

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.¹

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:

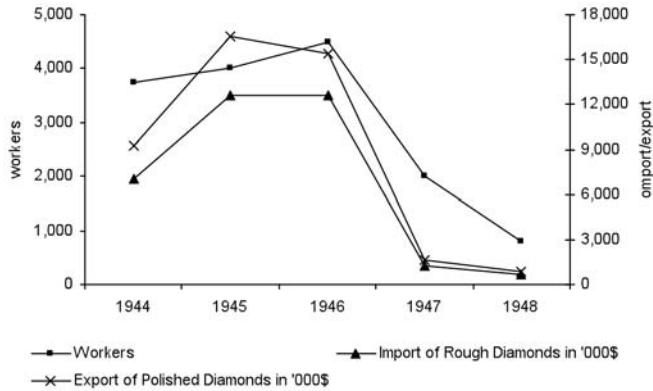
Table 7.1 The diamond industry in Palestine 1944–1949

	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.

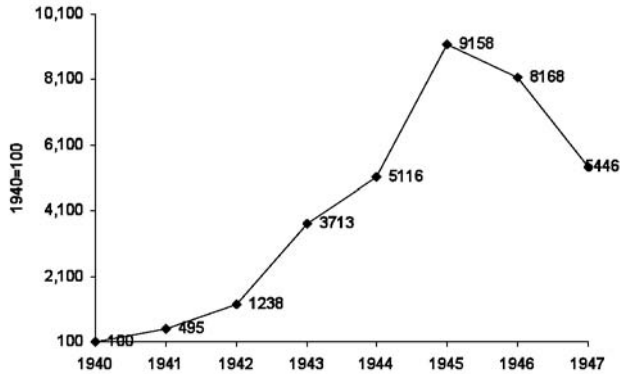
The crisis reaffirmed the characteristic fluctuations in the diamond industry throughout its history as well as the turbulent emergence and development of the diamond occupational community in Palestine. It decreased the overall value of the Palestine's exports and increased the rate of business bankruptcies 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.²

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.³

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.⁴

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.⁵

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.⁶ 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.”⁷

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.⁸

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.⁹

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.¹⁰

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.¹¹

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.¹²

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.¹³

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.¹⁴

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.¹⁵

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.¹⁶ 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.¹⁷

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.¹⁸

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.¹⁹

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.”²⁰

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.²¹ 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.²²

Following the testimonies of the PDMA and the unions, the committee defined two alternatives.²³ 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.²⁴

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.²⁵

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.²⁶

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.²⁷

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.²⁸

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.²⁹

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.³⁰

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.³¹

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.³²

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.³³

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.³⁴ 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.³⁵

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.³⁶

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.³⁷

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.³⁸

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.³⁹

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.⁴⁰

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.⁴¹

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.⁴²

The positions the two sides presented to the committee that the Jewish Agency established to resolve the crisis were fittingly wide apart.⁴³ 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.⁴⁴

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.⁴⁵

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.⁴⁶

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.⁴⁷

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.⁴⁸ 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.⁴⁹

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.⁵⁰

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.⁵¹

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.⁵²

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.⁵³

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.⁵⁴

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.⁵⁵

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 1947–1948.⁵⁶



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