CHAPTER 1

CORPORATISM AND DUALISM

This chapter contains a short summary of the theoretical concepts central to this study. After the presentation of corporatist and dual labor market theory, various concepts shared by the two theories and approaches for integrating them are explored. Finally, the particularity of the Israeli case in this context is discussed.

NEOCORPORATIST THEORY

Starting in the mid-1970s, the pluralist theory many social scientists then ascribed to came under increasing criticism. This approach, its critics maintained, failed to explain several phenomena that had developed in various European countries after World War II:

a) growth of the state’s scope and its involvement in economic activity;

b) the manner in which interests were represented through monopolistic organizations of workers and employers;

c) the making of central economic decisions through national negotiations between three bodies—the state, the employers, and the trade unions.

According to the neo-corporatist critics, the pluralist approach
fails to explain why it is the employers and workers, rather than other
groups, that become prominent interest groups; why a political econom-
ic elite arises in open democratic societies; and what the dynamics of the
new political arrangement are.

Schmitter (1974) was the first to define the growth of corporatism:

As a macrohypothesis, I suggest that the corporatization of
interest representation is related to certain basic imperatives or
needs of capitalism to reproduce the conditions for its existence
and continually to accumulate further resources. (Schmitter,
1974:107)

Corporatism is not characteristic of Western Europe only, but
exists in other countries as well. In order to distinguish between cor-
poratism based on interest association and that in which monopolistic
trade unions are imposed on the workers, Schmitter borrows the
terms "societal corporatism" and "state corporatism" from J.M. Cortez
Pinto and J. Pires Cardozo. This distinction has helped scholars to
focus on the democratic phenomenon of societal corporatism charac-
teristic of advanced capitalism, and distinguish it qualitatively from
the authoritarian phenomena typical of developing capitalism. Crouch
(1983) perceives this distinction not as a dichotomy, but rather as a
continuum between two poles, with several intermediary conditions.
He thus facilitates discussion of phenomena (and countries) that do
not precisely fit either the pattern of societal corporatism or that of
state corporatism.¹

The new pattern of interest representation, in which the state is
involved in economic activity and invites employer and worker repre-
sentatives to nationwide, centralized dialogue and negotiation, has
arisen within the framework of developed capitalist societies. It is this
dialogue that gives the state its consensual image enabling it to tend to
the public interest. This development is not a "technical understanding"
of economic needs, in Keynes's terms, but rather a new balance of polit-
cal power between the classes. The welfare state and its involvement in
economic activity develops along with the growth of the working class's
power, which, as it evolves, creates organizations to protect its interests:
trade unions and political parties (Panitch, 1977). These workers' orga-
nizations constitute a threat to capitalist accumulation and its means of
production. There thus arises a need to blunt the edge of the class strug-
gle located in the production process, in the factories. The developmen-
tof the welfare state has successfully achieved this goal, by offering the
workers a standard of living and income not derived from wages.
working class obtains these benefits not through confrontation in the factory, but rather through social legislation, in the political-parliamentary sphere. Application of this social legislation enlarges the state’s scope, institutions, and involvement in the economy. The state, furthermore, becomes one of the largest employers in the economy.

The need to determine income policy, more than any other factor, is essential to corporatism because it requires cooperation, on a national level, between the state and the trade unions. The “consensus” obtained between the state and the trade unions is the policy of “full employment,” which is the heart of corporatism. For this reason, it is World War II, when political circumstances necessitated “full employment” in Europe, that marks the historical turning point toward cooperation between the state and the trade unions. Unlike other European states, Norway and Sweden had “full employment” as early as the 1930s. Therefore, corporatism developed in those two states before the war (Panitch, 1977:74).

Corporatism is not only a means of representing interests, as Schmitter maintained, but rather “a political structure within advanced capitalism which integrates organized socio-economic producer groups through a system of representation and cooperative mutual interaction at the leadership level and mobilization and social control at the mass level” (Panitch, 1981: 24).

The state involved in the economy must carry on collective bargaining with worker representatives, but encounters at the outset the opposition of the various noncentralized trade unions. By their very nature, these unions cannot cooperate and restrain their demands. The unions must first undergo a process of centralizing their authority and establishing a hierarchical structure that enables them all to conduct joint bargaining with the government.

The issue here is an internal process within the trade unions that is a necessary condition for the creation of the corporatist structure. This structure is neither a theoretical model nor a social ideal, but rather a historical phenomenon—one that arose in Europe in the middle of the twentieth century, and could conceivably disappear eventually with changes in the conditions that led to its birth.

Rather than emphasizing the centralization of unions, Maier (1984) ties corporatism to the weakness and vulnerability of certain economies after World War II, competition in the international market, and the impulse toward cooperation the shaky economies instilled in both workers and employers. Corporatism, however, as a bridge between the market and political arenas, also requires the concurrent development of social democratic parties and trade unions.
Trade Unions and Labor Parties

When worker and employer representatives conduct centralized bargaining on a national level, that does not mean all workers enjoy equal bargaining power vis-a-vis their employers. The power of the worker as an individual is essentially different from that of the capitalist. The individual nonunionized worker demanding a wage increase will be fired if his employer finds another worker who will do the same work for lower pay. Unlike the workers, who before organization act as individuals, two capital units, when joined, merge into an integrated total and form a new single unit. There lies the essential difference between labor and capital—the liquidity of capital versus the atomization of the workers. And that is the difference between the power of the worker and that of the employer. In order to improve his wage, the worker must organize, together with his fellow workers, thereby eliminating the competition that damages their common interest. The worker must forego his individuality and act in common with the other workers; the employer does not have to do so. While the worker has only one way of defending his interests, through workers' organizations, "capital has at its command three different forms of collective action to define and defend its interests, namely the firm itself, informal cooperation, and the employers or business association" (Offe and Weisenthal, 1980:75).

Another form of labor organization important for the workers' struggle is their political party. Only unions and parties, then, determine the workers' power, while the employers derive their power from their economic control. It is precisely this power gap between worker and employer that creates the conditions for corporatism. The workers' total dependence on their organizations impels them to establish parties and trade unions powerful enough to control the state. A situation is thereby created in which the workers' parties control the state and expand the scope and dimension of their activities. The class conflict thus moves from the factory, where the worker is weak, to the political arena, where he is stronger (Korpi and Shalev, 1980).

This, then, is the paradox: the worker's weakness vis-a-vis the employer leads him to organize and transfer his struggle to the political arena, where he has the upper hand. However, it is in this political sphere that the representatives of the workers and their parties appropriate the worker's ability to carry on his wage struggle, dissociate themselves from him, and conduct in his name centralized bargaining in which his demands are compromised. The worker thus returns to his original state of weakness vis-a-vis his private employer, becoming once
again an individual faced with a centralized system of trade unions, government, and employers.

Pizzorno (1978) draws a distinction between the structure and the essence of the trade union and the party. The trade union has at times tended to fill roles traditionally viewed as the political party's, conducting nationwide bargaining with the government. This bargaining can involve the state's entire socio-economic order. The trade unions can threaten the government in such a way that they, not the opposition party, play the most significant adversary role. Underlying these phenomena is the special power the trade union's direct connection with the workers gives it. The union can mobilize its members for strikes and other forms of struggle far more successfully than can the party.

In corporatism, the trade union becomes an autonomous element that independently determines its goals. Its achievements are measured in terms of political power—that is, its ability to continue its successes in the future.

Unemployment weakens the centralized trade unions, for as soon as there is a surplus of workers the threat of a strike becomes ineffective. Therefore, the trade union's condition for corporatist negotiation is "full employment." In exchange, the trade union promises to restrain the demands of the rank and file workers or a state of full employment prompts demands for wage increases.

Corporatist cooperation between the government and the employers on the one hand and the trade union on the other, then, is an exchange conducted in two spheres:

a) Political: The trade union offers the government legitimation, and the government, in exchange, grants the union power;
b) Economic: The employers promise the union full employment in exchange for its restraint of wage demands.

**Rank and File Resistance**

Groups of workers who place the authority of the centralized trade union to make wage concessions in their name in doubt can challenge the corporatist structure. Labor groups arise and organize against the corporatist elite, but, just as they arise, these groups can also disappear. The organizing of workers who oppose corporatism is an integral part of it. The class struggle can ebb and flow within corporatism itself, but we must understand that this struggle will not necessarily change the entire system (Pizzorno, 1978).

The trade union's centralization and hierarchical structure do not
guarantee that the workers will accept the compromises their representatives make in their name. Economic instability occurs when the trade union is unwilling or unable to trade moderation for power, or to prevent the activity of groups of rank and file workers at the shop level. Certain political conditions make labor organization against compromise with the government worthwhile, and the union can sometimes exploit worker militancy to strengthen its bargaining power. Such conditions are usually associated with the deterioration of government economic policy, or with the fall of a government sympathetic to worker demands. In the latter instance, the unions may fear that the trade-offs conducted with the former government will cease with the new. In such a case, the union itself will encourage independent, militant activity among the rank and file (Pizzorno, 1978).

The very cooperation between the centralized trade union and the government creates factions within the union. Some of the leadership may advocate a greater degree of cooperation, while others will favor resistance and opposition to government policy. The dominant faction—usually that favoring cooperation—faces a constant threat that the advocates of opposition will solicit support among the lower echelons of worker leadership. This danger, then, constitutes an additional source of pressure for the leaders of the centralized trade union (Sabel, 1981).

The fundamental dichotomy within the working class, however, is between the national trade union leadership and the rank and file leaders. Lange (1984) discerns structural tension and even internal contradiction between the trade union leadership “who introduce concepts of capitalist growth into their wage policy” and the workers, who seek maximum advancement of their personal interest and status.

Labor organizations outside the trade union initially seek recognition by various elements in the economy. Their first bid is for the support of members, that will provide them with a public status and the ability to bargain and represent, to give and take. This objective of “recognition and identity” does not attempt to attain benefits through negotiation, but is a “demonstrative” action (Pizzorno, 1978).

The power of such groups lies more in their ability to block cooperation between the unions and the government than in their capacity to bargain and obtain actual benefits for the workers. The appearance of labor groups who reject the authority of the centralized trade union therefore temporarily puts corporatism’s mediatory mechanism out of commission.

The national union leadership, then, is threatened by shop level organizations. A study of the rise of local worker committees in
England in the 1950s shows that as long as the local committees associated themselves with the national trade union, thereby strengthening the union, they were encouraged. But when the various shop level committees began associating horizontally among themselves, the trade union did its best to undermine them.

Nevertheless, the trade union and the shop are not in a state of constant conflict. They need each other, and therefore, in the long run, cooperate. This mutual dependency derives on the one hand from the union's need to mobilize the rank and file's support for the national collective agreements it hopes to attain and the local committees' ability to give the union this authority; and on the other from the committees' need for the union's economic support and judicial advice (Crouch, 1982).

Can corporatism withstand the workers' pressure? According to Panitch, corporatism works to the workers' detriment and serves to prevent the collapse of the capitalist state. The workers' best hope, he maintains, lies in the rank and file leaders organizing and opposing the corporatist system and the centralized trade union. Crouch, on the other hand, sees a tragic contradiction in the logic of collective action. The source of its power lies in the militance of the rank and file, who in order to exert their influence on a national level must establish centralized, national organizations. As a result, the rank and file lose the original power that lay in their ability to conduct decentralized, local struggles. The new organization will once again, because of its centralized nature, enter into corporatist bargaining and compromise.

Beyond their debate on the chances of changing the corporatist pattern, Panitch and Crouch agree that instability is built into that structure. This instability has two sources:

a) the rank and file workers' tendency to question the centralized trade union's authority to compromise wage demands in their name;

b) the obligation of the government and the employers—who hope to preserve the corporatist relationship with the trade union—to maintain a state of "full employment," thereby encouraging worker wage demands.

Both these factors make corporatism a dynamic pattern that changes periodically.

*The Role of the State*

Despite the central role that corporatist theory attributes to the state's political and economic intervention there is no consensual view...
or generally accepted conceptualization of the state. In her direct discussion of the issue, Skocpol (1982) claimed that the state’s autonomous action should be central to macrosocial analysis. During crisis periods professional civil servants develop strategies and implement policies in spite of the opposition of powerful social groups.

In response to Skocpol’s claim, Schmitter (1985) recognized that corporatist theory attributed a central role to the state without offering a proper conceptualization of this role. Schmitter rejects the idea that state intervention in the political economy is a function of the macroeconomic needs of capitalism or the manipulative-cooptive aims of civil servants. He suggests that the state’s relative autonomy should be conceptualized as a structural matter, “grounded in the institutional interests of the state” and that government’s and civil servants’ structural and conjunctural interests should be distinguished (1985:37-41).

A key debate among students of corporatism is between those who maintain that the state is fashioned to facilitate optimal defense of capitalist interests, and others who see the state as the arena for class conflict.

Panitch (1981) and Offe (1985) perceive corporatism, in as much as it embodies interclass cooperation, as a threat to the working class. Precisely because of the discrepancy between the workers’ extreme dependence on their organizations and the employers’ independence (which is explained in detail below), cooperation between the centralized organizations represents a concession on the workers’ part. The capitalist state thus helps the ruling class to solidify and advance its common interests.

In contrast to this approach, which incorporates the classic Marxist definition of the state, Esping-Andersen, Friedland, and Wright (1976) maintain that not only corporatist policy but also the internal structure of the capitalist state is “a product, an object, and a determinant of class conflict.” In their view, the state is not simply an instrument of the capitalist class, but can also serve as the workers’ means of taking control of capital. These scholars maintain that the state’s structure, despite its functioning as a perfect mechanism for perpetuating capitalism and political neutralization of the working class is the result of class conflict. The structure of the state assures the continued accumulation of capital, and serves to forestall labor radicalism by making its demands congruent with the reproduction of capitalist social relations. However—and this is the key point—the political structure necessarily incorporates internal contradictions, and its solutions are never final and problem-free in terms of the class conflict. The workers’ demands can never be neutralized with absolute success. The
political question the working class faces, then, is not whether or not there are internal contradictions within the state’s structure, but rather how powerful these contradictions are and how the workers can exploit them for their own interests.

Cameron (1978) has studied the expansion of the public sector, which is one of corporatism’s clearest characteristics. He calculated the ratio of all government revenues to gross domestic product and analyzed the relative expansion of public expenditure in eighteen advanced capitalist countries, from 1960 to 1975. The results of this study point to two key factors in expansion of the public sector: social democratic or socialist governments, and foreign trade that is highly developed in relation to local production and marketing. The explanation for his findings is that small countries greatly dependent on imports and exports develop highly centralized industry. This type of industry, and the concomitant centralized collective bargaining, foster the establishment of strong workers’ parties and centralized trade unions. These two elements lead to expansion of the public sector, which becomes another source of income for the worker.

To deal with the proliferation of corporatist policies at different economic levels, evolving within the framework of the state but without its direct intervention, Schmitter and Streek (1985) developed new analytical concepts. Meso-corporatism refers to institutionalized cooperation at regional and industrial level, and mini-corporatism is that taking place at the factory level.

The third concept, central to this study, is private interest government (Whose unfortunate acronym is PIG). State boundaries and influence are delimited by the existence of private organizations (PIGs) receiving state authority, which implement corporatist policies by themselves (see Schmitter’s definition here in chapter 2, page 64). According to this perspective, the relative autonomy of the state is not a priori (structural) assumption but rather a matter of empirical research of (institutional) state-PIGs power interrelation, that “remains vulnerable to cyclical fluctuations” (1985:50).

**DUAL LABOR MARKET THEORY**

Parallel to neocorporatist theoretical development in the 1970s, social analysts in the U.S. described the existence of a dual labor market. This theory is designed to explain a different phenomenon—the fragmentation of the labor market into distinct parts, each with its own requirements and working conditions—and the resulting nonhomoge-
neous labor force. A concomitant phenomenon needing explanation is the correlation between various labor market requirements and the demographic characteristics of the workers.

Although various theories attempt to explain the source of the fragmented labor market,² all agree that the phenomenon exists and attempt to analyze it through various concepts. I shall present here the three chief approaches—the dual labor market, the segmented labor market, and the split labor market.

The first formulations of this theory were those who termed their approach “the dual labor market” (Piore and Doeringer, 1971; Piore, 1979; Piore and Berger, 1980). According to these scholars, the flux and uncertainty characteristic of the capitalist economy reveal the fundamental difference between labor and capital: capital is the fixed element in production, and labor the variable. The workers, who are immediately dismissed when economic activity ebbs, pay a disproportionate price for this flux. The corporations’ primary reaction is to concentrate their capital in the stable areas of production and the workers in the unstable areas. This is the first distinction dictated by technological imperatives. But this distinction gradually penetrates the work force itself: in order to avoid the losses the dismissal of skilled and experienced workers entails, these workers are granted the same benefits accorded to capital—first and foremost, tenure. Piore thus describes the transformation of class conflict into a dichotomy among the workers:

The original dualism in modern economics is between labor and capital. Dualism within the labor market arises when portions of the labor force begin to be insulated from uncertainty and variability in demand and their requirements begin to be anticipated in the process of planning and decision-making. They become at this point like capital, and the original dualism between capital and labor becomes a duality between that portion of the labor force which shares in some part the privileged position of capital and those other workers who continue to function as the “residual” factor of production. (Piore and Berger, 1980:24)

This division of the labor market between stable workers who belong to the primary sector and those who remain subject to economic flux in the secondary sector does not occur in a uniform manner. This process can occur within a company as part of an improvement of production methods; in the division between big, capital-rich companies and small, labor-rich companies within the same industry; or in a corporation’s subcontracting work to an employer of temporary labor. This
division can also occur between relatively stable industries and those in need of seasonal labor, such as agriculture or construction.

Piore, however, deals not only with demand for labor, but also with supply. What characterizes those workers employed in the variable sector of the labor market? According to Piore, these workers see themselves subjectively as nonpermanent, and do not attribute to their work the importance the more stable workers do. Those in the variable sector also have the option of other means of livelihood. In this context, Piore focuses chiefly on migrant groups. In addition to their subjective view of themselves, migrants are affected by such objective factors as the lack of skills, experience, connections, and even the language of the host country. All of these make the migrant a prime candidate for exploitation by capital as a temporary worker. Other groups—chiefly peasants, but also housewives and youth—share some of the migrants’ characteristics.

The Response to Working Class Power

The segmented labor market theory (Gordon, Reich, and Edwards, 1982) maintains the emphasis of the dual market theory on technology, while stressing the problems connecting the labor processes and the labor market. Special emphasis is given to the small and large companies’ differing abilities to develop new and effective methods. The approach is presented within a broad historical context, as the tendency that represents an answer to the workers’ reaction to new labor processes. Segmentation of the labor market is the stage following the homogenization of the workers (1935-1945), a process that strengthened them and brought them the important gains resulting from unionization. This organization process began among employees of large corporations that had developed new labor processes and whose profits allowed them to grant their workers improved wages and working conditions.

Following this period of labor gains, the state, the corporations, and the unions began to stabilize at a new level of power balance. The next stage was segmentation:

Segmentation depended, we shall propose, upon the successful integration of the strong national industrial unions of the 1930s into a cooperative collective bargaining system, limiting the further impact of the union movement and initiating a period of labor peace between employers and workers. (Gordon et al., 1982:11)
As was true in Western Europe, the 1930s depression and the uncertainty of the business cycle in the United States forced the government to intervene. The need to protect themselves against economic uncertainty led the workers to the political arena, within the Democratic party framework, and prompted them to consolidate their achievements through legislation. However, in this instance the state failed to become an active mediating force between the labor organizations and the employers, but rather established a general legislative and legal framework in which negotiations could take place and class compromise be formulated.

The creation of the secondary (peripheral) sector—small companies dealing with the less stable areas of production, using older processes and reaping smaller profits—was concomitant with the rise of the large corporations' primary (core) sector. It is the primary sector that allows the secondary sector to exist—both through its lack of interest in areas that involve uncertainty and low profits, and through its ability to subcontract work to the secondary sector, thereby circumventing the unions and employing unorganized workers.

Within the primary sector itself, an additional segmentation—between independent and subordinate workers—occurred, thus creating three segments in the labor market: independent primary, subordinate primary, and secondary.

Unlike the proponents of the dualist theory, Gordon et al. saw the stabilization of workers in the secondary sector not as the result of their subjective attitude toward work, as in the case of migrants, but rather as stemming from racial and gender discrimination. A correlation between discrimination and segmentation was thus intentionally created by the employers, resulting in worker division according to both work process on the one hand and sex and race on the other. These divisions hampered the unification of the working class and the development of a unified political consciousness.

Ethnic and Racial Hostility

In contrast to the two approaches above, the "split labor market" theory (Bonacich, 1972, 1979) shifted the emphasis from the economic sphere—flux of demand, development of technology and labor processes—to that of the power balance between employees and employers. According to this approach, the labor market's nonuniformity stems from the differential bargaining power of certain labor groups. Racial, national, ethnic, and sex differences do not perpetuate themselves or intensify because of the primordial nature of these categories, but rather
because the various groups receive differing rewards for their labor, due to different sets of historical and social circumstances.

While the previous approaches are confined to the microeconomic plane, or at most the macroeconomics of a single country, Bonacich's analysis is global in scope. The primary fact of capitalist development is the nonhomogeneity of the labor force and the existence of differential wage levels. These factors are associated with the nonuniform development of capitalism. In its European countries of origin, capitalism led to a rise in the workers' standard of living, the organization of trade unions, workers' political parties, and the gaining of civil and social rights. None of these benefits, however, accrued to those lands whose capitalism was an imperialist or colonialist import, where the traditional economic framework was demolished and the peasants rapidly proletarianized.

Wage differences among various labor groups are due not only to the migration of peripheral workers to advanced capitalist countries or that of European workers to developing countries, but also to the very ability of capital and products to travel from one end of the globe to another, thereby fostering competition between cheap and high-priced labor in different countries.

The fundamental structural interest of the capitalist employer is to maximize profits. Political and other conditions being equal, he will therefore choose to employ the cheapest labor available. The more expensive—that is, the more organized—workers, those with higher standard of living expectations, are under these conditions in danger of dismissal or wage cuts. The displacement of expensive labor by cheap labor occurs not only through substitution of one worker for another, but also through other means in various times and places: job dilution, maintenance of depressed pockets, competition through imported products, and the transfer of factories from countries with high-priced labor to those with cheap labor (runaway shops).

The extent to which high-priced local workers can successfully combat displacement depends on their political power, but is also conditioned by the labor market. Of the two strategies available to the workers—blocking the employers' access to cheap labor or eliminating wage discrepancies by joint organization—the latter possibility is more difficult to achieve and therefore occurs less frequently. The strategy of equalizing wages is a difficult one, being not so much an ideological, cultural or political problem as it is a practical one. Low-paid workers are scattered and any attempt to organize the workers of the world would be utopian. It is far more practical to organize local well-paid workers against them. The highly paid workers' most common—and
often successful—approach, therefore, is to block the employer's access to cheap labor through political pressure. Such approaches include exclusion movements and the creation of racial caste systems. Another common method is to close off certain industries occupied by highly priced labor to cheap labor.4

Bonacich sees no possibility of cooperation between the employer and the well-paid worker, but rather a continual state of struggle and conflict. These workers' chances of complete exclusion of cheap labor are slim, and a final balance is never reached. There exists rather a state of perpetual conflict between the employer's interest in lowering the cost of labor and the well-paid workers' interest in maintaining their status.

The fact that high-priced labor's preferred strategy is exclusion and not equalization of the cost of labor makes the reality of the split labor market rigid and resistant to change.

In all three types of efforts to block capital's access to cheap labor, high-priced labor faces a paradox, namely, that in preventing their own displacement in the short run they also retard the economic development of cheap labor groups, thus helping to keep alive the split labor market. (Bonacich, 1979:32)

Even though the various theories of the fragmented labor market have not been unified into a single theoretical framework, it seems to me that this is more a matter of difference of emphases, deriving from the complexity of the phenomenon and the multiplicity of historical cases, than one of any essential contradiction between approaches. The chief issues pertinent to the labor market theories I shall deal with in this study are:

a) the political and technological forces that prompt the employer to fragment the labor market into various sectors;
b) the differential power of the workers in various sectors and the characteristics of wage bargaining in each sector;
c) cheap labor's threat to displace high-priced labor, and the possibility that the latter will organize to split the market to protect their status in it.

Taken together, these phenomena demonstrate amply that the labor market generates dynamic processes requiring long-term historical research.
 PATTERNS AND CONCEPTS COMMON TO BOTH THEORIES

The compatibility of corporatism and dualism is possible because both are based on a feature shared by both patterns: the need to repair the damage to labor and capital caused by the business cycle. According to Piore, the business cycle leads corporations to distinguish between production processes of products for which demand is stable and of those entailing greater risk. The labor market is thus fragmented. The corporatist theory stresses that periods of recession hurt both the worker and the employer, and that both have an interest in political exchange that will allow them to circumvent the business cycle—that is, the assurance of full employment in exchange for wage restraint. Both patterns allow for this redress through collective bargaining, the transfer of class conflict in the economic sphere to politics, and interclass compromise by means of state mediation.

The theoretical argument of this study is that corporatism and dualism are two typical solutions to the same problem: the question is how the eruption of the capital-labor contradiction inherent in the economic sphere can be prevented within the political framework of the state. The question itself contains two assumptions which both theories share: (1) The economic contradiction of labor and capital is the main conflict in every society; (2) The labor-capital conflict can be transformed within the framework of the state.

Class conflict is transformed by transferring its potentially critical focus from one sphere of political economy to another. In corporatism, labor and capital organizations compromise through political exchange and state mediation to limit the effects of the business cycle. When crisis does occur it is one of the legitimacy of the centralized trade unions in the eyes of their members, focused on relations between rank and file workers and their representative organizations (Pizzorno, 1978).

In dualism, conflict is contained by transferring the costs of economic fluctuation and uncertainty from capital to labor (Piore and Berger, 1980). Here too crisis is manifested within the working class, in the form of competition between two (or more) large groups of workers, differentiated by their strength in the labor market, the price they receive for their labor, and primordial characteristics such as nationality, ethnicity, race or sex (Bonacich, 1979).

Legitimation is a cardinal question not only for the ruling party of the state, but also for the centralized trade unions, whose elites must maintain workers support. If they fail, all negotiations and agreements...
are pointless. Thus public and private employers, as well as the parties linked to them, who are partners of the trade unions in collective bargaining, also have an interest in legitimation of the unions. They share with the unions’ elite an awareness that legitimation of the unions is integral to the social order, which depends on an exchange of legitimation.

Even with the aid of others, centralized trade unions are only strong vis-a-vis rank and file members if capital’s relative weakness is transferred to the workers in the economic sphere. So the legitimation of centralized trade unions is to some extent conditional on the workers’ weakness in the economy, yet should they be too weak the unions’ political power vis-a-vis the employers and the state is undermined. To achieve this balance desired by unions and employers, the Israeli case study suggests that not only a threatened recession, but also a limited group of underprivileged unorganized workers, is useful. Weakness in the labor market of atomized workers is turned into political strength by the organizations representing them.

In both patterns the trade unions bring their objectives to the political arena instead of aggravating relations within the economic sphere. Through political parties, they work toward legislation that will protect the rights of workers and unions. Since high-priced labor may aspire to block cheap labor, the political organization can be corporatist, yet the organization itself and the civil and social rights it achieves are limited to high-priced labor only.

The workers’ political and legislative achievements create the framework for both dualism and corporatism: the welfare state. However, the state’s role differs fundamentally in the two patterns. In dualism, the state’s response to workers’ lack of civil or social rights and to discrimination against them within the labor market is noninterference. In corporatism, on the other hand, the state is perceived as an active party that mediates between the worker and the employer. This is not necessarily a contradiction, for involvement in one sphere does not necessitate involvement in another. The analysis of the Israeli case shows that the state can act as mediator between worker and employer in certain sectors of the labor market, and at the same time abstain from involvement in others, providing only the general framework for economic activity.

Rather than creating a new theory combining dualism and corporatism, this study uses both theoretical frameworks to analyze concrete patterns of political economy. In general, case studies will not fit one model, but constitute a complex and original pattern. It is the task of historical research to discover, describe and analyze its features.
THE ISRAELI CASE

Israel fits neither the corporatist nor the dual labor market model, although salient characteristics of both patterns can be found there. Although Israel’s highly centralized trade union has, from its inception, conducted corporatist policy and maintained close ties with the Social Democratic party that has headed the government for most of the state’s existence (Shalev, forthcoming), this case is a definite exception to the corporatist pattern. The two chief components of the exchange between workers and employers—wage restraint and full employment—do not exist there in their usual form.

Full Employment. There is a broad ideological consensus in Israel that Zionism requires the absorption of Jewish immigrants and their full employment. Any deviation from this policy is considered the common problem of all concerned elements—the state, the employers, and the Histadrut—and responsibility for full employment falls on all three. Full employment, then, is not a component in the exchange between the trade union and the employer, but rather represents a consensus among all factors. This is a Zionist consensus, associated with the desire to bring Jews to the country and fear of “yerida” (literally, descent—Jewish emigration from Israel). In 1966 the danger inherent in recession was seen as the problem of yerida—that is, a delegitimation of the state, undermining its raison d’etre, and not one limited to the workers or trade unions.

Restraint of Wage Demands. The Hevrat Ovodim (the holding company of all Histadrut-linked economic enterprises) has as much interest in restraining wage demands as any other employer, public or private. Moreover, if the distinction between the private and public sector is drawn, the worker-owned company’s considerations place it in the former category, because for such company sharp wage rises do not mean a budget deficit, as they do in the public sector, but rather a drop in the company’s profits, as it does for private employers. The Histadrut has a declared policy of wage restraint, although the emphasis is not on the interests of the Hevrat Ovodim but rather on those of “the economy” or the state. For decades, the Histadrut leaders identified the worker’s interest with that of the nation, the state, and “the economy.” The leaders of the Histadrut and the Hevrat Ovodim still speak in these terms, with no recognition in practice of the employer’s and worker’s conflicting interests.

Israel’s earmark is the dualism of its labor market. The cheap labor force is made up largely of “typical” workers: migrants from various
ethnic groups, displaced peasants, and a "non-citizen" population (Shafir, 1989; Semyonov and Levin-Epstein, 1987). Nevertheless, certain basic elements in the analysis of the creation of the dual labor market are missing.

The Origins of Segmentization. In all the theories of the labor market, one basic datum is always clear—cheap labor seeks work, and the employer seeks cheap labor. In Israel, however, neither side participates in quite so simple or straightforward a manner. The Jewish immigrants who came to Israel were motivated not by any particular expectation of the Israeli labor market, but rather by the desire to escape the cruelty of persecution in the Diaspora. The Arab workers were thrust willy-nilly into the situation of cheap labor. Moreover, it would be difficult to identify any capitalist profit-motive as a major component of Zionism. And it was certainly not the search for cheap labor that brought about the Six Day War, although the availability of cheap labor was one of that war's results.

Features of the Primary Sector. In the dualist theory, the primary sector is characterized by large corporations, technological development, and innovative production methods. In Israel, however, the primary sector is composed chiefly of public sector employees, with only a small proportion of large corporation employees (who take part in the public sector's collective bargaining).

In light of these and other striking discrepancies between the Israeli case and both the corporatist and dualist patterns, we cannot discuss the Israeli structure and processes of recent years without some historical background. The issues both corporatism and dualism raise call for an examination of this historical process from the standpoint of development of the labor market, the workers' economic and political organization, evolution of collective bargaining, and corporatist exchanges.

The theoretical approach presented here leads this study to investigate specific structural and conjunctural questions about the overlap between political and economic spheres and the regulation of class conflict. The structural aspects are: (1) the split labor market that creates inequalities of power among workers; (2) the institutional mediation between labor and capital through the Histadrut's political economic structure; and (3) the ability of the ruling party to coordinate class interests depending on its internal composition. The most important conjunctural aspects are the economic business cycles and the political change of which party is in government.
The Histadrut is the focus of this study because it is related to all the structural and conjunctural questions, as will be further analyzed. It relies on a combination of corporatist political exchange and the presence of weak workers in a dual labor market. The analysis of structural and fluctuating relationships between the Histadrut and workers is the basis for the discussion of combined dualist and corporatist patterns of class conflict regulation. The comparative analysis of Histadrut cooperation with and alienation from government highlights the question of the capacities of the ruling party and the political commitment of labor institutions to it. Finally, the analysis of the fluctuating power relations between the Histadrut (as private interest government) and the state provide an operational definition for a discussion of the relative autonomy of the state.