufacturers and enabled unified labor policy and remuneration. This was further enabled by the concentration of almost the entire diamond cutting workforce in Tel Aviv and Netanya.

Table 3.3 Diamond workers in Palestine by town, November 1943\*

Town	Total	%
Tel Aviv	1,921	54.8
Netanya	1,403	40.0
Jerusalem	178	5.2
Total	3,502	100.0

\* Excluding clerks and managers.

Sources: NCA, G/131/1117; Gurevich, *Workers' Wages*, 6.

Second, factory concentration created a potential for workers' solidarity and collective action, which domestic production discouraged. This was true in particular for the small factories, the majority, where 70–100 diamond workers on average were employed, and where by 1943 some 2,000 workers were employed in total each month. Third, it contributed to level-

ing of pay structures among large groups of workers, to restraint of further individual gain, and thus to common sources of complaint, collective action, and even militancy. The emergence of the large-sized establishment in the Palestine diamond industry in the early 1940s, the relatively high average number of employees per establishment (to other industries), and the fact that by 1942 one-third of the employees were concentrated in one-third of the factories, demonstrated these unities and how conducive the atmosphere was for further control, which both Ben-Ami and the British desired. However, as we shall see later it was also favorable to the expansion of the industry, which in the last instance would challenge exactly these regimentation principles.<sup>27</sup>

The system of factory employment was two tiered. On the individual level, piecework was the predominant form, as was the case in the Low Countries. A worker would enter his factory and first encounter a clerk or work manager who handed him a small white envelope (*Briefke*, in Flemish means “small piece of paper”, or “banknote” in Frisian). On the piece of paper would be written the name of the worker, the types of stones (sawable or unsawables), and their weight. After each phase of work the clerk evaluated the number of the stones in the envelope and their weight so as to calculate the loss, and then the envelopes were handed over to the work manager for further evaluation and registration. The worker would then work the stones and get paid in accordance with the amount of stones he finished, regardless of the time spent and the damage he might have caused the stone (or its loss). This was the tradition in diamond cutting in the Low Countries, and it was adapted in Palestine mainly because this was the best way work could be evaluated by the managers. Moreover, it safeguarded the factory from loss of stones or harmed ones, a typical (and costly) hazard that an inexperienced worker had to face.<sup>28</sup>

The second tier of the employment system was the collective agreement that was introduced in the factories by the PDMA already in autumn 1940. Its stipulations were largely conformed to by the member manufacturers and owners. The agreement was quite unprecedented in the world of diamond cutting, and it contrasted with the Low Countries’ traditions by demonstrating again the adaptations the industry in Palestine was undergoing. First collective contracts (known also as “work-constitutions”) emerged in the Yishuv in the 1920s. They expressed understandings between the Zionist institutions as employers and the Histadrut on working conditions, but they were hardly applied in the private-capital sector of the Jewish economy—in agriculture, industry, and small-scale manufacture. Despite pressures from the Labor movement to widen the use of the collective agreement in the Yishuv, the private sector succeeded in preventing the Histadrut, its affiliated unions, and the workers’ committees in the workplaces from impacting the labor market and the workplaces

through collective bargaining. Furthermore, Ben-Ami belonged to the liberal camp in the Yishuv that espoused the independence of the employers to hire workers, fix their pay, and dismiss them without consulting workers' representatives. While not a fierce enemy of labor and the Histadrut (from which many young apprentices were recruited to the diamond industry), the liberal approach Ben-Ami subscribed to was hardly conducive for widespread consensual relations between capital and labor.<sup>29</sup>

The early and purposeful introduction of collective bargaining in the diamond industry by Ben-Ami and his fellow manufacturers had to do with its perceived advantages in securing a peaceful industrial atmosphere. From the PDMA's perspective the collective agreement was meant to achieve two objectives. One was to appease the Histadrut, which, as will be explained in the next chapter, had great difficulty in spreading its influence in the industry. The second was to allow other unions in the Yishuv to become signatories on the agreement and thereby promise that the Histadrut would not be the sole representative of the diamond workers. Furthermore, the British, who never applied collective agreements in the Mandate state sector (e.g., railways, government offices), and were much closer to Ben-Ami's liberal approach of industrial relations than to that of the Labor movement, gave their blessing to this means of achieving social peace during these troubled times of war. To the workers the collective agreement promised minimal security of pay and conditions (sick days, annual leave, provident fund, and cost-of-living increase) when the diamond market was fluctuating downwards and put in danger their piecework gains. In practice a diamond worker was promised that when there was insufficient supply of rough stones to work he would still receive a minimal pay. Though seldom applied in full and though manufacturers varied in their consent to this from-above directive, it signaled again the adaptation of diamond industry traditions to local circumstances.<sup>30</sup>

Enforcement of this advantage was evidently problematic and the intense spurt of the industry hampered a smooth accommodation of the dual system of piecework and collective bargaining. As not all the factories ordered similar amounts of rough diamonds and as the quality of stones distributed to the factories varied, different wage levels had to be applied and consequently the collective agreements, which were signed at the peak level between the PDMA and the unions, differed in application. Moreover, the factories worked the raw material in different ways—some were better skilled than others in their capacity to extract the most from a rough stone, and workers had to be rewarded respectively. When it came to prices and wage policy, the PDMA had from the beginning a hard time convincing manufacturers that collective agreements were worth their while, and many workers were therefore exposed to insecurity and uncertainty in their pay levels. This was one of reasons why the PDMA's

quest for industrial peace and the British expectation that the diamond war-industry would remain obedient to the initial objects for which it was established were challenged from quite early on.<sup>31</sup>

The increasingly spreading perception among Yishuv youth and work-seekers of the high earnings expected from working in diamonds, which attracted so many and so quickly to the factories, was justified, however. As the apprenticeship was shortened and the pressure to free oneself from the debts accumulated during the training was burdensome, the passage of the apprenticeship to full-scale earning was short relative to what was customary in Antwerp. This meant that after an average of three months a young cutter and polisher could earn very well (e.g. LP 2.5–3 per week and LP 3–4 after six months), in comparison to wages paid in the Yishuv's industries and to wages paid to workers at the same age cohort. Moreover, differentiation in the overall income of the workers was increasingly growing, with the income of three-quarters of the workers in 1943 spreading between LP 20 and 50 per month. A comparison made in July 1943 showed that the average daily wage of a diamond worker could reach LP 1.3; workers in the food industry (LP 0.8), workers in the metal and wood industries (LP 0.9) and textiles (LP 0.85) lagged behind. In the following year (mid-1944) the average daily wage of a diamond worker was estimated as LP 1.43 compared to LP 0.98 for a Jewish industrial worker and to LP 0.4 for an Arab industrial worker. Consequently the diamond worker could claim that while the luxury industry of cutting diamonds for export was not on the Zionist occupational prestige scale, it was still a serious skill to acquire, it allowed him to support his parents, and even to surpass the earning levels they had experienced since their immigration to Palestine.<sup>32</sup>

At the same time, however, the reproduction in Palestine of workplace arrangements that had been maintained for many years in the traditional centers resulted in material difficulties. Such was the case with the fee for use of the cutting table at the workplace (*Platzgeld*, "seat-money"), or the need to pay for hiring the cutting machine from the owner (known as *Mula*, from the Flemish *Molen*, "mill"). These expenses reduced the earnings of the diamond worker and significantly widened the earning gap between him and a more skilled worker or the work manager. More crucially, as most workers could pay these fees only after they started earning (usually after three to four months), they were kept tied to the factory where they were admitted as apprentices. The first months of apprenticeship and shortly after were dedicated to adapting to the new occupation, and thus workers in this stage had lower productivity and earned less piecework wages. A year after entering the factory the workers demonstrated totally other kinds of quality and productivity and therefore their earnings rose, with the manufacturers and the workers consenting on the

centrality of seniority in calculating pay. This was another symptom of the differentiation that the workers in the industry experienced.<sup>33</sup>

True, in comparison to diamond workers in prewar Antwerp the Palestine diamond worker might have been considered cheaply paid. The low costs on labor certainly made the Palestine industry in a longer perspective more economically viable. Moreover, the focusing of production on small stones (and on Sand in particular) was certainly influential because their cutting required relatively less know-how and shorter induction. However, compared to other manufacturing workers in Palestine, the gains of the average diamond worker were high, they persisted in drawing more workers to the industry, and manufacturers incessantly complained in the PDMA's meetings on the low added value in the industry and high costs paid for labor. Furthermore, high earnings allowed workers to withstand periods of dearth in supply of raw stones they were given to cut and polish. During business downturns they often provided the worker with more comfort than the promises written in the collective agreements. This was the reason why union activists would often criticize the diamond workers for succumbing themselves to an industrial climate in which high gain compensated for lack of job insecurity. They were deferent to their employers because they taught them the skill and provided them with occupational pride, but more probably because there was hardly in Palestine such a similar option for high material rewards.<sup>34</sup>

Conditions of work further emphasized this duality. The physically demanding aspects of the diamond industry are usually associated with the initial phase of the "commodity chain," that is, with the mining of the diamonds. Ample sources tell this side of the history of diamond production, in the Belgian Congo and Sierra Leone in particular, and the historiography of diamond mining has well explicated the human and social cost involved. The harsh aspects of the further phase along the chain, namely, diamond cutting and polishing, received much less publicity and scholarly attention, despite their illumination of the diamond labor experience and the contrast they present to the traditional image of diamond workers in the Low Countries as a sort of labor aristocracy. Like many diamond apprentices in interwar Antwerp and Flanders and the thousands of new diamond cutters and polishers in 1930s Germany, the Palestine diamond workers were attracted to new workplaces that promised not only gain but also significant material difficulties.<sup>35</sup>

One aspect of this work ecology was the exertion of bodily strain associated with the long working hours of sitting at the polishing table. This was causally related to the piecework nature of the labor process. As the cutter and polisher received their pay according to the number of stones they completed, additional stone finishing would add to their earnings. Furthermore, the routine fluctuations in supply of rough stones from the

DTC in London to the PDMA and the factories in Palestine created an atmosphere of time pressure to exploit as much of the working day and the available supplies. The norm of eight hours per work day, partially maintained in the diamond industry in the Low Countries and even less so in many of Palestine's industries, was in sheer contrast to the piece-work arrangements in the industry, and as we shall see later were hardly a cause for labor struggle. The physical effort exerted by the long working hours (partly released in loud singing incantations during work), and the pressure to complete as many stones as possible in order to increase profits or demonstrate expertise to the managers was naturally related to the tendency by the diamond manufacturers to select young apprentices and workers who they perceived as willing to withstand the difficult labor process. This was clearly demonstrated in the recurrent phenomenon of workers shortening their careers in diamond production because of the demanding physical aspects of the labor process.<sup>36</sup>

A closely relevant feature of this work ecology was the prolonged exposure of the polishers and diamond grinders to diamond dust and cobalt dust, which were known to be formative agents in breathing problems and in occupational lung disease. Contemporary depictions of a typical diamond factory provided a contrasted mix of cleanliness and dusty environment. The sitting position of the polishers seemed to make them directly exposed to the dust from the grinding process and in the absence of dust-masks (which were introduced in a much later stage) respiratory protection was minimal. Some apprentices reported that it was a sufficient cause to cease their apprenticeship abruptly, leave jobs quite early after completing their training, or simply shorten their diamond-cutting careers.<sup>37</sup> A related aspect, again closely associated with the propensity of the industry to attract young workers, was eye strain. The need to focus on minute-sized stones for long hours, and the difficulty of preventing diamond dust from contaminating the eyes, evoked recurrent requests to change place and jobs within the trade, often to clerical positions. The smallness of the stones, lengthy work hours, and the related ophthalmologic pressure was related often in the workers' bulletins though they were consistently denied by the manufacturers and experts as a real work hazard. Their effects were not always immediate and were therefore borne lightly by the young workers.<sup>38</sup>

The mental aspect was perhaps the most exacting. From quite early on, workers complained extensively of the association between long hours of work and mental fatigue. Nerve-wrecking working days, boredom associated with the repetitive work, and the difficulty of sustaining a neuroathenic condition may have added to the desire to cut careers short. A less-known aspect, but one vocally referred to by contemporaries, was what could be termed the anxiety over the lost stone. The small size of the

stones the workers had to handle, the slow acquisition of hand dexterity, the misuse of the fast-turning disk, and the sheer lack of intimate knowledge of the stones made it easy for the stones to hop out of the tools and fall under the cutting tables. The sight of young workers in the diamond factories on their knees looking anxiously after the falling stones became a routine. If stones were not found, the workers had to reimburse the owners and consequently entered a cycle of debts that placed a heavy toll on those who actually lived on apprenticeship loans.<sup>39</sup> In one poetic gesture written by a diamond polisher, the words of a known poem, “Tsil Tsil” (Ring, Ring, 1909) by the national poet Hayim Nahman Bialik, were substituted with the diamonds he was polishing:

**It is Gone . . . (by Binyamin Kosowsky)**

Pink Pank—she’s gone, Pink Pank—gone off,  
 Pink Pank—and from the Cenga she took off.  
 Sweet one, why did you away so rushed?  
 And my hand had more than half left to cut.  
 It’s a shame! Before time parting came  
 And on my feet had me standing again.  
 Broom I took and looked for her  
 And in grains of sand found her.  
 And suddenly you said: farewell my dear,  
 Voice of whip, noise of wheels,  
 And once again I am solitaire.  
 In a cloud of dust you distant fly  
 And again with broom disheartened I.  
 And from the garbage in the sand  
 The mocking sound is dancing heard  
 Pink Pank—she’s gone, Pink Pank—gone off  
 Pink Pank—and from the Cenga she took off.

The beloved woman in the original poem, symbolizing the word the poet gives birth to, was replaced with the uncut stone; though the cutter loved, was attracted to, and was possessive of it, it yet sought freedom. The stone deserts the lonely cutter like a poetic invention secularized by its mass use, and has to be sought after in a similar vein. The stone that fell began having a life of its own like the poet’s word in the mouths of the users of language, with the cutter needing to bend on his knees and crawl fervently after the hidden stone, which may not even be willing to be found and would shine glaringly only to be further sought after. The cutter who loves and needs the stone wants to harbor her so as to avoid grave financial danger. The closeness of the cutter to the stone, his dependence on her, is akin to a disappointed love, and thus the fear of losing the stone, of going down on one’s knees. The panic over the lost stone thus added to the time pressure, efficiency, and obsession with productivity that emerged as routine characteristics of the new diamond workplaces.<sup>40</sup>

The care for the stone, safeguarding it from any harm during cutting, and the quality of the finished product structured an environment of discipline and regimentation. One disciplinary aspect was the premature cessation of the apprenticeship by the manufacturers, which hovered over the young workers as a persistent menace throughout their training. Another aspect was the disallowing of unauthorized movement of workers between the factories. Workers' wandering, as it was often called, could improve pay, distance the worker from an overly authoritarian manager, or simply express the wish of the young worker to be nearer to his family and neighborhood he left for apprenticeship in Tel Aviv and Netanya. Moreover, factories often lacked enough skilled workers and had to "borrow" workers, with the effect of a fluid and frequently a chaotic workplace system. Interdicting and regulating this movement were essential for the manufacturers who opposed it because they felt that their investment in training might be futile and that their fellow manufacturers were competing with them over the better foremen and more-skilled workers. After two years the problem seemed uncontrollable and no wonder the PDMA had to press the manufacturers in August 1941: "Please pay attention. The worker who today left your friend's manufacturing-house—might leave you tomorrow! Wanderings have no justification. Conditions and prices are identical!" For the workers, however, the prohibition meant strengthened bondage to the factory. They had to formally commit themselves to it and they thus felt harnessed to a workplace that was not always amicable. The prohibition stood therefore in sharp contrast to the material rewards, hampered stratification among the workers, and often evoked a sense of deferred independence. Such control of the labor force mirrored the centralized and disciplinary character of the manufacturers' organization and was thought to serve both the British quest for acquiescent workers and the PDMA design to shape a new type of industrial culture in a society accustomed since the 1920s to the powerful presence of organized labor.<sup>41</sup>

It was assumed by contemporaries in the early 1940s that only about a quarter of the trained apprentices were fully absorbed in the industry. Together with the high earnings this meant that the diamond workers showed some characteristics that differentiated them from other workers, a sort of an artisan-workers' elite group. Many signs pinpointed that particularity: pride in one's skill, the feeling of being needed by the manufacturers, the efforts the workers invested in acquisition of the special skill, the economic dependency of parents on their children's work, and even the prohibition of free movement between the factories that enhanced a sense of pride of the factory in them. The skills employed in the diamond industry certainly formed the workers' reputation as dexterous, quick, capable of enduring concentration, members of a long-standing and respectful tradition, and willing to invest a lot to survive in the industry.



Aspiring for expertise (and not just for gain) and being inducted by a particular, known master assigned the worker a role in the continuity of tradition and encouraged adaptation in a new location and in different circumstances. As we saw earlier, the diamond industry was from the start replete with notions of time, rapidity, precision, and efficiency, and the workers, through their hard work and regimentation, were gradually immersed in this craft-cultural environment.<sup>42</sup>

The aspects of the employers' control over the labor process were at the last resort associated with the nature of the PDMA's control of its members. The same logic that dictated a single and enclosed import-export path also dictated a close watch over the process of the small stone from its entry into the envelope to its final return as a polished product to the hands of the manager. The loss of a stone by an inexperienced polisher, entailing as it did economic sanctions or delegitimization (with far-fetched personal consequences), was a localized symptom of a much wider anxiety of the entire system regarding the free movement (and smuggling) of stones. Harming a stone or low-quality cutting pressured the individual worker and created a stressed atmosphere in the workshop, but also were perceived as harboring a wider economic significance. These associations reflected cracks in the centralized system and the limitation of control, but in turn they also legitimized the need for further control and for further formal means for enhancing the lacking trust. This was why it became imperative to seal off the membership ranks, to increase the supervision of the members, to prevent domestic production as a space disconnected from factory life, and to enhance the regimentation of the workers by the experts and the managers. If the PDMA had first established a sort of "collectivization" of capital and manufacturers, it now turned into a centralized and regimented labor process in which workers were streamlined and constrained by solid boundaries of action.<sup>43</sup>

The diamond industry was therefore undergoing an adaptation process that was in line with the centralization and power-building that characterized the structuring of the PDMA. Both the chain system and the regimentation of the apprentices and the skilled workers made the new cutting center not only different from its Belgian origins but also much more powerful and challenging. In this sense the PDMA used to the full the British umbrella to construct a new industrial branch with unprecedented powers. At the same time it did not just serve the building of an alternative to Antwerp. It quickly demonstrated a mix of capital, traits of an occupational community, and Zionist ideology that aspired to much more than serving the needs of the war and the interests of the British and De Beers. Indeed, when we distance ourselves from the daily mechanics of the cutting process, and attempt to grasp the atmosphere that this nascent industry and its practitioners were experiencing, a vivid sense and pres-

ence of power emerges. It was first and foremost the power of profit—of the great potential for further profitability, of the personal gain of both the manufacturers as owners and the workers as skilled craftsmen. The sense of success that hovered above the industry, which was made apparent by both the persistent attraction to the industry and by the tight sealing of its boundaries from more newcomers, made for the climate of energy, power, motivation, and a trajectory of advance. It was no less than the power to enforce differentiation between workers and segregate the proficient and skilled from the lesser workers, the loyal to the factory and to the manufacturer from the transgressor. Evidently the power expressed itself also in discipline and regimentation, of capital and organized ownership that could act freely and powerfully under the auspices of the Mandate state and the sheltering imperatives of the war. An industry that made such a quick and expressive start—that so early on became the most attractive industry and profitable industries in the Yishuv, that managed so quickly to transgress the limitations enforced upon its expansion on its birth, and that so early on created sophisticated routines of control, remuneration, and regimentation—was bound to convey an emphatic sense of a new power phase for local capital.<sup>44</sup>

The intensity of the regimented work process, its young age structure, and the common expectation for high earnings created a web of links and associations among the workers and mirrored capital's power. These linkages expressed themselves in the collective opposition to the manufacturers and obviously in the striking activity of the diamond workers—but also culturally, in the shared panic of the young apprentices and workers over the lost stones, the collective search for it and the incessant singing incantations during work. Personal rage vented against the employers and individual makeshift strategies such as illegal domestic diamond cutting, moonlighting, and petty theft also expressed these shared experiences. However, what mostly linked the diamond workers to each other was the threat on earnings harbored in the piecework employment system, and in the dependence of the entire industry on supplies from London. The extent of the dependence will be better understood later when the industry's take-off and the politics behind the supply of the rough diamonds are discussed. But before that we should turn our attention to reactions in Yishuv society to the dual emergence of this new power of British-sheltered capital and centralized monopoly that PDMA represented on the one hand, and the new and growing group of workers whose living was so heavily dependent on the exogenous forces of supply in London and demand in New York on the other. These reactions were pertinent because, no less than the tradition and legacy of diamond cutting in the Low Counties, it was Yishuv society and its political and ideological languages that was

the environment in which the diamond industry sprouted and had to take account of.<sup>45</sup>

### Facing the “Triangular Thread”

The preceding discussion of the foundations of the diamond industry demonstrated the extent to which the transplantation of the diamond industry mixed state action with capitalist agency. One foundation, the umbrella provided by the colonial government, was a key to all developments. But it could not materialize without the second—the lifeline of small, rough diamonds steadily maintained by the Diamond Syndicate in London. The third foundation, the PDMA’s institutional regimentation of the member-manufacturers and the factories, equally intersected with the fourth, the adaptations in the traditional labor process. These features conveyed an aura of audacity and self-confidence, an atmosphere of self-assurance and economic success that in turn could bring the PDMA and the manufacturers to further decide on maintaining or diverging from the traditions of diamond-cutting and organization.

Sensing themselves as emissaries of the Jewish nation and an empire at war, part of a world industry and local economy, convinced in their roles as capitalists with a clear Zionist orientation, the state-backed manufacturers indeed felt unrestrained. This capitalist institutional and ideological power-building evolved however, in friction with a particular set of social and political norms that had predominated Yishuv life since World War I and the onset of the British Mandate. This normative context was aptly described by one of the PDMA’s members in a discussion over the industry’s relations with the Yishuv’s institutions as the “triangular thread.” The term referred to a three-armed, national-based coalition of ideology and interest. One arm was that of the Zionist institutions that ran the Yishuv and led by the Jewish Agency and by Mapai, its majority political party. For the diamond industry the expression of this national presence was the Department of Trade and Industry, which was usually at the hands of the liberal General Zionists Party. The second arm was the Palestine Manufacturers’ Association (PMA)—the loose umbrella organization of Jewish industrialists and manufacturers. The PDMA was not a member of the PMA until 1943, and its independence often strained relations between the two bodies. The third arm was the Labor movement. It was led by Mapai, Ben-Gurion’s Zionist-Socialist political party that dominated the Histadrut—the umbrella organization of labor’s economic institutions and unions that since 1933 also controlled the Jewish Agency. From early on it was clear that the Histadrut, representing around 70 percent of Jewish workers in Palestine, could not control the diamond industry, as it did other indus-

tries in the Jewish private sector, and its aspiration to have a strong union presence in the diamond factories materialized only partially.<sup>46</sup>

Zionist state building was the primary set of ideas and practices that during the two decades before World War II held the parts of the triad together. In this agenda the Jewish Agency was the institution that ran the affairs of the Zionist Movement in Palestine, towering over a system of institutions that dealt with the absorption of Jewish immigrants, land purchase and settlement activities, economic investment and social planning, and the like. While it operated in parallel to the National Committee (Ha-Vaad Ha-Leumi), the body that conducted Jewish communal affairs in Palestine, for all intents and purposes it was the dominant political body and the main force that shaped Zionist policies during Arab-Jewish conflicts and in relations with the authorities. The PMA, the second arm of the triad, was since its establishment in the early 1920s an essential part of this agenda, cooperating closely as it did with the Jewish Agency, advancing (at least formally) the control of the Yishuv economy by Jewish labor, and mobilizing industry to national causes and not only to capitalist orientations. The Labor movement, the third arm, and in particular the Histadrut that was founded in December 1920, was to provide the social basis for the state-building project. In manning the Jewish settlements, in controlling and organizing the labor market, and in a variety of social and cultural functions it was to be an integral part of an agenda that necessitated industrial calm and conciliatory relations.<sup>47</sup>

The most significant aspect of the “triangular thread” was the understanding of the three organs that private capital, capital owners, and individual entrepreneurs were free to operate, but at the same time be submissive to the Zionist agenda. It was therefore a variant of national-capitalism, in which maximization of profit and personal gain conveniently cohabited with thinking on and contributing to the Zionist social good, cultivating a common national vision, and actively participating in the Jewish state-building project. In reality, however, it meant that Zionist institutions aspired to be present in and influence the practices of private capital—in particular when they were involved in sensitive Yishuv issues such as employing Arab workers, relations with the government during this complex period of war and the Holocaust, and contacts with the Colonial Office. This interventionist approach of Zionist institutions became ever more emphatic in the wake of the boom that the World War II brought about in Palestine, the flourishing of private capital, and more significantly the deepening intervention of the government in the country’s economy and civil society. At the economic departments of the Jewish Agency it was strongly felt that not only was British involvement necessitating a closer Yishuv coalescence between the public and private spheres of economic

and employment activities but that its infrastructure should be well prepared for the new circumstances expected to emerge after the war.<sup>48</sup>

As the British granted the PDMA a status of monopoly, the relations between the Zionist institutions and the diamond manufacturers were problematic from the start. Ben-Ami's victory of the national Tishby camp (discussed in chapter 2) made the designed public-Zionist presence in the diamond industry vaguely defined. As a war-born industry, the PDMA's monopoly was created, inspected, and protected by the government and the Colonial Office. It was closely tied to the British, to their war aims, to their financial considerations and relations with other European countries. The British set limits on the industry's expansion, membership, raw material supplies, and freedom of trade. Unlike Palestine's railways, which were run as a government department, the diamond factories were independent capitalist institutions and members of an association that kept itself apart from the Palestine Manufacturers' Association. Moreover, as Netanyahu's mayor, Ben-Ami made the diamond industry one of the economic strongholds of his town and a pillar of his local power. At the same time diamond cutting was also a Yishuv industry. It was Jewish only, perceived itself as Zionist and an absorber of Jewish immigrants, and as a part of the state-building project it selected only Jewish workers, transformed the Jewish settlement of Netanya, and (as we shall see later) developed a keen national expression and culture. The identity of the diamond industry was clearly Zionist, but its leaders and member-owners and manufacturers sought freedom of economic action and institutional autonomy.<sup>49</sup>

The institutions that ran the Jewish community in Palestine, and in particular the Labor-Liberal coalition that dominated the Jewish Agency, were, as we saw earlier, instrumental in the birth of the industry. The Department of Trade and Industry at the Jewish Agency had been in the 1930s involved in attempting to bring over from Antwerp to Palestine diamond capital and expertise and in persuading the government to reduce the customs on rough diamonds. The department was also in close contact with dealers in Tel Aviv who ran a small exchange (the Diamond Club), and with Zionist activists in London and Johannesburg who helped with contacts with De Beers. At the same time, however, the British and the manufacturers around Ben-Ami destined the diamond industry to be a private affair, an independent capitalist venture under government auspices and free from Zionist institutional control. No matter how involved the national institutions in Jewish industry were, and how industrialization of the Yishuv economy was crucial in their eyes, they were kept outside the orbit of decision making and control over diamond production.<sup>50</sup>

In the institutional sense the industry indeed wished to remain distant and autonomous. Its birth was a challenge to the Department of Trade and Industry, which attempted to lead the project, and it was never expected

that the Jewish Agency would support the industry financially. The ties of the industry with the Zionist Office in London weakened after mid-1940 when the PDMA formed direct contact with De Beers and with Hennig and Co., the brokerage company that represented the industry at the DTC. In Palestine the main link the PDMA created with the national institutions was through the banking system, namely, the Palestine Corporation (later Bank Igud) and the Anglo-Palestine Bank (later part of Bank Leumi). These gave the diamond industry credit to purchase rough diamonds, keep them and the finished stones for export in safes, and finance the mechanism of exporting the polished product.<sup>51</sup>

In late 1940 and early 1941 negotiations were on the way between the Department of Trade and Industry at the Jewish Agency, the PMA, the Histadrut, and the PDMA on creating a joint fund to finance apprentices in the factories, but they only accentuated how limited national intervention could be. The Diamond Club, which kept close ties with the Jewish Agency and reestablished itself in December 1940 to provide trading services to diamond and precious stones merchants, was of little significance now because of the British directive to export all finished diamonds and have the PDMA's member-factories serve as exporting units as well. Furthermore, the Jewish Agency occasionally offered its services as an arbitrator in labor disputes in the diamond factories, in particular when it was asked to by the Histadrut or even by manufacturers who wished to get the functionaries at the Department of Trade and Industry or Labor Department more involved in the industry. The PDMA saw to it that such involvement would be kept to a minimum.<sup>52</sup>

The capacity of the diamond industry to carve itself an autonomous niche within the institutional constraints customary in the Jewish polity in Palestine could not have materialized without the help of the British and direct ties (again through British mediation) with the Diamond Syndicate. For Ben-Ami the autonomy was crucial. It proved the capacity of his liberal-capitalist ideals to materialize without the help of the Zionist funds and institutions. The latter, even more menacingly, could in his eyes meddle in the affairs of the diamond industry in London, and may even endanger its sensitive position at the DTC in the wake of growing pressure from the exiled Belgians against the expansion of Palestine diamond industry. Ben-Ami's success in founding a private venture under British auspices, and the consequent furor it caused among the political and economic leadership of the Jewish Agency, created further distance. In such circumstances it was expected that criticism would follow. It came from various corners—the Department of Trade and Industry that supported the Tishby camp; Arieh Shenkar, the PMA's president and one of the chief leaders of the Jewish industrialists; even Zionist activists in the UK (such

as Joseph Linton) who dreaded the lack of contact between the diamond industry and the Zionist executive in London.<sup>53</sup>

But it ran deeper than that. It was a criticism against the lack of direct ties with the Zionist institutions, against the concentration of the industry in Netanya where Ben-Ami was running the affairs, and on denying the advice of the economic experts of the Jewish Agency that there was a limit to the industry's viability and success. The PDMA monopoly and the way it was run were blamed for what these experts perceived as too slow growth, little variety of suboccupations and types of stones polished, and a narrow range of exporting market destinations. Furthermore, continuing earlier tensions between the Ben-Ami and Tishby factions, a serious criticism against the PDMA's autonomy sprang up within the PDMA itself. Among the new oppositionists were diamond manufacturers such as Moshe Offen, the Schein brothers, and Carol Pickel. Ben-Ami was too dictatorial for their taste, they despised the Netanya stronghold, and the PDMA's disconnection from Zionist national institutions seemed to them to be taken too far. Some manufacturers even attempted in reaction to develop a freer, home-based cutting industry; others tried opening workshops in Beirut and Cairo. Rumors reached the Jewish Agency that Ben-Ami was personally profiting from the PDMA's President Fund, that the Diamond Syndicate itself was paying him for securing purchases of rough diamonds, and that he informally was a partner (and thus favored materially) in one of the factories. Furthermore, the manufacturers were so dependent on his distributional policies for rough diamonds that they feared criticizing him openly or destabilizing the lifeline he had so well cultivated with De Beers and the syndicate in London since 1940.<sup>54</sup>

The internal opposition was at this stage quite weak and it lacked a solid social basis in the PDMA. Divergence from long-standing traditions in the diamond industry in Belgium that could potentially raise significant opposition on a professional base was only at its initial stage. Indirect ties some of the manufacturers did establish with the PMA and its President Shenkar exerted some pressure on Ben-Ami to soften his objection to closer relations between the PDMA and the PMA, but relations remained cool and mutually suspicious. Short of challenging the centralized structure of the PDMA by turning to the British or by attempting to create indirect ties with the Diamond Syndicate, there was not much in the institutional sense that the Jewish Agency could do to curtail this autonomy and freedom of action. Attempts to coordinate the activities of the PDMA with Zionist institutional structures, and influence the government to liberalize the PDMA's monopoly by allowing the importation of rough diamonds from sources other than the DTC (such as British Guiana), were to no avail. The only strategy left to the opposition was to question the industry's pretension to consider itself of such immense contribution to

Zionism, to challenge what was perceived as Ben-Ami's disrespect for the national institutions, and attempt to marginalize the industry culturally and ideologically by mobilizing the Yishuv's industrialists to "socialize" the diamond industry to the Zionist ideals expounded by the "triangular thread." The impact of these attempts was, as we shall see in a moment, to create a suspicious atmosphere around the monopoly and the interests Ben-Ami was advancing as Britain's special industrial "envoy." However, we should first examine another front against which the PDMA was building its power and autonomy of action and which in the long run would prove to be even more crucial.<sup>55</sup>

### **Splintering Labor's Voice**

In its rigid regimentation of its well-paid workers, the diamond industry was not unique. Since its establishment in the early 1920s, the Histadrut had focused much of its organizational efforts and campaigns against Jewish capital owners and employers in the Yishuv's private sector who enjoyed the absence of legal protection over workers, paid little regard to improving workers' pay and conditions, and dismissed workers at will and without compensation. The entire Histadrut infrastructure in Palestine's towns, based as it was on labor councils, unions, cooperatives, and economic enterprises, was built in close relation to this urban context; as much as employers and workers in the Yishuv shared basic Zionist tenets, they were busy in daily battles over employment arrangements and working conditions.<sup>56</sup> Whenever a new industry was established, this routine set of issues reemerged without, however, the legal climate harboring a message of change and without the intensity of employment disputes waning. The diamond industry emerged on a very small scale during the Arab rebellion of 1936–1939 when the national coalescence in the Yishuv brought some relaxation to industrial tension. The slow pace of the industry's growth before 1940 produced little unrest. However, in the context of the economic boom of the war this climate quickly changed, diamond cutting turning into one of the most turbulent foci of industrial tension and dispute.<sup>57</sup>

At the heart of the tripled Zionist-based alliance of the Jewish Agency, PMA, and the Labor movement was a long-established norm that the Histadrut was a central actor in the industrial relations system and, that it played a key role in the project to materialize the shared Zionist ideal of the predominance of Jewish employment in Palestine's Jewish polity. Challenging the hegemony of the Histadrut in representing the workers in Jewish industrial enterprises tied traditional anti-Labor stances in the Yishuv with the manufacturers' claim for autonomy and supremacy. In



fact, in contesting the power of the Histadrut the diamond manufacturers were able to put into practice one of the cherished quests of the liberals and the right wing in the Yishuv.<sup>58</sup>

Before the PDMA's entry to the scene the Histadrut was involved in the diamond industry in two ways. First it served in 1937–1940 as the labor exchange for young workers who were admitted to the few factories as apprentices. In some factories in Petah Tikva and Tel Aviv this contact was also expressed in representation of the workers in contracts and working conditions. The second aspect of Histadrut presence in the industry was in the contacts it created on the eve of the war with the diamond union leaders in Amsterdam (Herni Polak of the ANDB, *Algemene Nederlandse Diamantbewerkerbond*, the Dutch diamond workers' union) and in Antwerp (W. Daems of the ADB, *Antwerpse Diamantbewerker Bond*). The contact revolved around claims expressed against Palestine that it tried to compete with Antwerp by employing low-wage workers or in demanding that the Histadrut, through affiliating with the Universal Alliance of Diamond Workers (UADW) should see to it that an international wage balance was kept, a forty-hour workweek maintained, and competition be prevented. In this way Palestine was asked to join an international workers' front against the Germans, whose diamond-cutting industry flourished exactly because it reduced wages.<sup>59</sup>

From the start of his project Ben-Ami, a staunch liberal, disliked the ties of the diamond workshops with the Histadrut and the latter's contacts with the unions in the Low Countries. In drawing manufacturers to Netanya he made it clear to the manufacturers that a too-powerful presence of the Histadrut in their factories was unwelcome. Furthermore, in the calls published in the Antwerp press for diamond experts and workers to apply for the Palestine project (partly financed by the Tel Hai Fund of the Revisionist Movement) a proviso was added that they would give up membership in the UADW, and that their trip ought to be financed by the Zionist Federation in Belgium. The criticism against these calls by union leaders in the Low Countries on the grounds that this was an antiunion act, and their demand from the Histadrut to oppose it, did not amount to much. The Ben-Ami project was built, among other things, on rejecting such union intervention.<sup>60</sup>

On the establishment of the PDMA Ben-Ami and his fellow manufacturers introduced a paradoxical novelty to the politics of employment in the Yishuv. On the one hand they saw to it that the workers recruited to the industry would be Jews. They therefore fulfilled a long-standing "Hebrew Labor" tenet regarding the national segregation of the labor market that the Labor movement was advancing and fighting for throughout the 1920s and 1930s. This was a crucial point of coalescence between Jewish capital and Jewish labor—a consensus, in ideology and in practice,

over the ethnic and national character of the diamond industry. On the other hand the PDMA rejected in principle the long-standing hegemony of the Histadrut in the industrial sector of the Yishuv that was expressed in union representation, and in the relatively high number of Jewish industrial workers affiliated to the Histadrut compared to unions affiliated to other political parties such the Revisionists, the Religious Zionists, and the Orthodox Jews. Ben-Ami's approach to labor that this duality demonstrated has to be considered through the prism of a Zionist liberal whose social philosophy was shaped in the particular context of the Zionist state-building project and Labor's centrality in that project. Though seldom an employer of workers himself, Ben-Ami evolved as an entrepreneur in various fields such as agriculture and journalism and as a powerful land developer and municipal bureaucrat in which the conception of and relation to labor questions were central. Authoritarian in character and paternalist in practice, Ben-Ami upheld the notion that workers were to be protected and that any workers' organization had to be cooperated with, but that both should be limited in power and influence. Alliance between classes, either for the national cause or for running a business, was a means through which a free, liberal society should run. Consequently and in accordance with the Zionist liberal approach to industrial relations, the preference in the labor selection was for workers with a variety of organizational and union affiliations so as to prevent a single and powerful Histadrut-led representation.<sup>61</sup>

Ben-Ami's scheme to focus diamond production in Netanya worked well to forestall encroachments by the Histadrut. Netanya was not on the map of the Histadrut's power centers, and the town's Histadrut-affiliated Labor Council was if anything a frail labor exchange. Furthermore, from his seat in the Netanya town council Ben-Ami saw to it that the presence of the Histadrut in the new industry would be limited by the presence of other labor organizations. While anchored in the Yishuv's liberal politics and pluralist ideology of liberal Zionism, the anti-Histadrut stance was also an expression of Ben-Ami's sense of hierarchy. The workers in the cutting factories could be organized and represented, but they ought to see themselves as part of the factories and committed to the product, and the investment in them through apprenticing and promise of high earnings ought to be paid back fully by limiting their voice. In a sense the multitude of representational voices mirrored the division of labor and the fragmentation of the integrated worker.<sup>62</sup>

The way the PDMA made union splintering certain was, first, to recruit the apprentices from various workers' organizations and parties (see below) and, second, to demand that each individual union would be a formal signatory to any labor contract. This forced the Histadrut to cooperate with the other unions on the formulation of the contracts and thus assured

the PDMA that the power of the Histadrut would be contained. Moreover, the PDMA ordered the diamond manufacturers not to negotiate individually with the workers and the unions. Splintering the union voice equaled centralization in labor policy.<sup>63</sup>

Consequently the formation of the diamond workforce was coupled with splitting its representation among five unions. The largest was the Histadrut though it was not large enough to achieve majority among the entire diamond labor force. Second was the Revisionist-backed Histadrut Ha-Ovdim Ha-Leumit (National Workers' Federation). The two religious unions represented Hapoel Hamizrahi (religious Zionists) and the Orthodox Poalei Agudat Israel. Finally the liberals, Ben-Ami's own party General Zionists, were represented by Haoved Hatzioni. In a later stage the Communist Party would have a small representation as well. In contrast to many other industries in the Yishuv, the Histadrut, the largest union, found it impossible therefore to have its say automatically, and that the "minority organizations" could well challenge its policies and tactics. Furthermore, as the table below demonstrates, splintering was dynamic. The intensive increase in the number of diamond workers was not matched by a similar increase in the number of those affiliated with the Histadrut. In Netanya the Histadrut's position was even worse and though a local labor council operated in the small town as a labor exchange under the auspices of the Histadrut, its presence in the labor politics of the town was quite frail, at least compared to the main Histadrut strongholds in Haifa and Tel Aviv.<sup>64</sup>

Table 3.4 Trade union structure in Palestine's diamond industry, 1941–1946<sup>65</sup>

	All Towns		Tel Aviv		Netanya	
	Autumn 1941	Winter 1942	Winter 1946	Winter 1942	Winter 1942	Autumn 1944
Histadrut	410	650	1,750	500	150	480
Histadrut Haovdim Haleumit	250	300–320	550	100–120	200	250
Hapoel Hamizrahi	200	500	270	150		105
Poalei Agudat Israel	120	50	200	150	100	-
Haoved Hatzioni	-	100	120	50	100	30
Nonaffiliated	220	350	1,400– 1,700	350	100	450
<i>Total</i>	1,200	1,950	4,590	1,300	650	1,315

Note: In 1943 72.5% of the 137,000 Jewish workers in Palestine were members of the Histadrut.

Sources: Pinchas Smagarinsky, "Review of the Situation in the Diamond Industry," 11 February 1942, LA/IV-208-1-2941; Report of the Secretariat of the Diamond Workers Unions in Netanya, 14 November 1944, LA/IV-250-49-175-b; First Meeting of the Central Committee of the Union of Diamond Workers, 9 December 1946, LA IV208-1-4551.

The fragmentation of union structure in the local diamond industry was not simply a corollary of the strategy of the diamond manufacturers to prevent a recurrence of the Histadrut hegemony in industrial sector of the Yishuv. The variety of suboccupations comprising the cutting and polishing processes was no less influential, and so too was the tendency of some diamond workers to guarantee themselves from downturns in the industry by holding to another occupation or alternative source of income. If the variety of suboccupations resulted in a nonunitary structure of pay and benefits and in a variety of workplace solidarities, extra jobs or home work destabilized union membership. Unionization among the diamond workers was therefore a complex issue, partly structured from above by the PDMA's labor policies, partly by the organizational capacities of the various political parties, and partly by workers' strategies from below. The diamond manufacturers thought union multiplicity would weaken workers' collective representation, and in turn the pressure on pay increases. Many workers thought unions to be cumbersome and often antithetical to the relative freedom provided by the piecework system. Furthermore, the large number of unaffiliated workers testified both to the feeling of many of the more-skilled workers that representation was simply redundant; and to the fear—prevalent among many of apprentices and new workers—that affiliation was disfavored by the employers and may lead to dismissals.<sup>66</sup>

The splintering of worker representation harbored three implications. First, many workers chose not to affiliate to any of the unions and therefore were potentially a difficult sector to mobilize for collective action, or alternatively an easy prey for manipulation of the manufacturers against the unions. As we shall see later, in labor disputes this unaffiliated contingent would be crucial. The second implication was that many workers sensed that as highly skilled workers on which the manufacturers came gradually to depend, they were as individuals entitled to better pay and improved working conditions. This "noncollective" strategy of the individual workers would cause a great deal of trouble to union activists later when the industry underwent technological adaptation and consequent reshuffling of the labor force. Finally, the fragmentation of the organized workers' voice further tarnished the image of the Histadrut among both workers and manufacturers, and it was feared in Histadrut circles that it was beginning to affect other expanding industrial sectors as well. The diamond industry signaled therefore the existence of a wider challenge to the Histadrut's hegemony in the Jewish industrial sector and practically to the entire system and understanding at the heart of the "triangular thread."<sup>67</sup>

It took the Histadrut a long time to react to its containment. Taking for granted its hegemony among industrial workers in the Yishuv its ac-

tivists were late to discern the implications of the economic boom of the war period on union organization. More significantly, the Histadrut could hardly respond to the PDMA's policy of union plurality. It did not control the entry of the new apprentices to the factories and the transition of the apprentices to fully employed workers, and it lacked the money to finance and feed the trainees. The Revisionists ran their own apprenticeship fund and the religious unions operated another separate scheme. The fund that the Tel Aviv Labor Council (a Histadrut organ) established together with the Jewish Agency to support the trainees could not adequately match the massive wave of young workers entering the industry. The collective agreement signed in the industry in late 1940, on which the Histadrut as one of the signatories could take pride in, did not result from its pressure on the PDMA to improve working conditions, but rather from the manufacturers' strategy to quell potential labor unrest.<sup>68</sup>

The weakness of union presence was reflected also in the fact that only in spring 1941, when the industry already employed some 1,300 workers and dozens of apprentices, would the Histadrut appoint a union bureaucrat to coordinate activities in the factories in both Netanya and Tel Aviv. Pinchas Smagarinsky (1900–1966) had no background in diamond cutting, he had to depend on a Histadrut committee that handled the negotiations, and it took some time before he could command the respect of the young workers or that of the PDMA negotiators. The activists representing the other "minority organizations" were as pale, and their presence in the factories was often overshadowed by workers' independent protest against the high apprentices' fees paid for a place in the factory and for tools, and the barring of free movement between the factories. The pressure to make the representation of workers more felt would hardly come from these unions, whose activists seemed overwhelmed by the dramatic material success of the diamond industry, but rather from the workers themselves. The restraint of the workers' collective power that the splintered union system aimed to achieve harbored therefore also the curtailment of the power that could restrain them. The strong propensity of the diamond workers to strike (discussed in chapter 5) was closely associated with this paradox.<sup>69</sup>

The differentiation in the workforce that followed the initial expansion of the industry in 1941–1942 deepened the impact of union splintering. The young apprentices who expected to start earning after three months of training were in dire need of financing and care during the training period, and they felt exposed in particular when they lost or damaged the diamonds. They differed, however, from the larger group of accomplished diamond workers in their specialized functions, the hours they could work each day, and their distinct pay. The demands of these workers varied from improving items on the collective agreement to freedom

of movement among the factories, easing the paternalistic atmosphere in the factories, holding back wages, ending with prevention of dismissals.<sup>70</sup> Finally, the expanding group of expert foremen, clerks, and work managers tended to organize independently and formed, through differentiation from the cutters and polishers, particular interests and material demands to fit them. Clearly, the PDMA's success in preventing Histadrut supremacy among the workers meant that the pay differentiation among the groups of workers would potentially be higher.<sup>71</sup>

The collective agreement in the industry could hardly satisfy the increasingly diversifying needs of these groups. Moreover, their criticism against the unions of their organizational inadequacy added to the pressure by the manufacturers against cohesive union power. Sporadic strikes in individual factories in 1941–1942 reflected this criticism, as well as the growing number of nonaffiliated workers and their gathering in an organization of their own. The organization, the Supreme Committee (Ha-Vaad Ha-Elion, established in early 1941), was a mixture of individual workers and Communists, and it turned into a serious source of opposition to the politically affiliated unions and a mouthpiece of the seething unrest in the factories. The pressure to respond to workers' demands and the emergence of the Supreme Committee therefore forced the Histadrut and the "minority unions" to turn from mere accommodation with the PDMA's union-splintering policy to a more active coalescence of interest and action.<sup>72</sup>

Less than a year passed since the establishment of the PDMA, and the Histadrut was facing three fronts—the manufacturers that prevented its hegemony in representing the workers, the "minority organizations" who also opposed the hegemony of the Histadrut among the workers, and the unaffiliated who criticized the Histadrut for its lack of action. The Histadrut tried in response to convince the other unions that its supremacy was worth their while. Once the idea was rejected, the Histadrut began a campaign to portray the "minority unions" as enemies of the diamond workers. Furthermore, it sought contact with the expert work managers and factories' office clerks so as to distance them from the manufacturers and organize them independently from the workers. Needy workers were taken care of—by financing their training, by loans to sustain the workers until apprenticeship was over, and by provision of temporary accommodation. A professional school for training diamond workers was planned by the Histadrut with the backing of the Jewish Agency so as to decrease the control of the manufacturers over the apprentices. Workers loyal to the Histadrut, usually those who originated in the Yishuv's agricultural sector, were encouraged to apply for apprenticeship, and the selection of Histadrut youth was tightened so as to implant Histadrut cells in the factories. Hoping to weaken the manufacturers' advantage in union

splintering, the Histadrut even tried to advance collective bargaining in individual factories without the PDMA's intervention.<sup>73</sup>

Though most of these Histadrut plans and strategies were yet to materialize, they already at this early stage signaled the adaptation of organized labor to the PDMA's show of force. It recognized that capital's British-backed power ought to be contained by creating direct inroads to particular groups of workers in the factories who would then be mobilizing the rest of the workers. Moreover, recruiting the Jewish Agency and the PMA, whose intervention in the diamond industry the PDMA successfully pushed aside, seemed crucial. Such recruitment would put in practice the notion of the "triangular thread"; it would focus on joint national-based financial backing of the apprentices, on exerting pressure on the Colonial Office in London, and on the Palestine government in Jerusalem, or even in provoking the Yishuv's industrialists to alienate Ben-Ami and denounce the manner in which the PDMA was structured and operated. This was the context in which the contestation between capital and labor in the diamond industry and the Yishuv unraveled itself also as a battle over norms and images.

## Zionist Legitimacy

The PDMA's autonomous stances vis-à-vis the "triangular thread" and its backing by the colonial state provoked among the Zionist political and industrial elites a barrage of historical and social stereotypes against the diamond manufacturers and the nature of their project. The independence of the diamond capitalists was criticized as lacking allegiance to the national institutions, preferring their profits and independence over Zionist state building and over cooperation with the more Zionist-obedient Manufacturers' Association. The diamond industry was criticized for producing luxury items (mainly for the American middle class) and for threatening to create an anomalous structure of the Yishuv's industry and export. The workers were blinded by the expected gain, they were nonproductive in the Zionist sense of norms of agricultural and industrial production, and they were steeped in unbridled indulgence of the acquisitive spirit and thus anathema to Zionist values. "The only Kosher person in this occupation is the worker," remarked one writer in one of the periodicals of Labor movement in summer 1942 in a telling Hebrew wordplay between cleanliness, legitimacy, and skillfulness.

First he is the miner in enslaved conditions, and then he is the cutter and polisher who for days on end lean their backs over the machines, inhale the dust which pierces their lungs, tone up their eye muscles and take blisters of burns on their fingers—and though they eat bread, plenty at times, in distress at oth-

ers, at crisis they are first to suffer hunger and unemployment. Evidently something of this atmosphere sneaks into Labor too, into the workers' organizations and to their mentality. At times the deceptive glare of the diamond dazzles them too, many haste to get richer, as if in a "gold panic," wishing to precede their friends, to tread on them, all regarding their work as a jumping board into the obscure mystery of the systems of great, swift and easy profit.<sup>74</sup>

The meaning of such adversarial expressions was clear. If the profits accrued from exporting finished diamonds were harnessed to the Zionist project, if they would benefit not solely the capitalists and the British, the industry would be legitimate and the derogatory imagery would become irrelevant. Moreover, the problem was less with the capitalist nature of the industry but rather with its mirroring the incapacity of Zionism to fully engineer its social forces and control their acts, in particular when their autonomous action was supported by the Palestine government and economically by growing demand in the US for stones polished in Palestine. The resonance of these marginalizing images, springing mainly from the Department of Trade and Industry at the Jewish Agency and from the trade union department of the Histadrut, seemed to affirm that the state-backed capitalism that the diamond industry came to symbolize was indeed taking root in Palestine.<sup>75</sup>

The central economic role of private capital in Palestine and its social acceptance in the Yishuv had been gradually advancing since the early rise of manufacturing in the mid-1920s, despite contemporary ambivalence towards Jewish participation in a capitalist economy and towards the urbanization of the Zionist project. These intertwined economic and cultural processes further intensified during the invigorated industrialization of the first half of the 1930s, as reflected in the parallel ripening of the industrial activity of the private sector in Palestine's towns, the rhetoric of the national role capitalism came now to fulfill, and the recognized capacity of capital to work for the "Zionist social good." Built on the assimilation of capital's national role in Zionist state building, and pushed further to the center of economic activity by Palestine's economic boom and British wartime protective economic policies, Jewish industrialists and manufacturers overcame the suspicion and even derogation they experienced in earlier decades regarding their social and Zionist roles—their "national egoism" as Labor's leader David Ben-Gurion phrased it in the mid-1920s. As a part of its formation the diamond industry was now reproducing this battle, and during the first half of the war period became one of its primary carriers.<sup>76</sup>

The "Zionization" of the historically Jewish-dominated diamond industry was indeed hard to advance. The Labor movement was politically a dominant force in the Yishuv but it accepted capitalist Zionism as long as in some measure it corresponded to the state-building policies of national



institutions and to tripartite economic and political cooperation between the Jewish Agency, the Palestine Manufacturers' Association, and the Histadrut. As a national-oriented labor movement, however, the latter only objected to capital's quest for total institutional independence (and in that joined forces with many of the Yishuv's industrialists), but also couched it in an exclusionist terminology that made some diamond manufacturers sense that they were political and socially marginalized. "The reception accorded to this young industry both by the business community and by the authorities cannot be said to have been invariably friendly or encouraging," Ben-Ami reported to the British in October 1942. "Some viewed it with disfavor as a 'bastard industry,' rather off the beaten track of 'normal' industrial development, while there were many who regarded such an industry in times of war as a 'luxury' venture. But results and solid achievements belied the worst fears of the skeptics as well as the gloomy prophecies of the critics."<sup>77</sup>

The "anti-diamond" rhetoric seemed to the circle of diamond manufacturers and diamond factory owners an empty diatribe that could be overturned swiftly once their autonomy was compromised. And indeed, the more the Jewish Agency realized the powerful economic performance of the industry during the war, the more it was willing to relax its estrangement from the industry. For Ben-Ami the introduction of a diamond industry to his small town of Netanya was to industrialize it, to attract the young, to urbanize. This was part and parcel of his Zionism, earlier founded on land acquisition, territorial expansion, and the designation of land and rural plantations to Jewish ethnic exclusiveness. But while the earlier vision was local, within the confines of Palestine, the diamonds widened the horizons. They could serve a national cause by modernization, international networking, and world trade. The earlier sense of the capitalist road to Zionist realization could now ripen in the Yishuv by springing out of the narrow locality and joining successfully in world capitalist competition. That was why according to the PDMA's logic all was to be harnessed to the cause—efficiency, productivity, regimentation. Indeed, the long-standing traditions of skilled cutting, cleaving, and polishing were nothing but a basis upon which organizational novelty and technological advancement could flourish.<sup>78</sup>

The PDMA's pride in technological innovation was indeed part of the Zionist discourse it increasingly cultivated. As we saw earlier, the German occupation of Belgium in May 1940 abruptly curtailed the scheme to transplant a more massive part of the industry from Antwerp, and the number of diamond merchants, experts, and workers who arrived in Palestine was small. Consequently capital owners and a substantial amount of capital had to be recruited locally, apprentices had to be selected from the local young labor force, and, no less significant, the cutting machines and other

cutting and polishing devices had to be produced locally. Technological innovation followed suit, and it joined the specialized division of the production process in enabling the leaps the Palestine diamond industry was making and in cementing its world reputation. These developments were now couched in a national vocabulary, in legitimating the luxury industry in the context of Zionist state building, and in placing those employed in diamonds on a similar footing with other social contributors to the Zionist economic cause.<sup>79</sup>

The presence of Zionist discourse in the diamond industry was an obvious corollary of its transplantation to Palestine. Jews in diamonds from Antwerp were directed to Palestine, to the Yishuv, and away from other diamond-cutting centers. Before the German occupation those who committed themselves to the project signed an obligation to settle in Netanya, and their diamond operation was oriented towards industrializing a Jewish and a Zionist spot. During the war Jewish refugees were sought after to reach Palestine and the transplantation of the industry increasingly meant the enhancement of the Zionist project in Palestine. The industry's social structure played an essential role, as well as the industry's national character. No Arabs, Muslims, or Christians, no other ethnic or religious group, found its way into the ranks of manufacturers and workers.

Netanya, destined by Ben-Ami and the British to serve as the center of the industry, was a Jewish townlet, and its chief industry would carry similar social traits. This ethnic selection contrasted with the social mix prevalent in the prewar diamond industries in the Low Countries. However, it also conformed to the pattern of Jewish refugees in the US, Cuba, and London in setting up diamond businesses. In Palestine such ethnic closure was directly related to the national splitting of the economy between Arabs and Jews, to the national divide the Arab-Jewish conflict had been shaping in the country, and to the British role in sustaining these divisions. Moreover, the richness of cultural techniques employed by the industry to associate itself with Zionist culture testified to the need to have this association manufactured and even forced as part of larger power struggle for recognition and social advancement. Some were overt, as in the case of the names the manufacturers gave their factories (see appendix A.1). Ophir and Tarshish anchored the factories in the biblical landscape. Yahalom, Nofekh, and Bahat were various expressions of diamonds in Hebrew and stressed the stones on the Ephod, the cloth of the great Cohen in the temple, thus widening the biblical landscape to include a deeper religious association. The association of the industry with the Biblical, Hebrew, and Zionist resources of images and metaphors was clearly an additional cultural statement on the nature of the industry as an integral part of the Jewish community. Moreover, it added to the manufacturers' sense of being members of a collective. There were factories that carried the

names of the owners. This was imperative because of changes of ownership. However, there seemed to be interplay between this individualistic form and the masking of the individuals by the factory's self-association with the national tradition. Interestingly it added another layer to the collective memory in the industry as those employed in the industry in the past often referred to their old workplaces by the names of the owners and not by the real names of the factories.<sup>80</sup>

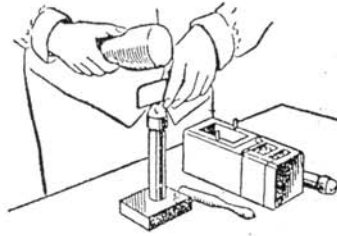
The most formal of all was the translation into Hebrew of tools and processes. It pointed to the cultural orientation propounded by the industry's captains, and Ben-Ami in particular, to join the "Hebrew revolution" that he was so close to when coediting *Doar Hayom* with the Hebrew renewalist Eliezer Ben Yehuda in the 1920s. Moreover, the national transliteration of the industry's vocabulary was far from confined to the manufacturers. The few bulletins produced by workers themselves in the factories, such as *Hatzohar* (the Aperture) and *Hasapir* (the Sapphire), testified to the cross-class nature of the phenomenon.<sup>81</sup>

The terminology the manufacturers used to challenge Labor's negative images of the diamond industry, as can be gauged from the PDMA's meetings and correspondence, alluded evidently to a twenty-year-old controversy in the Zionist Movement on the correct road (public or private) to Zionist state building. In focusing on the efficiency of private capital and on the imperative to postpone socialist experimentation to the period after a Zionist entity in Palestine materialized, the diamond manufacturers reproduced those elements of the 1920s debate that provided the diamond industry with an image of a fitting economic project, risky and successful, promising and real. Their independence was justified only because it was part of the Zionist project. The adaptation of the labor process, the plurality of union representation, and the consequent paternalism at the workplace were justified economically and nationally. It was a paternalism based not on the owner and employer just as a capitalist, but also as the source of inspiration for the linking of capital and nation, and the harnessing of capital accumulation to the Zionist cause. As was argued earlier, this combination of capitalist-driven efficiency and time, played a role in a sort of "Zionization" of the labor process that would later be perceived and advanced as a lever of international competition.<sup>82</sup>

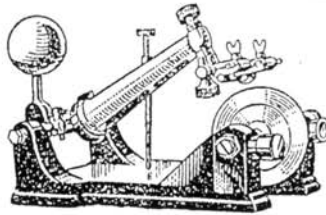
The language of the diamond manufacturers expressed in the rich minutes of the PDMA, its correspondence with various institutions, and the press revealed, however, also utilitarian conceptions that aimed to legitimize capital's roles in the wartime economy. The argumentation, partly novel in the Yishuv's capitalist discourse, focused on the industry's high productivity and the expected income from foreign trade. They were part of the Allies' war effort and had a role to play in absorbing refugee cutters and polishers from the Low Countries who were otherwise turned

into forced labor in the diamond-cutting workshops in Europe. They advanced the moral legitimacy of the Zionist economy in Palestine to inherit the German diamond industry (which competed with the Belgians in the 1930s), and played a key role in relaxing economic competition with Belgium through weaving international connections among the manufacturers and the diamond workers unions. The diamond industry in Palestine was a legitimate heir to Amsterdam and Antwerp, standard-bearer of long-standing European traditions in cutting and polishing and of the continuous presence of Jews in this particular niche. In this self presentation the diamond industry imagined therefore a world in which Zionism—despite the war and the persecution of Jews—did not reject its Jewish and European pasts but continued them through transplantation and adaptation. In this local politics of identity negotiated between the PDMA and the “triangular thread,” the reality in Europe came to play a key role, and the more economically successful the industry in Palestine became on the international level (as it did) the more legitimate it would become in Yishuv society itself.<sup>83</sup>

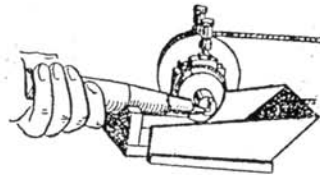
The diamond industry did not merely reproduce the ideological contention in the Yishuv over the proper way to Zionist state building, but adapted and equipped it with a new vocabulary. The language the manufacturers and the diamond entrepreneurial organizers used created essential slots of meanings that would later legitimize the unshackling of capital and the weakening of the Zionist Labor movement. The terminology idealized both the private-capital road to the materialization of Zionism, and service to the British Empire as a cultural means for securing the state’s sheltering and espousal of capital. More specifically it revered entrepreneurial capital and its independence, to the point of actually presuming to surpass other social forces as main builders of Zionist sovereignty. Not interrupting capital’s way; enabling its ambitious search for markets and skilled work; culturally legitimizing its social individualism, institutional independence, and high living standards—these were increasingly becoming their routine claims and accepted norms.<sup>84</sup> Furthermore, the battles of the diamond industry stressed that capitalism and its legitimization were both an internal Yishuv affair and, because of the manner of its formation, tightly linked to exogenous forces and events. Through the prism of the diamond industry the economic and social boundaries of Palestine’s Zionist polity seemed blurred, assimilating not only in larger political and military systems, but also in imperial economic networks and rival international interests.



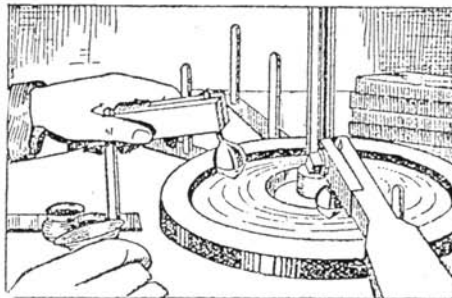
Cleaving



Sawing



Cutting



Polishing

Illustration 3.1. Diamond cutting. Illustrations from the 1940s.  
Source: Heinrich Goldmann, *The Diamond and its Making*. Tel Aviv, 1946.

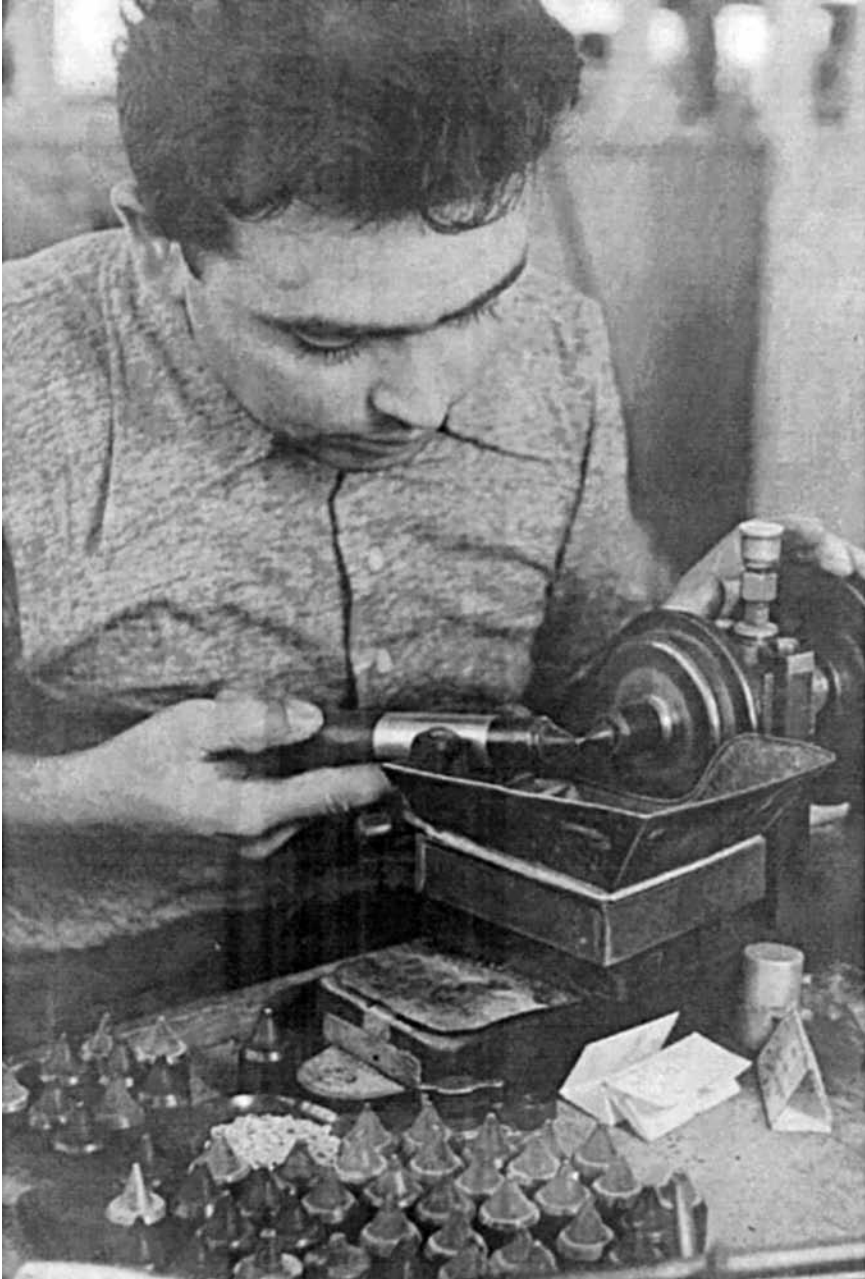


Illustration 3.2. A diamond expert polisher in Tel Aviv in the late 1930s.  
Source: J.B. Hobman, Editor, *Palestine's Economic Future: A Review of Progress and Prospects*. London, 1946.

## Chapter 4

# THE CHALLENGE AND ITS CONSTRAINTS



Under the pressure of the Belgian diamond interests concerned active machinery has been set up in London for the defense of Belgian diamond interests. We submit that it would be only fair if we too were afforded similar facilities for maintaining direct personal contact with all the factors concerned, especially with a view to convincing the Belgians that our own industry in Palestine will not be a rival of theirs, and that in post-war plans we could cooperate to the benefit of both of us.

—Oved Ben-Ami to John L. Fletcher, 12 January 1944,  
ISA/RG 5/1463/19.

### In Antwerp's Absence

The PDMA's steadfast guarding of its autonomy and right for social incorporation in the Yishuv would not have been possible but for the dramatic performance of the nascent industry. Indeed the take-off of diamond cutting during the war gave the manufacturers an economic confidence in such a short span of time that they often seemed too self-assured to the bureaucrats at the Jewish Agency and to the workers' unions and were occasionally disparaged. This imagery, cultivated by the enclosed ecology of the diamond-cutting workplace and the secretive aura of the PDMA's inner deliberations and ties with the Diamond Syndicate, was perhaps the

clearest symptom of the penetration of capitalist culture. The confidence of the manufacturers found expression also in the Hebrew and English press, while outside Palestine it evoked praise and amazement, partly because of the reputed fluctuations of the diamond business.<sup>1</sup>

In London, in particular, where exiled Belgian circles were planning their postwar future, the information coming out of Palestine on the expansion of its export of polished diamonds to the US seemed menacing. This was indeed puzzling. If upon the birth of the industry the British and De Beers imposed on the diamond industry in Palestine the principle of “limited expansion,” and if COFDI’s activity in London was a constant reminder to the authorities in the United Kingdom that Belgium’s future recovery should not be compromised—how could the spurt of the Palestine diamond industry that these reactions testified to be explained?

The historian is fortunate that the swift expansion of the industry in the early 1940s has been accounted for and interpreted over and over again by contemporaries. The industry itself felt a persistent need to shape its purchasing and selling policies on the basis of daily analysis of the American market and the demand capacities of places such as India and Canada. Reporting to the British on exports was an essential component in relations between the PDMA, the DTC, and the authorities. The committees occasionally established in Palestine and London to regulate the diamond industry and plan its future amassed an enormous amount of testimonies of manufacturers, merchants, workers, and bankers on the industry and its peculiarities. Above all, the distinct image contemporaries held—abroad, no less than in Palestine itself—of the sudden and breathtaking progress of the industry popularized the affairs of the manufacturers and workers, made the daily press a consistent reporter of its changing motions, and produced a climate of both curiosity and suspicion. Mostly emphasized in these sources was the extent to which the spurt was a multifaceted phenomenon, originating in a complex of intersecting material and political contexts and forces and continuously depending on market fluctuations and political circumstance.<sup>2</sup>

Let us begin with resources. The occupation of Belgium created the crucial precondition for the growth of the Palestine diamond industry during the war—the absence of Belgian competition. Long before all other causes for the spurt emerged, the paralysis of the Belgian diamond trade and industry was the key factor enabling the proliferation of other centers including Palestine’s. The creation of COFDI in London in autumn 1940 aimed to bring back Antwerp into the competitive scene after the termination of the occupation, but it could only attempt at containing Palestine’s advance, not its total thwarting. Thus as a replacement for Belgium’s pre-war hegemony the industry in Palestine could thrive on the noncompetitive climate that the German occupation of the Low Countries created.



German diamond products also disappeared temporarily from the American markets following aggressive Allied economic warfare and trading embargoes. Other countries (South Africa and Brazil, for example) could achieve a marketing advantage in America if they exported industrial diamonds; but in cutting small stones they could hardly surpass the quality of the Palestine product, nor its competitive price. These were the advantages Palestine enjoyed during the war—and as we shall see in a later chapter would lose on Belgium's return to business.<sup>3</sup>

In such a climate Palestine could use to the full the success of De Beers and its selling organization. World War II marked a continuous rise in world sales of rough diamonds by the DTC, and close links evolved between the needs created by the warring countries and the profits of the cartel. As can be seen in the table below, from the establishment of the Diamond Syndicate in the mid-1930s until the end of the war in 1945 the cartel was a tremendously successful business giant on which many entrepreneurs and countries depended. Moreover, the supply of rough diamonds arriving from the syndicate, and on which Palestine was dependent (despite a flourishing Middle Eastern black market in diamonds), was part of this significant upturn in De Beers's world sales. By mid-1942 sales were almost double the prewar quantities, and compared to 1939 they increased at the end of the war in 1945 by almost 300 percent.<sup>4</sup>

Table 4.1 Rough diamonds sales by the Diamond Trading Company, 1938–1945 (Million Pounds Sterling)

	Jewelry Diamonds	Industrial Diamonds	Total
1938			3.7
1939			5.9
1940			6.1
1941	5.4	2.0	7.4
1942	6.25	4.25	10.7
1943	15.0	5.4	20.4

Source: Albert Ehrenfeld, "Israel Diamond Industry," *Israel Economist Annual—1952* (Jerusalem, 1953): 137; Albert Ehrenfeld, "Israel Diamond Industry in 1953 and 1954," *Israel Economist Annual—1954* (Jerusalem, 1955): 113.

Behind this increase were the war, the economy the warring countries ran, and the war-related individual consumption of diamonds. States' policies revealed a twofold picture. On the one hand the industrial uses of rough diamonds were crucial to the warring and nonwarring countries alike. The properties of hardness and durability made diamonds important

for the automotive and aircraft industries. Diamond tools were known to last long, work fast, and offer precision in cutting various substances, and their use in optical manufacturing and in drilling gas and oil turned them indispensable. On the other hand states advanced and protected their diamond industries in order to expand exports and gain the American dollars so direly needed during these times of war and economic warfare. And they could do so partly because of the reserves of high-quality rough diamonds the syndicate accumulated during the depression of the 1930s that allowed their sale at low prices.

This mix of state and business sources for growth was greatly assisted by the fact that the Belgian Congo, Sierra Leone, and South Africa were kept outside the orbit of the war, and their mined and alluvial diamonds could be sent continuously to London for sorting and distribution. But-tressing this continuity was Forminière, the Belgian group of producers of diamonds in the Kasai province in the Belgian Congo, which maintained the arrangement with De Beers to market the diamonds mostly through the syndicate. So was the De Beers's subsidiary, the Sierra Leone Selection Trust. As we saw earlier, one of SLST's directors, Mathias, played a crucial role in diamond advising at the Ministry of Economic Warfare and in the development of the industry in Palestine.<sup>5</sup>

In this diamond production scene, Palestine had a clear role. Its diamond industry was part of the gem-quality diamond business, not of the industrial one. And it was perceived by the British as an exporting mechanism of finished diamonds for obtaining American dollars, and thereby maintaining the economic war effort—in the Middle East and beyond. Stones of less quality and fit for industrial uses, or crushed diamond powder used in the cutting process, were excluded, and were ordered by the British to be sent from Palestine back to the syndicate.<sup>6</sup> Moreover, the small stones the syndicate sent through Hennig & Co. were drawn from De Beers reserves accumulated during the 1930s. This made the industry in Palestine a “designed customer” of rough diamonds, feeding directly from the London selling mechanism, and only indirectly from the mines in Africa.<sup>7</sup>

In the absence of the purchasing activity of Antwerp, the Diamond Syndicate's sales to Palestine during the war grew dramatically. One estimate pointed to an annual LP1.5 million purchase of the total quantity of gem stones the syndicate sold of LP15 Million during 1942–1943. Of the total turnover of the syndicate of small stones (Sand and Melees), Palestine's share was 30–50 percent annually.

Table 4.2 Palestine's rough diamond imports from the Diamond Trading Company, 1940–1943

	Carat (in thousands)	LP (in thousands)	% Eight-Cut in import
1940	11	25	80.74
1941	58	154	69.21
1942	179	372	69.56
1943	472	1,139	64.17

Note: Eight-cut is also known as “old single-cut.”

Source: Editor, “The Diamond Industry,” *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 149.

This tremendous increase—and the predominant share of small stones therein—testified to the policy of the British and De Beers to assure steady supplies. However, they also demonstrated the reciprocity created between De Beers's needs to sell their reserves on the one hand, and the industry in Palestine to stand on its feet on the other. The reciprocity was greatly assisted by the favorable attitude of the British, as was reflected in the absence of customs duties. As a typical wartime industry, the steady supply of the raw material was a crucially determinant factor in the rate of growth. Evidently speedy development was achieved by a noted difference from the prewar Belgian diamond industry where polishing owners bought the rough diamonds not directly from the syndicate but from Belgian dealers. The direct link between the PDMA and the syndicate that the British encouraged cancelled out this problem and significantly lowered the purchasing costs for the owners and manufacturers—in particular, as the prices in America for polished stones rose during the war by almost 70 percent. Consequently, compared to 10 percent average profit for a single diamond manufacturer in prewar Belgium, in Palestine profits soared to 30 percent and even to 40 percent. No wonder the nascent industry was so attractive for capital owners in Tel Aviv, Netanya, and Jerusalem, and for many who had no previous stake or background in diamond cutting and trading.<sup>8</sup>

The increase in the Diamond Syndicate's sales and the fact that all Palestine's finished stones were destined (by a government directive) for export draws our attention to consumption and in particular to the American consumer. Individual consumption of jewelry diamonds has been mostly based on the demand for diamond-set engagement rings—the consumers seeking symbols of everlasting love, marital bond, or investment. As a luxury item (which included also small stones set in watches and bracelets) diamonds have always been valued by individual consumers because of

their cost, their utility deriving from showing off wealth, from using diamonds as a store of value, and by giving them as a gift of value. This has been known to all involved in the industry as the “diamond effect”—its value counting much more than the diamond itself or its size. That was why during economic boom the consumers’ demand for diamonds rose and during crises (economic depressions and wars)—when currency was restricted or foreign exchange rates were destabilized—speculators joined in and further increased the demand.<sup>9</sup> The consumption of diamonds in the United States in 1940–1943 followed this pattern.

Palestine’s dependency on demand for polished diamonds in the US was grounded, however, in a wider historical tradition. The demand for diamonds in America after the Civil War of 1861–1865, and the discoveries of diamond mines in South Africa and Brazil in the late 1860s, were influential factors in the boom of the Dutch diamond industry after 1870 (known as the Cape period). It also affected the large-scale absorption of Jews as diamond workers in Amsterdam and the flourishing of diamond trading in the Dutch Jewish community.<sup>10</sup> American consumption of diamonds clearly affected the diamond industry of 1920s Antwerp, and the fall in American demand during the Great Depression equally impacted employment levels of the city’s diamond cutters and polishers.<sup>11</sup>

Moreover, parallel to the birth to the cutting and polishing industry in Palestine, a related and relevant process was taking place in the United States. In 1937–1938 the prices of diamonds in Europe were on the decline and De Beers was forced to improve its market strategy for the American consumer. This resulted in one of the more influential commercial campaigns in history, conducted by De Beers and the American Ayer & Son advertising company. Which focused on strengthening the association between the engagement ritual and the diamond engagement ring in the minds of American consumers. Concurrently many speculators exploited the downturn of prices of diamonds in the late 1930s and accumulated stocks that they would sell now in better prices. Thus already before America’s entry to the war in December 1941 diamond acquisition by consumers and speculators increased, the price of diamonds soared, and it reached in the following years the peak that fittingly served Palestine. Partly based on the increasing purchase of diamonds as a safer replacement for bonds and an inflation hedge, and partly on the popularization of the diamond ring in engagement rituals, the demand for polished diamonds rose, surpassing even the levels of the Allies’ demand for industrial diamonds.<sup>12</sup>

Palestine could benefit therefore from the advancing of diamond consumption in wartime—encapsulated, as noted in 1943 by a diamond analyst in Palestine, in the slogan “You cannot ration romance.” Be that as it may, the main reason why the growing American demand for finished

stones was oriented towards Palestine was the paralysis of the Low Countries and the severing of linkages between the American market from these traditional cutting centers. The demand also followed the quickly spreading recognition that the industry in Netanya and Tel Aviv had successfully replaced Antwerp and the German centers of Hanau and Idar Oberstein. Palestine became known now for its specialization in the small stone, it could thrive on the image of the transplantation of the know-how and skill from Antwerp, it made all aware of the inventive adaptations of the cutting machines practiced in its factories, and it could benefit from the favorable evaluation by international diamond circles of the fine workmanship of the Palestine industry in stones of small sizes. Other centers such as England, Puerto Rico, Rio de Janeiro, or Cuba lagged behind Palestine because of their size; the wider variety of stones they cut, which harmed cutting quality; and Palestine's superior cutting technology.

There was, however, another reason for the American focus on Palestine. While the official rate of exchange between the American dollar and the British pound caused wages of diamond workers in Palestine to be considerably high, for the standards of living in the United States they were still considerably low. The gap excluded the possibility of competition between Palestine and the cutting centers in the US that cut small diamonds. Finally, Jewish diamond merchants and dealers in New York campaigned now to boycott diamond trading with the Germans and to focus on Palestine products instead. After all, the latter were known to be relatively cheap, steadily supplied by De Beers, and backed by the British authorities.<sup>13</sup>

The boom in the diamond industry should also be understood in a local context. Since the beginning of British Mandate rule Palestine experienced two economic upsurges—in the mid-1920s and early 1930s—but they were pale in comparison to the dimensions of the economic change brought about by World War II. Previous booms were associated with Jewish immigration to Palestine and with the import of capital and skill. The boom of the early 1940s, which followed the cessation of immigration to Palestine, was entirely the result of the outbreak of the war. It was the demand created by the British Army and the turning of the Middle East into the Allies' supply center that allowed the capital and skill that had gathered in Palestine in the 1930s to ripen and become operational. Industry surpassed agriculture as a leading sector, unemployment that had greatly troubled Palestine on the eve of the war disappeared, the living standards among both the working and the middle classes increased, and as usual in such periods, workers became more militant, sensing the opportunity to extract gains in wages and employment conditions from their employers. In all these parameters the diamond industry, which became by 1943 the

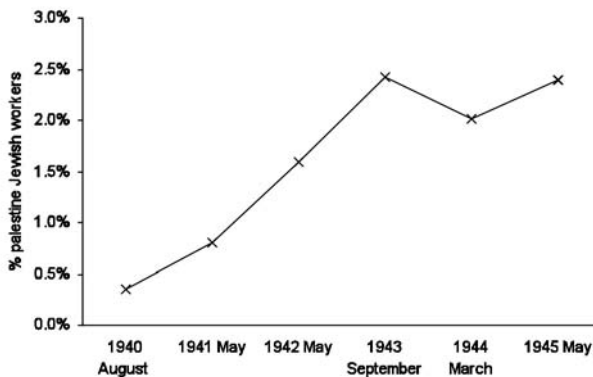
world's largest single source of small gem diamonds, expanded incomparably much higher and quicker.<sup>14</sup>

Table 4.3 Growth of the Palestine diamond industry, 1940–1945

	Diamond Factories	Diamond Workers	Other Employees	Total Employed	Palestine's Jewish Workers (exc. Spouses)
1940 August	6	420	60	500	120,000
1941 May	12	1,000	200	1,200	125,000
1942 May	33	2,100	400	2,500	132,000
1943 September	33	3,341	418	3,759	138,000
1944 March	32	2,875	455	3,601	143,000
1945 May	33	3,650	399	4,043	152,000

Sources: NCA, G/101/760 and 124/1027; Gurevich, *Workers' Wages*; Oved Ben-Ami, "Die Diamantindustrie in Palastina," *Schweizer Goldschmied* 5 (May 1948): 32–33; "The Diamond Industry," *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 148; Gershon Cwydrovich, "Manpower and Working Age in the Yishuv," *Hameshek Hashitufi* (30 January 1948): 8–11.

Figure 4.1 Diamond workers as percentage of Palestine's Jewish workers



Sources: NCA, G/101/760 and 124/1027; Gurevich, *Workers' Wages*; "Die Diamantindustrie in Palastina," *Schweizer Goldschmied*, 5 (May 1948); "The Diamond Industry," *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 148; Gershon Cwydrovich, "Manpower and Working Age in the Yishuv," *Hameshek Hashitufi* (30 January 1948): 8–11.

What were the effects? The growth of the diamond industry reflected the impact of the war on the booming of the Palestine economy: first, the short span of time in which the factories and workforce were created and second, in coming very quickly to resemble other typical war-related industries such as food, clothing, and machinery in the high number of workers per plant.

Table 4.4 Growth of industry in Palestine's Jewish sector, 1937 &amp; 1943

	Plants		Personnel		Personnel per plant
	1937	1943	1937	1943	1943
Food	290	383	3,676	7,377	19.7
Metal Works	178	191	1,957	5,716	29.9
Textiles	86	247	1,508	5,632	22.8
Chemical Products	71	180	2,002	4,795	26.6
Machinery	88	208	915	4,058	19.5
<i>Diamonds</i>	-	32	-	3,571	111.6
Clothes	124	184	1,264	2,802	15.2
Printing & Paper	157	193	2,282	2,226	11.5
Electrical Appliances	38	54	332	2,146	39.7
Stone & Cement	156	72	3,058	1,966	27.3
Leather	61	124	842	1,806	14.6
Woodwork	246	180	2,048	1,644	9.1
Miscellaneous	57	72	674	1,310	18.2
<i>Total</i>	1,552	2,120	20,594	45,049	21.2

Note: The first two diamond workshops were established during 1937 and therefore were not recorded. At the end of 1940 there were 6 diamond plants, thus the bulk of the 32 plants were established in 1941–1942. In summer 1943 the number of factories was 33.

Sources: Industrial Census 1937 and 1943 according to David Gurevich, Aharon Gertz, and Arie Zanker, *Statistical Handbook of Jewish Palestine 1947* (Jerusalem, 1947); Shlomit Mishka, "Structural Changes in the Industry during 1939–1947," *Hameshehek Hashitufi* (5 August 1948): 127–28.

Compared to the initiation of the diamond industry in the late 1930s, the extent of the phenomenon was indeed dramatic. In the four years between the end of 1939 and summer 1943 the number of diamond factories increased from 4 to 33, and the number of the employed from a mere 100 to almost 3,800. Between 1941 and 1944 more than LP1.5 million was invested in the factories in purchase of raw material, wages, and acquisition of machinery, and the number of sawing, cutting, and polishing machines increased from 2,937 to 6,841 respectively. These numbers may have concealed the characteristic lower added value of the diamond industry, namely, that the costs paid by the manufacturers on raw materials and labor decreased profits, but it hardly lessened the impact. Between 1942 and 1945 the net labor productivity per worker employed in the diamond industry increased from LP 244 to LP 718 and from LPP 676,000 net branch productivity to LP 2,390,000. In 1945, only few years after its

establishment, the productivity of the diamond industry constituted some 8 percent of all Palestine industry.<sup>15</sup>

The take-off was clearly seen in the increase in the export of the finished diamonds and in the central role the American market played in absorbing these exports. While in 1941 the export of diamonds to the US and Egypt was largely similar, in the following year almost all exports were sent to New York, reaching in 1943 almost 90 percent of the entire export. The rest that year went from Palestine to Canada, Egypt, and India.

Table 4.5. Palestine's diamond export, 1940–1943 (Carats and LP)

	Carats (% to USA)		LP (% to USA)	
1940	1,032	(100.0)	25,000	(100.0)
1941	6,320	(98.6)	206,719	(96.7)
1942	25,280	(88.3)	926,156	(90.2)
1943	58,655	(88.3)	2,604,857	(88.6)

Sources: Government Report, 1946, 41; Ian W. Gaskin, "Palestine 1939–1945: A Study of Economic Colonial Policy," D.Phil thesis (University of Oxford, 1992), table 6, 346; "The Diamond Industry," *The Israel Economist Annual 1949–1950* (Jerusalem, 1950): 148; Albert Eherenfeld, "Israel Diamond Industry," *Israel Economist Annual—1952* (Jerusalem 1953): 138; Albert Eherenfeld, "Israel Diamond Industry," *Israel Economist Annual—1954* (Jerusalem 1955): 113.

The economic impact was decisive. In 1942 rough diamonds import was 7.5 percent of the entire value of imports of raw materials to Palestine and in 1943 it rose to 10.5 percent. The share of export of polished diamonds in Palestine's entire export grew from 10.9 percent in mid-1942 to 20.3 percent in late 1943. By 1944 the export value of polished diamonds surpassed the value of the entire export of Jewish industry and the value of the entire export of Palestine before the war. Its share in the overall world diamond export was growing steadily, thus making Palestine a world-class producer and exporter and a significant actor in the war economy. Consequently, the dollar income of the British government and the Sterling Bloc expanded significantly.<sup>16</sup>

Moreover, the shifting balance in the Yishuv from agriculture as leading sector on the eve of the war to diamonds as a chief exporting branch was one of the hallmarks of the war period. One estimate at the end of 1945 was that the LP 300,000 accrued from the diamond industry was 3.5 percent of all income in Palestine, above 5 percent of all income in the Yishuv, and much above 10 percent of the net income in the Jewish industry.<sup>17</sup>

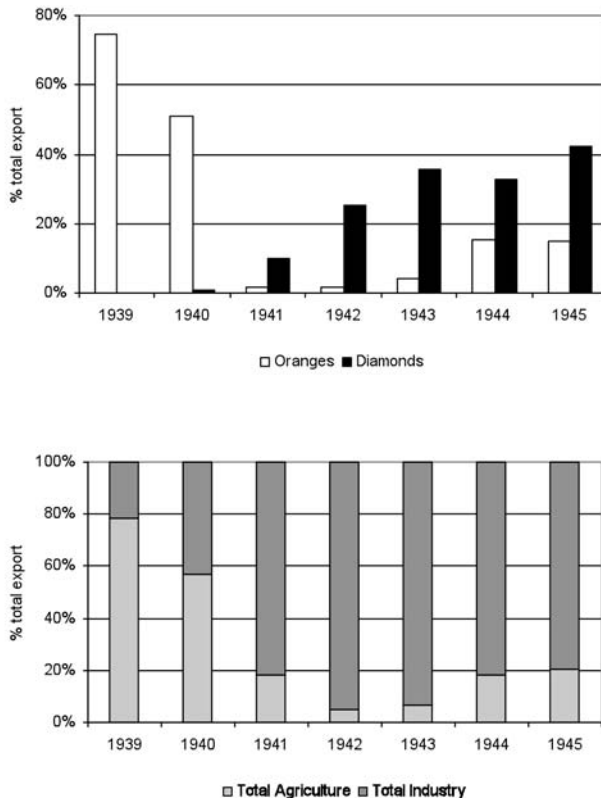


Table 4.6 Composition of Palestine’s merchandise export, 1939–1945 (%)

	Agricultural Produce			Industrial Produce			Total Export
	Oranges	Others	All Agriculture	Diamonds	Others	All Industry	
1939	74.5	4.1	78.6	-	21.4	21.4	100.0
1940	50.9	6.0	56.9	0.9	42.2	43.1	100.0
1941	1.8	16.6	18.4	10.0	71.6	81.6	100.0
1942	1.6	3.6	5.2	25.2	69.6	94.8	100.0
1943	4.3	2.3	6.6	35.5	57.9	93.4	100.0
1944	15.5	3.0	18.5	32.6	48.9	81.5	100.0
1945	14.8	5.8	20.6	42.3	37.1	79.4	100.0

Source: Based on the sources cited in Nachum Gross, *Not by Spirit Alone: Studies in the Economic History of Modern Palestine and Israel* (Jerusalem 1999), 321.

Figure 4.2 Composition of Palestine’s merchandise export, 1939–1945 (%)



Source: Based on the sources cited in Gross, *Not by Spirit Alone*, 321.

Intermittent downturns could of course moderate the expansion. When in December 1941 the United States entered the war against Germany and Japan following the attack on Pearl Harbor, the demand for engagement rings fell and prices dropped. In parallel, military recruitment in the United Kingdom reduced personnel at the syndicate, which were needed to sort the diamonds and care for their shipments. For these reasons Palestine experienced a temporary slowdown of production during the winter of 1942, hitting some workshops quite badly and even provoking unrest and protest among the workers. However, if not for the restraints imposed on the industry—to which we will turn shortly—its expansion would have been much more intense. In a short time some 15,000 to 20,000 persons in Netanya, Tel Aviv, and Jerusalem were fed by and made dependent on diamond production, changing Netanya’s social structure and urban landscape, and causing widespread amazement and bafflement.<sup>18</sup>

Table 4.7 Urban population in Palestine, 1931 and 1944

	Total		Jews	
	1931	1944	1931	1944
Total in Towns	420,940	825,880	145,334	415,380
Tel Aviv	47,431	166,660	46,363	166,000
Jaffa	55,346	94,310	7,749	28,000
Netanya	253	4,900	253	4,900
Jerusalem	90,503	157,080	51,222	97,000

Source: Government of Palestine. *Statistical Abstract of Palestine 1944–1945*. Jerusalem, 1945.

Among contemporaries there were those who were in favor of this “mushroom growth,” as some named it, stressed the industry’s absorptive capacity (of pre-1939 immigrants and unemployed), immense contribution to Palestine’s trade balance and to the war effort, and, no less so, its part in cementing the infrastructure for the Yishuv’s autonomous economy. But there were also those who suspected the speediness of the spurt, disliked the reliance of the Zionist polity and its industry on exogenous factors, or were simply saddened by the veering of the Yishuv towards manufacturing of luxury goods for the world middle classes and towards capitalism per se. Hardly anyone failed to see the contrast between the exponential rise in standards of living in Palestine and the terrible fate of the Jews in Europe. The boom in production of a luxury item such as diamonds readily seemed to be one of its blatant expressions.<sup>19</sup>

## The Politics of Supply

The persistence of the expansion of the industry seemed certain as long as the Belgian diamond industry was paralyzed, the demand in New York for the Palestine-produced stones was unabated, and the chain system was eking out of the workers a high level of productivity in polishing small stones. Protected by the British, these factors coalesced into a recognized structure of activity that the Palestine manufacturers and workers began to take for granted. However, weighty as these factors were in explaining the spurt, they could not be separated from a fundamental dimension on which the entire Palestine project depended—the supply of raw materials. As a dynamic system of relations and intersecting interests created by the conditions of the war, this dimension knew occasional fluctuations and much politics. The politics of supply was earlier explicated as a set of relations that unfolded in London between the PDMA, the MEW, and the DTC on the one hand, and the pressures exerted by the COFDI-Belgian lobby on the other (see chapter 2). This politics was the arena of the industry's "foreign relations" on which depended the decisions on the material lifeline of the industry, and which harbored the potential of the industry's demise.

Two vectors in this arena were clearly set on a path to clash. One was Palestine's industry taking off and breaking the agreed-upon (but largely undefined) limitations on its expansion. The other was the quest of Belgian diamond circles in London to see their industry in Antwerp recover the world supremacy it had enjoyed before being paralyzed by the German occupation. The tension between the two forces was the reason why the PDMA's president Ben-Ami spent so many months of the war in London attempting to secure supplies of raw material. His telegrams to the PDMA, letters to his family, and the information he consistently took care to convey to the press revealed the extent to which the hard-fought campaign for Palestine's supplies, and by implication for its sustained growth, integrated the diamond factories and the PDMA's offices in Netanya and Tel Aviv into a much larger geopolitical web.<sup>20</sup>

To reiterate—the main reasons why Palestine received supplies of raw diamonds from the Diamond Syndicate was Palestine's perceived role as an alternative to Antwerp, a barrier against diamonds reaching the Germans, a buyer of De Beers's reserves, and a promising dollar-earner for the British. Once Palestine committed itself to buy rough diamonds only at the syndicate—and this commitment was guaranteed by the government—stones began to arrive in Netanya and Tel Aviv. The Belgian government-in-exile and COFDI activists who often expressed their criticism of the cutting centers "taking advantage of Belgium's misfortune" could not easily disrupt this new system. After all, they were hosted by the

country that led the anti-German campaign, and the British promised to regulate Palestine's advancement. In a way, therefore, COFDI developed in conflict with the active support the British gave the PDMA, a support that manifested itself, for example, in the British decision in late 1941 to include the Palestine diamond industry in the British-sponsored trade exhibition in Cairo.<sup>21</sup>

Evidently, the attention of the Belgian government in London focused on building reserves for future recovery and less on the practical limitation of Palestine's advance—a role that the British took upon themselves and was expressed in supervising the selection of the PDMA's members. In fact the exiled Belgians in London and the officials at the Foreign and Colonial Offices were never indifferent to Palestine's advance, and, as we saw earlier, the slowdown at the turn of 1942 in admitting new manufacturers to the PDMA reflected this international sensitivity. The "limited expansion" principle was never altered and was occasionally reiterated to the PDMA's leaders as a precondition still in force for further supplies of raw material from the syndicate. However the stir that the spurt caused now was of a new scale because the context had changed.<sup>22</sup>

First and foremost was the entry of America to the war in late 1941, and its impact on relations with the Allies and the United Kingdom in particular. Matters relating to diamond production would now be part of the military and economic cooperation between the British and the Americans, and from 1943 onwards a joint Anglo-American diamond committee would intensively deal with the thorny issue of the wartime role and freedom of action of the De Beers cartel.<sup>23</sup> The relevance of these contacts to Palestine was in the increasing importance of the minerals of the Belgian Congo (such as uranium, which was essential for the Manhattan Project) to the American war economy, and consequently the need of the Allies to develop good relations with the Belgian government-in-exile in London.<sup>24</sup>

From this followed the second change—the splitting of the Belgian diamond industry. One part was under German occupation and was swiftly adapted to the military, financial, and ideological interests of Nazi Germany. The other part was free. It consisted of the refugees in London, leading politicians such as Camille Huysmans who ran the exiled government and COFDI (see chapter 2), and activists in diamond production in the Belgian Congo, the resources of which were mobilized for the war effort. Palestine's success seemed ominous to these actors, in particular because it specialized in the small stone, got hold of the American market, and turned into a regular customer of the syndicate. The argument the PDMA voiced since early on that it did not orient itself to compete with Belgium but rather to inherit the pre-1940 German diamond industry did not convince the Belgians, who remembered well how much they had toiled to

reach their world supremacy in diamonds in the two decades before the war.<sup>25</sup> Furthermore, what mattered most to the British and the Americans in view of the importance of the Belgian Congo was not to alienate the Belgians. Any challenge to Belgium's economic future was now sensitive, and the British dilemma between encouraging the production of diamonds in Palestine and limiting its expansion so as not to endanger the recovery of the Belgian diamond industry deepened.<sup>26</sup>

A third change raised the issue of regional control. By late 1941 the Germans already occupied most of Europe. As they were reaching the limits of their territorial expansion they began to prepare for a long war, aiming mainly to sustain the war against Russia. Consequently they increased the ruthless exploitation of the occupied countries, partly by hardening their attitude towards those who until the occupation were involved in the diamond industry. The "Aryanization" of the Belgian diamond industry advanced quickly during 1942, entailing confiscation of property, forced production, and completely excluding Jews from the rest of Belgian society. Similarly the proliferation of diamond-cutting centers (in Rio de Janeiro, Palestine, Puerto Rico, the Dutch East Indies, South Africa, the United States, Cuba, Venezuela, and British Guiana) widened the possibilities open to the German to obtain diamonds and use them for either industrial needs or as a financial resource. It was against this background that the Joint Boycott Council of the American Jewish Congress and the Jewish Labor Committee formed in late summer 1941 a committee to combat increasing German sales (of diamonds looted by the Nazis) in the US. Likewise, stricter control in Palestine aimed specifically against the emergence of what was defined as "uncontrolled" diamond trade and its spreading to the Middle East.<sup>27</sup> Despite British efforts, large quantities of diamonds were informally traded in Egypt, Sudan, and Turkey, many of which reached the Germans.<sup>28</sup>

In this tense climate the challenge Palestine posed to "limited expansion" was perceived in a new light. It not only posed a threat to the post-war recovery of the Belgian diamond industry but also placed an additional burden on the British in their efforts to stem diamond traffic from the Middle East to Germany. Moreover it menacingly provoked the Belgians in London to use the Belgian Congo as a lever to press the Allies. As much as the diamond industry in Palestine served the war effort, it also seemed to harbor a price that was becoming too high for both the Belgians and the British to pay.<sup>29</sup>

The British authorities were not blind to the challenge Palestine was beginning to pose both to "limited expansion" and to the logic of the COFDI response. Moreover, the industry continued to attract new capital owners and manufacturers and soon the British could witness the consequences of the rush—inner competitiveness over experts and supplies, overpro-

duction in the factories, flourishing of home work, and deterioration of the quality of the polished stones. Fletcher and Walsh took care to make the PDMA aware of the limits they were about to cross. PDMA members were repeatedly reminded that they should conform to the rules laid on its establishment. They were warned in particular to avoid the temptation to buy diamonds not from the DTC but directly from dealers in diamond-producing countries such as British Guiana and South Africa, or to market polished diamonds in Palestine and the Middle East. British worry that local, regional marketing would end in diamonds reaching the Germans tightened control over the factories as reflected in the new insistence on accountability.<sup>30</sup> Moreover, in August 1941 the PDMA and the British inspectors began to reject new applications for membership in the PDMA. "Honorable friends," Ben-Ami wrote to the members in August 1941, "this decision does not intend to close ourselves, neither does it intend to prevent members as manufacturers to obtain monopolistic positions in this industry. Our branch is almost the only one that does not fear the competition and the growth in product quantities. However, this decision would serve as a shutter against many difficulties and disturbances."<sup>31</sup> None of these steps were fruitful, however, and for many international observers the growth of the diamond industry in Palestine seemed unstoppable. Indeed, the growth in production and exports during 1942 showed that what happened in Palestine since May 1940 was nothing less than spectacular, that the "limited expansion" principle was unrealizable, and that while Palestine served well the purposes set for it early in the war, it had to be further contained.<sup>32</sup>

In London the Belgians increased the pressure. The minerals in the Belgian Congo were becoming so important for the British and the Americans that any signs that the Belgians would not market rough diamonds through London and the syndicate (based on the agreement that was about to be renewed in summer 1942) became a frightening prospect. Furthermore, the British noted that manufacturers in Palestine transgressed the rules set for the industry's operation by accumulating a large stock of rough diamonds that were unsuitable for cutting and were supposed to be returned to London. The risk felt in London was that the rough diamonds would be traded illicitly and may even reach Middle Eastern markets and finally the Germans. Thus in July 1942 the CO ordered the government in Palestine to publish new Defense Regulations on diamond control. An elaborate system of bookkeeping, complete with full monthly returns prepared under the supervision of chartered accountants, was introduced as compulsory in all the factories and at the PDMA's offices. The system, placed under the new post in Palestine of the controller of Light Industries, and aimed in the final instance to contain Palestine's advance, applied a full control on each stone cut, from the moment of arrival in Palestine until its shipment

as a finished stone to world markets.<sup>33</sup> The post of controller, held first by John Leslie Fletcher, the Customs functionary who already in 1939–1940 was instrumental in the establishment of the industry, formally introduced Diamond Control in Palestine, reflecting the British perception that the matter required special treatment and making all involved aware of the needed limitation. “The position today is extremely delicate,” warned Mathias in September 1942 at the MEW, “and every effort must be made to allay fears on the part of the Belgian Government that moves within the Empire may greatly interfere with the post-war industry in Antwerp (Palestine’s policy is rather frightening).” Indeed this was followed in the autumn by a clear British message to the PDMA that no additional factories would be approved from now on, no more manufacturing licenses would be issued, and no one would be allowed to become a shareholder in an existing factory without the approval of the light industries controller. A standstill order was issued in November 1942 that set the number of manufacturers at a maximum of thirty-three—a ceiling that was to be maintained until the end of the war.<sup>34</sup>

In reality neither the formalization of British Diamond Control nor the restriction on local production pacified the Belgians. CODFI, the representative of diamond interests, consequently became ever more vocal in 1943 and openly used the lever of the minerals of Belgian Congo to curtail further developments in the various cutting centers. Palestine was increasingly caught in the politics of the rehabilitation in Europe after the war and part of a larger system that affected its factories. In this system the interest in keeping good relations with the Belgians gradually overshadowed the interest in Palestine’s role as a temporary alternative to Belgium or as an earner of foreign exchange. This was true both for the MEW and De Beers, the first getting more involved in the periodic fluctuations in supply of rough stones, the latter signaling its willingness to use the leverage of supply to avert Palestine’s becoming serious competition to postwar Belgium. The more the Palestine industry succeeded in the American market, the more the local means of its restraint seemed futile, the greater became the role of exogenous forces in responding to the challenges Palestine posed. That this entanglement occurred when the decimation of European Jewry was in full force and the Zionist Movement was decidedly demanding the establishment of a Jewish state in Palestine deeply impacted the fate of the diamond industry.<sup>35</sup>

## Adamant London

In August 1943 the Diamond Syndicate suddenly decreased the supply of the small stones to Palestine, and recommended that the diamond indus-

try diversify the stones it was cutting from predominantly eight-cuts and Sand to Melees. If up to now eight-cuts were 75–80 percent of the output and Melees were the remainder, now the ratio would have to be changed to 80 percent Melees and 20 percent eight-cuts. Furthermore if the average size of the polished stones (in eight-cuts) was until now 70–80 stones per carat, now it would be 5–15 stones per carat (in Melees). This entailed obvious consequences—less labor needed to cut the stones, retraining workers to work on Melees, and higher prices of the Palestine stones for the American consumer. Three reasons were clearly behind this change of supply. First, the Sand on which the Palestine industry thrived came in 1940–1943 from accumulated stocks from South African, Belgian Congolese, and Sierra Leonean mines, and these had dwindled. Second, the syndicate had obligations to the Belgian diamond-cutting industry and decided to take into consideration that what was mined in the Belgian Congo and sent to London would go mainly to them. Third, the supply of Sand to Palestine was a war measure and when the war was over, so it was argued, the quantities of Sand sent to Palestine would be negligible.<sup>36</sup>

The syndicate's turnabout could have been anticipated. On the establishment of the industry in mid-1940, Palestine was recommended by Oppenheimer and Mathias not to specialize in a single type of stone and cut. Many voices were heard in those years from the experts and managers warning that specializing and too-speedy expansion were dangerous and problematic. All were aware of the fact that on Belgium's liberation it would not tolerate the competition that this specialization harbored. However, when the change came, the shock was immense. It signaled that the trust the British had in the PDMA was cracking, and that they coalesced with the Belgians and the cartel to make the limitation of Palestine's expansion more effective. The reign of the small stone, its overwhelming effect on production processes and employment relations, was about to end.<sup>37</sup>

To effect these changes, the Palestine government established in August 1943 a Diamond Control Board (DCB), thus adding bureaucratization and formalization of the British presence in the industry to the change of supplies.<sup>38</sup> The new institution had to report daily to the government on the regulation of the diamond industry, inspect its import and export activities, advise the PDMA on its internal affairs, and even deal with labor unrest. Its personnel told of its significance—Geoffrey Walsh, the food controller and the government's economic advisor, as its chair; John Fletcher of the Customs Department and controller of light industries, another representative of the government's financial secretary; Oved Ben-Ami and Yehoshua Mazur from the PDMA; Oscar Fischer, the diamond merchant and investor; and David Andreson of the Palestine Corporation. This group would soon be joined by Albert Ehrenfeld, one of the main



shapers of relations between the PDMA, the banks that backed the industry, and the British authorities.<sup>39</sup>

If until summer 1943 the regimentation of the Palestine diamond industry focused on selecting and licensing manufacturers and factories, now it would be enforced through the type of stones Palestine was allocated. It reflected the conviction in London that effective control of the diamond industry was possible only through supply and a forced change in labor process, that is, the inevitable switch-over in production methods and labor training. As the US, Canada, and India relied heavily on Palestine's output of small stones, their future purchases would have to orient themselves more to other centers (Brazil, Cuba, the US) and to postwar Antwerp. Furthermore, Palestine diamond cutters would have now to improve quality and focus on a uniform standard of output. The change of stones ushered, therefore, also a new atmosphere of competition, long before the removal of protection that would take place two years later. As during this period the government also decided to allow marketing of stones in Palestine itself, an incipient sense of liberalization of controls and its use to moderate the power of the PDMA monopoly was equally emerging.<sup>40</sup>

The suddenness of De Beers's change of supply policy took the PDMA's members by surprise and effectively signaled a beginning of a breach in the trust in relations between Palestine and the DTC. Though Oppenheimer warned already in summer 1940 against Palestine's objection to stone diversity and to its specialization in the cutting and polishing of Sand, the ambition and self-confidence of the local manufacturers sealed their ears. Ben-Ami was from the start aware of the Belgian sensitivity regarding Palestine's competitiveness but he heeded the warnings that the exiled Belgian government and diamantaires in London were powerful enough to steer the syndicate against Palestine's challenge of "limited expansion." Indeed, the Belgians made perfect use of their power in the Congo to let De Beers know that Belgian postwar recovery through Sand diamond cutting preconditioned Congo's continuous supply of rough stones to De Beers. Palestine was part of this politics of supply and Ben-Ami and George Prins (the PDMA's great supporter among the syndicate and brokers' circles in London) took it for granted in their business calculations. The suddenness was therefore a calculated move. It prevented the activation of Zionist circles against the decision, and in creating an abrupt but real threat on diamond manufacturing in Palestine it stunned the PDMA out of a serious response. This was in fact the price Palestine had to pay for its dependence on De Beers, on British interests in Africa, and on the international politics of supply that placed on the chess board places as far away as Congo, Antwerp, London, and Netanya. Still, the radical change should be mainly ascribed to Belgian influence wishing to hamper any further competition in the production of small diamonds. It

was here, months before the end of the German occupation, that it planned its resumption of its prewar position.<sup>41</sup>

In a longer perspective the change of stone was as dramatic as the initial agreement by the DTC in winter 1940 to supply Palestine with Sand. First, it marked a deeper intervention of the British in Palestine's industry. It left the PDMA no choice but to start adapting the labor process to a variety of stones, and through the DCB it formalized the control over the industry, which applied new means of pressure. All the means available to the PDMA to resist the change (the Zionist lobbies in London and Johannesburg and the personal contacts with George Prins at Hennig & Co.) seemed weaker than the means of control and dependence employed by the MEW-DCB axis. It was not surprising therefore that the manufacturers would soon start searching for alternative sources of Sand supply (in British Guiana for example) and that this search would turn in 1944–1945 into a heated contention with the government.<sup>42</sup>

The second effect of the change was the adaptation in the factories. Many of the workers would have now to be retrained, adapt themselves to new types of stones and cuttings, and cultivate new specialization. Many workers would become unemployed in the process, some would have to leave the industry altogether, and new ones would have to be screened. Those workers who could handle a variety of stones and sizes would become more secure and privileged than the less skilled and the newcomers. In turn relations with the unions would change and items in the collective agreement would have to be renegotiated with the Histadrut (which would be empowered by the process). Furthermore, the stone-diversification process increased the significance of the function of the work manager who sorted and distributed the stones to the workers and oversaw their work. The number of work managers would consequently increase and strengthen their separate professional organization. These effects accentuated the extent to which policies decided upon in Europe could impact the furthest corners in Palestine's civil society.<sup>43</sup>

The third corollary was reflected in the PDMA itself and the organization of the industry. The atmosphere in the PDMA was one of instability and anxiety. Many manufacturers sensed a reduction in production or a coming loss of business as a result of the Belgian threat. The opposition exploited the change to blame Ben-Ami and the executive for lack of foresight and for not preparing the manufacturers for the coming change. The call to investigate Ben-Ami's private share in the PDMA's budget became ever more vocal. Furthermore, the demand for more freedom of action intensified, in particular the freedom of movement of experts from factory to factory to ease the diversification. The DCB would now become an essential address of the discontented manufacturers who realized Ben-Ami's dependence on London and deference to the government. The centraliza-

tion in the PDMA was now spoken of not as an asset, a means to maintain the monopoly, but a burden, an outdated form of running the industry. This was true in particular with regard to export and marketing strategies. Many now felt the need to free Palestine of its dependence on the American market and relocate business to India, Brazil, and the Middle East itself. Diversification in markets was closely associated with the demand that the PDMA should rid itself of its exporting function and with the freedom of trade. The stone change seemed now to begin undoing the suppression of individual trading and of the members of the Diamond Club that since its institution in spring 1940 was one of hallmarks of the opposition to the PDMA. No wonder that in late 1943 the DCB allowed the establishment of an independent organization of exporters and for the first time after three years merchants who were not necessarily cutters or manufacturers were allowed to export diamonds. This was a significant step towards liberalization of controls that would take place after the war.<sup>44</sup>

Closely associated to foreign trade, the fourth effect of the stone change was on Palestine's relations with Europe. In December 1943 CODFI announced great victories over the industries of Palestine and Brazil. The Palestine industry would need now to maintain the trust relations with the Diamond Syndicate in order to secure some quantities of Sand and further quantities of Melees. Searching for other sources of supply could disrupt relations in particular as the war was not yet over. Belgium's favor among the managers of the syndicate was now a significant factor in re-vamping the language of Palestine's moral right to inherit the Germans.

But were the stone change and its effects just restraining Palestine's usurpation of Antwerp's prewar hegemony in cutting and exporting small stones, or were they practically threatening to halt the intensive growth of the industry? The issue was crucial because it exposed the Janus-faced nature of British policy and its effects on capital and industry in Palestine. Evidently the various dimensions of the boom of the industry demonstrated that the attempts to regulate its advance were more effective in diversifying the stones and less in debilitating its growth potential. After all, the British refrained from harming their own creation—the great economic service that their “special native” was providing in terms of accruing American dollars and being a temporary substitute to Antwerp. Belgian circles also demonstrated sympathy for an industry built on their tradition and expertise and whose manufacturers and experts they expected to see back in Belgium after the war. Zionist circles in London and the United States, who supported the idea the PDMA advanced regarding Palestine inheriting the German cutting industry, joined in providing some protection to Palestine among British government circles. More significant though, among the reasons for the often ineffective pressures to contain Palestine's advance were the adaptive capacity of the factories to

the changes in supply of stones and the capacity of the manufacturers and the PDMA to persist in expanding production, in increasing exports and even in diversifying export destinations. In impacting what was produced in Palestine, the politics of supply and the ambivalence they created between growth and containment determined the character of the industry during the war and after. It shaped the perceptions of the diamond manufacturers of the unpredictability and instability of the world diamond business, and, as can be judged from the sense of alarm regarding the future of the industry in Palestine itself, it significantly influenced the relations between them.<sup>45</sup>

The forcing of the diamond industry by the Ministry of Economic Warfare and the DTC to reorganize its production in late 1943 was in fact only the start of procrastinating negotiations over supplies. At the background was first and foremost the growing criticism in British military circles, following reports originating with American intelligence (Office of Strategic Services), that the Palestine government failed to control the diamond industry and that despite assurances it gave to authorities in London, illegal and speculative trade in diamonds and diamond smuggling flourished. Various British government authorities in the Middle East were equally accused of slackened control that enabled the smuggling of gem and industrial diamonds from South Africa to Egypt, from there to Palestine, Syria, and Lebanon, arriving then in Turkey and ending finally in Germany. As the Germans were running out of industrial diamonds, which they direly needed for their war machine, contraband diamond trade in the Middle East could serve them well. This was why in January 1944 British strategists and the diamond control committee at the MEW set up a special control system in Egypt, and why Palestine's diamonds seemed now not just a source of revenue but also a potential liability.<sup>46</sup>

The cry aired by CODFI in London undoubtedly impacted the new atmosphere. Operating as a mechanism of harboring diamonds in De Beers's safes in London for the future recovery of the industry in Belgium, the organizers of COFDI sought at the turn of 1944 to step up pressure on the Belgian government-in-exile to accumulate more diamond reserves sent from the Belgian Congo. The various cutting centers that sprouted in the previous two years—and the one in Palestine in particular—seemed more threatening than ever. The reduction of Sand production in Palestine hardly assuaged the exiled Belgians who aspired to see former experts returning from the "industrial diasporas" to Antwerp after the war. The Belgians began therefore to threaten the DTC and the Allies that continuous supply of industrial diamonds originating from the Congo would from then on depend on further limiting of supplies to other diamond-cutting centers.<sup>47</sup>

Furthermore, diamond manufacturers in Britain, among them many refugees from Belgium, were mobilized by the Board of Trade to the war effort. They were told to dedicate most of their products for export so as to help Britain's foreign-exchange balances, and refrain from local marketing of polished stones so as not to risk the trade getting out of hand and stones reaching the Germans. This fitted well with the larger British objective to assure the postwar revival of the diamond industry in Antwerp so that London could continue serving as a center of supplying raw materials. Uncontrolled cutting centers scattered around the globe could harm this objective, and Palestine, which from start was considered a war industry and part of a larger economic warfare system, seemed now closer than ever to violating this spirit.<sup>48</sup>

The tensions produced by these problems were encapsulated in winter 1944 in what seemed as an ominous breakdown of trust between the MEW in London and the PDMA's leadership in Netanya. The British suspected that the PDMA and the factories were misreporting their exporting activities, and that rough diamonds and diamond dust that were required to be returned to the DTC after being excluded from polishing were illegally maintained in Palestine. Control of the industry by the government was relatively tight. The books of every manufacturer and cutter were examined by government auditors and all diamonds found unsuitable for cutting were deposited in the PDMA's safes in the Palestine Corporation, where they were held under the cutter's name until they entered supervision. However, there were many loopholes. Illegal possession and storage of diamonds seemed much more widespread than formally allowed. Palestine was thought by the officials of the Controller of Light Industries and the recently appointed Control Board (DCB) to accumulate too many diamonds that could reach the enemy or simply allow the industry to expand beyond the limits the British set for it. Because of the forced change from predominantly cutting Sand to Melees, the monopoly seemed less accountable and less trustworthy. Alarming rumors spread in government circles in Palestine and among the syndicate's managers in London that many manufacturers who were troubled by the change of supplies and their effective reduction in early 1944 began purchasing rough diamonds outside the syndicate. COFDI's arguments for curtailing the expansion of the Palestine industry that focused on the future of Antwerp's diamond industry were now taken as a proof of the emerging reality in Palestine itself. To the British the industry seemed now to react more severely to its total dependence on the syndicate and to its exclusive treatment by the MEW through defiance and collusion.<sup>49</sup>

The strategies the British employed to confront these problems varied from demanding stricter accountability to tightening bureaucratic control on the PDMA and the factories, to the harshest of all—the significant

narrowing down of supplies and preconditioning future supplies on immaculate accounting of factories' stock and refraining from accumulation of diamonds unsuitable for cutting. These measures reflected not just continuous taming as made explicit in the stone change of autumn 1943 but a potential distancing from the unquestionable support the British had given the industry since winter 1940. As Colin Newbury, Eric Laureys and other scholars have shown, this should be understood against the growing importance for the British of the Belgian Congo mines and of industrial diamonds for military and economic uses. From a Middle-Eastern perspective the distancing was even clearer because of the increasing significance for the British of maintaining in the region a geopolitical system of alliances that gave preference to good relations with Arab interests over supporting the Jewish National Home.<sup>50</sup>

To ensure supplies the PDMA now needed to employ its entire London arsenal of the representatives of the Zionist Movement and of friends at the syndicate itself. The pressure would focus on delegitimizing—in the ears of the worried officials at the Ministry of Economic Warfare—COFDI's anti-Palestine politics and on convincing all involved that Antwerp's future recovery was hardly compromised. Doubting that the British or the London brokers Hennig & Co. (e.g., George Prins) could advance Palestine's interests regarding supplies, in mid-January 1944 Ben-Ami renewed the PDMA's application (which had been rejected in November 1943) to send representatives to London. The PDMA has been loyal and disciplined, Ben-Ami assured Fletcher, the controller of light industries, but it must have a first-hand picture of the politics of supply in London. Ben-Ami realized that Palestine was too weak to face the coalescence of interest concocted in London between De Beers, the Diamond Syndicate, the Belgian government-in-exile, and the MEW. They all seemed to prefer Belgian diamond interests and COFDI's activities on expanding diamond supplies to Palestine.

If Belgian diamond interests were allowed such powerful representation in London, Ben-Ami complained, why not Palestine? The Belgians needed to be convinced by the Palestine diamond experts themselves that Palestine was not and would not be their rival. If any, their rival was Germany and its legacy of a powerful prewar diamond industry. The continuity of British gains from the trade system with the British Empire could not be assured without the active consultation provided by the diamond experts from Palestine. This continuity was essential as the diamond industry provided throughout the war the main exporting item of Palestine's foreign trade, and had supplied the Sterling Bloc with a considerable amount of dollar exchange. Realizing that the thorniest issue was the postwar period, Ben-Ami concluded, "It is clear that it will be seriously prejudicial to the Palestine diamond industry if present plans and post-war structures

are decided upon without associating us in the final crystallization of the plans, and without giving us the opportunity to make our view heard for an appropriate and fair share in the new plan deal of world [diamond] industry." In reflecting on the close association between state and capital, the language Ben-Ami and the PDMA expounded tied together the interests of local capital with the interests of the British Empire. "We believe," he continued, "that our mission can serve a very useful explanatory purpose by bringing the facts home to the experts of the British Government themselves and convincing them definitively that what is at stake is in reality the trade and industrial interest that transcends the narrow confines of this country." British benevolence was not enough; only when defending the Palestine diamond industry was understood as defending British imperial interests would its future be secured. It was British colonialism, not the war as such, that had to be tied in everybody's minds to the Palestine diamond industry.<sup>51</sup>

By mid-February 1944 the MEW was still unresponsive to Palestine's request. The industry first had to undergo an accounting survey, intelligence had to be convinced that the amount of diamonds in the regions was reduced to controllable quantities, and both the exiled Belgians and the syndicate had to be assured that Palestine was more submissive. The available supplies in Palestine were menacingly dwindling and some factories began to press the PDMA to start searching for alternative source of supplies, at least as a signal to the MEW and the syndicate that Palestine could not be starved of diamonds anymore. Other manufacturers feared that such a threat might further alienate the British from the industry and might cost Palestine a total disengagement from its supply arteries. Clearly the thirst for raw materials in winter 1944 caused a rift in the PDMA, an unintended consequence of the MEW-COFDI-Diamond Syndicate axis that had been evolving in London.<sup>52</sup>

To deal with this array of problems and sense of disintegration, the PDMA composed a lengthy (and confidential) document in which it was explained to the British that its orientation and that of the syndicate on limiting the industry was tantamount to bringing its demise. Narrowing the quantity of Sand and forcing the change to Melees was not the only problem. The Melees that Palestine was now receiving were not of high quality. They forced Palestine to reorient its marketing from the US to India, the chief buyer of this type of stone, and brought down profits. Less profit would gradually harm the investment made in recent years in training, skill, and technological advancement. It would in turn cause widespread unemployment among those that had become so skillful in Sand, and deplete the advantage of the Palestine industry. Furthermore, there was no reason to allow this to happen just because Belgian diamond circles feared postwar competition.

Palestine's diamond experts revered the tradition and expertise developed in the Low Countries and practically threw on them. The experts and manufacturers who came from Antwerp to Palestine had no intention of returning to Belgium, and what they had created in Netanya and Tel Aviv should be regarded not as a threat to Antwerp but rather as an inheritor to the German prewar diamond industry that competed with Antwerp so fiercely—and often with the help of the Belgians themselves (see chapter 1). The diamond industry in Palestine should therefore be thought of as part of a European system to forestall the recovery of the *German* industry, not the Belgian. If Palestine were further limited and harmed, it would be forced to buy rough diamonds outside the syndicate, and an important client of the syndicate's goods would be lost with detrimental effects on the interests of the British Empire as a whole. Other cutting centers—e.g., Cuba and Brazil—would flourish without the British and the Belgians being able to respond to it as they could in Palestine. The latter founded the diamond industry on Jews, the report continued, and the diamond industry and trade were not just an international business but to a large extent in Jewish hands. Therefore, "Interested circles must take into consideration the facts that their behavior towards the Palestinian industry will have repercussion within the diamond trade all over the world and that the growing diamond industry in Palestine develops new possibilities for the diamond trade and may create an enormous additional amount of goodwill for the diamond interests." The employment of political, ethnic, and cultural arguments in the context of the decimation of European Jewry, and their coupling with economic argumentation that could not be thought of separately from race, ethnicity, and world politics, was astounding. It clearly asked to turn the blow that the diamond industry in Palestine had experienced since the stone change of autumn 1943 into defiance.<sup>53</sup>

These arguments and efforts were, however, to no avail. The full trust the British had in the PDMA seemed to wane, and in particular the trust in Ben-Ami who was suspected now of personally meddling in the PDMA's supply orders for personal gain. The MEW and the Diamond Syndicate allowed a small amount of Sand to be sent to Palestine, in addition to the ordinary Melee supplies, but it was far from what could keep the industry going when the adaptation to Melees was still in progress. In a series of urgent telegrams sent in late February and early March 1944 to the British, the PDMA conveyed a sense of a looming catastrophe and a growing rift within the PDMA.<sup>54</sup>



## Accountability and Vindication

The manner in which Ben-Ami was functioning in the London arena reminded many manufacturers of how centralist and hierarchical the PDMA had turned since its establishment in summer 1940. However, as long as the industry was expanding, the inner criticism against the distancing of local diamond polishing from tradition, the deteriorating quality of product, and limited marketing and centralization remained frail. Ben-Ami's many successes and few failures in London cultivated among the PDMA's members the image of their president as an irreplaceable politician on an imperial scale with an unmatched maneuvering dexterity and diplomatic skill. Ben-Ami, serving also as Netanya's mayor, enjoyed this reverence of the members, in particular as criticism mounted from the Jewish Agency and its economists on the possible effects the industry's problems might have on the Yishuv. At the same time, however, the intensive growth and intense politics of supply it provoked in London made their mark on a growing rift in the industry.

This contact point between the politics of supply in London and local organizational culture cannot be underestimated. In Palestine's history external forces such as incoming migration, capital import, and the presence of foreign powers always played major formative roles, and historians have for long acknowledged their impact on the structuring of local society and their presence in local social and political relations. Indeed, the diamond industry demonstrated how artificial the distinction between exogenous and endogenous factors was, and the extent to which the boundaries between the industry as a community and the worlds around it—local and international—were blurred.

The tension in the PDMA reflected this well. When in late 1941 and early 1942 Oved Ben-Ami and his close circle of manufacturers completed the structuring of the PDMA and selecting its members, they envisioned a sort of a collective of capitalists. I use the term *collective* instead of *association* (as the PDMA was legally defined) because the members were expected to share a common corporate good, held together as a group of individualists but motivated to act collectively. They would define themselves to the external world as capital entrepreneurs, expert in diamond making, committed to the Zionist national cause and independent from suppressing pressures either from local community institutions or from diamond circles abroad. Facing inward, the members would reach decisions together in an egalitarian manner and jointly concede the execution of the decisions to the president at the top of the hierarchy, and to the bureaucracy he built around him. Ethical conduct and sharing supplies of raw diamonds, policies regarding piecework and wages and towards the change of the traditional cutting and polishing processes—all were

expected to be brought into the PDMA offices in Tel Aviv and Netanya, debated democratically, and remain accountable for later reference.<sup>55</sup>

This kind of “capitalist collectivity” was achieved through selection and regimentation, and by mobilizing the backing of the British authorities for the group. Ben-Ami employed in fact a dual strategy. He cared not to intervene too deeply into the affairs of each factory so as not to compromise the independence of the manufacturers. Often, however, Ben-Ami’s authoritarian personality and conduct made this climate of plurality only a semblance of reality. It was balanced, however, by the show of force the PDMA and Ben-Ami demonstrated to the world outside the industry—the Zionist institutions, the British and the DTC in London. Ben-Ami recognized that without a sense of financial and organizational freedom, the manufacturers would not provide the PDMA the social basis for its actions. At the same time all involved realized that without an assertive “foreign” policy in matters of supplies, the manufacturers would achieve nothing. The practice of this duality was to make the members of PDMA feel that they were well represented, their voices heard, that no one was thinking on their behalf; and that external threats on their economic activity and gain were contained.<sup>56</sup>

The centralized structure of the PDMA and its vision of a capitalist collective revived the opposition. In fact the opposition organized in summer 1940 in the wake of the Ben-Ami initiative did not dissolve completely. Because of the PDMA’s hierarchical structure and the allegiance of the members, the opposition’s focus of activity was transferred to the Diamond Club and to the Zionist institutions—in particular to the Department of Trade and Industry of the Jewish Agency. However, as long as the industry expanded and received consistent backing from the government, the opposition remained frail. It did not have enough supporters and it chose to wait and see what sort of relations would develop between the diamond industry and the Yishuv and how it would conform to the national-oriented directives of the Jewish Agency, in particular in absorbing workers and resolving disputes through arbitration. The opposition also lacked the contacts in London that Ben-Ami cultivated and all attempts of the Department of Trade and Industry to recruit Zionist activists in London against what they regarded as the overly independent initiative by Ben-Ami came to nothing. Further weakened by the mere success of the industry and the silent acquiescence of the British authorities in the excessive centralization in the PDMA, the opposition turned now to exposing Ben-Ami as a liability to the entire project.<sup>57</sup>

Led by diamond experts and manufacturers such as Moshe Offen, Marc and Ferdinand Schein, and Eliyahu and Yehoshua Mazur, the focus of the opposition gradually veered from the Zionist institutions and the Diamond Club to the PDMA itself. In January 1942 it protested against Ben-Ami’s

preference of the Netanya manufacturers over the ones operating in Tel Aviv and against the customary practice to not consult members in decision making, in particular with regard to employment relations. A month later the opposition attempted to negate Ben-Ami's move to strengthen the power of the PDMA's executive by determining compulsory arbitration between disputing manufacturers. In another effort the opposition criticized the PDMA's "totality of functions" and demanded a reversal to the traditional Belgian model that separated between diamond importers, manufacturers, and exporters.<sup>58</sup>

The suspicion of Ben-Ami's managerial and ethical misconduct that emerged in mid-1942 gave the opposition a new opportunity. In May George Prins at Hennig & Co. proposed that the PDMA to buy LP 80,000 worth of rough diamonds at LP 20 per carat. The PDMA first declined the offer, because the looming general workers' strike in the diamond industry (finally erupting in July) threatened to leave rough stones uncut. Two weeks later the brokers proposed again, this time at LP 27 per carat, and because of the strike Ben-Ami asked the order to be reserved for September, without protesting the rise of the price. When the time to pay for the order came, members of the PDMA executive noticed the change and pressed Ben-Ami to probe into the matter—the answer received from London was that the earlier and cheaper price was a mistake. Rumors were quickly spread by the opposition that Ben-Ami and Prins had conspired to raise the price and personally profited by some LP 30,000. Ben-Ami denied the rumors, the Diamond Syndicate confirmed that the LP 20 price was a mistake, and the PDMA decided to go on with the purchasing order. In January 1943 the PDMA's Audit and Inspection Committee, newly headed by the oppositionist Marc Schein, began suspecting irregularities again but to no avail.<sup>59</sup>

Tension hardly abated and Ben-Ami's unaccountability to the PDMA's institutions was increasingly associated with accusations of managerial misconduct and personal profiteering. In March 1943 the PDMA's executive asked to rewrite the constitution and some members even resigned in protest of Ben-Ami's "dictatorial regime." "It is a well known fact," the Jewish Agency was informed by a diamond expert in September 1943,

that the chairman of the Association receives a brokerage of 2 percent from the value of each consignment, from the syndicate. One percent is supposed to go to the Association for covering expenses, and one percent goes to the chairman of the Association as his private profit. Such a thing should not exist, and when it became known much resentment was caused among those connected with the industry in this country and even more so in America where at present many diamond traders from Holland and Belgium reside.

Ben-Ami had all the merit for establishing the industry, the claim went on, but he must not continue after the war because he could also destroy it.<sup>60</sup>

As long as the industry expanded and was profitable the leadership of the PDMA could withstand the opposition, and it seemed that the external pressures to limit the industry buttressed against disintegration from within. This was the reason why the atmosphere of instability and anxiety in the PDMA in the wake of the stone change in autumn 1943 was crucial. Many manufacturers experienced a reduction in production, and in the light of COFDI's anti-Palestine moves in London, many sensed an ominous loss of business. The opposition exploited the change to blame Ben-Ami and the executive for lack of foresight and passivity. The call to investigate Ben-Ami's private share in the PDMA's budget became ever more vocal. Furthermore, the demand for the manufactures' freedom of action intensified, in particular of the movement of experts from factory to factory so as to ease the adaptation to the stone diversification. The DCB gradually became an essential address for the unsatisfied manufacturers who knew from first hand Ben-Ami's dependence on London and deference to the government. The centralization in the PDMA was now spoken of not as a means to maintain the monopoly, but as an overly bureaucratic form of running the industry. This was true in particular with regard to export and marketing strategies, to the need to free Palestine of its dependence on the American market and relocate business to India (an important buyer of Melees), Brazil, and countries in the Middle East. Diversification was now linked to the need that the PDMA should rid itself of its exporting function and allow exporters and merchants develop their own.<sup>61</sup>

A step in that direction was made by the DCB in late 1943 when an independent organization of Palestine's Jewish diamond exporters was created, and for the first time since 1940 merchants and Diamond Club members, who were not necessarily diamond cutters or manufacturers, could export diamonds. This did not include, however, free importing of rough stones (and from non-Diamond Syndicate sources such as British Guiana) and thus the opposition to the PDMA's monopoly was joined now by many diamond merchants.<sup>62</sup>

Matters came to a head when "supply politics" were at their peak and when a PDMA delegation was sent to London to present its case before the MEW and the syndicate. "The members have no trust [in Ben-Ami] regarding his capacity to fulfill a trustworthy mission in London" said the suit tabled by Schein and the opposition to an internal PDMA inquest in October 1943, "because there is a conflict of interest between his private interests and the interests of the members. . . . [He] used methods of terror. . . . Among his actions there are those that have a criminal character." Running the PDMA as his private fief and making certain that the member

manufacturers were his clientele seemed, according to the suit, to transgress the powers he had been allowed at the start of the project.<sup>63</sup>

Though nothing came out of the suit (and Ben-Ami's countersuit for libel) the growing confidence of the opposition in coming out openly against Ben-Ami demonstrated that the troubled relations with London were making a deeper impact on the PDMA's organizational culture. Ben-Ami, his supporters in the PDMA and the British authorities stood at one camp upholding centralization, regimentation, and freedom of Jewish capital to act without the supervision of Zionist national institutions. On the other camp were the Tel Aviv diamond manufacturers, the Jewish Agency, and some diamond experts and merchants who ardently propounded the need of private capital to be of service to Zionism and be submissive to the national institutions. Increasingly the latter camp founded its criticizing of the state of the PDMA on a depoliticized professional language and on the professional and managerial experience they had cultivated since the establishment of the industry. The terminology mixed the quest to uphold the past traditions of diamond cutting with a purist wish for a decentralized industry based on personal trust and less on bureaucratic control. The way to achieve that was through further specialization, meticulous training, absolute quality control, and better selection of new manufacturers. These emphases would divert attention from the less-important issues of prices, wages, and industrial relations to the more crucial issues of professionalism, skill, and responsibility for the quality of the product. The language of expertise and free practice found in the opposition to Ben-Ami a window of opportunity to reattach the industry to its roots in Antwerp and in older production traditions. Moreover, as nothing could be advanced in these matters without the British and the DCB, the opposition now attempted to cause a rift between Ben-Ami and the British on the charge of abuse of power. The reasoning of the opposition was that such a rift would either bring the intervention of the Zionist institutions or the establishment an alternative manufacturers' association.<sup>64</sup>

The government initially backed Ben-Ami. Walsh, the DCB chairman, argued that the government was not willing to meddle in relations between the manufacturers and that it counted on the PDMA's capacity to regulate the tensions independently and effectively. Ben-Ami was a colleague, a member of the DCB, a friend. Ben-Ami himself claimed before the DCB that all the accusations were baseless and that they did nothing but reflect larger political opposition to British policy in Palestine. The PDMA was a democratic institution, the opposition was a small and vocal minority, most of the manufacturers supported him wholeheartedly, and the arrangements with London were entirely in accordance with the initial British directives and expectations.<sup>65</sup>

The quarrels among the members of the PDMA reached such a volume in winter 1944 that DCB chair Walsh decided to appoint an inquiry committee. This was hardly surprising considering the effects of the politics of supply on relations among the members and on the increasing threat on their business viability. Though never for a moment considering the wavering of the PDMA's monopoly, Walsh and the DCB felt that because of the PDMA's alleged mismanagement, British interests were at stake and that it was time to interfere in order to protect the interests of the PDMA's members. The reputation of Ben-Ami and of the manufacturers that provided him the majority in the PDMA's institutions has been questioned since the PDMA's establishment—first by the Tishby-Weiss camp and now by manufacturers inside the association who kept close ties with the national camp. The British were therefore increasingly worried that dissatisfied members could in the final resort challenge the monopoly itself.<sup>66</sup>

The three members of the DCB subcommittee were attuned to the need to maintain the association, its monopoly, and its symbiotic relations with the British—and through them with the syndicate. Fletcher, the controller of light industries, was one of the more knowledgeable functionaries in the Palestine government regarding these ties. Salomon Horowitz, a prominent Jerusalem lawyer, had been situated for many years at the juncture of the ties between the government and the Yishuv; and he served here as the legal expert on the PDMA and on the Ottoman Law of Associations under which the PDMA operated. And finally, banker David Andreson (formerly in the Netherlands) knew first hand the operational relations between the diamond industry, the banks, and the brokerage company in London.<sup>67</sup>

After three months of testimonies and deliberations (March–May 1944) the report of the subcommittee reinstated Ben-Ami's status as the leading captain of the industry and thus cemented the PDMA's hierarchical structure. The British authorities were indirectly cleared of corroborating with Ben-Ami's misuse of authority. Moreover, the diamond manufacturers were praised for their social, economic, and political utility, and the PDMA's leadership and pluralist organizational culture were reaffirmed. The committee reasserted Ben-Ami's singular role in establishing the industry in Palestine, justified the need at the early stages of the industry (in abnormal war conditions) for centralization and authority, and praised the Mathias–Ben-Ami axis for Palestine's success in the politics of supply. Furthermore, in responding to allegations against Ben-Ami and his manipulations in London, the committee ascertained Hennig's and Prins's clean hands and thus criticized Ben-Ami's "bitter" opponents. However, the committee recommended that Ben-Ami's "benevolent despotism" should be replaced with a more democratic structure. The latter should be based on relegation of authority from the president to a business manager,

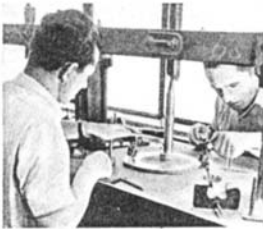
removal of offices to Tel Aviv, reworking relations between the organization and the members, and rewriting the PDMA's regulations—to the point of turning it into a full-fledged company under the British Companies' Ordinance. In the final analysis, Ben-Ami was cleared.<sup>68</sup>

The opposition could well sense now that the industry, its advance and profits, were somehow more important than the need to democratize the organization. The government, not Ben-Ami, turned the great hero of the affair for it taught the manufacturers how the state worked with capital. At the same time, however, the report not only cleared Ben-Ami. In bringing the PDMA's Netanya-based stronghold on the one hand and the Tel Aviv-based and externally aided opposition on the other to a head-on confrontation, it drew the limits of Ben-Ami's power. In criticizing the opposition's weak evidence, the report defined the qualities needed for membership in an organization in which trust was essential. In examining the hierarchy in the PDMA and the decision-making processes, the committee exposed the implications of excessive managerial power and its relations to the monopoly that the colonial regime helped to create. The report therefore paved the way to split the PDMA into two manufacturers' organizations and to gradually transfer power from Netanya to Tel Aviv.<sup>69</sup>

The implications were, however, wider. The focusing on financial mismanagement demonstrated the centrality of personal relations and trust in the industry, in particular during the war. That the colonial state was central to these relations was crucial not just for the establishment of the diamond industry but also for its future after the British withdrawal from Palestine. While clearing Ben-Ami of the allegations of financial mismanagement, the British warned all involved in the industry of the limit of their freedom of action. Second, protecting Ben-Ami against the Tel Aviv opposition was required because dismissing him would enhance the intervention of the Jewish Agency, something the British were keen to prevent. Third, Ben-Ami was warned that mounting PDMA apprehension against the stone change and supply policies could be costly. This was why Ben-Ami and his group accepted the report of the committee with deference. It temporarily assuaged the opposition, it provided the PDMA's leaders with enough signals of the international framework in which they operated, and it left enough room for the industry to keep going. In the final analysis, despite tremendous growth, the diamond industry, the manufacturers, and the PDMA's power structure continued to depend on the colonial state. The episode taught all concerned that under normal conditions, challenges to the system of trust would cost the local diamond industry the delicate relations and networking it would need once Belgium was freed and the diamond industry in Antwerp recovered.<sup>70</sup>

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Illustration 4.1. Trademark of Orah factory, 1944. Source: Government of Palestine, *Palestine Trade Catalogue*. Part IV. Jerusalem, 1944.



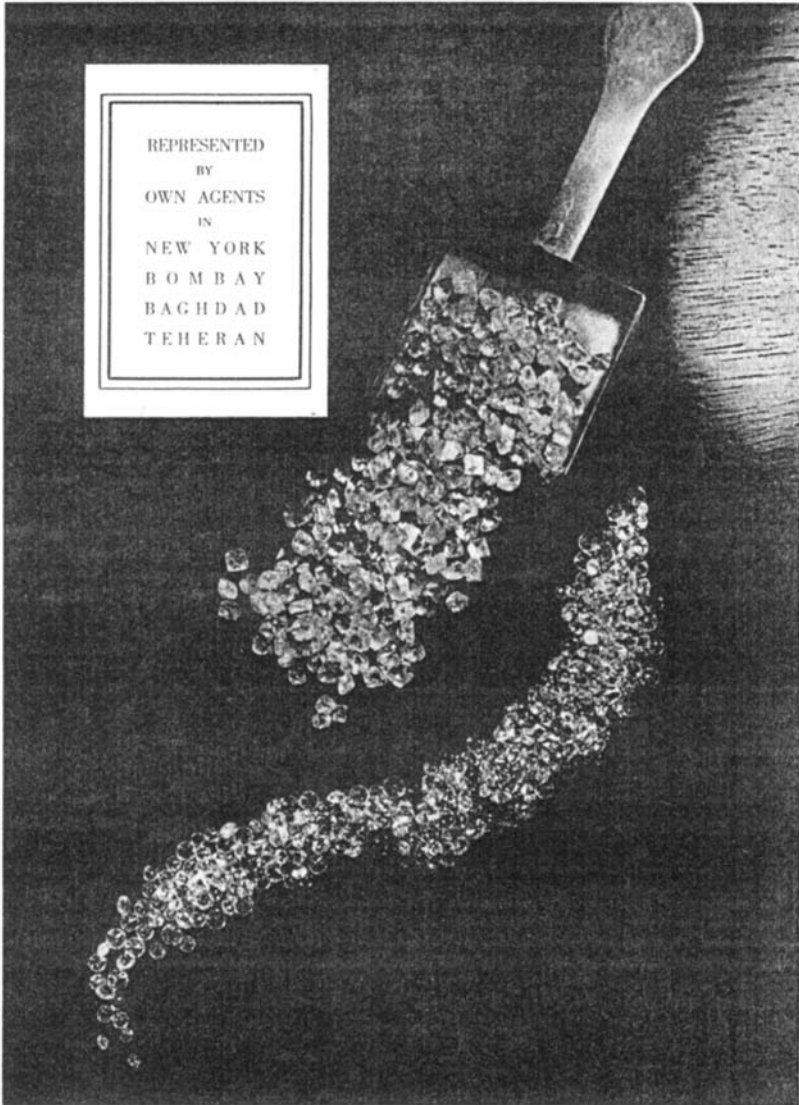


Illustration 4.2. Export trademark of the Palestine Diamond Manufacturers' Association, 1944. Source: Government of Palestine, *Palestine Trade Catalogue*. Part IV. Jerusalem, 1944.



Illustration 4.3. A diamond cutter at a Netanya factory, 1946.  
Photographer: Anna Riwkin-Brick. Source: CZA, PHR/1174093. Used with permission of  
the Central Zionist Archive.

## Chapter 5

# LABOR UNREST



The diamond industry is now in prosperity. The income of the private manufacturers grows progressively, and in comparison with market prices before the war this income is almost fantastic. And if in contrast we compare the wages of the worker to the average wages in Belgium we shall see that such wages were paid in Antwerp only during a slump. Should we comply with the fact that a worker must pay from his miserable wage a very high payment for the usage of the work tools and for the seat in the factory, which anyway remain the owner's private property? . . . And the diamond workers are privileged with another condition, unheard of in the civilized world. The workers (even the old-timers) are forbidden to move from one factory to another without the employer's permission (there were cases in which one owner bought from another a worker in high price). This is slavery in the full sense of the word which brings us back to Feudal times.

—A Diamond Worker, "At the Diamond Workers' Front,"  
Hedei Netanya, June 1941

## Actors and Issues

The diversification of the rough diamonds in autumn 1943 emphasized the duality in the politics of supply. On the one hand it was the lifeline of the industry and allowed the PDMA to maintain its monopoly. On the other hand it harbored the seeds of the industry's containment. This was the duality that shaped the character of the diamond industry and its practices from start—encouraging its expansion and limiting it at one and at same time. Accordingly, the manufacturers who persisted in building

the industry's economic infrastructure, the reputation of its qualities, and its financial future had also to calculate their strategies with caution. Demonstrating loyalty to the British and to the needs of the empire would have to be coupled with refraining from strained relations with the main artery that allowed the existence of the industry. It was a sense of economic realism that the PDMA and the diamond manufacturers were forced to cultivate, a measure of modesty and deference in the face of the power and interest that financial and political forces conveyed from London.

Equally ambivalent were the relations that evolved between capital and labor. Seemingly these relations lent themselves to control and regulation. The PDMA selected the labor force, the workers were entirely dependent on the knowledge and experience of their masters (the expert work managers), and union power was continuously kept at bay. While the manufacturers could little affect the exogenous sources of supply, they could still discipline the workers and delimit their representatives. Moreover, the manufacturers could build on the attraction of the industry for Palestine's youth and workers. It allowed them to mold workers' loyalty to the workshops and, more significantly, to limit the cost of labor that made diamond cutting worth it in the first place. However, a discrepancy increasingly yawned between the manufacturers' self confidence and what they wished would happen in employment relations. In reality the latter turned extremely tumultuous, and as the intensity of strikes in the Yishuv and Palestine as a whole significantly increased (see table below), they attracted the intense attention of public opinion. Moreover, the strikes often destabilized the balance of power in the diamond industry between owners and employees and added to the image of unruliness the British increasingly came to hold of their creation.<sup>1</sup>

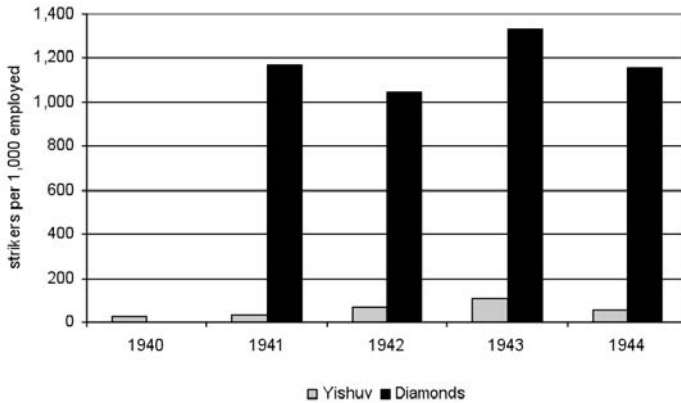
Table 5.1 Strikes and strikers in the Yishuv and in the diamond industry, 1940–1944 (Lockouts in brackets)

	Yishuv		Diamond Industry		% Diamond Strikers in Yishuv strikers
	Strikes	Strikers	Strikes	Strikers	
1940	93 (4)	3,317	-	-	-
1941	80 (9)	4,185	2	1,400	33.45
1942	94 (6)	9,258	13	2,613	28.22
1943	131 (8)	15,220	43	5,017	32.96
1944	93 (11)	7,805	16 (1)	4,166	53.37

Note: Most strikes in the Yishuv took place in industry and manufacture. The data was collected by the Histadrut, while government and ILO numbers were slightly different.

Sources: Yeshayahu Etkin, "Sixty Years of Striking in Israel, 1921–1980," MA thesis, Tel Aviv University, 1982, 215, 216, and 233; Aharon Blich, "Jewish Trade Unionism in Palestine," Typed manuscript at the LA library, Tel Aviv, 1945, chap. 5; *Sikumim* 18 (1946).

Figure 5.1 Strikers in the Yishuv and in the diamond industry, 1940–1944



Sources: Etkin, "Sixty Years," 215, 216, and 233; Blich, "Jewish Trade Unionism in Palestine," chap. 5; *Sikumim* 18 (1946).

The climate of instability was reflected in the intensity of work stoppages. At least 13 strikes erupted in the factories in 1942 alone, with one major dispute in the summer turning into a general all-industry strike in which 2,600 workers were involved. In 1943 the number of strikes jumped to 43, a third of all the strikes in the Yishuv that year. In 1942 each worker in the Yishuv lost 1.45 days of work on average, while each diamond worker lost 5.05. In 1943 it was 0.73 and 13.76 respectively. In 1943 61 percent of the work days lost in strikes were in diamond strikes, and in 1944 the share grew to 73.5 percent. Moreover, the general strikes in the diamond industry in 1942 and 1944 set precedents in Palestine and decidedly shaped the war as a formative period in the country's history of industrial relations.<sup>2</sup> For a new and attractive industry, with workers' pay levels generally high, unions kept frail, and manufacturers and workers deeply aware of the concern of the colonial government of industrial unrest during the war, why was the industry so volatile? To answer the question we need to follow the strikes as a narrative of collective action, attuned as it was to what has been emphasized in the preceding chapters—the expansion of the industry, the splintered voice of unionism in the diamond factories, and to the politics of supplies in London.

\* \* \*

From early on the PDMA resolved to ascertain its authority over labor in two main ways. One, in order to restrain competition and lowering wages,

was to interdict workers' free movement between the workshops. The second measure was the fixing of a general wage level for diamond cutting, a framework within which the manufacturers could freely operate but not transgress. The aim was to provide some unity to the industry, quell competition among the manufacturers, and, more significantly, to form the infrastructure for a collective agreement between the PDMA and the unions. As we saw earlier, the agreement meant to secure a minimum earning for the piecework workers who were decidedly dependent on the supply of stones, and to prevent industrial unrest. As much as the diamond industry succeeded in preventing the Histadrut from achieving hegemony in the factories, it also opted for this kind of arrangement in the hope it would lessen the impact of the fluctuations in stone supply and the difficulties in marketing abroad.<sup>3</sup>

From the start, however, some manufacturers failed to comply with these arrangements. Owners and manufacturers of the larger factories such as Ophir in Netanya insisted on total distancing of the unions from involvement in wage determination and in the selection of new apprentices and they kept themselves generally unresponsive to workers' demands for better conditions. This was true in particular for those manufacturers who held traditional liberal and antiunion approaches to employment relations, or upheld the concept of compulsory arbitration propounded by the Revisionist movement. The fact that Revisionist-affiliated workers and activists of its union, the National Workers' Federation (NWF), worked in their factories hardly made them more attuned to the workers' demands.

This was the background to the first strike in the diamond industry in March 1941 when fifty-five workers in Daskal's factory Even-Hayesod in Netanya ceased work in protest against the harsh working conditions and the material difficulties of the apprentices. Three aspects in this small strike should attract our attention. First, the strike drew the solidarity of diamond workers in the factories in Netanya and Tel Aviv, but none of the five unions to which the workers were formally affiliated (see Table 3.4 p. 97) was initially involved. Second, though short lived, the strike forced the unions to cooperate in negotiating with the PDMA on a collective agreement. Finally, the demands the strikers presented and the unions then adopted in the negotiations conveyed the expectation that the manufacturers maintain a balance: between the intensity of the cutting process, the expectation for high productivity, and the atmosphere of regimentation on the one hand; and, material improvement and some measure of social care on the other.<sup>4</sup>

The demands would recur time and again in many of the strikes that followed. The demand to annul the apprenticeship fee and to secure full wages after three months' training reflected the need to care for the young workers and compensate for the hard training. The demand to reduce the

“Platzgeld” (workplace fee), the pay for the usage of the manufacturers’ tools, and the obligation to pay for damaged stones aimed to allow more workers to be trained without adding too much to the factory’s cost on labor. To these were added the demand for annual leave, medical insurance, cost-of-living allowance, workers’ participation in decisions on dismissals, and teaching the new workers all parts and phases of the cutting process. In many ways the demands called the PDMA to comply with norms that the Labor movement had been advancing in Palestine since the early 1920s but were hardly applied in the new industry.<sup>5</sup>

The manufacturers wavered. They agreed to reduce the apprenticeship fee, enumerate the workers upon their entry to actual work, pay for medical insurance, insure the workers in case of accidents, and grant a one week of leave each year. At the same time, however, they opposed demands that entailed a raise in wages and full obligation to compensate the workers for periods of narrower supplies from London, or to paying cost-of-living allowances.<sup>6</sup> Moreover, the negotiations advanced slowly because they were conducted in two separate routes—one between the PDMA and the four minority unions (NWF, Hapoel Hamizrahi, Poalei Agudat Israel, and Havoved Hatzioni); the other between the PDMA and the Histadrut. For the PDMA the double-track negotiations meant a capacity to manipulate; for the Histadrut it proved its incapacity to achieve hegemony in representation and in influencing the selection of new apprentices. For the mass of workers, who anyway seemed less concerned with which of the unions led the campaign, the PDMA’s procrastination and manipulations only provoked further unrest.<sup>7</sup>

The strike that broke out in August 1941 already mobilized 800 to 1,000 workers. The British, who were at the time preparing a legal campaign to restrict strike action in war-related industries, regarded this tumult with apprehension and pressed the manufacturers to discipline the workers. Also affecting the situation was the contemporary contention in the Yishuv over the Revisionists’ call for support of the government’s antistrike measures and of compulsory arbitration. The tense atmosphere was further fueled by some manufacturers who allowed workers to cut diamonds domestically so as to balance the financial losses the disputes caused them. Others turned to negotiate with their workers without consulting the PDMA. Many workers happily used the opportunity, as home work earned more, eased the strict factory discipline, and distanced them from the quarrels among the unions. The PDMA’s leaders attempted to discipline the manufacturers and incited the workers both against home work and the Histadrut. When these strategies failed the PDMA resolved, for the first time since its establishment, to lockout the entire industry.<sup>8</sup>

The move was effective and few days later the workers returned to work. Pressed by the British controller, the PDMA agreed to a 20 percent

wage increase (10 percent less than demanded by the workers), to pay the locked-out some compensation, and to establish a joint arbitration committee for future disputes. "Negotiation was hard and tiring," reported Ben-Ami to his colleagues, "its details were not connected to conditions or to wages—but to hegemony over work and over workers. . . . I hope that the tremors besetting our young industry and causing not only financial losses but also the slowing down of the tempo of development—will not return, and that the lesson of these days will galvanize our power and unity—and all together with our workers dedicate ourselves to quiet and productive work."<sup>9</sup>

Despite the commitment of the workers not to strike for the next six months normalization seemed distant. The agreement was signed only by the PDMA and the minority unions, and it took only few weeks for strike action to resurface. In November 1941, 150 workers at Akiva Pickel's factory in Tel Aviv "Yahalomim" started a strike in which they renewed older demands for a 30 percent wage increase, abolishment of the Platzgeld, and the fulfillment of the PDMA's promises of compensations for the lockout. The Histadrut, after rejecting the four unions' rapprochement with the PDMA, hurried to get involved. It established a new organ—the Diamond Workers' Union (DWO)—and focused its campaign on challenging the restrictions the PDMA placed on apprentices the Histadrut wanted to select for the factories. In conjunction, typical Histadrut schemes were drawn—to recruit reliable workers from the Kibbutz movement to the factories, establish (with government help) a Histadrut training school, and subsidize workers' accommodation. In return the trainees were obliged to stick with the Histadrut when they would become full-fledged workers and join the Histadrut campaign for collective bargaining in the industry.<sup>10</sup>

The Histadrut considered the strike a test of its power, in particular because the factory annulled the contract with the workers. For the workers the strike expressed the wish that gains the manufacturers were making should be more equally distributed. The PDMA in contrast perceived the strike as a scheme to destabilize the industry and called all the factories to unite in backing the Pickel factory.<sup>11</sup>

After two weeks the strike finally ended through a proposal by the Jewish Agency for arbitration. The arbitration—in itself signaling a growing involvement of the Jewish Agency in the diamond industry—ended the strike with significant gains for the workers. At first the PDMA rejected application of the gains in the entire industry. However, mounting pressure from workers in other factories convinced the PDMA that the prospect of a general strike and growth of domestic work were more dangerous and it must give up.<sup>12</sup> The victory of the Pickel workers and of the Histadrut was partial, however, because the six-month collective agreement signed in August 1941, which aimed to cover all the factories, was left unaltered,



and some factories kept resisting its full enforcement. Unrest could therefore resume any moment, in particular because the industry was expanding and making huge profits.<sup>13</sup>

Further expansion resulted in further militancy in winter 1942, mainly among the unorganized. Consisting of half of the labor force, it was a heterogeneous group of workers, selected by the PDMA without the unions and thus bearing no commitment to any of them. They were mostly located in Tel Aviv where the factories were distant from the regimented frameworks prevalent in the PDMA's stronghold in Netanya. Their preference for piecework and free movement between the factories distanced them from the formal unions and the bureaucracies that demanded membership dues and union solidarity. Evidently some were members of the leftist oppositions in the Histadrut; some were close to the Palestine Communist party (PKP).<sup>14</sup> Others were liberal oriented, objecting to affiliation with either the Socialist-Zionist Labor movement or the Revisionists. If anything provided some integrity to this group, it was their detestation of political regimentation of the workplace and their professed commitment and pride in their skill and high-quality work. In January 1942 they organized themselves, placed at their head the Supreme Committee (see p. 100), and began pressing for improvement and larger shares in the manufacturers' gains.<sup>15</sup>

As the Histadrut and the other four unions resisted the new body and as the PDMA totally ignored it, the nonaffiliated workers were pressed to act. In mid-January they started a strike in six factories in Tel Aviv, demanding a variety of improvements in pay and working conditions.<sup>16</sup> In reaction the PDMA's secretary protested to Smagarinsky at the Diamond Workers' Organization "that the workers stopped the work in an irresponsible manner," and that the two weeks was "wild and unruly", and that "in such atmosphere and under such pressure there is not any possibility to have talks that may bring mutually satisfying conclusions." Therefore our executive decided to notify you that regrettably it could not enter any negotiation." The PDMA's insistence not to negotiate with the workers' organizations "as long as a strike still prevails" was further buttressed by the Histadrut's refusal of the Supreme Committee's request to lead the strike. The energy of the strike thus gradually waned. Sensing an opportunity to spread its influence among the workers, the Histadrut's DWO (representing a third of the organized diamond labor force) obtained from Ben-Ami a promise that the striking workers would not be harmed and convinced the Supreme Committee to call off the strike. After three weeks the workers resumed work and left the DWO to conduct the negotiations.<sup>17</sup>

The negotiations on a new collective agreement that started in March 1942 reflected the imbalance between the PDMA's power and the divided workers. The PDMA set up a special committee and asked Benyamin Avn-

iel, the labor relations specialist from the Palestine Manufacturers' Association, to serve as an advisor. This in itself was a novelty as it signaled a thaw in relations with the PMA and the PDMA's growing need for a wider Yishuv backing. The five unions were called in to negotiate, and split as ever, they created two parallel routes. One was the PDMA's negotiations with the Histadrut, the other with Revisionist NWF and the other minority unions. The Supreme Committee, now a full-fledged independent union of the nonaffiliated, was still held responsible by the PDMA for the January strike and thus was excluded from the talks.<sup>18</sup>

In both tracks the PDMA supported a two-year and all-encompassing agreement. Industrial stability and workers' restraint were paramount now in particular because of the pressure from London to limit the expansion of the factories and the export of diamonds. As a precondition for the entire process, the PDMA therefore demanded each worker and each union to commit themselves to refrain from industrial action until the new agreement expired.<sup>19</sup> The unions disagreed. The liberal and the two religious unions blamed the Histadrut and the Supreme Committee for the unrest and were willing to commit themselves to a two-year agreement. The NWA and the Histadrut in an uncharacteristic consensus opposed the idea. They insisted that the PDMA's policy to employ unorganized workers was the reason behind the deterioration, that a single route for bargaining was essential, and that they could not vow that workers not affiliated with them would not strike. At the same time the Supreme Committee announced that neither the PDMA nor the unions were realistic and that neither they nor the workers would be obliged to bow to the forthcoming agreement.<sup>20</sup>

The reality that the nonaffiliated workers wished the negotiators to be exposed to was the structural tension that beset the industry from start. On the one hand the PDMA advanced the conception that the factories should bring the workers as close as possible to the levels of productivity in Antwerp before the war (measured in quantity of stones polished daily by a single worker). Without such achievement Palestine would not be competitive and able to withstand the pressures expected upon the termination of the war situation and Belgium's recovery. On the other hand, the circumstances in the factories, the size of the labor force, and the chain system made any attempt to resemble the traditional industry in Antwerp unrealizable. While workers' relative earnings were high, the price they were required to pay in such a pressing work regime was simply too heavy in relation to their real income. Both employers and workers shared the wish to see a viable and competitive industry. However, to effectively assure sustained growth, only one of two options was possible. One was for the manufacturers to expand the industry and pay the workers more, which entailed the risk of a harsh reaction from the British and the Belgians. The

other option, at the hands of the workers, was to raise productivity and accept the regimentation in the factories without expecting to be better remunerated. The negotiations over these options were the prelude to one of the largest strikes to erupt during the Mandate.<sup>21</sup>

## The First General Strike

The tension between labor and capital over profits and remuneration turned the bargaining intractable. Three issues were the thorniest. The first was the movement or wandering between the factories. For the workers the ability to move and change employers was an expression of their skill and social capital, of the autonomy that the investment in the acquisition of the skill promised, and of their expectation for material well-being that fitted their status. The manufacturers refused to permit unauthorized transfer of workers from one factory to another claiming that in contrast to Antwerp, where new apprentices worked without pay for twelve months, in Palestine workers were paid after a few weeks of apprenticeship, and that compensated for relinquishing free movement. The latter aggravated intrafactory competition, threatened to put out of business less-productive and less-successful factories, and resulted in the loss of the human resources they, as manufacturers, invested in.

A second and graver issue was the Platzgeld and the rent (LP 2 monthly) paid by workers for use of the machines. These fees, many workers argued, bonded the workers to the factory, exerted a heavy burden on the apprentices and slowed down the progress of the accomplished worker to earn well and spread the reputation of his skill. The manufacturers on the other hand opposed abolishing the fee for fear that it would seriously raise their costs and decrease profits.

The third issue, minimum wage, was problematic of all. The workers demanded a principled recognition in a minimum wage to express their investment of time and money in acquiring the skill and to recognize their share in the increasing profits. Moreover, the minimum wage should be complemented with a periodic increase in cost-of-living allowances (between 45 and 70 percent depending on the changes in standards of living). For the manufacturers these demands meant again higher costs, but also an obligation that in times of declining demand for polished stones might place them in high risk.<sup>22</sup> They thus totally rejected the demands and also the neutral arbitration that the unions proposed.<sup>23</sup>

Exogenous circumstances that emerged in spring 1942 turned these issues into a showdown. First was the growing fear at the MEW that Germany was able to obtain diamonds through Middle Eastern channels—a prospect that became ever more serious because of the menace (increasing

since mid-1941) of a German invasion of Palestine. Consequently Controller of Light Industries John Fletcher ordered the manufacturers to have a stricter accounting of their reserves and refrain from transferring more diamonds than was required for two weeks' work in the factories. The posting of new supplies from London was slowed down by order of the MEW so as to hammer home this point. Second, demand for polished stones in the US decreased, apparently following American government policy to reduce individual investment in luxury consumption. Consequently the absorption of new apprentices in the factories contracted, and the PDMA began to consider following the British and South African example and lockout the factories as a preventive measure.<sup>24</sup> The manufacturers' profits began now to be affected and another strike was on the way. "The temporary depression in the diamond market," Ben-Ami later reported to the British, "which resulted in a suspension of operations in the diamond cutting establishments in England and in South Africa did not pass without serious repercussions on the Palestine industry. The tense relations which prevailed between masters and men in this industry deteriorated rapidly."<sup>25</sup>

The five-week general strike of summer 1942 taught Yishuv society the impact that the wartime boom capitalist expansion had on the balance of power between capital and labor. The beginning of the strike in the second week of June marked as usual the paralysis of communication lines between the PDMA and the unions, except for perhaps Hovved Hatzioni, the small, liberal-oriented union that was the closest to the progressive liberals, Ben-Ami's political party. After securing cooperation with the other three unions, David Remez, the Histadrut general secretary, decided to transfer the management of the strike from the frail DWO to the more experienced Tel Aviv labor council. Aharon Becker, the council's chief union specialist, took the leadership and in well-organized assemblies of diamond workers began to spread the reasoning behind the coming strike. Last-minute attempts to thwart strike action were made in a meeting between the PDMA and the Histadrut. The sides seemed to agree to transfer many issues to arbitration. The Histadrut was even willing to narrow down the demands for wage increases to the amelioration of just the diamond bruiteers, the group that suffered most from intermittent work and incapacity to pay back apprenticeship tuition and various fees. However, once the Histadrut realized that the PDMA would not budge on the issue of workplace fees, and even intended to lower wages for some groups of workers so as to balance its expected losses from the raising of wages for others, it decided to call the strike. The other unions, as well as the nonaffiliated, quickly joined in, and on June 12th some 2,600 workers stopped work in the 33 factories in Netanya, Tel Aviv, Jerusalem, and Ramat Gan.<sup>26</sup>

The breakout of the strike signaled in fact that the contested issues of free movement, workplace fees, and minimum wage could now be widened to include additional demands. Among the latter were a two-week annual leave, greater cost-of-living allowance, participation of the employers in a workers' provident fund, recognition of the employers of the hard and nerve-wrecking nature of diamond cutting, and the like. Taken as whole the demands reflected the realization of the workers and their representatives of the great advance the industry had made, and the great profits of the manufacturers. Moreover, in shaping the campaign the Histadrut attempted to do what it had failed to since the establishment of the industry—to educate the manufacturers and the PDMA's chiefs to the norms of the "triangular thread" prevailing in the Yishuv of consensual industrial relations, neutral arbitration, and clear hegemony of the Histadrut and Mapai in the Yishuv's industrial sector.<sup>27</sup>

The manufacturers' response was negative only in part. The demands would increase their cost on labor during this period of contracting American demand. The workers were paid well, and arbitration would intrude on their managerial autonomy. Moreover, the strengthened presence of the unions in the daily work at the factories would in the last resort force upon the factories union participation in selecting new workers and dismissing the old. Blaming the Histadrut for leading an unnecessary strike, the PDMA called for immediate talks. The PDMA turned to the workers to realize the limits of the manufacturers and the danger that the strike portended to the factories. It was important for the PDMA to demonstrate to the British its resistance to what was perceived as a contest over power. Moreover, up to a certain point the prolonged strike may even have served the manufacturers as a temporary rationalizing check, conveying to the British their capacity to halt the industry's expansion and correct the image of an industry in chaos. This was perhaps the reason why for some it seemed that the PDMA was strangely refraining from immediate resolution of the crisis.<sup>28</sup>

The material effects of the five-week strike were harsh. The factories were paralyzed, uncut diamonds were returned to the banks' safes, and only the last quantities of finished stones could be exported. The extent of loss of hard currency to the Palestine economy was never reported, but it was clearly on the minds of the British, who were preoccupied at the time in detecting diamonds that reached the Germans from the Middle East. The manufacturers were severely hit. Some had to hand over stones for domestic cutting despite the PDMA's warnings that home work would further harm the factories. Others were made idle and busied themselves in debating the crisis, maintaining the factories, or negotiating with the workers. The workers were equally hurt. Some 83,000 working days were lost, causing many workers to lose their piecework wages and to

reconsider, despite the arduous training, shirking the industry altogether. There is no clear evidence of the extent of support of the workers by the Histadrut's strike fund, but at the time it was known that some workers, in particular Histadrut members, were transferred to work in agriculture in Labor's cooperative settlements and kibbutzim where they could be given shelter and food. As an urban affair the strike occasioned an odd assembly and protest. Its noise was heard less in the factories and the streets and more in the press. The strike was widely reported and the politically oriented press was strongly manipulated to impact public opinion and the negotiations. Evidently the press amazed many with the effect that the advance of capitalism in the Yishuv was making on employment arrangements in the Jewish industrial sector and on social relations as a whole.<sup>29</sup>

Serious negotiations began only after a month of sporadic contacts and futile attempts by the Jewish Agency to mediate between the PDMA and the unions.<sup>30</sup> First the PDMA proposed to hand over all questions of employment relations to a form of arbitration known in Jewish Law as "Zabla," a procedure in which the PDMA and the unions would both name an arbitrator and those two arbitrators would then select a third. The Histadrut rejected the proposal claiming that basic demands, such as minimum wage and workers' pay during the strike, could not be negotiated. After excruciating debate the manufacturers proposed another form of arbitration—a committee of Yishuv dignitaries. Initially the Histadrut rejected the idea but after realizing that the other four unions were willing to accept the proposal, it withdrew its objection. In practice many contentious issues were resolved even before the arbitration began its work. And once the unions gave up the demand for strike pay, the strike was over.<sup>31</sup> Valid until March 1943, the agreement provided for a wage increases ranging from 40 to 60 percent. A minimum wage for apprentices was fixed and a progressive scale of cost-of-living allowances for all workers was established. Also provided were extended annual holidays and leaves, an unemployment insurance fund, and arrangements for transfer of workers from one workshop to another.<sup>32</sup>

The strike reflected the realization of the Histadrut of the limits of its power. Lacking control over the entry of workers to the factories, over the funding of the trainees, and over the evasion of owners from fulfilling their commitments, it was pushed "from below" to conduct a general strike it did not really want. Whatever the achievements of the strike, its power in the workplaces was still limited. For the PDMA, on the other hand, the strike and its disastrous toll were a telling lesson in the need to replace one-sided control of employment relations with collective bargaining and arbitration. "The disturbance it caused," wrote Ben-Ami, "and its serious after-effects were such as it is hoped will serve as a warning not to make

use in any dispute that might occur in the future of a strike as a means of settlement of industrial differences.”<sup>33</sup>

In reality the strike’s resonance stemmed from its length, the extent of participation, and the persistence of the workers. It thus demonstrated that in a short period the diamond workers turned into one of Palestine’s most militant group of workers, and quite unexpectedly, a clear voice against capital. Moreover, the lengthy arbitration that terminated only in late 1942 turned into one of the foundations of the increasingly widespread Yishuv system of labor-capital arbitration.<sup>34</sup> No wonder the PDMA chose now to formally affiliate itself as a member of the Palestine Manufacturers’ Association, the backing of which it needed, and that it finally accepted the cost-of-living allowance system customary in the Yishuv. From a wider perspective these steps reflected the veering of the industry to acquiescence with the “triangular thread,” the Yishuv’s national institutional system.<sup>35</sup>

## Labor-Capital Rapprochement

It took long weeks before the reconciliation between the PDMA and the unions materialized. The joint committee on workers’ wanderings—one of the outcomes of the general strike—started working only in late 1942.<sup>36</sup> The arbitration itself was completed only a month later.<sup>37</sup> Sporadic strikes erupted in between. In Sam Moed’s factory workers stopped work in November after being accused of stealing diamonds and after the owners searched the workers without the workers’ committee present. In the Hakochoav factory, workers opposed the employer’s intention to deduct from their wages a Yishuv tax destined to support the families of workers who were recruited to the British Army. Such disputes showed that despite the general strike and the arbitration, disputing became a routine, and workers and union leaders alike sensed that fundamental issues were far from resolved.<sup>38</sup>

Ben-Ami asked the British to intervene and implement the strike law, which came into effect in Palestine in early 1942. “The diamond industry was excluded from the scope of [the Trade Disputes Order],” wrote Ben-Ami in October 1942 to the British authorities,

and we had thought at the time that both the relatively peaceful atmosphere in our relations, and the “light” character of our industry, warranted such exclusion. Experience, however, has proved that there is every justification for including our own industry within the scope of this legislation. This later impression is justified not only by the unfortunate labor disputes which have disturbed our progress, but, above all, by the fact that our diamond industry has been recognized as one of importance to the economic war effort. Our submis-

sion is, therefore, that the Palestine Government might be moved to extend the scope of the Trade Disputes Order to all diamond-cutting establishments. The regulation of man-power in Palestine makes such inclusion all the more imperative.<sup>39</sup>

For both capital and labor it was a moment of reckoning. The PDMA recognized that the multiplicity of unions—in itself a product of the PDMA's initial ideological-oriented labor-control schemes—may have kept the power of the Histadrut at bay, but was far from quieting the young workers. On its side the Histadrut fully accommodated itself to the reality of its nonhegemonic power over the workers and looked up to the PDMA to create some minimum conditions for cross-class cooperation. “There is not one diamond factory without tense relations between the workers and the employers,” contended Ben-Ami to the representatives of the unions in December 1942, “[and despite the July agreement] there were work stoppages. Work cannot be done in such an atmosphere. It is tiring.” Smagarinsky, the DWO secretary, retorted that the problem lay not with the organized workers but with the unaffiliated whose number increased beyond control, recklessly employed the strike weapon and who reflected the blame of the PDMA for the imbalance between the organized and non-organized workers. Furthermore, Smagarinsky argued, there were manufacturers who still opposed the presence of a workers' committee in their factories, ignored the joint PDMA-union committee on resolving disputes, and paid less than determined by the agreement. The only solution was PDMA-unions cooperation. Eliezer Shostak, the Revisionist NWF leader, and Zeev Fisherschein (Zohar) of Poalei Agudat Israel concurred: the problem lay with the individual manufacturers who tended to despise the PDMA's authority and the consensual regime the agreements created, and what was needed was cooperation between the sides in forcing workers to affiliate themselves with one of the unions. Ben-Ami promised to cooperate but insisted that the workers and their unions should always remind themselves of London's concern of Palestine's growing threat to the future recovery of Antwerp and of the limit this implied for the further expansion of the local diamond industry.<sup>40</sup>

Coloring the entire climate of employment relations in the diamond industry, the warning noted a change in the PDMA. The diversification of the stone supply forced it to seek cooperation with labor and to recognize the role of the unions in pacifying industrial unrest. Moreover, the adaptation of the industry to the stone change meant not only retraining but also dismissals; not only increased labor productivity but also stricter tuning in to the requirements of the international diamond market. Collective bargaining would facilitate the overcoming of these difficult issues and the new collective agreement that was destined to be signed in March 1943 would have to take these issues into consideration.<sup>41</sup>



The Histadrut also wished to cement the rapprochement, and in winter 1943 the DWO proposed to PDMA a new scheme for organizing the workers and the calming down the endemic militancy. The scheme aimed to give the Histadrut control over the selection of new apprentices and over the recruitment of apprentices from the other unions. It would help the PDMA regulate the movement of workers and it would participate with the manufacturers in bipartite committees to resolve disputes. In return the PDMA would be helped by the Histadrut in restraining the workers and in particular the pressures stemming from the unaffiliated and their militant organizations.<sup>42</sup>

In reality the bipartite committees that began operating in winter 1943 in Tel Aviv and Netanya turned into tense contestation sites, and conveyed to the workers a strong sense of the precariousness of labor-capital cooperation. The compliance of manufacturers with the recommendations of the committees was only partial, the impact of the committees on higher-level negotiations remained minimal, and a vacuum emerged in anticipation for the real confrontation expected in the negotiation over the new agreement.<sup>43</sup> Evidently they could not prevent the reeruption of strikes and the renewal of the “war of nerves” (as Ben-Ami called it) between the PDMA and the unions. In the Ophir factory in Netanya, seventy workers stopped working in protest against the owner for not compensating them for a one-day lockout he decided on unilaterally. A few weeks later the diamond sawyers in Ophir started their own strike in demand for a wage increase in association with the stone change. In another factory in Ramat Gan workers stopped work for a month in demand for wages not paid to them for strike days in 1942. In various factories protests mounted against manufacturers canceling working days in order to decrease labor costs and against manufacturers’ attempts to refrain from paying cost-of-living allowances.<sup>44</sup> No wonder PDMA functionaries felt that some of these disputes and short work stoppages were premeditated by the unions in order to set the agenda for the coming negotiations, and warned the diamond manufacturers not to surrender to workers’ demands or negotiate with them individually. For the PDMA the problem lay in the workers and their unions focusing on minimum wage and cost-of-living allowances instead of the industry’s real problems—its technological advance, the related rate of productivity, and competitive capacity. For the unions and the Histadrut in particular, the issue was the workers’ share in the profits of the manufacturers, the abuse of authority in the workplace, and the freedom of the workers within the regimented atmosphere of the industry.<sup>45</sup>

Negotiations started on the expiry of the agreement in mid-March 1943 while some strikes were still unresolved and new ones starting. As usual the four unions and the Histadrut handed in their demands separately. The Histadrut’s DWO presented the demand for a year-long collective

agreement expressing the wish that negotiations would not procrastinate as happened the previous year. The older demands for a minimum wage and the abolishment of workplace fees resurfaced in addition to new demands such as a substantial raise in basic wages, investment in provident funds, extra pay for extra hours of work, and the like. The four unions presented some similar demands regarding conditions of the workplaces and slightly different pay demands, and they generally preferred to focus on the need for arbitration. Finally, the unaffiliated workers, always suspicious of the unions' control of the workers' committees, called for a general assembly to define in a democratic way the contours of the bargaining with the employers.<sup>46</sup>

The double-route negotiations took three months to conclude. The PDMA adamantly objected to the demands for raising the labor cost for the manufacturer; the unions were split and the nonaffiliated workers rejected the compromises the unions offered. However, the extent of the raise in wages and the demand to abolish the Platzgeld kept the PDMA and the unions apart. Once these were resolved, so the unions believed, the rest of the issues would follow and the unaffiliated would concur.<sup>47</sup>

Three sources thawed the stalemate. One was the economic pressure on the manufacturers stemming from declining prices for polished stones on the American market, which in turn threatened to narrow down Diamond Syndicate supplies to Palestine. The second was the pressure of the occasional strikes that erupted during the negotiations and were associated with the manufacturers' decision to disregard demands until the new agreement was signed. Closely related to this was the decision by the government, which was increasingly worried about the endemic unrest in the industry, to direct all unions to notify the government's diamond controller on any dispute so as to allow preemptive mediation. The third source was again the unaffiliated workers, who gradually realized that an agreement was close and that the formal unions were about to compromise.<sup>48</sup>

In mid-June the collective agreement was finally signed. "We must," concluded Ben-Ami, "uproot the opinion prevailing in the Yishuv that we all must 'grab and eat' for we do not know if this industry will survive in Palestine also after the war and the diamond workers would have to move to another job. This feeling must be uprooted because it might ruin the entire industry; the fate of thousands of young people is linked to it." The agreement was a great achievement, added Moshe Shapira of the Histadrut executive who was deeply involved in the negotiations: "The worker . . . has but just one demand—not to force him to work under conditions he does not want."<sup>49</sup>

The agreement was indeed impressive, in particular after so many failed attempts to reach collective agreements in other segments of the Yishuv and after the opposition of some manufacturers to concede their

liberty to shape their factories' own working conditions and pay levels. Workplace and tool-usage fees were abolished, thus doing away with one of the main features in the traditional diamond cutting industry in Belgium. Training fees were annulled and older related debts were abolished as well. Workers were given assurances that they would be paid during declining supplies and contraction of the piecework. The controls over workers' movements were uplifted. The basic wages and cost-of-living allowances were increased although to a lesser rate than demanded in the first place. And finally, a series of improvements in working conditions such as employers' participation in medical insurance and provident funds were granted. No wonder many contemporaries perceived in the agreement a significant victory for the workers and an efficient means of maintaining industrial peace in the diamond industry, as well as a lesson for the Yishuv as a whole.<sup>50</sup>

While the new agreement was to remain valid until summer 1944, it hardly narrowed down the number of strikes. Workers at the Dankner's Almaz diamond factory started a strike in mid-July 1943 in protest against forcing them to sign an obligation not to strike. At Feldman's diamond factory in Jerusalem, Poalei Agudat Israel workers went on strike in July 1943 against the refusal of the owner to comply with the collective agreement and his authoritarian attitude towards the workers. Some 120 clerks in the administration of the diamond industry who were at the time organizing their own union started a strike in protest of the PDMA's refusal to negotiate with them a separate collective agreement. On 12 August the entire industry went on a half-hour solidarity strike with the workers at Feldman's factory.<sup>51</sup>

The causes for the wave of strike lay first and foremost in the difficulty of the manufacturers to fulfill the collective agreement, blaming the low prices for polished diamonds on the American market and the risk to their profits. Second, a decreasing polishing quality was registered by the American buyers, which brought down sales of the Palestine product and consequently the contraction of the amount of work supplied to the workers. Third, international concern began to increase from mid-1943 regarding the future recovery of the diamond industry in Antwerp and revival of the German cutting industry, which in turn threatened the expansion of cutting in Palestine. Finally, many workers, in particular among the unaffiliated, refused to respect the verdict of the agreement and its compromises. Particularly detested was the forcing of each worker to sign the agreement and thereby commit himself to refrain from strike action. By autumn 1943 it was clear, therefore, that the threat on the June agreement was becoming widespread. The number of small factory-specific disputes increased and the PDMA formed a special fund to support manufacturers against financial losses. "The strikes in the diamond industry are very

numerous," warned R. K. Saunders of the government Labor Department. "Last year 100,000 workdays were lost. These numbers are relayed by the department of statistics to the government in London. The matter could influence its attitude to the industry."<sup>52</sup> More than anything, however, the change of stones in autumn 1943 made it harder for the individual manufacturers to cope financially and the PDMA was therefore triggered to call for adapting the agreement to the new circumstances.<sup>53</sup>

In these conditions labor activists felt the whole project of the diamond industry was shaky. The information on the change of supplies was initially perceived by the unions as a maneuver by the PDMA to justify violations of the June agreement, but it was now clear that it made the manufacturers search for reductions in the costs of workers' retraining. In Netanya people felt that unemployment among diamond workers was growing and that the attraction of workers to the small town was weakening. In early October the DWO notified the PDMA that it would not continue negotiations unless the June agreement was fully complied with and renewed contacts with the minority organizations on the need for a wider campaign.<sup>54</sup>

Employment relations in the industry were thus entering a new phase. "We have before us a principled question," Ben-Ami told the manufacturers, "that stems from the new situation in the industry and that requires serious discussion which is the adaptation of the labor wage to the new reality. In the future we would need to work types of rough stones that according to the labor contract it would be impossible to sustain the industry. The question is whether we could influence the workers and the unions to realize that something has changed. We move from a period of war to a period of peace, and the transition could be long. If we do not hold on during this transition period we will not be able to sustain the industry. A general reorganization of labor relations and work conditions would be therefore needed. The workers and we share the same goal—to sustain the industry and therefore work would have to be adapted to the new conditions. A joint committee would have to sit and check the factors and make a plan. If the workers show understanding and we find a common language—good; otherwise they would force us to make the change real."

Indeed, in autumn 1943 the close association of industrial unrest with the politics of supply reached a dramatic peak when the diamond manufacturers began to turn back on their commitments in the collective agreement. Claiming that the economic circumstances had changed, the promised cost-of-living allowance of 46 percent was now refused, and other items relating to improved working conditions and benefits were violated. In practice this about-face was the immediate outcome of the change in supplies; and the consequent need for immediate retraining of the workers, formerly apprenticed in cutting Sand, to the production of Melees. Supplies and its politics were therefore at the heart of the cutters' unrest.<sup>55</sup>

## Propensity to Strike

Any explanation of the relatively high strike propensity of the diamond workers during the war must start by seeing the relations that had evolved between the manufacturers and the workers as a social pact. On one side of the pact there was an intensely expanding stratum of workers. They were mostly young and eager to work in a venture that seemed much more attractive than other available jobs. They quickly became highly skilled, and in comparison to the majority of Jewish industrial workers in Palestine their skill was rooted in tradition, knowledge, precision, and dexterity. On the other side of the pact were the diamond manufacturers, the providers of the economic opportunity and of the novel economic attraction in the Yishuv. The employment structure they created, described earlier as a Taylorized-style chain system, and its foundation on a mix of piecework and collective bargaining was conducive to high levels of efficiency and productivity. Long hours of work and high pressures on the immobilized body of the workers and on their penetrating eyes were coupled with an atmosphere of regimentation and recurring worries over losing stones or harming them. These were balanced by relatively high wages which were partly protected by an all-industry collective agreement, a strong sense of workplace solidarity, and pride in skill and in the worldwide reputation of the quality of their work. The diamond workers therefore felt their commonality much more through the labor process and work experience than by organizational framework, union affiliation, and presence of union activists. This was often reflected in their allegiance to the manufacturers and to the workplaces, the basic ingredient of any such social pact.<sup>56</sup>

The diamond workers became strike prone more because the social pact with the factories was regularly under stress and often violated and less because of traditions of militancy. After all, the legacy of strike action among diamond cutters and polishers in prewar Europe and the US was hardly of one of adversity and militancy. The radicalism of the cutters and polishers in Amsterdam and Antwerp expressed itself less through strike action and more in robust organization, in the attainment of improved pay and working conditions, through piecemeal organizational (and educational) action, and composed demonstration of power. What the widely known leaders of the diamond workers' unions—from Henri Polak and Piet van Muyden in the Netherlands and W. V. Daems and Frans Schoeters in Antwerp to William Jacobs in England and Meyer Andries in New York—had in common was labor's reformism and gradualism. Much of their organizational energy in their respective countries was spent on constructing consensus with the diamond manufacturers and employers and less on fighting them. This was part of their definition as "labor aristocracy," a term usually connoting highly skilled jobs and workers. The re-

spect of the employers for the leaders of the diamond workers and to their organizations (e.g. the ANDB in the Netherlands, the ADB in Belgium, or the Protective Union of Diamond Workers in the US) testified not only to the sense of occupational commonality but also to the need to maintain industrial peace and large areas of consent.<sup>57</sup>

It is difficult to substantiate why these reformist and nonradical legacies found less expression in Palestine, where so many of the traditions of the industry kept on feeding the daily life in the diamond workshops of Tel Aviv and Netanya. Perhaps it was due to the fact that those arrived in Palestine were diamond experts and not workers or union activists, and therefore the continuity of labor traditions of collective action was disrupted. It could have been also affected, as we saw earlier, by the PDMA's insistence on not allowing the Histadrut, evidently a nonradical union, to become the hegemonic representative of the workers and overshadow all other minority unions. Whatever the reasons, the diamond manufacturers in Palestine, some of them eager to reproduce the Belgian model of employment relations, repeatedly bemoaned the failure of the Low Countries' legacy of restraint to take root.<sup>58</sup>

In the manufacturers' perception, the social pact as practiced in their factories was under constant threat because of the high exposure of the manufacturers themselves. On the one hand they were dependent on the regular supply of rough stones from London. The high irregularity of supply was a corollary not only of the war conditions but of the distributive policies of De Beers and the DTC, themselves influenced by fluctuation in demand for raw materials, and by the British policy towards the Belgian pressure to contain the expansion of the new cutting centers. The irregularity of stone supply could be expressed in varying size of stones sent for cutting in Palestine, but mainly in the constant thirst of the factories for more raw materials. On the other hand the reserves the manufacturers kept were under a constant threat of dwindling because of overproduction, low replenishment, or uneven distribution by the PDMA of the rough diamonds arriving from London. Each manufacturer in Palestine was therefore inclined to keep reserves to preempt irregularity.

Furthermore, for his guarantee the manufacturer had in parallel to cut on his costs on labor. He could do this by decreasing the distribution of stones to the workers, by decreasing the number of apprentices in his factory, or simply by tampering with workers' pay (cutting it, postponing it, and the like). All these the manufacturer could employ to a certain limit. He had to be careful not to harm the workforce he took so much care to cultivate and on whose trust and loyalty he so much depended. He had also to take into consideration the collective agreement the PDMA signed on his behalf, which obliged the manufacturers to guarantee workers' pay during times of decrease in supply of stones or forced temporary

closure of the factory. The manufacturers often preferred not to harm their workers and instead digressed from the PDMA's pay policies and collective agreements with the unions. In more extreme cases the manufacturer chose to lock out the factory for some time, drastically decreasing activity and renewing it when profit levels again allowed. All in all therefore the diamond manufacturer was incessantly calculating the extent of his exposure to his sales levels in the US, to London's policy regarding the distribution of stones, and to the PDMA's collective pay directives. His autonomy and freedom of action, so cherished by all the liberal-oriented diamond manufacturers, were therefore limited, and on encountering these limits he would opt to cut labor costs, otherwise it would not be profitable for him to go on. This was a permanent source of pressure on relations with the workers and it was often enhanced by the manufacturers and the PDMA who exaggerated the extent of these dangers to the press.<sup>59</sup>

In this way the world of booming diamond production unraveled itself not only as an attractive source of income, occupational attainment, and mobility for the young diamond workers in Palestine. It was also unstable, fluctuating, and laden with threats to shatter the system of trust and coalescence of interest they shared with the manufacturers, the experts that taught them their skills, and the workplace that provided them with a sense of social order and economic future. The backing that could have been provided to them from outside by the presence of a solid union organization and a Labor movement were frail. Furthermore, the PDMA's successful splintering of labor organization in the factories discouraged the traditional restraining barriers usually placed by the Labor movement on the social unrest of the urban workers.<sup>60</sup>

The age of the workers was indeed a crucial factor in explaining their propensity to strike. Upon entry to apprenticeship at a young age, the workers expected to start earning after three months. Despite the regimentation and arduous conditions of the work, they enjoyed the benefits that piecework accrued to them. Willingness to work for hours on end, the lack of familial commitment (other than to parents whom they could quickly provide for), and flexibility in their adaptation to changes in supplies and in sizes of stones all made them also susceptible to spontaneous action. They could be children of members of one of the four or five unions but were hardly satisfied with the collective agreement in the industry or paid little respect to the unions' restraining attempts. For the Histadrut activists they seemed an unruly lot, wholly dedicated to work and uneasily recruited to union work, distant from values of loyalty to a Labor movement and much more prone to organizational independence than to traditional union frameworks.<sup>61</sup>

The Labor department of the Palestine government was aware of these characteristics. In the department's logic the propensity of the diamond

workers to strike was related to the large number of unions in Palestine, and to the effect of the expansion of the industry on the entry of large numbers of unaffiliated workers. These explanations may have had a ring of truth to them but they ignored the relation between the entry of the unorganized and the PDMA's worker-selection policy. Furthermore, they overlooked the relation between the great number of unorganized and the fact that in times of low unemployment, Histadrut members could have preferred not to enter the diamond industry because they disliked its characteristics (long hours, the employers, the instability of the industry, etc.) despite the relatively higher pay rewards.

Clearly the multiplicity of strikes was related to the breakdown of negotiations on collective agreements and to the workers' consciousness of the increasing prosperity of the industry and active desire to have a share in it. The young diamond workers interpreted the recurrent intermissions of supplies and consequent changes in work schedules as a taken-for-granted feature of their work experience that turned work stoppages into routine. Manufacturers who wished to maintain rough stones in reserve instead of distributing them for cutting were quickly blamed for breaching their commitments to the apprentices and workers. Fluctuations in supply, and intermittent attempts to cut labor costs and to empty collective agreements of their original contents portrayed the manufacturers as unwilling to share their high profits from the industry. The workers' pride in acquiring a craft, in their technological adaptability and in the culture of the skill they cultivated, deeply affected this portrayal.<sup>62</sup>

The impact of the persistent propensity of the diamond workers to strike and of the weakness of the labor organizations to restrain strike action was hardly confined to employment relations. In the first place the strikes added to the anxiety of the manufacturers regarding the steady supply of raw material from London as an element of instability. The latter contrasted to the image that the PDMA and its members wished to market (in particular to the British authorities and the Diamond Syndicate) of a viable industry and one that stood in service of the war effort and the empire. Second, the recurrent strikes exposed the weakness of those in the government and in the PDMA to fully control the industry, and thus added to the threats posed by the movement of experts between the factories and by the persistence of home work. Third, the strikes forced the manufacturers and their organization to take into account the chronic industrial unrest in their business-expansion strategies. This was clearly seen in their growing willingness, after three to four years of operation, to attenuate their principled objection to the presence of the labor organizations and—without precedence in Palestine—to a branch-wide collective agreement.<sup>63</sup>



The strikes had a deeper effect on the labor organization, in particular on the Histadrut. To the PDMA's attempts to prevent a meaningful presence of workers' representation in the labor process, the strikes added a from-below challenge to the organizations themselves. Naturally this resulted in a growing effort to widen union influence over workers and in a concerted action by the Histadrut to unite the organizations under its umbrella and to discipline the workers through the cultivation of loyal workshop workers' committees. At the same time the strikes emphasized the partial effectiveness of these attempts and made the Histadrut recognize the limits both to its hegemony in the industrial sector in the Yishuv and to its capacity to advance accommodation with private capital.<sup>64</sup>

The sense of a limited power produced among the Histadrut's union ideologues negative images that coupled the diamond workers with all the wrongs of capitalism and unorganized labor. Focusing on the "pathology" of workers' attraction to personal profit and defiance of organization, the images reproduced the traditional arsenal of social objection that since the 1920s Zionist-Socialism cultivated against capital and the unaffiliated. The imagery never excluded a national-oriented reasoning of Labor's need to cooperate with Jewish industrialists and capitalists; neither did it weaken the Histadrut's quest to widen its bases by tempting those objecting to organization. Nevertheless, uncontrolled militancy in the diamond industry signified for the Histadrut that its ambivalent language towards both capital and the unorganized remained ineffective. The militancy testified to the wider, menacing problem that the Histadrut was too weak to overcome of workers whose working conditions and power in the workplace improved by wartime boom, and who consequently defied Labor's authority and collective interests. The tactics used by Mapai and the Histadrut leadership to contain these better-off workers could not work in the diamond industry because of the piecework character of the labor process and because the PDMA and the manufacturers took care to keep workers' representation at bay. The Histadrut had nothing left but to recognize its failure, to divert its best forces to other industries, and to hope that relations with the industry and its workers after the war would correspond to the presence of organized labor it was used to before the war.<sup>65</sup>

The impact was, however, wider. As a part of a state-building project the Zionist Labor movement in Palestine promoted the autonomy of the Yishuv economy and the preference of Jewish over Arab workers in all the workplaces in that autonomy (known as the struggles for Hebrew labor and the conquest of work). Many labor disputes and strikes against Jewish employers in agriculture, construction, and industry revolved around this issue. Moreover, many disputes over improvement of conditions were no less immersed in Zionist terminology—the employers claiming the workers were disrupting their national-capitalist operation and labor arguing

that the Jewish capital owners and employers were more capitalist than Zionist. This “Zionization” of the culture and language of capital-labor negotiation and of the repertoire of collective action did not mean that class issues were absent. Rather, they were overshadowed by an agenda that argued for the primacy of a political struggle and for the hegemony of the Zionist-oriented Histadrut in the labor market in providing the employers with a labor force, in participating in fixing wages, and in regulating the structure of the workforce. In the latter part of the Mandate period the contestation in the workplaces and the labor market became increasingly class based. The national agenda continued to influence the segmentation of the economy and the organizational segregation of the workforce. However, when the diamond workforce was created in the early stages of the war and during the booming of the economy during the war, the balance was already tipping away from the national politics of the labor market toward the social politics of relations between capital and labor.<sup>66</sup>

The diamond workers clearly became the leading force in this gradual veering of relations from national-segregationist aspects of strike action to economic and social ones. For an industry and a workforce hardly existing before the war and representing just one type of manufacturing, such levels of conflict—an average of 34 percent of the strikers in the Yishuv—were remarkable. Even more significant was the fact that the diamond industry was Jewish-only, and that from the start it did not experience the labor market competition between Arabs and Jews that was so influential in social and employment relations in the Yishuv.<sup>67</sup>

While the effects of the strikes on the manufacturers and on organized labor were direct, militancy had another, less blatant consequence. The close association in Palestine between the instability of supply of rough stones and industrial unrest made many aware of a similar association in the African diamond mines between the regulated punctuation of mining and the working conditions of the South African and Sierra Leone miners. As global diamond mining and trade never knew a supranational workers’ organization (similar to the Universal Alliance of Diamond Workers, which referred to cutters and polishers) this awareness never expressed itself in an organized international solidarity. However, the fact that the stones polished in the various centers originated in those African mines provided a sense of “imperial connectivity” that the war strengthened through the increasing importance of noncombatant regions for international politics. The effect of stone supply on the multiplicity of strikes made this connectivity another aspect of an imperial social formation that tied the experiences of diamond miners in Africa to those of the cutters in Palestine. This was partly reflected in the growing awareness by the PDMA of information on the tribulations of the diamond industry in other parts of the globe. It was also expressed by diamond workers in

Palestine who saw that apart from their participation in the local national project, they were also part of an empire, of a colonial network, and of an international war effort that crossed national borders. In the last year of the war this awareness of the relations between the postwar international arrangements, the plans for economic development, and their potential influence on the international division of labor in the diamond industry deepened.<sup>68</sup>

## The Long Showdown

The adaptation in the factories was a major effect of the stone change of autumn 1943. As almost all production focused on cutting and polishing eight-cuts, many of the workers would now have to be retrained, adapt themselves to new types of stones and cutting, and cultivate new specializations. Many workers would become unemployed in the process; some would have to leave the industry altogether. Those workers who could handle a variety of stones and sizes would become more secure and privileged. In turn relations with the unions had to change and items in the collective agreement would have to be renegotiated with the Histadrut. The latter gained quite a lot from the process. It was necessary to protect the redundant workers and formulate the demands that fitted the change in production. This empowerment was closely associated with the fact that the immediate effect of the change was a vigorous revival of militancy at the end of 1943 and again in spring 1944.<sup>69</sup>

Table 5.2 General strikes in Palestine's diamond industry, 1942–1946

	Workers Affected	Working Days Lost	Average Intensity (Days lost per striker)
Jun. 1942	2,500	82,500	33
Dec. 1943*	2,000	24,000	12
Mar. 1944**	3,250	182,000	56
Jan. 1946***	4,320	56,160	13

\*Partial Strike; \*\* Referendum taken among all diamond workers; \*\*\* Stoppage of Work.

Source: Histadrut, *The Diamond Worker*, 12–13.

Strikes in the diamond industry have always been associated with the state of supplies, with the fluctuating relations between the MEW and the PDMA, and practically with factors that were exogenous to the industry's system of employment relations. Prior to the stone change in autumn 1943 these relations were straightforward: supplies slow to arrive decreased the amount of work, the latter decreased piecework remuneration, and

workers demanded more work or compensation. The supply crisis that had been unfolding since the end of 1943 and through the first months of 1944 changed the order of the process: supplies decreased, employers violated the collective agreement, and strike action followed, without the renewal of supplies really mattering. This change was part of the growing awareness of the workers and their unions, in particular following the stone change, that the PDMA and the diamond manufacturers could not be spared a second front. One front—that of the struggle for supplies in London—could not be used anymore to justify social peace in the industry, and a parallel battle had to be waged to “educate” the manufacturers that in calculating their moves the workers had to be taken into account.<sup>70</sup>

The first signs of this aggravation of employment relations emerged at the end of 1943 when the manufacturers began turning back on the June collective agreement.<sup>71</sup> In early November the diamond cutters and their representatives were informed that pay envelopes for November would not include the war bonuses given during the past eighteen months—46 percent of salaries over LP 3,500 in addition to the regular allowances of 100 percent of the rise in the cost-of-living allowance index. The PDMA’s notice, which was attributed to decreased business, surprised the workers and protest meetings were hurriedly organized. Workers in the diamond factories in Netanya who were affiliated with the Revisionists and the IZL and LEHI Jewish underground organizations handed the manufacturers an ultimatum, and once rejected they started, still without the participation of Histadrut, a forty-eight-hour strike.<sup>72</sup> The Jewish Agency tried to mediate, but to no avail. Workers affiliated with the minority unions in Tel Aviv and Jerusalem followed suit and joined in what soon seemed to be turning into a general strike. The strike ended, however, after two weeks because the Histadrut did not join in, and because the PDMA promised the minority unions to reconsider its retreat from the 1943 collective agreement. The workers achieved nothing, and the procrastinated negotiations in January 1944 over the fulfillment of both the June and the December 1943 agreements seemed to confirm what all sides knew all too well: that the unfavorable atmosphere in London and the fear of declining profits on the American market caused the manufacturers to make the workers pay the price.<sup>73</sup>

For all intents and purposes employment relations in the diamond industry in winter 1944 were only formally functioning in a double framework of a collective agreement and piecework payments, that is, according to the amount of diamond cutting and polishing done. In practice the collective agreement was never fully complied with. Hovering over this grey area was the consistent threat of crisis, and it was further aggravated on the opening of discussions over a new collective agreement for 1944. The new agreement could not ignore the changes in the types of the rough

diamonds and the retraining and adaptation of the production process to the new stone regime. Many workers feared they would be soon out of work and they had to confront in the negotiation rooms panicked manufacturers who feared the collapse of their business. In this atmosphere the tension between the diamond workers and their union representatives increased, reflecting as it did a deeper conflict over a place in the industry and over the legitimacy of the unions as representatives of the workers during the transformation that the industry was now experiencing.<sup>74</sup>

Following the PDMA's decision to stop paying the workers the cost-of-living allowances, in early March the workers' factory committees gave the manufacturers an ultimatum. They demanded full compliance with the collective agreement within a week, the payment of the promised cost-of-living allowance (of 46 percent), and manufacturers' consent to arbitration by the Jewish Agency. If a strike broke out the manufacturers would have to pay for the lost days and an additional 4 percent of a worker's wage for a strike fund. The unions were forced to join the ultimatum and the PDMA, hoping to avert the strike, succumbed to the pressure. In practice the unions and the PDMA joined hands here against the militancy of the workers, and attempted to reach a compromise before the work stoppage initiated from below.<sup>75</sup>

The arbitrators, Itzhak Grinboim and Avraham Wertheim of the Jewish Agency's Department of Labour, proposed to reduce the allowance demanded from a monthly addition of 46 percent to 20 percent to be paid only for the next three months (60 percent altogether). Sensing that the arbitrators were taking into consideration the supply situation, the PDMA agreed at once. The workers, however, took some days to consider the offer, and then in a meeting of delegates of diamond workers' committees it was decided to extend the ultimatum for a few more days and to have a mass workers' meeting to have its final say. Consequently a split took place. Some workers, mainly in Netanya, stopped work for two days in protest against the postponement of the ultimatum, while others, mainly in Tel Aviv, agreed with the unions to allow the Jewish Agency another chance of mediation. Moreover, the PDMA and the unions composed a joint proposal for an agreement that was supposed to serve as a basis for negotiations and to avert the strike. The tension between the workers and the workers' committees on the one hand, and the unions who sought to extend the ultimatum and were criticized of curtailing collective action on the other, climaxed now, exactly when negotiations over supply in London reached their most sensitive stage.<sup>76</sup>

This pressure from below was depicted at the time as a rebellion of the workers and the workers' committees against the secretaries of the unions. It mounted now because of the fear of further reduction of rough materials and further dismissals. Consequently the workers' committees

demanded that the workers themselves voice their opinion and that the unions follow their say. A workers' referendum thus followed, organized by the labor councils and diamond unions in Tel Aviv and Netanya. It was first of its kind in the diamond industry and a clear demonstration of the challenges the political unions were facing during the war. Out of 3,600 diamond workers, 2,861 participated in the referendum, 1,953 voted to start a strike (1,524 in Tel Aviv and 429 in Netanya), and 859 voted for an agreement (684 in Tel Aviv and 175 in Netanya).<sup>77</sup>

The strike that broke out in mid-March 1944 was a corollary of the adaptation of the factories to the change in supplies on the one hand, and of the excruciating negotiations in London that caused shortages of rough diamonds in Palestine on the other. For the PDMA's leaders the strike was, as some manufacturers vehemently protested, like sticking a knife in the back of the manufacturers' delegates who were desperately attempting to secure the continued existence of the industry. "We see in this illegal and wild strike," wrote one of the PDMA's functionaries, "an intention on the part of the workers to prove that they and only they can determine what was right and what was wrong and they did not recognize any neutral authority and not even the unions who are party to the agreement." On their part the workers saw the strike as a means to restore rights they felt had been wrested from them. In reality the strike reflected the price the sides paid for keeping the Zionist institutions at distance.<sup>78</sup>

Hardly anyone suspected the strike would last so long; definitely not the British, who found it a puzzling phenomenon in such straining times of trouble in supplies and reorganization of economic priorities. The unions themselves were dumbfounded in the face of the preparedness of the workers to carry the material burden for such an extended period. Both owners and workers seemed adamant in their decision to continue the strike until one or the other would give way, and the labor department at the Jewish Agency found it hard to bring the sides to talk. What seemed to bring a thaw in the stalemate after a few weeks was the fact that workers were severely hit, materially and mentally, and, as reported by the activities of the strike fund, the unions jointly established the number of workers in need for financial assistance, which grew by the day. This was corroborated by the exponent increase in domestic work and in informal employment relations outside the factories. Second, the shared sense that the Palestine diamond industry might be dismantled at the end of the war brought the sides closer. This shared economic nationalism was in fact the concept around which the Jewish Agency arbitrators sought to weave an understanding, practically a reflection of what was earlier defined as the logic of the "triangular thread."<sup>79</sup>

However, as many items not complied with in former agreements had to be reopened, and as the workers were unwilling to forgo their demand

for compensation for the days lost in the strike, it took the Jewish Agency five weeks to renew the arbitration. The arbitration itself took another four weeks to conclude. The 46 percent cost-of-living allowance was reduced to 40 percent, the manufacturers agreed to pay the workers half of the wages they lost during their forced unemployment (itself caused by dearth of supplies), and the unions, to the dismay of many workers, agreed to replace their demand for a fixed minimum wage with a graded scale that promised to help the lower-paid workers but earned the better-off much less.<sup>80</sup>

The significance of the agreement was wider. It ended a very long conflict of nine weeks that involved 33 factories, more than 4,000 workers, and 170,000 to 180,000 work days lost—considered at the time one of the biggest in the history of strikes in modern Palestine. The exports of polished diamonds decreased tremendously, which threatened to reverse the continuous economic success of the industry. Because of the size of the workforce in diamonds in Netanya, the entire town was deeply involved in the strike and suffered substantially from the decline of workers' purchasing power. While the strike expressed worker resistance to abolishing their previous achievements, at the same it also pinpointed the employers' difficulty to adapt. The change from Sand to Melees required much less labor and brought the manufacturers less income. The narrowing down of supplies that followed the change of stone decreased the amount of work needed, and the workers clearly felt they had to resort to a temporary paralysis of the industry in order to force the manufacturers to protect them from the effects of the change. The tension this strategy caused between the workers and the unions, and the pressure the workers' committees exerted on the unions not to shorten the strike, taught the unions, and in particular the Histadrut, of their need to be more attuned to their organizational weakness among industrial workers. This would soon be reflected in the strengthening of cooperation among the five unions and in the enhanced power of the Histadrut among the diamond workers. Furthermore, it brought some unity to the front that stood against the PDMA and the manufacturers who from start wished to keep labor representation splintered.<sup>81</sup>

The boundaries the workers set for the manufacturers during this period of intensive supply politics, and the emphasis of the unions on respecting collective agreements, enhanced the voices inside the PDMA calling for further rapprochement with the Zionist institutions. The tightening of these relations was reflected in the assistance given by the Jewish Agency to the industry in summer 1944 in surveying and advising on the workers' pay structure. Significant too was the strengthening of ties between the agency's Department of Trade and Industry with Hennig & Co., the PDMA's brokers in London. Indeed, if the Zionist institutions

could be part of the campaign of the diamond industry to improve the supply position of the industry, they could well help to bridge over employment conflicts in the industry in Palestine itself. This growing Zionist rapprochement would become clearer after the war.<sup>82</sup>

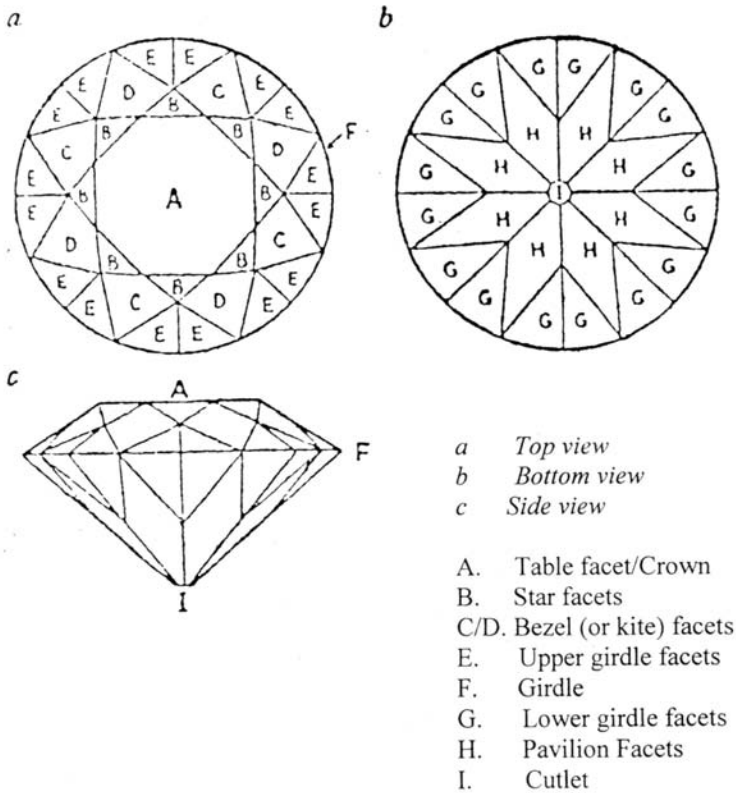


Illustration 5.1. Diamond cut. Source: Heinrich Goldmann, *The Diamond and its Making*. Tel Aviv, 1946.





Illustration 5.2. Diamond workers at a Netanya factory, 1946. Source: CZA/PHR/1174096. Used with permission of the Central Zionist Archive.



## Chapter 6

# LIBERATION AND LIBERALIZATION



An industry born and nurtured in such abnormal circumstances is ill equipped to face world competition . . . without some measure of guidance and control. . . . Newcomers avid to participate in the profits of the diamond industry without proper regard to the changed conditions . . . might well endanger the whole future of the local industry unless properly controlled. At the same time the maintenance in a sheltered position of some 33 factories who happened to be established when an embargo was placed on expansion is difficult if not impossible of justification now that the peculiar conditions necessitating the embargo no longer apply. [December 1945].

—Government of Palestine, *Report of a Committee Appointed by Government to Examine the Question of Post-war Regulation of the Palestine Diamond Industry*, 1946, 8.

### Contrasts at War's End

The evolution of the diamond industry has so far been shown to have been less a straightforward transplantation of expertise and occupational culture and much more a turbulent adaptation. In the technological make-up of the industry, in the organization of business, in relations with the sources of the diamond material and in the social unrest in the “diamond community”—in all these levels an intensive negotiation had been unfolding between the external and the local, the imported and the vernacular,

between the diamond industry as an occupational specificity and its dynamic as a social and political happening. Affecting this turbulence was the atmosphere surrounding the industry—its dramatic growth, its ambivalent absorption in a society not habituated to capitalist spurts, and in the organizational presence and power Jewish capitalists introduced to Palestine's urban economic scene.

The accommodation by local and nonlocal forces to the novelty of the industry and its claims and challenges was fittingly rugged and testing. On the one hand the industry experienced fierce "politics of supply" in London that forced it, even though Belgium was still under German occupation, to limit itself and to diversify its production process. On the other hand adversarial employment relations in the factories aggravated, and caused the manufacturers to reevaluate their apprehension of organized labor and their rejection of intervention by the Zionist institutions. These intertwined processes elucidated the complex nature of the industry: a capitalist venture with strong Zionist commitments, driven by the war and backed by the diamond cartel, dependent on and serving Palestine's colonial ruler, and experiencing in the midst of war and the genocide of the Jews in Europe the throes of its dependence on European and imperial considerations.<sup>1</sup>

The resumption of work in the factories after the long strike and the clearing of Ben-Ami took place against a growing awareness among the British diamond-control functionaries that something was fundamentally problematic in the logic they drew for the diamond project in Palestine. The project was a success and the capacity of the factories to adapt to the change to cutting bigger stones seemed to progress well. While the adaptation was forced upon the industry by a mixture of political and economic motivations, it brought out a technologically focused adaptive capacity instilled in the industry by the inventiveness of the experts and the sheer hard work of the workers, no less by shared expectation of the manufacturers and workers for increasing profits. The numbers reflected this well: while the number of factories and workers employed did not change between 1943 and 1944, the import of rough diamonds grew from LP 1,112,500 to LP 1,550,000, and exports of polished diamonds from LP 2,600,000 to LP 3,300,000. And while the share of diamonds in Palestine's industrial produce declined from 35.5 percent in 1943 to 32.6 percent in 1944, the role of the industry in the economy, in the country's exports, and in its American dollar income (\$22 million in 1942–1944) was undoubted. The forced stone change in autumn 1943 therefore taught the manufacturers that they still possessed the advantage of the absence of competition from Belgium and Germany and the persistence of American demand for stones for engagement rings. Learning to work a variety of stones was imperative and the British witnessed how all sides joined in an enthu-

siastic drive to assure the industry's survival and the maintenance of its advantages.<sup>2</sup>

However, this sense of a fruitful structuring of the industry conflicted with what the MEW recognized as a failure of control.<sup>3</sup> This was fully exposed during the visit to Egypt and Palestine in June 1944 by a mission headed by Joseph Lewis Reading (1907–1980) and the MEW's Diamond Committee. Reading's visit to African and Middle Eastern countries attempted to follow the trail of diamond smuggling. Examining closely the Middle East Supply Center in Cairo and the diamond factories in Netanya, Reading realized that British economic warfare was far from effective. Too many diamonds reached the Germans via Syria and Turkey, and the availability of large quantities of diamonds in Palestine helped maintain the smuggling networks. The visit consequently ended with the PDMA being forced to sign an agreement with Reading that conditioned further supplies to Palestine on the PDMA's commitment to send back to the Diamond Syndicate in London all the material unsuitable for cutting—the crushed diamond powder and unmarketable stones that potentially could be used by the German war industry.<sup>4</sup>

But could this tension between Palestine's fulfillment of the role assigned to it on the inception of the industry and British larger war aims and economic interests be relieved by these measures? The problem, as the exiled Belgians in London and the advisors on diamonds at the MEW recognized all too well, was that the industry in Palestine has long ceased being a mere alternative to Antwerp. Despite its dependence on external supplies, despite its need to diversify the stones it cut and the markets to which it sent the finished product—and more significantly despite the certainty of Belgium's future recuperation of its world supremacy in diamonds—the local industry had grown and matured. It stood on its feet, technologically and organizationally, and the four thousand employees showed energy and viability befitting an industry that ceased serving only war aims and had turned into a dynamo of economic growth, as the economies of Tel Aviv, Netanya, and Palestine as a whole proved.<sup>5</sup>

Increasingly this ripening was accompanied by economic nationalism. The industry cherished the independent space it carved for itself in world diamond cutting and in the Yishuv. And it cultivated an image of service to the Zionist project through the economic infrastructure of the Jewish polity, its export capacities, and industrial diversification. This self-legitimacy and claim for a role in the Zionist project was further based on the argument that after the war Palestine did not intend on competing with Antwerp but on "inheriting" the German diamond industry that before the war had been so threatening to Belgium.

During 1944 the idea of "inheritance" became the current catch phrase in PDMA circles, in its dealing with the Zionist institutions and in the poli-

tics of supply in London. If Germany and the rise of Nazism set the stage for the emergence of the diamond industry in the late 1930s, now they provided the fodder for its justified existence, viability, and sustenance in the face of both international pressure and internal turmoil. For the British to justify the limitation of the Palestine industry they had now, in the midst of the German extermination campaign, to counter this national logic, and they readily excluded this option.<sup>6</sup>

When the MEW and the Palestine government were placed in a similar dilemma in early 1940—namely, how to encourage the birth of the industry and also limit its expansion—their strategy was to entrust an industrial monopoly in the hands of an interested private entrepreneur, Oved Ben-Ami and to back his capitalistic autonomy from the institutions that ran the Zionist project he himself was very much a part. This strategy was now progressively becoming irrelevant because of the pressures on the PDMA from diamond manufacturers and merchants demanding more freedom of action, and from workers seeking a larger profit share and secured employment.<sup>7</sup>

No less influential was the rapprochement between the industry and the Zionist institutions that the British opposed from start. Between autumn 1943 and the summer of 1944, with the stone change forcing adaptation, supply politics becoming fiercer, and strikes becoming longer and ever more destabilizing, the trust in the PDMA's leadership weakened and the industry looked for external help. It therefore softened its antagonism toward the "triangular thread" and began to make more use of Zionist institutions for politics in London, for arbitration with workers in the factories, and assimilate more deeply in Yishuv society.<sup>8</sup>

The thaw in relations between the diamond manufacturers and the Zionist institutions was closely associated with the question of the industry's freedom of action during the war. The war produced an informal agreement of mutual gain between the British as the colonial rulers of the "Mandate state" and the Jewish diamond manufacturers as owners of private capital. In this agreement the former enjoyed an expansive addition to the Treasury's coffers, industrial means in the anti-German economic warfare, and a spirit of cooperation from the De Beers diamond cartel. The diamond manufacturers on the other hand gained the authorization to operate and export and exclusive opportunity for exponent profits. Couched in the agreement was a framework of action that limited purchase of raw materials in the free market, disallowed free merchant activity, excluded Arabs, and put a cap on the number of licensed manufacturers. This war-induced understanding contributed to the economic buildup of the Yishuv and its increasingly advantageous position vis-à-vis the Arab economy. At the same time, however, it effectively distanced the involvement of the Zionist institutions in the industry. Resembling the role of the state in the

formation of capitalism in various parts of the Middle East, the model of relations between state and capital created here for the private diamond manufacturers was indeed ambivalent: supportive and defending and at the same time regimenting and limiting.<sup>9</sup>

In the new atmosphere of Zionist rapprochement and the increasing palpability of the Zionist commitments of the diamond community, the British—the midwife of the industry—had to opt therefore for another strategy. Wholly oriented toward the future economics and politics of the postwar period and strongly guided by their relations with Belgium, the Belgian Congo, and the US, the strategy was nothing less than to usher the Palestine diamond industry to “normalization.” Until now the conditions in which the industry sprouted had been abnormal—war, distraught trade, government protection. In this climate a monopoly was *sine qua non*, and dependent and reciprocal relations between the colonial state and capital were fully acceptable. For the British the time came now to undo this peculiarity. And it was timely because the watershed event that was about to unfold now in Europe, namely, the freeing of Belgium from German occupation, was hoped for by many in the diamond industry in Palestine but also feared.<sup>10</sup>

In summer 1945 the wartime boom in Palestine’s economy gave way to a cyclical downturn and to the reemergence of widespread unemployment. The rising standards of living induced by wartime military demand now encountered decreasing wages and serious absorptive problems for ex-servicemen and for Jewish refugees from Holocaust Europe. Moreover, after the war Palestine entered a period of political destabilization caused by the aggravating tension between Arabs and Jews, British reconsideration of their presence in the Middle East, and the onset of the Cold War in Europe. No less dramatic was a contrasting vector of hope and aspiration. It was fed primarily by the political rise of Labor in Britain in July 1945 that began Clement Attlee’s majority government (to last until 1951), by the international mobilization of resources for the postwar economic recovery, and not least by the proliferation of international organs of economic cooperation and conflict resolution. Caught in between these two trajectories, Palestine society would be soon facing the onset of a postcolonial situation in which not only its political future was determined but also its economic character and the mode of operation of its capitalist and public economic agents. The diamond industry was an aptly instructive prism for this drama, and in particular for the reshaping of the existing model of state-capital relations.<sup>11</sup>

For the Palestine diamond manufacturers and workers the war ended twice. The first ending was on 4 September 1944, when following the rout of the German armies from Normandy, Allied forces surged eastward from France into Belgium and the city of Antwerp fell to the British. Five

days later the exiled Belgian government returned from London to Brussels, signaling the nearing transition of the gravity center of diamond supply politics to Antwerp, where the “diamond community” would soon be rebuilt. The news provoked mixed feelings in the diamond factories in Tel Aviv and Netanya. The relief felt by the end of the four-year German occupation was coupled with the awareness that the distancing of the Belgians from London would not ease the pressure the Belgians exerted on the supply policies of the syndicate. On the contrary, the rehabilitation of the diamond-cutting and -trading center in Antwerp (after being heavily plundered by the Germans) would divert attention from Palestine. Anxiety was further stirred by the wish of some diamond experts who had been absorbed in the diamond-cutting diasporas to return to Antwerp and to reinstate themselves in the occupational world their fellow Jews lost in May 1940. The number of the Jews in Antwerp, which stood at 29,500 in 1940, increased slowly from 800 on the liberation, to 1,200 at the end of 1944 and to 2,000 in August 1945 upon the return of Holocaust survivors. Despite the slowness, the recovery of the diamond business seemed assured. This was CODFI’s finest hour; its reserves began to be used from winter 1945 in the gradual recuperation of the diamond industry. Though quicker recovery was hampered by the massive German bombardment that lingered until March 1945, the liberation was a harbinger of the change that the industry in Palestine was about to experience. This was even truer upon Germany’s fall in May 1945, the actual end of the war, which situated the diamond industry in totally different circumstances.<sup>12</sup>

That the liberation of Belgium evoked mixed feelings can be seen from the need felt among decision makers at the Diamond Syndicate to give assurances to the manufacturers that Palestine would not be injured by the pending revival of diamond cutting in Antwerp. Adding to this atmosphere was the decrease in demand in the US for polished diamonds, apparently because of the approaching end of the war and because many who planned their return to Europe sold diamonds to finance their personal recuperation. “The Liberation of Belgium,” Ben-Ami telegraphed Ernst Oppenheimer in September 1944, “has placed bulk of markets [for] our finished stones in state of suspense which has considerably added to [the] difficulties of our industry.”<sup>13</sup> Panic spread in the PDMA’s offices and the unions’ secretaries were hurriedly called in for consultation. “[As] a result of the new situation created by the changes in the war front,” Ben-Ami told then, “it is clear we shall be facing a crisis. How we overcome it is difficult to determine and we must act so that the industry does not collapse. The crisis is serious and aggravating. It is difficult to know what the opening of the industry in Antwerp brings. We shall face changes in raw material and in adapting the wages. . . . We must take steps against



the expected trouble . . . [and] for the time being work only three days a week until the situation is clarified."<sup>14</sup>

Some manufacturers suggested to cease work altogether because of the expected shortage in supply of raw materials and reduction in prices. Others called to strengthen the PDMA's marketing campaign in India so as to counter the expected competition with Belgium over the American market. Palestine's brokers in London thought it was essential that a delegation come from Palestine to discuss the situation face to face with the syndicate and the Colonial Office. DCB chair Walsh was equally alarmed and emphasized that all involved in the industry should take into account that the approaching competition among the cutting centers would necessitate further efficiency and increase in productivity and would inevitably entail dismissals.<sup>15</sup>

The Belgians, for whom the recovery of the diamond industry was nationally paramount, were naturally agitated. The industry suffered a severe blow by the expropriation, deportation, and extermination of Antwerp's Jews, and its recovery would have to be based on newcomers that would have to be trained and continuously supplied with rough stones from London. Palestine was considered, despite the curtailment of half of its small-stone production, as a competitor and a real menace to the Belgian marketing potential in the US. The massive mining in the Belgian Congo—now safely back under direct Belgian rule—would have to be used, so the Belgians realized, as a lever against England and De Beers in case they sustained their support of Palestine. After all, the Belgian Congo was a convenient lever that supplied the uranium for American atomic bombs. As a national asset, diamond cutting and trading in Antwerp symbolized the country's victory in the long battle against the Germans, and Jewish diamond experts and merchants who populated the cutting centers in Palestine, London, Cuba, and New York (mostly non-Belgian citizens before the flight) were expected to return.<sup>16</sup>

The diamond manufacturers realized now that the conditions in which the diamond industry in Palestine had spurred were about to change. The fact that the syndicate freed for COFDI the stocks of small stones that were destined for cutting in Antwerp was only the first worrying sign. Though few in number, the manufacturers, experts, and merchants who moved from Belgium to Palestine in 1936–1940 might want to return to Antwerp, to what they had for long seen as the main world center of the industry. De Beers was likewise worrying, and despite the fact that Palestine had been one of the cartel's most loyal customers with LP1.5–2 million annual purchasing of rough diamonds, it concurred with Belgium's need to recover its industry. The Belgian Congo was the main source for the cartel's operations and profits, and the recuperation of the trading and cutting center in Antwerp would take care of the rough diamonds the

cartel was distributing. Palestine, according to De Beers, would not have to close down but downsize its activities, readapt itself to the changing circumstances of postwar Europe and to the changing needs of the cartel. The American market for the Sand small stones would need to reorient itself back on Belgium's hegemony, and Palestine could therefore keep on thriving on the production of Melees. Sales of diamonds might decrease now because of the change in consumers' behavior that the ending of the war might bring about. Belgium's recovery was therefore higher on De Beers's business preferences, much more than Palestine's steady growth, and thus a negative turn against Palestine in the politics of supply might be expected.<sup>17</sup>

From a local perspective the PDMA feared that new applicants to join the industry might endanger the monopoly. No less worrying were manufacturers wishing to free themselves from the PDMA and British control, merchants aspiring for full liberalization of controls, Arab diamond merchants who wanted to do away Jewish exclusiveness, and experts and cutters who developed home work. Diamond workers became equally anxious for the future of the industry and their employment. The expected change was even deeper. "It will be necessary to reduce our production costs as soon as Antwerp resumes exports on a larger scale," wrote one diamond business expert in December 1944.

Diamond cutting in Belgium before the war was a largely home industry and we shall not only have to reduce wage rates which are particularly high but also employ all modern methods of workshop management. It may be necessary too to revise the structure of the industry as a whole and to concentrate workshops in larger units. Experts consider it necessary to improve the training of the workers, whose present apprenticeship lasts only a few months, so that Palestine need not confine itself to small stones of the eight-corner type but might handle the larger and more valuable cuts and industrial diamonds as well.<sup>18</sup>

Clearly the defeat of Germany created a climate of material change, but also one of anxiety that could be allayed only through international cooperation, reliable state backing, and relaxed politics of supply. However, uncertainty overshadowed the politics of supply, in particular because pressure from the Belgians was only slowly building up. The extent of recovery of the diamond industry in Antwerp as well as the number of diamond manufacturers and merchants who returned to Belgium was unclear to the manufacturers in Palestine. More than 30,000 diamond cutters in Europe ceased work in the wake of the war early in the decade and the resumption of activity of those that survived was yet unknown. Equally enigmatic was the future behavior of the consumers of diamonds, whose demand during the war favored Palestine and for whom the transition to peace was financially bewildering.<sup>19</sup>

Perhaps more significant was British ambivalence. Their interest in the recovery of the Belgian industry was unquestionable. Diamond mining in Sierra Leone was important for them and they wanted a stake also in the Belgian Congo, in particular in the context of British relations with the Americans and the latter's total opposition to cartels. The support in De Beers and the syndicate was essential for the British financially, and no less so if they wanted to develop a viable diamond cutting center in England itself, something they failed to do during the war. And the latter could be harmed if Belgians exiled in London were now forced to return to Belgium because England was committed to help the revival of the Belgian diamond industry. Moreover, too uncontrolled competition in the diamond world might harm the image of diamonds as an investment and their prices might consequently be hurt and the cartel harmed. Continuity in support of the diamond industry in Palestine seemed therefore assured, but its excessive expansion and competitive power had to be curtailed so as not to hamper Belgium's recuperation. This was also the logic drawn by Mathias and the Colonial Office on the eve of the German occupation of Belgium in 1940 when Germany's quest for diamonds was a real threat.<sup>20</sup>

To ease the tense atmosphere Ernst Oppenheimer, the syndicate, and the British organized a conference in London in December 1944. The occasion allowed Oved Ben-Ami and Albert Ehrenfeld to try to gain the consent of the Belgians and the syndicate on distribution of raw materials and on the level of wages paid to the diamond workers. During the conference a meeting was held between Frederick Mathias, the advisor on diamonds for the Americans Sidney Bull, and John Fletcher of the Palestine government to discuss diamond control. The system in Palestine (the PDMA being the sole importer, the Diamond Syndicate the sole seller, and the government and the MEW in London as the licensing authority) seemed to the participants to be successful in preventing diamonds leaking to Germany and Japan. Control was not to be relaxed, therefore, until the war was over, as long as the threat of leakage continued and unlicensed manufacturers threatened to enter the scene. It was decided that as long as Belgium and Holland did not fully recover, it was the PDMA, as the effective means in British hands that should restrain on behalf of the British authorities the expansion of the industry while expanding the income of American dollars. Control of diamond exports was to be retained so as to prevent the fleeing abroad of capital from Palestine and in order to maintain currency control over exports. All in all, the participants in the meeting surmised, the PDMA's future should not be compromised and massive unemployment in the diamond industry should be prevented until normal conditions resumed in the Low Countries. Conceived now as replacing the prewar German diamond industry, Palestine was assured of De Beers's supplies and was even allowed to buy a small amount of

rough diamonds from non-Diamond Syndicate sources. The British were clearly thinking of how not to threaten Belgium's capacity to recover. At the same time, however, they continued to care for the stability of the diamond industry in Palestine, for its service to British interests, and thus for the PDMA's power.<sup>21</sup>

It was in this context that the London conference advanced—months before the formal ending of the war—the concept of deregulation. The concept was aired earlier by both people in the industry and government officials who envisioned a competitive postwar economy and who sought to advance liberal notions of lessened state control. Ideas and policies on economic deconcentration became prevalent in Europe at the close of the war and undoubtedly had their impact. The British Economic and Industrial Planning Staff, an interdepartmental body set up in the government in London in early 1944 to study the economic plans for liberated or occupied territories in Europe and in which the MEW played a leading part, further contributed to crystallizing the concept. Accordingly the future of the industry and of the diamond monopoly would be normalized and judiciously planned and the planning would be drawn jointly by all involved in the industry—the manufacturers, the organizations, the British, and even diamond merchants whose freedom of trading activity had been heretofore restricted. The diamond industry, Britain's "special native," whose development was directed from above from start, was therefore to plan its own restructuring and prepare its own normalization. If in early 1940 the principles formulated by Frederick Mathias gave the industry its basic form, and if in the course of the war they had been challenged (by the spurt of the industry, the failure to totally secure diamonds reaching the Germans, and by the persistent turbulence in industrial relations), now the emerging peace in Europe required a further adaptation of the original assumptions and structures, and the full participation of all those concerned with diamonds in the transformation.<sup>22</sup>

Evidently, there was in this normalization concept a sense of the future viability of the diamond industry, and that the fears of pending collapse at least in the short run were exaggerated. The British continued to support the PDMA and the manufacturers and they kept on enjoying the massive gains of hard currency Palestine's diamond exports were producing. The government also considered the industry a potential absorber of ex-servicemen in the Palestine economy, a thorny social and economic issue that they had to handle after the war, in particular because as a Jewish-only industry they did not mean it to cater Arabs as well. Moreover the local diamond industry seemed to the British to be a proper counterbalance to the potential revival of the diamond industry in Germany. The cartel itself, as Ernst Oppenheimer and the syndicate repeatedly stressed, was still interested at this point of time in a strong diamond-cutting indus-

try in Palestine that until Belgium's fuller recovery would be a consistent buyer of its rough diamonds. Such an outlet served the cartel well as the mining companies in the Belgian Congo were promised unmitigated sales through their relations with the cartel.<sup>23</sup>

These myriad interests resulted in a comforting agreement signed at the conference in January 1945. The agreement supplied Palestine, in addition to the Melee and Sand quotas, with a variety of rough diamonds that allowed the industry to diversify and specialize in cutting and polishing larger stones. The PDMA was allowed to expand its membership and the new members were assured of receiving supplies. Furthermore, the Palestine factories could now maintain the existing cutting and polishing labor force and even train and employ a limited number of cleavers—a highly skilled diamond-splitting occupation that had hitherto been absent from Palestine. Even more significantly the conference agreed to liberalize controls—Palestine could add other sources for the rough diamonds it purchased from the syndicate, notably from South Africa, and it could expand the marketing of the stones polished in Palestine to Middle Eastern and other Asian countries. The conference thus assured the continued operation of the Palestine factories: it freed its long-standing focus on the single market of eight-cuts marketed in the US, and it did so without compromising Antwerp's recovery of its prewar hegemony. Instead of competition, so the conference hypothesized, Palestine and Belgium were now to cooperate, to supplement one another in supplying the world markets that seemed now to offer ample room for both. In these new circumstances the PDMA would have to change and liberalize, but it could still reserve its powers and preside over the liberalization process and initiate the industry into the circumstance of the peace.<sup>24</sup> No wonder that the PDMA and the diamond manufacturers perceived these assurances not only as an expression of gratitude for war service but as virtually placing Palestine on an equal footing with any other diamond industry in the world. Praised by the Hebrew press for the achievements in London, the diamond manufacturers could now sense the extent to which their industry was progressively expressing a national asset and contribution to the Zionist project in Palestine.<sup>25</sup>

The favorable atmosphere the British and the Diamond Syndicate created for the Palestine manufacturers in winter 1945 was obviously backed by the chaotic conditions in liberated Antwerp that hampered quicker resumption of Belgian production and export. Romi Goldmuntz arrived back in Belgium only in March 1945 and the distribution of CODFI's reserves among the dealers and manufacturers would start only few weeks later. The transition from British control over the diamond industry and its revival to the Belgian Diamond Office (fully completed in July 1945) was cumbersome. Compared to the thousands of diamond cutters employed

in Antwerp before the war, by the end of spring 1945 only 5,600 diamond cutters resumed work, and the city's diamond exchanges would fully resume their activities only in early 1946.<sup>26</sup> This lag between liberation and recuperation allowed Palestine to exploit the reputation it had acquired in the American diamond market during the war. Consumption patterns among the American middle classes reacted slowly to the transition from war to peace and could thus contribute the persistence of growth in Palestine's diamond output and exports. In May–December 1944 alone, Palestine doubled its exports of polished diamonds, and between 1944 and 1945 its exports increased from 79,000 carats to 138,000.<sup>27</sup>

The situation in the Tel Aviv and Netanya factories seemed equally encouraging. While in summer 1943 some 3,800 workers were employed in thirty-three factories, in spring 1945 the number increased to 4,000 workers and few months later to 4,500.<sup>28</sup> The expansion of the labor force followed the adaptation of the industry to the earlier change in small diamond production. However it also reflected the training of workers and ex-servicemen who were absorbed in the industry between the end of the war in May 1945 and early 1946 despite the anxiety over Belgium's recovery. Encapsulated in the phrase "peace scare," this contrast between growth and an escalating sense of foreboding was the reason why the end of the war was more crucial for the diamond industry than the liberation of Antwerp few months earlier. Only now would the conditions of emergency and noncompetition begin to change, and the fate of the diamond-cutting diasporas that were born in the wake of Antwerp's paralysis would be tightly linked to Antwerp's return.<sup>29</sup>

## Incipient De-Control

The immediate impact of Belgium's liberation and the end of the war on the diamond industry was not expressed in short-term material effects but rather in the assembly of exogenous and local forces that coalesced in the second half of 1945 around the consensus on the normalization of the industry, its deregulation, and practically its architectural restructuring. The British-Belgian-De Beers axis was the main force.

In June Mathias paid a crucial visit to Belgium, still a military zone, and prepared an agreement between the British and the Belgians to forestall the menacing revival of the German industry. The Belgians succumbed to the British demand that the entire industry in Antwerp should stick to a one-channel supply—that is, to purchasing rough stones only at the syndicate—and that London should remain the world center of distributing the raw materials. "This agreement, we think, will go further than the mere selling of Belgian diamonds through London," emphasized Math-

ias. "It may probably ensure that all future productions shall come direct to London and be sorted here instead of, as was the practice before the war, in Belgium." In return the British promised the Belgians full commitment to the recuperation of their diamond industry and the revival of their prewar world hegemony. The logical consequence of this reciprocity was restraining the expansion of the diamond industry in Palestine.<sup>30</sup> "The industry which has sprung up in Palestine appears to be the bone of contention," added Mathias.

It was explained to the Minister of the Colonies at the official reception, and later to a general meeting called by the Minister for Economic Affairs, that the development of the industry in Palestine was a consequence of the chaos produced by the war. England at the time stood alone facing bankruptcy so far as foreign currency was concerned, and we were compelled to use diamonds in order to better our financial position. Palestine was at present restricted to 3,500 workers which represent only about half of the number employed by Germany prior to the outbreak of the hostilities. Palestine further realized that their long-term policy must be one of full employment and was under no illusions that certain considerations militated against the further expansion of their industry.

Mathias then listed the considerations: First, the limited supplies of suitable rough diamonds available. Second, the possibility of removing diamond control in Palestine with the result that small manufacturers and private individuals would start up competition with the bigger firms. Third, British commitment to "the status of the industry in the Low Countries,"; and fourth, the growth of the industry in other parts of the world. Mathias then concluded that in order to secure recovery, the Belgians would to attempt "to recall their nationals to further their own industry and this they proposed to do by sending an official delegation to various countries with a view to encouraging the return of these ex-patriots."<sup>31</sup>

Aspiring to reinstate their hegemony, the Belgians were naturally concerned with the state of the diamond diasporas, in particular the Cuban and the New York centers because of the large number of refugees from Antwerp who settled there. Palestine was, however, their main problem, realizing all too well that only the British and the Diamond Syndicate that made the industry thrive could reshape it. Their interest in the return of diamond manufacturers and experts from Palestine to Antwerp further dictated their preference for a nonconflicted approach with the British, De Beers, and Palestine itself that owed much to their traditions and occupational culture.<sup>32</sup>

The British and De Beers concurred with this consensual approach, in particular after witnessing the aggressive politics of COFDI during 1943–1944. Palestine seemed to the diamond cartel to be a long-standing, loyal consumer of its rough diamonds and a sort of backing against antitrust proceedings in the US, and against Belgian usage of the mines in the Bel-

gian Congo as a lever. It adapted to the cartel's policies during the war, its ethnic insularity proved efficient and reliable, the brokers that represented it were among the pillars of the trade, and it agreed to the arrangement to limit its purchase outside the syndicate to the necessary minimum. For both the cartel and the British, Palestine's runaway expansion could threaten Antwerp, but it should not be totally done away with because the PDMA's monopoly position and dependence on the British and the syndicate were essential to the restraint of competition against Belgium and to the absorption of ex-servicemen in Palestine itself. Thus, the only way to resolve the invigorating conflict between the expansion of industry and the need to promote Belgium's recovery was "normalization."<sup>33</sup>

The pressures to move in this direction came also from other sources, in particular from groups that heretofore were kept outside the industry. One was the Zionist institutions who at this period of political transition were deeply engaged with economic planning and institutionalization of their power. Normalization of the industry was in line with the more general work of the industrial planning committees of the Jewish Agency and with its quest to reshape the relations of the diamond industry with the Yishuv. Another more vocal group was the diamond merchants. Arab merchants gathered around the Nablus-based Johar Company pressed the British to free the entry of non-Jews into the industry.<sup>34</sup> Jewish diamond dealers and traders who were traditionally close to the Tishby-Weiss camp and the Diamond Club (see chapter 1) and lost ground to Ben-Ami and the PDMA's monopoly in 1940 pressed now for deregulation and direct exporting ties with New York and South Africa. One such body, the Diamond Traders Association, which consisted in summer 1945 of fifty-eight licensed diamond exporters, emphasized free trade and severing trading from the PDMA's control. Common to all these forces was the deepening sense of dissonance between the climate created by the approaching end of the war and the controls that the British and the PDMA operated.<sup>35</sup>

Support for the merchants sprang from within the PDMA. The inquiry committee that in June 1944 exonerated Ben-Ami of misbehavior restrained the voice of the opposition, but not for long. Upholding the message of democratization of the PDMA's structure and organizational culture, the opposition led a campaign to transform the constitution of the manufacturers' association, to decentralize the organization and recover the PDMA from collusive financial operations. Unsurprisingly the campaign, which paralleled the bewilderment caused in diamond circles by Belgium's liberation, also protested against that distancing of the industry from the old, established Belgian traditions. Furthermore, the opposition sought the support of the Jewish Agency and the Palestine Manufacturers' Association, which seemed, at least in principle, a force the PDMA needed in the politics of supply. Abolishing the monopoly and the com-



pulsory membership of diamond manufacturers in the PDMA brought these forces together.<sup>36</sup>

These pressures forced the PDMA to propose in June 1945 to transform state control of the industry into regulation and to assure that the new mechanism would not in any way challenge British support for the recovery of the industry in Antwerp. The argument was that the British were so instrumental in the establishment of the industry, its linkage to the syndicate, and its success that it should continue perceiving the industry as serving a British interest and thus persist in regulating it and preventing its demise. The state, as the interwar period taught, was instrumental in protecting industries from fluctuations and shocks and now, in the new postwar conditions, such protection should be expressed also in economic planning. The planning should indeed allow the diamond manufacturers' freedom of action, but the factories should still remain as members in one association and manufacturers would still have to be licensed by the government. As the diamond industry yielded so much, the state must be interested in its normal and healthy growth (especially now upon Belgium's return to business) and it must therefore make it its concern and not leave it only to those that profit from it. The purchasing of the rough diamonds could be also from non-Diamond Syndicate sources but would remain centralized. A special diamond-manufacturing regulatory board should make the new regulation of diamond production operational and act as an official channel between the government and diamond-producing or -buying countries and the cartel. The PDMA would, however, maintain its dominance. It clearly wished for attenuated regulation and "a gradual transfer to deregulation," not the total abolishment of control that might have endangered the industry altogether.<sup>37</sup>

Led by Moshe Offen, Zeev Nagler, Asher Daskal, and Zvi Rosenberg, the opposition reacted with a firmer liberal approach. They argued that they saw the compulsory membership in the PDMA as a temporary government measure. The threat of diamonds reaching the Germans was over and there was no need to maintain the PDMA's centralized structure and forced membership. Why bar a manufacturer or an expert who was active in diamonds abroad? Why should a mature diamond industry be controlled from above and the finished stones supervised at all? Why should factory force to retrain a worker to work on stones dictated by the syndicate and why not allow him to be hired concurrently by more than one employer? Why limit the expansion of the industry at all by disallowing its turning to non-Diamond Syndicate sources of raw materials? Before the war the industry in the Netherlands was severely restricted and that in Belgium was freer—the first failed and the latter succeeded. Even if control were needed, why should it be enacted by the government and not by an exogenous body? "In our view" concluded the opposition, "there is

no justification whatever in allowing the destinies of capitalists, experts and workmen to depend on the whims and ambitions of a group of persons who are mainly guided by what they regard as their own interest."<sup>38</sup> "In peace time diamonds are a 100 percent non-essential commodity," explained diamond merchant, Norbert Guttenberg in autumn 1945. "Who then is interested in the regulation and control? Certainly not the population at large and not the government. . . . The only small and insignificant part of the population who will benefit from such control and whose only aim is to benefit from such control are the owners of the existing diamond factories in Palestine, at the expense of all other persons interested in that industry, including the diamond traders and workers."<sup>39</sup>

The Histadrut was also suspicious of the PDMA's proposal. It feared that deregulation would bring wages down and thus harm the industry and the workers, but also help the Belgians and the workers in Antwerp who backed the world hegemony of their industry and joined in calling for Jews to return to Antwerp. Deregulation would mean that anyone could buy and sell diamonds and thus (similar to what happened in prewar Antwerp) the industry would splinter into small units, domestic work would flourish, family and child exploitation would be rampant, union membership decline, and collective (and strike) action made impossible.<sup>40</sup>

The British reacted to the proposal with an uncharacteristic hesitation. Since the end of 1939 they cultivated special relations with Oved Ben-Ami and the PDMA, and guarded the monopoly through a multitude of directives and orders. Even when they acted to restrain the industry's expansion they never gave up the diamond production and exporting system they created with Ben-Ami and the PDMA's fellow manufacturers. If they wanted to put an end to the industry in Palestine so as to facilitate Belgium's recovery and to encourage Belgian refugees to return to their prewar businesses, they could have done so swiftly by drying up Palestine's rough diamond resources or by allowing total freedom to buy, produce, and sell diamonds. Why therefore, the British pondered, give up a financial resource that was so essential to the Sterling Bloc countries? Why not keep on using Palestine as a warning to the Belgians not to alienate themselves and the Belgian Congo from London? Germany would now want to resume its own diamond industry that had fared so well before the war—why not therefore give the diamond manufacturers in Palestine what they wanted, which was "to inherit Germany"? Furthermore, harming the industry in Palestine might harm the syndicate. De Beers was aware of the slowness of recuperation of diamond cutting and trading in Europe, and Oppenheimer, De Beers's chief, was after all an ardent sympathizer of the industry in Palestine that was still a serious buyer of rough diamonds. The British oscillation reflected, therefore, a wider transitional phase both Europe and Palestine were undergoing. In Europe it was not

clear yet what would be the tempo of Belgium's economic recovery and what were the best means to prevent German reindustrialization and remilitarization. Equally perplexing was the British capacity to withstand anticolonial pressures in Palestine in a period when the position of the Middle East in the incipient Cold War was becoming essential.

If in winter 1940 the calculations made by Frederick Mathias, and the advice he gave to the MEW, sufficed to decide on the establishment of the industry in Palestine, the questions the British were now busy with were to be handled differently. First, from around spring 1945, the British aired the idea that the capacity of the diamond industry to survive in the competition expected to be renewed in the postwar period, and it should be deregulated. Second, in order to materialize the new organizing principle and do away with the oscillation, the professional opinions of the entire diamond industry in Palestine, including those knowledgeable about diamonds and not part of the monopoly and the Ben-Ami clientele-like system, were now to be probed.<sup>41</sup>

The final move was made by the DCB where Walsh, Fletcher, and Ehrenfeld, the actual controllers of the industry in Palestine, advanced the establishment of an inquiry committee to decide on the extent and mode of deregulation. They agreed that the government should help the industry in coming out of its monopoly state, in particular as nowhere in the empire was there control over a commodity that was not the natural product of the country exercising control. On the other hand a certain measure of state control should still be maintained for it could advance the reputation of the industry, its workmanship, and financial orderliness. Furthermore, the nature of deregulation should be decided upon only after the inquiry committee heard all the forces in the industry, in Palestine, London, and even in Antwerp. After all, Palestine was destined to adapt itself to Belgian traditions and to the needs entailed by its recuperation. Indeed the committee established on 22 August 1945 was not to become a fiercely debating site between supporters and opponents of deregulation. Rather its findings would turn into a policy of bringing together the various parts of a jigsaw puzzle the British had gradually concocted since early in the year and would complete and turn into a policy when the British, largely following an investigative visit of Geoffrey Walsh to Antwerp in spring 1946, gave the inquiry's report their formal blessing.<sup>42</sup>

While the inquiry committee was making its initial steps, a sudden and dramatic reduction of rough supplies to Palestine was announced. The reason for the urgency was the growing pressure of the industry in Antwerp on the syndicate to secure more supplies. Influential too was a periodical slowdown in diamond mining mainly in the Congo, which raised prices for the buyers of rough stones at the Diamond Syndicate and narrowed down production. An atmosphere of invigorated competition

among the diamond centers was noted by the press, and Ben-Ami's and Ehrenfeld's achievements in securing supplies in winter 1945 seemed futile. Palestine's annual exports of polished diamonds showed a decrease from LP3,325,117 to LP2,808,433.<sup>43</sup> Consequently the PDMA discouraged new applicants and the British again rejected the application of the Arab merchants at the Johar Company. Diamond cleavers, only recently allowed to operate in Palestine, were threatened to be left without jobs, and ex-servicemen and refugees from Europe seeking training in diamond cutting were turned away by the manufacturers. Reaching an understanding with the cartel on the one hand, and with the Belgians on the other, became essential now.<sup>44</sup>

The International Diamond Conference that assembled in London in September 1945 became a crucial site for Palestine to discuss these issues. The conference was aimed at creating a World Society of Diamond Manufacturers. It signaled the governments of the participants that as much as each center was advanced and protected as a dollar earner and a national asset, some cooperation was still possible. Its common ground would be the support of the revival of the Belgian diamond industry and the quelling of the German one. Other guiding principles for the postwar period were advanced as well—international accommodation of supplies of rough stones, workers' wages, relaxation of trade restrictions, and freedom of international trade. In this atmosphere the PDMA's entire rhetorical arsenal was employed so as to allay Belgian resistance to Palestine and promote the notion that, rather than aiming to compete with the Belgians, Palestine was the legitimate successor of the Germans, in particular now when the full extent of the Holocaust became clear. Convinced on these moral and political grounds, the syndicate finally promised to supply Palestine with rough diamonds for six months and to negotiate on future supplies. However, it was clearly the narrowing of mine production and growing Belgian pressure for a larger share of rough diamonds (so as to allow a quicker recovery) that were behind this decision. Moreover, the syndicate made it clear that Palestine must further specialize in stones bigger than Sand—the small stone on which the recovery of Antwerp depended.<sup>45</sup>

From London, Ben-Ami rushed to Brussels in mid-October 1945 to find further support for Palestine in the convention of diamond manufacturers and merchants. It was here that Ben-Ami heard again the Belgian demand that Palestine should not expand production and exports until Belgium recovered, and that wages and prices should be internationally coordinated. The agreement signed at the convention between the PDMA and the Belgian manufacturers coordinated the opposition to the revival of the German industry, dictated similar wage structures in the diamond industries of the two countries, and, significantly, included the obligation of Palestine not to accept new apprentices for training.<sup>46</sup> In the final

analysis these international strictures on Palestine weakened the PDMA and cemented the campaign in London and Palestine to do away with the monopoly. The Histadrut, flabbergasted at the PDMA's acceptance not to absorb more workers, now supported the deregulation of the industry. In the PDMA itself it was felt that without restructuring the monopoly and liberalizing the industry, the search for non-Diamond Syndicate sources for rough stones and new markets to sell the polished stones would be futile. Ben-Ami himself realized now that the PDMA could not remain a state-backed monopoly forever.<sup>47</sup>

## Deregulation

This certainly influenced the members of the Inquiry Committee and its deliberations. Geoffrey Walsh, the government's chief economic advisor and the head of the DCB, chaired the committee. Next to him was John L. Fletcher, the manager of customs, DCB member, and formerly the controller of light industries; and L. D. Watts, an expert accountant. The secretary of the committee was B. G. Bourdillon, the assistant to the government's chief secretary. Most of what has remained of the committee in the archives are the PDMA's preparatory notes, the report the committee's members wrote at the end of December 1945 on the basis of some sixty testimonies, the reactions the committee solicited in order to produce a final version, and the related visits to Belgium in spring 1946 after which the committee's report was made public. Most of the deliberations did not survive the fires that erupted at the offices of the controller of light industries in Tel Aviv in November 1945, and on the bombing of the King David Hotel in August 1946 in which Walsh and Bourdillon were killed. These materials enable us, however, to understand the various conceptions of postwar industrial planning of the British and the Yishuv, and more crucially the reshaping of the place of private capital and capital's relations with the structures of the state after the war.<sup>48</sup>

The clearest statement of the committee was its emphasis on the need for the diamond industry in Palestine to change. The industry grew in "extraordinarily favorable conditions due entirely to the war." First and foremost it enjoyed "the complete absence of competition from the important and old established diamond cutting and polishing industries on the continent of Europe." Second, because rough diamonds were "so easily transported across the most closely defended of frontiers and of great potential value to the enemy" an extremely close control was necessitated. To these two "peculiar features" was added the forwarding to "the infant industry in Palestine" of supplies of rough diamonds that would have been "normally" allocated to the older centers. Fourth, once it was real-

ized that the local industry turned into a serious “dollar-earner factor” in Palestine’s export trade balances, it became in the interest of the British authorities that supplies be maintained, the operations safeguarded from misuse, and the industry developed “on sound lines with due regard to the eventual return of Belgium and Holland to the field of competition.” Fifth, the resulting structure of operation was the confining of raw material supply to one source (the Diamond Syndicate) and the confining of its distribution to “one narrow channel” (the PDMA). The consequent sixth aspect defining the anomalous operation of the industry was that as a consequence of its closure to new manufacturers, the cutting factories reached high levels of prosperity, “extremely good profits,” and “high wages to the workers.” Clearly, stated the report, “an industry born and nurtured in such abnormal circumstances was ill equipped to face world competition in the fields of procurement of the rough or in the disposal of polished diamonds.” The report stated therefore that it wished the industry to develop along healthier lines and that “the aim of the Government should be the eventual freedom of the diamond industry from all control.” In the transitional period some regulation would be maintained—that is, until normal conditions returned and the local industry adapted to the inevitable shock of reduction of supplies and to the reappearance of world competition.<sup>49</sup>

But how was the new form of control to be achieved? British control of the diamond industry reflected government intervention in the economy and in Palestine’s civil society in general because it was, above all, a web of threads and links. Walsh and Fletcher worked to link the PDMA and the associated banks with London, with the Colonial Office, and finally with De Beers. Ben-Ami’s contacts were often made through the government controller, and Palestine’s high commissioner could design an economic policy in relations to this war-essential industry by counting on the reports discussed together by control and PDMA officials. More significantly, control meant inspection of quotas, regulating imports and exports, licensing and selection of the diamond manufacturers, and no less so exhibition representation in fairs and shaping of a language that was destined to mirror a supposedly imperial achievement. The entire structure was formalized within the government’s Defense Regulations, a legislative project that endowed the PDMA with the power and authority it enjoyed during the war. The committee asked therefore how to restructure the industry in such a way that it could survive without harming Belgium and without suffering from competition with a recuperated German diamond industry. How to end the wartime umbrella the state gave the industry without creating an anarchy that could both endanger the industry and the care for Belgium’s recovery?<sup>50</sup>

The division of opinions among the witnesses and members of the committee over the nature of the new form of control reflected the power

structure. One group of witnesses were the PDMA representatives, worried that import, cutting, and export functions would be severed and that the British umbrella was about to be taken away, but keen to adapt the monopoly to the inevitable change. The second group consisted of the experts in cutting and trading, partly involved in the industry but mainly kept aside for being involved with the “national camp” earlier in the decade or for simply unwilling to accept the PDMA’s rules. Perceiving themselves as standard-bearers of occupational and organizational traditions, they constituted an opposition to the PDMA’s hierarchy and were eagerly awaiting a climate of less-politicized and -militarized industry and one of more focused occupational culture. The third group gathered all sorts of newcomers who wished to integrate with the industry and join in its “celebration” of profit and provision of luxury. Finally there were the merchants, wishing to specialize in import and export, proud in their world connections and, after being restricted during the war, seeking a free post-war world of trade.<sup>51</sup>

Clearly the last three groups had in common their wartime exclusion from the monopoly, their incessant patrolling of the industry’s boundaries. Moreover, it was the differences between the first two groups over the supply and distribution of rough diamonds and over licensing new manufacturers that made them two distinct schools of thought. In the name of efficiency and specialized manufacturing, the experts’ camp opposed the monopoly of the Diamond Syndicate and of the PDMA, called for licensing specialized exporters and for obtaining the rough stones also from sources outside the syndicate. These proposed actions would mean significantly decreasing the intervention of the government in the industry. The PDMA’s representatives agreed with the call for further efficiency but opposed an outright opening of the ranks. Safeguarding their own interests as manufacturers and experts, they wished to see the government protecting their status albeit with a softer version of control and with easing the single-path dependency on the syndicate.<sup>52</sup> The final word of the committee was that eventually the industry ought to be freed of government control and the PDMA should be transformed from a compulsory association to a voluntary one. Import of rough diamonds would have to be opened to importers outside the PDMA and new factories would be permitted to operate. However there should be must be a transition period of regulation until normal conditions resumed and the government and the industry fully adapted to them. Government control would be therefore maintained so as to ensure both the industry’s healthier development and that the industry would survive the crisis expected to follow after the reduction of supplies and reemergence of world competition.<sup>53</sup>

The committee’s report was concluded in December 1945 but not made public. For all intents and purposes it turned now into a battleground.

Many in the PDMA who supported liberalization still feared losing the monopoly. Jewish diamantaires abroad who wanted to immigrate to Palestine preconditioned it on changing the PDMA's authoritative structure. The pressure from the supporters of freer trade remained frail because the PDMA, still backed by Walsh and the CO, could still pull the strings. Moreover, the government itself conveyed the message that the conditions for implementation of deregulation had not ripened yet. On the other hand, many forces that pushed for deregulation and abolishment exerted concerted pressure to advance the process. Among them were the Exporters' Association of Palestine Polished Diamonds (79 members in spring 1946), the Palestine Diamond Club (125 members), the Diamond Traders Association (importers, 39 members), and the Palestine Cleavers' Organization (39 members). These groups were, however, rejected by the government in the claim that as the industry was now battling to get supplies and position itself in the new conditions of Belgium's return, freeing the industry of its monopoly structure would only bring chaos, uncontrolled home production, and unemployment.<sup>54</sup>

While the orientation of the report was already clear to diamond circles, in Palestine it was felt in the government that the committee's recommendations had to be checked against the models of diamond production and government control that were now evolving in Belgium, and against the tension between the cutting centers. For this reason Geoffrey Walsh, one of the main architects of government's economic policy and a key figure in the development of the diamond industry, was sent to Europe. Walsh's own report was added to that of the committee's so that the CO and the government would better understand how a diamond industry could practically operate without government control. Walsh admired the Belgian model in which diamond dealers and manufacturers gathered in a Diamond Club—a keeper of high professional standards and a moral barrier against malpractice. The club cooperated with a Diamond Office, which was government controlled and which inspected the import of the rough diamonds and the export of the product. It was a liberal and plural model, but at the same time by interdicting the flight of diamantaires' capital abroad it harnessed the industry to the needs of Belgium's recuperation. The model did not entirely exclude governmental presence but was based on a subtle cooperation. Walsh saw here an apt example of how a control-free industry could still serve both imperial needs, reflected in dollar income, and local-developmental ones, namely, Palestine's economy. Furthermore, Walsh saw the model as another application of a European financial culture to be introduced in the Middle East where suspicion of the way business was conducted was part of the British experience and paternalist approach. Finally, though the model allowed purchasing raw diamonds from more than one supplier, in practice the De Beers monop-



only remained unchallenged and thus the relaxation of controls was somewhat mitigated. Consequently in early June 1946 the government decided it was time to make the recommendations of the committee public.<sup>55</sup>

It would take some time for the full effects of deregulation to show their mark. The industries in Belgium, the UK, and the US were at this point in time much more deregulated than in Palestine, where deregulation mainly took the form of freer imports of the rough diamonds and gradual separation of imports of the rough stones from actual cutting.<sup>56</sup> Still, the publicity of the report and its much-debated recommendations for a freer industry made liberalization irreversible. The reasons were clear. First, in a reversal of the 1940 principles, the policy that followed the committee was now of doing away with the PDMA's monopoly and allowing new manufacturers and capital owners to join in. Second, trade was made freer, as exemplified by the opening of the diamond exchange in Tel Aviv. Third, exporters could now operate more freely, organize themselves separately from the manufacturers, and cultivate ties with manufacturers in other countries. In common these immediate effects of deregulation constituted a transition from state-sheltered capitalism to a more independent one.<sup>57</sup>

More than any immediate consequences, deregulation meant a change in the basic assumption shared by anyone producing or dealing in diamonds in Palestine since the mid-1930s: that as private and capitalist producing and dealing in diamonds has always been, it has never been free of dependence on the state or of state intervention. Even if formal authorization to anyone wishing to be active in diamonds were successfully bypassed and informal activity was practiced, the transgressor's concern would always be there that at one point or another he would tackle a delimiting state authority or the PDMA as its proxy. The obligations to be a PDMA member, to buy rough diamonds only from the syndicate, and to export all the finished product were the formal expressions of what turned into a distinct social reality of a Jewish-only industry. The later was deeply protected and manipulated by the interests of the British and the syndicate, heavily guarded by the Ben-Ami citadel-like administration of the industry, and abnormally restricted regarding free trade. This was now to change.

That the British actually administered the deregulation was not surprising. After all, they provided the legal and political status of the PDMA's monopoly, they oversaw and controlled the purchasing and exporting of the diamonds, and entry to the industry and trade was largely dependent on their consent. If anything deregulation was a weakening of their central position in the industry. However, one cannot ignore the fact that deregulation was an intervention in an industry that was so much part of the Yishuv, its groups of capitalists and workers, and that any restructuring would entail changes in relations among the manufacturers and between them and the workers. In this sense the British explicated, again

as they had done since the 1920s, their crucial role in shaping Palestine's industrial scene and even its post-Mandate future. That this process ripened in spring 1946 when the Anglo-American committee completed its deliberations on the political future of Palestine demonstrated the extent to which the political and the economic aspects of the British regime were intertwined.<sup>58</sup>

Two areas of influence should be stressed in particular. One was the freer operation of importers of rough diamonds. This meant not only a gradual decrease in the dependence on the syndicate for supplies but also the freeing of the individual manufacturers from total dependence on the brokerage axis run by the PDMA and Hennig & Co. The latter would therefore entail decentralization in the industry, a weakening of Netanya's position as the main stronghold of the industry, and last but not least resumption of merchants' activities and of a trading culture that had been quelled since early in the decade. The second area of influence of deregulation was the labor process. Deregulation meant that the individual manufacturer and its team of experts and managers could shape more independently the character of the factory's production: the stones cut, the local division of labor, and the degree of upholding or distancing from traditional production processes. Perhaps this was the deeper meaning of the normalization of the industry: not just undoing the wartime strictures on the industry but also creating the possibility for change in workplace relations. As we saw earlier (see chapter 3) the formation of the industry in Palestine was also an adaptation to national and local needs. Deregulation was closely associated with reverting back to the Belgian model and with the need to adapt the local specificity to the postwar circumstances of renewed Belgian hegemony. After all, many thought this was the model in which Jews historically mostly succeeded.<sup>59</sup>

Strengthen pluralized foci of power was a crucial effect of deregulation. One power was the traders (importers and exporters) who rallied around their older demand for independence and free trade and cultivated these ideas in organization. They were first recognized by the British and then gradually, in particular following the report, were legitimized by the PDMA. This plurality of interests affected Ben-Ami and his supporters. In reaction to the process, in spring 1946 this "old guard" tried to run the PDMA in such a way as to monopolize all imports of rough stones and thus preserve power. This turned into a serious point of contention, pitting the exporters' association and the importers against the monopoly and in support of free movement and action. The campaign, greatly energized by the decontrol process, peaked in spring 1946 and virtually caused Ben-Ami to back away from too-personalized dealing with the syndicate. Furthermore, the campaign was greatly helped by the growing black market in diamond trading and production in Palestine since early

1946, which exposed the growing irrelevance of total monopoly control in the industry.<sup>60</sup>

Closely associated with liberalization and the weakening of the PDMA's monopoly position was the establishment of the bourse. In late March 1946, the Palestine Diamond Exchange was founded under the presidency of Ben Schafferman (1896–1974) as a stock company in Tel Aviv. In fact it was a company of 180 importers, manufacturers, and traders, and its main purpose was to create the exchange. The bourse did not have trading halls at its disposal, and its members' activity was conducted at the Diamond Club, the Palatine café, and the Bank Igud hall—all in Tel Aviv's main commercial center. In the "Memorandum of Association of the Eretz Israel Diamond Exchange (31 March 1946)" the composition of the company's share capital was determined, as were its twenty goals, showing the solid and visionary basis that its founders lay. Among these goals were to form, within the framework of the company, special committees for the purpose of managing a diamond bourse, manage suitable buildings for the purposes of the diamond bourse, resolve differences of opinion among the bourse members, institute arbitration courts, set honest and just principles in the diamond trade, and maintain unity in the rules, instructions, and customs of the diamond trade. In fact a circle was closed in bringing the adoption of the Belgian model and also the Dutch one to fruition.

From the perspective of the thirty to fifty diamond traders, deregulation was more than a mere economic blessing. They could now revert to the short period in 1938–1940, between the reduction of customs and the barring of independent trade, and revive the global contacts that fed their businesses. On the return of the importers, exporters, and middlemen to business, they witnessed the change that totally transformed the manner of their financial transactions. Some were keen to see Belgium recover; some even looked for dealing again with the cutting industry in Germany. Others preferred cultivating a diamond trade from the new diamond centers in Palestine, intertwining a sheer search for renewed profits with a fervent sense of Zionist state building.<sup>61</sup>

The effects of deregulation were, however, deeper. A wave of offers to sell factories emerged. As running a factory was possible only by holding a government license and with membership in the PDMA, full deregulation was expected to empty the licenses of their value. Consequently many owners quickly placed offers on the market, trying to seize the moment as much as they could and putting many workers at risk. At the same time, however, the sales of factories or shares in ownership facilitated the emergence of the Histadrut as a potential buyer, and as we shall soon see, it began setting up diamond cooperatives through its holding company.<sup>62</sup>

Furthermore, domestic work was back now in full force. Similar to the cheaply paid cutting in Belgium's rural Flanders, here too, in Netanya and

Tel Aviv, layers upon layers of small and large middlemen transferred to, operated, and encouraged a culture of small-scale, artisan-based home work that wrongly seemed to have vanished from the industrializing landscape of wartime Palestine. This was truly uncontrollable, and the PDMA's attempts to discipline the wave seemed ridiculous as the organization's members themselves now "sinned" in this way. The factories seemed now to contract; the workplace effect of concentration, singing, and solidarity seemed to evaporate, replaced as they were by the individual and his family. No organizational power could stop this. In early or mid-1946 manufacturers even started to send stones for cutting from Palestine to Belgium. It would be cheaper.<sup>63</sup>

Deregulation thus reemphasized the centrality of British rule. If in the early 1940s it accommodated private industry to the needs and conditions of the war, now it was the primary force behind its adaptation to the new postwar conditions. Deregulation fitted British liberal visions of economy and society, but it also matched its stately interests and goals: assure the recuperation of the Belgian industry, cooperate with the cartel in shaping the postwar diamond mining in the Congo and distribution in London, hamper the revival of cutting in Germany, and keep good relations with the Americans in the context of the emerging Cold War.<sup>64</sup> The gradual undoing of the monopoly, the easing of entry barriers for new manufacturers, and the freeing of diamond importers and exporters from the throngs of war restrictions and thick bureaucratic controls constituted in the diamond industry a legacy for many years to come. Distancing itself from control and moving towards regulation, the government signaled the limit of its intervention in industry, to its protectiveness, in particular as its dismantling of its rule in Palestine seemed close than ever, but more so as its interest in relations with Belgium, De Beers, and the Belgian Congo would now surpass its Middle East crown colony. As much as freeing the industry of the constraints forced upon it by the war strengthened the private sector in Palestine, it was also a state project and served well in blurring the dividing lines between privately owned industries and the state.

In an ironical twist of history, deregulation and the further integration of particular cutting and trading centers in a postwar world system harbored also economic-national dimensions. The recovery in Belgium was made part of the Belgian postwar national project and British strategies were obviously part of the economic nationalism espoused by the Atlee government. In Palestine the linkage between liberalization and national considerations took a specific form. The presence in the diamond industry of Zionist institutions gradually increased, and Zionist state-building considerations emerged more forcefully. Second, the voice of the Histadrut gradually increased, reflecting as it did the postwar strengthening of cooperation in the Yishuv's industrial sector between Mapai-led Jewish

Agency and organized labor. The testimonies in the deregulation inquiry committee and the moves made in practice in spring 1946 demonstrated that the more the British thought of liberalizing the diamond industry and signaled that they were about to distance themselves from it the more invigorated was the presence of Zionist institutions. The question was not anymore whether there would be Zionist-public intervention in the affairs of the diamantaires but when and in what volume. Many months before the British withdrawal from Palestine, this interconnectedness between one state power withdrawing and another emerging became ever more apparent.<sup>65</sup>

Illustration  
6.1. Diamond  
workers at  
a Netanya  
factory, early  
1950s.  
Photographer:  
Zoltan Kluger.  
Source: NCA,  
0939.01. Used  
with permis-  
sion of the  
Netanya City  
Archive.



Illustration  
6.2. A diamond  
cutter at a Tel  
Aviv factory,  
May 1949.  
Source: CZA/  
PHPS/1325364.  
Used with per-  
mission of the  
Central Zionist  
Archive.







## Chapter 7

# CRISIS AND RESTRUCTURING



The diamond is a much more complicated commodity than bread or radio. The diamond is a peculiar creature. You can compute more or less precisely what would be the consumption of bread in the town tomorrow or in a month. It is possible to reach accurate calculations how many radios or refrigerators this country or another would absorb annually. But who knows how many diamonds and brilliants would the American luxury dealers buy in 1947? And calculation must be made in the wake of a possible new crisis in the New York stock exchange where the small savings owner loses his savings to the point of not being able to buy his wife a diamond-set ring for the silver wedding. And the competition of the Belgian industry must be taken too into account. The combination of all these factors is not a simple mathematical exercise.

—Yosef Yambor, “Boom and Tide in the Diamond Industry,”  
*Mishmar*, 5 November 1946.

## Reversal of Fortunes

In early September 1946 some diamond manufacturers signalled the alarm that the industry was on the verge of crisis. They accused the PDMA of trying to hide the information from workers in Palestine and buyers abroad and insisted that the main economic indicator—the unabated decline since the early summer in prices for Palestinian-polished diamonds in the US—foreshadowed a real disaster. Some 50,000 thousand carats from Palestine were waiting now to be sold in New York and the quantities

of stones in the hands of exporting merchants were accumulating alarmingly. The problem was graver, they said, than the occasional and tolerable downturns in supplies of rough stones from London to which they had been accustomed to since 1941. Albert Ehrenfeld, soon to become chief government advisor on diamonds, confirmed the reports that the American market was flooded with diamonds, goods were lying unsellable in the safes of the American consignees, and that the entire cutting operation in Netanya and Tel Aviv was about to stop. The daily Hebrew and English press in Palestine began reporting on declining income of the factories, incapacity to order and pay for rough stones, wages unpaid and cessation of work. Even robberies increased now, following the rumors that unsold polished diamonds amassed in the factories. A group of ex-servicemen tried to disrupt a meeting at the PDMA's offices in demand for work and Ben-Ami and the manufacturers were put under siege. The PDMA's executive quickly announced that it could not absorb more ex-servicemen and refugees from Europe, called for an urgent change in pay and benefits, and practically called for the cessation of all work. Some labor organizers interpreted these signs as just a periodical downturn in the American market, typical of the end of the summer season, or simply marketing tactics of the diamond agents in New York. Others perceived them as ploy of the manufacturers and the PDMA to harm workers' past achievements. By early October, however, all became aware of the fact that the industry was sinking into a catastrophe of yet unknown proportions.<sup>1</sup>

The two main expressions of the crisis—the drastic reduction in employment and the contraction of diamond imports and exports—seemed by the end of 1946 already irreversible, and when they both peaked in January–March 1947 they indicated a clear reversal of the industry's preceding take-off:

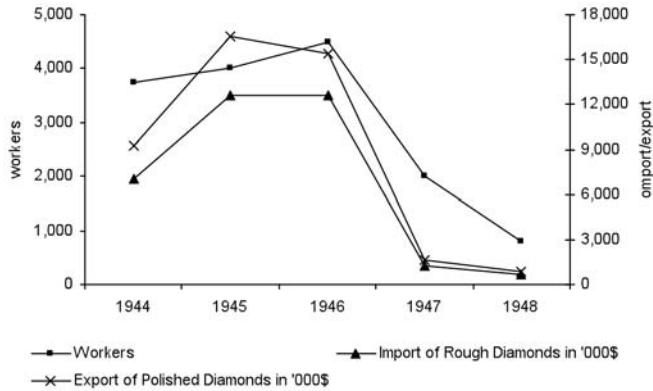
Table 7.1 The diamond industry in Palestine 1944–1949

	Factories	Workers	Import of rough diamonds in thousands of US dollars	Export of polished diamonds in thousands of US dollars
1944	33	3,750	7,000	9,240
1945	33	4,000	12,600	16,520
1946	34	4,500	12,600	15,372
1947	*30–45	2,000	1,260	1,680
1948	30	800	700	840
1949	*50	2,800	5,118	4,100

\* The interim growth in the number of workplaces reflected the crisis-related splintering of the factories into smaller production units and the proliferation of small diamond-cutting cooperatives.

Sources: Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); Oved Ben-Ami, "Die Diamantindustrie in Palastina," *Schweizer Goldschmied* 5 (May 1948): 32–33; *Hayahalom* 154 (June 1988).

Figure 7.1 The diamond industry in Palestine 1944–1948



Sources: Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); Ben-Ami, "Die Diamantindustrie in Palastina," 32–33.

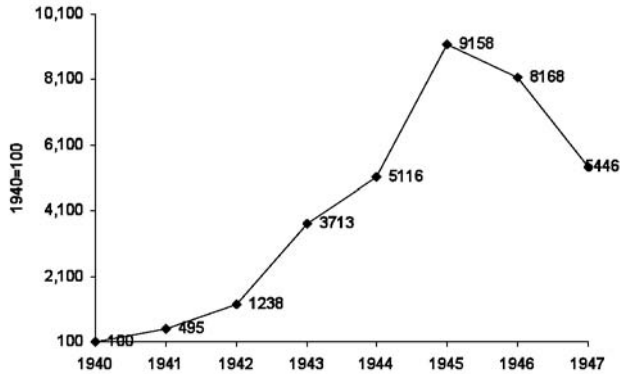
The crisis reaffirmed the characteristic fluctuations in the diamond industry throughout its history as well as the turbulent emergence and development of the diamond occupational community in Palestine. It decreased the overall value of the Palestine's exports and increased the rate of business bankruptcies in the Jewish community. It expanded unemployment and cut the volume of industrial unrest from 16.9 workdays lost per striking worker in 1946 to 3.1 in 1947, and completely destabilized the fragile economy of Netanya that had come to depend so heavily on diamond cutting. More significant was the impact of the crisis on the relations between state and capital, deepening as it did the trend marked by deregulation and bringing the intervention of the Zionist institution in the affairs of this privately owned industry to a new level. The crisis thus defined the transition period from British Mandate rule to Israeli sovereignty not only as a political and military transformation but also as an economic one.<sup>2</sup>

Contemporaries used the term *crisis* with no hesitation and hardly disagreed on its immediate causes. Although the Histadrut-affiliated union of diamond workers, and even more so the political Left, argued that the manufacturers exaggerated the extent of the downturn in order to justify layoffs and wage reductions, the consensus was widely shared and widely known in Antwerp, London, and New York. In the collective memory of the diamond industry the crisis and the agreement over its causes were much more solid than the usual contesting narratives relating to the birth of the industry in the late 1930s, the character of its management, or the role of the industry during the war. Furthermore, it was uncontested that the crisis was far from a local affair.<sup>3</sup>

The crisis was first and foremost a corollary of the transition from war to peace; in particular from an economy that harnessed human and material resources to the needs of the war to one oriented toward recovery and normalization. The entire diamond industry was affected, from the mining fields in Sierra Leone and the Belgian Congo to the syndicate's distribution center in London, from the newly created cutting centers in Netanya, San Jose and Havana to the traditional ones in Antwerp, Amsterdam, and even the American zone in occupied Germany. The restrictions on the diamond trade were gradually lifted. Others were forced afresh, in particular those relating to trading in industrial diamonds with former enemies and those that attempted to forestall the revival of the German diamond industry. A great part of the European diamond labor force that had been recruited to military service or made idle by the war was now able to go back to mining diamonds and the cutting tables. In the recuperated cutting centers many were Jews who returned to Europe from Cuba, Latin America, and Palestine. Those that were killed in the Holocaust were replaced by Christians, thus coloring the transition to a peace economy as a human and social transformation that impinged on the diamond industry for many years to come. For Palestine this context meant increasing dependence on the economic progress of the Belgians. After all, the entire Palestine diamond project was built on the absence of competition from Antwerp and the crisis was a direct outcome of its resumption.<sup>4</sup>

A related but more specific cause of the crisis was the change in the American demand for polished stones. Since the end of 1940 stones cut in Palestine were almost entirely dependent on the American market. The British made diamond export to the US a precondition for their consent to allow the development of the industry, and the dollar income the British accrued from the export to New York continued to determine British policy throughout the war. The demand in the United States for diamonds was relatively steady from the American entry to the war in late 1941 to the last months of the war. Then in a matter of few months the demand began to decrease—first, because consumption was diverted to other more essential articles typical for the postwar years, and second, because of the decline in popularity of diamonds for investment and as an inflationary hedge. By spring 1946 the new pattern of demand for polished stones seemed irreversible. The diamond market was flooded, huge quantities of finished diamonds remained in the hands of the dealers, and prices fell. Soon the dealers in New York reduced the import of stones from Palestine. The factories in Tel Aviv and Netanya were consequently told to decrease production, and the workers, mostly working by piecework, were left empty handed. India, Palestine's other main exporting destination of cut diamonds, was beset with political disturbances in 1947 and thus the gradual loss of the American market put the entire diamond project in Palestine at risk.<sup>5</sup>

Figure 7.2 Annual change of rough diamond import, 1940–1947



Sources: Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); Ben-Ami, "Die Diamantindustrie in Palastina," 32–33; *Hayahalom* 154 (June 1988).

Belgium's return to trading in and cutting diamonds and the advantage it created vis-à-vis the industry in Palestine was evidently a primary cause of the crisis. The reorientation of the Diamond Syndicate's distributive policies on Belgium weakened Palestine in the politics of supplies. Moreover, Belgium was also winning in sales of polished stones in the American market, which was now flooded with cheaper and lower-quality diamonds arriving from Antwerp.<sup>6</sup> In contrast to Palestine, Belgian manufacturers could purchase rough stones outside the syndicate and at lower prices. Furthermore, the number of domestic workers in Belgium increased in late 1946 and early 1947 to six thousand in Antwerp and nine thousand in the rural areas. This home industry was based on piecework but also on a minimal tariff that kept pay much lower compared to Palestine. The unemployment wage customary in Palestine was absent in Belgium and the diamond workers in Antwerp enjoyed only half of the social benefits paid to workers in Netanya and Tel Aviv. As long as the war and the paralysis of the Low Countries provided Palestine with hothouse conditions and thus high profitability, high labor costs and the associated striking activity could be tolerated.

Belgium's return to business turned workers' achievements in the Palestine factories (epitomized in the annual collective agreement) into a serious obstacle to their competitive capacity. Belgium produced therefore at less cost, and more than half of the Belgian produce was sold in the black market (partly encouraged by the Belgian government) and at much better prices (20 percent more than the formal market). Cheaper production methods, cheaper workplace management, and the flourishing of the

black market defeated Palestine and other cutting centers as well. “The only industry left on its feet till today,” one report claimed, “is the Palestine one and on its neck too hung the sword of its extinction.”<sup>7</sup>

The diamond industry seemed therefore increasingly dissociated from the war economy. The contraction of demand in the US wrested its main exporting destination, and Belgium’s competitive advantage and support of the cartel was now reproducing its prewar hegemony. Britain, guided by its interest in the Belgian Congo and in European integration, was keen to support the recovery of Belgium’s diamond industry even at the cost of the survival of the cutting centers it helped establish during the war. In these conditions the capacity of Palestine to compete in exporting small stones to the American market seemed slim indeed. It had had the capacity to adapt, it developed an independent technological infrastructure to show the greatest advances in cutting and polishing, but it was losing ground in the politics of supply and in the protection of and representation by the British state it enjoyed so steadily during the war. The British presented deregulation as a means to make Palestine’s diamond industry healthier, able to grow without the caring umbrella of a state power. But in the final analysis a combination of forces in Europe and the United States made this maturation seriously questionable.<sup>8</sup>

The harshest test came in late summer 1946. Once the American demand for the Palestine polished stone continued to fall, many of the owners and manufacturers began to sell their properties and shares. The buyers—with hardly any experience in diamond making—searched for quick recovery. The impatience drove them to more-extreme moves in particular because of the atmosphere of open war with the Belgian exporters. The incomes of the factories declined, quarrels in the PDMA over allocation of rough diamonds intensified, and the larger factories began to disintegrate. Palestine’s exports to the US and India were now drastically cut, and the factories could not pay for their orders or their workers. The banks became gradually more cautious in providing credits for the manufacturers and the syndicate would not ship more rough diamonds without a promise for payment. As the PDMA’s relations with the government deteriorated (because of invigorating anti-British politics in Palestine and British interests in good relations with the Belgian Congo), there was nobody to turn to. And as the collective agreement with the diamond workers’ unions committed the manufacturers to pay at least 80 percent of normal wages during idle periods, the losses mounted. The black market in diamonds expanded, theft of stones became widespread, and many workers began working domestically and illegally. Mutual recriminations between the manufacturers and the workers over the responsibility for the crisis began to collapse the understandings that had been so painstakingly built during the boom. Many manufacturers who were now facing the weaken-

ing of their workplace authority panicked and aspired to close down the industry until the troubles were over.<sup>9</sup>

The crisis lasted until spring 1947. Supplies did continue to arrive to the factories but in decreasing amounts. Manufacturers increased the drawing of their reserves of unpolished diamonds, but the latter quickly dwindled and the residues were withheld from the cutting tables in expectation for a change for the better. The regular operation of the factories ceased functioning and various services provided to the factories by suppliers followed suit. In the small town of Netanya, with an economy that was as dependent on diamonds and on the factories as consumers of services, this was felt even more harshly than in Tel Aviv.<sup>10</sup>

The silencing of the factories indicated a graver symptom of the destabilization. The weakening of capital and its capacity to expand the factories did not mean complete evaporation. Some manufacturers began selling their factories, some joined in ownership with others, while some shared their factories with Histadrut-inspired workers' cooperatives (dealt with below). Some of the diamond experts and manufacturers who arrived from Antwerp in 1940 returned to Belgium to take part in the recuperation of the Belgian hegemony in cutting and trading. Others sought to reach New York, the diamond trading capital. Many of the owners who lacked a pre-1940 background in diamonds left the occupation altogether.

The fragmentation of the factories and the movement of capital were naturally more felt among the cutters and polishers themselves. Reminiscent of the dramatic expansion of the industry in 1941–1943, the multifaceted movement intensified by the crisis was no less dramatic. Many were dismissed; others sought a new occupation independently, only to return to the industry a few months later with the first signs of recovery. Evidently the industry was restructuring itself both in terms of ownership and human composition.<sup>11</sup>

It was, however, the informal layer of the industry that the crisis made much more explicit. The shadow of unregulated home diamond cutting and the black market accompanied the industry from the start. As we saw earlier, the potential of its increase was one of the reasons why the British and the PDMA took pains to mold a centralized, structured, and supervised factory-based industry. As long as the industry was profitable and supplies were continuously pouring in from London, the incentive to develop an informal, domestic cutting operation was not high. Evidently during prolonged strikes or lockouts or when supplies contracted, illegal home work sprouted. The liberalization of controls intensified the phenomenon, and though government licensing was still required, it was worth the while of the manufacturers to support work outside their factories at lower prices and often with lower quality. The crisis made the phenomenon widespread. Many workers who left the factories turned

into self-employed cutters and tried to live off the reserves of rough diamonds found at the collapsing factories. Freedom of movement sharply contrasted now with earlier regulation, and workers' flexibility seemed to become a norm. Diamond experts turned into domestic workers and surviving factories distributed work to homes and makeshift ateliers. The capacity of the British and the PDMA to bring the spread of illegal, informal, and domestic work to a halt was minimal now, and one could often sense that both the government and the PDMA were keen to use it to keep the industry alive. In this sense the industry was restructuring itself—seriously decreasing the cutting and polishing in the factories and reverting to home-based or workers' cooperative operations that characterized part of the prewar diamond industry in the Low Countries.<sup>12</sup>

This tumult of human movement and activity of informal production, provoked early on by deregulation, now climaxed. It increased the fragmentation of ownership of the factories and brought about further splintering of the PDMA's social basis that would impact the industry for many years to come. This weakening of capital was reflected first in the contraction of the factories into smaller units of production and in the capacity of the large-size firms to place large orders of rough diamonds. Second, the invigorating drive to sell factories and machinery lowered the cost of entering the diamond industry—spent on hiring buildings, purchasing tools, and technical services. Consequently, and despite the ongoing crisis, the number of owners per unit multiplied. In turn production and wage policies became a tense negotiation grounds between the owners, and factory life was destabilized. The third expression of the weakening of capital was the decreasing capacity of the (still active) factories to bring the cutting processes to finish. Consequently exporting decreased, profitability was lowered, and finally the capacity to pay wages dwindled. Taken together the impact of these aspects in such a short time added significant social dimensions to the economic havoc of the crisis. The cohesion and even solidarity among the diamond manufacturers that accompanied the birth of the industry and its take-off began to evaporate, competitiveness intensified, and the sense of confidence in the industry and its viability disintegrated.<sup>13</sup>

The rise of the home industry and the black market shattered the PDMA's doorposts. The ability of the organization to maintain its regimentation and direct the actions of its members weakened. This was reflected in the increasing use by manufacturers of the home industry, the liberty they felt to obtain rough diamonds on the black market, and the diverting of exports from the US to local and regional Middle Eastern marketing. The laxity of control was naturally a corollary of the liberalization effected before the crisis. It now signaled, however, the fragility of the manufacturers' organization and the ominous endangering of the PDMA's relations



with the syndicate, its main source of rough diamonds. Thus the crisis began to fulfill the potential of the forces that had since the end of the war pushed to transform the way the industry was run and managed.<sup>14</sup>

## National Intervention

The main site where this ripening took place was evidently the industry's relations with state authorities—the British and the embryonic Zionist-state institutions. During the war the symbiotic relations between capital and state were ambivalent but they never threatened to cause severance of ties. Even when the PDMA and Ben-Ami realized the clear orientation of the British and the Diamond Syndicate on the Belgians, interest overshadowed anticolonial anger. Deregulation—that is, the postwar process that relaxed the entry threshold to the industry and its trading mechanisms—was a state-directed process and the industry still depended on state authority in executing the relaxation of controls. Already before the crisis capital-state relations gradually deteriorated, as demonstrated in the receding backing of the British in the politics of supply in London, in the decided siding with Belgium and the Belgian Congo, even in the weakening intervention of the DCB in the industry in the latter part of 1946. However, the British hardly lost interest in the industry and in the dollar income the diamond industry brought to Palestine and to the Sterling Bloc. The Belgians themselves realized that the British still waived the Palestine flag as a reminder and even a threat to the manufacturers in Antwerp that they would need British and syndicate support and therefore should agree to favor them in the Belgian Congo.<sup>15</sup>

What did change was the political context. During the discussions on deregulation in early 1946, the political tension in Palestine increasingly affected the relations between the industry and the authorities. The factories in Tel Aviv and Netanya were frequently visited by British soldiers and policemen looking for active members of the IZL and LEHI underground organizations and for hidden arms.<sup>16</sup> In the summer IZL members intensified their raids on the factories, aiming to steal diamonds and further finance anti-British operations. The King David Hotel bombing on 22 July 1946—in which Geoffrey Walsh, the economic advisor and diamond controller, and Bernard Bourdillon, the secretary of the 1945 inquiry committee on diamonds, were killed—clearly added to the atmosphere of political instability.<sup>17</sup>

Robberies of diamonds from factories and merchants and even of workers' cash wages became a common and fueled the atmosphere of chaos caused by the rising terror and the crisis itself. The heists fascinated the press. Their audacity was often depicted as a contrast to the clumsi-

ness of the factory owners and to the sense of surprise at the crime rate in Yishuv society. In many reports the acts seemed to ridicule the British authorities, their incapacity and indifference. The diamond robberies were often committed by the members of the right-wing undergrounds who wished to cause havoc and disruption. Many of them worked in the diamond factories (using the lack of Histadrut control of the selection of the diamond labor force), and though many of the manufacturers they robbed openly supported their anti-imperialism and objection to British anti-Yishuv measures, they resented the excessive profits made in the industry and thought it was only natural that the manufacturers should be levied a sort of tax for the national anti-British cause. In some cases the robbers gave a warning that they did not mean to harm the manufacturers and the workers but rather the British companies that insured the factories and the diamonds. The LEHI underground even offered the PDMA to disentangle the factories from the British insurance companies, transfer the insurance amounts to LEHI, and in return the underground would provide the manufacturers and the merchants some protection. The agreement never materialized because the Haganah (the Yishuv's largest national self-defense organization) discovered the plot and opposed it. However while it was the Haganah organization that now placed protection over the small diamond exchange in Tel Aviv, the robberies of the factories persisted. The consequent threat of the insurance companies to stop providing services to the industry reflected the increasing exposure of the manufacturers and portended the approaching disengagement of the government.<sup>18</sup>

The overall result of the robberies, terror, and exposure of the diamond industry to political and military tension was the increasing estrangement of the British authorities. The close government intervention and control that characterized the 1940–1945 years turned in 1946–1947 into external policing and (often futile) attempts at regimentation. This deterioration in relations created a vacuum that was reminiscent of the prewar period, before the British intervention and the provision of state backing, when Belgian hegemony in world diamond cutting and trading restrained all others. When the crisis peaked in winter 1947, the threat harbored in this retreat of the Mandate state from the industry seemed more real than ever.<sup>19</sup>

In these simultaneous contexts of economic downturn and destabilized relations with the British the notion of the “triangular thread” resurfaced. This system of understandings within the Yishuv between the Zionist institutions, capital, and labor was only slowly making its presence felt in the diamond industry during the great debates on decontrol in late 1945 and early 1946. The focusing at the time of the Jewish Agency on industrial planning (as a part of its state-building project) alluded to the importance of the industry and to the need for cooperation with labor and the

Jewish Agency—but this was never translated into a significant presence. The political debate on the future of Palestine during 1946 did bring the industry and the Zionist institutions closer, but only to a limited degree. The industry was still holding on to its independence and ties with the British. Even the call of the Zionist institutions after the King David Hotel bombing to not cooperate with the British on the Diamond Control Board remained unheeded; the main argument advanced was that such a move might convince the British to let Arabs enter the industry and undo its Jewish exclusivity. The change finally came in October 1946 with the growing awareness among PDMA members and the labor unions of the crisis and the shared need felt by many to consider a preemptive closure of the factories. The *Haaretz* daily fittingly chose to justify this need for a tripartite national cooperation by titling one of its reports “The diamond industry is expecting a Holocaust.”<sup>20</sup>

The discussions on the crisis between the PDMA, the unions, and representatives of the Jewish Agency were quickly given an institutional expression—a committee established to propose what to do with the collective agreement. Evidently, the agreement neared its termination in December and the crisis made its renewal practically impossible. Shortening the work week to counter the low labor costs in Belgium or closing down the industry temporarily entailed destabilization of the manufacturers’ profits and workers’ pay and thus seemed to all involved to require national intervention.<sup>21</sup> Without the latter, the manufacturers would not be able to fulfill their financial obligations to the syndicate and to their workers. The committee consisted of major figures in the Yishuv’s financial and banking establishment who were well versed in Palestine’s economic relations with the outside world: Eliezer Siegfried Hoofien, the manager of Anglo-Palestine Bank; Eliezer Perlson, deputy mayor of Tel Aviv; and Yosef Sh. Shapira, manager of the Palestine electricity company. This further reflected the integration of the industry within the decision-making frameworks of the Zionist institutions. Thus, what began in 1939 as a rift and enmity between a private sector protected by the Colonial Office and the forces in the Yishuv that cooperated in recruiting the industry to the Zionist cause came now full circle.<sup>22</sup>

Following the testimonies of the PDMA and the unions, the committee defined two alternatives.<sup>23</sup> The first was to close the factories temporarily as the manufacturers suggested and pay the workers for unemployment. This alternative harbored the danger of irreversible harm to the industry and great losses to workers who spent time and resources acquiring their skills and had reached top wages in the industrial sector. The second alternative, closer to what the unions proposed, was to operate the factories at capacity, shorten the work week, and pay the employees as required by the agreement. In this way the industry would still earn and the workers

would share the burden during the critical period without losing their past material achievements. Aspiring to cater to both sides, the committee recommended that in the last two months of 1946 the factories should reduce work hours to three and a half days a week and thereby get in line with the Belgians who had reduced the work week to three days. Furthermore, during this period the workers would be paid 60 percent of their regular wages and not receive full unemployment compensation for the idle days. Practically, the shortening of the week would reduce the pay by a third. The idea according to committee was to prevent further aggravation of the crisis and enable the industry to compete with the Belgians through efficient production and reduction of labor costs.<sup>24</sup>

The PDMA accepted the recommendations and was grateful for the aid the Jewish Agency was now giving to diamond merchants who immigrated to Palestine; as well as for the contacts with the Jewish communities in New York, Havana, and Johannesburg, where diamond-cutting communities mushroomed during the war. The PDMA also acknowledged the praise of performance the Jewish Agency gave the diamond industry in the British and UN inquiry committees on the future of Palestine. More specifically, the PDMA direly needed the help of the Jewish Agency in enabling manufacturers to pay their debts to the syndicate and through Jewish Agency loans to purchase rough diamonds and pay wages. While mutual suspicion still existed and criticism at the Jewish Agency was persistently voiced against the independence of the PDMA and the excessive profits of the manufacturers, the crisis brought the sides closer than ever and increasingly materialized the Zionist intervention in the industry. Furthermore, the unions tarried in responding to the proposals and the PDMA was able to use the delay to strengthen the ties with the Department of Trade and Industry and through these ties press the unions. In this way former opponents—the PDMA and the Jewish Agency—cooperated now on national-economic grounds to delegitimize the position of the unions and of the Histadrut in particular. Both the PDMA and the Jewish Agency agreed with the unions that the recommendations amounted to violation of the employers' obligations to the workers but they jointly justified the violation when the total collapse of the industry became a real possibility.<sup>25</sup>

There was not much the unions could do against this new alliance. Not only was the terminating collective agreement violated but a new one was hardly conceived of and the employment of many workers seemed gravely at risk. The Histadrut attempted to influence public opinion. It claimed that while Belgian competition with the Palestine industry seemed menacing enough, it was also a healthy restraint on the capitalists' profits. The PDMA's monopoly was to be abhorred, claimed the Histadrut, and its past successes in splintering labor's voice and the Histadrut's quest for hege-

mony had had to be countered. In a sense the Histadrut attempted now to associate itself with diamond manufacturers and workers in the informal market to weaken the power of the PDMA, and, aspiring to organize the domestic workers, it proposed to help them against diamond owners and manufacturers who seemed to care little for workers. No wonder the Yishuv's rightist liberal press condemned the Histadrut that its perception of the positive sides of competition and its resistance to the national consensus between the PDMA and the Jewish Agency amounted to "national treason." It was this pressure of public opinion and the anger of the Jewish Agency at the procrastination of the unions that led the PDMA to decide on 6 November 1946 that the only way to press the unions to accept the proposals of the Jewish Agency committee was to lock out the factories.<sup>26</sup>

The shutdown of the industry and the cessation of work of its 4,500 workers enhanced the role of the Jewish Agency as a mediator between capital and labor. In itself the lockout negated the recommendations made by the committee and only aggravated workers' opposition. The pressure turned back now on the manufacturers. During the three-week closure their losses increased, many more could not pay the syndicate, and the risk that supplies from London would be cancelled increased. The fear that the PDMA was disintegrating was widespread. The atmosphere of trust among the diamond manufacturers seemed to wane and Ben-Ami's leadership was questioned. Consequently the PDMA was forced to revise its position and proposed to resume work. The unions also softened their opposition for fear that weeks of working without pay would set the workers against them and that the impoverished manufacturers would not be able to pay compensations. Despite widespread workers' support of resisting the manufacturers, the unions proposed now as well to accept the committee's recommendations and reopen the factories. The PDMA answered that it would consider reopening the factories only if the organizations accepted the Jewish Agency's recommendations without qualifications.<sup>27</sup>

In this climate of mutual recrimination and indecision, disintegration of both the PDMA and workers' solidarity, and the no less menacing signals from the syndicate that supplies might be stopped because of manufacturers' debts, the Jewish Agency again stepped in. Through continuous mediation between the sides and willingness to revise its own recommendations, it emerged now as the main authority to which both capital and labor could turn to at this bewildering crossroad. By the end of November 1946, therefore, the mediators of the Jewish Agency convinced the two sides to resume work without agreement and to temporarily lay down their arms. The factories reopened and soon after the manufacturers were notified that the Jewish Agency was willing to allocate half a million dollars to help the industry purchase raw materials. However, in late De-

ember a message arrived from Hennig and Co. that no further stones would be sent to the PDMA before all previous debts and payments for (already made) orders by the manufacturers were paid. In these circumstances the role of the Jewish Agency in handling the crisis became ever-more central.<sup>28</sup>

## Labor's Moment

The cessation of supplies and the stalemate between the diamond manufacturers and the workers brought the industry to a standstill in the beginning of January 1947. The crisis now reached its peak and it would take at least three long months before subsiding. During this period the industry was further restructured. So far, the recuperation of the Belgian diamond industry and the beginning of the crisis pointed to the destabilization and weakening of the diamond manufacturers, to the gradual distancing of the British from the industry, and to the enhanced intervention of the Zionist institutions in the affairs of the industry. Now it was the presence of the Histadrut that had been invigorated, transforming its traditionally feeble status in the diamond industry into a power to be reckoned with. In a moment we shall see how this change was reflected in the role the Histadrut came to play in the negotiations with the PDMA and the Jewish Agency over the crisis. However, it must be first contextualized in three linked developments.<sup>29</sup>

The first took place on the international level. It was part of the efforts made in Belgium to get the diamond industry going again and regain its prewar world hegemony that union leaders of the diamond workers in Antwerp attempted to invigorate the regulation of international competition between the cutting centers. In early September 1946 the Universal Alliance of Diamond Workers (UADW) organized a conference in Antwerp in which representatives from various diamond-cutting and -trading centers participated, including a delegation from Palestine. "We must guard against one thing," claimed Piet van Muyden, the chairman of the alliance, "not to consider each other as competitors. The old centers wish to reestablish again and take back what they have lost under so cruel circumstances; the new centers also wish to hold to their own. A broad understanding of each other's different viewpoints is necessary, although these differences need not exclude a close cooperation." Palestine's participation in the scheme was imperative in the eyes of these union activists (who represented three times more diamond workers than the unions in Palestine) because of the world position the Palestine cutters acquired, and the dominance of Jews in the various diamond diasporas. Furthermore, the UADW had for long supported the concentration of union ac-

tion in the Palestine diamond industry under the aegis of the Histadrut and Pinchas Smagarinsky, the secretary of the Histadrut's DWO. Union splintering in Palestine seemed to the Belgians unclear and pathological, a real disruption of concerted international action and an obstacle to international regulation of work hours and wages. Aware of this support, the Histadrut was more than willing to cooperate with the UADW and thereby present itself to the PDMA and to the Jewish Agency as a power to be reckoned with.<sup>30</sup>

The Histadrut perceived international activity as a fitting stage for taking the lead among the unions in the industry in Palestine itself. Though in the previous two years it had succeeded in slightly increasing the number of diamond workers affiliated to the Histadrut union, it could not weaken the right-wing union whose members were affiliated to the Revisionists, or the unorganized, the workers who were loosely represented by the various independent groupings. The contrast between the strength of the Histadrut among Jewish industrial workers in the Yishuv in general and in diamond cutting, or between the Histadrut supremacy in "red" Haifa and liberal and more Revisionist Netanya and Tel Aviv, continued to worry the leaders of Histadrut. These contrasts reflected, however, a thornier problem with which Mapai and the Histadrut were preoccupied at the time, namely, their weakened influence over better-off and strong workers. Spreading the influence of the Histadrut among diamond cutters—a long-standing cause of labor activists in Palestine's industrializing towns—was imperative. Politically it would help to curtail the bases of the Right among the workers. From an economic and social perspective it would expand the tax-paying ranks of the Histadrut and at the same time set a challenge to private capital.<sup>31</sup>

If the Histadrut was unable to achieve union unity under its leadership in Palestine, perhaps it could do so in Antwerp. To achieve that end the Histadrut delegation joined hands with the secretariat of the Antwerp conference in rejecting a splintered delegation and in gaining recognition (naturally without the consent of the other Palestine unions) as the only legitimate representative of Palestine. In return the Histadrut seconded the resolutions of the conference drawn by the Belgians. On their face the resolutions aspired for international cooperation among diamond workers and unions, for controlling the admission of new apprentices to the industry (in order to prevent unemployment), and for leveling hours of work and wages so as to prevent competition. The resolutions even called diamond manufacturers and merchants and the Diamond Syndicate itself to prevent the revival of the German cutting industry and refrain from trading with German manufacturers who did return to business in the American zone of occupied Germany (with no little help from the Americans themselves). However, the resolutions refrained from formally pro-

claiming the right of the Palestine center to be considered a legitimate heir to the prewar industry in Germany. The demand was aired by the other union representatives who came from Palestine and was based on the moral grounds that in inheriting the Germans', the diamond industry in Palestine was not only refraining from competition with the Belgians but also participating in Germany's deindustrialization and demilitarization. That the Histadrut shied away from promoting the issue and at the same time agreed to limit the addition of apprentices was considered by NWF and the minority unions to be a betrayal of the Zionist cause and a means to achieve, with the help of the Belgians, hegemony in representing the diamond workers in Palestine itself.<sup>32</sup>

Though transferring the struggle over union power away from Palestine was of little consequence, the affair provided the Histadrut activists with the growing confidence that in international circles and at the PDMA, and obviously in the eyes of the Jewish Agency, it was now considered the leading power among the workers. This was significant for the Histadrut because after the congress and with the peaking of the crisis, relations between the Histadrut and NWF, the two main unions in the diamond industry, deteriorated. The dramatic contraction of the diamond labor force in the factories during the peak of the crisis in winter 1947 and the flourishing of the black market in diamonds and of domestic diamond cutting hit the unions and the contacts between them hard. In the eyes of many diamond workers, the economic downturn exposed the incapacity of the unions to cater for their needs, and the culture of collective bargaining that was reproduced every year seemed futile. However, it was exactly the peaking of the crisis that impacted another change in the power of the Histadrut in the industry.<sup>33</sup>

The second development had largely to do with strike action. The prevalence of striking among the diamond workers had hardly been affected by Belgium's recovery and the onset of deregulation. On the contrary, in 1945–1946 the industry witnessed some of its fiercest disputes over pay and working conditions and in particular over the demand that the manufacturers should not hoard uncut diamonds in their safes and should use to the full the reserves that were waiting to be cut and exported.

Moreover, the month-old strike in the diamond factories in early 1946, which broke out because of the manufacturers' procrastination in signing a new collective agreement (for 1946), demonstrated that the Histadrut could well orchestrate strikes in order to gain power at the workplaces. Such was also the case in the March 1946 strike of the clerks and managers who, with the help of the Histadrut and its affiliated clerks' union, demanded that the PDMA formally recognize their organization and their entitlement for a collective agreement.<sup>34</sup> The crisis, however, totally changed this picture. Some one hundred strikes were recorded in Pales-



tine in 1946, sixteen of which took place in the diamond industry. In January–September 1947 the number of strikes in Palestine was almost halved, and those in diamonds were reduced to three. The respective number of strikers in the diamond industry (above five thousand in 1946 and little more than three hundred in the following year) illustrates the depth of the change.<sup>35</sup>

The decrease in the number of strikes in the industry and their intensity (average work days lost per striker) was part of the larger impact of postwar political change and aggravating national conflict on quelling industrial unrest in Palestine. However, in the diamond industry the decrease was much more dramatic because of the turbulent industrial relations from 1942 to 1945. Second, the crisis ruled out the use of labor strikes by the Histadrut as a means to mobilize the workers, organize them and advance their cause. On the contrary, it was the abating of strike action in the context of the harsh crisis that magnified the role of the Histadrut in restraining the workers, brought it closer to the PDMA, and made workers' organization much more acceptable in the industry. When at the end of 1946 the Histadrut joined forces with the other four unions in establishing a committee to fight the black market in diamond production, it was hailed by the PDMA (and by the Jewish Agency) as a significant contributor to keeping the industry organized and safeguarding it from total anarchy. Compared to its relatively feeble status during the war, that it was now to be considered a force that could improve the state of the industry on both the international and local arenas seemed to the activists of the Histadrut to be an epochal change.<sup>36</sup>

It was, however, the third change in the presence of the Histadrut in the diamond industry—namely, the establishment of cooperatives—that was the most profound. The Histadrut had for long been involved in urban workers' cooperation, but in the diamond industry it had always been thought of as a futile venture. Among the thirty-three factories, only one cooperative of diamond cutters (the Bukhara diamonds) managed to enter the ranks of the private owners and their organization in the PDMA. It was largely based on ethnic exclusion and a familial authority structure and it hardly associated itself with the Histadrut or the Labor movement in general. The diamond manufacturers had for years succeeded in preventing the Histadrut from gaining power in the industry, in workers' organization, and in influencing workers to consider economic cooperation. The capital needed to start a cutting business was too great for even the most skilled of workers. Creating a leveled structure of production and pay in this skill-specific industry had always been problematic, and the equal sharing of profit had always been a difficult task to calculate. The piecework system and workers' relatively high incomes were overly influential barriers.<sup>37</sup>

The change came in summer 1946. The liberalization of controls enabled various forces to join the industry, and those in charge of the economic wing of the Histadrut began to consider the option. The involvement of the Histadrut in an internal arbitration over splitting of ownership at the Bukhara cooperative further encouraged the Histadrut to join in, first as a partial owner in the Bukhara cooperative itself and from January 1947 also in others. In the final analysis the latter was made possible by the crisis itself, the bankruptcies it provoked, and the flurry of factory-ownership changes. When the crisis peaked in winter 1947 and factories' owners were desperately looking for a financial outlet, the Histadrut's holding company (Hevrat Haovdim jointly with AMPAL) turned into a key buyer of shares of factories. Through these purchases workers of the same factories turned into co-owners, in some cases with their former owners and employers. By the spring of 1947 the six diamond cooperatives (and their three hundred workers) constituted a fifth of the factories—"a healthy capitalist-laborer element," in the words of Oved Ben-Ami.<sup>38</sup>

The Histadrut-backed initiative in establishing cooperatives in diamond cutting (see appendix table A.7) was part of a wider wave of a revival of urban producing cooperatives in the Jewish economic sector during 1946–1947. Reflecting a postwar downturn, collective initiatives by Jewish ex-servicemen, and an attempt by the economic institutions of the Jewish Labor movement to widen its activities in the private sector, the wave well exploited the crisis in the diamond industry. In reproducing an earlier cooperative experimentation in Jewish manufacturing two decades earlier, the diamond cooperatives were practically a labor response to a capitalist crisis. In fact it was a return to the presence of the Histadrut during two earlier economic crises that took place in Palestine in the late 1910s and in the mid-1920s. A severe down-turn of private capital and of privately owned industrial ventures brought about a fervent cooperative activity by organized Labor, mainly in Tel Aviv and Haifa. In reproducing the pattern, the cooperation in diamonds reflected a from-below pressure of diamond workers asking to avoid the unemployment and occupational retraining that the crisis ominously eventuated. However, it also reflected the attempt of the Histadrut to finally show its presence and power in an industry that consistently hampered its hegemony among the factories and the workers. This was also the basis for the Histadrut's insistent claim that in resolving the crisis and in the postcrisis reorganization of the industry diamond circles in Palestine and abroad should take its voice into consideration.<sup>39</sup>

The peak of the crisis was reflected first and foremost in a ten-week shutdown of the factories and the collapse of the entire system that factory life encapsulated: training new workers, purchasing the rough stones, cutting diamonds, exporting the polished products, and paying the syndi-

cate, the experts, the clerks, and the workers. During these long weeks, adjacent manufacturers and suppliers (machinery, technical support, and the like) suffered as well. Shops that relied on the consumption of the diamond workers, in Netanya in particular, reported declining sales, and the silence of the factories was equally reflected in the many workers moving out of the town. The ordinary communication with the brokers and the syndicate in London was totally destabilized and the export to the US dried up.<sup>40</sup>

At the same time, however, the diamond industry hardly ceased functioning. During these three months the informal industry in homes and makeshift spaces boomed. Manufacturers, experts, and skilled workers informally employed many workers in what was known at the time as 'Mulot Shchorot' (black cutting tables), and the latter complemented their domestic operations with odd jobs. The black diamond market—in particular in Tel Aviv, where a noninstitutional diamond industry was more likely to spread than in Netanya, turned into a surrogate network to the diamond factory system.<sup>41</sup>

The collapse of factory life and the concomitant "informalization" of the industry quickly led to the breakdown of ordinary relations between capital and labor. The manufacturers were forced to cut labor costs, and once they realized the resilience of the diamond workers' unions they increasingly turned to home work and low-pay cutting. The unions and the Histadrut in particular could not ignore the "black industry" because it came to replace factory production and because so many workers were now in this no-man's-land between organizational affiliation and unorganized work. Pay levels were now set more outside the factories and outside the negotiation rooms and more on the streets and at the home production sites. The culture of collective bargaining and the ordinary expectation for collective agreements simply withered away. The splintering of union representation during the war gave way to the fragmentation of the labor force who faced now many more employers and would-be employers—themselves former work managers or skilled workers. In these conditions the reserves of uncut diamonds in the hands of the diamond manufacturers were emptying dramatically, and their capacity to pay for orders, to employ, and to pay wages decreased. Moreover, the government, fully committed to deregulation of the industry, persisted in providing licenses to new owners and manufacturers, which in turn produced competition over resources. Consequently three distinct systems came under threat. One was the manufacturers' monopoly—their cooperation in purchase, production, and export and their dependence on each other for information, labor exchange, and cost regulation. The second was the collectivity created by the merely spatial concentration of the workers in the factories that was now giving place to a fragmented home-based and

even street-based manufacturing and trading. The third was the system of relations between the PDMA and the unions that, as much as it harbored conflict and adversarial positions, grew since the establishment of the industry into normalized and accepted routes of communication and conflict resolution.<sup>42</sup>

The positions the two sides presented to the committee that the Jewish Agency established to resolve the crisis were fittingly wide apart.<sup>43</sup> The Histadrut was now the leading force among the unions and perceived by all as the main representative of the organized diamond workers. It wished to restructure the industry in such a way that the share of the workers in the industry's profits would expand. It wanted to base the industry on collective bargaining (including a stable machinery to secure cost-of-living allowances). At the same time collective bargaining would give the Histadrut what it really aspired to—majority among the unions. More specifically it demanded that the manufacturers resume the operation of the factories, pay for idle days, and compensate the unemployed. Finally, it wished to see that the diamond cooperatives that operated under its auspices became equal members in the manufacturers' organization.<sup>44</sup>

The PDMA was in graver trouble. It could not vie for its members' debts to the Diamond Syndicate, nor could it commit itself to paying the workers, compensating the unemployed, or signing a collective agreement with the unions that would be impossible to fulfill financially. The comparatively lower labor costs of the Belgian diamond manufacturers hardly made it worth their while to resume production. The PDMA wanted the industry to be organized again, and while it reluctantly accepted (and temporarily even encouraged) the informal industry, it also wanted to revive its monopoly powers. In the perception of the PDMA's leadership, for its members to be able to pay the debts to the syndicate, to replenish their rough diamond reserves, and to restart the operation of the factories so as to be competitive to Antwerp, the workers and their unions must alter their demands for pay, compensation, and equal membership.<sup>45</sup>

The sides were far apart, claimed the committee.

Any attempt to decrease the labor wage to such a degree that this reduction could balance most of the other negative factors would bring wages to such a level that would not allow the workers to pursue working in the industry. . . . Those among the manufacturers that have thought that they could solve the crisis in the market by lowering working conditions would certainly be disappointed. Those among the workers that have thought that the industry could go on without a fundamental change in the conditions created during the boom period and without taking out from the occupation those who had not the capacity to work with rational productivity—they too would be disappointed. In these circumstances we find the reason for which the two sides have not found the way to reach an agreement. The manufacturers have the exaggerated tendency to seek salvation in mere changes in working conditions. The work-

ers, apparently, do not recognize yet the full gravity of the crisis and its drastic consequences.<sup>46</sup>

In these adversarial circumstances, themselves aggravated by the straining political relations between the British and the Yishuv, the dependence of capital and labor on the Jewish Agency increased. The government was still formally the controller of the industry and the Jewish Agency could do little to control the manufacturers and the veering of many of them to informal operation and domestic production. Though the Yishuv had political authority, it equally had little power to influence the black market, the home industry, and the hub of cutting and trading activities that went on in private and surreptitious spaces. What the Jewish Agency could do was to framework the problems of the industry within the Zionist system. That is, it could provide a variety of backings to the manufacturers and the workers from Zionist and Yishuv resources and thus socialize the industry further in the Zionist national economy.<sup>47</sup>

These resources were much more influential than any of the failed attempts at mediation. Indeed, the resolutions the Jewish Agency Committee recommended in February 1947 were hard to digest, and it is no wonder it took many days of deliberation and winding negotiation to thaw the stalemate. The two sides were called to make sacrifices in order to rehabilitate the industry and to be aware of the fact that the industry could not be the same as before. The conclusions called for immediate resumption of work and compensation for workers for their losses during the shutdown and significantly favored some of the manufacturers' demands, such as the annulment of all social benefits and the freedom given to the manufacturers to dismiss workers without prior consent from the unions. At the same time the conclusions dealt a severe blow to the workers—a recommended reduction of 25 percent wages compared to 1946, the annulment of unemployment compensation by the employers, and a drastic reduction in pay, in particular for the less skilled who were essentially asked to leave the industry.<sup>48</sup> Consequently both the PDMA and the Histadrut rejected the resolutions—the former for fear of financial loss and the latter for sacrificing so many workers and the threat on the cooperatives it backed. Both wanted work to resume but the terms the committee set were in the final calculation too costly.<sup>49</sup>

The turning point resulted, as usual in the diamond industry, from intertwined exogenous and local pressures. Following the decision of the government in February 1947 to turn the mandate of Palestine over to the United Nations, the British institutionalized military rule and employed occasional curfews. The military pressure brought the sides closer behind a national resolution on the conflict and thus softened their opposition to the recommendations of the Jewish Agency committee. Second, prices for polished stones in the US reached low levels, and the only way the dia-

mond manufacturers in Palestine could resume operation seemed to be the reaching some sort of a nationally backed *modus vivendi* with labor. Third, and crucially, the syndicate kept on refusing Palestine (since January) the supply of rough diamonds without the payment of the manufacturers' debts. Relations with the syndicate were alarmingly strained now because of expanding purchases by Palestine diamond manufacturers from non-Diamond Syndicate and much cheaper sources.

Table 7.2 Imports of rough diamonds to Palestine, January–March 1947

Sources	In carats	In pounds sterling
DTC (purchased by PDMA)	12,055	94,317
Outside DTC	22,127	104,230
USA	3,995	26,639
UK	13,735	71,392
South Africa	4,094	4,002
British Guiana	303	2,197

Source: PDMA, *Activities of Palestine Diamond Industry, January to March 1947*, submitted 9 July 1947, NCA, G/85/572.

The change of sources meant primarily that most of the rough diamonds would be absorbed in the home industry, thus further weakening the original factory system. However, it also widened the split between solvent manufacturers who sought a separate arrangement with the syndicate and those still in debt and who relied more on other cheaper sources. In such circumstances of political pressures, grave supply problems, and an inner PDMA split, the Jewish Agency appeared as an essential savior.<sup>50</sup>

Advised by Albert Ehrenfeld, the general manager of the Palestine Corporation, the Jewish Agency took two steps. First it allocated the industry half a million dollars from Zionist funds. Second, it guaranteed loans to be made to the industry by the Anglo-Palestine Bank and the Palestine Corporation. The sources aimed to help the manufacturers to buy diamonds on the free market (non-Diamond Syndicate sources) and for the PDMA to pay the debts to the syndicate. If the Histadrut was now more confident in its attempt to expand its cooperative holdings in the diamond industry, the PDMA was now freer in its dealings at the syndicate and in obtaining raw materials. The arrangement allowed the PDMA and the unions to agree on resuming work on the basis of individual factory-based agreements, and towards the end of March the syndicate renewed supplies. Though this reawakening of the industry was partial, the atmosphere of despair began giving way to guarded optimism. Tied now to the udders of Zionist public resources, the industry was gradually led out of the crisis and made able to rebuild its competitive capacity versus Antwerp.<sup>51</sup>

In providing financial backing, in the mediation it offered, and in its impact on the Histadrut to allow rapprochement with the PDMA, the Jewish Agency served therefore as a surrogate to the British. It began replacing the withdrawing authority of the government and filling in the institutional gap that would soon characterize a wider bureaucratic area in the post-Mandate period. Notwithstanding the crisis in the industry, a new set of relations was now being established that totally transformed what in the early war period was an institutional and cultural enmity between the diamond industry and Zionist institutions.<sup>52</sup>

Indeed, the withdrawal of the British from the industry was becoming evident already at the end of winter 1947. In mid-March Mathias strongly recommended overcoming problems of overproduction and low prices by aiding the industries in the Low Countries and curtailing those in other centers, especially Palestine. The policy was adopted by the Colonial Office in May, and also affected the managers at the syndicate who were enraged by the increasing acquisition of Palestine manufacturers and merchants from non-Diamond Syndicate sources. The partial recovery of the industry in the late spring was negatively affected by British emergency laws and curfews.<sup>53</sup>

In summer 1947 the diamond industry further deteriorated for reasons not directly related with business or labor. Following the spread of Zionist anti-British operations and the widespread arrests the British conducted at the end of June, the violence reached its peak. In mid-July the Irgun (IZL) underground captured two British sergeants. Two days later on 14 July, Netanya was put under martial law, which curtailed all efforts to bring supplies of rough diamonds to polishing in the town. Meanwhile the robberies of diamond factories and dealers by the Irgun continued. A few days later the bodies of the two hanged sergeants were found near a deserted diamond factory in Netanya (Feldman's). On 5 August Ben-Ami was arrested with thirty-five other Zionist leaders, and the entire network of relations was paralyzed.

Ben-Ami's arrest completely collapsed the complex web of relations that he and Walsh had woven since the early 1940s. Ben-Ami's admiration of the British, their appreciation of his war service, and the close relationships developed between him, Hennig and Co. and De Beers were now in grave crisis. In a letter from the Latrun detention camp (near Jerusalem) where he was held, Ben-Ami compared his arrest with his father's in Petah Tikva by the Turkish police some thirty years earlier for supporting the British effort to free Palestine of the Ottoman yoke. It was another symbol of the British retreat from Palestine but a crucial one because it marked the dissociation of the imperial power from the local circles of private capital that served it so well.<sup>54</sup>

Indeed, the government washed its hands of the tribulations of the manufacturers and workers. In July 1947, with the diamond industry already in deep crisis, the British boasted to the UN special commission on Palestine on the latter's economic growth during the war and the particular role of the diamond industry in the export spurt. Emphasizing its nature as an "All-Jewish industry" that had replaced Palestine citrus fruits as "the country's most valuable export," the government thus affirmed its role in shaping the advance of the local diamond industry and its ethnic specificity—but also hid its part in the industry's crisis. It was perhaps the latter that helped transform the language of imperial service that was current in the diamond industry of the early war years into anti-British sentiment.<sup>55</sup>

Freed in October 1947 from his incarceration by the British authorities Ben-Ami, the founder and president of the diamond manufacturers' association, saw an industry in a state of disarray. Just as the British, nearing withdrawal, placed Palestine betwixt and between, so was the diamond industry in late 1947 between recovery from its grave downturn and a looming civil war between Palestine's Arabs and Jews. The diamond manufacturers were now distanced from the uncompetitive and protective environment created by the conditions of the war. And their experiences in financial instability and bankruptcy caused some to leave diamond production or Palestine altogether. Some returned to Belgium; some found their way to New York or South America where they more often than not changed from cutting and polishing to dealing and trading. The opposite direction was no less populated. Some diamond people who survived the Holocaust asked to become absorbed in Palestine in the occupational world that was shattered in 1940 with their families and homes in Amsterdam and Antwerp. Others from Rio de Janeiro, Havana, London, and New York wished to be part of the Zionist project. The ranks of the local diamond industry were, however, still dwindling and soon the 1948 war would further depopulate them through mass mobilization. From his seat at the Netanya Municipality, Mayor Ben-Ami could do nothing but sense the great contrast between the intensive times of the industry's take-off in 1941–1945, "the fat years" in his expression, and its pale state in 1947–1948.<sup>56</sup>





Illustration 7.1. Workers at Yahalomei Zfat diamond cooperative in Safed, 1949. Source: CZA/PHKH/1280083. Used with permission of the Central Zionist Archive..



## Chapter 8

# REPRODUCING THE PACT



Further deterioration in the situation of the world diamond markets is recently felt, in particular in the United States of America. . . . The competition lowers diamond prices. . . . The development of the diamond industry in Germany is renewed, and with lower wages. . . . The producer in Israel is left with no profit. . . . Considering that the industrialists suffer these losses for already four months most of them would cease work if government assistance is not provided or the situation improves. In practice many enterprises would shut down but for their hope for government help.

—Jacob van Amerongen, Record on the crisis in the diamond industry,  
8 March 1949, ISA/RG/48/90/23.

## State of Transition

The effects of the crisis in the diamond industry accentuated its exposure and fragility. Fluctuations had always been an integral part of diamond production and trade long before the industry was founded in Palestine, and after the war they recurred with no less force. The downturn in Palestine was therefore not an unknown fact for the manufacturers and experienced dealers, and perhaps their adaptability to the vagaries of the postwar period was a clear proof of this accustomed fact. Furthermore, the shifting map of cutting centers was also a historically recurring phenomenon. Antwerp surpassed Amsterdam largely following the First World

War. The German cutting industry knew well how to exploit the world depression of the 1930s to create a strong competitive center that threatened to replace Antwerp. Palestine itself was a schemed alternative to the paralysis of the polishing centers of the Low Countries; and the centers in Havana, Rio de Janeiro, San Jose, Johannesburg and New York, could not have thrived without the war-provoked flight of Jewish refugees. Palestine's decline in 1947, which was strongly affected by the intersection of Belgium's return to business and the enhanced role of diamond industries as national-economic assets, was part of these shifting gravity points of the preceding decades.<sup>1</sup>

Still scarred by the crisis, the industry now entered the transition phase from British Mandate rule to Jewish sovereignty in the state of Israel. The transition was fourfold. First was the state-like role assumed by the Jewish Agency. Largely a military and an institutional process, it manifested itself in the role played by the agency and its departments of trade, industry, and labor in facilitating the diamond industry's recovery from the crisis. Reflecting the growing centrality of the Zionist institutions in the economic preparations of economic firms to the watershed political transition that was about to take place in 1948, the role of the Jewish Agency was based on direct economic assistance, on relaxing the tense relations between capital and labor, and on making the industry aware of the new government in charge.<sup>2</sup>

The second process was the British retreat that followed the UN resolution for the partition of Palestine in November 1947 and was completed in mid-May 1948. This process gave the transition immense geographic and political import. For the diamond industry, the retreat manifested itself in the exclusion of Palestine in February 1948 from the Sterling Bloc and in the institution of new government-like control. Moreover, the British departure harbored deep political and institutional implications for the population, the bureaucratic structures that regulated daily life and the expectations the Arab and Jewish communities were accustomed to from the colonial regime. For the diamond industry the impact was overwhelming. The industry had been born and reared by the British Mandate state, by the authorities in London (the CO, MEW and the like), and by particular regime-related personalities that weaved the network between the PDMA and De Beers. A series of thorny questions would be raised now, touching upon the policy of rough diamond supply, relations with Antwerp, local control, and government support of the private sector. The institutional vacuum that emerged already in summer 1947, and its supplanting by the new state in the course of 1948, was reminiscent of the previous and no less dramatic intervention of the Mandate in the daily operations of the diamond industry eight years earlier.<sup>3</sup>

The third major aspect of the transition was the Arab-Israeli war that erupted in spring 1948 and ended with the armistice agreements between Israel and the Arab states in summer 1949. While the diamond industry emerged in 1939–1940 largely due to the war in Europe, now it became an integral part of a war that brought about dramatic human cost and institutional change. The 1948 war prolonged the recovery of the industry from the crisis and at the same time embedded it, as it did the entire Jewish private sector, in the Israeli state-building process. The fourth and final aspect, the actual establishment of the state of Israel in May 1948 as a sovereign political entity, brought these processes to a climax. The emergence of the state was so cataclysmic demographically, politically, and economically that it took many years for the historiography of the transition period to acknowledge the tremendous impact and legacy of British Mandate rule. In 1940 the British government bureaucracy and military forces in Palestine transformed the institutional infrastructures of earlier Mandate rule. The handling of the diamond industry and its relations with the Diamond Syndicate, the MEW, and the Belgians was part of this transformation, and they were reflected in particular novel forms of state intervention in civil society and in industry. In a sense the diamond industry was not just a “war-industry”; rather it was a state-capitalist sector, the two sides living off one another and developing mutually dependent relations. The state of Israel, with its emphasis on the need to finance the 1948 war and absorb Jewish immigrants through a “managed economy,” marked a direct continuity in this reciprocity and gave the involvement in the recuperation of the diamond industry new dimensions.<sup>4</sup>

Shaping this intervention, and practically coloring the entire system of relations between the state and the industry, was the contrast between world trends in the diamond industry and local performance. The two factors on which the diamond operation in Palestine depended—the steady Diamond Syndicate sales of rough diamonds and the demand in the US for finished stones—seemed at the end of the decade to provide a favorable climate for the expansion of the local cutting centers. Between 1947 and 1951 DTC sales doubled, and, in particular, the sales of rough stones for jewelry diamonds rose at the expense of industrial diamonds. Moreover, diamond imports from the syndicate to the US resumed their wartime levels—from \$64.2 million in 1945 to \$118 million in 1946, declining only in 1947 to \$43.5 million.<sup>5</sup>

In clear contrast to these favorable conditions the diamond industry in Palestine (and Israel from 1948) found it hard to recover. The number of workers employed in the industry decreased dramatically, and its share in the overall polished diamonds imports to the US declined from 27.5 percent on the year World War II ended, to less than half of that share at the turn of the decade. Evidently, the recuperation of the Belgian diamond

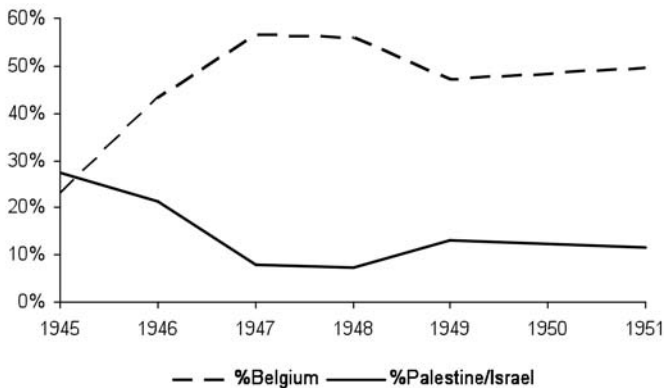
industry accentuated the contrast. From accounting for less than a third of the imports of finished diamonds to the US in 1945 the Belgian industry climbed in the early 1950s to half, leaving Israel behind with only half of that Belgian share.

Table 8.1 Imports to the US of polished diamonds, 1945–1951

	Total (in thousands of dollars)	From Belgium	From Holland	From Palestine/Israel	% of total from Palestine/Israel	Average price per carat in the US in dollars	Employed in the diamond industry in Palestine/Israel
1945	64,185	14,621	520	17,685	27.5	170	4,100
1946	117,968	51,150	7,724	24,972	21.2	195	5,000
1947	53,472	30,368	3,743	4,298	8.1	154	2,000
1948	56,245	31,476	5,110	4,139	7.3	145	800
1949	41,428	19,582	3,202	5,402	13.0	124	1,000
1951	58,525	29,115	4,845	6,834	11.7	119	2,200

Sources: Albert Ehrenfeld, "Israel Diamond Industry," *Israel Economist Annual—1952* (Jerusalem, 1953), 138; Albert Ehrenfeld, "Israel Diamond Industry in 1953 and 1954," *Israel Economist Annual—1954* (Jerusalem, 1955), 111–13; "The Diamond Industry," in Israel's Ministry of Commerce and Industry, *Israel's Industrial Future: Outlook 1960–1965* (Jerusalem, 1965), 228–32; *Hayahalom* 154 (June 1988): 62.

Figure 8.1 Share of imports of polished diamonds into the US from Belgium and Palestine/Israel 1945–1951



Sources: Albert Ehrenfeld, "Israel Diamond Industry" *Israel Economist Annual—1952* (Jerusalem, 1953), 138; Albert Ehrenfeld, "Israel Diamond Industry in 1953 and 1954," *Israel Economist Annual—1954* (Jerusalem, 1955), 111–13; "The Diamond Industry," in Israel's Ministry of Commerce and Industry, *Israel's Industrial Future: Outlook 1960–1965* (Jerusalem, 1965), 228–32; *Hayahalom* 154 (June 1988): 62.

The contrast was obviously a reflection of the lingering effects of the crisis.<sup>6</sup> The prolonged stoppage of factory production and the related growth of home production harmed the quality of polished diamonds and the reputation of the industry among dealers and merchants in New York. The concurrent contraction of the workforce in Palestine, and expansion of that in Antwerp, added to the decline in reputation. The superior capacity of Belgian manufacturers to obtain rough diamonds from the syndicate (but also in lower prices from the US) was indicative of the effects of the crisis on previous marketing advantages that Palestine enjoyed during the war and immediately after.<sup>7</sup> Moreover, the ability of the manufacturers to pay for their orders of rough diamonds improved a little in the latter part of 1947 but not enough to regain the trust of the brokers and the syndicate in London. The financial guarantees the PDMA was forced to promise the manufacturers in order to balance the growing mistrust heightened tension among the members of the organization, and between the PDMA and the banks that were its sources of credit. The diamond cooperatives, partially replacing the private factories during the downturn, could hardly expand their production and bear the increasing insurance costs.

The reestablishment of Antwerp as a center for sales and gathering of foreign buyers stressed the physical injuries the crisis caused. India was Palestine's main alternative outlet to market its produce (other than the American one that the Belgians controlled); but it was caught in a civil war that hampered import of polished diamonds. The closure of the Indian market to Palestine diamonds from early July 1947 resulted in a substantial deficit in Palestine's balance of trade.<sup>8</sup> As the Belgian industry enjoyed more favorable exchange rates of foreign currency than Palestine, the competition with Antwerp was indeed fierce. Compared to Palestine the Belgians could lower wages, save more on labor costs, and press the syndicate more successfully to favor Antwerp over other cutting centers. Moreover, world competition would include now also the diamond-cutting industry in Germany, which reemerged after the war (with the aid of the Americans) and, albeit more modestly, of the Dutch industry as well. In this competition the role of the Diamond Syndicate was crucial. Wishing to secure the diamonds mined in the Belgian Congo, it favored the industry in Antwerp and thus narrowed down significantly the supplies to other centers. These advantages were also used in blatant attempts to attract refugees to return to Belgium. The picture was therefore reversed: Palestine diamond cutting could take off in the early 1940s because of Antwerp's paralysis, and now, with the Belgian diamond industry dynamically recuperating, it had to face again limitations similar to those set by the Belgian hegemony in the 1930s.<sup>9</sup>

Adding to the fragility of the industry was the fact that the PDMA itself was still recovering from the organizational blow it suffered during the

crisis and from Ben-Ami's internment. Many in the industry sensed this leadership crisis and its consequent effects on the position of Palestine in the politics of supply in London and on Ben-Ami's ability to pull the old strings. It was perhaps one of the long-term impacts of the crisis that, despite the resilience and solidarity cultivated among the diamond owners and manufacturers during the happier times of boom and world success, they were now overshadowed by distrust and organizational limpness that would heal only years later.<sup>10</sup>

The political and military upheaval from late 1947 to summer 1948 and the economic disruption it wrought on the country accentuated the lingering effects of the crisis and added new ones. The disruption of air communications slowed down the supply of rough diamonds. Manufacturers, workers, and dealers alike were mobilized, and those that maintained the operation of the factories knew well that, unlike the war that gave birth to their industry, this one was not conducive to production and export of luxury items. For the diamond industry it meant first of all partial loss of communication with the world outside Palestine and with the syndicate. The disconnection of Palestine from the Sterling Bloc in February 1948 threatened to have serious consequences on negotiations over the supply of rough diamonds, on trade and consequently on profitability. Moreover, rough diamonds, which were supplied in meager quantities since early March 1948, could not reach Palestine regularly, and the export of the polished stones that depended on the Clipper airplanes was destabilized after the takeover by the Jordanian Legion in June of the Lydda airport. Insurance companies were more reluctant to cooperate with the industry or virtually became unbearable for the individual manufacturers and merchants. It was for these reasons that more than half of the rough diamonds the industry in Palestine obtained during this period came from informal (non-Diamond Syndicate) and illegal sources.<sup>11</sup>

Institutional uncertainty was no less destabilizing. The communication between the industry and the British government was disturbed and the control over imports and exports almost collapsed. The manufacturers feared that the retreat of the government would cut off the import of supplies, and the political vacuum seemed to the syndicate in London to be a potential menace. The industry already had its established sightholders on whom it could count to receive the rough stones from the Diamond Trading Company in London. But the retreat from the Mandate seemed to harm the enormous help the diamond industry received from the British in the struggle for supplies, in exerting pressures on De Beers, and in assuaging the Belgians. Unsurprisingly the diamond manufacturers would now do their utmost to secure the interest in and attention of the Jewish Agency to the role of the industry in building the state. Not many years back, the Zionist institutions worked relentlessly to influence the industry



and delegitimize its robust assertion for institutional and economic independence. Now the two sides would join together in a concerted effort, and strongly nationally motivated, to reproduce the state-capital relations shaped earlier with the British.<sup>12</sup>

The breakout of the 1948 war in May brought further aggravation. The war engulfed the urban areas where the diamond industry was located. The syndicate stopped sending supplies and 1,200 of the 2,000 workers employed in the factories (apart from 800–1,000 in the home industry) were called up for military service. The remaining 800 remained confined in the thirty factories under a special arrangement granted by the defense authorities so as to keep exports going. But because of the suspension of postal services and malfunctioning of government departments, all marketing and export was disorganized, probably allowing for more chaotic business. Most of the exports during the first months of the war found their way out by private arrangements. Consequently the value of import of rough diamonds between July 1947 and July 1948 (LP 2.5 millions) was three times higher than the value of export of polished stones (LP 0.7 Millions).<sup>13</sup>

The trend was accentuated in autumn 1948 by the decision of the syndicate, clearly provoked by the Belgians, to further cut down rough supply to Israel, and by the insistent demand at the syndicate that the industry should pay for its orders in hard currency. Another fall in demand for polished diamonds in the US at the end of the year caused a further decrease in prices and accumulation of stocks at the hands of American importers. The competition from the German diamond industry in the American zone intensified, largely resulting from low costs paid on labor and from the willingness of British and Dutch diamond dealers to send Germany their rough diamonds for cutting and polishing. Unfavorable exchange rates between the Israeli Lira (LP) and the American dollar were influential too, as well as the expectations of American buyers that polished stones could be now obtained much more cheaply in Germany and in Belgium than in Palestine.<sup>14</sup>

By the end of the 1948 war the industry was still only a fifth of its size at its peak in 1945–1946, the gain it accrued from exports was small, and overall salaries paid to workers averaged 40 percent lower.<sup>15</sup> The accumulating effects of the crisis, Belgian competition, the war, and the supply policy of the syndicate significantly limited the capacity of the industry to take off again and further splintered the veteran factories into small-size undertakings and production units.

Table 8.2 Diamond cutting in Palestine/Israel, 1946 and 1951

	Factories 1946	Workers 1946	Factories 1951	Workers 1951
Tel Aviv	18	2,657	66	1,060
Netanya	11	1,585	21	616
Jerusalem	2	350	7	102
Ramat Gan	1	*	4	24
Petah Tikva			3	19
Bnei Brak	1	*	1	7
The Negev			1	18
Total	33	4,592	103	1,846

Notes: \* included in Tel Aviv

The 1,846 workers in 1951 were divided into sixty factories with 486 employed, thirty-five with 934 and eight employed 426. This was a significant reduction in firm size compared with an average of 139 workers per factory in 1946.

Sources: Minutes of the first meeting of the central committee of the National Organization of Diamond Workers, 9 December 1946, LA/IV-208-1-4551; The 1952 Israel's Industrial Census as summarized in Yaakov Arnon, "The Diamond Industry," *Haaretz*, 8 June 1955.

The diamond industry was a "war baby" as many defined it, it was used to disruption, and its adaptability was renowned. Moreover, political uncertainty and Belgian competition that narrowed down supplies may have kept alive a black market, and even increased demand for locally marketed diamonds as an inflationary hedge. However, as restructuring of the factories demonstrated, the protracted recovery from the crisis and the 1948 war virtually brought its transformation.<sup>16</sup>

## The Pact

It was against this background of war, political change, and aggravating competition among diamond-producing centers over the American market that a new pact emerged in spring 1948 between the state, the industry, and the workers. The rapprochement was already in the making upon the intervention of the Jewish Agency in the attempts to resolve the crisis. Following the British decision in spring 1947 to hand over the Palestine question to the UN and the arrest of Ben-Ami in the summer, the Jewish Agency intensified its involvement. The decision on the partition of Palestine and the beginning of military recruitment of workers following the spread of hostilities in early 1948 gave this institutional involvement its formal countenance.<sup>17</sup>

Let us first look at the actors that took part in the process. In February 1948 the leaders of the Jewish Agency resolved to help the industry protect itself against increasing attacks on the factories by the LEHI underground. In parallel it set up an advisory committee on diamond affairs aimed to resuscitate the industry and counter the Diamond Syndicate's policy to stop sending supplies of rough diamonds to Palestine. Albert Ehrenfeld of the Palestine Corporation and the main advisor on diamonds to the British, the Jewish Agency, and the PDMA itself was appointed diamond controller. Jacob van Amerongen (later Arnon), a central figure in the Dutch diamond industry and the Jewish community in Amsterdam, was nominated as Ehrenfeld's deputy.<sup>18</sup> In April 1948 the two established the Department of Diamond Control under Minhelet Haam, the "People's Administration" that ran the affairs of the Yishuv on the eve of the establishment of the state of Israel.<sup>19</sup> On the formal establishment of the state in May, diamond control was incorporated into the Department of Trade and Industry, headed by Peretz Bernstein,<sup>20</sup> one of the central figures in Dutch liberal and Zionist politics and formerly the director of the Jewish Agency's Economics Department. In addition an advisory committee on diamonds was established in the Ministry of Trade and Industry that practically replaced the British diamond control (the DCB). It was here that Minister Bernstein, the two diamond controllers, and the representatives of the industry, including Ben-Ami, convened to shape diamond policy. The move was further backed by the renewing the coordination between the PDMA and the association of Jewish industrialists (formerly the PMA). By the end of May 1948 the entire system of authorization of diamond imports and exports and of the formal relations between the industry, the state, and the banks was institutionalized, and the State of Israel formally replaced the British in regulation of the industry.<sup>21</sup>

Bernstein, Ehrenfeld, and van Amerongen (Arnon) epitomized the state entity in the making. Bernstein was in charge of industrial policy in the transitional administration, while Ehrenfeld and van Amerongen handled the transfer of diamond control from the British to the new sovereign. The three knew each other well from prewar Amsterdam. Ehrenfeld and Van Amerongen had deep backgrounds in diamonds and diamond banking and trade in the Low Countries, and they shared with Bernstein a mix of a liberal economic approach with a commitment to state building and to the need of a state-managed economy. Their recruitment reflected the state's mobilization of professionals who were not well versed in the trade but schooled in relations with state bureaucracies. Ehrenfeld worked in diamond control under the British authorities and from his pivotal position in the Palestine Corporation he handled the credit policy of the banking system in 1940s Palestine vis-à-vis the diamond manufacturers and the PDMA. Van Amerongen was closely connected to the diamond world

through his family and the diamond firm he ran in Amsterdam in the 1940s. A renowned economist and a prominent leader in the Dutch Zionist Movement, he seemed fit to join Ehrenfeld in shaping the diamond-control policy of the new state while maintaining the continuity of the close association of the diamond industry with state authorities. Together they expounded the intertwining of industrial recovery, loyalty to occupational traditions, and state building and came to represent during the transition from Mandate to state the needs and interests of both the state and the private industrial sector: higher foreign-currency earning, absorption of occupationally focused Jewish immigrants, and transferring the industry from the black market and home production back to formal production, the diamond factories, and untarnished trading.<sup>22</sup>

The second actor in shaping the pact was the industry itself. It was now a mixed composition of manufacturers, master craftsmen, and merchants. Many of the larger factories they were part of only few years ago that had many capital owners without prior background in diamonds had been replaced by small-sized factories that worked on a diversified array of stones and thus were more professionally focused. The diamond manufacturers' association and the Diamond Exchange (which included the Diamond Club) provided this contracted group with some cohesion. However, they mostly perceived themselves as less committed to organization as they had been in the early days of the PDMA monopoly. In the latter part of 1949 the monopoly of the manufacturers' association over the reception of supplies of rough diamonds from London ended following the recommendation of the syndicate,<sup>23</sup> and the establishment of a new manufacturers' organization—the "Diamond Cutting Works Federation"—was in process. Consequently, the transfer of the institutional power of the industry from Netanya to Tel Aviv was now completed, the latter town inhabiting in 1952 66 percent of the 103 factories and 70 percent of the 2,195 diamond workers. However, it also reflected the decline of Ben-Ami's power in late 1949, in the wake of the ending of the monopoly and his resignation from the presidency of the diamond manufacturers' association that followed in early 1950. The transformation largely reflected the retreat of the British from Palestine and the concurrent cooperation of Ehrenfeld and Van Amerongen in the state's diamond control with the DTC in London on the one hand and with the Tel Aviv manufacturers on the other.<sup>24</sup>

If anything, what the diamond manufacturers had in common was their search—vented by the crisis, the British retreat, and the impact of the war—for the umbrella of the new state. Perceiving the new government institutions as an expression of Jewish sovereignty and a successor to previous state-capital cooperation, they happily lent themselves and their capital to serving state building. Palestine's expulsion from the Sterling Bloc and the association of competition with Belgium with foreign af-

fairs shaped their need for government backing. More crucially, the positive reception of independent Israel in diamond circles worldwide—at De Beers in London, among merchants in New York, among Jews in the Low Countries—was an essential lever for this private sector. Ben-Ami himself, so tightly entangled in relations with the British in land, municipal, and diamond affairs, wanted to see such continuity from the British protection to that of the state he so cherished, even though he may have been suspicious of overintervention from the new diamond control. The opposition of some manufacturers to his authoritarian rule in the PDMA—composed as it was of the old opposition camp and the Histadrut-oriented cooperatives—was even a greater supporter of a pact with the state and with the approach that upheld a managed and national-oriented economy.<sup>25</sup>

As happened to other groups in Yishuv society, the 1948 Arab-Jewish war made the Zionism of the diamond manufacturers, workers, and merchants more explicit and blatant. Earlier occupational and cultural aspects of that nationalism were reflected in the felt presence in the diamond industry of Revisionists and the right-wing underground organizations, and of the liberal Zionism espoused by the leaders of the industry. The economic nationalism that was expressed in the competition with other diamond-cutting centers, the barring of Arabs from the industry that was greatly helped by the British, and the moral justification to inherit the German diamond industry were equally essential ingredients in this national vocabulary. The industry recruited itself to the war effort and contributed to it financially. And in asking to exempt some of its workers it stressed the importance of keeping alive an industry that could gain hard currency and global trading connections for the Jewish polity. Hard hit by the crisis and the straining relations with the syndicate, the diamond manufacturers were held now together not just by their occupational commonality but also by the state, the state's backing of the industry, and the state-building project to which the diamond manufacturers expressed their full commitment.<sup>26</sup>

The diamond workers were the weakest actor in the pact, though their participation was essential. One of the long-term effects of the crisis and the protracted recovery of the industry was the contraction in the size of the diamond factory. This was well reflected by the increase in the number of diamond-cutting production units from 33–35 in 1940–1946 to 130 in 1952. Caused by the flight of workers away from the occupation, workers moving to the informal market, and not least by the financial demise of the industry, this sizing down was extremely influential. In splintering the workers into multiple workplaces, potential workers' solidarity was hampered. Union representation was further decreased and consequently the propensity to embark on strike action weakened. By the late-1940s half of the diamond workers became to an increasing extent an incoherent

grouping. Some—in particular, cooperative members—were represented by the Histadrut-affiliated diamond workers union (the DWO, still led by Pinchas Smagarinsky) and they generally espoused solid support of state presence in the industry. Other workers who swarmed the informal, home-based diamond industry aspired to independence though they too sought the protection promised by the pact between the new state and the industry.<sup>27</sup>

At the outbreak of the 1948 war the one thousand registered workers in the diamond industry was a mere fifth of the labor force in the peak years of 1944–1946. A third of them, three hundred to four hundred strong, worked in the diamond cooperatives and the rest in the older factories that had survived the 1947 crisis. The number of the unregistered and unorganized was much higher, however, consisting of self-employed workers, casual workers employed by contractors who themselves were only recently diamond workers, and many others for whom cutting and polishing diamonds at home or at a makeshift establishment was a mere addition to other employment. This human landscape of the diamond industry was naturally the accumulated outcome of crisis and war, and its increasingly unorganized and unrecorded character was itself a symptom of the contrast with the boom years of the war period. The nature of the work done during these years was equally less clear. The transition from Sand to Melees was a long process, and the shrinking of large-sized working forces in the factories made the industry less focused on technological advancement and quality control.<sup>28</sup>

At the same time, however, the chaotic conditions in the industry allowed the expert workers to freely develop independent reputations and maintain a level of production that would later allow them to expand and establish a new generation of experts and workers. Likewise, the postwar immigration of diamond cleavers and the focused project of the Jewish Agency to train cleavers so as to find new venues for the diamond industry allowed a new occupational tradition of diamond cleavage to establish in Israel during these years that had been absent before 1946. Despite their ordeal, the diamond workers in the late 1940s were still relatively well off. They might have worked less continuously, but the exemption of many among them from conscription (granted by the new state authorities) allowed continuity in earnings, and the home industry provided them with substantial additional income.<sup>29</sup> Cutting and polishing were still attractive occupations, and the reason why it took them few more years to expand had less to do with the material conditions of the workers and more with the limits of competitiveness and expansion that were set by international interests and forces.<sup>30</sup>

The strengthening of the presence of the Histadrut in the diamond industry in 1947, largely on the basis of the diamond cooperatives (25 percent

of PDMA membership), was far from an all-country success. In Netanya, the power center of Ben-Ami, only three cooperatives were established; and when the fourth was about to be established in winter 1948, with the active support of the Histadrut, the PDMA used all the means to thwart the plan. The PDMA was still aiming at delimiting the power of the Histadrut so as to prevent the recreation of an all-industry regime of collective bargaining.<sup>31</sup> However, neither the diamond cooperatives that solidified the Histadrut's presence in the industry, nor even Mapai, the leading party of the Labor movement that was now running the government, could help organized labor strengthen its position in the industry in any significant way. The effects of the crisis on the dispersion of the workers and on the employment arrangements of workers outside the factory workplace took their heavy toll. As the new state-capital pact was concocted between diamond control and the PDMA, the notion of the competitive capacity of the diamond industry through wage restraint was greatly advanced. The voice of organized labor in the diamond industry seemed at the end of the decade to turn into nothing but a shadow of its presence during the massive strikes just a few years earlier.<sup>32</sup>

The complex of actors and subgroupings in the diamond industry reaffirmed the long-term effects of deregulation and the crisis. But it also explained why the industry became ever more dependent on state bureaucracy. Earlier in the decade it was the war that shaped this dependence of the diamond manufacturers and experts on the colonial power and on the cooperation of the government in London with the diamond cartel. To revive itself, the industry had to again lean on economic and political power. Evidently the reciprocal agreement it struck now was reminiscent of the understandings and assumptions harbored in the wartime pact orchestrated by the British, the PDMA, and the Ministry of Economic Warfare. British colonial rule asked to expand the industry and at the same time to limit its expansion. The state of Israel, seeking in the early 1950s to recruit private capital to the national cause, would now undo this structural contrast by linking the support it gave to the industry's expansion to state building and social formation.

First and foremost it was an economic pact. It was based on the premise of the economic leaders of the new state that the diamond industry was to serve as the chief source of hard currency and therefore had to be inspected but also developed. To be urgently assisted diamond control was therefore quickly organized. The licensing of diamond importers and exporters was started and an aggressive campaign against the black market in diamonds was planned so as to increase the state's revenues. More significantly, the state began allocating credit and foreign currency to manufacturers so they could purchase rough diamonds to get the industry going again. Moreover, the factories would from now on be regu-

larly inspected, the number of workers and quantities of stock would be recorded, and the Diamond Syndicate could be assured that the industry was taken care of to become reliable again. In return the Department of Trade and Industry made certain that all the returns in foreign currency from the export of diamonds were handed over by the diamond manufacturers to the state's treasury. No parcel of rough diamonds was released by the state's customs unless the importer signed a commitment to transfer to the Israeli Treasury a specified amount in hard currency at the date of release out of the diamond exports within three to five months after the date of the release. PDMA members were allowed to buy rough diamonds only according to the working capacity of their factories and only by proving previous earnings. As all diamonds were to be exported (similar to the British 1940 directives), the state's treasury could keep now close control on the amount of foreign currency spent by each manufacturer for the purchase of raw materials. The dollar earnings from exports were checked to make sure that none of the finished diamonds "leaked out." Furthermore, diamond control virtually intervened in the economic rationalization in the factories and in the efforts of the factories in saving on production costs. This reordering of industrial activity was further accompanied by the state's direct assistance in competing with the Belgians by finding new markets for polished stones outside the American sphere. Clearly Ehrenfeld and van Amerongen were structuring state-capital relations on the models they knew from the Low Countries, creating trust relations between the two sides but also mobilizing the industry for the needs of the new state.<sup>33</sup>

However, motivated to help the diamond industry recover and enhance the foreign currency earnings, the state exceeded the support of the British in its economic aid to the industry. One expression of this support was the consent of the state to exempt diamond workers from military service. Basing their production on highly skilled workers and the labor process, on complicated induction and on lengthy cultivation of trust, the diamond manufacturers were allowed to keep many diamond workers outside the battles of the 1948 war and "barter" conscription for gaining hard currency for the state. Military recruitment was replaced with obligatory confinement of the workers to the workplace and attenuated the decrease in the number of the employed. Moreover, the decrease from two thousand diamond workers in the factories in May 1948 to eight hundred in August created a severe shortage that was to be balanced by increased admission of new immigrants. The entire process seemed, at least in the short run, to revive factory work at the expense of the home industry because unrecorded workers in the informal industry could not be bureaucratically freed from recruitment.<sup>34</sup>



Further state intervention seemed necessary following the failure in the first part of 1949 to successfully compete with the Belgians and to withstand the low wages paid to diamond cutters in Germany, which in turn increased the reserves of rough diamonds in the hands of the manufacturers. The state therefore offered to buy the manufacturers' unsold diamonds, to reserve them for times of better of marketing conditions, and help them sell diamonds abroad through centralized machinery. The manufacturers were offered increased export premiums and were allowed to sell reserves of rough and unpolished stones abroad. In return the foreign currency accrued from these sales was handed over by the manufacturers to the state but also served to buy rough diamonds for cutting and polishing. In the latter part of 1949 this assistance was crucial because of the drastic narrowing of supplies from the syndicate to the Israeli diamond industry and the consequent search for alternative sources. The system was perfected by Van Amerongen by introducing currency switching—using the income accrued from the difference between the British pound and the American dollar to finance further purchases and settle the manufacturers' financial obligations. These arrangements were to be handled in 1950 by a private company in which the state participated and that was to be entirely under state control. The owners and stockholders of the company, Chevrat Pituach (literally “development company”), were no others than the two diamond controllers Ehrenfeld and Van Amerongen; they were joined by Jack Brin, the general manager of the Ministry of Trade and Industry, and Yosef Pick who in 1949–1950 was in charge of export and trade agreements in Israel's Ministry of Finance. During the 1950s the company was instrumental in finding new sources of rough diamonds in Africa and Central America for the industry, in making the industry more competitive, and, more crucially, becoming a lever in national-oriented mobilization of the diamond industry in establishing factories in Israel's new development towns.<sup>35</sup>

Closely associated with the economic aspects of the pact, and in particular with the question of international competition among the diamond-exporting countries, was Germany. Palestine had long shared Belgium's fear of the revival of the German diamond-cutting industry. Arguing consistently that Palestine did not pose a competitive threat to the recuperating diamond industry in the Low Countries, it asked to be regarded as a legitimate “heir” to the flourishing diamond production in Germany before the war. In introducing the language of victims' rights and international morality, the leaders of the industry undertook to represent not only Palestine but the Jewish diamond cutters and dealers in Amsterdam and Antwerp who during the war suffered confiscation, forced work, and extermination by the Germans. Belgian memory of the German aggressive competition in the 1930s over obtaining rough diamonds and its disas-

trous effects on the industry in the Low Countries served well in softening Belgian fear for its hegemony. Allaying Belgian fears of competition was therefore closely associated with the larger Zionist quest for international legitimacy during the transition from Mandate rule to sovereign state in 1947–1949. The De Beers cartel and the Antwerp-based Universal Alliance of Diamond Workers were crucial sources of such legitimacy, and cooperating with the Belgians against the Germans helped to give these sources further assurances.<sup>36</sup>

At the end of 1948 some four hundred cutters were formally working in the American and French zones in Germany. German diamond manufacturers were clearly reproducing the prewar tactics of paying low wages and dumping diamond prices. Remembering well the failure of the attempt to boycott the German diamond industry in 1939, a new international boycott campaign was organized by Belgian manufacturers, workers, and merchants to combat the German industry by depriving it of rough diamonds. By late 1948 Israel was a crucial actor in this campaign.<sup>37</sup> In summer 1950 the International Diamond Manufacturers Association of Belgium, the Netherlands, the US, Israel, and South Africa decided to intensify the boycott policy on German finished diamonds because of the continued German dumping strategies, the disparity in wages and work hours, and the growth of the illegal diamond trade that swept Europe during this period. An international convention of diamond workers in Amsterdam in June 1950 lent support to the move and even suggested to organize the German diamond workers so as to have them join the international effort against competition and maintenance of equal levels of pay across the centers so as to prevent unemployment. Both bodies supported the idea to refrain from a formal supply of rough diamonds to Germany and a formal purchase of its cut and polished stones.<sup>38</sup>

The failure of the boycott—largely because the Americans were keen to help the Germans resuscitate their industry, and because of Israel's search for reparations—hardly devalued the reciprocal gain that the cooperation in the boycott campaign brought to the state of Israel and the local diamond industry. The role both played in the attempt to thwart the reemergence of the German cutting industry was symbolic. After all, the industry in Palestine was born in the wake of Fascism, it responded to the fears of the Allies and De Beers of German competition, and it certainly reacted to the occupation of the Low Countries. In an ironical twist of history, the Israeli diamond industry campaigned now against a country that it asked to inherit, that it asked to be excluded from a system that the Israelis wanted to see as open to all. Moreover, the attempt by the diamond industry to curtail the revival of Germany played a role in ushering in the secret negotiations between Israel and West Germany on restitution and compensation that were finalized in September 1952.<sup>39</sup>

## Epilogue

In the final analysis, the economic and moral-political pillars on which the pact between the state and the industry stood in the late 1940s and the early 1950s incorporated a national dimension. The diamond industry was clearly a major ingredient in the economic nationalism of the new state. Similar to postwar trends in Belgium, the Netherlands, and the United Kingdom, this economic nationalism asked the private sector to take part in economic recuperation and its gains were sought after as levers for further economic growth and competition. Defining the Israeli diamond industry as a national resource was, however, particular, as economic nationalism has always been. First, it was a mobilization of the private sector to state building and to making the new managed economy viable and sustainable. Second, the diamond industry was, as were other privately owned ventures, part of an immigrant-absorptive economy. It was to participate in absorbing immigrants from North African and Middle Eastern countries as well as from Poland and Hungary through its particular emphasis on acquisition of high-skilled occupations and on socializing the immigrants into the organized world of factory work and efficient production.<sup>40</sup>

Furthermore, the migration of diamond experts and manufacturers from Belgium, and to a lesser extent from the Netherlands, Brazil, the US, and Cuba, was now encouraged. Since liberation, Belgium applied a similar policy of promoting the return of refugees and the gathering of experts, merchants, and workers who populated the diamond industrial diasporas created in the wake of the war. In 1949–1950, the campaign in Israel focused on the Zionism of diamond manufacturers, merchants, and workers, and on the role of the newcomers in solidifying the standing of the Israeli diamond industry in the face of growing Belgian pressure against the renewed expansion of the industry in Israel. The campaign further encouraged the arrival of the highly-skilled diamond cleavers, who were direly needed in the Israeli diamond industry and whose significance for the production diversification had been already noted by the British authorities at the end of the war.<sup>41</sup> Moreover, the prospective immigrants were allowed by the state of Israel to bring over their reserves of rough diamonds without formal screening and supervision so as to free them from the need to get hard currency in Israel for their further work. In this way the government continued the Jewish Agency's postwar policy to bring over to Palestine Jewish technical experts and professionals, and at the same time asked to assist in maintaining the long-standing historical association between Jews and diamond manufacturing and trading.<sup>42</sup>

The pact had, however, a more long-term expression. In a few years the industry joined in a state-planned scheme to found new develop-

ment towns on a sound economic basis, and to harness the particular characteristics of the diamond industry to cultivate an occupational culture that has historically been perceived as ethnicity specific. The project, significantly spreading in many areas from the mid-1950s, involved the establishment of diamond-cutting factories in the development towns in Israel's peripheral regions in the south and north of the country through the financial support of the government and the private initiative of the diamond manufacturers. As diamonds were easily mobilized, the product would connect the financial center with the periphery, and the labor cost should be economical enough to sustain an industry that placed so much importance on craft and labor. The national ideology immersed in this logic mixed the wish to cater to the economic needs of the inhabitants of the towns with the search of the diamond industry for low-cost workers. Israel didn't have to face much concern for the Jewish control of the industry; instead it could now allow itself to focus on making the industry more viable by combining low-cost labor with developmental ideas. Moreover, the ideals of training Jewish workers in a traditional industry merged here with "productivization" of the immigrants and with the economic advance of the newly built towns.<sup>43</sup>

Thus, the circle that opened in the early 1940s in the derogation and suspicion in the industry of its loyalty to the British and distance from the Zionist "triangular thread" was now closed. Since the early rise of manufacturing in Palestine in the mid-1920s, the central economic role of private capital and its social acceptance had been gradually advancing, despite contemporary ambivalence toward the Jewish participation in a capitalist economy and toward the urbanization of the Zionist project. It further intensified during the invigorated industrialization of the first half of the 1930s, as reflected in the parallel ripening of the industrial activity of the private sector in Palestine's towns, the rhetoric of the national role that capitalism came now to fulfill, and the recognized capacity of capital to work for the "Zionist social good." With state building becoming a reality in the early 1950s, the national legitimization of private capital, the withering of the outcast image, and the sense of marginality of the diamond industry in particular were complete.<sup>44</sup>

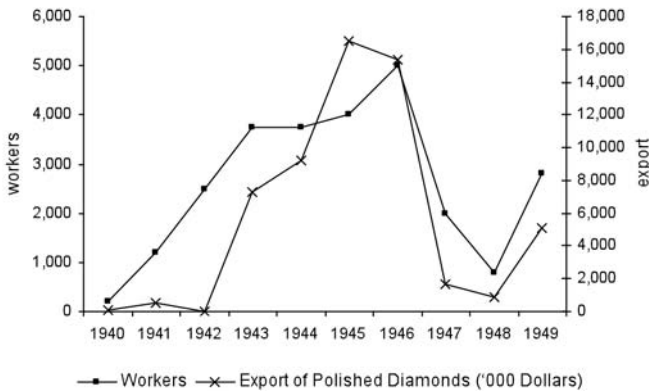
At the same time, however, national legitimacy was not only facilitating the recovery of the diamond industry from its long, drawn-out ordeal of economic contraction and the loss of more than half of its workforce. Rather, it was also part of a wider process of the gradual unshackling of private capital in the new state, and the acceptance of the frail status of organized labor and the Histadrut in Israel's private industrial sector. The vocabulary that this process encouraged both supported service to state building and the merits of the private-capital road to the materialization of Zionism. Both were cultural means for securing the state's sheltering

and espousal of capital, but also of socializing the Histadrut in the new reality of the pact between the two. More specifically, the terminology revered entrepreneurial capital and its independence to the point of actually becoming level with, if not surpassing, other social forces as the main builders of Zionist sovereignty. Not interrupting capital's way; enabling its ambitious search for markets and skilled work; culturally legitimizing its social individualism, institutional independence, and high living standards—these were increasingly becoming routine claims and accepted norms.<sup>45</sup> Indeed, the national-oriented derogation of the diamond industry of the early 1940s completely faded, and its transnational networking and cosmopolitan image would be conveniently adapted by the state of Israel to national use. Hardly being able to emerge again without the state, the diamond industry would soon be part of the way paved for Israel's later liberal-ideological and social shifts.<sup>46</sup>

As a capitalist sector that sprouted in symbiosis with the interests and policies of the De Beers cartel, British colonialism and the war against Fascism, the diamond manufacturers wished to show their commitment to the state, and in particular to state building following the 1948 war. This was reflected in participation in military-oriented production, confining workers to the workplaces during the war, and pronounced self-mobilization in the struggle of the new state against economic illegality (the black market, tax evasions, unreported exports, and the like). But these national-oriented commitments should be understood in yet another perspective. The main part played by the diamond industry in the pact was in the cooperation with the state in the actual recovery of the industry, and in the understanding that the recovery was not only a private and individual issue. Israel as a diamond cutting and trading center was to be maintained, invested in, and advanced.<sup>47</sup>

The 1947 crisis, the slow recovery from the crisis, and the abrupt collapsing of some of the diamond-cutting centers that sprouted around the world during the war cannot be ignored in deciphering this logic of the diamond capitalists. The options of closing down the industry in Israel, of transferring manufacturing and trading activities to Antwerp or New York, and of succumbing to the forces that harmed the viability of the Israeli center were always there and were not taken. These options and decisions go a long way to explaining the role of the diamond people in the pact, far from a mere capitalist support in state building. Was it the Holocaust, the Jewish experience in occupied Belgium, the wish to sustain an ethnic occupational specificity in the new conditions of a political sovereignty of Jews? It is difficult to ascertain. Nevertheless, during the 1950s capital-state understanding and coalescence of interest clearly had an enormous impact on role of private capital in the managed economy that characterized Israel's state-building process.<sup>48</sup>

Figure 8.2 The diamond industry in Palestine/Israel, 1940–1949



Source: *Hayahalom* 154 (June 1988).

At the start of that decade the map of diamond-cutting centers unraveled the story of World War II in clear, graphic terms. Antwerp's supremacy in diamond cutting and trading was revived. Some 16,000 diamond workers populated its factories and workshops, but with only a fraction of the thousand Jews that served as the industry's social basis prior to 1939. The German diamond industry, the great menace of the late 1930s, was also recuperating. In 1951 between 3,000 and 4,000 workers were employed in the industry, and despite the deep scars left by the Allies on German diamond production, it easily surpassed the Netherlands (1,400 workers) and the US (1,700). The diamond diasporas established by the many who fled Belgium and the Netherlands were contracting now—some like France and Brazil almost completely dismantled. The industry in Israel, absorbing as it did in the late 1940s only a small number of diamantaires, cleavers, and cutters, and reaching some 2,000 workers, was still recovering from the harsh ordeals it experienced in 1947–1948.

The relocation of the diamond-cutting centers brought about by World War II was therefore only partially undone. And only in 1960, when the number of employed in the Israeli diamond industry increased to 5,000, similar to the peak of spring 1946, did the marks of the wars and political changes in Europe and in Palestine begin to fade.<sup>49</sup> That the reciprocal relations between the diamond industry and the state of Israel had a crucial role in withstanding these lingering effects brings us back to the initial trigger for unraveling in this book of the formation of the Israeli diamond industry.

While seeking for clues to the social history of economic boom in World War II Palestine and to the high propensity of the diamond workers to strike, I realized the need to explain the centrality of three state structures in the social organization of the private sector in pre-1948 Palestine. One

was the British colonial regime, without which the diamond industry and the local initiative to transfer it from Antwerp, let alone the obtaining of the raw materials from the diamond cartel, would not have materialized. The second was the state-like presence of Zionist institutions and the Jewish Agency. Suspicious and alienating at first, these institutions subsequently enabled the diamond industry to survive the grave crisis that beset it following the freeing of Antwerp from German occupation. The third was the state of Israel that reproduced previous state backing, and without which the withstanding of world competition over resources and markets would have brought the Palestine diamond industry to resemble the demising cutting centers after the war.

The question of the historical predominance of Jews in the world diamond industry has been posed many times in the past. Often it evoked the economic advantages of an ethnic group that could mobilize its inner mechanisms and social institutions to cut commercial transaction costs and advance a highly profitable trading business based on informal dimensions of reputation and networks of trust. While the notion of trust relates to diamond trading in these discussions, and to capitalism's search for efficient middlemen groups to maintain global low-cost commerce, it also affected diamond production itself. The disciplinary systems developed by owners and manufacturers to oversee the cutters and control the polishing labor process testified to the failure to replace trust as the defining factor in the ecology of the diamond workplace. In the same vein the ties and "reputational knowledge" that workers and experts wove and created during their apprenticeship and work experience served them well when they later turned to business and trading and to creating familial lineages of diamond merchants and bourse traders. In this sense the possibility of a diamond-cutting center that the British allowed to materialize early in the war reproduced the social basis of a Jewish diamond-trading group that would later cultivate the older reliance on communal ties and trustworthy relations.<sup>50</sup>

However, beyond these aspects of the diamond-trading culture and the economic advantages Jewish diamond dealers have traditionally enjoyed, it must be remembered that the diamond industry in Palestine started first and foremost as a diamond-cutting and -polishing center and that the world trading prowess of the Palestine and Israeli diamond-merchant community developed only much later. That the Israeli community of diamond dealers and merchants and the national involvement of the state of Israel in its affairs were a corollary, not the precondition, of the country's production center and its backing by the De Beers cartel and the British government problematizes the origins of such commercial networks.<sup>51</sup>

The presence of the colonial state in the formation of the diamond industry closed the circle opened in the latter part of the nineteenth century

by the increasing dependence of capital in diamond mining, production, and trading on imperial influence and state powers. It also brought the penetration of state structures into civil society and capitalist activity, which began in Palestine during the late Ottoman period, to a new climax. However it also affected the dual identity of the Jewish diamond manufacturers in Palestine and the practice of their capitalist activities. On the one hand they were tied to, depended on, and committed to the British, to the empire, and to the relational network of diamond making the British wove between Africa, Europe, and the Middle East. Without this commitment of the diamond manufacturers and their monopoly organization, the initial emergence of the industry in Palestine would have been inconceivable. In this sense British rule in Palestine was deeply immersed not only in impacting the urban economy (as the development of Netanya and Tel Aviv demonstrated) but more significantly in the social formation of a significant representative of the Jewish (and later Israeli) middle class.<sup>52</sup>

On the other hand, the diamond industry became increasingly committed to Zionist state building. And it was directly and indirectly part of the economic infrastructure that enabled the empowerment of the Jewish economy in Palestine and its later transformation into the state of Israel. After all, without this national commitment to the business ideology and political language of the diamond manufacturers, the rebirth of the industry in the 1950s would have been equally unimaginable. The crucial role played by colonial rule in social formation was therefore continued by the economic policies and social ideology of the political elite in the state of Israel.

In this context of state intervention in the private industry and capital's alignment with state structures, the Jewish diamond workers in 1940s Palestine underwent a portentous experience. They flocked to the expanding industry in hundreds, turned into better-paid workers, and changed the industrial scene, union map, and human landscape of Netanya and Tel Aviv. They took part in one of the earliest examples of the Zionist-related efficiency drive in the Yishuv, and at the fall of the industry in the latter part of the decade they sophisticated home work practices and informal employment that colored later developments of the Israeli working classes. Their labor experiences told, however, of the deepening weakness of union organization in the private sector. From the moment the diamond industry in Palestine was entrusted to the hands of an organizational monopoly, and was literally enclosed to unselected member-entrepreneurs, labor was isolated as well. The ties that bound the few diamond workers in prewar Palestine to the Zionist-Socialist Labor movement were severed, and organized labor was kept out of the selection of the workers. The facilitated entrance of many workers from non-Histadrut labor organizations prevented the Histadrut from achieving the organizationally hegemonic



position it had enjoyed in the rest of the industry in the Yishuv. Piecework distanced the diamond workers from the more-organized workers, and, more importantly, their high wages placed them apart. The luxury items these workers were producing may have added to the general imagery, bringing them closer to mere gain seekers than to the laboring classes so central in the ideology of Zionist state building. While collective bargaining lingered on in the diamond industry, accompanying as it did the fundamental piecework structure of employment in the industry, the assumption of union frailty and absence of strikes turned routine and increasingly unspoken. The balance of power between capital and labor, to which the bulk of workers during the Mandate period became accustomed, was clearly tipping now in capital's favor.<sup>53</sup>

Thus, the story of the formation of the Israeli diamond industry told in this book well reflected the shaping of relations between state and capital in Mandate Palestine. The reciprocal uses made of each other exposed a mutual system that hardly existed in the country under Ottoman rule and flourished after the British left it. In this system the national language of private capital and the liberal language of the state were but symptoms of the material reality of reciprocal relations that in the final analysis enabled private capital to become such a powerful force in Israeli society and harbingered the decline of organized labor. That the process took off during the 1940s and then accelerated during the transition from British rule to Israeli sovereignty—under Labor's political hegemony, and in the context of the postwar transformation of the British Empire and the world diamond industry—pointed to a historical continuity that deserves further scholarly attention.

Illustration 8.1.  
diamond cutter  
at a Tel Aviv  
factory, May 1949  
Used with per-  
mission of the  
Central Zionist  
Archive, CZA,  
PHPS/1325365.



## APPENDICES



Table A.1 Explanation of names of diamond factories in 1930–1950 Palestine

Factory	Meaning
Almaz	Jewel or diamond, in Russian
Almog	Coral
Anbar	Amber
Bahat	Alabaster or porphyry
Bareket	Agate, emerald, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Levi
Barik	Variation on the Hebrew word Barak for sparkle and shine
Even Hayesod	The foundation stone in the Holy of Holies, the most sacred part of the Temple in Jerusalem
Even Chen	Gemstone or precious stone
Even Sapir	Sapphire, one of the gemstones on the Ephod, the breastplate of the high priest representing the tribe of Issachar
Even Shoham	Onyx, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Yoseph
Haeven	Stone
Hakochav	Star
Hayahalom	Diamond or beryl, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Zebulon
Kohinoor	In Persian, Kohinoor is Mountain of Light—the name of one of the largest known diamonds, at 105 carats
Maskit	Image, ornament

<b>Factory</b>	<b>Meaning</b>
Nofekh	Emerald, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Judah
Nova	A star that suddenly flares up in brightness
Ophir	The seaport in Yemen from where King Solomon received a cargo of gold and precious stones
Orion	A bright constellation on the equator, between the stars Aldebaran and Sirius, containing a visible nebula
Rikuz	Concentration, assemblage
Orah	Light
Paldico	Abbreviation of Palestine Diamond Company
Palnat	Abbreviation of Palestina-Netanya
Shamir	A greenish substance or worm with power to alter stone and iron, used in the construction of Solomon's Temple
Tarshish	Chrysolite, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Asher
Yahalomim	Diamonds. Yhalom is beryl, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Zebulon
Yahel	To shed light, to illuminate, to shine
Yashfeh	Jasper, one of the gemstones on the Ephod, the breastplate of the high priest representing the Tribe of Binyamin
Zaharir	Small lines (or fragments) of light
Zenith	The point on the Celestial Sphere that is directly overhead

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Table A.2 Establishment of diamond factories in Palestine, 1937–1941

	Owners	Est.	Location
Daskal & Rosenberg	Asher Daskal, Zvi Rosenberg	1937	Petach Tikva (moved in 1939 to Netanya as Ophir)
Pickel Brothers	Arieh and Carol Pickel	1937	Tel Aviv
Moed	Shmuel (Sam) Moed	1938	Tel Aviv
Morgenstein-Rosenberg, Yahalom	Mendel Morgenstein, Zvi Rosenberg, Baruch Friedberg	1939	Netanya (changed in 1941 to Morgenstein & Friedberg)
Even-Shoham	Moshe Offen, Ahron Moritz	1939	Tel Aviv
Shamir	David Hegmoni & Wolf (Zeev) Nagler	1940	Netanya
H.N.	Hamat & Bornstein	1941	Pardes Katz, Ramat Gan
Orah	Betty Schechter, Moshe Hirsch	1941	Tel Aviv
Ha'achim Mazur	Eliezer Mazur, Dr. Yehoshua Mazur	1941	Tel Aviv
Nofekh	Dov Engler, Moshe Kornfeld, David Sofer	1941	Tel Aviv
Hakochav	Yosef Luenpish, Yosef Rudich	1941	Tel Aviv
Zaharir	Zeev Rendel, R. Susman, N. Rubin	1941	Tel Aviv
Even Sapir	Ziebel Tiffenbrun, Mendel Morgenstein	1941	Tel Aviv
Ha-Even	Dr. Yitshak Greenstein and Z. Hochwald	1941	Tel Aviv
Paldico	A. Pagel, Ahron Moritz, Lustig	1941	Tel Aviv
Anbar	M. Pecker, D. Rotenfeld, M. Machnes	1941	Netanya
Yahalomei Tel Aviv	Jacques Deutscher, Ferdinand Schein, Mark Schein	1941	Netanya
Ha'achim Amiel	Eliezer Amiel, L. Amiel	1941	Netanya

	<b>Owners</b>	<b>Est.</b>	<b>Location</b>
Tarshish	Yehuda Neulinger, Aharon Landa, David Weissman	1941	Netanya
Dankner (later Almaz)	Moshe Dankner	1941	Netanya
Even Chen	Yosef Wischnitzer, Ignatz Halls, Rudolf Katz	1941	Netanya
Feldman & Sons	Yosef Feldman	1941	Netanya
Hayahalom	Shlomo Weinstein	1941	Netanya

Source: PDMA to Emil Schmorak, 28 May 1941, CZA, S8/315.

Table A.3 Origins of main owners of diamond factories in Palestine, November 1941

<b>Factories in Tel Aviv</b>	<b>Owners' Origins*</b>	<b>Factories in Netanya</b>	<b>Owners' Origins*</b>
Even Shoham	Belgium	Ophir	Belgium
Carol Pickel	Belgium	Tarshish	Romania, Belgium, Palestine
Yahalomei Tel Aviv	Poland, Belgium, Palestine	Shamir	Belgium
Zaharir	Belgium, Hungary	Hayahalom	Belgium
Orah	Romania	Even Chen	Romania
Shmuel Moed	Lithuania, Belgium	Anbar	Palestine

\* Some who noted Belgium as the country of origin were second-generation immigrants from Poland and Romania.

Source: CZA, S40/269/2.

Table A.4 Diamond factories (PDMA membership), Palestine November 1944

Tel Aviv (16)	Netanya (13)	Jerusalem (2)
Barik Ltd. Beit Mann-Berman, Salameh Street	Anbar Ltd. Industrial Zone	Joseph Feldman & Sons Ltd. (Feldman Works), Jaffa Road
Taasiyat Hahalomim Meuchedet (Consolidated Diamond Industry) Ltd. (Feldman works), 4 Mikveh Israel Street	Almaz Ltd. Industrial Zone Bet	Yahalomei Yerushalaim (Jerusalem First Diamond Factory) Ltd. Diskin Orphanage Building
Gruenfeld & Schieber Ltd. 21 Petach Tikva Road	Yahalomei Bukhara (Bukhara Diamonds) Ltd. Industrial Zone Bet	
Haeven Diamond Manufacturing Co. Ltd. Petach Tikva Road (Montefiori Neighborhood)	Even-Chen Ltd. Industrial Zone	
Mazur & Paldico Ltd. Beit Mann-Berman, Salameh Street	Ophir Ltd. Industrial Zone	
Sh. Moed Veshutafav Ltd. 69 Mazeh Street	Even-Hayesod Ltd. Industrial Zone	<b>Ramat Gan (2)</b>
Nofekh Diamond Polishing Factory Ltd. Neve Shaanan Street	Hayahalom Diamond Factory Ltd. Industrial Zone	Moshe Gutbir Ltd. Derekh Plumer
Orah Diamond Cutting and Polishing Factory Ltd. 47 Nakhlat Binyamin Street	Kohinoor Co. Ltd. (Feldman works), Industrial Zone	Nova Diamonds, Ltd. Pardes Katz
Taasiyat Yahalomim Eretz-Israelit (Palestine Diamond Manufacturing) Ltd. 3 Hagra Street	Taasiyat Yahalomim Netanya (Nathanya Diamond Manufacturers) Ltd. Industrial Zone Bet	
Rikuz Ltd. 15 Nachamani Street	Orion Ltd. Industrial Zone	
Even-Sapir (Sapphire) Ltd., 69 Mazeh Street	Tarshish Co. Ltd. Industrial Zone	
Yahalomei Tel Aviv (Tel Aviv Diamonds) Ltd. 24 Akhva Street and 3 Levotin Street	Palnat Diamonds Ltd. Industrial Zone	
Hakochoav Diamond Co. Ltd. 47 Nakhlat Binyamin Street	Shamir Ltd. Industrial Zone and 3 Levontin Street, Tel Aviv	
Yahalomim Pickel (Carol Pickel Diamonds) Ltd. 69 Mazeh Street		
Zaharir Ltd. 61 Herzl Street		
Arthur Salzmann		Total =33

Source: Government of Palestine. *Palestine Trade Catalogue*. Jerusalem, 1944; LA, IV-250-49-170; NCA, G/119/52.

Table A.5 Diamond factories (PDMA membership), Palestine November 1946

<b>Tel Aviv</b>	<b>Netanya</b>	<b>Jerusalem</b>	<b>Ramat Gan</b>	
B. Shafferman	Even Hayesod	Fokshaner-Diskin	Gutbir	
Hakocahv	Even Chen	Feldman		
Yahalomei Tel Aviv	Ophir			
Orah	Orion			
Zaharir	Almaz			
Feldman	Yahalomei Netanya			
Rikuz	Kohinoor			
Nofekh	Shamir			
Shamir	Palnat			
Pinchesky	Hayahalom			
Barik	Anbar			
Haeven				
Bahat				
Pickel				
Even-Sapir				
Mazur				
Moed				
Naveh				
Zenith				
20	11	2	1	=33

Source: NCA, G/101/760.



Table A.6 Diamond cooperatives in Palestine/Israel, 1946–1949

	Est.	Place	Member-Workers
Ovdei Yahalomei Bukhara	1946	Tel Aviv	34
Hevrat Yahalomei Bukhara	1946	Netanya	24
Yahel	1946	Tel Aviv	50
Bareket	1947	Tel Aviv	28
Shamir	1947	Tel Aviv	22
Shoham	1947	Tel Aviv	30
Maskit	1947	Netanya	48
Tarshish	1947	Netanya	80
Barik	1947	Netanya	36
Kevutzat Kfar-Saba	1947	Kfar-Saba	20
Almog	1947	Petah Tikva	20
Yahalomei Zfat	1949	Safed	15
=12 Total			= 407 Total

Note: In 1946 the total number of employed in all factories was ca. 4,500 and in 1949 ca. 1,000.

Source: Itshak Avineri, ed. *Cooperation in the State of Israel*. Tel Aviv, 1948; Merkaz Haco-opsratsia, *The Production and Service Cooperation in 1948–1958*. Tel Aviv, 1960, 2.



# NOTES



## Notes to Introduction

1. De Beers Consolidated Mines Limited was formed in South Africa in March 1888 by Cecil Rhodes. By 1890 the company controlled 95 percent of the world's diamond production. In 1926 the majority stakeholder of De Beers was the Anglo-American Corporation—a gold mining company founded in 1917 by Ernst Oppenheimer (1880–1957). The Diamond Trading Company (DTC) was established in London in 1934 as the sole distributor of rough diamonds for De Beers.
2. Russell Shor, *Connections: A Profile of Diamond People and their History* (Philadelphia, 1993); Chaim Even-Zohar, *From Mine to Mistress: Corporate Strategies and Government Policies in the International Diamond Industry* (Edenbridge, UK, 2002). A sightholder is a company on the list of the Diamond Trading Company of authorized purchasers of rough diamonds.
3. Gedalia Yogev, *Diamonds and Coral: Anglo-Dutch Jews and Eighteenth-Century Trade* (Leicester, UK, 1978).
4. Leonard Helfgott, *Ties That Bind: A Social History of the Iranian Carpet* (Washington, DC, 1996); see also the introduction in Marcel van der Linden, ed., *Global Labour History* (Bern, 2006).
5. See the emphasis on specific contexts of particular commodity chains in Sarah Abrevaya Stein, *Plumes: Ostrich Feathers, Jews, and a Lost World of Global Commerce* (New Haven and London, 2008), 7-16 and 150-54.
6. For the vast literature on these dimensions see the bibliographies in Robert V. Turrell, *Capital and Labour on Kimberley Diamond Fields 1871–1890* (Cambridge, 1987); Erik Laureys, *Meesters van het diamant. De Belgische diamantsector tijdens het Nazibewind* (Tiel, 2005).

7. Colin Newbury, *The Diamond Ring: Business, Politics, and Precious Stones in South Africa, 1867–1947* (Oxford, 1989).
8. Compare with Raymond Dumett, “Africa’s Strategic Minerals during the Second World War,” *The Journal of African History* 26, no. 4 (1985): 381–408; on Sierra Leone see H. L. van der Lann, *The Lebanese Traders in Sierra Leone* (The Hague, 1975).
9. See the extensive discussion of this thesis in Laureys, *Meesters*.
10. For the war-related dispersion of the diamond industry see *Report of the Proceedings of the First Congress after the Liberation of the Universal Alliance of Diamond Workers, Antwerp 2–6 September 1946*, The George Meany Memorial Archives, Silver Spring, MD, RG 18—005/12.
11. Elhanan Halperin and Moshe Schnitzer, *Diamonds* (Tel Aviv, 1946); Eduard J. Epstein, *The Diamond Invention* (New York, 1982).
12. Avner Greif, “Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition,” *American Economic Review* 83, no. 3 (1993): 525–48; Lisa Bernstein, “Opting Out of the Legal System: Extralegal Contractual Relations in the Diamond Industry,” *Journal of Legal Studies* 21 no. 1 (1992): 115–57; Ron Berger, “Trust, Exchange and Social Embeddedness: The Case of the Israeli Diamond Industry,” PhD thesis, City University Business School (London, 1998); Barak Richman, “How Communities Create Economic Advantage: Jewish Diamond Merchants in New York,” *Law and Social Inquiry* 31, no. 2 (2006): 383–420.
13. Renee Rose Shield, *Diamond Stories: Enduring Change on 47th Street* (Ithaca & London, 2002); Sallie Westwood, “‘Diamond Time’: Constructing Time, Constructing Markets in the Diamond Trade,” *Time & Society* 11, no. 1 (2002): 25–38.
14. On state and capital in Mandate Palestine see Michael Shalev, *Labour and the Political Economy in Israel* (Oxford, 1992), part II; Jacob Metzger, *The Divided Economy of Mandatory Palestine* (Cambridge, 1998), chapters 4 and 6; on the role of states in “trade diasporas” see Sebouh Aslanian, “Trade Diaspora versus Colonial State: Armenian Merchants, the East India Company and the High Court of Admiralty in London, 1748–1752,” *Diaspora: A Journal of Transnational Studies* 13, no. 1 (2006): 37–100; and, Sebouh Aslanian, “Social Capital, “Trust” and the Role of Networks in Julfan Trade: Informal and Semiformal Institutions at Work,” *Journal of Global History* 1, no. 3 (2006): 383–402.
15. Ian W. Gaskin, “Palestine 1939–1945: A Study of Economic Colonial Policy,” D.Phil thesis (University of Oxford, 1992), 45–115; Metzger, *Divided Economy*, chapter 5; Robert Vitalis and Steven Heydemann, “War, Keynesianism, and Colonialism: Explaining State-Market Relations in the Postwar Middle East,” in Steven Heydemann, ed., *War, Institutions, and Social Change in the Middle East* (Berkeley, CA, 2000), 100–148.
16. David Ben-Gurion, “The National Destiny of the Working Class [1925],” in *From Class to Nation* (Tel Aviv, 1933), 231–34; Hagit Lavsky, “Is There an ‘Essential’ Link between Jews and Capitalism: The Case of Eretz Israel,” in Menachem Ben-Sasson, ed., *Religion and Economy: Connections and Interactions* (Jerusalem, 1995), 387–99.
17. Robert R. Nathan, Oscar Gass, Daniel Creamer, *Palestine: Problem and Promise*, (Washington, DC, 1946), 506–14; Werner Feilchenfeld, *European Post-War Economics—and Palestine: Impressions of a Palestinian Traveler* (Tel Aviv, 1946); Jewish Agency, Economic Research Institute, *The Economic War Effort: Facts and Figures* (Jerusalem, 1946), 3–22.
18. See the articles in *Misgav*, the 1940s bulletin of the Histadrut-affiliated organization of diamond workers (DWO), April–May 1943.
19. On the reciprocity see the view of industrialist Hans Moeller (owner of ATA textiles), “The National Capital and the Future of the Industry,” *Haaretz*, 12 March 1944; and speeches of Arie Shenkar, chairman of the Palestine Manufacturers’ Association, *Palestine Industry: Its Position, Tasks, Possibilities and Requests* (Tel Aviv, 1943).
20. Henri Rosenfeld and Shulamit Carmi, “The Privatization of Public Means, The State-Made Middle Class, and the Realization of Family Values in Israel,” in John G. Peristiany, ed., *Kinship and Modernization in Mediterranean Society* (Rome, 1976), 131–59; Irit

- Amit-Cohen, "Economic and Zionist Ideological Perceptions: Private Initiative in Palestine in the 1920s and 1930s," *Middle Eastern Studies* 36, no. 2 (April 2000): 82–102; Ronen Shamir, "The Jewish Bourgeoisie in Colonial Palestine: Guidelines for Research Agenda," *Soziologia Yisraelit* 3, no. 1 (2002): 133–48.
21. Nachum Gross, Jacob Metzger, "Palestine in World War II: Some Economic Aspects," in Geoffrey. T. Mills and Hugh Rockoff, eds., *The Sinews of War: Essays on the Economic History of World War II* (Ames, 1996), 59–82.
  22. It should be noted that for the Arab community in Palestine the historiography argues much more involvement by the Government of Palestine and the Colonial Office. See Barbara J. Smith, *The Roots of Separatism in Palestine: British Economic Policy, 1920–1929* (Syracuse, NY, 1993); Amos Nadan, *The Palestinian Peasant Economy under the Mandate: A Story of Colonial Bungling* (Cambridge, MA, 2006).
  23. For an economic history of the industry see Michael Szenberg, *The Economics of the Israeli Diamond Industry* (New York, 1971); Yoel Estheron, "The Development of the Diamond Industry in Palestine during World War II," Seminar paper, Department of Economics, The Hebrew University (Jerusalem, 1975).

## Notes to Chapter 1. Palestine as an Alternative

1. First encompassing versions appeared in Government of Palestine, *Report of a Committee Appointed by Government to Examine the Question of Post War Regulation of the Palestine Diamond Industry* (Jerusalem, 1946), hereafter Government Report, 1946; Heinrich Goldmann, *The Diamond and its Making* (Tel Aviv, 1946); Elhanan Halperin and Moshe Schnitzer, *Diamonds* (Tel Aviv, 1946); Robert R. Nathan, Oscar Gass, and Daniel Creamer, *Palestine: Problem and Promise* (Washington, DC, 1946), 506–14.
2. Yehoshua Mazur [Mazor], "The Diamond Industry," in *Palestine's Economic Future: A Review of Progress and Prospect*, ed. Joseph B. Hobman (London, 1946), 229–37; Oved Ben-Ami, "The Diamond Legend," *Israel Diamonds* 6, no. 23 (April–May 1973): 20 and 29; Edward J. Epstein, *The Diamond Invention* (New York, 1982); Asher Eshel, *Chapters in Life* (Tel Aviv, 1999).
3. Kfar Yona, a plantation near Netanya established in 1933 after Jean Fisher's name; On Friedman see his interview with Moshe Offen in the circular of the Palestine Diamond Manufacturers' Association, "The Dream and its Realization," *Yediot Lachaverim* 4 (30 March 1942) and 5 (23 April 1942), CZA, S9/315; Sylvain Brachfeld, *Les Relations Entre la Belgique et Israel* (Herzlia, 1994), 270–74.
4. Max Bodenheimer Memorandum "Die Bedeutung der Diamant-Industrie für Deutschland," sent in 1916 to the German bank A. Schaaffhausen'scher Bankverein in Cologne, CZA, A15/699; A. Bromberger, "Survey on the Diamond Industry in Palestine," July 1943, CZA, S9/2024. After the failure, Shlomo Weinstein returned to Antwerp. He re-immigrated to Palestine in 1940 and established a factory in Netanya.
5. David Rothblum, "Memorandum on the Prospects of the Diamond Industry in Palestine," submitted to the Jewish Agency, 21 September 1943, CZA, S40/269/2; Yogev, *Diamonds and Coral*; Karin Hofmeester, *Jewish Workers and the Labour Movement: A Comparative Study of Amsterdam, London and Paris, 1870–1914* (Aldershot, UK, 2004); Nancy Green, ed., *Jewish Workers in the Modern Diaspora* (Berkeley, CA, 1998), 11–12.
6. Noah Shapira, "Jews in the Diamond Trade and Industry," *Gesher* 2 (April 1956): 84–104, and 3 (August 1956): 118–35.
7. For the mapping of the commodity chain see Paul Grodzinsky, *Diamond Technology: Production Methods for Diamond and Gem Stones* (London, 1953 [1942]); Eric Bruton, *Diamonds* (London, 1978 [1970]).

8. Of the 452,306 Jews who immigrated in 1919–1948 to Palestine, 1,186 came from Holland and 521 from Belgium. Of these, 302 arrived in 1939–1945 from Holland and 244 from Belgium, while the entire Jewish immigration during these years was 81,808. See Moshe Sikron, “Jewish Migration to Palestine during the Mandatory Period, 1919–1948,” in *Immigration to Israel, 1948–1953* (Jerusalem, 1957), 1–20.
9. Abe Michael Shainberg, “Jews and the Diamond Trade,” *Jewish Directory and Almanac* 1 (1984): 301–11. On labor’s ideological preferences see David De Vries, “National Construction of Occupational Identity: Jewish Clerks in British-Ruled Palestine,” *Comparative Studies in Society and History* 39, 2 (April 1997): 373–400.
10. On the industry before World War II see Salvador Bloemgarten, *Henri Polak sociaal democraat 1868–1943* (Den Haag, 1996), 607–10; Laureys, *Meesters van het diamant*, 11–118; Simone Lipschitz, *The Amsterdam Diamond Exchange* (Amsterdam, 1990), 63–71; the Société Internationale Forestières et Minières du Congo, or Forminière, was established in 1906 in Tshikapa, Kasai district, the Belgian Congo.
11. The value of a diamond is determined by its four c’s: (1) *Clarity*—clearness or purity of a diamond, determined by the number, size, nature, and location of the internal (inclusions) and external (blemishes) imperfections. (2) *Color*—the amount of color the diamond contains. (3) *Cut*—the proportions, finish, symmetry, and polish of the diamond, determining its brilliance. (4) *Carat*—the unit of weight for the diamond. A carat is divided into 100 points (0.01 carat = 1 point). One carat equals 0.20 grams. The value per carat increases with carat size because larger rough diamonds are rare. Two half-carat diamonds taken together will not cost as much as one 1-carat diamond, as the 1-carat stone is rarer. *Sand* is a term used in sorting rough diamonds for size. It usually refers to stones under about 0.10 carats or 10 points. *Small*s are slightly larger. *Melees* are also small diamonds but larger than Sand, 8 to 14 points or simply below 20 points. When sorting rough diamonds for size it may refer to anything under about a carat. Stones above one carat weight are referred to as *Sizes*, and stones less than one carat are known as *Small*s or *Melees*. See Grodzinsky, *Diamond Technology*; Bruton, *Diamonds*. On Antwerp’s specialization in small stones see Erik Laureys, “De joodse diamantdiaspora en de versnippering van de Antwerpse diamanthandel en -nijverheid tijdens de Tweede Wereldoorlog,” in *Jaarboek van het Nederlands Instituut voor Oorlogsdocumentatie* (NIOD), 2003.
12. From 1936 to 1939 Belgium’s exports of diamonds to the US increased from 324,000 carats to 399,000 while those of Holland decreased from 108,000 to 77,000 carats. See Chaim Danhirsch [Danieli], “The Diamond Industry toward the Transition Period,” *Hayahalom* (February 1945): 5.
13. Rothblum, Memorandum 1943; Walter A. Aronheim, “The Development of Diamond Industry and Trade in Peace and War,” MA thesis, New School for Social Research (New York, December 1943), 118–20; Moshe Offen, “The Lessons of the Past,” *Dapei Hamenahel* (January 1944); Danhirsch [Danieli], “The Diamond Industry,” 5; *Palestine Post*, 9 April 1948; Henriette Boas, “Jews and the Amsterdam Diamond Trade,” *Studia Rosenthaliana* 26, no. 1/2 (1992): 214–22.
14. Amir Ben-Porat, *Where Are Those Bourgeois? The History of the Israeli Bourgeoisie* (Jerusalem, 1999).
15. Shainberg, “Jews and the Diamond Trade,” 301–11. Following pressure from the Jewish Agency’s Department of Trade and Industry, in February 1935 the government’s standing committee for commerce and industry authorized a diamond factory in Palestine, but it did not bring reduction of customs. See *Palestine Post*, 19 February 1935.
16. Sidney H. Ball, “The Diamond Industry in 1936,” *Gems and Gemology* 2, no. 4 (1936): 67–68; Sidney H. Ball, “Recent Developments in the Diamond Industry,” *Gems and Gemology* 3, no. 6 (1940): 85–86. See also “The European Diamond Cutting and Polishing Industry,” *Foreign Commerce Weekly* 3, no. 3 (19 April 1941); Herbert Binneweg and

- Mortsel J. Walgrave, *Beurs voor diamanthandel: A Hundred Brilliant Years 1904–2004* (Antwerp, 2004).
17. *Jewish Central Information Office*, 5–6, November–December 1934, 18–20, and 15 February 1939; Salvador Bloemgarten, *Henri Polak*, 606–7.
  18. Binneweg and Walgrave, *Beurs*, 55–57; Colin Newbury, *The Diamond Ring: Business, Politics, and Precious Stones in South Africa, 1867–1947* (Oxford, 1989), chaps. 1–11.
  19. Aronheim, “Development of Diamond Industry and Trade,” 127–30 and 147–48; Jean Stengers, “Pre-War Belgian Attitudes to Britain: Anglophilia and Anglophobia,” in *Europe in Exile: European Exile Communities in Britain 1940–1945*, ed. Martin Conway and Jose Gotovich (New York and Oxford, 2001), 35–52.
  20. Nachum Tishby to Fishel Rothenstreich, 6 January 1938, CZA, S9/1515; “From Holland and Belgium to Palestine: Diamonds in Tel Aviv,” *Palestine Post*, 15 May 1940; *Palestine Post*, 5 August 1940; Rudi van Doorslaer, “Jewish Immigration and Labour Movement in Belgium 1918–1940,” *Studia Rosenthaliana* 23, no. 2 (1989): 180–82; Frank Caestecker, “Holocaust Survivors in Belgium 1944–1949—Belgian Refugee Policy and the Tragedy of the Endlösung,” *Tel Aviver Jahrbuch für Deutsche Geschichte* 27 (1998): 353–81; Lieven Saerens, *Étrangers dans la Cité: Anvers et ses Juifs, 1880–1944* (Bruxelles, 2005); Viviane Teitelbaum-Hirsch, “Confiscation in Belgium: Diamonds and Other Jewish Properties,” in *The Plunder of Jewish Property during the Holocaust: Confronting European History*, ed. Avi Beker (Houndmills, UK, 2001), 327–41; Eric Laureys, “The Plundering of Antwerp’s Jewish Diamond Dealers, 1940–1944,” in *Confiscation of Jewish Property in Europe, 1933–1945: New Sources and Perspectives. Symposium Proceedings* (Washington, DC, 2003), 57–74.
  21. On the slump see the reports in *Gems and Gemology* 1, no. 1 (January 1934) and 1, no. 2 (March–April 1934); on the recovery in 1936 see *Gems and Gemology* 1, no. 11 (September–October 1935), 1, no. 12 (November–December 1935), 2, no. 1 (Spring 1936), and 2, no. 3 (Fall 1936); on the demand for industrial diamonds see Ball, “The Diamond Industry in 1936,” 67–68; on the decline in sales see Eddy Vleeschdrager, *Diamonds: Reality and Passion* (Liege, 1996), 40; on relocations see Mildred Berman, “The Location of the Diamond-Cutting Industry,” *Annals of the Association of American Geographers* 61, no. 2 (1971): 316–28; Newbury, *The Diamond Ring*, chap. 11; Laureys, *Meesters*, 175–77; Rudi van Doorslaer, “Joodse arbeiders in de Antwerpse diamant in de dertiger jaren. Tussen revolutie en antisemitisme,” *Les Cahiers de la Mémoire Contemporaine* 4 (2002): 13–26.
  22. Nachum Tishby to W. J. Johnson (chairman of the Government Standing Committee for Commerce and Industry in Jerusalem), 20 April 1934, CZA, S8/1390/1; Nachum Tishby to Fishel Rothenstreich, 31 December 1937, CZA, S9/1515; Leo Leuterbach to Eliezer Kaplan, 11 January 1938, CZA, S53/1230/1; Moshe Offen to Nachum Tishby, 31 March 1938, CZA, S8/1390/1; Nachum Tishby to Chaim Friedman, 13 September 1938, CZA, S8/1390/1; Nachum Tishby to Georg Landauer, 4 December 1938, CZA, S8/1390/1; Nachum Tishby to Moshe Offen, 15 December 1938, CZA, S8/1390/1; Nachum Tishby to Numa Torzchyner, 13 January 1939, NCA, G/111/897; Shira Ami, ed., *The Dignitaries of the Israeli Diamond Industry* (Ramat Gan, 1990).
  23. Three years earlier Aharon Moritz organized a small cooperative in Antwerp whose members decided to immigrate to Israel. The cooperative broke up. Moritz would later be one of the chief lobbyists to bring the British authorities to cancel the customs levied on importing rough diamonds. Rosenberg was born in Bychkov (Romania) in 1902 and first immigrated to Palestine in 1923. He learned diamond cutting in Antwerp and re-immigrated to Palestine in 1934. In 1936 he opened the first workshop in Petah Tikva. Together with Mendel Morgenstein he established the Ophir factory in Netanya. Asher Daskal was born in Marmarosh (Romania). In 1927 he began learning diamond cutting in Antwerp. In 1937 he immigrated to Palestine and joined the factory in Petah Tikva which he established with his uncle Zvi Rosenberg the year before. In the early 1940s he established the Even Hayesod factory in Netanya. Yosef Nadel was born in 1914 in

- Poland, and began learning diamond cutting in Antwerp in 1924. He immigrated to Palestine in 1934 and worked at Even Shoham factory. In 1941 he opened the Barik factory in Tel Aviv. On Nadel see *Hayahalom* 15 (November 1969): 20–24.
24. In May 1937 Heinrich Goldmann established, with Aharon Moritz and Carol Pickel, a diamond factory in Tel Aviv. The second factory was established in Petah Tikva by Zvi Rosenberg and Asher Daskal. The third was in Tel Aviv, again by Moritz and Shmuel (Sam) Moed. In fact the freeing of rough diamonds from customs finally materialized in September 1938 following the request of the merchants in the Diamond Club. It was then, and following Ben-Ami's offers, that Rosenberg and Daskal began moving to Netanya. Moshe Offen was born in Poland in 1900, immigrated to Palestine in 1938, and in 1940 opened the Even-Shoham factory in Tel Aviv. Shmuel (Sam) Moed was born in Bialystok (southern Lithuania, Poland) in 1875, and at the age of 14 moved to Antwerp where he learned diamond cutting. He established a diamond factory, and moved it to London due to the war in 1918. After failed attempts to start diamond cutting in Palestine he finally immigrated in 1937 and opened a factory in Tel Aviv which employed some 120 workers. In July 1939 the Offen group started the Even-Shoham partnership in Tel Aviv. See *Palestine Post*, 22 September 1938 and 14 July 1939; Heinrich Goldmann, *The Diamond and its Making*, 11–12; the interview with another founder, Itshak Fuchs, in Yhoshua Ophir, *National Worker Book* (Tel Aviv, 1959), 276–78; *Hayahalom* 6 (May 1968): 28–30; Sylvain Brachfeld, "50 Years to the Diamond Industry (1936–1986)—The First Diamantaires in the Country," *Mazal U'Bracha* 4 (February–March 1986): 27–29. See also David Tidhar, *Encyclopedia for the Yishuv's Pioneers and Builders* (Tel Aviv, 1947–1971), 681–682 and 4525–4526.
  25. Israel Mereminski [Marom] to the Secretary of the Universal Alliance of Diamond workers in Antwerp, 4 May 1939, LA/IV-209–4-239; P. Azai [Pinchas Lander], "Diamonds in Palestine," *Haaretz*, December 1940; Joshua Hadari, "The Diamond Industry in Palestine II," *The Palestine Tribune*, 7 June 1945, 5–7; Avraham Friedman, "On the Diamond Industry," *Hapoel Hatsair*, 22 January 1947; Ophir, *National Worker Book*, 276–78; Ami, *The Dignitaries*; R. Erel, *Anniversary Book: Bank Leumi Le-Israel Ltd.* (Tel Aviv, 1954), 84; Ben-Ami, "The Diamond Legend," 20; Joseph Neumark, "The Israel Bourse and its Functions," *Israel Diamonds* 6, no. 23 (April–May 1973): 17; Interview with Zvi Rozenberg, 26 May 1988, NCA; *Hayahalom* 154 (June 1988).
  26. See in CZA, S9/1515, Nachum Tishby to Fishel Rothenstreich, 6 January 1938; summary of the meeting on establishing a fund for diamond apprentices, 7 February 1938; and B. Yaffe to the Labor Department of the Jewish Agency, 9 February 1938. See also Shalom Kolker (Petah Tikva Labor Council) to Nachum Tishby, 23 September 1938, CZA, S9/1945.
  27. Nachum Tishby to Fishel Rothenstreich, 6 January 1938, CZA, S9/1515; Salomon Horowitz & Co. to the Chairman of Government Standing Committee for Commerce and Industry, 9 March 1938, CZA, S8/1390/1; Nachum Tishby to Fishel Rothenstreich, 10 March 1938, CZA, S54/310; Palestine Diamond Club to the Diamond Control Committee (later the DCB), 14 November 1945, ISA/RG 5/5062/26; *Hayahalom* 24 (August 1971): 14–16; on similar clubs see Binneweg and Walgrave, *Beurs voor diamanthandel*, 55–57, and Albert J. Lubin, *Diamond Dealers Club: A Fifty-year History* (New York, 1982); Other founding members included Norbert Guttenberg, Shlomo Jamil, Yosef Lifshitz, and Asher Daskal. On Guttenberg see Dina Ben-Ishai, *The Guttenberg Tribe* (Raanana, 2000).
  28. Minutes of the meeting of the Palestine Diamond Club, 6 March 1938, CZA, S8/1390/1; Solomon Horowitz & Co. to the Chairman of Government Standing Committee for Commerce and Industry, 9 March 1938, CZA, S8/1390/1; Nachum Tishby to Fishel Rothenstreich, 10 March 1938, CZA, S54/310; *Palestine Post*, 22 September and 18 November 1938; *Palestine Post*, 22 September 1938.



29. Leo Leuterbach to Eliezer Kaplan, 11 January 1938, CZA, S53/1230/1; *Palestine Post*, 22 September 1938; *Palestine Gazette*, 22 September 1938; Palestine Diamond Club to the Diamond Control Committee, 14 November 1945, ISA/RG 5/5062/26. The British were prepared to reduce customs already three years before but approved the move only after they were sure that income for the government was secured. See Minutes of the 559th meeting of the executive council of the Palestine government, 3 July 1935, TNA: PRO CO 814/17; on the national protection of the industry in Belgium see Rothblum, Memorandum 1943. The customs were partially reinstated in 1944.
30. Benjamin Hyman, "British Planners in Palestine, 1918–1936" (PhD thesis, London School of Economics and Political Science, 1994), 494–509. In 1939 the British formally declared the Netanya plantation a village, and in 1940 a township. In 1948 Netanya was the first town to receive formal recognition by the state of Israel.
31. In 1937 the Jewish population of Netanya was 3,000 and that of Tel Aviv was estimated around 150,000. In Israel's history and in local memory Netanya has always been known as the city of diamonds. This naturally followed the centrality of the diamond industry to the town's economic and social history. The discussion in this book is not a social history of the town (yet to be written), nor that of Tel Aviv, whose diamond industry equaled that of Netanya's and even surpassed it.
32. See the chapter on Ben-Ami in *Kach Hem Alu* [The Way They Immigrated], (Jerusalem, 1961), 15–35; Shira Ami, "Oved Ben-Ami," in *The Dignitaries*; Interview with Oved Ben-Ami by Igal Goldstein, 19 August 1964, in Oral History Department, The Institute for Contemporary Judaism, The Hebrew University, Jerusalem; Ben-Ami, "The Diamond Legend," 20 and 29; Gaskin, "Palestine 1939–1945," 63; Nahum Karlinsky, *California Dreaming: Ideology, Society, and Technology in the Citrus Industry of Palestine, 1890–1939* (Albany, NY, 2005), chap. 4.
33. *Diamantaire* denotes here professional involvement with diamond manufacturing, the cutting and polishing craft, trading or marketing.
34. Agreement between Oved Ben-Ami, Moshe Shaked, and Aharon Landa (on the Netanya side) and the diamond manufacturers Mendel Morgenstein and Zvi Herman Rosenberg, 1 March 1939, Ben-Ami Private Papers BA; Agreement between Oved Ben-Ami and Asher Daskal, 27 November 1939, NCA, G/119/978; Interview with Zvi Rosenberg, 26 May 1988, NCA and *Maariv*, 17 October 1986; Ben-Ami, "The Diamond Legend," 20 and 29.
35. By the end of 1939 five diamond factories were already in operation in Palestine: Morgenstein-Rosenberg in Netanya (42 workers), Moshe Offen's Even Shoham in Tel Aviv (40 workers), Pickel Brothers in Tel Aviv (55 workers), Daskal's Diamond Factory in Petah Tikva (20 workers), and Sam Moed's factory in Tel Aviv (5 workers). See also British Commercial Agent to Viscount Halifax, 7 January 1940, TNA: PRO CO 852/289/1.
36. The breakout of the war brought Britain to declare all materials carried in the seas under its control as contraband. In order to prevent confiscation the goods such as diamonds had to have a navicert (a passage certificate). Simultaneously this was a weapon for the DTC in the competition with the Belgian Forminière, which imported diamonds directly from the Belgian Congo. See Binneweg and Walgrave, *Beurs*, 58.
37. Camille Huysmans, *About Belgium* (London, 1944), 46–7; Binneweg and Walgrave, *Beurs*, 58–60; Veronique Laureys, "The Belgian Government in Exile in London and the Jewish Question during the Second World War," *Historical Research* 67, no. 163 (1994): 212–23. Jean Joseph Camille Huysmans (1871–1968), a Flemish Belgian socialist, was secretary in 1905–1922 of the Second International and mayor of Antwerp in 1933–1940. During World War II he was one of the leaders of the Belgian exiles in London and after the war became Belgium's prime minister. See Robert W. Allen, *Churchill's Guests: Britain and the Belgian Exiles during World War II* (Westport, CT, 2003); Wim Geldolf, "Camille Huys-

- mans et le Peuple Juif." *Bulletin Trimestriel de la Fondation Auschwitz* 82 (2004): 111–35. On Goldmuntz see in the next chapter.
38. See the correspondence in CZA, S8/315.
  39. See Barabara A. Misztal, *Trust in Modern Societies* (Cambridge, 1996); Barak Richman, "How Communities Create Economic Advantage," 383–420.
  40. *Diamond Fields Advertiser* [South Africa] 12 (August 1940); Frederick Albert Mathias, who formulated British policy guidelines regarding the development of a diamond industry in Palestine, was one of those colonial figures who created global links and mobilized the empire for business and production ties. At the same time he had no less impact on the "economic nationalism" of the Belgian and Palestine diamond industry. See details on him in note 51 below. On the disruption caused by the outbreak see Sidney H. Ball, "The Diamond Industry Today," *Gems and Gemology* 3, no. 8 (Winter 1940): 114–16.
  41. Even-Shoham Factory in Tel Aviv to the Jewish Agency in London, 10 November 1939, CZA, S8/315; David Horowitz to Arthur Lurie, 12 November 1939, CZA, S8/315; Nachum Tishby to Israel Cohen, 27 December 1939, CZA, S8/315; British Commercial Agent to Viscount Halifax, 7 January 1940, TNA: PRO CO 852/289/1; Joseph Linton to Nachum Tishby, 11 January 1940, CZA, S8/315; Minutes of the diamond industry section at the Department of Trade and Industry of the Jewish Agency, 12 February 1940, CZA, S8/1390/1; N. Ben-Yosef, "The Problem and its Solution," *Hayahalom* (December 1946): 7.
  42. Oved Ben-Ami to David Horowitz, 11 January 1940, and David Horowitz to Eliezer Kaplan, 25 February 1940, CZA, S40/269/2; Minutes of the meeting of the diamond industry section of the Department of Trade and Industry at the Jewish Agency, 12 February 1940, and Asher Daskal to the government's economic advisor, 19 February 1940, CZA, S8/1390/1; Eliahu Moshe Gnechovski to Emil Schmorak, 18 February 1940, Emil Schmorak to Joseph Linton, 23 February 1940, Minutes of diamond manufacturers with Nachum Tishby and PMA representatives, 26 February 1940, CZA, Nachum Tishby to the British Consul in Antwerp, 27 February 1940, and Joseph Linton to Chaim Friedman, 28 February 1940—all CZA, S8/315. Nachum Tishby was born in Yanov, Grodno, in 1885, was active in Russian Socialism and before World War I, and studied agriculture in Belgium and in London. In 1916–1920 he directed the department of trade and industry of the Zionist movement in London and in 1922 became the head of the department in Jerusalem.
  43. For their Zionist terminology see for example the notice on the opening of Even-Shoham factory, in Moshe Offen and Aharon Moritz to Nachum Tishby, September 1939, CZA, S8/1390/1; Oved Ben-Ami to David Horowitz, 11 January 1940, CZA, S40/269/2. Arie Leib Shenkar (1877–1959) was one of the pioneers of the textile industry in Palestine. He immigrated in 1924 and from 1927 to his death was president of PMA. See Arie Leib Shenkar, *In Faith and Deed* (Tel Aviv, 1963), 15–113.
  44. The approach was reminiscent of the liberal ideas of Zalman David Levontin (1856–1940), an activist in Jewish plantations in Palestine in the late nineteenth century and the founder of the Anglo-Palestine Bank in Jaffa in 1903.
  45. Geoffrey Walsh, food controller and economic advisor to the Palestine government, was born in Southampton in 1884 and entered imperial customs service in 1906. In 1913 he was the customs controller in Mombassa and in 1916–1917 organized the customs system of German East Africa. In the 1920s and early 1930s Walsh was commissioner of customs in Kenya and Uganda. In 1938 he became economic advisor to the Palestine High Commissioner and in 1939 negotiated the Syria-Palestine Customs Agreement. In 1940 he was the Palestine delegate to the Eastern Supply Group Council and in 1940–1944 chaired the Citrus Control Board. In 1944 he established the Diamond Control Board, and until his death in the King David Hotel bombing in July 1946, he was a key figure in the development of the diamond industry. John L. Fletcher was born in 1898,

- and in 1939 was one of the shapers of the customs agreement between Palestine, Syria, and Lebanon. He served as an assistant director of customs in Palestine in 1946–1945 at the department of light industries and as director of customs in 1946–1948. Upon British withdrawal from Palestine he moved to serve in British Guiana. See *Palestine Post*, 21 August 1946; *The Near and Middle East Who's Who* (Jerusalem, 1946); on Walsh's role as food controller see Sherene Seikaly, "Meatless Days: Consumption and Capitalism in Wartime Palestine 1939–1948." (PhD thesis, New York University, 2007).
46. Minutes of the meeting of the diamond industry section at the Department of Trade and Industry at the Jewish Agency, 12 February 1940, and Asher Daskal to the economic advisor of the Palestine government, 19 February 1940, CZA, S8/1390/1; Eliahu Moshe Gnechovski to Emil Schmorak, 18 February 1940, Emil Schmorak to Joseph Linton, 23 February 1940, Minutes of the meeting of the diamond manufacturers, Nachum Tishby and PMA representatives, 26 February 1940, Nachum Tishby to the British consul in Antwerp, 27 February 1940, and Joseph Linton to Chaim Friedman, 28 February 1940, all CZA, S8/315; David Horowitz to Eliezer Kaplan, 25 February 1940, CZA, S40/269/2. Joseph Ivor Linton (1900–1982) was an activist for the Jewish Agency in London and later a diplomat in Israel's Foreign Service.
  47. George Prins, an ardent supporter of the Zionist cause, represented the sightholder company at the DTC, and thus served as the direct intermediary of supply to Palestine. He was the son of Maurits Prins (1858–1912) and Emma Lehmann (1860–1944), and brother-in-law of Wilfrid Israel (1889–1943). Hugo Prins, George's brother, was a partner at Hennig & Co. The company was established in 1890 by Isadore Hennig and during the 1940s was the main route through which rough diamonds were sent from the TDC to PDMA. See Oved Ben-Ami, "The Discreet Adviser (In Memory of George Prins)," *Israel Diamonds* 6, no. 23 (April–May 1973): 30.
  48. Oved Ben-Ami to Geoffrey Walsh, 18 February 1940, TNA: PRO CO 852/289/1; Nachum Tishby to Oved Ben-Ami, 4 March 1940, CZA, S8/1390/1.
  49. Minutes of the Netanya Town Council meeting, 4 April 1940; for the applications, declarations, and quotations from March 1940 see NCA, MEM/183/305. Comparing the 146 for whom applications were prepared in March 1940 with the Yad Vashem Shoah Victims' database disclosed many who perished in the Holocaust. Of those who signed the commitment to immigrate, only a few did so in practice.
  50. Nachum Tishby to Oved Ben-Ami, 14 March 1940, CZA, S8/1390/1; Nachum Tishby to Emil Schmorak, 15 March 1940, CZA, S8/1390/1; Nachum Tishby to the chairman of the Diamond Club, 16 March 1940, CZA, S8/1390/1; Chaim Friedman to Joseph Linton, 21 March 1940, CZA, S8/315; Frederick A. Mathias to Gerard Clauson, 27 March 1940, TNA: PRO CO 852/289/1; Ben-Ami, "The Diamond Legend," 20.
  51. Newbury, *The Diamond Ring*, 345–46; William Reno, *Corruption and State Politics in Sierra Leone* (Cambridge, 1995), 49–50. SLST was established in 1934 by CAST, the Consolidated African Selection Trust, which operated the mines in Sierra Leone and was controlled by the Selection Trust Group in London. De Beers was among its shareholders. See Alfred Zack-Williams, *Tributors, Supporters and Merchant Capital: Mining and Underdevelopment in Sierra Leone* (Aldershot, UK, 1995), 50–51. Frederick Albert Mathias was born in 1891 in Williamstown, Victoria, Australia. He served as a captain in the Australian Military Forces in 1916–1921 and in the British Colonial Service in 1921–1934. He was the British colonial treasurer of Sierra Leone in 1930–1934, government director of Sierra Leone Selection Trust in 1934–1949, and in 1939–1945 represented the British Colonial Office and Ministry of Economic Warfare on the Board of Trade Diamond Advisory Committee. He was also deputy diamond controller at the Ministry of Supply in 1942–1945 and gem diamond controller at the Board of Trade in 1942–1949. He was created OBE (Civil) in 1934 and CBE (Civil) in 1941. Mathias died in 1981 in Simon's Town, South Africa. See the SLST archive at the LSE and also Edward Wharton-Tigar and A. J. Wilson, *Burning Bright* (Trowbridge, 1987).

52. Frederick A. Mathias, "Palestine-Diamond Cutting Industry," 27 March 1940, TNA: PRO CO 852/289/1.
53. Frederick A. Mathias, "Palestine-Diamond Cutting Industry," 27 March 1940, TNA: PRO CO 852/289/1; See also "The Diamond Cutting Industry in Palestine," 2 May 1940, TNA: PRO CO 852/289/1. On economic warfare see Nechama Janet Cohen Cox, "The Ministry of Economic Warfare and Britain's Conduct of Economic Warfare, 1939-1945" (PhD Thesis, University of London, 2001), chap. 5.
54. On the simulation see Frederick A. Mathias to Gerard Clauson, 27 March 1940, ISA/RG 5/5062/40; Frederick A. Mathias, "Palestine-Diamond Cutting Industry," 27 March 1940, ISA/RG 5/5062/40.
55. Frederick A. Mathias, "Palestine-Diamond Cutting Industry," Report, 27 March 1940, sent also by Gerald Clauson to Geoffrey Walsh, 2 April 1940, TNA: PRO CO 852/289/1. In parallel to the control created in Palestine, in spring 1940 another was created by the Anti-Nazi Boycott committee in New York, in conjunction with the dealers who arrived from the Low Countries. See Moshe Gottlieb, "In the Shadow of War: The American Anti-Nazi Boycott Movement in 1939-1941," *American Jewish Historical Quarterly* 62, no. 2 (1972): 146-61.
56. Frederick A. Mathias, "Palestine-Diamond Cutting Industry," 27 March 1940, TNA: PRO CO 852/289/1; "The Diamond Cutting Industry in Palestine," 2 May 1940, TNA: PRO CO 852/289/1.
57. Harold MacMichael to Lord Lloyd of Dolobran (George Ambrose Lloyd) at the Colonial Office, 20 May 1940, TNA: PRO CO 852/289/1; Frederick A. Mathias to H. T. Bourdillon at the Colonial Office, 16 July 1940, TNA: PRO CO 852/289/1.
58. Aronheim, "Development of Diamond Industry and Trade," 143-45; On the contacts with the brokers see Hennig & Co. to Oved Ben-Ami, 4 April 1940, BA; For the order see High commissioner of Palestine to the Colonial Office, Cable, 19 April 1940, TNA: PRO CO 852/289/1; Controller of Light Industries, Memorandum on the Supply of Rough Diamonds to the Palestine Diamond Industry, 15 March 1944, ISA/RG 5/5062/40; Ben-Ami, "The Discreet Adviser," 30.
59. On the African aspects of this mechanism see Reno, *Corruption and State Politics*; Zack-Williams, *Tributors*; On the earlier support of the British for Jewish industrialists in Palestine see Smith, *The Roots*, chap. 6; Alfred Marcus, "The Palestine Industry during the War," *Maarachot* 2-3 (July 1940): 85-89.
60. On this policy see John Knight and Heather Stevenson, "The Williamson Diamond Mine, De Beers, and the Colonial Office: A Case-Study of the Quest for Control," *The Journal of Modern South African Studies* 24, no. 3 (September 1986): 423-45.
61. Joseph Linton to Nachum Tishby, 25 April 1940, CZA, S8/315; Joseph Linton to Emil Schmorak, 1 May 1940, CZA, S8/315; Internal report of the Trade and Industry Department of the Jewish Agency, mid-May 1940, CZA, S8/315.
62. On similar relations see Knight and Stevenson, "The Williamson Diamond Mine," 423-45; Newman Neame, *Diamonds, The Story of the Sierra Leone Selection Trust* (London, 1972); Colin Newbury, "South Africa and the International Diamond Trade—Part One: Sir Ernst Oppenheimer, De Beers and the Evolution of Central Selling 1920-1950," *South African Journal of Economic History* 10, no. 2 (September 1995): 1-22; Stefan Kanfer, *The Last Empire: De Beers, Diamonds, and the World* (London, 1994).
63. On the relocations see Berman, "The Location," 316-28.
64. On the capital's dependence on the Mandate state see Michael Shalev, *Labour and the Political Economy in Israel*, (Oxford, 1992), chap. 4.

## Notes to Chapter 2. The Making of a Monopoly

1. On the centrality of private capital in Palestine's coastal region see Irit Amit-Cohen, *The Riddle behind the Cypresses* (Jerusalem, 2006).
2. David De Vries, "Work and Authority Struggles Among Industrial Workers in Palestine: The Workers of the Neshet Cement Factory in the 1920s," *Yahadut Zemanenu* 8 (1993): 177–215; Michal Frenkel, Yehouda Shenhav, and Hanna Herzog, "The Political Embeddedness of Managerial Ideologies in Pre-State Israel: The Case of PPL 1920–1948," *Journal of Management History* 3, no. 2 (1997): 120–44.
3. Julian L. Finegold, "British Economic Policy in Palestine, 1920–1948," (PhD Thesis, London School of Economics, 1978); Ian W. Gaskin, "Palestine 1939–1945" .
4. Frederick A. Mathias to Gerald Clauson, 27 March 1940, ISA/RG 5/5062/40.
5. Frederick A. Mathias to H. T. Bourdillon at the CO, 16 July 1940, TNA: PRO CO 852/289/1; Oved Ben-Ami to the Commissioner for Migration and Statistics of the Palestine Government, 16 April 1941, NCA, G/99/742; *Palestine Post*, 5 August 1940; Oved Ben-Ami to John L. Fletcher, 28 August 1940, NCA, G/80/521.
6. High Commissioner Harold MacMichael to Lord Lloyd of Dolobran at the CO, 20 May 1940, TNA: PRO CO 852/289/1; see also David E. Walker, *Operation Amsterdam* (London, 1974); Laureys, "The Belgian Government in Exile," 212–23.
7. Oved Ben-Ami to Geoffrey Walsh, 10 October 1940, NCA, G/71/434; Colin Holmes, "British Government Policy towards Wartime Refugees," in *Europe in Exile: European Exile Communities in Britain 1940–1945*, ed. Martin Conway and Jose Gotovich (New York and Oxford, 2001), 13–19.
8. The Palestine Diamond Manufacturers' Association (hereafter PDMA) was authorized in mid-June 1940 but was formally announced on 5 August. See minutes of the first meeting of the Control Committee of Rough and Polished Diamonds Industry in Palestine, held in the Customs and Excise Offices in Haifa, 4 June 1940, NCA, G/80/521; District Commissioner of Samaria District to the PDMA, 19 July 1940, NCA, G/91/652 where the approval of the regulation was announced.
9. This was the law governing associations in Palestine. The Ottomans took it from French law in 1909 and the British kept it in force. In part the law stated that establishing an association should be made public knowledge and alteration of its regulations required government authorization. The six diamond factories consisted of three in Tel Aviv (Pickel Brothers, Sam Moed and Offen's Even-Shoham), two in Netanya (Rosenberg-Morgenstein and Zeev Nagler) and one in Petah Tikva (Daskal).
10. Apart from Ben-Ami and Friedman, the other three Responsible Directors were diamond manufacturers who immigrated to Palestine before the outbreak of the war: Carol Pickel, Mendel Morgenstein, and Moshe Offen. See Oved Ben-Ami to the Department of Migration, 27 August 1940, NCA, G/71/434; Oved Ben-Ami to John L. Fletcher, 28 August 1940, NCA, G/80/521.
11. High Commissioner Harold McMichael to Lord Lloyd of Dolobran, Secretary of State for the Colonies, 20 May 1940, TNA: PRO CO 852/289/1; Netanya's District Officer to PDMA, 14 June 1940, NCA, G/71/434; H. C. H. Bull at the British Ministry of Economic Warfare to Waley Cohen, Chairman of the Palestine Corporation, 3 July 1940, NCA, G/99/741; Oved Ben-Ami to Geoffrey Walsh, 10 October 1940, NCA, G/71/434; Minutes of the PDMA's annual general meeting, 27 January 1942, NCA, G/117/960; Joseph Linton to Emil Schmorak, 8 May 1940, CZA, S8/315; Minutes of the first meeting of the Control Committee of Rough and Polished Diamonds Industry in Palestine, at the Customs and Excise Offices in Haifa, 4 June 1940, NCA, G/80/521; Oved Ben-Ami to John L. Fletcher, 5 June 1940, NCA, G/80/521; John L. Fletcher to Oved Ben-Ami, 11 June 1940, NCA, G/80/521; Memorandum on control, June 1940, NCA, G/346/62; Y. Sadeh to the Histadrut Executive, 25 September 1940, LA, IV-250-72-1-1847.

12. Minutes of the PDMA's first general assembly, 24 April 1941, NCA, G/117/960; see also the PDMA debates on membership in spring 1941, NCA, G/47/154; The regulations drawn for the organization of diamond work managers, 17 November 1941, CZA, S8/315.
13. For example, the largest cement factory in the Middle East, Nesher; the Dead Sea Salt concession given to Moshe Novomeysky; and the electricity production concession given to Pinchas Rutenberg.
14. In contrast to these, the PDMA was both a monopoly and an association of employers—a precedent in Israeli history and one of the reasons for the strained relations of the diamond industry with the Palestine Manufacturers' Association. See Arie Shirom, *Introduction to Labor Relations in Israel* (Tel Aviv, 1983), chap. 7; Arie Shirom, "Employers Associations in Israel," in *Employers Associations and Industrial Relations: A Comparative Study*, eds. John P. Windmuller and Alan Gladstone, 294–317 (Oxford, 1984); for a contemporary opinion see Arie Shenkar, "Thought and Reality in the Problems and Organization of the Industry," *Haaretz*, 30 July 1942.
15. The Jewish Agency's criticism of the diamond industry was drawn on Rothblum, Memorandum 1943. See also the correspondence between Rothblum and Emil Schmorak of the Jewish Agency in April–May 1942, CZA, S9/315; On British interventionism see Oved Ben-Ami, "The Diamond Cutting Industry in Palestine: A Report Presented to His Majesty's Principal Secretary of State for the Colonies," October 1942, TNA: PRO CO 852/457/2. (hereafter Ben-Ami Report, 1942).
16. On monopolies in British economic policy in Palestine see Nachum Gross, "The Economic Policy of Mandatory Government in Palestine," *Cathedra* 24 (July 1982): 153–80 and *Cathedra* 25 (October 1982): 135–68; on the PDMA as a monopoly see Government of Palestine, *Report of a Committee Appointed by Government to Examine the Question of Post War Regulation of the Palestine Diamond Industry* (Jerusalem, 1946), hereafter Government Report, 1946.
17. Frederick A. Mathias, "Palestine–Diamond Cutting Industry," Report, 27 March 1940, TNA: PRO CO 852/289/1 and ISA/RG 5/5062/40.
18. On the MEW see Cox, "The Ministry of Economic Warfare".
19. On home industry see van Doorslaer, "Joodse Arbeiders," 13–26; Yehuda Neuman, "Home Work in the Diamond Industry," *Hayahalom* 1, no. 3 (July 1944): 5.
20. George Prins (Director of Hennig & Co.) to Frederick A. Mathias, 8 April 1940, TNA: PRO CO 852/289/1; the exchange of letters between Hennig & Co. and Oved Ben-Ami, 18 March, 28 April, and 9 September 1941, NCA, G/85/578; the correspondence between the brokerage company and the PDMA was intercepted by the MEW. See for example in January 1943, TNA: PRO CO 852/527/1.
21. Oved Ben-Ami to Geoffrey Walsh, Government Economic Advisor, 10 October 1940, NCA, G/71/434; Department of Customs, Excise and Trade at the Palestine government, Notice to Diamond Manufacturers, 1 April 1941, and another notice on 24 June 1941, both NCA, G/346/62; *Palestine Post*, 12 January 1941; Government of Palestine, Report of the Diamond Control Sub-Committee, Confidential Report to PDMA Members Only (by Solomon Horowitz, John L. Fletcher and David Andreson), 21 June 1944.
22. Nachum Tishby to Arie Shenkar, 31 March 1941, CZA, S8/1390/1; Minutes of the meeting of diamond manufacturers with the Palestine Manufacturers' Association, 19 November 1941, CZA, S8/315.
23. Yehoshua Mazur, "The Organization of the Industry on a New Basis," *Yediot Igud Malteshot Hayahalomim* 5 (May 1958): 4–6.
24. Aharon Cohen to Oved Ben-Ami, 25 August 1941, NCA, G/48/172; PDMA's Circular, 27 November 1941, NCA, G/99/741; Controller of Light Industries to PDMA, 15 July 1942, NCA, G/62/346.

25. Frederick A. Mathias to R. H. Burt, 10 September 1942, TNA: PRO CO 852/457/2; Special Secret Report of Imperial Censorship–Palestine on the diamond market in June–July 1942, 12 September 1942, TNA: PRO CO 852/457/2; H.C.H. Bull from the MEW to R. H. Burt, 12 September 1942, TNA: PRO CO 852/457/2.
26. Compare with the concept of the “shadow-state” in Reno, *Corruption and State Politics*, which emphasizes informal power and manipulation of external actors.
27. Oved Ben-Ami to Geoffrey Walsh, 10 October 1940, NCA, G/71/434; “The Palestinian Diamond Industry,” *Palnews* (29 January 1941).
28. For the selection see Oved Ben-Ami to Geoffrey Walsh, 10 October 1940, NCA, G/71/434; Ben-Ami Report, 1942; PDMA’s deliberations on the regulations, September 1942–May 1943, NCA, G/91/652.
29. In January 1943 the controller of light industries issued the diamond control ordinance. See Controller of Light Industries to Oved Ben-Ami, 21 January 1943, NCA, G/62/346; *Haaretz* and *Haboker*, 21 January 1943.
30. See for example the application for membership by Aharon Cohen in his letter to the president of the PDMA, 25 August 1941, NCA, G/48/172.
31. For the characteristics of the manufacturers see the articles in: *Yediot Lachaverim* 4 (30 March 1942) and 5 (23 April 1942); *Dapei Hamenahel* (January 1944); *Hayahalomai* (March 1944); see also Ami, *The Dignitaries*.
32. Oved Ben-Ami to brothers Mazur and Yoseph Gotlieb, 10 June 1941, NCA, G/47/154; NCA, G/72/435; Minutes of the PDMA’s annual assembly, 27 January 1942, NCA, G/117/960.
33. David Appel, “The Crisis—Is It Unavoidable?” *Hayahalom* (December 1946): 4.
34. The exclusionary policy was shaped in the reports and correspondence of Mathias and Ben-Ami. Arab firms first attempted entry to the industry only at the end of the war. See Johar, *Arab company for diamond industry and commerce*, 6 August 1945, ISA/RG 5/5062/41; on hindering Arab industrial development see also Seikaly, “Meatless Days.”
35. Mazur, “The Diamond Industry,” 229–37.
36. Aharon Cohen to the President of the PDMA, 25 August 1941, NCA, G/48/172.
37. Ben-Ami Report, 1942. This has to be read in conjunction with the government ban in late 1942 on new licenses. See Government Report, 1946.
38. R. H. Burt, Head of the Diamond Section at the Economic Warfare Department, Memorandum, 13 January 1943, TNA: PRO CO 852/527/1.
39. For lists of members by factories and towns see: PDMA to Dr. Emil Schmorak, 28 May 1941, CZA, S8/315; Minutes of the PDMA’s annual general assembly, 27 January 1942, NCA, G/117/960; NCA, Gimmel/72/435; Report on the Situation in the Diamonds Branch, 11 October 1942, LA/IV-250-72-1-335; the PDMA’s annual general meeting, 9 March 1943, NCA, G/117/960; NCA, Gimmel/66/379; LA/IV-250-49-170; NCA, 119/52; Government of Palestine, *Palestine Trade Catalogue* (Jerusalem, 1944); F. J. Jacoby, ed., *The Anglo-Palestine Yearbook 1946* (London, 1946), 152.
40. Oved Ben-Ami to brothers Mazur and Yoseph Gotlib, 10 June 1941, NCA, G/47/154. The Mazur (later Mazor) brothers came from a wealthy family in Warsaw and immigrated to Palestine in 1939. Eliahu Mazur (1889–1973) was in the 1930s an honorary member of the Polish chamber of commerce, member of the presidency of Agudat Israel, and one of the main leaders of the Jewish community in Warsaw. Yehoshua Mazur (1900–1976) studied economics in Hamburg and Zurich, managed a rice syndicate in Poland, and wrote in the mid-1920s a doctorate on economic intervention of governments. The Brothers established a diamond factory in Tel Aviv in June 1941.
41. On Ben-Ami’s paternalist approach see Government Sub-Committee Report, 1944; On the dependency of the factories on PDMA see *Palestine Illustrated News*, 21 December 1940; Zaharir to the Management of the PDMA, 26 December 1940, NCA, G/47/152.

42. On the arrangement see the correspondence between Oved Ben-Ami and the diamond manufacturer Ferdinand Schein in September 1942, NCA, G/91/652; Government Subcommittee Report, 1944.
43. Oved Ben-Ami to Pinchas Gitter, 27 July 1941, NCA, G/48/172.
44. Oved Ben-Ami's circular to PDMA members, 27 August 1941, NCA, G/47/154; *Palestine Post*, 28 September 1941.
45. The factories were dependent on the PDMA for obtaining permits for motors and for authorizing their turn to the government for material for their factories. See Zaharir (factory) to the Management of the PDMA, 24 December 1940, NCA, G/47/152.
46. *Palestine Post*, 5 August 1940; "Nachkriegsvorbereitungen in der Diamantindustrie," *Neue Zürcher Zeitung*, 10 February 1944; Lubin, *Diamond Dealers' Club*; Veronique Laureys, "The Attitude of the Belgian Government-in-Exile in London toward the Jews and the Jewish Question during World War II," in *Belgium and the Holocaust: Jews, Belgians, Germans*, ed. Dan Michman (Jerusalem, 1998), 287–306; Teitelbaum-Hirsch, "Confiscation," 327–333.
47. Romi Benjamin Goldmuntz was born in Krakow (Poland) in 1882 and died in Antwerp in 1960. At young age he arrived in Belgium, began to learn diamond cutting, and in 1902 opened his own workshop that in 1920 employed six hundred employees. With his brother Leopold (later the diamond policy advisor to Camille Huysmans) he became one of the most important sightholders of the DTC. On the morrow of the German occupation he moved to Cognac, where he advised the many refugees of the industry to move to London. In late July 1940 he arrived in London and together with Huysmans and Herman Schamisso established COFDI. Schamisso, another prominent diamantaire in Antwerp, was born in Strasov (Ukraine) in 1890 and arrived in Belgium in 1907. In 1945 he returned from London to Antwerp and died there in 1957. See Jean-Philippe Schreiber, *Dictionnaire Biographique des Juifs de Belgique* (Bruxelles, 2002), 128–29, 306–7. For COFDI see Laureys, *Meesters van het diamant*, 16, 165, 287, 353.
48. COFDI was indirectly supported by Forminière—the Société Internationale Forestières et Minières du Congo—the main producer in the Belgian colony of rough stones that were suitable for eight-cuts, and a leading source of raw materials for the syndicate. The Belgian government-in-exile was a major shareholder of Forminière and both worked with COFDI and with Pierre Ryckmans on storing stones for future resumption of the industry in Belgium. Governor-General Pierre Ryckmans (1891–1959) was born in Antwerp and headed the Belgian Congo in 1934–1946. The Belgian Congo, later Zaire, is today's Democratic Republic of Congo. See L. H. Gann, "Belgian Administration in the Congo: An Overview," in *African Proconsuls: European Governors in Africa*, ed. L. H. Gann and Peter Duignan (New York, 1978), 353–73; William B. Norton, "Pierre Ryckmans (1891–1959)," in *ibid.*, 391–411.
49. *Palestine Post*, 16 February 1942; Laureys, "De Joodse Diamantdiaspora". The project was ran by Huysmans, Golmuntz, Schamisso, and a representative of the Jewish Board of Deputies in Britain. The COFDI's office belonged to a diamond dealer who had close working relations with Goldmuntz. The secretarial work was done by Huysman's daughter.
50. On the Belgian diamond circles in London see Laureys, *Meesters van het Diamant*, chap. 7.
51. Notice of the Director of the Department of Customs, Excise and Trade to Diamond Manufacturers, 24 June 1941, NCA, G/47/154; Gerald Clauson to J. du Toit (office of the High Commissioner in South Africa), 15 August 1941, TNA: PRO FO 371/32524.
52. *Palestine Post*, 13 May 1942; *Palestine Post*, 12 July 1942. In June 1941 the Joint Boycott Council of the American Jewish Congress and the Jewish Labor Committee formed the Diamond Industry Protective Committee to combat Nazi diamond sales in the US. See Gottlieb, "In the Shadow of War," 146–61.



53. Oved Ben-Ami to PDMA members, 27 March 1941, NCA, G/47/154; Minutes of the PDMA's general assembly, 24 April 1941, NCA, G/960/117; *Palestine Post*, 28 September 1941 and 29 January 1942.
54. It would be tempting to refer to the Comprador—a local agent or middleman working for a foreign business or power and thus facilitating the latter's penetration, often against the interests of the comprador's own elite members. The situation in Palestine was more complex because the avowed Zionism of the PDMA and because the purposes of the agency were not only economic.
55. Minutes of the PDMA's annual general assembly, 27 January 1942, NCA, G/960/117.
56. John L. Fletcher, Notice to Diamond Manufacturers, 11 May and 9 July 1942, NCA, G/62/346; Oved Ben-Ami to Eliezer Kaplan, 27 May 1942 and 4 June 1942, CZA, 553/1211.

### Notes to Chapter 3. Diamond Work and Zionist Time

1. See the two reports by David Rothblum, "Short Survey on the Development of the Diamond Industry in Palestine and Proposals for Its Improvement," and "The Chances of the Diamond Industry: The Need to Organize the Market," both submitted in December 1941, CZA, S8/315; Pinchas Smagrarinsky, "Survey on the Status of the Diamond Industry," 11 February 1942, LA/IV-208-1-2941; Mark Schein, "The Weak Spots in Working Conditions in the Palestine Diamond Industry," *Yediot Lachaverim* 3, no. 5 (March 1943).
2. Prince Carlisle, "Diamond Cutters Make Arms Tools," *New York Times*, 8 March 1942; Lazare Kaplan, "Cutting of Gem Diamonds," *American Mineralogist* 27, no. 3 (March 1942): 166–71; Lubin, *Diamond Dealers Club*.
3. Berman, "The Location" 316–28; Bob Moore, *Slachtoffers en overlevenden. De Nazi-Vervolging van de Joden in Nederland* (Amsterdam, 1998), 171–74; Jacques Presser, *Ondergang. De Vervolging en Verderving van het Nederlandse Jodendom 1940–1945* (Den Haag, 1965), part 2, 223–27; Gerald Reitlinger, *The Final Solution* (London, 1968), 364–65, 406; Raul Hilberg, *The Destruction of the European Jews* (New York, 1985), 377–79, 632–33.
4. On the new centers see Laureys, *Meesters van het diamant*, 290–330; on the challenge and British reaction see Oved Ben-Ami to the members of PDMA, 12 February 1941 and 27 March 1941, NCA, G/47/154; Notice of the Director of the Department of Customs, Excise and Trade to Diamond Manufacturers, 24 June 1941, NCA, G/47/154; *Palestine Post*, 12 July 1942; *Hazofe*, 14 July 1942.
5. G. Sh. to the Histadrut Executive, 26 February 1941, LA/IV-250–49–175-a.
6. For terms of stones and their cut see chapter 1, note 11.
7. Oved Ben-Ami to the members of PDMA, 26 February 1941, NCA, G/47/154; Ben-Ami Report, 1942.
8. Frederick A. Mathias, "Palestine–Diamond Cutting Industry," 27 March 1940, TNA: PRO CO 852/289/1; See also "The Diamond Cutting Industry in Palestine," 2 May 1940, TNA: PRO CO 852/289/1.
9. Oved Ben-Ami, Memorandum to the DCB, 28 February 1944, NCA, G/101/764.
10. Rothblum, Memorandum 1943. On the determinants of the value of the diamond see chapter 1, note 11.
11. For the history of diamond-cutting techniques see Goldmann, *The Diamond*; Grodzinsky, *Diamond Technology*; Bruton, *Diamonds*; see also Epstein, *The Diamond Invention*, chap. 11.
12. Bruton, *Diamonds*.
13. See the description in April 1942 in: TNA: PRO PIN 13/487; David Gurevich, *Workers' Wages in the Jewish Diamond-Polishing Industry in Palestine, 1944* (Jerusalem, 1945); Kurt

- Mendelson, "The Diamond Industry of Palestine," 19 December 1944, CZA, S40/269/1. See also chapter 1, note 39.
14. Eight cut, also called "single cut," is a usually small diamond, with only 18 facets instead of the full 58 on a brilliant cut diamond, and is often used for very small diamonds under 1 or 2 "points." Baguette is long-shaped and symmetrical rough stone which is only sawed and polished.
  15. *Hazofe*, 13 October 1940; Mazur, "The Diamond Industry," 229–37; Goldmann, *The Diamond*; Hanan Tolokowsky, "Working the Diamond," *Iton Agudat Hainginerim Vehaarchitektim Beretz-Israel* (April 1946): 7–13; Diamond cleaving, the highly skilled part of the industry but absent from the chain here, would emerge in Palestine after 1945.
  16. Chaim Mendelevich, "On the Agenda," *Misgav*, April May 1943.
  17. See Frenkel, Shenhav, and Herzog, "The Political Embeddedness," 120–44; see also Alexandra Kalev, Yehuda Shenhav, and David De Vries, "State, Management and the Labor Process: The State and the Labor Process: Regulatory Means and Normative Framing in the Diffusion of Managerial Models," *Administrative Science Quarterly* 53 (2008): 1–28.
  18. On the system see Sh. Birger, "Improvements in Cutting," *Dapei Hamenahel* (January 1944): 8–10; Gurevich, *Workers' Wages*, the introduction in particular; Yaakov Vishkin, "A Vocational School for Diamond Cutting," *Misgav* (September 1943): 20–21; Editor, "Proposals for Discussion," *Misgav* (September 1943): 21–22; *Mishmar*, 20 December 1943.
  19. Sh. B., "Improvements in Cutting Method," *Dapei Hamenahel* (January 1944): 8–10.
  20. Government Report, 1946; NCA, G/66/380; Mazur, "The Diamond Industry," 229–37.
  21. Quoted in Chaim Mendelevich, "On the Agenda," *Misgav* (April–May 1943): 2–4; see also Rothblum, Memorandum 1943 (and the supplement).
  22. See for example the Histadrut publications mentioned by Mendelevich, "On the Agenda," 2–4; "In the Profession," *Misgav* (April–May 1943): 26–29; *Hazofe*, 3 August 1943; T. A., "Diamond Industry—Note on its Present Situation," to the Jewish Agency, 13 October 1943, CZA, S40/269/2.
  23. Anglo-Palestine Bank, "The Diamond Industry of Palestine," *Economic Report* (Special Report), 1 (December 1944); Kurt Mendelson [Anglo-Palestine Bank], "The Diamond Industry of Palestine," November 1944, submitted 19 December 1944, CZA, S40/269/1. See also appendixes 2 and 3.
  24. See note 34, chap 2. p. 277.
  25. For the numbers see NCA, G/101/760, LA/IV-208–2525-a, and *Misgav* (September 1943): 29. It should be stressed that despite the attraction of the diamond industry for many young pupils and workers, the number of girls who entered apprenticeship was significantly low, less than a fifth of the total. Many workers were religious, in particular in Jerusalem, but it is difficult to determine the distribution of the workforce by the secular/religious divide. No clear ethnic Ashkenazi-Sephardi divide could be discerned, though many Yemenites were drawn to the industry. The Bukhara diamond cooperative employed mostly from the Bukhara community and formally stipulated a nonskill trait for selecting workers. See Giora Puzailov, *From Bukhara to Jerusalem: The Emigration and Settlement of the Bukhara Jews to Palestine, 1868–1948* (Jerusalem, 1995); Eshel, *Chapters in Life*. Only after the mid-1950s would the share of workers of North-African and Arab origins in the diamond labor force rise significantly.
  26. *Hazofe*, 13 October 1940; Amendments to PDMA's Regulations, 6 May 1941, NCA, G/47/154; John L. Fletcher, A Notice to Diamond Manufacturers, 24 June 1941, NCA, G/62/346. For home work and piecework in diamonds see, Theo van Tijn, "A Contribution to the Scientific Study of the History of Trade Unions," *International Review of Social History* 21, no. 2 (1976): 214–15.

27. Home work was effectively barred until late 1945. Large-scale establishments that employed 150 workers were in the minority. See Anglo-Palestine Bank, "The Diamond Industry of Palestine," *Economic Report* (Special Report) 1 (December 1944).
28. G. Sh. to the Histadrut Executive, 26 February 1941, LA/IV-250-49-175-a; Nathan, Gass, and Creamer, *Palestine: Problem and Promise*, 506; Goldmann, *The Diamond*; Tolkowsky, "Working the Diamond," 7-13.
29. On the Yishuv's middle classes and the collective agreement see Aviad Bar Chaim, "The System of Labour Relations in the Jewish Settlement in Palestine during the British Mandate up to the End of World War II (MA Thesis, Hebrew University in Jerusalem, 1972); Igal Drori, *Between Right and Left: The 'Civic Circles' in Palestine in the 1920s* (Tel Aviv, 1990); see also Minutes of the Histadrut Committee on the Diamond Industry, 2 October 1941, LA/IV-208-1-2941 and 250-49-175-a; Circular of the Diamond Workers affiliated to the Histadrut, 7, 19 February 1943, LA/IV-353-1; Yehuda L., "Collective Agreement or Separate Contracts," *Misgav* (July 1944): 12.
30. Minutes of the negotiations between the PDMA and the unions, fourth meeting, 29 April 1943, LA/IV-250-72-1-1847; See also the discussion on collective bargaining in the industry in *Misgav* (September 1943): 14-16.
31. This was clearly demonstrated during the labor dispute of August 1941, which will be dealt with in chap. 5; see also PDMA Circular, 27 August 1941, NCA, G/47/154.
32. G. Sh. to the Histadrut Executive, 26 February 1941, LA/IV-250-49-175-a; Pinchas Smagarinsky to the administration of the Histadrut unemployment fund, 3 September 1941, LA-250-4-9-175-a; A. Poshter, "The Development of the Diamond Industry in Palestine in 1942 and the First Half of 1943," 21 June 1943, CZA, S40/269/2; *Haaretz*, 23 May 1945; Aharon Blich, "Jewish Trade Unionism in Palestine" (Typed manuscript, LA library, Tel Aviv, 1945), 212-13; Hanoach Bartov, *Halfway Out* (Tel Aviv, 1994). Gurevich, *Workers' Wages*. A census of workers in the Yishuv in early 1943 showed that only about 8% of some 20,000 Jewish workers whose pay was examined earned above LP 3 per week. LP was the Lira Palestina or Palestine Pound (divided to 1,000 Mils). The currency was issued by the Palestine Currency Board in 1927 and pegged to the British Pound.
33. Rothblum, Memorandum 1943; Gurevich, *Workers' Wages; Palestine Illustrated*, 16 December 1943.
34. Rothblum, Memorandum 1943; *Palestine Post*, 24 May 1942.
35. For wider discussions of the labor process in diamond cutting in various periods see Peter Carstens, *In the Company of Diamonds: De Beers, Kleinzee, and Control of a Town* (Athens, 2001); William H. Worger, *South Africa's City of Diamonds: Mine Workers and Monopoly Capitalism in Kimberley, 1867-95* (New Haven, CT, 1987); Jan Breman, *Footloose Labour: Working in India's Informal Economy* (Cambridge, 1996), chap. 5.
36. See *Hatzohar* (Aperture, the bulletin of the diamond workers in Jerusalem), 1943; see also the Secretariat of the Rehovot Labor Council to the Netanya Labor Council, 21 July 1941, LA/IV-250-49-175-a.
37. See Elizabeth Wilk-Rivard and Jaime Szeinuk, "Occupational Asthma with Paroxysmal Atrial Fibrillation in a Diamond Polisher," *Environmental Health Perspectives* 109, no.12 (December 2001): 1303-6; M. Demedts et al., "Cobalt Lung in Diamond Polishers," *American Review of Respiratory Diseases* 130 (July 1984): 130-35.
38. *Hatzohar*, 1943; *Hasapir* (*The Sapphire, workers' bulletin for internal information of the first diamond factory in Jerusalem*), 1943; Breman, *Footloose Labour*, chap. 5.
39. On conditions see Pinchas Smagarinsky, "Among the Problems of the Industry," *Misgav* (April-May 1943); Pinchas Smagarinsky to the Histadrut unemployment fund, 3 September 1941, LA-250-4-9-175-a; On the nervous condition see the case of Arie Kobrin and Menachem Herschkowitz in the PDMA's letter to Zaharir factory, 9 February 1941, NCA, G/47/152.

40. "Pink Pank" replaced here the original allusion to sound, note or ring (in Hebrew "Tsil, Tsilil"). *Cenga* is the diamond-holding tool. *Sand* alludes also to the small stone Palestine and Belgium specialized in. *Dust* refers also to the diamond dust created in cutting. See Binyamin Kosowsky, "It is Gone," *Hayahalom* 1, no. 5 (February 1945): 13. See also the translation of the original Hayim Nahman Bialik poem "Tzil, Tzilil" in *Songs from Bialik: Selected Poems of Hayim Nahman Bialik*, ed. and trans. Atar Hadari (Syracuse, NY, 2000), 39.
41. Ferdinand Shpitz, Yahalomim manager, to PDMA, 5 September 1941, NCA, G/54/254; PDMA's circular, 7 November 1941, NCA, G/47/154; Yehuda, "The Status of the Worker in the Diamond Industry," *Misgav* (April–May 1943); quotation from PDMA's Circular, 27 August 1941, NCA, G/47/154.
42. See expressions of the diamond workers in *Misgav* (April–May 1943); *Hatzohar*, October 1943; *Hasapir*, 1943.
43. On frontier of control see Carter L. Goodrich, *Frontier of Control: A Study of British Workshop Politics* (New York, 1920); on the Histadrut's reaction see Minutes of the Histadrut diamond industry committee, 2 October 1941, LA/IV-208-1-2941.
44. On this early sense of power see minutes of the PDMA's general assembly, 24 April 1941, NCA, G/117/960; Oved Ben-Ami and PDMA's Circular, 27 August 1941, NCA, G/47/154; Minutes of the meeting of the diamond manufacturers with PMA, 19 November 1941, CZA, S8/315.
45. On early workers' grievances and on the association between interrupted supply of rough stones and labor unrest see Y. Sadeh to the Histadrut Executive, 25 September 1940, LA/IV-250-72-1-1847; PDMA to members 16 March 1941, NCA, G/47/154; Moshe Sahpira of the Histadrut Executive to PDMA, 23 April 1941, NCA, G/897/111; Eliezer Zourne of the Netanya Labor Council to the Histadrut Executive, 7 May 1941, LA/IV-250-49-175-a; Minutes of the PDMA's annual general meeting, 9 March 1943, NCA, G/117/960.
46. Zeev (Wolf) Rendel, "The Triangular Thread," *Yediot Lachaverim* (5 March 1942); on the failure of corporatism in the Yishuv see Shalev, *Labour and the Political Economy*, chap. 4.
47. For the institutional system of the Yishuv see Dan Horowitz and Moshe Lissak, *Origins of the Israeli Polity: Palestine under the Mandate* (Chicago, 1978); on PMA see Drori, *Between Right and Left*.
48. On common denominators among the three see Zeev Sternhell, *The Founding Myths of Israel: Nationalism, Socialism, and the Making of the Jewish State* (Princeton, NJ, 1996), chaps. 3–4. The approach was best expressed in the role played by Jewish industry in the British war effort and the industrial planning committees run by the Jewish Agency from 1944 onward. See Marcus, "Palestine's Industry during the War," 85–89; Yossi Beilin, *The Roots of Israeli Industry* (Tel Aviv, 1987).
49. Nachum Tishby to Arieh Shenkar, 31 March 1941, CZA, S8/1390/1; Minutes of the meeting of the diamond manufacturers, 19 November 1941, CZA, S8/315; Government Sub-Committee Report, 1944.
50. Internal Report of the Trade and Industry Department of the Jewish Agency on the Diamond Industry, May 1940, CZA, S8/315; Correspondence between Oved Ben-Ami and Emil Schmorak, December 1940, CZA, S8/315; Nachum Tishby to Arieh Shenkar, 31 March 1941, CZA, S8/1390/1. Emil Schmorak (1886–1953) a prominent liberal Zionist activist in Galicia immigrated to Palestine in 1938 and headed the Department of Trade and Industry in the Jewish Agency until 1946. Among his books was *Palestine's Industrial Future* (Jerusalem, 1946).
51. The Anglo-Palestine Bank was established in 1902 as a subsidiary of the Jewish Colonial Trust, the first Zionist bank. Its general manager in 1925–1947 was the Dutch-born Eliezer Siegfried Hoofien (1881–1957). During World War II the bank was a major financier of industries that provided for the British Army, and upon the establishment of the State of Israel in 1948 it became the government's banker and financial agent. In

- 1950 it was renamed Bank Leumi. See R. Erel, *Anniversary Book: Bank Leumi le-Israel Ltd.* (Tel Aviv, 1954), and Nachum Gross, Nadav Halevi, Ephraim Kleimann, and Marshall Sarnat, *A Banker for a Rejuvenating Nation: The History of Leumi Bank* (Ramat Gan, 1977).
52. On the fund see memorandum on the visit of Emil Schmorak in Netanya, 28 November 1940, CZA, S8/315; Oved Ben-Ami to Emil Schmorak, 9 December 1940, CAZ, S8/315; Report by Sh. Epstein, 15 December 1940, CZA, S8/315; On the Diamond Club see Nachum Tishby to Oved Ben-Ami, 26 December 1940, CZA, S8/315; Nachum Tishby to Akiva Weiss, 27 December 1940, CZA, S8/315; Oved Ben-Ami to Nachum Tishby, 29 December 1940, CZA, S8/315; Correspondence in CZA, A174/34; *Haaretz*, 18 December 1940. On the idea of a diamond vocational school see Memorandum, 7 September 1941, LA/IV-208-3808-a; on arbitration see the correspondence of 21–25 November 1941, NCA, G/54/254; Yitzhak Grinboim to Oved Ben-Ami, 26 December 1941, NCA, G/119/978.
  53. Rothblum, Memorandum 1943, and supplement. David Rothblum (1876–1947) was born in Krakow and immigrated to Palestine in 1939. He was a lawyer, writer, and Hebrew scholar and wrote regularly for *Haboker*. The Palestine Manufacturers' Association (PMA) was founded in 1921 and was active in representing employers and in pressing the government to protect Jewish industry in Palestine.
  54. Nachum Tishby to Arieh Shenkar, 2 January and 31 March 1941, CZA, S8/1390/1; Tishby's report on his conversation with Jacobs (the British secretary of military supply), 14 September 1941, CZA, S8/1390/1; Minutes of the Histadrut committee for the diamond industry, 2 October 1941, LA/IV-208-1-2941; Moshe Rosenblit to Nachum Tishby, 31 October 1941, CZA, S8/1390/1; Minutes of the meeting of the diamond manufacturers, 19 November 1941, CZA, S8/315. Ben-Ami opposed the establishment of diamond factories in Safed and Jerusalem independent of the PDMA's control. See Oved Ben-Ami to the Executive of the Safed Jewish community, 26 November 1941, NCA, G/48/172; Nachum Tishby to Daniel Oster, 27 November 1941, CZA, S8/1390/1.
  55. Arieh Shenkar to Nachum Tishby, 1 December 1941, CZA, S8/1390/1; Nachum Tishby to Eliezer Kaplan, 7 December 1941, CZA, S8/1390/1; Moshe Rosenblit's notes, 7 December 1941, CZA, S8/1390/1; Oved Ben-Ami to Elizer Kaplan, 18 December 1941, CZA, S53/1211; Arieh Shenkar to Eliezer Kaplan, 23 December 1941, CZA, S53/1211; Emil Schmorak to Zelig Brodetsky, 24 March 1942, CZA, S9/315. Brodetsky (1888–1954) was a member of the Zionist executive and since 1939 the president of the Board of Deputies of British Jews.
  56. David De Vries, "Drawing the Repertoire of Collective Action: Labour Zionism and Strikes in 1920s Palestine," *Middle Eastern Studies* 38, no. 3 (2002): 93–122.
  57. See articles on the strikes by the PDMA and Histadrut activists in *Hayahalom* 1, no. 3 (July 1944) and in *Misgav* (July 1944). See also the chapter on labor relations in Government Report, 1946.
  58. Similar to many employers and industrialists, Ben-Ami was politically identified with the "General Zionists," the liberal or centrist political camp in the Zionist movement and the Yishuv that in the 1950 affiliated with the Progressive Party. The Revisionists were to the right of that camp and Labor Zionism on its left. The PMA's chief labor relations advisor and often of the PDMA as well was the Revisionist Binyamin Avniel (1906–1993). See the book on the history of Netanya published by the Progressive Party, *The Well Digger* (Netanya, 1953).
  59. W. V. Daems to Henri Polak, 26 May 1939, and Henri Polak to W. V. Daems, 14 June 1939, both IISG/ANDB, 6551. For unionization in the history of diamond workers see Henri Heertje, *De Diamantbewerders van Amsterdam* (Amsterdam, 1936); Van Tijn, "A Contribution," 214–15; Bloemgarten, *Henri Polak*, chap. 7; Salvador Bloemgarten, "A Historical Perspective," in *Remembering Jewish Amsterdam*, ed. Philo Bregstein and Salvador Bloemgarten (New York, 2004), xix–xx; Martine Vermandere, *Adamastos: 100 jaar Algemene Diamantbewerdersbond van België* (Antwerpen, 1995).

60. Henri Polak to W. V. Daems, 21 March 1940, IISG/ANDB, 6551. Polak was of course amazed and opposed it fiercely and called his Belgian colleagues to do the same. See also the executive committee of HAAL to Arieh Altman, 16 July 1940, Jabotinsky Institute Archive, G/10 Aleph, 3/14. Histadrut Haovdim Haleumit, The National Workers' Federation (NWF), established in 1934, was the union organization affiliated to the Revisionist movement. See Yhoshua Ophir, *The National Worker Book* (Tel Aviv, 1959). See also Y. Sadeh to the Histadrut Executive, 25 September 1940, LA/IV-250-72-1-1847.
61. The best sources on Ben-Ami's thought and action during his presidency of the PDMA in 1940-1949 are the NCA collections on the history of Netanya and the diamond industry.
62. For Ben Ami's views on workers' representation see Ben-Ami Report, 1942; and, Government Sub-Committee Report, 1944. Netanya's labor council was established in 1937 as the local branch of the Histadrut. The Jaffa-Tel Aviv labor council was established by Akhdut Haavoda party in 1919 and from the end of 1920 was incorporated in the Histadrut.
63. See the collective agreement on cost of living, 4 December 1940, NCA, G/111/897.
64. LA/IV-208-1-2941. On unions and their political affiliations in the Yishuv see Blich, "Jewish Trade Unionism", Horowitz and Lissak, *Origins of the Israeli Polity*, chap. 4.
65. The Histadrut (General Federation of Jewish Labor) was established in 1920. The religious Hapoel Hamizrahi was founded in 1922 and continuously cooperated with the Histadrut. The orthodox Poalei Agudat Israel was established in Poland in 1922 and in Palestine in 1925. The liberal Haoved Htzioni was established in 1936 and operated within the framework of the Histadrut.
66. See A. Hershberg, "The Problems of the Diamond Industry," *Haoved Hatzioni*, 31 October 1947.
67. G. Sh. to the Histadrut Executive, 26 February 1941, LA/IV-250-49-175-a.
68. Y. Sadeh to the Histadrut Executive, 25 September 1940, LA/IV-250-72-1-1847; G. Sh. to the Histadrut Executive, 26 February 1941, LA/IV-250-49-175-a; PDMA to the members, 16 March 1941 and 14 May 1941, NCA, G/47/154; Minutes of the meeting of the Secretariat of the Histadrut Executive, 20 April 1941, LA/IV-208-1-2263; Minutes of the PDMA general assembly, 24 April 1941, NCA, G/117/960; Eliezer Zourne (Netanya Labor Council) to the Histadrut Executive, 7 May 1941, LA/IV-250-49-175-a; Netanya Labor Council to the Secretariat of the Histadrut Executive, 3 July, 1941, LA/IV-250-49-175-a; on the nomination see Eliezer Zourne to Moshe Shapira, 19 May 1941, LA/IV-208-1-2263; and Moshe Shapira Diary, 5 June 1941, LA/IV-208-1-2263; Histadrut Executive to the Netanya Labor Council, 11 July 1941, LA/IV-250-49-175-a.
69. Eliezer Zourne to Moshe Shapira, 19 May 1941, LA/208-1-2263; Resolutions of the Histadrut's central committee on the diamond industry, 7 January 1942, LA/208-1-2941; Pinchas Smagarinsky, "Report on the Situation in the Diamond Industry," 11 February 1942, LA/208-1-2941; Pinchas Smagarinsky (later Shamgar) was born in Loyew (in today's Belarus). He was active in Socialist-Zionist circles in Moscow, and in 1929 immigrated to Palestine. After joining Mapai he took part in founding the village Givat Chen and was nominated as the first secretary of the Raanana Labor Council. In the late 1930s he was active in the Holon Labor Council and since the early 1940s led the organization of the DWO. In the 1950s he was active in cooperative organization. See Avraham Shamgar (Smagarinsky's brother), interview by the author, January 2003. Smagarinsky worked closely with Eliezer Zourne, the Netanya Histadrut activist. Zourne (1905-1960) was born in Dobnu (in today's Ukraine) and immigrated to Palestine in 1929. He was active in Hashomer Hatsair and a member of Kibbutz Ein Hachosh. In 1940-1945 he was the Mapai-nominated secretary of the Netanya Labor Council.
70. Minutes of the arbitration between the PDMA and the unions, 24 November 1942, LA/IV-250-72-1847; Minutes of the meeting between the PDMA and the unions, 21 December 1942, LA/IV-208-2-2515; NCA, G/650/90; Pinchas Smagarinsky to the clerks in

- the diamond industry, 10 January 1943, LA/IV-208-1-3466-a; Shulamit Amanuti to the Histadrut, 12 April 1943, LA/IV-1-3402-a.
71. The organization of the managers in the diamond industry was established in November 1941. However, only following the expansion of the managerial level in the factories did the organization expand. Its first assembly was held in October 1943. Among its activists was Moshe Schnitzer (1921–2007). Schnitzer was born in Romania and immigrated to Palestine in 1934. He learned sawing and cutting at Pickel's factory in Tel Aviv and in 1944 became a work manager. He edited the industry's journal *Hayahalom* and coauthored with Elhanan Halperin an instruction book in Hebrew, *Diamonds* (Tel Aviv, 1946). In 1945 he established with Shlomo Vinikov the Society for the Development of the Diamond Industry in Palestine. He was one of the founders of the diamond bourse and its president (1967–1993). See Meirav Halperin, *The Diamantaire: Moshe Schnitzer, Founder of the Israeli Diamond Industry* (Tel Aviv, 2008).
  72. The Supreme Committee (Havaad Haelion) of the diamond workers in Tel Aviv to the PDMA, 25 January 1942, NCA, G/90/650; Havaad Haelion to the diamond workers in Palestine, 27 January 1942, LA/IV-250-49-175-a.
  73. Moshe Shapira's diary, the meeting of the Histadrut with the Supreme Committee, 19 January 1942, LA/IV-208-1-2941; Hamerkaz Hakhklai (Histadrut's agricultural company) to A. Rabinowitz, 1 January 1942, LA/IV-250-49-175-a; The decisions of the Histadrut central committee on the diamond industry, 7 January 1942, LA/IV-208-1-2941; Netanya Labor Council to Hamerkaz Hakhklai, 2 November 1941, and David Shafrir to the Histadrut, 5 November 1941, LA/IV-250-49-175-a; Eliezer Zourne to Hamerkaz Hakhklai, 19 December 1941, LA/IV-208-1-2263; Regulations of the organization of diamond managers, 17 November 1941, CZA, S8/315.
  74. Quotation from Y. L., "Diamonds," *Hapoel Hatsair* (25 June 1942).
  75. T. A., "Diamond Industry—Note on its Present Situation," submitted to the Jewish Agency, 13 October 1943, CZA, S40/269/2; Editor, "The Background of the Diamond Crisis," *Palnews* 16, no. 5/6 (1947); the articles in *Niv Poalei Hayahalomim* (the bulletin of the Histadrut's Diamond Workers' Organization), January and February 1947. See also David De Vries, "Productive Clerks: White-Collar Productivism and State-Building in Palestine's Jewish Community, 1920–1950," *International Review of Social History* 42, no. 2 (August 1997): 187–218.
  76. Sternhell, *Founding Myths of Israel*, 128–33; Amit-Cohen, *The Riddle*.
  77. Quotation from Oved Ben-Ami Report, 1942. See also Uri, "On the Industry and its Workers," *Misgav* (September 1943): 10–11; Editorial, "On the Declaration of a General Strike in the Diamond Industry," *Hamashkif*, 10 December 1943; Histadrut, *The Diamond Worker in Palestine*, submitted to the International Congress of Diamond Workers by the Executive Committee of the General Federation of Jewish Labour in Eretz-Israel (Tel Aviv, 1946).
  78. Deliberations of the Palestine Diamond Manufacturers Association, May 1945, NCA, 126/1045; Oved Ben-Ami, "The Palestine Diamond Industry: Retrospect and Outlook," *Diamond News and the South Africa Watchmaker and Jeweller* (February 1948); Oved Ben-Ami, "The Palestine Diamond Industry," *Palestine Economist Annual* (1948): 96–97.
  79. *Hazofe*, 29 June 1943; Yoseph [Joe] Ascher, "Remarks on the Sorting, Bruiting and Cleaving," *Hayahalom* 1, no. 6 (March 1945): 11; Tolkowsky, "Working the Diamond," 7–13.
  80. See the series of articles by Ohel, "Professional Terms and Expressions in Hebrew," in *Dapei Hamenahel*, January 1944, 14; *Hayahalom* 1, no. 4 (August 1944): 10, and *Hayahalom* 1, no. 5 (February 1945): 12; "Precious Stones in the Bible," *Hayahalom* 2, no. 8 (July 1945): 12–13; Goldmann, *The Diamond*. See also Zvi Ilani et al., *Diamonds and Precious Stones in Judaic Sources* (Ramat Gan, 1991)
  81. *Hatzohar*, 1943; *Hasapir*, 1943. The union of diamond workers (DWO) that the Histadrut formed with great efforts was accompanied with the same features; see for example the

- title of the union's bulletin, *Misgav* (literally "stronghold" and "exaltedness," pointing to the diamond's strength, sublimity, and brightness.
82. David Rothblum, "Wish Them Godspeed!" *Dapei Hamenahel* (January 1944): 6–7; *Palestine Post*, 25 February 1944; Derek J. Penslar, *Shylock's Children: Economics and Jewish Identity in Modern Europe* (Berkeley, CA, 2001), chap. 6.
  83. The annual general meeting of the PDMA, 9 March 1943, NCA, G/117/960 and 91/652; Editor, "Palestine Diamond Cutting Industry," *Diamond Industrial Review* (June 1945); Moshe Schnitzer, "The Revolution in the Diamond Industry," *Hayahalom* (October 1947): 5; Draft for the government report on diamonds, December 1945, NCA, G/66/380; Government Report, 1946.
  84. Ben-Gurion, "The National Destiny," 231–34; Lavsky, "Is There an 'Essential' Link," 387–99.

## Notes to Chapter 4. The Challenge and Its Constrains

1. COFDI to the DCB, 3 May 1943, TNA; PRO CO 852/527/1; Frederick A. Mathias, "Memorandum: The Diamond Industry—Post-War Issues," 20 May 1943, TNA; PRO CO 852/503/19; *Palestine Post*, 25 June 1943; T. A., "Diamond Industry—Note on its Present Situation," to the Jewish Agency, 13 October 1943, CZA, S40/269/2; the PDMA's Memorandum to the DCB, 27 February 1944, ISA/RG 5/5062/40.
2. Minutes of the Diamond Committee at the Ministry of Economic Warfare in 1944, TNA; PRO FO 115/4049 and 4050; Norbert Guttenberg to the DCB, 23 January 1944, NCA, G/101/764; Albert Ehrenfeld, Confidential memorandum for the DCB, February 1944, CZA, S40/269/2; Minutes of the DCB, March 1944, ISA/RG 5/5062/40; Government Sub-Committee Report, 1944.
3. On other centers see William Stewart-Turner, *Arms and the Jeweller: Recording the Work of the British Jewellers in the War of 1939–1945* (Birmingham, UK, 1945); "The Diamond Industry in the USA, Cuba and South Africa," *Hayahalomai* (March 1944): 13–15; L. Landa, "Die Diamanten Industrie in Cuba," *Havanner Leben Almanac* (1944): 199–203; Report on the Diamond Industry in Various Countries, August 1946, CZA, S40/269/1; Report of the Proceedings of the First Congress after the Liberation of the Universal Alliance of Diamond Workers, Antwerp, 2–6 September 1946, The George Meany Memorial Archives, Silver Spring, MD, RG 18–005/12; Laureys, "De joodse diamantdiaspora."
4. Newbury, *The Diamond Ring*, chap. 11.
5. "Nachkriegesvorbereitungen der Diamantindustrie," *Neue Zürcher Zeitung*, 10 February 1944; "Post-War Plans of the Diamond Industry," *Palnews* (End of March 1944): 11–12; Raymond Dumett, "Africa's Strategic Minerals during the Second World War," *The Journal of African History* 26, no. 4 (1985): 381–408; Colin Newbury, "South Africa and the International Diamond Trade—Part Two: The Rise and Fall of South Africa as a Diamond Entrepôt, 1945–1990," *South African Journal of Economic History* 11, no. 2, Special Issue: Business Imperialism in South Africa (September 1996): 251–84. The Belgian Congo, (today the Democratic Republic of Congo) was under Belgian control in 1908–1960, and during World War II was cut from German-occupied Belgium and became a chief supplier of strategic materials to the Allies. See Sydney H. Ball, "Diamond Production," *American Mineralogist* 28, no. 3 (1943): 141–43; Jonathan E. Helmreich, *United States Relations with Belgium and the Congo, 1940–1960* (London, 1998).
6. On the exponent demand for industrial diamonds by the US see United States Bureau of the Census, *Industrial Diamonds*, War Production Board, "Facts for the Industry," Series 19–3, (Washington, DC, 1944).



7. Albert Ehrenfeld, "The Problem of Reorganization of the Diamond Industry in Palestine in the Light of the Present Crisis," December 1946, Submitted 14 January 1947, CZA, S8/2566. Rough diamonds constituted 7.5 percent of Palestine's total raw material import in 1942, and 10.5 percent in the following year. See *The Book of the Yishuv's Economy in 1947* (Tel Aviv, 1947), 369.
8. Oved Ben-Ami to Eliezer Kaplan, 4 June 1942, CZA, S53/1211; *Haboker*, 14 July 1942; Anglo-Palestine Bank, "The Diamond Industry of Palestine," in *Economic Report* (Special Report) 1 (December 1944); see also on the operation of De Beers in Debora Spar and Jennifer L. Burns, "Forever: De Beers and U.S. Antitrust Law," *Harvard Business School Cases*, 9-700-082 (September 2002): 1-25; Stefan Kanfer, *The Last Empire: De Beers, Diamonds, and the World* (London, 1994).
9. Frederick A. Mathias, "Diamonds," 14 March 1947, TNA: PRO FO 371/62532; Even-Zohar, *From Mine to Mistress*, chaps. 2 and 30.
10. Louis Asscher, "Amsterdam—A Diamond City Rejuvenating," *Yediot Igud Malteshot Hayahalomim Beisrael* 2, no. 12 (July 1959): 9-12; Simona Edelman, ed., *The Jews of the Diamond City—Amsterdam: A Legacy of 400 Years* (Ramat Gan, 1998); Worger, *South Africa's City of Diamonds*, Chap. 5.
11. Bloemgarten, "A Historical Perspective," xviii-xix.
12. James B. Twitchell, "De Beers: A Good Campaign Is Forever," in *20 Ads that Shook the World* (New York, 2000), 88-101; Vicki Howard, "A 'Real Man's Ring': Gender and the Invention of Tradition," *Journal of Social History* 36, no. 4 (2003): 837-56; Westwood, "Diamond Time," 25-38. Sales of industrial diamonds in America showed a tremendous increase from 3.6 million carats in 1941 to 7.8 million in 1942 and almost 10 million carats in 1943. See United States Bureau of the Census, *Industrial Diamonds*.
13. David Rothblum, "Memorandum on the Prospects of the Diamond Industry in Palestine," to the Jewish Agency, 21 September 1943, CZA, S40/269/2; "The Diamond Industry of Palestine," in Anglo-Palestine Bank, *Economic Report*; A. Poshter, "The Development of the Diamond Industry in Palestine in 1942 and the First Half of 1943," 21 June 1943, CZA, S40/269/2; Gottlieb, "In the Shadow of War," 146-61.
14. Gross and Metzger, "Palestine in World War II," 59-82.
15. Government Report, 1946; Estheron, "The Development of the Diamond Industry."
16. Nathan, Gass, and Creamer, *Palestine: Problem and Promise*, 506-14; Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); Estheron, "The Development of the Diamond Industry."
17. "The Diamond Industry in Palestine," *Iton Agudat Hainginerim Vahaarchitektim Beretz-Israel* (April 1946): 3-5.
18. The diamond industry was directly responsible for the growth of Netanya from 3,000 inhabitants in 1939 to 6,000 at the end of 1942. See Aharon Even-Chen and M. Hoffman, eds., *On Our Settlement in Netanya* (Netanya, 1954); Avshalom Shmuely and Moshe Braver, *Book of Netanya*. Tel Aviv, 1982. See also the spatial structure of the industry in the appendix, table A.4.
19. Kurt Mendelson [Anglo-Palestine Bank], "The Diamond Industry of Palestine," November 1944, submitted 19 December 1944, CZA, S40/269/1; One source reported that in 1943 the US imported from Palestine some \$9 million worth of polished diamonds. See Albert Ehrenfeld, "Israel Diamond Industry," *Israel Economist Annual—1952* (Jerusalem 1953): 138; Jo Asscher to Piet van Muyden, 29 August and 3 December 1946, IISG/ANDB, 6553; David Federman, "Diamonds and the Holocaust," *Modern Jeweler* (May 1985): 40-45.
20. "Nachkriegesvorbereitungen der Diamantindustrie," *Neue Zürcher Zeitung*, 10 February 1944; Laureys, *Meesters van het diamant*, 285-300.
21. Geoffrey Walsh, On the Palestine Diamond Industry, draft for the Palestine Trade Catalogue, 4 November 1944, ISA/RG 5/5062/40; "Palestine Diamonds," in Government of Palestine, *Palestine Trade Catalogue* (Jerusalem, 1944), part 4; Laureys, *Meesters*, 289-90.

22. J. L. Reading, Report on visit to British West Africa, the Sudan, Egypt and Palestine, 13 May to 23 June 1944, Section E on Palestine, TNA: PRO FO 837/313 289335.
23. There is an extensive literature on these issues. See for example Newbury, *The Diamond Ring*, chap. 11; Debora L. Spar, *The Cooperative Edge: The International Politics of International Cartels* (Ithaca, NY, and London, 1994), chap. 2; Janine Roberts, *Glitter & Greed: The Secret World of the Diamond Empire* (New York, 2003), chap. 6.
24. Allen, *Churchill's Guests*, chap. 3.
25. Brigitte Henau, "Shaping a New Belgium: The CEPAG—The Belgian Commission for the Study of Post-War Problems, 1941–1944," in *Making the New Europe: European Unity and the Second World War*, eds. M. L. Smith and Peter M. R. Stirk (London, 1990), 112–32.
26. S. Caine (Colonial Office) to the Undersecretary of State at the Foreign Office, 6 February 1942, TNA: PRO FO 371/32524; *Palestine Post*, 24 May 1942; Special Secret Report of Imperial Censorship-Palestine on the position of the diamond market in June/July 1942, 12 September 1942, TNA: PRO CO 852/457/2; H. C. H. Bull (Ministry of Economic Warfare) to R. H. Burt, 12 September 1942, TNA: PRO CO 852/457/2.
27. J. L. Reading, Report on visit to British West Africa, the Sudan, Egypt and Palestine, 13 May to 23 June 1944, Section E on Palestine, TNA: PRO FO 837/313 289335; On the Diamond Industry Protective Committee headed by Henry Jacobson see Aronheim, "The Development of Diamond Industry."
28. Office of Strategic Services, Research and Analysis Branch, "Gold, Diamond and Narcotic Smuggling in Palestine and the Levant States," No. 1390, 22 October 1943, Niedersächsische Staats und Universitätsbibliothek, Göttingen; see also on the activities of the MEW in Nechama Cox, "The Ministry of Economic Warfare"; John D. Cantwell, *The Second World War: A Guide to Documents in the Public Record Office* (London, 1993), 70–73; W. N. Medicott, *The Economic Blockade* (London, 1952).
29. See the report on Capacity and Supply Position of the Palestine Diamond Industry, June 1944, CZA, S40/269/2; M. A., "The Lesson of the Diamonds Strike," *Misgav* (July 1944): 30–31; V. R., "The Diamond Branch and its Chances," *Misgav* (July 1944): 31–32; A. Hollandi, "Attempts to Establish Diamond Factories around the World," *Dapei Hamenahel* (January 1944): 21–23.
30. J. L. Reading, Report on visit to British West Africa, the Sudan, Egypt and Palestine, 13 May to 23 June 1944, Section E on Palestine, TNA: PRO FO 837/313 289335.
31. Oved Ben-Ami to PDMA members, 27 August 1941, NCA, G/47/154; see also *Palestine Post*, 28 September 1941.
32. Frederick A. Mathias to R. H. Burt, 10 September 1942, TNA: PRO CO 852/457/2; Special Secret Report of Imperial Censorship-Palestine on the position of the diamond market in June/July 1942, 12 September 1942, TNA: PRO CO 852/457/2; H. C. H. Bull (MEW) to R. H. Burt (Head of the Diamond Section at MEW), 12 September 1942, TNA: PRO CO 852/457/2. R. H. Burt Memorandum, 13 January 1943, TNA: PRO CO 852/527/1; Oved Ben-Ami to Hennig & Co., 11 January 1943, Hennig & Co. to Oved Ben-Ami, 11 January 1943, Hennig & Co. to PDMA, 13 January 1943, all TNA: PRO CO 852/527/1.
33. *Palestine Gazette*, no. 1208; Ben-Ami Report, 1942; Controller of Light Industries to the Palestine Corporation, 29 June, 12 July, and 15 July 1942, all NCA, G/62/346; *Palestine Post*, 12 July 1942.
34. Frederick A. Mathias to R. H. Burt, 10 September 1942, TNA: PRO CO 852/457/2; J. L. Reading, Report on visit to British West Africa, the Sudan, Egypt and Palestine, 13 May to 23 June 1944, Section E on Palestine, TNA: PRO FO 837/313 289335; Assistant Control Officer (Diamonds) to Controller of Light Industries, 11 November 1942, NCA, G/50/194; see also the PDMA's circulars to the members in November and December 1942, NCA, G/72/435.

35. Compare to similar approach in Allan D. Cooper, "The Institutionalization of Contract Labour in Namibia," *Journal of Southern African Studies* 25, no. 1 (March 1999): 121–38; see also Laureys, "De joodse diamantdiaspora."
36. Ministry of Economic Warfare to R. H. Burt, 7 September 1943, George Prins to R. H. Burt, 20 September 1943, H. N. Abrahams (DTC) to R. H. Burt, 8 September 1943, all TNA: PRO CO 852/527/1; Hennig & Co. to PDMA, 7 September 1943, TNA: PRO CO 852/527/2; Diamond Trading Company to Oved Ben-Ami, 8 September 1943, PDMA to Hennig & Co., 16 September 1943, Minister of the State of Colonies to H. MacMichael, 18 September 1943, all ISA/RG 5/1463/19.
37. Diamond Trading Company to Hennig & Co., 8 September 1943, CZA, S40/269/2; Controller of Light Industries to PDMA, 10 September 1943, NCA, G/62/346.
38. For the formalities see Government Report, 1946, 5; Minister of the State of Colonies to H. MacMichael, 18 September 1943, ISA/RG 5/1463/19. The first meeting of the DCB was held on 17 October 1943. See the minutes in NCA, G/101/764.
39. Albert Ehrenfeld (1896–1957) was born in Antwerp. In 1914 he moved to Amsterdam and became a member of the executive of the Zionist organization in the Netherlands. He immigrated to Palestine in 1936, entered banking, and was among the founders of the Palestine Corporation and Bank Igud that gave credit and safe services to the diamond industry. In 1947 he was the chief advisor on diamonds to the Palestine government and in 1948 became Israel's first Diamond Controller. See David Tidhar, *Encyclopedia for the Yishuv's Pioneers and Builders* (Tel Aviv, 1947–1971), vol. 9; K. J. Edersheim, "Bij het Everlijdem van Albert Ehrenfeld" [On the Death of Albert Ehrenfeld], *De Joodse Wachter*, 18 April 1957; Oscar Fisher (1875–1947) was a Polish-Belgian capital owner of orchards, land, and diamonds, and was active in Zionist settlement and land purchase (see chapter 1 for his brother Jean Fisher). See Brachfeld, *Les Relations*, 268–70.
40. See the wording of the DCB Notice, Export of Diamonds Cut and Polished in Palestine, *Palestine Post*, 28 December 1943: "It is notified for information that the importation of diamonds cut and polished in Palestine by persons or firms other than manufacturers will now be permitted subject to certain limitations. Applications for registration as approved exporters of locally manufactured diamonds should be submitted to the Controller of Light Industries. Applicants must be established exporters of diamonds and will be required to furnish proof of their previous exports as well as their experience and standing in the Diamond Trade." (Signed J. L. Fletcher, Controller of Light Industries.)
41. Oved Ben-Ami to Sir Ernst Oppenheimer (in Johannesburg), 2 September 1943, and the cables between Oved Ben-Ami and Hennig & Co. in September 1943, all TNA: PRO CO 852/527/2; *Palestine Post*, 14 September 1943; Minutes of the PDMA's executive and labor committee, 14 September 1943, NCA, G/171/48 and 94/693; T. A., "Diamond Industry—Note on its Present Situation," to the Jewish Agency, 13 October 1943, CZA, S40/269/2.
42. David Rothblum, "Supplement No. 1" to Memorandum on the Prospects of the Diamond Industry in Palestine, 21 September 1943, CZA, S40/269/2.
43. Government Sub-Committee Report, 1944; Kurt Mendelson, "The Diamond Industry of Palestine," 19 December 1944, CZA, S40/269/1.
44. Minutes of the outstanding general assembly of the PDMA, 19 October 1943, NCA, G/117/960, and the assembly's resolutions in NCA, G/171/48; Heinrich Goldmann, "The Future of the Diamond Industry," *Davar*, 4 November 1943.
45. Geoffrey Walsh to R. H. Burt, 18 January 1944, ISA/RG 5/1463/19; Albert Ehrenfeld, The Problem of Reorganization of the Diamond Industry in Palestine in the Light of the Present Crisis, December 1946, Submitted 14 January 1947, CZA, S8/2566; Frederick A. Mathias, Report on Diamonds, 14 March 1947, TNA: PRO FO 371/62532 and 115/4343.

46. Office of Strategic Services, Research and Analysis Branch, "Gold, Diamond and Narcotic Smuggling"; J. Garnett Lomax (the British embassy in Ankara) to J. H. Collins (MEW), 17 November 1943, TNA: PRO CO 852/527/2; on diamond smuggling see also TNA: PRO FO 115/4122; minutes of the PDMA's executive, 13 January 1944, NCA, G/101/759; Epstein, *The Diamond Invention*, chap. 9.
47. Other centers were Rio de Janeiro, Puerto Rico, the Dutch East Indies, South Africa, the United States, Cuba, Venezuela, and British Guiana. See T. A., "Diamond Industry—Note on its Present Situation," to the Jewish Agency, 13 October 1943, CZA, S40/269/2; *Palestine Post* 11, 28 November 1943; on COFDI's moves see *Palestine Post*, 3 January 1944; *Economist*, 15 January 1944; *Die Zeitung* (London), 21 January 1944; "Nachkriegsvorbereitungen in der Diamantindustrie," *Neue Zürcher Zeitung*, 10 February 1944; Minutes of the PDMA's executive, 21 February 1944, NCA, G/101/759 and 117/960.
48. McErlean (MEW) to R. H. Burt, 26 November 1943, TNA: PRO CO 852/527/2; J. Garnett Lomax (the British embassy in Ankara) to J. H. Collins (MEW), 17 November 1943, TNA: PRO CO 852/527/2; Notice of the Palestine DCB, *Palestine Post*, 28 December 1943; *Haaretz*, 2 January 1944; Oved Ben-Ami to John L. Fletcher, 12 January 1944, ISA/RG 5/1463/19.
49. Minutes of the meetings of the PDMA's executive, 13 January 1944 and 17 February 1944, NCA, G/101/759 and 117/960; A. E Ritchie to Dr. William Langer in Washington, 29 February 1944, TNA: PRO FO 115/4122; Albert Ehrenfeld, "Memorandum for the DCB," Confidential, February 1944, and Albert Ehrenfeld to the DCB, 27 February 1944, CZA, S40/269/2; The opposition to control committee, 27 February 1944, ISA/RG 5/1465/5; Minutes of DCB third meeting, 29 February 1944, NCA, G/101/764; Oved Ben-Ami to the Diamond Trading Corporation in London, 3 March 1944, NCA, G/163/348; see also the case of illegal storage in *Palestine Post*, 21 June 1944. On the DCB see minutes of DCB third meeting, 29 February 1944, ISA/RG 5/1465/15.
50. *Palestine Post*, 28 November 1943; Harold MacMichael to Oliver Stanley (Principle Secretary of State for Colonies), 30 November 1943, TNA: PRO CO 852/527/2. Some manufacturers even suspected that the Diamond Syndicate was told to send Palestine low-quality rough stones so as to mar its reputation in the US, but this was never substantiated. See minutes of the PDMA's executive, 9 and 13 January 1944, NCA, G/101/759 and 67/389.
51. Quotation from Oved Ben-Ami to John L. Fletcher, 12 January 1944, ISA/RG 5/1463/19 (Fletcher forwarded the request to Geoffrey Walsh on 14 January 1944, and Walsh then wrote on this to R. H. Burt, 18 January 1944, all in the same file); see minutes of the meetings of the PDMA's executive, 3, 9, 13 and 30 January 1944, all NCA, G/101/759, 67/389 and 117/960.
52. Secretary of State to the High Commissioner, 15 February 1944, NCA, G/101/764; Minutes of the PDMA's executive, 17 and 21 February 1944, NCA, G/117/960 and 94/693; Albert Ehrenfeld, "Memorandum for the DCB," February 1944, and, Albert Ehrenfeld to the DCB, 27 February 1944, CZA, S40/269/2.
53. Albert Ehrenfeld, "Memorandum for the DCB," February 1944, and, Albert Ehrenfeld to the DCB, 27 February 1944, both CZA, S40/269/21944; the PDMA's memorandum to the DCB, 28 February 1944, G/101/764; Minutes of DCB third meeting, 29 February 1944, NCA, G/101/764 and ISA/RG 5/1465/15.
54. Minutes of NWF's executive, 3 March 1944, JI (Jabotinsky Institute), 1/3/1/22; "Threat of strike in the diamond industry," *Haaretz*, 5 March and 23 April 1944; *Palestine Post*, 5 March 1944; Minutes of the PDMA's executive, 5 and 14 March 1944, NCA, G/101/759, 117/960 and 67/389; Secretary of State to John L. Fletcher, 5 March 1944, NCA, G/163/348.
55. Minutes of the Clarification Committee, 27 October 1943, NCA, G/94/695.

56. The PDMA's Annual General Assembly, 9 March 1943, NCA, G/117/960; Minutes of the Clarification Committee, 27 October 1943, NCA, G/94/695; Ferdinand Schein to the committee, 23 November 1943 (original in German), NCA, G/94/695.
57. David Rothblum, "Memorandum on the Prospects of the Diamond Industry in Palestine," and "Supplement No. 1," 21 September 1943, CZA, S40/269/2; Ferdinand Schein to the inquest committee, 27 October 1943, and minutes of the Clarification Committee, 27 October and 14 November 1943, NCA, G/94/695; Government Sub-Committee Report, 1944.
58. Ferdinand Schein to the inquest committee, 27 October 1943, and minutes of the Clarification Committee, 27 October and 14 November 1943, NCA, G/94/695; Government Sub-Committee Report, 1944; Diamond Traders Association of Palestine to the Chief Secretary, 6 July 1944, ISA/RG 5/5062/40.
59. Minutes of the Clarification Committee, 27 October 1943, NCA, G/94/695.
60. David Rothblum, "Memorandum on the Prospects of the Diamond Industry in Palestine," 21 September 1943, CZA, S40/269/2.
61. Oved Ben-Ami to Geoffrey Walsh, 12 January 1944, ISA/RG 5/1463/19; Norbert Guttenberg to the DCB, 23 January 1944, NCA, G/101/764.
62. M. Bornstein to the DCB, 16 January 1944, and, Norbert Guttenberg to the DCB, 23 January 1944, NCA, G/101/764; Moshe Offen, "The Lesson of the Past," *Dapei Hamenahel* (January 1944): 3–5; Rothblum, "Wish Them Godspeed!" 6–7.
63. Minutes of the PDMA's Supreme Court, 10 October 1943, NCA, G/694/94; Statement of the defense and the countersuit of Ferdinand Schein against Oved Ben-Ami, 10 October 1943, NCA, G/94/694; minutes of the Supreme Court and Clarification Committee, 12 and 27 October, 10 and 14 November 1943, and Ferdinand Schein to the committee, 23 November 1943, all NCA, G/94/694.
64. Editorial, *Dapei Hamenahel* (January 1944): 1–2; Offen, "The Lesson of the Past"; Minutes of the PDMA's executive, 21 February and 5 March 1944, NCA, G/101/759 and 117/960; Opposition to the DCB, 27 February 1944, ISA/RG 5/1465/5.
65. Minutes of DCB third meeting, 29 February 1944, NCA, G/101/764; Minutes of the PDMA's executive, 2 March 1944, NCA, G/101/759 and 117/960.
66. On the inquiry committee on 29 February 1944 see Minutes of the third meeting of the DCB, 29 February 1944, NCA, G/101/764 and ISA/RG 5/1465/15; The subcommittee was designated to "examine the articles of the Manufacturers Association with a view to ascertaining whether members of the Association are enabled to exercise their proper rights in the management of the affairs of the Association, and to advise the DCB accordingly." See *Palestine Post*, 12 March 1944.
67. Government Sub-Committee Report, 1944. Solomon Shalom Horowitz (1880–1956) arrived in Palestine in 1922 and joined the law firm of British barrister Harry Sacker, and from 1929 ran the firm. He was one of the more active lawyers in Jerusalem and many of his clients were British companies and Zionist institutions. David Andreson (1875–1944) was a leading Dutch financier in post-World War I Netherlands. In the 1930s he was the general manager of the Amsterdamsche (later AMRO) Bank, which was involved in the Dutch and Belgian diamond industries. He settled in Palestine in 1939, and in 1942–1944 was a member of the board of directors of the Anglo-Palestine Bank and of the Arbitration Board of the Diamond Industry.
68. Government Sub-Committee Report, 1944; *Haaretz*, 16 August 1944. The new PDMA regulations were adopted at the end of 1944 and completed the change from an association under Ottoman law to a company under British law. It is mistakenly considered as the PDMA's year of establishment, which in fact was four years earlier. See NCA, G/91/652 and 106/847.
69. Minutes of DCB fourth meeting, 9 June 1944, NCA, G/101/764; Government Sub-Committee Report, 1944.

70. Government Sub-Committee Report, 1944, 3; Summary of the affair by Walsh in Minutes of DCB fourth meeting, 9 June 1944, NCA, G/101/764.

## Notes to Chapter 5. Labor Unrest

1. The tumult, ignored by Palestine's industrial relations' historiography, was widely discussed by contemporaries. See *Haboker*, 7 December 1943; Minutes of the PDMA's executive and labor committee, 8 December 1943, NCA, G/67/389; *Palestine Illustrated*, 16 December 1943; *Davar*, 24 April 1944.
2. Government Report, 1946, 36-39; Histadrut, *The Diamond Worker in Palestine*, Submitted to the International Congress of Diamond Workers by the Executive Committee of the General Federation of Jewish Labour in Eretz-Israel (Tel Aviv, 1946), 25-34; Yeshayahu Etkin, "Sixty Years of Striking in Israel, 1921-1980" (MA Thesis, Tel Aviv University, 1982), 268. Total lost work days in the Yishuv in 1943 were 107,623 and in diamonds 65,713. In 1944 it was 247,700 and 182,000 respectively.
3. See correspondence in September-December 1940 in LA/IV-250-49-175-a and LA/IV-250-72-1-1847; Moshe Shapira Diary, 31 March 1941, LA/IV-208-1-2263.
4. G. Sh. to Histadrut Executive, 26 February 1941; Walter Preuss to Netanya Labor Council, 30 March 1941; Asher Daskal to the Even Hayesod Workers' Committee, 30 March 1941; and Even Hayesod Workers' Committee to management, 31 March 1941, all LA/IV-250-49-175-a; Minutes of PDMA's annual general assembly, 24 April 1941, NCA, G/117/960; Moshe Shapira Diary, 31 March 1941, and Moshe Shapira to PDMA, 23 April 1941, both LA/IV-208-1-2263.
5. Moshe Shapira to PDMA, 23 April 1941, LA/IV-208-1-2263; Tel Aviv and Jaffa Labor Council to Akiva Pickel, 30 April 1941, NCA, G/54/254.
6. Minutes of PDMA's meeting with NWF, 5 May 1941, and the agreement, 6 May 1941, both NCA, G/111/897; Oved Ben-Ami to PDMA members, 14 May 1941, NCA, G/47/154; Eliezer Zourne to Moshe Shapira, 19 May 1941, LA/IV-208-1-2263; minutes of PDMA's meeting with Hapoel Hamizrahi and Agudat Poaeli Israel, 22 May 1941, NCA, G/111/897; Asher Federhar to Oved Ben-Ami, 25 May 1941, NCA, G/111/897.
7. The Cutters to PDMA, 27 May 1941, and Oved Ben-Ami to Even Shoham Workers' Committee, 28 May 1941, and Oved Ben-Ami to brothers Mazur and Yoseph Gotlieb, 10 June 1941, NCA, all G/47/154; Brothers Mazur to Oved Ben-Ami, 10 June 1941, NCA, G/48/172; John Fletcher to PDMA, 24 June 1941, NCA, G/62/436; PDMA's secretary to members, 26 June 1941, NCA, G/47/152; Netanya Labor Council to the Histadrut, 3 July 1941, and Oved Ben-Ami to Shmuel Teichman, 3 August 1941 both LA/IV-250-49-175-a; Information bulletin of the Netanya Labor Council, 23 July 1941, and Moshe Shapira Diary, 3 August 1941, both LA/IV-208-1-2263.
8. Tel Aviv workers' committees to the PDMA, 17 July 1941; Pinchas Smagarinsky to Tzadok Aharon, and 14 August 1941 Unions-workers agreement, 19 August 1941, all NCA, G/111/897; *Hazofe*, 4 August 1941; PDMA's Resolutions, 8 August 1941, and PDMA's Circular 14, August 1941, both NCA, G/47/154; Shmuel Teichman to PDMA, 12 August 1941, LA/IV-250-49-175-a; *Haboker*, 14 August 1941; Hakochoav workers' committee to the management, 17 August 1941, and Hakochoav to PDMA, 17 August 1941, both NCA, G/54/253; *Hamashkif*, 18 August 1941; Workers' Proclamation, August 1941, LA/IV-250-49-175-a; Palestine Corporation to Oved Ben-Ami, 21 August 1941, NCA, G/99/741; Notice, Government's Office of Statistics, August 1941, NCA, G/99/742.
9. Quoted in Oved Ben-Ami to PDMA's members, 22 August 1941, NCA, G/47/154. One of the effects of the strike was that manufacturers, in applications to join PDMA, announced that in order to prevent strikes they could recruit workers from family and

- relatives. See for example Aharon Cohen to Oved Ben-Ami, 25 August 1941, NCA, G/48/172; Oved Ben-Ami to the factories, 16 September 1941, NCA, G/47/154; the four unions to the PDMA president, 24 September 1941, NCA, G/ 111/897.
10. Pinchas Smagarinsky to Histadrut executive, 19 September 1941, LA/IV-208-1-291; Workers' committee at Taasiyat Yahalomim Meuchedet to PDMA, 29 September 1941, NCA, G/111/897; Minutes of the meeting of the Histadrut diamond industry committee, 2 October 1941, LA/IV-208-1-2941; The workers committee at Ophir's factory to PDMA, 3 October 1941, NCA, G/111/897; Ferdinand Shpitz (Yahalomim) to PDMA, and Pinchas Smagarinsky to Yahalomim, 3 November 1941, NCA, G/54/254.
  11. Oved Ben-Ami to PDMA members, 5 November 1941, NCA, G/47/154; Yahalomim to PDMA, 13 November 1941, NCA, G/54/254.
  12. PDMA's circular, 7 November 1941, NCA, G/47/154; Deed of Arbitration, 18 November 1941, PDMA to Emil Schmorak, 21 November 1941, Yahalomim to Oved Ben-Ami, 20, 21, 25, 30 November 1941, Oved Ben-Ami to Dr. Greenstein, 25 November 1941, Ferdinand Shpitz to PDMA, 8 December 1941—all NCA, G/54/254; Hakoachav workers' committee to management, 12 December 1941, NCA, G/54/253; Yitzhak Grinboim to Oved Ben-Ami, 26 December 1941, NCA, G/ 119/978.
  13. "Our Demands for the New Collective Bargaining," *Misgav* (April–May 1943): 5–8; Pinchas Smagarinsky, "Between Us and PDMA," *Misgav* (April–May 1943): 11–12; Binyamin Avniel, "Collective Agreement and Labor Relations in Palestine," *Haaretz*, 10 June 1943.
  14. The Palestine Communist Party (PKP) was founded in 1919, ousted from the Histadrut in 1923, and joined the Comintern a year later. In 1941 it was allowed back into the Histadrut. It dissolved in 1943, split into the League for National Liberation and the Palestine Communist Party, and reemerged in 1948 as the Communist Party of Israel. Among its activists in the diamond industry was Eliyahu Gozansky (1915–1948) whose press reports were later included in a posthumous volume *In the Battles of the Class and the People* (Tel Aviv, 1959). See also David De Vries, "Why did Palestine Diamond Workers Strike Repeatedly during World War II?" In Tamar Gozansky, ed., *'Arise, ye Workers from your Slumber': Life and Collected Works of Eliahu (Alyosha) Gozansky, 1914-1948* (Haifa, 2009), 35-42.
  15. The Borochovist Opposition in the Histadrut to diamond workers in Tel Aviv, 6 February 1942; and Supreme Committee of the diamond workers in Tel Aviv to the diamond workers in Palestine, 11 February 1942, both at DI (Diamond Institute, Ramat Gan); Call of the Supreme Committee the diamond workers in Palestine, 27 January 1942, LA/IV-250-49-175-a; Moshe Shapira on the meeting of the Histadrut with the Supreme Committee, 19 January 1942, LA/IV-208-1-2941.
  16. Avraham Ben-Ari (Schein's factory) on behalf of the Supreme Committee to PDMA, 25 January 1942, NCA, G/90/650; Call of the Supreme Committee of the Diamond Workers to the diamond workers in Palestine, 27 January 1942, LA/IV-250-49-175-a; Moshe Shapira Diary, on the meeting with Pinchas Smagarinsky and the Supreme Committee, end of January 1942, and Survey on the State of the Diamond Industry, 11 February 1942, both LA/IV-208-1-2941; Pinchas Smagarinsky to PDMA, 8 February 1942, NCA, G/90/650.
  17. Quotation from the PDMA's General Secretary to the DWO, 3 February 1942, NCA, G/90/650; Oved Ben-Ami to Dov Rosenstein, Israel Neeman, and Dov Ratchinski, 10 February 1942, NCA, G/90/650; PDMA's circular, 11, 12 February 1942, and 12, 17 February 1942, both NCA, G/72/436.
  18. The Supreme Committee was excluded from negotiations despite the fact that in late February 1942 the British gave it legal authorization. See the DWO to the workers, 24 February 1942, DI. See also the manifesto of the minority unions, 18 February 1942, DI; Open letter of the representatives of the diamond workers in Tel Aviv, 22 February 1942, NCA, G/90/650.

19. Minutes of the two meetings of the PDMA's Labor Committee, 22 February 1942, NCA, G/48/171. The representatives in the negotiations were Eliezer Shostak (NWF), Pinchas Smagarinsky (Histadrut), Zeev Fisherschein (Agudat Israel), Asher Federher (Hapoel Hamizrachi), and one unnamed (Haoved Hatzioni).
20. Minutes of the meetings of the PDMA's Labor Committee, 22 February 1942 and 1 March 1942, NCA, G/48/171; Open letter of the general representatives of the diamond workers in Tel Aviv, 22 February 1942, NCA, G/90/650; PDMA's circular, 14, 24 February 1942, NCA, G/72/436.
21. *Palestine Post*, 22 July 1942; Eliyahu Monchick, "Diamonds," *Hapoel Hatsair*, 23 July 1942; *Hazofe*, 26 July 1942; *Hamashkif*, 26 July 1942; *Davar*, 28 July 1942.
22. Moshe Shapira's Diary, 8,16, 22, 23 March 1942, all LA/IV-208-1-2941; Minutes of the PDMA's labor committee, 1 and 8 March 1942, NCA, G/171/48; minutes of negotiations, 23 March 1942, NCA, G/90/650; Emil Schmorak to Selig Brodetsky, 24 March 1942, CZA, S9/315; PDMA's circular, 25, 16 April 1942, NCA, G/72/436; Zeev Rendell, "The Question of Labor in the Diamond Industry and the Misunderstandings Surrounding It," *Yediot Lachaverim* 5 (23 April 1942): 7-8; *Palestine Post*, 16 June 1942.
23. The unions to PDMA, 16 April 1942, NCA, G/650/90; Workers committees to PDMA, 27 April 1942, NCA, G/90/650; Mordechai Ness to PDMA's president, 15 May 1942, NCA, G/90/650; The unions to PDMA, 25 May 1942, NCA, G/90/650.
24. John L. Fletcher to PDMA, 11 May 1942, NCA, G/72/436; PDMA's circular, 34, 31 May 1942, NCA, G/72/435; Zeev Fisherschein to Oved Ben-Ami, 12 May 1942, NCA, G/90/650; Oved Ben-Ami to Eliezer Kaplan, 27 May 1942, NCA, G/119/978 and CZA, S53/1211; R. Rozenhak to Emil Schmorak, 4 June 1942, CZA, S9/315; Oved Ben-Ami to Eliezer Kaplan, 4 June 1942, CZA, S53/1211; Controller of Light Industries to Oved Ben-Ami, 29 June 1942, and the attached order on control of rough diamonds and industrial diamonds, both NCA, G/62/346; PDMA's circular 104, 18 June 1942 and 106, 19 June 1942, both NCA, G/72/435. In June refugee diamond cutters in London went on strike.
25. Quotation from Ben-Ami Report, 1942.
26. Resolutions of the workers' committees, 7 June, signed 8 June 1942, NCA, G/131/1116; Pinchas Smagarinsky and Asher Federher on behalf of the five organizations, circular 1, 9 June 1942, LA/IV-303-1; Census of the diamond workers, 12 June 1942, LA/IV-353 and LA/IV-208-2525-a; Moshe Englander to the executive of Hapoel Hamizrachi, 15 July 1942, Archive of Religious Zionism, Hapoel Hamizrachi, 787 (Moshe Englander); *Davar*, 28 July 1942, and the draft, LA/IV-250-72-1-335.
27. Resolutions of the assembly of diamond workers in Tel Aviv, 7-8 June 1942, NCA, G/131/1116; Pinchas Smagarinsky and Assher Federher, circular 1, 9 June 1942, LA/IV-303-1; PDMA's Circular 102, 15 June 1942, NCA, G/72/435; Moshe Kanster to Emil Schmorak, 24 June 1942, CZA, S8/260.
28. See report on the strike in *Haboker*, 11 June 1942; Emil Schmorak to Oved Ben-Ami, 19 June 1942, Ben-Ami's response, 21 June 1942, and Shlomo Weinstein to Emil Schmorak, 21 June 1942, all CZA, S8/260.
29. Y. L., "Diamonds," *Hapoel Hatsair*, 25 June 1942; *Hashomer Hatsair*, 1 July 1942. See also leftist manifestoes distributed by the activists of the Supreme Committee in Tel Aviv in July 1942, LA/IV-72-1-335. The British were quick to warn the unions that the nearing dispute was in violation of the strike law. See Assistant district commissioner in Tel Aviv to the unions, 31 May 1942, NCA, G/90/650; *Palestine Post*, 12 July 1942.
30. *Haboker*, 9 July 1942; *Haaretz*, 9 July 1942; *Hamashkif*, 9 July 1942.
31. See reports in *Haaretz*, 12 and 19 July 1942; *Haboker*, 12, 14, and 19 July 1942; *Davar*, 20 July 1942; Minutes of the meeting of the PDMA's executive and the committee for special operations, 15 July 1942, NCA, G/121/999; The agreement in NCA, G/90/650, and, LA/IV-208-1-2515; Mendelevich, "On the Agenda," 2-4.



32. *Palestine Post*, 22 July 1942; *Hazofe*, 22 July 1942; Diamond Workers' Union of the Histadrut, Circular 1, 26 August 1942, LA/IV-250-72-1-335.
33. Quotation from Ben-Ami Report, 1942.
34. *Davar*, 21 July 1942; *Hazofe*, 22 July 1942; Monchick, "Diamonds"; *Hamashkif*, *Hazofe*, 26 July 1942; strike's manifestoes in July 1942, LA/IV-250-72-1-335.
35. On 4 December 1942 the PMA's president Arie Shenkar and Ben-Ami agreed on the PDMA's affiliation. It meant PMA's backing in industrial relations and guaranteeing credits at the Yishuv's industrial bank. The purpose of the amalgamation was to further the development of the diamond industry, protect its interests, and shape a uniform industrial policy. The manufacturers were thus made members also of the PMA though the PDMA maintained autonomy. See *Haboker*, 7 December 1942. On 11 November 1942 a new cost-of-living allowance agreement was struck between the PDMA and the unions, which followed the all-Yishuv Histadrut-PMA agreement. See PDMA's circular 137, NCA, G/72/435; *Haboker*, 14 October and 12 November 1942.
36. Minutes of the meeting of the joint committee, 3 November 1942, LA/IV-250-49-175-a; PDMA's circular 135, 5 November 1942, NCA, G/72/435; *Haboker*, 6 November 1942; Mordechai Ness to PDMA, 8 November 1942, NCA, G/78/504; *Hayahalom* 1 (January 1943).
37. For the arbitration see Diamond Workers' Organization of the Histadrut, Circular 2, 30 September 1942; LA/IV-353-1; The twelve-page arbitration verdict, 24 November 1942, LA/IV-208-1-2515; *Haboker*, 2 December 1942. The arbitration reached a verdict on 1 December 1942, and only now did the July 1942 strike formally end. On the consequences see Pinchas Smagarinsky to PDMA, 4 September 1942, NCA, G/90/650; The demands of the diamond workers, 10 September 1942, LA/IV-250-72-1-335; *Palestine Post*, 15 September 1942.
38. *Haaretz*, 12 November 1942; Scherzer, "Report on the situation in the diamond industry," 11 October 1942, LA/IV-250-72-1-335; Chaim Friedman to Oved Ben-Ami, 6 December 1942, NCA, G/99/740; PDMA's circular 146, 16 December 1942, NCA, G/72/435.
39. Quotation from Ben-Ami Report, 1942. In 1942, 137,640 work days were lost in strikes in Palestine, of which 83,000 were in the diamond industry alone. See *Palestine Post*, 25 August 1943.
40. Minutes of the meeting of the representatives of all labor organizations and the PDMA, 21 December 1942, LA/IV-208-1-2515; see also Pinchas Smagarinsky to PDMA, 15 December 1942 LA/IV-208-1-2515. Eliezer Shostak (1911–2001) was the head of Betar in Rovno (today Rivne in the Ukraine) and immigrated to Palestine in 1935. Since 1936 he was the elected Secretary of National Workers' Federation (NWF), the Revisionist trade union. He was also on the Central Committee of the Zionist Revisionist movement. Zeev Fishershein [Zohar] (1905–1973), represented the trade union wing of Agudat Israel. He immigrated to Palestine from Lwów and was one of the leaders of Poalei Agudat Israel in Palestine and later Israel.
41. For the change in the PDMA see the minutes of the general annual assembly, 9 March 1943, NCA, G/117/960. The change was reflected also in the intensification of labor-management mediation committees. See for example the dispute on the Almaz factory in Netanya in March 1943, NCA, G/78/504.
42. Pinchas Smagarinsky to PDMA, 6 January 1943, LA/IV-250-72-1-335.
43. *Hayahalom* 1 (January 1943); NCA, G/504/78, and in particular the deliberations on the Wahl case in early 1943; Minutes of the meeting of the PDMA with the unions, 5 January 1943, NCA, G/90/650; *Haboker*, 7 February 1943; Secretary of the Netanya labor council to Aharon Rabinowitz at the Histadrut Executive, 22 March 1943, LA/IV-208-1-3402-a.
44. Eliezer Zourne to Tarshish management, 21 January 1943, LA/IV-208-1-3402-a; *Haaretz*, 5 February 1943; DWO, Circular 7, 19 February 1943, and, 8, 9 March 1943, all LA/IV-353-1; the workers' committee at Daskal's factory to the bipartite committee in Netanya, 21 February 1943, NCA, G/504/78; PDMA's labor department, Circular 1, 28 February

- 1943, NCA, G/504/78. See also leaflets by the Proletarian Faction in LA/IV-250-72-1-335; *Haboker*, 14 March 1943; Verdict of the arbitration in Ophir factory strike, 22 March 1943, LA/IV-208-1-3097; *Hamashkif*, 23 March 1943.
45. Minutes of the annual general assembly of PDMA, 9 March 1943, NCA, G/117/960; *Haaretz*, 11 March 1943; Resolutions of the PDMA's executive, 23 March 1943, NCA, G/94/693; *Hamashkif*, 24 March and 28 June 1943. The PDMA originally employed Bin-yamin Avniel from the PMA to run the negotiations but soon transferred authority back to Ben-Ami. On Ben-Ami's rule see Government Sub-Committee Report, 1944.
  46. The demands of the diamond workers formulated by Pinchas Smagarinsky, mid-March 1943, LA/IV-250-72-1-335; *Hazofe*, 28 March, 7 April 1943; *Haboker*, 31 March, 8 April 1943; Diamond Workers' Union, Circular 9, 7 April 1943, LA/IV-353-1; *Davar*, 12 March 1943; *Misgav*, April–May 1943; *Haaretz*, 9 April 1943. On low wages paid to women in the industry see Shulamit Amanuti to the Netanya labor council, 12 April 1943, LA/IV-208-1-3402-a.
  47. Minutes of the negotiations, LA/IV-72-1-1847, in particular the fourth meeting on 29 April 1943; *Haboker*, 3 May 1943. The unaffiliated were now organized by the Initiative Committee, [Vaadat Hayozma].
  48. *Hamashkif*, 3 May 1943; Eliezer Zourne to the Histadrut statistics department, 4 May 1943, LA/IV-208-1-3402-a; R. K. Saunders, Inspector for Labor for the Southern Region to the Secretary of the Jaffa-Tel Aviv Labor Council, 1 May 1943, LA/IV-250-72-1-355; *Haboker*, 20 May 1943; *Davar*, 25 May, 2 June 1943; *Haaretz*, 26 May 1943.
  49. *Haboker*, 31 May 1943; *Davar*, 7 June 1943; resolutions of the PDMA's executive, 6 June 1943, NCA, G/94/693; *Hamashkif*, 8 June 1943; *Hazofe*, 8 June 1943; *Haaretz*, 10 June 1943; Moshe Shapira diary, 13 June 1943, LA/IV-208-1-3402-a; for the quotations see the minutes of the meeting to sign the agreement, 13 June 1943, LA/IV-250-72-1-1847.
  50. *Haaretz*, 14, 23 June 1943; Yehoshua Mazur to the PDMA's presidency, 17 June 1943, NCA, G/171/48; for the agreement see LA/IV-208-1-4341 and NCA, G/90/650; see also reports in *Haboker*, 23–26 June 1943; *Davar*, 23–26 June 1943; *Hazofe*, 24 June 1943; *Hamashkif*, 28 June 1943.
  51. Minutes of the meetings of the PDMA's executive, labor committee, and the unions, 11 and 15 July 1943, NCA, G/171/48; reports in *Davar*, 9 July and 12 August 1943, *Haboker*, 11 and 12 July 1943, and *Hamashkif*, 12 July 1943; Diamond Workers' Union, Circular 10, 19 July 1943, *Haaretz*, 11 August 1943; NCA, G/90/650; Moshe Shapira Diary, 20 July 1943, LA/IV-208-1-34021-a; Mistakel, "The Lesson of the Feldman Strike," *Misgav* (September 1943): 7–9.
  52. Pinchas Smagarinsky, "The Situation in the Diamond Industry," *Misgav* (September 1943): 4–6; Proposal to regulate the labor problems in the diamond industry, 19 July 1943, NCA, G/171/48; *Haboker*, 4 August 1943; See also various articles on the instability that followed the agreement in *Misgav* (September 1943); for Saunders' quotation see the minutes of the meeting at the labor department, 2 August 1943, NCA, G/171/48.
  53. Mendelevich, "On the Agenda," 2-4; Smagarinsky, "The Situation," 4-6.
  54. *Davar*, 5 September 1943; Diamond Workers' Organization, Circular 13, 12 October 1943, LA/IV-208-1-3466-c.
  55. *Yediot Moetzet Hapoalim Bamoshavot* (October 1943): 26, (November 1943): 30. For the quotation see minutes of the meeting of the PDMA's executive and labor committee, 14 September 1943, NCA, G/171/48; see also *Haaretz*, 28 October 1943; Goldman, "The Future of the Diamond Industry."
  56. On the concept of social pact see Victoria E. Bonnell, *Roots of Rebellion: Workers' Politics and Organizations in St. Petersburg and Moscow, 1900–1914* (Berkeley, CA, 1983), 1–18.
  57. On the legacy see Henri Polak, *A Short History of the Diamond Cutting Industry* (London, 1950) and the forward by Piet van Muyden, and William Jacobs, "History of the Organized British Diamond Workers," *ibid.*, 37–43.

58. Naftali Paltin, "Relations between the Manager and the Workers," *Hayahalom* 2, no. 9 (September 1945): 9; "The Diamond Workers and their Union," in Jerusalem Labor Council, *The Histadrut in Jerusalem 1942–1944* (Jerusalem, 1944), 92–94. On unionization in the diamonds see van Tijn, "A Contribution," 214–15; Bloemgarten, *Henri Polak*, chaps. 7 and 10.
59. Editorial, *Dapei Hamenahel* (January 1944): 1–2; Rothblum, "Wish Them Godspeed!" 6–7.
60. *Hatzohar*, 1943; *Hasapir*, 1943.
61. Gurevich, *Wages*.
62. Government Report, 1946, 5.
63. Minutes of the meetings of the PDMA's executive and labor committee, 8 December and 14 December 1943, both NCA, G/67/389; *Hamashkif*, 9 December 1943; PDMA's proposals for a new agreement, 20 December 1943, LA/IV-250-49-175-b.
64. Binyamin Avniel, "The Role of the Manager in Labor Relations," *Hayahalom* (July 1944): 3–4; PDMA, 13 September 1945, NCA, G/99/744; Blich, "Jewish Trade Unionism, 250-54; Report by the PDMA's Labor Department in Netanya, May 1946, NCA, G/99/744; *Sikumim* 18 (1946); Histadrut, *The Diamond Worker*, 12; Giora Rosen, "The Trade Unions in the Histadrut in World War II, 1939–1945" (MA Thesis, Tel Aviv University, 1974); Etkin, "Sixty Years," 215–68.
65. Y. L., "Diamonds," *Hapoel Hatsair*, 25 June 1942; on wartime militancy in the government sector see David De Vries, "British Rule and Arab-Jewish Coalescence of Interest: The 1946 Civil Servants Strike in Palestine," *International Journal of Middle Eastern Studies* 36, no. 4 (2004): 613–38.
66. Shalev, *Labour and the Political Economy*, 137–44 and 166–72.
67. On the national agenda see De Vries, "Drawing the Repertoire," 93–122.
68. For the atmosphere of an international strike wave see "Wage Cut for Diamond Cutters," *Palestine Post*, 26 June 1942; Inspector of Labor for the Southern Region to the Secretary of the Jaffa-Tel Aviv Labor Council, 1 May 1943, LA/IV-250-72-1-335; see also Peter Alexander, *Worker, War and the Origins of Apartheid: Labour and Politics in South Africa 1939–1948* (Oxford, 2000), 27 and 129; and, for the wider context, James B. Atleson, *Labor and the Wartime State: Labor Relations and Law during World War II* (Urbana, IL, 1998).
69. Minutes of the meeting at the Jewish Agency, 6 March 1944, LA/IV-208-1-3225 and NCA, G/120/982; Summary of activities of the diamond workers' union at the Netanya Labor Council, March–April 1944, LA/IV-250-49-175-b.
70. A. H., "The Strike," *Hayahalom* 1, no. 3 (July 1944), 3; Chaim Mendelevich, "On the Strike's End," *Misgav* (July 1944): 3–5; Pinchas Smagarinsky, "Evaluating the Strike," *Misgav* (July 1944): 6–8; Arieh Kalisher, "The Diamond Workers in their Strike," *Misgav* (July 1944): 9–10.
71. Smagarinsky, "The Situation," 4–6; Pinchas Smagarinsky, Circular 13 of DWO, 12 October 1943, LA/IV-208-1-3466-c; The Orion factory workers' committee to the management, 7 October 1943, LA/IV-208-1-3466-c; *Yediot Moetzet Hapoalim Bamoshavot* (October 1943): 26–28, and (November 1943): 30–31; *Palestine Post*, 2 November 1943.
72. The IZL (Irgun Zevai Leumi, Etzel) was founded in 1937 as a national military underground organization, linked ideologically to the Revisionist movement. On the outbreak of the war, its members joined the British Army's Palestinian Units. The ensuing split gave birth in 1940 to the armed underground organization LEHI (Lohamei Herut Israel, or Fighters for the Freedom of Israel). Many members of both organizations worked in diamonds in Netanya and Tel Aviv because the Histadrut did not control the entry to the branch.
73. *Palestine Post*, 2, 5, 6, 8, 9 and 19 November 1943; Moshe Shapira Diary, 12 December 1943, LA/IV-208-1-3466-d; The Histadrut's Diamond Workers' Organization, Circular 17, 19 December 1943, LA/IV-208-1-3466-d; Minutes of PDMA's executive, 3 January

- 1944, NCA, G/101/759; *Haaretz*, 3, 5, and 9 January 1944; "Palestine Diamond Cutters Strike," *Diamond News*, January 1944; Arieh Koifman, "The Battle in Diamonds Continues," *Hedei Netanya* (January 1944): 2–5; *Yediot Moetzet Hapoalim Bamoshavot* (January 1944): 27–28.
74. Minutes of the PDMA's executive meetings, 9 and 13 January 1944, NCA, G/101/759 and 67/389; Moshe, "The Lesson of the Diamonds Strike," *Hedei Netanya* (January 1944): 5–6; *Haaretz*, 6 and 13 February 1944; Oved Ben-Ami to the Diamond Trading Corporation in London, 3 March 1944, NCA, G/163/348; Reports of the labor department in Netanya, 30 January and 11 February 1944, NCA, G/124/1022.
  75. Minutes of the PDMA's executive, 17 February 1944, NCA, G/94/693; Minutes of the PDMA's meeting with Itzhak Grinboim, 2 March 1944, NCA, G/120/982; Pinchas Smagarinsky and Asher Federhar to the workers' committees, 3 March 1944, LA/IV-353–1; Minutes of the PDMA's executive, 5 March 1944, NCA, G/101/759, 120/982 and 117/960; Minutes of NWF's executive, 3 March 1944, JI, 1/3/1/22; *Haaretz*, 5 March 1944; *Palestine Post*, 5 March 1944; Summary of the Jewish Agency arbitration, 6 March 1944, NCA, G/120/982 and LA/IV-208–1-3225; Minutes of the PDMA's executive, 8 March 1944, NCA, G/67/389; Minutes of the meeting of the unions, 9 March 1944, LA/IV-250–49–175-b.
  76. Minutes of the 215th meeting of the MEW's Diamond Committee, 8 March 1944, TNA: PRO, FO 115/4049; *Haaretz*, 8, 10, 12 and 13 March 1944; *Palestine Post*, 8, 9, 12 and 13 March 1944; PDMA to Itzhak Grinboim, 10 March 1944, NCA, G/120/982; Agreement Proposal, 13 March 1944, LA/IV-250–49–175-b.
  77. Report of the PDMA's labor department in Netanya, 10 March 1944, NCA, G/124/1022; Minutes of the PDMA's executive, 14 March 1944, NCA, G/67/389; Eliyahu Gozansky, "The War of the Diamond Workers," *Kol Haam*, 15 March 1944.
  78. Quoted in Refael Magnat to the Jewish Agency, 20 March 1944, NCA, G/120/982. See also Minutes of the PDMA's executive, 14 March 1944, NCA, G/67/389; Minutes of the referendum in Netanya, 15 March 1944, LA/IV-250–49–175-b; *Haaretz*, 16 March 1944; *Palestine Post*, 16 March 1944; *Kol Haam*, 15 March 1944; PDMA to the Histadrut, 17 March 1944, LA/IV-208–1-3922; *Hazofe* and *Davar*, 16 March 1944.
  79. *Palestine Post*, 21 March 1944; Minutes of the labor department of the Jewish Agency, 28 March 1944, NCA, G/120/982; Feldman factory workers' committee to Poalei Agudat Israel, 20 March 1944, LA/IV-208–3530; *Haaretz*, 23 March 1944; *Davar*, 26 March 1944; Minutes of the arbitration, 28 March 1944, NCA, G/120/982. A few hundred workers were sent by the Histadrut to work and be housed in 19 Kibbutzim. See Netanya labor council report, April 1944, LA/IV-250–49–175-b, and "The Diamond Workers in the Kibbutzim," *Misgav* (July 1944): 16–22; on home work see Yehuda Neuman, "Home-Work in the Diamond Industry," *Hayahalom* (July 1944): 5.
  80. *Yediot Moetzet Hapoalim Bamoshavot* (April 1944): 29; Minutes of the PDMA's executive, 17, 25, and 30 April 1944, NCA, G/101/759; Diamond Workers' Organization to the workers committees, 21 April 1944, LA/IV-353; Draft agreement, 14 May 1944, NCA, G/60/317; Pinchas Smagarinsky to PDMA, 15 May 1944, LA/IV-250–49–175-b; Resolutions of the assembly of the committees of Netanya's diamond workers, 17 May 1944, NCA, G/103/801; Minutes of the PDMA's executive, 16 and 21 May 1944, NCA, G/67/389; The agreement, 21 May 1944, LA/IV-208–1-4341.
  81. On the strike in numbers see NCA, G/131/1117; on the effects see Ch-N., "Upon the End of the Diamond Workers' Strike," *Hapoel Hatsair*, 1 June 1944; Report of the PDMA's labor department on the general strike in the Netanya diamond factories, 18 June 1944, NCA, G/99/744; Avniel, "The Role of the Manager," 3–4; Danhirsch [Danieli], "The Diamond Industry," 5.
  82. *Hamashkif*, 22 May 1944; *Hazman*, *Davar*, and *Palestine Post*, 24 May 1944; Minutes of the PDMA's executive, 24 May 1944, NCA, G/101/759; Circular of the Borochovist Opposition, 25 May 1944, NCA, G/103/801; A. Yardeni, *Hazofe*, 31 May 1944; A. H., "The

Strike," *Hayahalom* 1, no. 3 (July 1944): 3; Smagarinsky, "Evaluating the Strike," 6–8; Kalisher, "The Diamond Workers," 9–10.

## Notes to Chapter 6. Liberation and Liberalization

1. On these relations see the PDMA's confidential Memorandum to the Diamond Control Board (DCB), written by Albert Ehrenfeld, 27–28 February 1944, NCA, G/101/764 and CZA, S40/269/2.
2. PDMA's Memorandum to the DCB, 28 February 1944, G/101/764; Department of Light Industries, "Capacity and Supply Position of the Palestine Diamond Industry," June 1944, CZA, S40/269/2; Kurt Mendelson [Anglo-Palestine Bank], "The Diamond Industry of Palestine," November 1944, submitted 19 December 1944, CZA, S40/269/1; *Haboker*, 6 June 1944; Oved Ben-Ami, "Die Diamantindustrie in Palastina," *Schweizer Goldschmied* 5 (May 1948): 32–33.
3. The sense of failure accompanied the deliberations of the MEW's Diamond Committee since the latter part of 1942. See the committee's meetings, May–October 1942, NARA RG/84–350–58–22–1, Box 219.
4. Controller of Light Industries to President of PDMA, 21 June 1944, CZA, S40/269/2; Minutes of the 229th meeting of the MEW's diamond committee, 28 June 1944, TNA: PRO FO 115/4050; J. L. Reading, Report on visit to British West Africa, the Sudan, Egypt and Palestine, 13 May to 23 June 1944, TNA: PRO FO 837/313 289335; Minutes of the PDMA's executive, 2 June 1944, NCA, G/120/982; Memorandum on Reading's agreement with the PDMA, 14–15 June 1944, TNA: PRO FO 837/313 289335; Minutes of the PDMA's executive 15 and 27 June 1944, NCA, G/101/759.
5. Minutes of the PDMA's executive, 12 July 1944, NCA, G/117/960.
6. Walter Aronheim, "Free Competition or Market Control in the Post-War Diamond Industry," January 1945, TNA: PRO BT 96/159; Oved Ben-Ami and Albert Ehrenfeld to the Under-Secretary of the State for the Colonies, 17 January 1945, ISA/RG 5/5062/40; Ohel, "Terms and Professional Expressions in Hebrew," *Hayahalom* 1, no. 3 (July 1944): 11; *Haaretz*, 16 August 1944; *Haboker*, 28 January 1945.
7. Minutes of the freedom-of-action committee of the diamond manufacturers, 28 June 1944, NCA, G/60/317; Diamond Traders Association of Palestine to the Chief Secretary, Palestine government, 6 July 1944, ISA/RG 5/5062/40; PDMA's executives, 20 and 21 August 1944, NCA, G/101/759; Ferdinand Schein to Geoffrey Walsh, 29 August 1944, NCA, G/101/764. Many on the opposition were again the Tel Avivians. In September 1944 they claimed that the recommendations of the report were never implemented, see ISA/RG 5/5062/40.
8. Oved Ben-Ami to Emil Schmorak, 3 July 1944, NCA, G/120/982.
9. Economic Department of the Jewish Agency, *Economic Facts and Figures* (Jerusalem, 1949), 17–19; Shalev, *Labour and the Political*, 166–75; Vitalis and Heydemann, "War, Keynesianism, and Colonialism," 100–148.
10. Minutes of the DCB sixth meeting, 19 October 1944, NCA, G/101/764; Aharon Rabinowitz to Israel Merminsky, 16 November 1944, LA/IV-104-104; Geoffrey Walshe's secret letter to John L. Fletcher, 22 November 1944, ISA/RG 5/5062/40.
11. William R. Louis, *The British Empire in the Middle East 1945–1951* (Oxford, 1984); De Vries, "British Rule and Arab-Jewish Coalescence," 613–38. On the world diamond industry in 1945–1950 see Minutes of the Congress of the Universal Alliance of Diamond Workers, Amsterdam, 5–9 June 1950, LA/IV-208-1-5622; and Minutes of the International Diamond Manufacturers Association, London, 26–27 July 1949, NCA, G/127/1061.

12. Some 1,500 Jews lived in Belgium on liberation and about 5,000 in 1947. See Peter Beale, *The Great Mistake: The Battle for Antwerp and the Beveland Peninsula, September 1944* (Phoenix Mill, UK, 2004); Veerle Vanden Daelen, "Returning Jewish Life in Antwerp in the Aftermath of The Second World War (1944–45)," *European Judaism* 38, no. 2 (Autumn 2005): 26–42; Caestecker, "Belgium," 353–81; see also Lieven Saerens, *Étrangers dans la Cité: Anvers et ses Juifs, 1880–1944* (Bruxelles, 2005).
13. Quoted in Sir Ernst Oppenheimer to Oved Ben-Ami, Telegram, 20 September 1944, NCA, G/120/982; see also Controller of Light Industries to PDMA, 21 September 1944, NCA, G/101/764; *Palestine Post*, 22 September 1944; P. H. Briand, Note, 21 December 1944, TNA: PRO LAB 8/100.
14. Quoted in Minutes of the meeting between the PDMA's president, the PDMA's labor committee's secretary, and the secretaries of the labor unions, 13 September 1944, NCA, G/103/801; see also *Palestine Post*, 10 September 1944; *New York Times*, 11 September 1944; PDMA's circular 333, 12 September 1944, NCA, G/145/1225.
15. Minutes of the PDMA's executive, 24 September and 16 October 1944, NCA, G/101/759; Oved Ben-Ami to Emil Schmorak, 5 October 1944, NCA, G/120/982; PDMA's secretary to the DCB Chairman, 13 October 1944, and Minutes of the DCB, 14 October 1944, both NCA, G/101/764; Geoffrey Walsh, "On the Palestine Diamond Industry," written for the *Palestine Trade Catalogue*, 4 November 1944, ISA/RG 5/5062/40; *Shearim* (Poalei Agudat Israel), 8 March 1945.
16. Nathan, Gass, and Creamer, *Palestine: Problem and Promise*, 510–51; Teitelbaum-Hirsch, "Confiscation in Belgium," 327–41; Laureys, *Meesters van het diamant*, 352–402.
17. *Palestine Post*, 30 November 1944; Exports of Diamonds Polished in Palestine during 1944, December 1944, CZA, S40/269/1; PDMA's executive to members, 1 February 1945, NCA, G/100/749; Frederick A. Mathias, Report, 7 December 1945, TNA: PRO BT 96/159.
18. Quoted in Businessman, "Export Industries' Progress," *Palestine Post*, 8 December 1944.
19. P. H. Briand, Note, 21 December 1944, TNA: PRO LAB 8/100; Walter Aronheim, "Free Competition or Market Control in the Post-War Diamond Industry," January 1945, TNA: PRO BT 96/159; Minutes of the PDMA's executive, 30 November 1944, NCA, G/101/759; *Palestine Post*, 30 November 1944; Cables by Oved Ben-Ami and Albert Ehrenfeld to the PDMA, 14 and 20 December 1944, ISA/RG 5/5062/40; Kurt Mendelson, "The Diamond Industry of Palestine," November 1944, CZA, S40/269/1; PDMA's circular 1, February 1945, NCA, G/100/749.
20. Walter Aronheim, "Free Competition or Market Control in the Post-War Diamond Industry," January 1945, TNA: PRO BT 96/159; P. H. Briand, Note, 21 December 1944, TNA: PRO LAB 8/100.
21. Note of a Meeting, Dover House, 3 January 1945, ISA/RG 5/5062/40; Raphael Magnat to Geoffrey Walsh, 16 January 1945, ISA/RG 5/5062/40; Raphael Magnat to Geoffrey Walsh and W. T. H. Mulford, 16 January 1945 and the memorandum signed in London, ISA/RG 5/5062/40; Oved Ben-Ami to H. C. H. Bull, 17 January 1945, ISA/RG 5/5062/40; Stanley Ogilvey (Colonial Office) to Palestine's High Commissioner, 7 February 1945, ISA/RG 5/5062/40.
22. Note of a Meeting, Dover House, 3 January 1945, ISA/RG 5/5062/40; Minutes of the eighth Meeting of the DCB, 7 February 1944, NCA, G/101/764; Stanley Ogilvey to Palestine's High Commissioner, 7 February 1945, ISA/RG 5/5062/40. For the ideas voiced at the MEW on postwar planning see William N. Medlicott, *The Economic Blockade* (London, 1952), vol. 2; see also Cox, "The Ministry of Economic Warfare," chaps. 5–6.
23. In February 1945 the government set up a committee headed by A. H. Couzens (of the Labour Department) to deal with employment, accommodation, and medical problems of ex-servicemen. See *Palestine Gazette* 1390 (8 February 1945); Department of Labour, Resettlement of Ex-Service Personnel, Report for month ending 31 March 1945, Rhodes

- House (Oxford), MSS. Medit. S. 16, Couzens Papers. See also Jane Power, "Different Drummer, Same Parade: Britain's Palestine Labour Department, 1942-1948," (PhD thesis, Simon Fraser University 2007), chap 8.
24. Nathan, Gass, and Creamer, *Palestine: Problem and Promise*, 510–12; Kurt Mendelson [Anglo-Palestine Bank], "The Diamond Industry of Palestine," November 1944, submitted 19 December 1944, CZA, S40/269/1; Note of the Dover house meeting in London, 3 January 1945, ISA/RG 5/5062/40; *Davar*, 9 January 1945; Oved Ben-Ami to Yafa Ben-Ami, 11 January 1945, BA; Raphael Magnat to Geoffrey Walsh and W. T. H. Mulford, 16 January 1945 and the memorandum signed in London, ISA/RG 5/5062/40; Raphael Magnat to Emil Schmorak, 17 January 1945, NCA, G/120/982.
  25. *Haboker, Hamashkif*, and *Haaretz*, 28–31 January 1945; Minutes of the eighth Meeting of the DCB, 7 February 1944, NCA, G/101/764; Oved Ben-Ami to Yafa Ben-Ami, 7 and 11 January 1945, BA; David Horowitz, draft article for *Davar*, 31 Jan 1945, GH, (6)1.74–95; Ehrenfeld joined Ben-Ami to the London Conference following his nomination in the autumn of 1944 as the PDMA's manager and member of the DCB. See *Palestine Post*, 5 October 1944; *Shearim*, 25 January 1945. On contacts with South Africa see the PDMA's circular 1, February 1945, NCA, G/100/749.
  26. Vereeniging der Palestijnsche Diamant Fabrikanten (PDMA) to NDAB, 26 February 1945, IISG/ANDB, 6551; Laureys, "De joodse diamantdiaspora;" Binneweg and Walgrave, *Beurs voor Diamanthatel*, 64–68. The first assembly of the diamond convened in Antwerp in February 1945 with 355 members (of the 1,645 in 1939). On the slow recovery of the industry in Belgium see Laureys, *Meesters*, 352–80; on the Diamond Office in 1945 see *ibid.*, 349–50.
  27. In late summer 1945, the distribution of diamond cutters was 3,500 in Palestine; Amsterdam around 200 at work (though ANDB had 900 members); the US (mainly New York) around 2,500; Puerto Rico, 340; Cuba, 800–900; South Africa, 300–400; France, 400–500; and England around 350. See Kurt Mendelson [Anglo-Palestine Bank], "The Diamond Industry of Palestine," November 1944, submitted 19 December 1944, CZA, S40/269/1; "The Diamond Industry in Palestine," *Iton Agudat Hainginerim Vehaarchitektim Beretz-Israel* (April 1946): 3–5; David Kuyt et al., *Kort overzicht van de gebeurtenissen in den Algemeenen Nederlandschen Diamantwerkersbond gedurende het tijdvak, 10 Mei 1940 tot 5 Mei 1945*, IISG Library, Bro 2644/15; *The Diamond Worker* 1 (January 1946): 6.
  28. Pinchas Smagarinsky to N. Biallostorski, 26 August 1945, IISG/ANDB, 6551; for the numbers see NCA, G/101/760.
  29. "Palestine Diamond Industry," *The Diamond News*, March 1945; "The Palestine Diamond Market," *Palnews*, 13/14 (March 1945); *Shearim*, 8 March 1945; Joshua Hadari, "The Diamond Industry in Palestine (I)," *Palestine Tribune*, 31 May 1945 and 7 June 1945; Minutes of the tenth meeting of the DCB, 20 June 1945, NCA, G/66/380.
  30. Frederick A. Mathias to A. G. White (Board of Trade), 1 June 1945, TNA: PRO BT 64/3866.
  31. Frederick A. Mathias to A. G. White, 1 June 1945, TNA: PRO BT 64/3866; *Palestine Post*, 8 February 1945.
  32. Minutes of the eleventh meeting of the DCB, 11 July 1945, NCA, G/66/380.
  33. Kurt Jokl, "The Palestine Diamond Market," *Palnews*, 13–14 (March 1945); Minutes of the ninth meeting of the DCB, 26 March 1945, NCA, G/66/380; "Mr. Geoffrey Walsh on Decontrol," *Palnews* 25–26 (Mid-July 1945); Minutes of the DCB, tenth meeting on 20 June 1945, and eleventh meeting on 11 July 1945, NCA, G/66/380.
  34. Aiding Johar's turn was Jamal al-Husayni's Palestine Arab Party, established in Jerusalem in 1935. Also the Arab Chamber of Commerce joined in the pressure. Despite deregulation, the British would not annul the exclusion of Arabs from the diamond industry. See Johar, Arab Company for Diamond Industry and Commerce, 25 September 1945, ISA/RG 5/5062/41; Arab Chambers of Commerce of Jerusalem and Haifa to the Chief Secretary, 24 June 1946, ISA/RG 90/15.

35. Association of Palestine Diamond Traders to the Controller of Light Industries, 23 January 1945, NCA, G/62/346. Exporters Association of Palestine Polished Diamonds (Ben Shafferman and Herman Kern) to Geoffrey Walsh, 5 July 1945, ISA/RG 5/5062/40; *Palestine Post*, 4 July 1945. Ben Shafferman and Herman Kern are mentioned here as members of the new Committee of the Exporters of Palestine Polished Diamonds; see also Controller of Light Industries, Note on Import and Re-Export of Cut and Polished Diamonds, 27 August 1945, CZA, S40/269/1; this group would be active in 1947 in the establishment of the diamond exchange in Tel Aviv.
36. Danhirsch [Danieli], "The Diamond Industry toward a Transition Period," 5–6; PDMA, Memorandum to the DCB, 7 June 1945, ISA/RG 5/5062/40; David Horowitz draft article for *Davar*, July 1945, GH, Hashomer Hatsair, 94–74. 2(1); on flood of applications see *Palestine Post*, 17 June 1945, *Haaretz*, 15 June 1945.
37. Moshe Offen, Wolf Zeev Nagler, Asher Daskal, and Zvi Rosenberg, Memorandum to the Chief Secretary, 7 June 1945, ISA/RG 5/5062/40; Minutes of the DCB 10th meeting, 20 June 1945, NCA, G/66/380; Minutes of the PDMA's executive meetings, 13 and 14 May 1945, NCA, G/71/432; A. H. [Albert Ehrenfeld], "On the Problem of Control and its Abolishment," *Hayahalom* 1, no. 7 (June 1945): 3–4; see also the following documents in NCA, G/126/1045: Oved Ben-Ami's Remarks on the Planning of the Industry for the Peace, 13 May 1945; Yehuda Neulinger, Planning Proposal for the Diamond Industry, May 1945; Minutes of the PDMA's planning committee, 16 May 1945, and of the PDMA's administration, 16 May 1945; Yehoshua Hadari, The Diamond Industry in the Peace Period: The Status of the Industry in Palestine, 17 May 1945; The Planning Plan, Remarks to the Ferdinand Schein's Proposal, 3 June 1945; and PDMA, Memorandum to the DCB, 7 June 1945.
38. Quoted in Moshe Offen, Wolf Nagler, Asher Daskal and Zvi Rosenberg, Memorandum to the Chief Secretary, 7 June 1945, ISA/RG 5/5062/40.
39. Quoted in Norbert Guttenberg to the Diamond Control Committee, 7 November 1945, ISA/RG 5/5062/26; see also Moshe Schnitzer to Geoffrey Walsh, 12 November 1945, ISA/RG 5/5062/41; The Eastern General Company to the Chief's Secretary Office at the Palestine government, 17 June 1945, ISA/RG 5/5062/40; Minutes of the eleventh meeting of the DCB, 11 July 1945, NCA, G/66/380; M., "Is Control a Must?" *Hayahalom* 2, no. 8 (July 1945): 3–4. Norbert Guttenberg (1911–1975) was born in Vienna. He studied jewelry in Germany, diamond cutting in Antwerp, and commerce in London. He immigrated to Palestine in 1938, was among the founders of the Diamond Club and from the early 1940s was one of Palestine's main diamond merchants. He was also one of the founders of the diamond exchange in 1946 in Tel Aviv. See Dina Ben-Ishay, *The Guttenberg Tribe* (Raanana, 2000).
40. Yechiel Cohen to Aharon Rabinowitz, 30 April 1945, LA/IV-208–1-3666; P. R., "So That We Would Not Regret," *Hayahalom* 2, no. 9 (September 1945): 13.
41. Minutes of the meetings of the DCB, the tenth on 20 June 1945 and eleventh on 11 July 1945, both NCA, G/66/380; Chairman of the DCB, Minutes by the Acting Financial Secretary, 2 July 1945, ISA/RG 5/5062/40; *Palestine Post*, 2 August 1945; *Palestine Gazette* 1429 (2 August 1945), CZA, S40/269/1.
42. Minutes of the meetings of the DCB, the tenth on 20 June 1945 and eleventh on 11 July 1945, both NCA, G/66/380; Chairman of the DCB, Minutes by the Acting Financial Secretary, 2 July 1945, ISA/RG 5/5062/40; The Notice in *Palestine Post*, 2 August 1945 said: "On consideration of the recorded deliberations of the DCB, the Officer Administering the Government is whole-heartedly in agreement with their unanimous conclusion that post-war regulation of the diamond industry is necessary and, in accordance with the Board's recommendations, has appointed a committee with the following terms of reference—'To report on the post war regulations of the diamond industry in consultation with the various interests affected and to recommend what form such regulation should take.' . . . Persons interested in the diamond industry who wish to place their views on



- the subject before the committee should submit applications before Friday August 10 to the Secretary, Diamond Control Committee, Chief Secretary's Office, Jerusalem."
43. Henry C. Biggs, Controller of Light Industries, "Public Notice," *Palestine Post*, 26 August 1945; "Situation of the Diamond Industry," *Palnews* 27–28 (End of July 1945); *Hamashkif*, 1 August 1945; Controller of Light Industries, Note on Import and Re-Export of Cut and Polished Diamonds, 27 August 1945, CZA, S40/269/1.
  44. See in NCA, G/126/1045 the following documents: Oved Ben-Ami, Around the Question of Planning and Supply, 6 August 1945; Draft Notes of the meeting of the PDMA's planning committee, 19 August 1946; PDMA's Memorandum to the Planning Committee, 20 August 1945; Pooling Agreement between PDMA members, August 1945; see also *Haboker*, 10 August 1945; and the explanation given by *Hazofe*, 27 August 1945 to the PDMA's new resistance to free competition and to deregulation.
  45. S. Sonn to Chief Censor, Information on Diamonds, 25 September 1945, CZA, S40/269/1; Oved Ben-Ami to Yaffa Ben-Ami, 20 and 22 September 1945, 12, 17 October 1945, BA; *Palestine Post*, 4 October 1945; Gem Diamond Control at the Board of Trade to H. Bull at the CO, 18 October 1945, NCA, G/124/1023. Major Henry C. Biggs served in the Middle East Supply Center. He replaced John Fletcher in May 1945 as controller of light industries. In August 1946 he was also Palestine's commissioner for commerce and industry.
  46. Oved Ben-Ami to Yaffa Ben-Ami, 22 September 1945, and 12, 17 and 31 October 1945, BA; *Haboker*, 10 October 1945; *Hamashkif*, 24 October 1945.
  47. Moshe Schnitzer, "The Future of the Diamond Industry in Palestine," *Hayahalom* 2, no. 9 (September 1945): 4; Gem Diamond Control at the Board of Trade to H. Bull at the CO, 18 October 1945, NCA, G 124/1023; "The Future Organization of the Diamond Industry," *Palnews* 14, 37/38 (October 1945); DTC to Oved Ben-Ami, 7 November 1945, NCA, G 721/97. The London conference ended in establishing the World Society of Diamond Manufacturers, under the leadership of J. C. Ginder.
  48. Minutes of DCB tenth meeting, 20 June 1945, and eleventh meeting, 11 July 1945, NCA, G/66/380; draft of the report, 11 December 1945, LA/IV-250–49–333; Government Report, Thurston Clarke, *By Blood & Fire: The Attack on the King David Hotel* (London, 1981). Committee member Lawrence David Watts had been since 1928 on the staff of the Whinney Murray & Colonial Chartered Accountants, of which the PDMA was a customer. Bernard Goodwin Bourdillon, the committee's secretary, was born in 1910 to the colonial governor of Nigeria. In 1943 he served in Palestine as an assistant secretary. He was killed with Walsh in the bombing of the King David Hotel in July 1946. See Robert D. Pearce, *Sir Bernard Bourdillon: The Biography of a Twentieth-century Colonialist* (Oxford, 1987).
  49. Quoted in Government Report, 1946.
  50. Draft Report, 11 December 1945, NCA, G/66/380; Government Report, 1946.
  51. Palestine Diamond Club to the Diamond Control Committee, 14 November 1945, ISA/RG 5/5062/26; Diamond Traders Association of Palestine to the Diamond Control Committee, 15 November 1945, ISA/RG 5/5062/26; PDMA's Draft to the Government Planning Committee, 25 November 1945, NCA, G/126/1045. The various opinions were present in the report itself. See Government Report, 1946.
  52. Government Report, 1946, 13–14.
  53. The conclusions came out in English on 6 December 1945 and in Hebrew on 11 December. The publication of the report was effective, though application would wait for the spring 1946. See draft report, 11 December 1945, NCA, G/66/380, the full report in April 1946, and the Hebrew version in LA/IV-250–49–333.
  54. These groups joined in the establishment of the diamond exchange in Tel Aviv in late March 1946. See Exporters' Association of Palestine, Palestine Diamond Club, Diamond Traders' Association and the Palestine Cleavers' Organization to the Chief Secretary, 26 February 1946, ISA/RG 5/5062/41; *Davar*, 27 February 1946; Exporters' Association of

- Palestine Polished Diamonds to the DCB, 31 March 1946, ISA/RG 5/5062/41; *Haboker*, 5 April 1946; *Palestine Post*, 5 and 7 April 1946.
55. Minutes of DCB thirteenth meeting, 3 April 1946, NCA, G/66/380; Recommendations of the Committee Appointed to Examine the Question of Post-War Regulation of the Palestine Diamond Industry as Modified and Accepted by Government, April 1946, NCA, G/66/380; Naftali Paltin, "Our Future Is in Danger," *Hayahalom* 2, no. 11 (May 1946): 5–6; *Haboker*, 11 June 1946; Y. Mazur, "The Diamond Industry in Palestine, Its Achievements and Its Chances," *Haaretz*, 12 June 1946; "Report of the Diamond Regulation Committee," *Palnews* 15, no. 19/20 (June 1946).
  56. Compare with the wider context: Robert Tignor, *Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria and Kenya, 1945–1963* (Princeton, NJ, 1998); Paul A. C. Koistinen, *Arsenal of World War II: The Political Economy of American Warfare, 1950–1945* (Lawrence, KS, 2004).
  57. "Impressions of the Diamond Cutting Industry in Palestine," *The Jewelers' Circular-Keystone*, December 1945 and January 1946; "Re-Organization of the Diamond Industry," *Palnews* 15, no. 13/14 (30 April 1946); Pinchas Smagarinsky to the Universal Alliance of Diamond Workers, 5 May 1946, IISG/ANDB, 6553; *Palestine Post*, 6 June 1946; "Report of the Diamond Regulation Committee," *Palnews* 15, no. 19/20 (June 1946).
  58. Compare with contemporary decartelization in Alan S. Milward, *The Reconstruction of Western Europe, 1945–51* (London, 1992), chaps. 1–2; S. Jonathan Wiesen, *West German Industry and the Challenge of the Nazi Past, 1945–1955* (Chapel Hill, NC, 2001); Christopher Harding and Julian Joshua, *Regulating Cartels in Europe: A Study of Legal Control of Corporate Delinquency* (Oxford, 2003), chap. 4.
  59. Werner Feilchenfeld and Gaston Loebel, "Diamond Industry and Trade in Palestine," in *Palestine Export Annual 1946/47* (Tel Aviv, 1947), 64–75.
  60. Naftali Paltin, "Our Future Is in Danger," *Hayahalom* 2, no.11 (May 1946): 5–6; Hani Ben-Ami, Interview by the author, 2004.
  61. *Haboker*, 5 April 1946; *Palestine Post*, 7 April 1946; *Hayahalom* 154 (June 1998): 122–23. The bourse's founders included Ben Shafferman, David Soifer, Avraham Nagel, Yehuda Neulinger, K. Wiener, H. Kern, N. Guttenberg, M. Yosefson, R. Weinberg-Luria, A. Brandstetter, Baruch Friedberg, Dr. L. Mizrachi, Moshe Offen, Y. Shoham, David Weissman, and H. Friedman. Shafferman (1896–1974) was the president of the bourse in 1946–1951. The Memorandum of Association of the Eretz Israel Diamond Exchange of March 31, 1946 stated the goals of the bourse: "To found and manage a diamond bourse; to form, within the framework of the company, special committees for the purpose of managing a diamond bourse; to manage a suitable building (buildings) for the purposes of the diamond bourse and arrange it (them) . . . to resolve differences of opinion among the bourse members and institute arbitration courts for the resolution of such differences of opinion; to set out honest and justified principles in the diamond trade; to maintain unity in the rules, instructions and customs of the diamond trade." See *Hayahalom* 154 (June 1998): 122–23.
  62. See the agreement between Moshe Ben-Yehuda, Yosef Gelblum, and Moshe Levin and Taasiyat Yahalomim Eretz-Israelit on selling rights in a factory to the Histadrut's Holding Company, 29 July 1946, LA/IV-204/1/350; see also the material on bankruptcies in spring 1946, in LA/IV-250–72–1-1847.
  63. For home work see *Shearim*, 16 January 1947; *Haaretz*, 22 January 1947; Siegfried Hoofien to Piet van Muyden, 21 March 1947, IISG/ANDB, 6553.
  64. On postwar diamond policy see Peter Greenhalgh, *West African Diamonds 1919–1983: An Economic History* (Manchester, UK, 1985); Newbury, "South Africa and the International Diamond Trade—Part Two," 251–84.
  65. Frederick A. Mathias, Diamonds, 14 March 1947, TNA: PRO FO 371/62532 and 115/4343; Pinchas Smagarinsky to Frans Schoeters, 27 August, 1947, IISG/ANDB, 6553; Aleph, "Planning and Organization of the Diamond Industry," *Hayahalom* (October

1947): 3–4; Report of the PDMA's Administration, June–October 1947, NCA, G/85/569; "The Situation of the Palestine Diamond Industry," *The Palestine Economist*, 6, no. 1 (January 1948): 6–7.

## Notes to Chapter 7. Crisis and Restructuring

- Minutes of PDMA's Executive, 3, 11, and 17 September 1946, all NCA, G/85/571; Circulars of PDMA's Executive, 4 and 12 September 1946, NCA, G/125/1043; *Davar*, 6 and 13 September 1946; *Haaretz*, 16 and 18 September 1946; *Hamashkif*, 17 September 1946; Albert Ehrenfeld, "Problems of the Diamond Industry in Palestine," sent to David Horowitz at the Jewish Agency, 24 September 1946, CZA, S40/269/1; Isak Genak to Oved Ben-Ami, 26 September 1946, NCA, G/63/353. Since demobilization, some 650 ex-servicemen were absorbed in the industry. On the siege see Minutes of PDMA's Executive, 17 September 1946, NCA, G/85/571, and *Palestine Post*, 18 September 1946; on workers' reactions to the crisis see the articles in *Yediot* 3 (1 October 1946); see also *Haaretz*, 15 October 1946.
- Labour in Palestine* (Histadrut's press service), 2, 16, 28 January 1948; Szenberg, *The Economics of the Israeli Diamond Industry*, chaps. 2–3; *Hayahalom* 154 (June 1988).
- Protokoll der Ersten Sitzung der Untersuchungskommission, 23 October 1946, CZA, S40/269/1; Albert Ehrenfeld, "The Problem of Reorganization of the Diamond Industry in Palestine in the Light of the Present Crisis," December 1946, Submitted 14 January 1947, CZA, S8/2566.
- On the centers see M. Tishler, "Report on the Supply Position in Rough Diamonds and the Development of Diamond Industry in Various Countries," 2 May 1946, and "The Future of the Gem Diamond Industry in USA, Cuba and Brazil and the Problem of Resettlement of Diamond Manufacturers, Experts and Merchants, Temporarily Settled in the Above Countries," 16 June 1946, CZA, S40/269/1.
- The American diamond market was flooded in 1946. In 1943–1944 the monthly rate of imported polished diamonds to the US was 14,000–15,000 carats. In 1945 it grew to 30,000 and in the first quarter of 1946 alone it reached 56,000. This also meant growth in number of cutters in the world, 30,000–40,000 before the war and now again 40,000. Declining sales were partly responsible for the famous advertising campaign. In April 1947 Frances Gerety, a copywriter at the N. W. Ayer firm in New York, coined the enduring slogan for De Beers: "A Diamond Is Forever." Linking valueless rough diamonds with human needs, the slogan meant to answer the worries of decline in diamond sales. See *Haaretz*, 15 October 1946; Albert Ehrenfeld, "Problems of the Diamond Industry in Palestine," sent to David Horowitz at the Jewish Agency, 24 September 1946, CZA, S40/269/1.
- Albert Ehrenfeld, "Problems of the Diamond Industry in Palestine," sent to David Horowitz at the Jewish Agency, 24 September 1946, CZA, S40/269/1; *Haaretz*, 15 October 1946; Oved Ben-Ami's testimony in the inquiry committee, second session, 23 October 1946, CZA, S40/269/1; Schnitzer, "The Revolution," 5; *Hamashkif*, 26 December 1946; see also Shelley Nickles, "More is Better: Mass Consumption, Gender, and Class in Postwar America," *American Quarterly* 54, no. 4 (December 2002): 581–622.
- Quotation from PDMA, "Notes on the Situation in the Diamond Industry," 22 October 1946, NCA, G/116/948; *Haaretz*, 15 October 1946; Oved Ben-Ami's testimony in the inquiry committee, second session, 23 October 1946, CZA, S40/269/1; *Hamashkif*, 4 December 1946; Schnitzer, "The Revolution."
- On the increasing impact of the US on the world's diamond scene see Newbury, *The Diamond Ring*; Gerhard Th. Mollin, "Die Alliierte Rüstungspolitik und der Congo-Berg-

- bau 1940–1945: Zur Geneses der Amerikanischen Weltmacht [Allied Armament Policy and Congo Mining, 1940–45: A Contribution to American World Power],” *Militärgeschichtliche Mitteilungen* 51, no. 2 (1992): 325–55.
9. *Haaretz*, 15 October 1946; Minutes of the Inquiry Committee of the Jewish Agency, second and third meetings, 23 October 1946, CZA, S40/269/1; Schnitzer, “The Revolution.”
  10. *Hamashkif*, 12 November 1946; “Three and a Half-Day Week in the Diamond Industry,” *Palnews* 39–40 (November 1946): 15; Moshe Schnitzer, “Do Not Panic!” *Hayahalom* 12 (December 1946): 1; Protokoll der Ersten Sitzung der Untersuchungskommission, 23 October 1946, CZA, S40/269/1.
  11. Minutes of the Inquiry Committee of the Jewish Agency, second meeting, 23 October 1946, CZA, S40/269/1.
  12. On the effects see Albert Ehrenfeld, “The Diamond Industry in Palestine,” *Palestine Economic Review Supplement* (February–March 1947); “The Background of the Diamond Crisis,” *Palnews* 16, no. 5–6 (March 1947): 3–4.
  13. On the breakdown see Moshe Ben-Yehuda, “At the Outset of 1947,” *Niv Poalei Hayahalomim* 1 (January 1947): 4–5; Avraham Friedman, “On the Crisis in the Industry,” *Niv Poalei Hayahalomim* 1 (January 1947): 5–7; The Inquiry Committee to the Jewish Agency, 18 February 1947, CZA, S40/269/1.
  14. *Davar*, 15 January 1947; *Haaretz*, 26 November 1946, 22 January 1947; Minutes of DCB fifteenth meeting, 23 January 1947, NCA, G/66/380; *Mishmar*, 30 January 1947.
  15. Albert Ehrenfeld, “The Problem of Reorganization of the Diamond Industry in Palestine in the Light of the Present Crisis,” December 1946, submitted 14 January 1947, CZA, S8/2566; Minutes of DCB fifteenth meeting, 23 January 1947, NCA, G/66/380; PDMA Executive, Subjects to be discussed with Major H. C. Biggs (Controller of Light Industries), 20 April 1947, NCA, G/107/856.
  16. On diamond robberies by the Jewish underground, see *Haaretz*, *Hazofe*, and *Haboker*, 23 January 1947; *Hamashkif*, 14 February 1947; Moshe Marks, “IZL and LEHI in Palestine: Their Activities to Obtain Financing and Economic Means, 1940–1948,” (PhD Thesis, Bar Ilan University, 1994), 84–90; Hillel Zur, *The Activity of the IZL in Netanya, 1932–1948* (Netanya, 1980), 14–15; Elizabeth Bartels, “Policing Politics: Crime and Conflict in British Mandate Palestine (1920–1948),” (PhD Thesis, City University of New York, 2004), chap. 4.
  17. *Palestine Post*, 23 July, 21 August 1946. The British Police noted that the number of robberies and attempted robberies on diamond factories and merchants increased from 345 in 1942, to 520 in 1944, and to 800 in 1946. See Government of Palestine, *The Palestine Police: Annual Administrative Report* (Jerusalem 1946).
  18. TNA: PRO WO 275/58, 261/658 and 261/656; *Palestine Post*, 20 September 1946; See also Yaakov Banai (Mazal), *Anonymous Soldiers* (Tel Aviv, 1978), 605–6.
  19. Bartels, “Policing Politics,” chap. 4. It should be stressed that inaction in the face of the increasing diamond heists by the IZL and LEHI did not necessarily reflect British change of attitude towards the industry.
  20. Minutes of PDMA’s Executive, 17 September 1946 NCA, G/85/571; *Hamashkif*, 17 September, 22 October 1946; *Davar*, 6 September 1946; Oved Ben-Ami to the Histadrut, 20 September 1946, LA/IV-250-49–177; Albert Ehrenfeld, “Problems of the Diamond Industry in Palestine,” 24 September 1946, CZA, S40/269/1; John Leslie Fletcher (Deputy Director of Customs and Excise) was nominated as the chairman of the DCB instead of Walsh on 14 October 1946, according to the *Palestine Gazette* 1529 (24 October 1946). The quotation is from *Haaretz*, 3 November 1946. On the consistent British rejection to allow Arabs into the diamond industry see the letters of the Arab Chamber of Commerce and Johar (the Arab diamond company) to the Chief Secretary in September and October 1946, ISA/RG 15/90.
  21. Isak Genak to Oved Ben-Ami, 26 September 1946, and Oved Ben-Ami to Isak Genak, 8 October 1946, both NCA, G/63/353; *Hamashkif*, 22 October 1946; *Yediot* 3, no. 1 (Octo-

- ber 1946); Minutes of PDMA's Executive, 8 October 1946, NCA, G/85/571; Circular of PDMA's Executive, 8 October 1946, NCA, G/116/949; *Haaretz*, 15 October 1946.
22. *Haboker* and *Hazofe*, 16 October 1946; *Mishmar*, 16 October 1946; *Hamashkif*, 22 October 1946; Golda Meirson (Meir) and Emil Schmorak to David Horowitz, 22 October 1946, CZA, S40/269/1; *Palestine Post*, 23 October 1946; Protokoll der Ersten Sitzung der Untersuchungskommission, 23 October 1946, CZA, S40/269/1. On Hoofien see chap. 3, note 50.
  23. PDMA, Notes on the Situation in the Diamond Industry, 22 October 1946, NCA, G/116/948; Minutes of PDMA's Executive, 23 October 1946, NCA, G/85/571; Minutes of the meetings of the Inquiry Committee, 23 October 1946, CZA, S40/269/1.
  24. Eliezer Hoofien, Jacob Gering, and David Horowitz, Report of the Inquiry Committee, submitted to the Jewish Agency, 28 October 1946, CZA, S40/269/1; see also *Hamashkif*, 31 October 1946; *Haaretz*, 31 October 1946; *Palestine Post*, 31 October 1946.
  25. Resolution of the PDMA's outstanding assembly, 31 October 1946, CZA, S40/269/1; *Haaretz*, 1 November 1946; *Mishmar*, 1, 5 November 1946; *Haaretz*, 3 November 1946; PDMA's Cable to the Jewish Agency, 3 November 1946, CZA, S40/269/1; Minutes of PDMA's Executive meetings, 4 and 7 November 1946, NCA, G/85/571; Circular of PDMA's Executive, 5 November 1946, NCA, G/116/949; *Hamashkif*, 5 November 1946.
  26. *Hamashkif*, 5, 6, 12, 14 November 1946; *Palestine Post*, 6, 10 November 1946; Circular of the workers' committees in Netanya to the town's council and residents, 6 November 1946, NCA, G/109-874; *Kol Haam*, 7 November 1946; Minutes of PDMA's Executive, 7 November 1946, NCA, G/85/571 and 116/949; *Haaretz*, 7, 8 November 1946; *Hazofe*, 7 November 1946; *Mishmar*, 7, 11 November 1946.
  27. Circular of PDMA's Executive, 7 November 1946, NCA, G/116/949; *Mishmar*, *Haaretz*, *Haboker*, 8-15 November 1946; *Mishmar*, 17, 22, 25 November 1946; Minutes of PDMA's Executive, 19, 25, 29 November 1946, NCA, G/85/571; *Hazofe*, 21, 25, 28 November 1946; *Palestine Post*, 22 November 1946; Yaakov Globerman to the Jewish Agency, 23 November 1946, CZA, S/40/2691/1.
  28. *Hamashkif*, 1, 2, 22 December 1946; *Davar*, 1 December 1946; *Mishmar*, 2 December 1946; Minutes of PDMA's Executive, 19 December 1946, NCA, G/85/571 and G/125/1043; Minutes of DCB fourteenth meeting, 3 December 1946, NCA, Gimmel/66/380; Oved Ben-Ami to PDMA's members, 26 December 1946, NCA, G/85/572.
  29. *Hamashkif*, 1 December 1946; *Kol Haam*, 27 December 1946; Avraham Friedman, "On the Diamond Industry," *Hapoel Hatsair*, 22 January 1947; Avraham Friedman, "On the Crisis in the Industry," *Niv Poalei Hayahalomim* 1 (January 1947): 5-7; *Mishmar*, 30 January 1947.
  30. Jo Asscher to Piet van Muyden, 29 August and 18 October 1946, both IISG/ANDB, 6553; Report of the Proceedings of the First Congress after the Liberation of the Universal Alliance of Diamond Workers, Antwerp, 2-6 September 1946, GMMA, RG 18-005/12; Piet Van Muyden (president of the Universal Alliance of Diamond Workers) and Frans Schoeters (the secretary in Antwerp) to All Palestinian Diamond Workers, end of 1946, IISG/ANDB, 6553.
  31. On the Histadrut's weakness among better-off workers see De Vries, "British Rule and Arab-Jewish Coalescence," 613-38.
  32. Report of the Proceedings of the First Congress after the Liberation of the Universal Alliance of Diamond Workers, Antwerp, 2-6 September 1946, GMMA, RG 18-005/12; *Hamashkif*, 13 September 1946; *Hazofe*, 15, 18, 20 September 1946; *Haboker*, 8 October 1946; Jo Asscher to Piet van Muyden, 18 October 1946, IISG/ANDB, 6553; P. Landor, "The World Diamond Industry and the Congress in Antwerp," *Yediot* 4 (25 October 1946): 3-8; Pinchas Smagarinsky, "Around the Diamond Workers' Congress," *Niv Poalei Hayahalomim* 1 (January 1947).
  33. The five unions to the Diamond Workers, February 1947, LA/IV-250-78-1-1847; Yehuda Shohami, "A Conversation with a Diamond Worker," *Hapoel Hatsair*, 5 February

- 1947; Moshe Ben-Yehuda, "In These Days," *Niv Poalei Hayahalomim* 2 (February 1947): 4–6.
34. *Haboker*, 6 November 1945; *Palestine Post*, 14 January 1946; *Palestine Post*, 1 April 1946; Histadrut, *The Diamond Worker*; NCA, G/101/760.
  35. On strikes and lockouts in Palestine's diamond industry in 1946–7 see *Labour in Palestine* 2, no. 16 (28 January 1948).
  36. *Shearim*, 13, 21 November 1946; *Hamashkif*, 12 December 1946; *Davar*, 1 December 1946; Minutes of PDMA's Executive, 2 December 1946, NCA, G/85/571; Minutes of the first Meeting of the Central Committee of the National Organization of Diamond Workers, 9 December 1946, LA/IV250–72–1-3264; Minutes of the Meeting of the Central Committee of the Organization of Palestine Diamond Workers, 12 December 1946, LA/IV-250–49–177.
  37. *Akhdut*, 2, 3, 16 January 1947; "At the Center, in the Cooperatives and in the Unions," *Niv Poalei Hayahalomim* 2 (February 1947): 15; LA/IV-204–1-291; Puzailov, *From Bukhara to Jerusalem*; Asher Eshel, *Chapters in Life* (Tel Aviv, 1999).
  38. Resolutions of the Histadrut's Central Committee, 22 January 1947, LA/IV-208–1-4153-b; "Uniting the Forces of Production," *Hayahalom* (October 1947): 9; LA/IV-204–1-290, LA/IV-208–1-4153-b; LA/IV-208–1-4444; *Haaretz*, 24 March 1948. The Histadrut's Holding Company (Hevrat Haovdim)—the umbrella organization of its economic institutions—was established in 1923. In 1941 the Histadrut established AMPAL (American-Palestine Trading Corporation) as a subsidiary of Bank Hapoalim, so as to recruit funding from American and Canadian Jews for economic projects in the Yishuv.
  39. Although the crisis caused many to leave the Histadrut, its actions brought some back. It was the Histadrut that could help workers get absorbed in other occupations and in public works, in particular those who held an occupation before entering the industry. The Histadrut gave loans that allowed workers to survive and arranged Kibbutzim to absorb some of the hardest hit. Absorbing workers was clearly one of the functions of the cooperatives which the Histadrut owned. See D. Sh. "In the Histadrut Industry," *Hameshek Hashitufti* (5 May 1947): 48–51; Tel Aviv Labour Council, "Diamonds," in *Surveys and Numbers, 1945–1947* (Tel Aviv, 1947), 126–27.
  40. *Diamond Worker*, January 1947; *Hamashkif*, 17 February 1947; *National Jeweler*, February 1947; *Davar*, 20 February 1947; "At the Center, in the Cooperatives and in the Unions," *Niv Poalei Hayahalomim* 2 (February 1947): 15.
  41. Muloṭ Shchorot, literally "black mills," derived from the Flemish word *Molen*, which denoted the power-driven diamond-cutting table. In Palestine, to operate them outside the factory and mainly at homes meant an informal "black" industry. See *Hamashkif*, 2 April 1947. See also the spatial structure of the industry on the eve of the crisis in the appendix table A.5.
  42. The deliberations of the committee (nine sessions) in October 1946, CZA, S40/269/1. Report of the Inquiry Committee, submitted to the Jewish Agency, 28 October 1946, CZA, S40/269/1.
  43. The committee represented the national, capital, and labor mix, earlier defined as the "triangular thread." See Inquiry Committee to the Jewish Agency, 13 and 18 February 1947, CZA, S40/269/1.
  44. The Histadrut's holding company, which at the time expanded its purchase of industries from private owners, was to become in the diamond industry what it had aspired to since the 1920s—owner and employer at one and the same time. For the committee see Siegfried Hoofien to Piet van Muyden, 23 December 1946, IISG/ANDB, 6553; Minutes of PDMA's Executive, 1 January 1947, NCA, G/85/571; Reports in *Davar*, *Haboker*, *Palestine Post*, *Mishmar*, and *Haaretz*, 1–3 January 1947; Circular of the decisions of PDMA's Executive, 2 February 1947, NCA, G/85/569; Reports in *Hamashkif* and *Davar*, 8–14 January 1947.

45. Minutes of meetings of PDMA's Executive, 13, 19, and 24 February 1947, NCA, G/85/569.
46. Quoted in Inquiry Committee to the Jewish Agency, 18 February 1947, CZA, S40/269/1.
47. Minutes of DCB fifteenth meeting, 23 January 1947, NCA, G/66/380; Reports in *Haaretz* and *Mishmar*, 24 January 1947; *Davar*, 24 January 1947; *Haaretz*, 29 January 1947.
48. The Inquiry Committee to the Jewish Agency, 18 February 1947, CZA, S40/269/1; *Hazofe*, 19 February 1947; *Hamashkif*, 19 February 1947; Eliezer Perlson to Siegfried Hoofien, 19 February 1947, NCA, G/120/982; Minutes of PDMA's Executive, 19 February 1947, NCA, G/85/569; *Davar*, 20 February 1947; articles on the conclusions of the committee in *Niv Poalei Hayahalomim* 2 (February 1947); Siegfried Hoofien to Piet van Muyden, 21 March 1947, IISG/ANDB, 6553.
49. Minutes of PDMA's Executive, 24 February 1947, NCA, G/85/569.
50. The Committee of Inquiry to the Jewish Agency, 13 March 1947, CZA, S40/269/1; *Hamashkif*, 12 March 1947; *Mishmar*, 13 March 1947; *Akhdut*, 13 March 1947. The crisis peaked during the spring because, in addition to other causes, the British curfew and decline in American prices allowed the operation of only a small number of factories. See Siegfried Hoofien to Piet van Muyden, 21 March 1947, IISG/ANDB, 6553; Minutes of PDMA's Executive, 14 March 1947, NCA, G/85/569.
51. Reports in *Haaretz*, *Hamashkif*, *Haboker*, 18 March 1947; *Haaretz*, 21 March 1947; *Haboker*, 21 March 1947; See also *Haboker*, 30 March and 18 April 1947; Reports in *Mishmar* and *Hazofe*, 1 April 1947.
52. *Haaretz*, 26 March 1947; Reports in *Hamashkif* and *Haboker*, 28 March 1947; Sidney Caine to Edmund Hall-Patch, 9 May 1947, and Sidney Caine, "Diamond Production in the Colonies," 14 May 1947, both TNA: PRO FO 371/62532.
53. Frederick A. Mathias, "Diamonds," 14 March 1947, TNA: PRO FO 371/62532 and 115/4343; at this point Mathias was the UK's Gem Diamond Controller and still the Sierra Leone Government Director on the Board of SLST. See also Pinchas Smagarinsky to Frans Schoeters, 21 April 1947, IISG/ANDB, 6553; Colonial Office, Policy in Regard to the Production, Marketing and Cutting of Rough Diamonds, May 1947, TNA: PRO FO 371/62532; Diamond Policy: Note of a Meeting at the Colonial Office, 20 June 1947, TNA: PRO FO 371/62532.
54. *National Jeweler*, August and September 1947.
55. Government of Palestine, *The Political History of Palestine under British Administration: Memorandum by His Britannic Majesty's Government presented in July 1947 to the United Nations Special Committee on Palestine* (Jerusalem, 1947), 32.
56. Oved Ben-Ami, "Palestine's Diamond Industry," *The Diamond News and the S. A. Watchmaker and Jeweller* (February 1948): 6-7; Oved Ben-Ami to the International Committee of the Diamond Commerce & Industry in Antwerp, 22 March 1948, NCA, G/97/721; *Haaretz*, 24 March 1948. The Diamond Club reopened in May 1947 as the Association for Diamond Trade Development in Palestine. It partly filled in the vacuum created by the PDMA's decline. See *Palestine Post*, 14 May 1947, and *National Jeweler* (July 1947); Moshe Ben-Yehuda, "The Diamond Industry in Tel Aviv," *Hapoel Hatsair*, 23 September 1947, and "In the Diamond Industry," *Hapoel Hatsair*, 28 October 1947. Of the 25 factories in September 1947, 11 were cooperatives. The number of workers was 2,000 (500 at home, 1,500 in factories, and 650 among them in cooperatives). See *National Jeweler*, September–November 1947.

## Notes to Chapter 8. Reproducing the Pact

1. Berman, "The Location," 316–28; Vitalis and Heydemann, "War, Keynesianism and Colonialism," 100–48.
2. Minhelet Haam, Decree issued by Peretz Bernstein (Minister of Trade and Industry in Israel's provisional government), 27 April 1948, NCA, G/49/178; *Haaretz*, 5 May 1948; Minhelet Haam, Diamond Controller's circular 1, 7 May 1948, NCA, G/49/178; Provisional government of the state of Israel, Diamond Control Office, Circular 2, 10 June 1948, and circular 3, mid-June 1948, NCA, G/49/178. See also PDMA's circular, 15 June 1948, NCA, G/49/178. Minhelet Haam (People's Administration) was established by the Zionist Executive in 12 April 1948 to run the affairs of the Yishuv in the early stages of the 1948 war. On 14 May, a day before the British Mandate expired it turned into Israel's Provisional Government that ruled from May 1948 to March 1949.
3. Based on comparing British directives on the diamond industry in summer 1940 with the Report of Diamond-Control Department up until 23 July 1948, NCA, G/49/178.
4. Nachum T. Gross, "Israeli Economic Policies, 1948–1951: Problems of Evaluation," *Journal of Economic History* 50, no. 1 (March 1990): 67–83.
5. Albert Ehrenfeld, "Israel Diamond Industry," *Israel Economist Annual—1952* (Jerusalem, 1953), 138; Albert Ehrenfeld, "Israel Diamond Industry in 1953 and 1954," *Israel Economist Annual—1954* (Jerusalem, 1955), 113.
6. Yehuda Gradus, Eran Razin, and Shaul Krakover, *The Industrial Geography of Israel* (London, 1993), chap. 6.
7. "The Situation of the Palestine Diamond Industry," *The Palestine Economist* 6, no. 1 (January 1948): 6–7; Oved Ben-Ami, "Diamonds in Palestine" *Haaretz*, 24 March 1948.
8. PDMA's Executive, Proposals to Solve the Export Problem, 18 August 1947, NCA, G/85/569; Albert Ehrenfeld to the Acting Commissioner for Commerce and Industry, 9 November 1947, NCA, G/66/376; Oved Ben-Ami, "Palestine's Diamond Industry," *Palestine Post*, 16 January 1948.
9. High Commissioner for Palestine to the Secretary of State for the Colonies, 12 December 1947, TNA: PRO WO 204/10981.
10. Albert Ehrenfeld to the Acting Commissioner for Commerce and Industry, 9 November 1947, NCA, G/66/376; "The Situation of the Palestine Diamond Industry," *The Palestine Economist* 6, no. 1 (January 1948): 6–7; *Mishmar*, 20 January 1948; *Al Hamishmar*, 7 April 1948; Minutes of the PDMA's executive, 9 December 1947, NCA, G/85/569; High Commissioner for Palestine to the Secretary of State for the Colonies, 12 December 1947, TNA: PRO WO 204/10981; David Chermon, "On the Recovery of the Diamond Branch," *Akhdut* 3, no. 53 (18 December 1947).
11. "The Situation of the Palestine Diamond Industry," *The Palestine Economist* 6, no. 1 (January 1948): 6–7; *Palestine Post* 13 (19 February 1948); *Haaretz*, 1 March 1948; *Diamond Workers* [New York], March 1948; Frans Schoeters to Pinchas Smagarinsky, 13 April 1948, IISG/ANDB, 6553; "Palestine Diamond-Cutting Industry," *Economist*, 17 April 1948; *Hamashkif*, 22 April 1948; *National Jeweller* (May 1948); *Haboker*, 20 June 1948; Report of the Department of Diamond Control (Israel), 23 July 1948, NCA, G/49/178.
12. Oved Ben-Ami to George Prins, 23 November 1947, NCA, G/85/572; Minutes of the PDMA's executive, 9 December 1947, NCA, G/85/569; *Davar*, 25 February 1948; *Palestine Post*, 5 March 1948; "Palestine Diamond-Cutting Industry," *Economist*, 17 April 1948; *Hamashkif*, 22 April 1948; *Haaretz*, 24 March 1948.
13. Oved Ben-Ami to Hennig & Co., "Activities of the Palestine Diamond Industry, July 1947–July 1948," 31 July 1948, NCA, G/67/387 and 83/559; PDMA to Oved Ben-Ami, 5 April 1948, NCA, G/163/348; *De Belgische Diamantnijverheid*, July 1948; Oved Ben-Ami to Albert Ehrenfeld, 11 August 1948, NCA, G/120/988; Albert Ehrenfeld's speech at the first meeting of the Diamond Council, 2 August 1948, NCA, G/120/988; *Hazofe*, 18



- August 1948. For a long time the number of diamond workers did not reach the peak year of 1945: 2,300 in 1955, 2,600 in 1956, 3,000 in 1957 and 3,600 in 1958, reaching 4,500 only in 1960; see Government of Israel, Ministry of Commerce and Industry, *Israel's Industrial Future: Outlook 1960–1965* (Jerusalem, 1965), 228–32; Szenberg, *The Economics of the Israeli Diamond Industry*, chaps. 2–3.
14. "The Diamond Industry on the Verge of a Grave Crisis," *Haboker*, 14 October 1948; "Difficulties in the Diamond Industry," *Haaretz*, 14 October 1948; L. Shifrin, "The Causes of the Crisis in the Diamond Industry," *Al Hamishmar*, 20 October 1948; Jacob van Amerongen and Chaim Danhirsch [Danieli] to Peretz Bernstein, 27 December 1948, NCA, G/120/988.
  15. See Eliezer Kaplan to the Ministry of Defense, 7 November 1948, and Moshe Zadok to IDF Chief of Staff, 24 November 1948, both IDFA, 180/121/1950.
  16. *Davar*, 2 March 1949; *Haaretz*, 6 March 1949; Jacob van Amerongen, Record of a meeting on the crisis in the diamond industry, 8 March 1949, ISA, G/90/26; *Haboker*, 17 March 1949; Israel Ritov, ed. *Voice of the Cooperation* (Tel Aviv, 1950), 45, 64, 104–5 and 109; *Rand Daily Mail* (South Africa), 5 May 1949; *Haaretz*, 28 September 1949; Yaakov Arnon (van Amerongen), "The Diamond Industry," *Haaretz*, 8 June 1955.
  17. Israel was admitted as a member of the United Nations on 11 May 1949. See Joseph Heller, *The Birth of Israel, 1945–1949: Ben-Gurion and His Critics* (Gainesville, FL, 2000), 101–7.
  18. Jacob van Amerongen (1913–1995) was born in Amsterdam. He was trained as a cleaver and polisher and then graduated in economics. In 1934 he became chief accountant at Asscher's Diamant Maatschappij under Joseph Asscher (whose daughter Loes he married), and worked also for the firm in Paris and New York. On his father's death in 1939, he became the manager of the family's firm. At this stage he was also the leader of the Zionist Jewish Youth Federation in the Netherlands. In June 1943 he was arrested and sent to Westerbork. After a month he was released with three hundred other diamond workers and went underground. He arrived in Palestine in March 1948 and soon became a leading civil servant with the government of Israel, in diamond purchase and control. See Joel S. Fishman, "On Jewish Survival during the Occupation: The Vision of Jacob van Amerongen," *Studia Rosenthaliana* 33, no. 2 (1999): 160–73; Yossi Goldstein, *Jacob Arnon: A Biography* (Tel Aviv, Forthcoming).
  19. On Minhelet Haam, see note 2. On the pact see also Azriel Ben-Moshe, "Special Relation to the Diamond Industry," *Hayahalom* 36–37 (June–August 1973): 31–33.
  20. Peretz (Fritz) Bernstein (1890–1971) was born in Meiningen, Germany, and was engaged in business in Rotterdam. In 1924–1930 he was a member of the executive of the Dutch Zionist Federation, its president, and editor of a Dutch Zionist weekly. In 1926 he published an influential book on the psychology of anti-Semitism. Bernstein settled in Palestine in 1936 and became active in the General Zionist Party, over which he later presided. In 1937–1946 he edited the liberal daily *Haboker*, and in 1947–1948 he replaced Emil Schmorak as head of the Department of Trade and Industry at the Jewish Agency. A General Zionist (later Liberal) member of the Knesset from its inception, he served as minister of commerce and industry, 1948–1949 and 1952–1955. See Yosef Nedava, ed., *Peretz Bernstein Book* (Tel Aviv, 1962).
  21. PDMA to Oved Ben-Ami, 5 and 6 April 1948, and Oved Ben-Ami to PDMA, 6 April 1948, NCA, G/163/348; Resolutions of the PDMA's Executive, PDMA, 8 April 1948, NCA, G/124/1024; *Haaretz*, 5 May 1948; Minhelet Haam, Diamond Controller, circular 1, 7 May 1948, circular 2, 10 June 1948, and circular 3, end of June 1948, all NCA, G/49/178; Moshe Kanster, "State Control on the Diamond Industry," *Havoed Hatzioni*, 17 June 1948.
  22. Jacob van Amerongen and Chaim Danhirsh [Danieli] to Peretz Bernstein, 27 December 1948, NCA, G/120/988.

23. The DTC's recommendation followed the decline of De Beers's income from selling rough diamonds to Israel compared to the income the cartel accrued from Belgium and Holland. The Israeli government and many diamond manufacturers begged the DTC to renew the supplies and agreed to end the former monopoly. If until now the PDMA was the sole recipient of rough diamonds (and assigned them to its members according to a special allocation schedule), from now on the DTC would send the rough diamonds to the individual manufacturers directly. See *Palestine Post*, 12 October 1949; *Davar*, 12 October 1949; *Haaretz*, 19 October 1949. It should be noted that the demonopolization of the industry did not alter the exclusion of Arab manufacturers and workers. On the contrary, the 1948 war only cemented it.
24. *Davar*, 2 November 1949; Memorandum of the Association of Diamond Manufacturers, 29 July 1954, ISA/RG/9/6214; Szenberg, *The Economics*, 125. The Diamond Cutting Works Federation (Igud Malteshot Hayahalomim) nominated Eliezer Mazur as its president and later turned into the Israel Diamond Manufacturers Association. Its first general assembly was held in mid-April 1950. See *Al Hamishmar*, 27 April 1950. Mazur (1892–1970) immigrated to Palestine from Poland in 1939 and in 1941 established a diamond factory with his brothers and uncle Yehoshua Mazur (see chap. 2). He was also a member of the Jewish Agency's Rescue Committee for the Jews in the Holocaust. It should be noted that the decline of the diamond industry as the leading sector in Netanya's economy would be a much longer process and is outside the scope of the discussion here.
25. PDMA to Oved Ben-Ami, 5 April 1948, NCA, G/163/348; Oved Ben-Ami, "The Palestine Diamond Industry," *Palestine Economist Annual* (1948): 96–97.
26. On the fears of the closing down of the industry see *Haaretz*, 1 March 1948; "Palestine Diamond-Cutting Industry," *The Economist*, 17 April 1948; *Hamashkif*, 22 April 1948; Oved Ben-Ami to the International Committee of the Diamond Commerce & Industry in Antwerp, 22 March 1948, NCA, G/97/721; Ben-Ami, "The Palestine Diamond Industry."
27. Frans Schoeters to Pinchas Smagarinsky, 13 April 1948, IISG/ANDB, 6553; Pinchas Smagarinsky to Frans Schoeters, 1 July 1948, IISG/ANDB, 6553.
28. Oved Ben-Ami to Albert Ehrenfeld, 11 August 1948, NCA, G/120/988.
29. On comparative earnings see Government of Israel, *Israel Government Yearbook* (Jerusalem, 1950).
30. Pinchas Smagarinsky to PDMA, 31 October 1947, NCA, G/52/221; Moshe Ben-Yehuda, "In the Diamond Industry," *Hapoel Hatsair*, 28 October 1947.
31. *Davar*, 9 March 1948; *Diamond Fields Advertiser*, 9 March 1948.
32. *Davar*, 9 March 1948; *Hazofe*, 18 August 1948; *Haboker*, 31 August 1948; On interesting developments in acquiring new skills for the disabled of the war, see *Herut*, 30 December 1948; On the transformation in working conditions due to the war see article by Chast Raal in *Hayoman*, 26 September 1948.
33. *Israel Government Yearbook* (Jerusalem, 1950), 116; The state of Israel to the British Foreign Office, 27 June 1949, TNA: PRO FO 371/751190–0012; *National Jeweller* (May 1948); *Haaretz*, 25 April and 5 May 1948; *Hazofe*, 12 May and 18 August 1948; On the first meeting of the diamond advisory board on 2 August 1948 see *Haaretz* 11 August 1948; see also "State Control on the Diamond Industry," *Haoved Hatzioni*, 17 June 1948; "Israel Diamond Industry—1950/1," *The Israel Economist Annual* (1951): 147–8; "Diamond Dilemma," *The Israel Economist* 6, no. 6 (June 1950): 157; "Progress in Diamonds," *The Israel Economist* 6, no. 9 (September 1950): 240–41.
34. *Hazofe*, 12 May 1948; Oved Ben-Ami to Hennig & Co., "Activities of the Palestine Diamond Industry, July 1947–July 1948," 31 July 1948, NCA, G/67/387 and 83/559; *Haaretz*, 22 April 1948; See the following documents in NCA, G/120/988: Haim Danhirsch [Danieli] to the Tel Aviv Army Officer, 22 June 1948; Meeting of the Diamond Advisory Board, 2 August 1948; Oved Ben-Ami to Albert Ehrenfeld, 11 August 1948;

- Diamond Controller to PDMA, 13 August 1948; Mazal Ubracha Factory to the Appeal Committee at the People's Central Court Call, 13 August 1948.
35. Jacob van Amerongen, Record of a meeting on the crisis in the diamond industry, 8 March 1949, ISA, G/90/26; *Davar*, 12 October 1949; Diamond Control, Note on Supply, 9 May 1950, and Diamond Control to Eliezer Kaplan (Minister for Trade and Industry), 7 July 1950, ISA, G/23/90 "Israel Diamond Industry—1950/1," *The Israel Economist Annual* (1951): 147–48; Berman, "The Location," 316–28. Jacob (Jack) Brin (Arnon's brother-in-law in 1946–1950) emigrated from Antwerp to Palestine in 1934. In 1935–1948 he was manager of the Tiberias hot springs and in 1948–1950 was the general manager of the government's Department of Trade and Industry. In 1950–1953 he served as an economic advisor to the Israeli embassy in London. Josef Pick (1914–1984) was born in Germany and educated in Breslau, Munich, and London universities in economics and accountancy. He immigrated to Palestine in 1938 and in 1949–1950 shaped the trade agreements at Israel's Ministry of Finance.
  36. On the industry in Germany, see Universal Alliance of Diamond Workers, *Report about the Diamond Industry in Germany 1*, Antwerp, February 1949, and 2, February 1950 (in the International Labor Organization Library, Geneva); R. Viala, "Labour Conditions in the Diamond-Cutting Industry," *International Labour Review* 66, no. 4 (October 1952): 354–78; Laureys, "The Plundering of Antwerp's Jewish Diamond Dealers," 57–74.
  37. *Diamond Workers Protective Union of America*, December 1948 [Bulletin]; *New York Times*, 18 February 1949; Kay Swindler, "In Idar-Oberstein Gemology Rises Again," *Gems and Gemology* 6, no. 6 (Summer 1949): 149–52.
  38. The Belgian Diamond Industry Syndicate, *The German Diamond Industry* (Antwerp, 1949), NCA, G/97/721; *Herut*, 16 December 1948; Minutes of the Congress of the Universal Alliance of Diamond Workers, 5–9 June 1950, LA/IV-208–1-5622; see also the material on the congress in IISG 6259, 6266 and la-5622; *New York Times*, 13 July 1950 and 21 February 1952.
  39. *New York Times*, 18 February 1949; *Haaretz*, 5 January 1950; Jacob van Amerongen to Gershon Meron, General Manager of Israel's Ministry of Trade and Industry, 24 March 1950, ISA/G/23/90; *New York Times*, 13 July 1950.
  40. See reports in *Davar*, 3 September 1948, *Haaretz*, 18 November 1948, *Hazofe*, 25 November 1948, and *Haboker*, 23 December 1948; Moshe Ben-Yehuda, "On the Diamond Industry," *Hapoel Hatsair*, 7 September 1948.
  41. For postwar Jewish history in Antwerp see Veerle Vanden Daelen, "De Heropbouw van de Joodse Gemeenschap in Antwerpen na de Tweede Wereldoorlog (1944–1960). Lomir vayter zingen zeyer lid," PhD thesis, University of Antwerp, 2006.
  42. Albert Ehrenfeld to Gershon Meron, 9 October 1950, ISA, G/23/90; Yaakov Arnon, Report on his trip to Europe in 15 November–6 December 1950, submitted 27 December 1950, ISA, G/23/90.
  43. Chaim Danieli, "How to Expand the Diamond Industry," *Yediot Igud Malteshot Hayahalomim* 2, no. 11 (May 1959): 2–5; Azriel Ben-Moshe, "Diamond Enterprise in Development Regions," in *The Industry Book, 1977/8* (Jerusalem, 1978): 147–50; Eran Razin, "Changes in the Industrial Geography of Israel in the 1950s and 1960s," *Eretz Israel—Mekhkarim Beyedi'at Haaretz Veatikoteha* 22 (1991): 193–205; for an early account of the failure can be found in Yehoshua Meshulach, "What Happened in the Diamond Industry," *Hemeshek Hashitufi* 2, no. 445 (28 January 1958): 27–28.
  44. Nathan, Gass, and Creamer, *Palestine: Problem and Promise*, 506–14; Feilchenfeld, *European Post-War Economics*; Jewish Agency, Economic Research Institute, *The Economic War Effort: Facts and Figures* (Jerusalem, 1946), 3–22.
  45. Moshe Ben-Yehuda, "In the Diamond Industry," *Hapoel Hatsair*, 14 May 1947; "In the Diamond Industry in Tel Aviv," *Hapoel Hatsair*, 24 September 1947.
  46. On the Israeli diamond industry after 1948 see: ISA/RG 48/90/23; Yaakov Arnon, "The Diamond Industry," *Haaretz*, 8 June 1955; *Yediot Igud Malteshot Hayalomim Beisrael*, Janu-

- ary 1958 to July 1959; Editor, "The Diamond Industry," in Ministry of Commerce and Industry, *Israel's Industrial Future: Outlook 1960–1965* (Jerusalem, 1965), 228–32; Szenberg, *The Economics of the Israeli Diamond Industry*, chaps. 3–4; Gradus, Razin and Krakover, *The Industrial Geography of Israel*, 63–66.
47. See the correspondence between the diamond industry and the state's Diamond Control in 1951–1954, ISA/RG/9/6214.
  48. See Mitchell Cohen, *Zion and State: Nation, Class and the Shaping of Modern Israel* (Oxford and New York, 1987).
  49. Viala, "Labour Conditions," 354–78; *Hayahalom* 154, June 1998. The share of diamonds in Israel's exports grew from 18.1 percent in 1949 to only 26.1 percent in 1951. See Gershon Cydrowitz, "Israel's Economics Links with the World," *Rivon Lekalkala* 1, no. 1–2 (September 1953): 129–40.
  50. Richman, "How Communities Create Economic Advantage," 383–420.
  51. See the introduction in Ina Baghdiantz McCabe, Gelina Harlaftis, and Ioanna Pepelasis Minoglou, eds., *Diaspora Entrepreneurial Networks: Four Centuries of History* (Oxford and New York, 2005).
  52. Rosenfeld and Carmi, "The Privatization of Public Means," 131–59. For the late Ottoman period see also Yossi Katz, *The "Business" of Settlement: Private Entrepreneurship in the Jewish Settlement of Palestine, 1900–1914* (Jerusalem, 1994).
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