

LAND SETTLEMENT IN PALESTINE

OTHER WORKS BY THE AUTHOR

PROBLEMS OF LAND POLICY IN PALESTINE

With a Foreword by the Right Hon. J. C. Wedgwood, M.P.

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LAND SETTLEMENT IN
PALESTINE

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PREFACE

From the earliest days of the Zionist Movement one of its most important tenets has been that the national character of the work on which the Jews are engaged in Palestine, and the requirements of social justice, are best guaranteed by promoting the collective ownership of land through the acquisition of the largest possible area as the property of the Jewish people. It remained to be shown by the practical work of colonisation in Palestine whether this was or was not a mere theoretical principle. The experience gained in ten years of colonisation on a considerable scale, since the close of the World War, does, in fact, prove beyond dispute that the nationalisation of the land, on which Zionist colonisation has been mainly based, is a system which actually works. The conclusion which may be legitimately drawn is that the principle of the collective ownership of landed property, with all its implications, has justified itself in Palestine in its practical applications. We have before us no longer merely an attractive ideology, deriving from ancient Jewish tradition on the one side and from the social ideals of our own times on the other, but the actual results of our colonisation. In applying the principles of our land policy to day-to-day work in Palestine, various problems arise for which a solution must be sought and found. As each fresh undertaking, each further stage

in the building up of the country, requires first and foremost additional land, new questions of land policy continually present themselves—questions of vital importance for the future of our constructive work. It is these questions, and the means of dealing with them in a manner consonant with the unalterable principles of the national land policy laid down at the beginning by the originators of the Zionist Movement, that are discussed in this book, which consists of a collection of papers on the most urgent questions of Jewish land policy. The idea of the national ownership of land is the subject of a controversy which is always being renewed, and has recently been revived in an acute form. Several of these papers are an outcome of that controversy. This explains the choice of subjects, and has to some extent determined the character of the book. The central idea is that the success of our work in Palestine is inseparably bound up with the application of the principle of the common ownership of land.

Furthermore, an attempt is made to show that the conception of nationally owned land cannot be confined to the simple formula of *Geulah Haaretz*, the redemption of the soil of Palestine. It includes a whole group of diverse problems, though this does not cause it to lose anything of the glorious simplicity of the idea which every individual Jew understands so readily and holds so dear—the idea that the Land of Israel must be redeemed and be made Jewish for all time.

The eleven chapters of this book were written in the course of the three years 1926-1929. A number of them now appear for the first time. Several of these

papers have appeared in various German periodicals, but have been modified before being included in this collection. Some have already been published in other languages. In no case has the point of view been altered ; the only change has been the addition of fresh material and fresh arguments. In this way the book is linked up with the author's previous works, and may be described as a continuation of his book on *Problems of Land Policy in Palestine*. The subject-matter has a wider range : besides the general problems of land policy dealt with in the first part of the work, a number of special questions are separately discussed in the second. But this by no means implies that every question of land policy arising in Palestine has been discussed. The following chapters constitute no more than a small selection from the great store of material which must be worked through by those who occupy themselves in practice with the problems of land policy in Palestine.

THE AUTHOR.

JERUSALEM,

May 12, 1929.

CHAPTER I

NATIONAL AND PRIVATE LAND OWNERSHIP IN PALESTINE

I

The Report of the Joint Palestine Survey Commission, ¹ a document of some 182 pages based on the investigations of a number of experts who studied the problems of Palestine on the spot, contains only one passage of thirteen lines dealing with the land policy of the Zionist Organisation. This brief reference, however, was sufficient to cause a great commotion in the Zionist world, which saw in it a condemnation of the land system of the National Fund.² In the course of the twenty-seven years' existence of the National Fund the principle of the collective ownership of all land acquired by the Zionist Organisation has become a fixed idea in the minds of all Zionists, a cardinal point in the whole Zionist conception of things. The attempt to weaken this idea was felt to be an attack on the most sacred principles of the Movement, and was vigorously resented by a large number of Zionists.

¹ Set up in 1927, under the Chairmanship of Lord Melchett, by agreement between the Zionist Organisation and a group of American Jews.

² For an account of the Jewish National Fund see Chapter XI.

When the General Council of the Zionist Organisation came to consider this report with a view to defining its own attitude, it declared itself on the matter of land ownership to be decidedly opposed to the view laid down by the Survey Commission that "opportunities ought to be given to the colonists to become full owners of their land." As the statutory rules of the National Fund prevent such a course being followed on the land belonging to that body, the Survey Commission advised that the Jewish Agency should create a land-reserve which should be free from the restrictions on private ownership laid down by the National Fund. The General Council, on its side, put forward the demand that the Zionist Organisation should recognise the National Fund as the sole agency for the acquisition of land in Palestine, and further that all land which should be acquired from publicly subscribed funds in the hands of the Jewish Agency should become the common property of the Jewish people, and in respect of rights of ownership and distribution to the colonists should be subject to all the rules laid down by the National Fund.

These opposing demands led to an animated controversy, in the course of which Zionists were compelled to examine once more the basic principles of the National Fund. The old question, which it was thought had been settled long ago, as to whether public or private ownership was to be preferred in our colonisation work, was once more thrown open to debate. In discussing this issue we shall have to re-argue the case for what Zionists are accustomed to regard as elementary truths. Our main object,

however, will be to examine the contentions of the Survey Commission in the light of the history of Jewish colonisation in Palestine. We shall inquire whether it is really desirable that the settlers, instead of being usufructuaries on land belonging to the community, should become unrestricted owners of the soil ; that is to say, whether private ownership of the land offers material advantages either to the settler himself or to the Jewish community which is to be built up.

In order to answer these questions, we must first of all determine to what extent, if any, the superiority of private ownership over national ownership has actually shown itself in our colonisation work. The answer is to be found in the history of fifty years of colonisation in Palestine, and especially in the experience of the post-War period, when operations began to be conducted on a larger scale.

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By its very nature private capital looks for profit and flows to places where it can be profitably employed. Land purchase in Palestine does not yet offer prospects of such a profit, at any rate not in the case of rural land. On the other hand, money is already to be made from the acquisition of urban sites. During the post-War years there was, in fact, an influx of Jewish capital into the towns, where it found ample opportunities of profitable employment. This was the case at Tel Aviv, for instance, where the great increase in the price of building sites at the time of the boom attracted many investors,

both large and small, who saw here a good investment for their money. In Tel Aviv, as well as in the other towns, we shall probably see again in the future a similar influx of capital seeking investment. This is particularly the case in Haifa, where the prospects of economic development will cause the real estate business to flourish and attract large amounts of capital. On the other hand, national resources have not hitherto been employed on any considerable scale in the towns.

It is otherwise with rural land. Here private enterprise has found but limited opportunities for profitable investment. Such as do exist are furnished purely by the high-priced products destined for export, such as plantation-products, which are more or less in the nature of a monopoly. Thanks to the orange plantations, several of the older Jewish settlements have become financially prosperous. This has induced many Jews to take up this branch of agriculture—to buy land and lay out plantations. Thus, orange cultivation, which has extended rapidly in recent years, has afforded Jewish capitalists an opportunity to invest their money to advantage. The result is seen in the thriving condition of the plantation region in Judea, where extensive areas have been newly planted in the last few years, and hundreds of thousands of pounds invested. At the time of the Fourth Aliyah¹ a few groups of settlers with money established in this neighbourhood plantation colonies which are the only middle-class settlements with a good chance

¹ The middle-class Jewish immigration, which reached its maximum in 1925.

of success. Special mention may be made of Magdiel, which was built up on the basis of private ownership, with relatively little help from the Zionist Organisation, on land owned by the settlers. In contrast to this, the settlements carrying on agriculture proper (cereal or diversified farming) offer no profitable investment, and experience teaches us that it is far harder to achieve success in this direction. Several of these settlements ended in failure, involving many persons in ruin or heavy financial loss. This has been the case in the settlements founded before the War no less than in those established by the Zionist Organisation in the more recent period of colonisation.

The history of the pre-War colonies founded on the private ownership principle is instructive in many respects ; here we can only glance at it in so far as it has a bearing on the land question now under discussion. It is a matter of common knowledge that the *Achuzoth* societies so popular before the War, which laid out farms, or, more frequently, plantations, for their members abroad, ended in complete disaster. Poriah and Rama in the north, Ruchama in the south, diversified farming settlements and plantation colonies, all alike came to grief. The strenuous efforts of their members were utterly unavailing, and in the end they lost, not only the total capital invested in the venture, but sometimes the land as well. This was the case, for example, in the American *Achuzah* Poriah, which owned a tract of 3,545 dunams.¹ Over 2,000 dunams of plantations were laid out there, and about £40,000 invested. The greater part of the money was lost, the land,

¹ A dunam is slightly less than $\frac{1}{4}$ acre.

along with buildings, being assessed for valuation at about £9,000. In the year 1928—seventeen years after it was founded—the land of Poriah was put up to forced auction. Another American *Achuzah* (Chicago) bought a tract of about 5,200 dunams at Rama (Saron) from the Ica¹ in 1913. In the few years of its existence it invested considerable sums there. Besides the first payment for the land, amounting to about £3,000 (out of a total of about £9,000), it laid out about £2,500 in buildings and £4,000 in plantations. The latter fell into complete decay; the land itself is to be returned to the Ica. In the case of other settlements, the land abandoned by the colonists was purchased by the National Fund, as, for example, in the colony of Merhaviah, where 3,742 dunams of the total area of 5,729 dunams in private ownership passed into the hands of the National Fund.

A similar situation arose in several post-War settlements. A number of middle-class groups, having settled in the *Emek*,² decided in favour of diversified farming, the only type adapted to the nature of the soil. They all had to struggle desperately, and have either already gone under or else are now on the verge of dissolution. Thus the *Hassidim* all abandoned the land they had acquired in private ownership. Only those have remained who, with the assistance of Zionist colonisation agencies, had established their farms on National Fund land. The group of Polish Jews who settled at Jedda has lost all its money and is now in a desperate plight. For some time it was supported by the unemployment doles of

¹ Jewish Colonisation Association.

² Plain of Esdraelon.

the Zionist Organisation. Part of these people, who have begun to do actual work on the land, are impatiently waiting for their land to be taken over by the National Fund. Other settlements went to rack and ruin, as, for instance, the small settlement of Bulgarian Jews near Hulda, or Mahneh-Israel, near Tel Adashim, founded by the *Agudath Israel*.¹ Precious human energy and considerable sums of money here went to waste. Abandoned by their inhabitants, these places present an appalling picture of neglect and desolation. Thus the Jews lost both their money and their courage. Embittered and desperate, many had no alternative but to leave the country.

Not only on the economic but also on the psychological side little evidence is to be found of the alleged beneficial effects of the private ownership of land. There are several settlements in the country, chiefly among the older ones, where the colonists acquired the land as their own from the beginning. The most important are Rishon-le-Zion, Rehoboth, and Hedera, and there are besides a number of smaller settlements of the same class. Here the second generation has already grown up, and we are able to testify that it is these very people who, in spite of having complete jurisdiction over their land, feel themselves least of all bound to the soil. The fact that the land is the property of their fathers, and will later belong to them, has not made them any more attached to the land than others who are settled on land which is not privately owned, it is notorious that precisely in these colonies it has been

¹ An organisation of ultra-orthodox Jews.

a daily occurrence for the young generation to turn their backs on their fathers' occupation and even to leave the country. Despite the private ownership of landed property, during the fifty years of our colonisation work there has been a flight from the land which has threatened at times to depopulate the Jewish villages.

If we survey the history of the colonies based on private ownership in the light of the present condition of the land, the picture is anything but satisfactory. The colonists have ever trodden a hard and painful path. It is the same wherever we look—whether at the first colonies or the colony of Merhaviah, founded in 1911, or the post-War settlements. Everywhere we find the same phenomena, if not on the same scale : the desertion of farms, removal to the towns, or even emigration from the country. The failures are especially prominent in the first period of colonisation. Nowhere are the miraculous effects of the private ownership of land to be discerned. The position of the settlers might, perhaps, have been more favourable if, instead of buying the land with their own money and subsequently being forced to apply for help to Baron Rothschild, to the Ica, or to smaller colonisation organisations and societies, they had not had to pay for the land. In several of the older colonies cases have occurred of colonists who had purchased the land with their own means and paid for it in full falling later into very bad circumstances and being compelled to seek help. Similarly, the Merhaviah settlers had to struggle with tremendous hardships, and the majority were compelled to abandon their

farms and sell their land. Of course, we admit that perhaps their ill-success would not necessarily have been avoided even had these settlements been founded on national land. Indeed, the growth of the Ica colonies, which differ but little from the Zionist settlements as regards their land régime, as we shall explain more fully later on, has been accompanied by the same suffering, set-backs, and disappointments as that of the older Zionist Organisation settlements. What we want to make clear is the fact that the private ownership of land has not served in any way to make the settlers stronger, sturdier, or happier.

Obviously the failure of all these settlements has been brought about by a great variety of factors and cannot be attributed solely to the element of private ownership. Nevertheless, the fact remains that the settlers would have had better chances of success if they had utilised their money, not for the acquisition of land, but for the actual process of settling on it. It is becoming more and more widely recognised that settlement on national land saves the colonist money and so makes his task easier. Prospective settlers cannot close their eyes to the clear and obvious advantages offered by national land. More especially in the last few years the practical significance of the national ownership of land in the process of colonisation has become increasingly apparent, and there has been a corresponding increase in the number of people who, being desirous of engaging in agriculture without any idea of speculative gain, apply to the National Fund for land on which to settle. They do not do so merely on grounds of abstract principle. Among the applicants for national

land are not only Socialists discharging their duty as members of the Labour Organisation and supporters of its programme, but also many ordinary Jewish *baalebatim*,¹ who look at the matter purely from the standpoint of the practical farmer anxious to assure the success of his venture. As examples we may mention Kfar Gideon, the colony of the Transylvanian Jews, and the *Moshav* Merhaviah. These are post-War settlements. The colonists here are not people absolutely without means, who had no option but to colonise on National Fund land with the help of the Zionist Organisation, but men whose means were insufficient to defray the entire cost of settlement, and who, by a simple calculation, concluded that it was more profitable to utilise their scanty funds for the productive work of the farm than to spend them on land. Mention should also be made of the Jugoslavian settlement of Beth-Shearim, which came into existence without making any call on the funds of the Zionist Organisation. The money at the disposal of the settlers sufficed to defray the cost of colonisation alone, and even this with difficulty, but not to pay for the land as well.

A further point to note is that in many cases the children of colonists in the older colonies, whose paternal farms lie on privately owned land, and who are supposed to have been accustomed from childhood to free and unrestricted jurisdiction over the soil, have also applied to the National Fund for hereditary leaseholds when in need of land for starting farms of their own. This has happened even in the case of high-priced plantation land in Judea.

¹ Bourgeois.

For instance, the sons of Ness Ziona farmers have taken steps to acquire hereditary leaseholds from the National Fund.

In the practical work of colonisation the idea of settling on national land is gradually gaining the day.

3

There are very many cultivators in Palestine to whom the colonisation societies have given land in full ownership, in addition to the requisite starting capital. It is worth while to enter into a closer examination of the conditions prevailing in such settlements with a view to discovering what rôle the full ownership of land has played in their development, and to what extent it has served to make them more successful, solid, and financially trustworthy. Besides a number of small colonisation societies, we have two larger ones which have both important, if by no means equal, functions to fulfil in the building up of Palestine. The first of these is a society, non-Zionist in its principles, which aims at conducting its activities on an exclusively business basis, namely the Ica (Jewish Colonisation Association), which was replaced by the Pica (Palestine Jewish Colonisation Association) in 1924. This body has carried on colonising work in Palestine on a very extensive scale. Judged by its achievements, the second society is far less important, but it is one wholly impregnated with the Zionist spirit, and it works on Zionist lines. This is the Odessa Committee of the *Hovevi Zion*. The Ica has founded a great

number, perhaps the majority, of the Jewish colonies in Palestine, while the *Hovevi Zion* has only a few settlements to its credit. A comparison of the activities of these two organisations is highly instructive for a discussion of the problem whether private ownership of land is preferable to national ownership.

The Pica has aimed at applying the principle of private ownership throughout the whole of its extensive colonisation work. Its method is to provide the settler not only with buildings, stock, and everything else he requires for establishing himself, but also with land as his private property. He has to repay the total value of the farm, and, until he does so, he is not given his title-deeds (*Kushan*).

Usually the Pica acquires large unbroken areas, which are distributed among the colonists after the soil has been prepared. The parcels belong to the cultivators, who can actually do what they like with them, but legally they remain in the ownership of the Pica, which reserves to itself far-reaching rights over the land in its contract with the colonist. A scrutiny of this contract enables us to form an estimate of the Pica's colonisation system. It gives us a rather surprising picture of a system whose purpose and ideal were the private ownership of land by the farmer.

Indeed, if we analyse this contract, we are struck with its similarity to the leasehold contract of the National Fund. First of all, the cultivator who acquires the farm is regarded only as a *tenant* until he has paid up his debt in full. Till then the Pica is the sole owner of the immovable property and everything

belonging to the farm.¹ Like the tenant on National Fund land, the Pica colonist is also bound by a number of restrictions upon his freedom of action with regard to his farm. First and foremost, he cannot sell his farm, nor, of course, his land. He can neither transfer nor pledge to others the rights accruing to him from the contract.² Further, he is forbidden to sub-let his land or to transfer it to others without the consent of the owner. Moreover, he is not permitted to divide up the administration of his property. This prohibition holds good even in the case of the farmer's death; his heirs cannot divide the farm among themselves as long as the debt to the Pica is not paid off. The consent of the Pica is necessary even in the event of the heirs wishing to designate one of themselves to continue to manage the estate in place of the deceased.³ Indeed, the Pica is entitled to declare the contract void if the deceased has left minor sons and the family cannot prove that it is in a position to continue working the farm according to the conditions, and in the spirit, of the contract until the sons attain their majority.⁴ Again, the settler is not free to pay off his debt in a shorter period of time than that stipulated in the contract unless he has the consent of the Pica.⁵ Nor can the cultivator count on a uniform rate of repayment, since the Pica reserves the right to change the dates of payment, as agreed upon by both parties, and to

¹ *Contrat de Promesse de Vente* of the Pica Administration, Art. viii., Section 2.

² *Ibid.*, Art. vi.

³ *Ibid.*, Art. ii., sections 1 and 2.

⁴ *Ibid.*, Art. ii., section 5.

⁵ *Ibid.*, Art. i., section 5.

shorten the term of the loan, when the gross receipts of the cultivator exceed £300 per annum.¹ Further the Pica has far-reaching powers of control over the colonist's activities. The colonist must use his land exclusively for the purpose of agriculture or cattle-breeding. The farm must be worked by the colonist himself and his family. He can call in other labour only with the written consent of the Pica. Similarly, he can employ hired workers from outside (the reference being to the non-Jewish permanent labourers, the so-called *Harraths*) only in case he can prove that his own labour and that of his family is insufficient for the requirements of the farm.* A breach of this rule gives the Administration the right to annul the contract *ipso facto*, and to take back the land and everything on it, buildings, plantations, and the rest.* If the cultivator disposes of part of the land, with the sanction of the Pica, in order to lay out plantations with the proceeds, the Pica is entitled to supervise the outlay of the money, even if the farmer refunds to it the value of the plot sold, together with the corresponding part of his debt to the Pica.⁴ To complete the resemblance between the Pica contract of sale and the National Fund contract of lease, we may mention a provision found in the Pica contract which is also characteristic of the National Fund system. In case the contract is annulled and the farm taken over by the Pica, when it comes to settling accounts with the settler, the property is

¹ *Ibid.*, Art. i., section 6. ² *Ibid.*, Art. iv., sections 1 and 2.

³ *Ibid.*, Art. iv., section 6 and Art. vii., section 1.

⁴ *Ibid.*, Art. iii., sections 1 and 2.

assessed solely on the basis of the purchase-price plus the improvements carried out by the settler by his own personal labour and at his personal expense ; while the increase in the unimproved value of the property—i.e. the increment which has resulted automatically from the general economic progress of the country or of the particular settlement—is disregarded.¹

Hence it is apparent that in all essentials the sale contract, which aims at securing for the settler the full ownership of his land, is not so very different from the leasehold contract, which accords him nothing but the usufruct. In the case of the Pica, as well as of the National Fund, the land remains the property of the colonising agency ; the settlers are, indeed, the occupiers and usufructuaries of their holdings, but in both cases their rights of ownership are restricted. In the one case as in the other, the settlers may not alienate their land. The only difference is that, whereas with the National Fund the prohibition to sell is absolute and the lessee clearly and unequivocally holds the land but does not own it, the Pica colonists may hope to become full and unrestricted owners, once they have paid off the total purchase-price. But legally the position of the Pica colonist is identical with that of the National Fund lessee. It is the National Fund system, but without its theoretical basis, a circumstance which is of advantage neither to the undertaking nor to the settler. The similarity of the Pica system to that of the National Fund becomes even more remarkable, if it be remembered that the provisional period

¹ *Ibid.*, Art. vii., section 3.

during which the land and the farm belong to the Association may be, and actually is, of very long duration. Hence it is but a meagre consolation for the Pica colonist that the limitations on his rights over his farm are only of a temporary nature. The annual payments to the Pica are very small, and are so arranged from the start as to extend over a long period. And this period becomes even longer in consequence of the fact that the colonists usually make their payments very irregularly or not at all. Thus the final liberation of the property is postponed indefinitely. It would seem that the colonists are not eager to clear their land, perhaps because they do not feel the restrictions upon their freedom of movement as particularly irksome. Are there not Pica colonies founded thirty and forty years ago, if not more, where a generation of farmers have spent their whole lives and have already been replaced by a second, without the status of most of the properties, in respect of ownership, having changed meanwhile? Unfortunately, no figures are published dealing with the financial relationship between the settlers and the Pica, which might show to what degree, in how many years, and by what instalments the settlers repay their debts; how much they still owe; and, above all, to what extent their total debt to the Pica has decreased. For it has occasionally happened that when the Association has received repayments from the settlers, it has granted them further loans. We have, however, succeeded in securing a few figures, which, taken together, give an idea of the indebtedness of the settlers in the colonies founded and financed by the Pica. These figures are, of course,

incomplete, dealing as they do with only part of the Pica colonies. Nevertheless, they give an insight into the financial position of the Pica colonists.

TABLE I.

INDEBTEDNESS OF PICA COLONISTS

<i>Colony</i>	<i>Founded</i>	<i>Total Debt to Pica</i>	<i>No. of Colonists</i>	<i>Average Debt per Colonist</i>
		£E.		£E.
Rosh Pina . . .	1883	60,650	43	1,410
Zichron Jacob and subsidiary colonies	1887	} 70,100	92	762
Bath-Shlomo . . .	1890			
Givath-Ada . . .	1905			
Athlit . . .	1900			
Mishmar-Hayarden	1890	7,700	23	335
Yessod-Hamaala . . .	1892	15,600	32	487
Metullah . . .	1896	30,100	28	1,075
Sejera . . .	1900	21,400	28	764
Yabneel . . .	1900	22,450	41	548
Hedera . . .	1902	14,000	55	255
Menahemiya . . .	1902	14,000	21	667
Kfar Tabor . . .	1902	26,600	39	682
Beth Gan . . .	1903	6,200	19	326
Mizpah . . .	1903	9,900	10	990
Kinereth . . .	1908	2,650	7	379
Mahnaim . . .	1918	15,000	20	750
Ayeleth Hashahar	1919	17,350	24	723
Kfar Gileadi . . .	} 1919	25,000	36	1,183
Tel Hai . . .		17,600		
Binyamina . . .	1922	42,500	45	944

The first contracts were made by the Ica in 1911, in the colonies round Tiberias. "Up to now," we read in the Report of the Ica Administration for

1911, "the colonists have tilled the land put at their disposal without any document having been drawn up to define their rights and obligations. They have not repaid anything of the large sums spent on their equipment."¹ The contracts promise the settler absolute ownership of the land he has been granted as from the day on which his total debt is repaid. The debt was calculated on a very moderate computation, without regard to the great outlay incurred in the original occupation of the land, the administrative expenses, or the cost of the first experiments. The rate of interest was very low, beginning with 1½ per cent. per annum. In 1911 the colonists of the Tiberias region paid their first instalment. The other colonies presented greater difficulties. For instance, the colonists of Ekron protested so vehemently against making contracts that the Ica Administration was compelled to refuse them all further credits.² Others, however, followed the example of the colonics in the vicinity of Tiberias and in the next year signed agreements regarding the terms of their occupation—among them the colonists of Rishon-le-Zion, individual colonists at Zichron Jacob and Rosh Pina, and the majority of the colonists of Sejera.³ In the same year the colonists of Artuf paid their first annual instalment.⁴ The last report of the Ica Administration before the War mentions Sejera as the

¹ Jewish Colonisation Association, *Rapport de l'Administration Centrale au Conseil d'Administration pour l'année 1911* (Paris, 1912), p. 297. (Hereafter referred to as "Report.")

² *Ibid.*, p. 301.

³ Report 1912 (Paris, 1913), pp. 122 and 151.

⁴ *Ibid.*, p. 153.

one place in which the colonists made their payment punctually in 1913.¹

After the War the payments were few and far between. The Ica reports designate the colonists which fulfilled their obligations as notable exceptions, as for instance, Gedera (Katra)² and Ness Zionah.³ Indeed, for some time the colonists of Gedera were, perhaps, the only ones to pay their debts to the Administration regularly.⁴ Some settlements in the plantation region also, such as Petach Tikvah, where the orange plantations bring the colonists good incomes, were easily in a position in the post-War period to pay off their debts to the Pica wholly or in part.⁵ In 1921 a number of Petach Tikvah colonists began to pay off the debts incurred during the War.⁶

Other colonies either completely failed to repay their debts or else repaid only a very small part. According to a statement issued some years ago by the Ica Administration itself, "there were but few of the colonists who found themselves in a position to fulfil their obligations to the Administration and make their annual payments."⁷ This is particularly true of the colonies engaged in cereal farming, such as Ekron in Judea, or the colonies in Samaria and Upper and Lower Galilee.⁸

¹ Report 1913 (Paris, 1915), p. 100.

² Report 1920 (Paris, 1921), p. 70.

³ Report 1921 (Paris, 1922), p. 86 and Report 1922, p. 101.

⁴ Report 1906 (Paris, 1907), p. 131.

⁵ Report 1922 (Paris, 1924), pp. 89 and 91.

⁶ Report 1921, p. 79.

⁷ Report 1922, p. 85 ; Report 1923 (Paris, 1925), p. 127.

⁸ Report 1921, p. 75.

The slow rate at which the Pica colonists are paying off their debts shows us that in most cases a rapid clearance of land and farm from incumbrances is not to be expected. But if this be so, wherein does this system differ from that of the National Fund? Under the National Fund system the status of the colonist as a lessee is definitive, whereas under the Pica system it is in theory temporary, yet in such a way as to make him neither the one thing nor the other. It is an inherently unsound policy to let a temporary situation drift into a permanent one. At any rate, it is impossible to perceive any privileges enjoyed by the Pica colonists which are denied to the settlers on National Fund land. Private ownership neither strengthens their financial position nor renders the success of their farming more assured. From the economic standpoint the prospect of becoming the free owner of the land in the future does not give the Pica settler any advantages over the National Fund lessee. For it is only a hope, and a fairly distant one at that. The Pica contract ostensibly has for its object to secure the refunding of the invested capital, since all the restrictions contain the provision: "so long as the debt to the Pica is not paid off in full." But are all the points of the agreement in fact dictated by purely financial considerations? Assuming that the prohibition to sell or sub-let may be regarded in this light, because the Pica would want to retain a personal hold on its debtor, it is impossible to see what financial guarantee is afforded by the prohibition to employ any hired labour, especially alien labour. On the contrary, one would suppose that if alien labour, which we know to be cheaper,

were employed, the enterprise would yield profits more quickly and the settler would thus be enabled to refund the money loaned to him in a shorter time. No ; it would appear that these clauses of the Pica contract are due to other considerations than merely that of securing the invested capital ; indeed, to motives of a national character, as, for instance, the desire to preserve the agricultural character of the settlement, to make sure that Jewish labour be employed, and so forth. But if this be so, why should these provisions hold good only until the settler has repaid his debt ? Why should they lose their value and significance on the very instant of repayment ? If they are necessary to the progress of colonisation and the success of the farm, they should remain in force even after the debt has been cleared off. But if they are of no importance for these objects, why are they included in the contract as a limitation upon the rights of the settler ? In theory the Pica system is by no means a system of free ownership, and this not only as regards the soil, but as regards the whole management of the farm. It is true that in practice the problem assumes another aspect. The Pica colonists regard themselves as owners, even if they do not pay their debts to the Association. They have but little concern for the juridical aspect of the matter, probably because the Pica does not enforce the rights to which it is entitled by the contract. Hence the settlers become convinced that the contracts are not to be taken seriously. Once this idea is implanted in their minds, it leads to the further unfortunate result that the entire personal and real estate received from the Pica is looked upon as a gift,

for which no equivalent is due. Fictions are created in place of clear-cut conditions, a situation which cannot be regarded as satisfactory either for the material interests or the morale of the settlers. The Pica could easily make the theory which underlies the contract the avowed basis of its colonisation work. For in actual practice the Pica settlers, like the tenants of National Fund land, are restricted in their freedom of movement and their rights over the land. We must conclude that the so-called absolute ownership of the Pica settlers does not offer any advantages at all to distinguish it from the strictly circumscribed title granted by the National Fund, which fixes in the clearest manner the reciprocal rights and obligations of landowner and tenant. Nor, moreover, is it adapted to further the success of the individual farm.

4

Of no less interest to us is the history of the colonisation of the land acquired by the *Hovevi Zion*. This society, known also as the *Odessa Committee*, has founded several settlements in Palestine—first, the fair-sized colony of Beer-Tuvia (Kastiniah), with an area of 5,500 dunams (2,000 dunams having been added to the original 3,500 dunams), and, in addition, Beer-Jacob, with an area of 2,048 dunams, and the two cottager settlements of Ein Gannim (near Petach Tikvah) with 520 dunams and Nachlath Yehuda (near Rishon-le-Zion), which originally had 301 dunams but was later enlarged to 391 dunams.

In all these places taken together 110 settlers received parcels of various sizes *in absolute ownership*. Here, too, as in the Pica colonies, the settlers were under obligation to refund the cost of the land, and also of the farm equipment, in so far as this had been defrayed by the *Hovevi Zion*. Many years have since elapsed, for Beer-Tuvia was founded in 1896, Beer-Jacob and Ein Gannim in 1908, and Nachlath Yehuda in 1913; and the fact remains that the settlers in all these places, with the exception of Ein Gannim, have not even begun to repay their debts. For instance, Beer-Tuvia, which has already been in existence thirty-two years, has not paid a penny up to the present. Ein Gannim, referred to above as an exception, is to a certain extent in a favoured position. It lies next to Petach Tikvah, where the value of land has risen enormously. Being devoted principally to plantation, its agricultural ventures have prospered and yielded the owners considerable profits. Notwithstanding all this, the settlers of Ein Gannim were able to pay off only part of the purchase-price—about 15,000 to 20,000 francs out of the total of 50,000 francs, i.e. 30 to 40 per cent.

On the strength of information supplied by the settlers we have worked out a few figures relating to changes in ownership of the properties in the *Hovevi Zion* settlements. These figures, which, of course, do not claim to be exact, go to show that the transfer of property is a frequent occurrence there. It was calculated that there were 28 changes in ownership at Beer-Tuvia (17 farms) and 34 at Ein Gannim (31 farms). There are farms which have changed hands more than once since they were founded, as in Ein

Gannim, where several farms have been sold three times over. In Beer-Tuvia only five of the original settlers are left, in Nachlath Yehuda only six, and so forth. Of course, we find this same state of affairs in all the Jewish colonies. It shows, however, that the private ownership of landed property does not attach the settler to the soil any more firmly than does a holding on national land which is not his personal property. It does not necessarily create that indissoluble bond which the feeling of ownership is supposed to engender. The settlers, whether on private or national land, abandon their homesteads for various economic causes, above all in cases where their farms fail to provide them even with a bare living.

In the *Hovevi Zion* settlements the colonist was able to sell land which he had received for nothing, and to obtain, moreover, a higher sum than the original purchase-price. For instance, in Ein Gannim, where, as we have already said, there was such a marked rise of real estate prices in recent years, the sale of an allotment brought the owner considerable profits. Even in Beer-Tuvia, one of the least progressive spots in the country, no less than from £E.2.50 to £E.2.70 per dunam¹ was obtained at the time of the great real estate boom in 1924 and 1925.

Some moral justification might, perhaps, be pleaded for these profits on the ground that they constituted a sort of compensation for the terrible privations which the settlers underwent in the early years of colonisation. But this is not the case, for, as we stated above, few of the original colonists

¹ £E.1=£1 os. 6½d.

remained on the spot. In other words, these profits accruing from the rise of real estate prices benefited those who were the accidental holders of the lots at the time and had no moral claim to compensation for privations previously endured. When the Zionist Organisation wanted to settle new colonists at Beer-Tuvia in 1923-24, and for this purpose had to buy about 1,000 dunams from the estates of the old colonists, the sum of £E.2,340 was paid for this land, which had cost the actual holders nothing. Similarly, the National Fund paid £E.1,600 for about 780 dunams, which it purchased in 1913 for plantations.

Thus there arose in the *Hovevi Zion* settlements a very peculiar situation. The land acquired with national moneys—for the *Hovevi Zion* appealed to the sentimental love of the Jews for Palestine and obtained their funds from voluntary contributions—was given as a present to the colonists, who then proceeded to sell it. No precautions were taken to prevent the land from passing into non-Jewish hands or serving for purposes of speculation. Fictitious titles were invented, which might eventually become dangerous. The juridical situation of the colonists is obscure and confused. *Formally* the land is registered in the name of the figureheads of the *Odessa Committee*, and for the most part the settlers have no documents at all to prove their titles to their land. But in reality they are not dependent in any way upon the actual owners of the land, for they are not even burdened with the restrictions—formal as they are—of the Pica contract.

5

The success or failure of an agricultural undertaking depends on quite other factors than the form of land ownership. There are a number of varied causes to be taken into account, such as the natural conditions of soil, climate, etc., or the financial position of the settler, or even the psychological factor—the colonist's mentality. Thus, for instance, the quality of the soil, which in turn determines the form of cultivation, is a most important consideration. It explains the great difference between the Judean colonies, which were able to lay out their plantations on light, sandy soil, and the settlements of Upper and Lower Galilee, on whose clayey or basalt soil nothing but cereal cultivation could be undertaken. The former are suitable for intensive cultivation, the products of which are of the nature of monopolies, and afford the settler a more or less ample and secure income. The latter grow products which are neither suited for export nor able to compete with imported products in the domestic market. Consequently the cereal colonies contrast unfavourably with the plantation colonies in that they offer no satisfactory return on the capital that is put into them. For these reasons Petach Tikvah, for instance, has progressed, while Kfar-Tabor (Mes'ha) has not; Hedera has become an important settlement, while Sejera continues to lead a penurious existence. In the same way, Rehoboth and Ness-Zionah have far outstripped Ekron and Artuf, because the latter produce nothing on which a good profit could be made; and other cases could be quoted.

There are yet a number of other circumstances of decisive importance, such as the equipment of the settlements, the capital in the hands of the settlers, and above all the calibre of the human material. If this is of the right kind, that is to say trained for agriculture and adequately prepared both materially and morally for the work in hand, the settlement has a far greater chance of success. With the quality of the soil are associated other important factors, such as geographical situation, transportation facilities, sanitary conditions, and so forth. Thus the proximity of a harbour is of great importance to settlements producing for export. It would go beyond the scope of our inquiry to set forth in detail all the causes contributing to the success or failure of an agricultural enterprise. We have only cited a few examples.

All these causes tend to produce the same effect everywhere, no matter whether the settlement in question has been founded on private or national property. Where all the conditions for success—geographical, economic, financial, psychological and the rest—are absent, the colonisation venture is foredoomed to failure, whether the settlers are owners of the land or tenants. This has been demonstrated by the history of Palestine colonisation. There was the same failure at Menahemiyah on Ica land, at Ruchama on privately owned land, at Kinereth Hill on National Fund land. On the other hand, where the conditions are present for satisfactory development, success has been achieved no less on national than on private land. The universally recognised success of the settlements of Nahalal or Kfar Yeheskel, both on National Fund land,

cannot be considered as inferior in any way to that of Binyamina, founded by the Pica, which is looked upon as a striking achievement in colonisation work.

If we compare two adjacent settlements possessing much the same economic advantages, of which one is on privately owned land and another on national land, we find that they have both gone through much the same development and reached much the same stage. A comparison between two adjoining places, such as the small Pica colony of Kinnereth and the Zionist Organisation settlement of the same name on National Fund land, or the colony of Merhaviah, which is privately owned, and the *Moshav* Merhaviah on National Fund land, shows that the economic progress of the settlements on National Fund land is not at all inferior to that of the others, in fact in some cases it is superior. This may be attributed chiefly to the calibre of the workers in the Zionist settlements, who, being impelled by idealistic motives, take extraordinary pains to establish the venture on a firm basis. Be the reason what it may, we cannot perceive that private ownership presents any advantages over the leasehold tenure of the National Fund. It does not lead to greater intensity of cultivation, as measured by the productivity of the soil—tested, for example, by the output of a given area—or to greater density of population. It does not make for greater stability by strengthening the attachment of the settlers to their colony. It does not enhance the general well-being of the settlement; in particular, it does not improve the general tone of the colony, as, for example, by increasing the settlers' zest for agricultural labour.

But if private ownership of land does not improve the economic position of the settler, can it, perhaps, be said that it is in its psychological effects that its beneficial influence is really felt? We believe that even this cannot be maintained. Reference has already been made to the detrimental effects on the morale of the settlers of the system prevailing in the Pica or the *Hovevi Zion* colonies. It is a most serious matter that settlers should become the proprietors of land for which they have not paid. It is tantamount to their receiving alms. And what is here given away is not something of which an indefinite quantity can be acquired by purchase, such as livestock or implements, but a commodity which is intrinsically incapable of a quantitative increase and hence is definitely of the nature of a monopoly, namely the soil of Palestine, the most precious and irreplaceable of all the elements required for the building up of the country. It is clearly inadmissible that land which is acquired with public and not with private funds should be given away as a present; and in the last resort, even the Pica moneys, though they have not been raised by popular subscription, are, nevertheless, to be regarded as public funds. This would be a kind of philanthropy which might have most injurious effects. The Ica aimed at breaking away from the system of charity and basing its work on other principles. In reality, however, it has changed but little, if its contract of sale is nothing but a fiction and if it makes the settlers a present of the land (as, indeed, of the whole farm) without exacting from them any equivalent return. Would it not be better to clear away the make-believe and

state definitely that, as far as the land is concerned, the Association remains the perpetual owner? This would reduce the sum to be repaid by the settler by a considerable amount, and would enable him to pay off the rest of his debt (representing the advances for colonisation purposes) more easily and in a shorter time. The settler would thus become the owner of the farm, while even after he had paid his debt in full, the Ica would still be able to prevent the farmer from abandoning agriculture when he saw a chance of selling his farm at a profit, thanks to the fact that the land had meanwhile increased in value, or again from forfeiting his land because through lack of money he had fallen into the hands of usurers or otherwise got into difficulties.

Such occurrences are quite common among other peoples. They are also not unknown among the Jewish colonists in other countries. Similar cases have occurred in the course of the colonisation work of the Ica in Argentina, as is shown by the following characteristic story.

In the colony of Mauricio a number of colonists requested the Administration to give them title-deeds to their land, in exchange for which they offered to pay off the amount of the debt still outstanding in a single payment. The Ica's contract in Argentina, as in Palestine, provides that the debt cannot be repaid before the specified time without the consent of the Ica. This clause was incorporated in the contract to prevent the settler from selling his land to speculators. As the then Vice-President of the Ica, Mr. F. Philippon, explained in his report to the General Meeting of the Association on July 1st, 1911,

the Ica inserted this clause in order to attach the colonists' sons to the soil, which their parents had acquired from the Association at a very moderate price.

The rise of land values in Mauricio was very marked. Prices increased in some cases tenfold, and consequently all sorts of speculators tried to get hold of the land. They instigated the colonists to demand their title-deeds, and offered to advance them the money to clear their debt to the Association—obviously on terms not too advantageous to the colonists. According to Mr. Philippson, the sale or heavy mortgaging of the land usually led to the settlers leaving the colony in order to engage in business in the towns.¹ The cause of all this, according to the official statement of the Ica, was the great rise in land values, which tempted the colonists to sell or lease their land.² In 1910 a number of Mauricio colonists brought a suit against the Administration of the Ica for having refused to accept the repayment of their debt before it was due. The verdict of the Court of Appeal contained the following highly interesting points: The Ica, in order to realise its aim of transforming Jews into agriculturists permanently attached to their own soil, had included in the contract conditions which would ensure the formation of homogeneous Jewish settlements. For this purpose the Association was entitled to impose certain restrictions upon the colonists with regard to the agricultural methods to be employed, and to fix the duration of these restrictions. For instance, it

¹ Report 1910 (Paris, 1911), pp. vii.-viii.

² Report 1920, p. 8.

need not sell the parcels to the settlers unconditionally, and can forbid them to speculate with their land. The various limitations imposed by the contract on the economic freedom of the settlers could be seen to be necessary, if the purposes of the colonising agency were borne in mind.¹ Private ownership of property led to an exodus from the land, to the abandonment of the farms, and to emigration to the towns, which meant that the attempt to carry out the extremely difficult task of fitting the Jews for productive work on the land would be completely frustrated.

The accuracy of this diagnosis has been completely borne out by the facts. No sooner had the colonists paid off their debt to the Ica than many of them hastened to sell their property. The land of the colony of Mauricio, which has existed for about thirty years, is passing into non-Jewish hands. According to the Report of the Ica Administration for 1919, 27 of the 84 colonists of Mauricio who "emancipated" themselves in that year—i.e. paid off their debt to the Ica—had sold their land.² In the following year the number had risen to 31.³ This evil has already spread to other Jewish colonies in Argentina, and is becoming the general rule.

There is no reason to think that what has happened and is still happening in Argentina cannot also happen in Palestine.

¹ Report 1910, pp. 25, 26.

² Report 1919 (Paris, 1921), p. 7.

³ Report 1920, p. 8. The Report of the Ica for 1925 remarks that the colonists who had abandoned their land and moved to the towns were gradually returning in order to till their land themselves (Report 1925 (Paris, 1927), p. 36).

6

In Palestine the private ownership of landed property has not proved its superiority over the system of leasehold tenure. On the contrary, leasehold tenure has several not unimportant advantages over private ownership, which, indeed, account for its growing vogue. In this respect Palestine constitutes no exception to the general rule. Leasehold is a form of tenure much favoured by agriculturists in many parts of Europe, and also plays an important part in the New World. In many countries a marked tendency toward the extension of the leasehold system is to be observed. It is an old device which is being increasingly resorted to with the growth of capitalism, "as landed property divests itself more and more of its former immobility and passes in increasing measure into the hands of capitalists, who lack both the inclination and the ability to cultivate it themselves." ¹

The following table, based on the results of the most recent inquiries, gives an idea of the extent of leasehold tenure in the chief European and several American countries. The second column gives the proportion of leasehold farms to the total number of farms, and the third the proportion of the area cultivated by leaseholders to the total area of the respective countries.

¹ Steinbrueck, *Pacht in Handwörterbuch der Staatswissenschaften*, Vol. VI., fourth edition (G. Fischer, Jena, 1925), p. 793.

TABLE II.

EXTENT OF LEASEHOLD TENURE IN
VARIOUS COUNTRIES

<i>Country</i>	<i>Year</i>	<i>Leasehold Farms as Percentage of total number of Farms</i>	<i>Leased Area as Percentage of total area under Cultivation</i>
Great Britain . . .	1916	89.0	87.8
Belgium	1895	78.9	51.0
	1910	—	54.2
Holland	1921	44.0	48.0
France	1892	25.4 ¹	47.2 ²
Germany	1907	57.1	13.9
Sweden	1913-20	27.7	—
Austria	1902	25.3	—
U.S.A.	1920	46.8	36.8
Uruguay	1916	44.0	39.4
Japan	1921	69.4	46.3
Australia	1922	—	49.9

Particularly significant is the spread of the leasehold system in the new countries, where colonisation has been taking place on a large scale in the nineteenth and twentieth centuries. In contrast to Europe, where the greater part of the land was in the hands of small groups of landed proprietors, and where farmers could not become owners of large tracts of land, but merely lessces, in overseas countries there was a superabundance of land, which could consequently be sold to the settlers at a low price. And it is in these very countries that we find extensive areas held on leasehold tenure.

Thus in Argentina in 1915, of 77,955 cultivators only 23,546, or 30.2 per cent., were the owners of the land they tilled, while 69.8 per cent. were tenants. The land is leased partly by the State and partly by private owners.¹ In the United States 38.1 per cent. of the cultivators till land they hold on lease exclusively, while 8.7 per cent. till land that is partly leased and partly their own. Special mention should be made of the fact that both the number of tenants and the area of the land held on lease show a continuous increase, as we see from the steady rise in the figures given in the decennial census. Thus the number of farms wholly leased, expressed as a percentage of the total number of farms, was 25.5 in 1880, 28.4 in 1890, 35.5 in 1900, 37.0 in 1910, and 38.1 in 1920. In other words, the percentage rose by 12.6 in 40 years. In Australia all the landed property belongs to the State to begin with, and it is only little by little that it passes into the hands of private owners. The agrarian policy of Australia at first favoured generous gifts of land ; this gave place later to the system of selling State domains at a low price, and this went on till the several States of the Commonwealth finally came to the conclusion that the alienation of State domains was not the right method, and the sale of landed property was definitely stopped. Since then the State domains have been disposed of only on long-term leases. The land remains in the perpetual ownership of the State, and the farmer has simply to pay a rental determined by the local authorities, the amount being fixed according

¹ Woytinsky, *Die Welt in Zahlen*, Book III. (R. Mosse, Berlin, 1926), p. 93.

to the value of the land, which is periodically re-assessed. The result has been a great extension of the area held on leasehold tenure in Australia. According to the returns for 1922, 67,646,000 hectares, or 8.9 per cent. of the total area of Australia, are owned privately, while 379,954,000 hectares, or 49.9 per cent., are leased by the State to private individuals. There are State domains not yet leased amounting to 313,892,000 hectares, or 41.2 per cent. In the course of 21 years (1901-1922) the landed property in private hands increased by 23,165,000 hectares, or 3.1 per cent., while the land held on lease increased by 91,391,000 hectares, or 12 per cent. In Australia it is held to be not only financially advantageous, but also in the interests of the agricultural development of the country, that State domains should be leased rather than sold to private owners, with all the injurious consequences which that system entails. We may observe a similar course of events in New Zealand. There, too, there was at first unrestricted selling of the State domains. Frightened by the rapid growth of *latifundia*, the Government changed its policy. Since 1893, the disposal of State domains has taken place in various forms, beginning with sale to private owners and continuing with grants of perpetual leaseholds, which in 1908 were replaced by long-term leases with an option of renewal. Of the total area under occupation in New Zealand, amounting to about 17.4 million hectares, about 8 million hectares are held by farmers as private property, and 9,370,000 hectares on lease, of which 7.7 million hectares are State domain. In Uruguay, according to the statistics of 1916, 25,443

of the 57,974 farms, or 44 per cent., were held on lease, covering a total area of 6,416,439 hectares, or 39.4 per cent.

Leasehold tenure shows a distinct tendency to spread. A comparison of the statistics shows that in most countries both the number of leased farms and the area of land held on leasehold tend to increase. In Great Britain, in the twenty years 1895-1916, the leased area increased by 2 per cent. and the number of leased farms by 0.7 per cent. In France, in the ten years 1882-1892, the number of farms increased by 5 per cent. and the area by 7 per cent.; in Belgium the number of farms increased by 41.1 per cent. in the fifty years 1846-1895, and the area by 7.27 per cent. in the thirty years 1880-1910. In Japan, in the ten years 1911-1921, the number of farms increased by 1.9 per cent. and the area by 1 per cent.; while in the United States the number of farms increased by 12.6 per cent. in the forty years 1880-1920, and the area by 1.7 per cent. in the ten years 1910-1920; and finally, in Australia the area held on lease increased by 12 per cent. in the course of twenty-one years.

7

The old form of leasehold cannot be applied in new countries which are still in process of being colonised. It is a product of the feudal period and owed its rise to historical causes inherent in the economy of feudalism. Thus it entailed the loss of personal liberty on the part of the tenant, who,

fettered to the soil, was solely concerned with the tilling of the land, without enjoying the rights of an owner or a proprietor. When economic liberalism destroyed feudal society, it put an end at the same time to the agrarian system which divorced the ownership of the land from the cultivation of the soil. With this change the institution of leasehold also fell into disuse. The long-term lease was regarded more or less as a survival of serfdom. Even the lease of limited duration was looked upon as an antiquated form of proprietorship, inferior in every way to private ownership. Without doubt, from the farmer's point of view, absolute proprietorship has many advantages over the occupation for a limited term of land belonging to a *private* owner. "No one is so directly interested in maintaining and increasing the productive capacity of the holding. . . . The enriching of the soil with nutriment, drainage, irrigation, and deep ploughing, the laying out of perennials—all these are enterprises which the man owning his own farm can and will more easily take in hand, because the benefits accruing from them attain their full measure only at a later period, sometimes being reaped only by a succeeding generation."¹

The natural tendency of the temporary tenant is to make the utmost out of the land during the short time that it is at his disposal, the result being often that he exhausts the soil. This evil can be obviated by substituting a long-term for a short-term lease, the lease being made for a long enough period to permit the tenant to reap the reward of slowly

¹ August Skalweit, *Das Pachtproblem* (Kurt Schroeder, Bonn and Leipzig, 1902), p. 2.

maturing improvements. The chief defects and most harmful results of short leases can be avoided by long ones.

On the other hand, leasehold has some important advantages. Above all, it enables the man whose means do not suffice for the purchase of a property to establish a farm without actually acquiring land. Land purchase leads directly to an excessive indebtedness on the part of the farmer, who is compelled to encumber his land with mortgages in order to raise the purchase-money. Weighed down with debt, he is not in a position to carry out the necessary improvements and has not the means to introduce more intensive agricultural methods, or otherwise to improve his holding.

The extent to which farm properties in Europe are encumbered by debt is a phenomenon that cannot be viewed without alarm and may one day have serious consequences, though in some countries the extraordinary conditions brought about by the World War, such as the tremendous rise in the price of farm products and the depreciation of the currency, have enabled the farmers to clear off a part of their indebtedness.

The chief reason for the great and ever-increasing indebtedness of agrarian property is the inadequate return supplied by agriculture. An additional reason is that land is often bought at a price which is excessive in proportion to its productivity, and this brings about an over-valuation of landed property. The main reason for this over-valuation lies in the fact that land is intrinsically a monopoly. Landed property naturally tends to become encumbered

with debt, because its very suitability to serve as a pledge tempts the owner to raise mortgages on it. This is particularly apt to happen when the property is divided among heirs. Indebtedness frequently results in a forced sale of the property and the loss of the farm.

In the case of leasehold, however, indebtedness, with all its evil consequences both for the farmer and the farm, may easily be avoided. The example of England serves to show that at a time of crisis leasehold possesses not a few advantages over ownership in cases where the lessor has plenty of money or the State itself is lessor, "as at such unpropitious times the lessee is far more likely to succeed in having his rent reduced to conform with altered circumstances than the owner to secure the indulgence of his mortgagee."¹

Hereditary leasehold, in its modified form, combines the advantages of ownership and leasehold without having the defects of either. It does not involve the numerous restrictions upon the liberty of the tenant which actually marked the old form of leasehold, though they were not inherent in its nature. The land is granted for hereditary usufruct against a fixed rental. The parcels are inalienable and not mortgageable, and they may be divided up or united to other parcels only with the consent of the lessor.

"It is undeniable that this new form of hereditary leasehold has numerous *economic advantages*, where the object is to establish new settlements and to settle farmers and small-holders in places where so far

¹ K. Steinbruck, *op. cit.*, p. 790.

there have been none, or where tracts of land previously untilled are to be put under cultivation.”¹

8

For the Jewish colonisation of Palestine hereditary leasehold is the most suitable form of tenure. It might be said to have been specially created for the peculiar conditions governing our colonisation work. In a country where land has to be secured at a high price in relatively small quantities and with great difficulty, and then has to be distributed among settlers mostly in poor circumstances, the work cannot be left to private initiative. It is absolutely necessary that an institution operating on national lines should intervene.

The National Fund system is based on the principle of hereditary leasehold, and gives the settler a well-defined status on the land. He receives the land on hereditary lease only, and has not in any way, either direct or indirect, to refund the value of his holding. He is given the land in usufruct alone, and for this he pays rent.

It is well known that the cost of land in Palestine is very high and out of all proportion to the returns at present to be derived from it. Since the World War and the development of Jewish immigration there has been a very marked rise in prices, which can be attributed to various causes, political, economic, and psychological : political, because under the new Administration the country had better

¹ H. Pasche, “*Erbpacht*,” in *Handwoerterbuch der Staatswissenschaften*, Vol. III. (third edition, G. Fischer, Jena, 1909), p. 1,017.

prospects ; economic, because Jewish immigration brought new life into every field of activity ; and finally, psychological, because the Jews, being very impatient, fear that the opportunity of acquiring land may escape them. Indeed, the Arab landowners are well acquainted with the Jewish land hunger and have known how to exploit it to the full. The truth of this statement can be demonstrated by numerous instances. To mention but one, in the plantation-zone in Judea people are at present paying ten, fifteen, even twenty-five or thirty pounds per dunam for land which could be acquired for half or only a third of this sum a few years ago. This means that a settler who wants to lay out a plantation of 25 dunams must pay from £250 to £750 for land alone. About the same sum is needed in the case of cereal cultivation, although land for this purpose costs only three to six pounds per dunam, because a hundred to a hundred and fifty dunams are required. If the colonists who are settled with the moneys of the Zionist Organisation, and who have to repay in full the colonisation credits received by them, had also to pay for their land, their liabilities would be enormously increased. The case is no different with the handful of colonists who essay to settle themselves with their own scanty means. They would be a hundred times wiser not to increase their indebtedness unnecessarily, and to lay out what little money they have for the genuinely productive work of settlement, instead of tying it up in land purchase. The leasing of the land would reduce their indebtedness by about 30 to 40 per cent. Throughout the world an effort is being made to reduce

agrarian indebtedness as much as possible. In Palestine we should try to avoid unduly encumbering our farmers from the start. The returns of Palestinian agriculture are so low that they cannot possibly enable the farmers to pay off large debts. Indeed, if the Pica colonies do not repay their debts, it is not from ill-will, but because the returns of their farms are too small to enable them to do so. If the farms are too heavily encumbered, they may be completely crippled, and the prospect of a self-supporting agricultural community—the cherished goal of our colonisation work—lost for ever.

A simple calculation suffices to show that the settler cannot be expected to pay for his land in addition to paying off the colonisation credits he receives. The Commission appointed by the Zionist Executive in 1924 to work out plans for the agricultural undertakings of the Zionist Organisation estimated the gross cash income of a settler in a working-men's settlement (*Moshav Ovedim*) at a total of £129.25, after deducting his necessary expenditure on the maintenance of himself and his family, feeding of cattle, and seeding. But his annual outlay, apart from maintenance, comes to £125.80 ; this includes £20 toward paying off the colonisation credits granted by the *Keren Hayesod*,¹ and £10 rental for land leased from the National Fund. The purchase-price of the land amounts to £500, on which only 2 per cent. interest is charged. If the settler had to pay off the full value of the land instead of a 2 per cent. nominal rental, the annual payment would be a far larger one. Where should the settler find

¹ Palestine Foundation Fund.

this money, if even with a leasehold he is hardly able to meet his expenses from the returns of the farm? Moreover, the calculation of the Commission is somewhat unreal, since in practice there are but few farmers in Palestine, especially in the post-War settlements, who would be able unaided to make their accounts balance. With the exception of planters, who have been able to make large profits in recent years, most farmers, in the old as well as the new settlements, are hardly in a position to pay anything beyond the minimum rate of interest on the cost of their land. Even to pay ten pounds annually is no easy task for them.

It is only the big planters with considerable capital in hand for laying out orange or other plantations who can afford the luxury of acquiring land of their own. But only a few persons of ample means are desirous of engaging in agriculture. For all other cultivators not engaged in raising monopoly products, it is disastrous to tie up their personal capital in land purchase; such a step may seriously affect the success of the venture and entail the farmer's ruin.

All this can be avoided by the leasehold system. The hereditary lease affords the settler the same security as private ownership, while it does not restrict him in the use he makes of the soil. His freedom of action, economically speaking, is limited only in a few clearly defined cases—for example, when it is laid down that the lessor's consent is required for the transfer of the lease from one tenant to another. The object of this is chiefly to prevent the land acquired with so much effort from passing into

non-Jewish hands. That this danger is not merely a theoretical possibility has been demonstrated by several cases of recent occurrence. For instance, an extremely valuable lot in the main thoroughfare of Jerusalem passed into non-Jewish possession ; a very important piece of land in the vicinity of Haifa was sold by a Jew to a non-Jewish company, and there are other cases. The tenant must yield to the superior demand of the community that the land belonging to Jews be preserved for Jews, and for its sake he must acquiesce in whatever restrictions are placed upon his right of disposal. It is thus that the National Fund reserves the right to refuse its consent to a change of lessees in case the leasehold is sold for purposes of speculation. Otherwise the tenant is free to dispose of his land as he wishes. He may sell or mortgage his leasehold interest, give it away or bequeath it by will, just like a landowner, with the sole exception that in the case of the tenant all these transactions apply only to the leasehold interest, while the landowner deals with the land itself.

Certain other restrictions upon the rights of the hereditary lessee are necessary to assure the prosperous development of the farm, and indeed in the interests of Palestinian agriculture generally. For instance, in order to prevent the formation of dwarf farms, it is forbidden to divide up the holdings, since a self-supporting farm cannot exist on an insufficient area. Similarly, it is not permitted to make several holdings into one, since by so doing rational farming is rendered more difficult and the settler is compelled to engage paid labour. Similarly, precautions have been taken against injurious methods of

farming or other neglect of the property, such as may easily occur in cases of loss of fortune, failure of heirs and so forth. Finally, restrictions are usually placed upon the right of the holder of a hereditary lease to mortgage his holding by a provision in the lease limiting the amount which may be raised on mortgage ; and the National Fund is further enabled to prevent excessive hypothecation by a clause providing that its consent must be obtained before a mortgage on the hereditary leasehold can be registered. "For these reasons," says Buchenberger in his classical work on agrarian policy, "hereditary leasehold is particularly advisable for domestic colonisation, the success of which may easily be impaired if, without any further formalities, parts of the newly founded settlements may be sold at will or divided uneconomically among the heirs or saddled with encumbrances, perhaps for purposes prejudicial to the farm," or "in particular, where a vanished peasantry has to be reconstituted from the most heterogeneous elements."¹

But it is precisely this which constitutes our chief task in Palestine. We have to create anew our vanished peasantry, and, what is more, out of elements either entirely without means or with extremely slender resources. We must create such conditions as are most likely to assure the growth and permanence of an efficient peasantry. To this end the hereditary lease must contain every guarantee that the land will remain in the possession of the

¹ A. Buchenberger, *Agrarwesen und Agrarpolitik* (second edition, revised by W. Wygodzinski, Vol. I. C. F. Winter, Leipzig, 1914), p. 182.

settler, and that the settler will remain on the land as a farmer. The restrictions imposed by the contract are by no means of an abstract or theoretical nature. On the contrary, they have a practical and concrete aim—to build up a self-supporting peasantry, bound by indissoluble bonds to their homesteads and their country. Hereditary leasehold offers nearly all the advantages of private ownership without any of its drawbacks. It is “of all forms of tenure the nearest to private ownership, and therefore the advantages which we found reason to claim for farming by occupying owners can be predicated for the most part of the farming of land held on hereditary lease.”¹

For our Jewish work hereditary leasehold has another important point in its favour. In the settlements on privately-owned land the employment of Jewish labour is an extremely difficult problem. As we know from experience, the older colonies tend to employ cheap, i.e. non-Jewish, labour. On the other hand, in the settlements on national land strict adherence to the principle of Jewish labour is well within the realm of possibility. The National Fund has to see that this principle is observed, and it can do so not only by means of adequate stipulations in the hereditary lease, but also by enforcing in its colonisation work certain rules to ensure that the settlers shall do their own work, or—where this is impossible—shall at least employ Jewish labour only. For instance, the fixing of a maximum area for a farm deprives the settler of any excuse for

¹ Buchenberger, *op. cit.*, p. 180.

calling in the help of outside labour ; and so with other rules.

Moreover, hereditary leasehold does not curtail the settler's facilities for securing credit, and provides a perfectly adequate security for loans. Even if the land as such cannot be given as a pledge, the hereditary lessee is none the less in a position to raise a loan by mortgaging his hereditary leasehold interest. For the value of the land as a pledge is determined by its earning capacity, i.e. the income which the settler can derive from it. An hereditary lessee, who is not hampered by having to make large payments for his land, can pay off a loan in a shorter time and with less difficulty than a land-owner who has to bear this burden. In this respect also hereditary tenure is in no way an inferior form of tenure, offering as good security for a loan as private ownership.¹

Apart from these purely economic aspects of the matter, there are important considerations of a social nature which should be taken into account in deciding between ownership and hereditary leasehold. Here they can only be touched upon in brief. Foremost among them is the idea of making the ground-rent, which tends to rise everywhere, and especially in Palestine, a source of profit to the community. The individual should reap the full reward of his personal labour, and the increment in the value of the land should belong to him alone in so far as it is due to the amelioration of the soil, or generally to his own efforts. On the other hand, all

¹ This problem is discussed in detail in Chapter IV. below.

increment in the value of the land resulting exclusively from the development of the country as a whole and its economic progress should accrue to the community in the shape of increased ground-rent paid to it as lessor. The increment in the value of landed property is ascertained by the National Fund by means of periodical assessments. A higher rental is then charged, corresponding to the increase in the value of the land, the same rate of interest being maintained, i.e. 2 to 4 per cent.

The Jewish body politic makes so many sacrifices for the upbuilding of Palestine that it is wholly justified in claiming its share of the increase in the value of the chief means of production, namely the land, an increase largely due to its own achievements.

9

The advantages of the hereditary leasehold system may be summarised as follows :

(a) It enables settlers with scanty means or none at all to acquire the holdings necessary for starting a farm without contracting debts which it is wholly beyond their power to pay off. The rental being fixed for a considerable period, the settler is secure against an arbitrary increase in the demands of the landowner.

(b) It ensures the keeping of the farms at a proper size and in proper condition, since it provides against undue cutting up or piecing together of plots, as well as against improper treatment of the land, and limits the extent of the indebtedness which the farmer may incur.

(c) It secures the national character of Jewish land by preventing it from passing into non-Jewish possession.

(d) It pays due regard to Jewish national interests in the development of colonisation, especially by encouraging the employment of Jewish labour, a principle fundamental to the building up of the country.

(e) It stands for a just distribution of the increment in the value of the soil. The settler receives the part resulting from his personal efforts, while the community also receives the part due to its activities.

(f) It combats land speculation and usury.

It is only through the national ownership of land that the prosperity of agriculture, the progress of the peasantry, and the social welfare of the Jewish community can be assured. Perhaps this way is harder to travel and stranger to many than that of the old-established forms of proprietorship. But it is the way we are compelled to take by the conditions under which our work in Palestine has to be carried out. In the interests of the colonisation of Palestine, the national ownership of land must remain in the future, as in the past, not, indeed, the only form—for private ownership will continue to play its part in the building up of the country—but at all events the predominant form of proprietorship.

CHAPTER II

LAND POLICY AND COLONISATION POLICY

I

In the process of the building up of Palestine what part is to be played by land and colonisation policies? Above all, what is the relationship between these two all-important factors in the task of building up the country? It is instructive from many points of view to analyse the connections between them, as it exists at present, and to trace their reciprocal effects.

Land policy is not a problem that can be considered abstractly and *per se*, independently of the actual development of colonisation. Rather is it determined by well-defined economic and social phenomena which emerge as colonisation proceeds from stage to stage. As the work advances, situations are liable to arise which demand that the colonising agency should take steps to bring about or avoid certain results. Land policy stands and falls with colonisation policy.

Land is the basis of colonisation, rural as well as urban—the foundation on which all productive activity is built. It is the first task of the colonising agency to obtain possession of land and to make sure that it is in a position to use such land as it thinks fit. Its second task is to conduct colonisation work on the land thus acquired. Which of these activities should it regard as of predominant and decisive importance?

It would be best and certainly easiest to draw up a plan in which the first step would be to take possession of *all* the land necessary for the purpose of Jewish colonisation, in order to be able to carry on the work of settlement at leisure. That would be the simplest method of colonisation, and the problems arising in connection with it could doubtless be solved much more easily. One type of land policy is frankly based upon this view. It regards the securing of land, regardless of the needs or possibilities of colonisation, as the first task of Palestinian Jewry, and wishes to see every other aspect of the work of reconstruction relegated to a secondary place. On political grounds the adherents of this policy believe that we jeopardise our future occupation of the soil of *Eretz Israel* if we do not make every effort to lay hands on all the available land at once. They believe that the land question ought to be solved by the Jews within a very short time—five or ten years—and that, once in possession of the soil, we should be able to realise all our schemes of colonisation. The work of colonisation could then be systematically carried on with the definite objective of increasing the density of population to a maximum. Till then, however, the land should, so to speak, be merely occupied, and only cultivated in the most superficial manner.¹

¹ The most thoroughgoing exponent of the view that the acquisition of land must take precedence over all other activities entailed in the work of reconstruction is Isaac Wilkansky. For the purpose of "shortening the front," he is prepared to relinquish many positions already gained in the work of colonisation in order to concentrate on the chief task, which, in his eyes, is the acquisition of land. A large part of his book *Middoth* (Tel Aviv, 5684) is devoted to upholding this contention. See, for example, pp. 12, 379.

Theoretically this course might seem desirable. But few words are needed to demonstrate its impracticability, and it is, therefore, useless to build up theses which can obviously lead nowhere. Such a theoretical and abstract view of things has no place in the social life of the twentieth century. The rapidity of economic development which characterises the present age—a phenomenon already visible in Palestine itself—will certainly not permit us to satisfy our requirements in the matter of land without at the same time making use of it for colonisation on an extensive scale. To satisfy all our requirements within a short time is a practical impossibility, if only for reasons connected with the vendors of the land, and hence lying beyond our control. Again, the enormous sums necessary for this purpose are not within our reach. And finally, we cannot, for many reasons, allow the other activities involved in the building up of the country to be suspended until all the soil we require is in our possession. Our land problem is not one of to-day and to-morrow, and it cannot be solved within a narrow time-limit. In common with the whole of the work which the Jews are doing in Palestine, it stretches far into the future. The land question can find its solution only in a sustained effort, carried on *pari passu* with the colonisation work as a whole.

Land policy is one of the elements of colonisation policy. But with us the acquisition of land is frequently

not decided by considerations of colonisation policy, and is not carried out in harmony with the interests of our colonisation work. On the contrary, it is our colonisation policy that is to a certain degree determined by our land purchases. The land is not acquired according to a plan dictated by colonisation policy properly so called, but in deference to all sorts of considerations, if not quite fortuitously. The colonisation scheme is only determined after the land has been acquired, and is made to conform with the character of the area, its situation, size, the available water, and so forth. The first land purchase in the Plain of Esdraelon shaped the entire post-War colonisation work of the Zionist Organisation. Our colonisation policy was in large measure a consequence of the Organisation's first steps in the acquisition of land ; thus, for example, it was due to the purchase of the Nuris and Nahalal blocks that the colonising activity of the Zionist Organisation was concentrated in the Plain of Esdraelon. The right course would be precisely the opposite : land policy should be determined by colonisation policy. For constructive work on a large scale there is required a comprehensive, well-considered, and far-sighted scheme of colonisation. Land policy and the activities it entails should be judged in relation to the colonisation policy and the execution of the colonisation scheme. The object of the land policy is to provide the land needed for colonisation purposes and to form land-reserves against the future requirements of the colonisation work. If colonisation work is to be really systematic, and not merely improvised to meet every passing change,

we must have a plan which shall form the basis of a clear and far-sighted land policy. Instead of this course being followed, land has been acquired in a haphazard casual fashion, of which it is, unfortunately, possible to find many examples in the colonisation work of the Jews in Palestine as well as in the work of the National Fund.

The acquisition of land cannot be an end in itself, and land cannot be purchased for its own sake alone. Land as such is a dead thing, contributing nothing to the wealth of the community. It obtains a value only when it is used as a means of production in rural colonisation, or to provide dwellings and industrial sites in urban colonisation. Accordingly, in judging the value of any steps taken to acquire land, the decisive test must be the colonisation work—to whichever branch it may belong—which can be successfully carried out on that land. The important question is what part the land is capable of playing in the process of colonisation ; what colonising activity it makes possible ; how many people it will enable to maintain themselves in the country ; in other words, the practical value of the land to the community as *one* of the means of production.

It is not the number of dunams passing into Jewish or even into National Fund ownership which will make Palestine Jewish, but the number of Jews who are working and producing there. If, through a miracle, all the free land in Palestine were actually to pass into Jewish hands at once, this would by no means signify that the problem of the Jewish National Home was solved. In the building up of Palestine the crucial question—let us never forget—

is the creation of a Jewish majority in the country. And the way to this goal lies, above all, in a land policy which will bind a maximum number of people to the soil. In future our national land policy should be determined by the colonisation value of the land and the extent to which it is capable of giving scope to Jews for productive activity.

Once we lay the main emphasis on the colonisation value of the land, we are led inevitably to a whole series of deductions applying both to the theory and practice of our land policy. One is that it is necessary to acquire tracts of land wherever there are possibilities of colonisation, and to form land-reserves in the neighbourhood of every important settlement in the country—above all in the vicinity of Jewish settlements. Through the formation of larger centres, opportunities for work are created, which permit the absorption of additional Jewish settlers.

This is one of the reasons why it is also necessary to have an urban land policy. It was a great misfortune for Tel Aviv that it did not possess any land-reserve which might have given thousands of workers opportunities of settling down. The severe economic crisis which befell Tel Aviv in 1926–1928 would have been felt much less keenly if the newly arrived labour elements, instead of being crammed together in the city and compelled to fritter away their time there unproductively, had been able to fall back on the cultivation of small plots of land of their own in the neighbourhood of Tel Aviv. Had Tel Aviv been surrounded by suburbs and small settlements where these people could have obtained a livelihood, or at least eked out some kind of existence, economic

conditions in the town would not have been nearly so bad as they were. Nay, more ; had these people had homesteads of their own to fall back upon in case of need, we should certainly to-day have had many more men with a feeling of close attachment to the land. The dearth of land and the speculation in land which characterised the Tel Aviv of the 1924-1925 boom were in many respects responsible for the crisis and forced crowds of unhappy and desperate people to leave the country. During the fateful years of the great immigration nothing whatever was done to give the urban elements access to the soil, and thus to mitigate, or even to some extent to prevent, the crisis, at Tel Aviv ; and this may be attributed chiefly to the circumstance that the National Fund owned no land in the environs of that town which it might have held in readiness for colonising these elements. Bitterly did we atone for the failure of this institution, which should have been the standard-bearer of a national land policy, to acquire extensive land-reserves around the town at the right time—that is to say, when Tel Aviv was founded—or during its early years, or at least in the six years after the War, before Tel Aviv had developed from a suburb of Jaffa into a considerable independent urban centre. At that time land could be easily acquired at low prices—the same land which later, when Tel Aviv began to develop rapidly, could only be bought at exorbitant prices and became the object of speculation. A far-sighted land policy would have grasped the fact that here the conditions were present for a new and considerable Jewish settlement, which

would bring important opportunities for labour in its wake. It would have foreseen in good time that the prospective immigrants would be placed at a great disadvantage if they could not acquire land on reasonable terms at the time when they wanted to settle in the town. A Jewish town affords new immigrants great opportunities for employment, which can best be turned to account if they are at the same time given possibilities to become settlers. This can be done only by forming land-reserves around the town.

What actually happened? When, in consequence of the heavy immigration, the feverish building activity, and the rapid increase of the labouring population in the town, the Tel Aviv boom set in, and the pressing necessity of providing homes and workshops for urban labourers became apparent, it was already too late. There was no longer any way of solving the problem. Land was to be had either not at all or at such prices as rendered a healthy development impossible from the start. This is borne out by the history of the first attempt to found a working-men's settlement (*Sh'chunath Ovedim*) near Tel Aviv. First of all, the accomplishment of this important project was impeded by the fact that suitable land was not available. As it was out of the question to pay £100 per dunam, it was necessary to secure land more remote from the town, a circumstance that in many ways hampered the realisation of the *Sh'chunath Ovedim* idea.¹

Sooner or later all the towns in the country will find themselves in the same position. Every town

¹ For the problem of working-men's settlements see Chapter VII.

offers Jews opportunities of work and possibilities of settling and striking root in the land. But in order that these may be utilised, a land-reserve must be formed in the vicinity of each town, regardless of whether its population be exclusively Jewish, mixed, or even purely Arab, for the purpose of enabling Jews to settle there when the time comes and providing homes for the Jewish workers. Unfortunately, the National Fund in actual fact possesses land neither in the old nor the new, neither in the Jewish nor the Arab towns. And the experience of Tel Aviv will be repeated in other towns, especially in that with the fairest prospects in the country, namely Haifa, as soon as it has started to develop on the scale of which it is capable.

Not less important is the acquisition of land in the vicinity of towns as yet without a Jewish population, so as to make it easier for Jews to penetrate there and obtain an economic foothold. At Nablus and Jenin, Ramleh and Acre, Beersheba and Gaza, everywhere there are latent possibilities for the settlement of Jews, provided that a suitable land policy be adopted for all these areas. In all these cases this is the primary condition of a sound colonisation policy.

3

The situation is very similar in the older Jewish colonies, where Jewish labour is struggling hard to enforce its claim to employment. In the larger colonies, such as Petach Tikvah or Rishon-le-Zion, Rehoboth or Zichron Jacob, Hedera or Rosh Pina,

thousands of Arab day-labourers are employed. And when Jewish workmen finally succeeded, at the cost of many difficulties, privations, and struggles, in penetrating in considerable numbers into colonies such as Petach Tikvah—when the problem of Jewish labour in the older colonies seemed near to being solved—there arose the same difficulty as in the case of Tel Aviv, namely, lack of land. The question of the regular employment of Jewish labour in the colonies is also part of the problem of devising a land policy which shall be an instrument of colonisation.

In order that the workers may be able to live in the colonies, land should be put at their disposal for the building of homes and temporary quarters, subsidiary farms for groups, as well as small houses and gardens for individual families. But there is no such land available. Here, too, the land policy of the National Fund is to blame. The system which was pursued, and which we have elsewhere designated *Geulath Haaretz* (redemption of the land), in contradistinction to a social land policy,¹ ignored just these very aspects of colonisation policy and made no efforts to acquire land in the vicinity of colonies. We reassured ourselves with the idea that the colonies would no doubt look after their own expansion, and that the Jews there would carry on the *Geulath Haaretz* work out of their own resources. Hence, we reasoned, the National Fund had no interest in acquiring tracts of land of this kind. As the land in and about the existing colonies is very dear, and the number of dunams that could have been acquired

¹ See "*Geulath Haaretz* and Land Policy" in my *Problems of Land Policy in Palestine* (Juedischer Verlag, Berlin, 1925), pp. 17-25.

there would, of course, have been comparatively small, we did not, so long as we made *Geulah Haaretz* our objective, desire to obtain land which would have contributed less to extending the area held by Jews than to increasing the number of Jewish workmen and ensuring them opportunities for work in the colonies. The National Fund neglected to form land-reserves in the vicinity of the older colonies, though at one time they were to be had cheap ; and so now we are confronted by the fact that we have no national land there at all. The amount of land possessed by the National Fund in or about the old colonies is next to nothing. The purchase of a few hundred dunams adjoining colonies like Beer-Jacob and Ness-Ziona in the course of the past few years was quite accidental, and served only to enlarge these small settlements. But in the environs of larger colonies, which may be considered reservoirs for the absorption of Jewish labour, the National Fund owns practically no land. When the course of events made it imperative, after all, to acquire land in the colonies, difficult problems arose and the obstacles in the way of settling workers proved almost insuperable, owing to the fact that the land to be utilised for erecting workmen's homes had necessarily to lie in the centre of the colony. These difficulties are for the most part caused by the prices demanded for lots in the colony proper, which really are exceedingly high in such places as Petach Tikvah or Rehoboth. In Petach Tikvah prices are rising with much the same rapidity as in the towns, and in some respects Petach Tikvah recalls Tel Aviv. If a sound land policy had been adopted and land

had been purchased in the vicinity of existing Jewish settlements and those in process of formation, it would not now be necessary to pay such high prices.

In this connection, a further problem arose—that of the purchase of land already in Jewish ownership. As we stated above, the land needed to provide accommodation for workmen lies within the colonies and usually in a central position. Hence it is from Jews that this land must be purchased. This gave rise to scruples which, in the case of the adherents of pure *Geulah Haaretz*, led to an absolute veto upon the acquisition of land from Jewish owners. In no circumstances did they want to buy such land, even if the interests of colonisation or of Jewish labour had to suffer severely through the application of this principle.

These difficulties would never have occurred if those in authority had recognised the importance for settlement purposes of forming land-reserves around the old colonies, and were consequently now in possession of sufficient land. In this work of settlement one often has the feeling of standing powerless before an insoluble problem of our own making. We failed to foresee the profound significance for our colonisation policy of the growth of the large Jewish colonies. Our land policy neglected the colonies as it neglected the towns. We put obstacles in our own way, and these obstacles must be removed, if we want to make progress in our colonisation work. In framing its land policy, the National Fund must take note of the progress made by the colonies, thanks to their increase in area and population, and

draw the proper conclusion, namely that considerable land-reserves must be formed in the environs of the colonies. In order to meet the most pressing necessities, the National Fund will be compelled to acquire land in the existing colonies, where it has hitherto neglected to do so—even if it be from Jews and at high prices. It goes without saying that it must exercise the utmost care to buy only such land as an expert and unbiassed opinion pronounces indispensable to the further development of colonisation. In making such purchases, we have, of course, to remember that there is a danger of losing the sense of proportion which is so essential, and buying land where we might perhaps, one day be able to acquire it, a trifle further out, from non-Jews, and at no such inflated price. When all is said and done, it is no concern of ours to enrich Jewish land-owners with national moneys. As long as there is non-Jewish land to be bought, we should only take over land belonging to Jews if we are absolutely compelled to do so and have no other way of preventing our colonisation work from suffering.

As our colonisation progresses, it is bound to bring us daily face to face with similar problems, and it would be wise to make up now for what we have hitherto neglected by bringing considerable blocks of land in the environs of the Jewish settlements into the possession of the National Fund. We must not lose sight of the fact that the big Jewish plantation colonies or settlements, like Hedera, have a brilliant future before them through the development of orange cultivation, and will grow rapidly. Much Jewish capital will flow there, and

will create extensive openings for employment. All this means that there will be an influx of workmen into the colonies, always provided that they are given proper facilities for becoming settlers. And this will only be possible if land is available.

Reserves of national land must be created wherever there are possibilities for intensive colonising activity. In such cases the National Fund should not hesitate to offer higher prices, since higher prices may reasonably be paid for land that is adapted to intensive cultivation and permits of closer settlement. It is true that from the standpoint of pure *Geulath Haaretz* the purchase of such land is scarcely to be recommended, since the number of dunams acquired is necessarily small. We believe, however, that in view of the more promising prospects of colonisation in these areas and the denser population which can be settled on them, the payment of higher prices is justified. The investment may be profitable even where higher prices are demanded, if it is instrumental in binding a larger number of people to the soil.

To sum up, it is necessary that the National Fund should incorporate in its programme the principle of *forming land reserves for the furtherance of its colonisation policy*, and should not merely enunciate this principle but act upon it. These land-reserves should be formed :

- (a) In the vicinity of towns with an exclusively Jewish or a mixed population ;
- (b) In the vicinity of exclusively Arab urban centres ;
- (c) In the vicinity of the existing Jewish colonies ;

(d) In the vicinity of Jewish centres in process of formation, whether they be of an urban character or plantation colonies, such as Afuleh, Herzliah, Magdiel.

Wherever employment is available and large numbers of Jews have to live and work, the National Fund must have land-reserves in its possession ; and it must have the foresight to form such reserves where the need for them is likely to arise in the future. If this is done, the execution of large scale colonisation schemes will be possible. Jewish labour will be safeguarded, Jews will be enabled to establish themselves with greater ease, and the solution of the main problem—the creation of a Jewish majority in the country as rapidly as possible—will be facilitated. This procedure would, moreover, help to regulate land prices and to check speculation in land, and in these and other ways would have far-reaching consequences from the standpoint of land policy.

4

We should never lose sight of the close connection between land policy and colonisation policy. But on no account should we conclude from this that land and colonisation policy ought to be bound up together financially, as they are by people who say : If there are no means in hand to defray the cost of colonisation, then no land should be acquired, and the moneys available for land purchase should be utilised for the more urgent work of colonisation. Nothing can be falser than this narrow view. A land

policy is not a matter of to-day or to-morrow, or even of this year or the next few years ; it must take long views and embrace a wide horizon. There is a standing need for the formation of land-reserves, because they are the basis of a far-sighted land policy and indeed of any rational colonisation policy. These should never, in any circumstances, be made to depend upon day-to-day conditions, and certainly not upon the financial situation at any given moment. Our land policy must be thought out for decades ahead, if not for a still longer period.

CHAPTER III

LAND POLICY AND FINANCIAL POLICY

I

In a number of ways land policy and financial policy are closely inter-related. A financial policy which knows how to give due weight and effect to considerations of land policy may do much to further the acquisition of national land. There is a well-recognised principle which we should always keep before our eyes, viz. that an effective land policy is unthinkable without a credit policy which has the same aims. Our financial institutions must be the instruments of our land policy and thus be *ipso facto* at the service of the colonisation work of the Zionist Organisation. There has been one occasion when Zionists gave their attention to this question, viz. at the time of the London Conference of 1920. In the discussion of the problem of national and private land purchase, the question of the relationship between financial and land policy was brought up, if only incidentally. In the programme of Zionist land policy drawn up by the London Conference it was laid down as a principle that the credit institutions of the Organisation should further the land policy of the National Fund. An effective agrarian policy requires active support from special institutions for

agricultural or colonisation credits and for urban or building credits. Unfortunately, we must admit that the financial institutions of the Zionist Organisation have not considered the interests of the national land policy in any way. This is evident all along the line, both within the Organisation proper and in all its subordinate bodies, but especially in the business arrangements of the Zionist banks. This is, of course, even more true of the financial institutions which lie outside the Organisation's sphere of influence. In other countries where large scale colonisation is in progress, strong support is given by credit institutions to the colonisation agencies, and especially to those bodies whose task it is to acquire land for settlers. There is not a trace of all this with us. While elsewhere binding agreements are made to ensure the co-operation of credit institutions with colonisation agencies or land settlement organisations, special financial institutions are created in order to further colonisation work and land purchase, and other measures are taken to the same end, in our own case we have to ask ourselves whether the financial policy of the Zionist Organisation up to the present has not actually hampered the acquisition of national land in various ways. The principles of land policy proclaimed at the London Conference have not in any way been carried into effect. On the contrary, since the inception of large scale Jewish colonisation work in Palestine, much has been done, and is still being done, in direct contradiction to these principles. Although the Zionist Organisation, in repeated resolutions passed by its authoritative bodies, has recognised in principle the prior claims of the

national acquisition of land, large sums of money have been transferred from Zionist funds to private land purchasing organisations, even when this involved a risk of prejudicing the interests of the national land policy. To give yet another example : the Zionist banks grant loans to companies or individual farmers without making any conditions to protect the interests of the national land policy.

2

Among other principles of land policy, the London Conference enunciated the maxim that "the land policy of the National Fund must be furthered by means of credit institutions for rural and urban property," and further that "the credits at the disposal of the Zionist Organisation should in the first place be granted to settlers who have accepted the principles of the National Fund." But these principles have received no practical application whatever in the eventful years that have elapsed since 1920. None of the financial institutions of the Zionist Organisation has shown any consideration, either directly or indirectly, for the interests of the institution embodying the national land policy, viz. the National Fund. The failure of the Jewish Colonial Trust in London, and still more of its branch in Palestine, the Anglo-Palestine Company, to show such consideration may perhaps be explained by the nature of this institution, which was founded as a commercial bank. It must be admitted, however, that, even so, the bank might have done much

to further the national land policy. Owing to the peculiar conditions under which our Palestine work is carried on, the operations of the bank had necessarily to be extended far beyond the scope of a purely commercial bank, and to include the financing of a number of enterprises connected with colonisation. But when we see that the Mortgage Bank, which was also founded by the Zionist Organisation, and which through its very nature should have a powerful influence on urban land policy, is neither in any way connected with the National Fund nor in the least helpful to it in carrying out its work, we can only conclude that our leaders in the field of economics have a very poor grasp of the underlying relationship between land policy, building policy, and credit policy. The lack of co-ordination in the activities of the various Zionist financial and economic institutions has led to our being without a uniform economic policy. This is a great mistake in itself, and peculiarly unfortunate in its effect upon the national land policy.

Owing to the absence of a uniform economic policy, the most excellent principles remained merely theories on paper, and genuine co-operation between Zionist financial and economic institutions proved very difficult to bring about. Instead of helping one another, they worked separately and sometimes even against one another, to the great detriment of the efforts to build up a Jewish Palestine. Is it not against the interests of our work if, for instance, the Zionist Organisation grants loans to private companies, which use the money to obtain land that is later re-sold at speculative prices? Yet

this is just what the Organisation did when it lent large sums of money to the Haifa Bay Development Company for the improvement of land in the Haifa-Acre Plain, without making any conditions in case the land was re-sold by the Company. The Company did, in fact, sell the land at grossly inflated prices, and deliberately set itself, by exploiting the unique situation of its property and the amelioration work it was to carry out, to secure such prices for its lots as were rendered possible only by a wild and unbridled orgy of land speculation. It is impossible to blame the Company, since its whole structure was such that it was to a great extent a speculative undertaking. Thus the national moneys of the *Keren Hayesod* are used to further land speculation, and the subsequent Jewish purchasers of the building sites have to pay exorbitant prices. If the Zionist Organisation does grant a loan—we say nothing here against the loan itself—it should have regard for the interests of the national land policy, and accompany the granting of loans with proper conditions. The *Keren Hayesod*, for its part, grants money for settlements that are not on National Fund land, as (for instance), Balfouria, Magdiel, and Kfar Aaron, without stipulating in any way that these settlements shall adopt the principles of the National Fund. Such proceedings must not be excused by the plea that it is impossible to impose one's will on the private landowner. There are certain conditions which can well be accepted by colonists on private land when seeking the help of the *Keren Hayesod*, since they in no way tie their hands, but merely obviate the possibility of speculation. Among the

measures that may be applied—to mention only one or two—are the fixing of a maximum price limit for land re-sold by the private owner and the securing of an option for the National Fund for the acquisition of the land at the price originally paid. The policy of unconditionally granting financial assistance to private or semi-official companies is calculated to throw the door wide open to speculation. Again, in recent years the Zionist Mortgage Bank has granted loans exclusively for buildings to be erected on private land, without exacting any guarantee for safeguarding the interests of the national land policy. If the Zionist credit institutions conduct themselves in this manner, it is not surprising that other institutions, standing outside the Zionist Organisation, adopt the same attitude. Thus, for instance, an American Mortgage Bank, founded by the Brandeis Group and operating in Palestine, has, so far as we know, not granted any credits hitherto for building on National Fund land. An honourable exception must be made of the Palestine Economic Corporation of New York, which, in granting building credits in the newly founded quarter of Tel Aviv, the *Sh'chunath Hazafon*, laid down an express condition that the land should pass from private to national ownership. As a result, the land was transferred to the National Fund.

3

The time has come to alter this state of things completely and to carry into effect the principles set forth at the London Conference. For what are we

coming to, if the Zionist Organisation itself does not adhere to the principles proclaimed by its most authoritative bodies? How, in these circumstances, can we expect that these principles should be respected by non-Zionist institutions—how can we demand such a thing for example, from the Jewish Agency? The Zionist Organisation ought, in our opinion, not to grant any credits to settlements established on private land without a guarantee that the money it lends them will not be used to further land speculation, or that the agricultural enterprises founded with its assistance will not be transferred to non-Jews at a later date. In granting loans to settlements not established on National Fund land, it ought to lay down conditions which will facilitate the transfer of this private land to national ownership in the course of time, should opportunity offer, prevent the sale of the land for the sake of speculation, and provide other similar safeguards. The price of land in settlements like B'nei B'rak and Magdiel, which are situated in a suburban zone or in a plantation region with excellent prospects, is capable of rising rapidly and reaching unheard-of levels in the not distant future. A moment's reflection on this fact will show us that the Zionist Organisation could, without great difficulty, prevent the resources of the *Keren Hayesod* from being used for purposes which are wholly at variance with the interests of its own land policy. A good deal that has been done in our colonisation work may have serious consequences unless steps are taken to provide that the agricultural enterprises founded by the Organisation do not violate the three principles

proclaimed at the London Conference—supervision of the use to which the land is put, elimination of land speculation, and, above all, the employment of Jewish labour, which is the basis of our constructive work. And since the Zionist Organisation will still continue in the future to give its support, through the granting of loans, to settlements founded on private land—chiefly to the so-called middle-class settlements—we must reckon with the possibility that considerable sums of national money will be used in a way that is contradictory to the interests of the national land policy, which is identical with the national colonisation policy.

Similarly, in the operations of the Zionist Mortgage Banks credit policy must be brought into a fixed and clearly defined relationship with land policy. This can be effected by suitable changes in organisation, as for instance, by giving representatives of the land purchasing institutions of the Zionist Organisation a place and a voice in the administration of the Mortgage Bank, so as to be able to influence its activities. It would be impossible anywhere to have an urban land policy without a mortgage credit system running parallel to it and working along the same lines, and this is particularly the case in Palestine.

Through its legislative organ, the Congress, the Zionist Organisation must make it the duty of all financial institutions depending upon it in any way to support the land policy of the National Fund through a suitable loan policy. If the financial institutions of the Organisation would take a firm stand in this matter, many private and purely business

undertakings which have recourse to the credits granted by these institutions might also be induced to pay regard to the interests of the national land policy.

4

What, in point of fact, does land policy mean? It does not consist merely in the carrying out of land purchases according to a fixed plan and system; over and above this, it involves a series of measures designed to protect such national and social interests of the Jewish public as have some connection with land. Hence the principles of the National Fund should be made, as far as possible, to cover *all* land belonging to Jews, even if it is not National Fund land. It is only in this way that the land policy can be applied over a really wide field, for it is clear that, as Jewish colonisation work extends, the National Fund will not be in a position to provide all the land that will be needed. The application of the above-mentioned three principles of national land policy to the entire field of Jewish colonisation is not only a desideratum in theory, but an eminently important practical problem, on the solution of which depends the further progress of our enterprise. To make sure of the employment of Jewish labour is the first prerequisite of the Jewish National Home; without it our work cannot succeed. Let us make it clear that we put forward this demand, not in obedience to any extreme social theory which would exclude at all costs every sort of wage-labour, but in order to ensure effective compliance with the most important

of the economic laws governing the Jewish work of reconstruction. Again, at the very best, it is only a limited portion of the soil of the country which can pass into Jewish ownership. Hence supervision is necessary to prevent this soil from being impoverished by imprudent handling and from losing its productive value through neglect. Finally, it is a national and economic duty to combat land speculation. How urgent this duty is has been sufficiently proved by the events of recent years in Palestine. If the Jewish credit institutions had taken timely measures to prevent speculation, they would have been able, in this connection, to render an important service to the Jewish population as a whole, as well as to individual Jews. There is no doubt that the economic crisis in Tel Aviv, which was partly a crisis in the building trade in that town, would not have attained such dimensions if speculation had been restricted by the concerted action of land-purchasing and credit-granting institutions. For this, however, a common plan of action and practical co-operation would have been necessary. It is the task of the governing bodies of the Organisation to draw up such a plan of action and to find ways and means of carrying it into execution. This plan should contain two chief points: first, it should ensure that the land policy of the National Fund is supported by suitable measures on the part of other bodies, above all institutions for rural and urban credit; secondly, it should provide for the application of the National Fund principles to colonisation enterprises carried out on land other than nationally owned land. Only a combined programme of this

kind, and its systematic execution in every sphere of Palestine work, could ensure the prosecution of an effective land policy, with its far-reaching national and social implications. This would prevent overlapping and conflicts between various bodies, and would make for better results and the more economic utilisation of the moneys of the various Zionist financial institutions.

We may sum up our recommendations as follows :

(1) A programme should be framed which would co-ordinate the land policy, colonisation policy, and financial policy of the Zionist Organisation, and formulate the principles regulating the co-operation of various Zionist institutions in this regard.

(2) It would be necessary to effect such changes in organisation as would facilitate co-operation and regulate the relations between various Zionist agencies, as, for instance, the National Fund and the colonisation agencies of the Zionist Executive, namely the *Keren Hayesod*, the banks, especially the Mortgage Bank, and—if it is founded—the Agricultural Bank.

(3) The entire financial policy of the Zionist Organisation must be based on the principle of the priority of national over private ownership of land, and the activities of the Zionist financial institutions must be determined in accordance with the following principles :

(a) The resources of the Zionist Organisation must be available, in the first instance, for settlers who wish to establish themselves on National Fund land.

(b) When loans are granted to settlers who hold

their land in private ownership, it must be done under conditions which safeguard the interests of the national land policy.

(c) The activities of the Mortgage Bank must be conducted with a view to furthering the land policy of the National Fund.

5

The existing credit system, with its conservative bias, "stands in the way of a modern land policy, and this, not because it aims at greater solidity, but for reasons which are to be sought in the psychology of private enterprise."¹

But it is not only the psychology of private enterprise which is responsible, but the whole prevailing conception of private and national land, and the fixed ideas of possession and ownership. There are certain legal notions which are so deeply rooted that any deviation from them is regarded as a threat to the existence of our present system, or at least as a serious complication. In financial and economic spheres in Palestine there is also a certain distrust of the form of holding offered by the National Fund. A system which separates property and ownership by leaving the paramount ownership of the property to the National Fund, and making the holder only the usufructuary of the land, appears to them to be a legally and hence financially inferior system, which does not afford by any means the same security as

¹ Nehemia de Lieme, *The Future of the Jewish National Fund and its Financing*, "Eretz Israel," Vol. V. (The Hague, July 1920), p. 63.

a normal system of ownership valid in Roman Law. This attitude has a practical effect in the loan market, where National Fund land either has no value at all or else is rated at a lower figure than privately owned land. It may be mentioned that several mortgage credit institutions in Palestine have only with great reluctance brought themselves to grant loans on immovable property on National Fund land, and that even now some of them grant smaller loans upon land of this type than on immovable property on privately owned land. Thus, for instance, the Jewish South African Building Credit Institution (*Binyan*) draws on principle a distinction between privately owned land and National Fund land ; in the case of National Fund land loans are granted for only 40 per cent. of the value of the property, while privately owned land enjoys a normal mortgage credit rising to 60 per cent. of its value.

This attitude is the result of an inadequate understanding of the National Fund system. It is quite wrong in itself, and may have a most injurious effect upon the building up of the country.

It is generally recognised, and has been demonstrated in practice, that so far as security is concerned the hereditary leasehold system is not inferior to private ownership. The three essential rights of the owner—sale, mortgage, and bequest—are still preserved in the case of hereditary leasehold, which is thus equivalent to ownership, and in some respects superior to it. The tenant can sell or mortgage both his right of occupation, which he has derived from a firm contract with the owner of the land, the

National Fund, and anything which he has erected on the land. He cannot be deprived of the right of occupation except in a very few clearly defined cases, where urgent national and social reasons demand such a course. The tenant can make a gift of his rights and dispose of them by bequest, so that full provision is made for satisfying the desire, so deeply rooted in the Jew, of keeping the property in the family and preserving the fruits of his work for his descendants. There is no reason for regarding the National Fund form of tenure as economically inferior. The experience of various European countries shows us that elsewhere the distrust formerly entertained towards hereditary leases of land and hereditary building leases has long ceased to exist.¹

Recognising how important are the principles of the national land policy for the building up of the country, the Zionist Organisation must do everything in its power to combat the lack of confidence still felt in financial circles in Palestine in the hereditary leasehold system of the National Fund, and to ensure that this system shall be applied as widely as possible by insisting on suitable measures being taken by all its constituent bodies, and above all by causing the policy of its financial institutions to subserve this object.

¹ See Chapter IV.

CHAPTER IV

THE MORTGAGING OF LEASEHOLD

I

For financial purposes, leasehold tenure, as has been shown in detail elsewhere, possesses many advantages in comparison with full ownership.¹ Among these may be specially mentioned the fact that the lessee does not need to purchase the land with his own money, and the amount which he requires to raise is thus materially reduced. For agriculturists entirely without means, who have to obtain the whole of the money required for their settlement from public funds, the leasing of the land signifies a very considerable financial relief. It enables the farmer to be put on his feet much more quickly, as the farm is brought in a shorter space of time into a condition to make ends meet and reach its maximum productivity. The ability to make ends meet is the first condition for obtaining credit. The superiority of the leasehold system, whether for land intended for agricultural cultivation—i.e. the hereditary lease—or for urban building sites—i.e. the hereditary building lease—is clearly proved by statistics.

¹ See Chapter I.

In order to gain a true idea of the burden which a settler who buys his own land in Palestine takes upon himself, we must observe the peculiar conditions under which colonisation is carried out in that country. In the first place, the price of land is exorbitant. In most other countries in which colonisation is in progress land is still placed at the disposal of the colonists either free of charge or at low prices, and on easy terms of payment. In any case, the acquisition of the soil does not impose any great burden upon them. In Palestine, on the other hand, where every dunam has to be acquired with difficulty and paid for dearly, the money required for land purchase forms an important part of the costs of colonisation—from a fifth to a half of the total. The sums required vary, of course, with the character of the land and the use to which it is put.

The character of the human material has also to be considered. This consists to an overwhelming extent of persons either wholly without means or with very scanty means. Only a few possess the whole of the capital required for their settlement. These are interested only in plantations, and, as they seldom intend to do their own work, they mainly become landed proprietors and plantation-owners, but not peasants. By so doing, they create the difficult problem of wage-labour, and especially of Jewish labour. But for the building up of Palestine it is the peasants doing their own work who are the most important element, and these belong almost without exception to the class of persons without means.

There is still a third factor to be mentioned : in Palestine money is dear and hard to procure. There

are no institutions for agricultural credit which, by advancing long-term loans, can facilitate the acquisition of land on easy terms. To raise money through the ordinary channels of credit is exceedingly costly. It is usual in Palestine to pay a high rate of interest, and a rate of 10 per cent. is reckoned quite moderate. There is such a scarcity of money that people are willing to accept any terms imposed by the lender. Hence the man who raises money for land purchase through the ordinary channels of commercial credit saddles himself with an intolerable burden.

A consideration of the exceptional conditions governing colonisation in Palestine makes it clear that the settler with little or no money seriously jeopardises his prospects of success if he has to buy his land outright.

The total cost of settling a farmer is made up of :

1. The cost of the land and its amelioration.
2. The cost of erecting buildings and other fixtures.
3. The cost of stock and equipment, together with the maintenance of the peasant and his family till the harvest.

If he is the actual owner, the settler must cover all three items from his own resources. As a lessee, on the other hand, he has only to provide for items 2 and 3, while the proprietor of the land, the National Fund, looks after item 1. The National Fund not only buys the bare land, but also carries out certain improvements upon it, such as the draining of the soil, and, at present, the installation of a water-supply for man and beast. The subjoined tables will

show that the contribution of the National Fund constitutes a substantial part of the whole investment. Table III. shows the outlays in the various types of farm which have been evolved in the actual colonisation work of the Zionist Organisation. It gives the average colonisation costs for each of the several types. It deals with the following categories :

Type I. : Mixed farm (A), on a basis of unirrigated farming. Area: 100 dunams. Example, Tel Adashim.

Type II. : Mixed farm (B), in which 10 per cent. of the area of 80 dunams is devoted to irrigated farming. Example, Kfar Yeheskel.

Type III. : Mixed farm (C), in which 30 per cent. of the area of 60 dunams is devoted to irrigated farming. Example : Dagania.

Type IV. : Plantations worked chiefly by the owner himself, who possesses 18 dunams of oranges. Example : Nahlat Yehudah.

Type V. : Cottage farm of 12 dunams (8 dunams oranges and 4 dunams fodder-crops). This type does not yet actually exist. The figures given are based on calculations made by a Commission which investigated the question of workers' holdings in the plantation colonies.

It should be mentioned that from now onward larger areas are to be assigned per settler than hitherto, i.e. 150 dunams for Type I., 100 dunams for Type II., and 80 dunams for Type III. Nevertheless, we have kept to the units hitherto in vogue, because the new ones have not yet been introduced. It is obvious that when the projected extension of areas has actually taken effect, the proportion of the outlay for land to the other costs will be materially

altered. But this alteration will only strengthen the conclusions to which we are led by Tables I. and II.

TABLE III.

Type of Farm	Total Cost £P. ¹	Land and Amelioration £P. %		Colonisation Proper				
				Buildings and Fixtures £P. %		Stock and Maintenance £P. %		% (total of columns 4 & 5)
I	2	3	4		5		4 & 5)	
I.	1,175	475	40	305	26	395	34	60
II.	1,425	660	46	370	26	395	28	54
III.	1,325	405	30	525	40	395	30	70
IV.	1,034	225	22	350	34	459	44	78
V.	725	145	20	295	41	285	39	80

In the case of a lease, the total outlay of the settler is reduced by the amount of column 3, which forms a considerable portion of the capital invested and between 20 and 46 per cent. of the total cost of settlement. Even for the settler with means it would be a considerable relief if, instead of 100 per cent. of the total cost, he had to supply only 60 or 70 per cent. out of his own pocket. And for the settler who depends on the assistance of the colonising agency the financial relief afforded by hereditary leasehold is enormous.

Table IV. compares the burdens which the purchase and the leasing of the soil respectively impose upon the farmer. For every type of farm in Table

¹ £P (Palestinian pound) = pound sterling.

III. the rental is given side by side with the sum which would have to be paid yearly, if the land were purchased. The rate of interest on the borrowed money is put at the—for Palestine—moderate figure of 8 per cent. For amortisation a period of twenty years is allowed, which is longer than the usual period for mortgage loans in Palestine. The rental charged for agricultural land by the National Fund amounts to 2 per cent. of the value of the land.

TABLE IV.

Type of Farm	Value of Land (including Amelioration) £P.	If the Land is Purchased			If Leased, Rental, £P.	Proportion of Rental to Annual Interest	
		Amortisation £P.	Interest £P.	Total £P.		£P.	%
I	2	3	4	5	6	7	8
I.	475	23.75	24.63	48.38	9.50	15.13	35
II.	660	33	28.12	61.12	13.20	14.92	47
III.	405	20.25	21	41.25	8.10	12.90	39
IV.	225	11.12	11.80	22.92	4.50	7.30	38
V.	145	7.25	7.52	14.77	2.90	4.62	39

According to these figures, not only is the rental much less than the sum required to be paid yearly for interest and amortisation—which is obvious—but it is also considerably below the average amount of the yearly interest alone, ranging between 35 and 47 per cent. of that figure. The reason why this is possible is that the National Fund accepts on its contribution a much lower rate of interest than the

usual rate in Palestine, viz. 2 per cent. instead of 8 per cent. This can be done only by an institution which obtains its resources, not on an ordinary business footing, but from voluntary contributions, and which does not aim at making a profit. The National Fund, as an institution working exclusively in the public interest, can be content with a rate of interest which no business undertaking would consider.

By means of a lease the settler can get possession of the land without saddling himself with heavy burdens for interest and amortisation. The land is consequently not encumbered with mortgages, as it is when acquired with the aid of loans. In the latter case the settler has to mortgage the land in favour of the person who lends him money or of the vendor of the land, and this mortgage remains on the property until the debt is fully paid off. The mortgage with which the hereditary leasehold interest is charged for the purpose of securing the payment of the rental is too small to be of any consequence and is hardly worth mentioning. The lessee is at liberty, without more ado, to raise loans on the security of his tenant-right, and these are entered as first mortgages in the Land Registry.

2

There could be no question of treating leasehold tenure as economically equivalent to full ownership if, for the purpose of raising mortgages and getting credit, farms established on leased land were

assessed at a lower value than similar farms established on freehold land. If the leasehold system made credit more difficult to obtain, this would be a serious obstacle to its general employment in the work of colonisation. In point of fact, however, the ability of the leaseholder to obtain credit is no less than that of the freeholder, and the value of leasehold property for mortgage purposes is not inferior to that of freehold.

The rating of a farm for borrowing purposes is determined by its market-value. The market-value, again, depends on the paying capacity of the farm, the yield of the soil, and the value of the buildings and other fixtures. The decisive factor, however, is the yearly net profit which the right of utilising the soil and the buildings erected on the property can, with ordinary good management, yield to the proprietor.

In the case of freehold, the market-value of a farm is calculated on the value of the land, the buildings, and other fixtures, and, in addition, the capitalised value of the net return. Net return is taken as gross return less working costs. The capitalised net return is obtained by multiplying the net return by a fixed factor, as for example, the average rate of interest on mortgages. One half of the sum of the three items here mentioned represents the market-value, i.e. the amount which could be demanded in the open market for the whole farm.

This amount can also be designated the mortgage-value. The mortgage-value or market-price of leasehold property is calculated in the same way as in the case of freehold. It is found by adding together

the value of the buildings along with other fixtures, the capitalised net profit, and—as we are here dealing not with freehold but with leasehold—not the value of the soil, but the capital value of the leasehold interest. This is arrived at by estimating the capital value of an income receivable annually for a given number of years, e.g. forty-nine.

Julius Simon has shown, in a noteworthy study of the subject, that the mortgage-value of a farm held on lease is almost the same as in the case of freehold.¹ Assuming certain figures for the cost of settling a family, he has calculated the mortgage-value of six different types of farm and has come to the conclusion that the credit-raising capacity of a leaseholder is scarcely inferior to that of a freeholder. This is shown by Table V., which gives the final figures of Simon's calculations, converted into pounds.

TABLE V.

<i>Type of Farm</i>	<i>Mortgage-Value</i>	
	<i>For Freehold</i>	<i>For Leasehold</i>
I.	800	852
II.	764	736
III.	892	876
IV.	1,528	1,496
V.	524	512
VI.	176	172

For the proper understanding of these figures the following points should be borne in mind :

¹Julius Simon, *Das Kreditproblem bei der erbpacht, Eretz Israel*, Part III. (The Hague, May 1919), p. 3.

(a) The difference in value between freehold and leasehold property is inconsiderable. For instance, the value of a freehold property, for which a rental of ten pounds can be obtained when it is let on lease, works out at £200. The value of a fifty years' leasehold interest in the same property amounts to £182.

(b) The value of the buildings on freehold and leasehold property is almost the same. As the lease granted by the National Fund runs for forty-nine years, the risk of neglect on the part of the settler during the last years before the expiry of the lease can scarcely affect the value of the buildings. The lease secures to the lessee the option of prolonging his lease for a further forty-nine years, so that actually the buildings may remain ninety-eight years in the possession of the settler.

(c) The gross returns of a farm on leased land differ in no way from those of a farm on freehold land, provided that the agricultural knowledge and the general capacity of the settlers are equal in both cases. The lessee has no more restrictions placed upon his agricultural activities than the freeholder ; he has the fullest enjoyment of the fruits of his labour and has every opportunity, through improving his methods of work, to obtain the maximum yield from his farm. On the other hand, the net return is higher in the case of the lessee than in that of the freeholder, because, while the freeholder has to pay a high rate of interest on the money he has borrowed for the purchase of the land, the lessee has only to pay a low rental. His net profit is increased by the difference.

The lessee has still another advantage over the

freeholder ; he is in a better position for obtaining loans for building purposes. The freeholder, in order to guarantee the residue of his purchase-money, has already saddled his property with a first mortgage, and can, therefore, only give a second mortgage for the building loan. The lessee, on the other hand, has not to saddle his land with any mortgage for the residue of the purchase-price, and is, therefore, in a position to give a first mortgage for the building loan. In this way he can save interest, thereby increasing the earning capacity of the leasehold farm. For this purpose, however, it is important that the first mortgage should remain free, and in such cases, therefore,—as we shall see later—the National Fund must not press its claim for rent.

As regards the hereditary building lease—the right to build on land belonging to others—banking and mortgage experts have repeatedly made calculations to determine its loan value. The most conservative estimates give such leases a high loan value. Thus in 1909 Dr. Stuebben fixed the loan value of a building where the hereditary building right held good for a period of ninety years at 81.5 per cent. of the loan value of the same building owned as freehold. It was here assumed that the land itself was unencumbered by debt. Where the loan is at three-fifths of the value, the mortgage is equivalent to 10.91 times the net yield in the case of freehold and 10.39 times the net yield in the case of hereditary leasehold.¹ In a memorandum by the German

¹ Dr. Stuebben, Director of the *Kreditanstalt fuer staedtische Hausbesitzer der Provinzen Posen und Westpreussen* : "Die Erbbaurechtshypothek," *Jahrbuecher des europaeischen Bodenkredits* (edited by Felix Hecht, Vol. I., Part i. ; Duncken and Humblot, Leipzig, 1909), p. 32.

Imperial Ministry for the Interior (1908) we find yet another interesting computation of the value of the hereditary building lease. The "yield value" is there taken as the market-value of the hereditary building lease—that is to say, the amount of the annual net return to be expected from the hereditary building lease in question, as discounted on the day of the valuation. The net return equals the gross return minus costs and outgoings; if the mortgage ranks after the hereditary leasehold rental, the latter is also deducted. The value of the hereditary building lease is reduced progressively from year to year by the amount of the discount value of the year's instalment. But the mortgage-debt secured by the hereditary lease is reduced even more rapidly, as the amortisation is increased from year to year by the saving of interest. The memorandum comes to the conclusion that "the security of the mortgage loan increases from year to year. This irrefutable fact," it continues, "is of the greatest significance in obtaining capital for a loan on a hereditary lease."¹ A circumstance of importance for the guaranteeing of a mortgage on a hereditary lease is that the latter cannot be encumbered with permanent so-called "ownership mortgages," but only with "amortisation mortgages."²

¹ For extracts from this memorandum and a discussion thereof see Professor Heinrich Erman, "*Erbbaurecht und Kleinwohnungswesen*," *Jahrbuch der Bodenreform*, Vol. IV. (G. Fischer, Jena, 1908), pp. 286 ff.

² In modern business we distinguish between two categories of mortgages: permanent, non-amortisable, so-called ownership mortgages, and amortisation or redeemable mortgages. The former are "stable" mortgages which must be paid off at one time, possibly at notice. The only regular payments to be made are payments of the interest as it becomes due. The latter are mortgages which may

Professor H. Erman has demonstrated that, even in respect of building mortgages, the hereditary building lease works out much more to the public advantage than the building procedure current in Germany, where, as is well known, the granting of credit on the security of real property has attained a high degree of development. It is only in the rarest cases that a mortgage raised on a building erected on the owner's own property is ever paid off. But as time goes on, the building loses in value through wear and tear ; it becomes old and out of date ; and the mortgage is no longer sufficiently covered. In the case of a hereditary building lease, however, permanent non-amortisable mortgages for building costs are not granted. A loan is given only against an amortisation mortgage ; as this is arranged for a definite period, the mortgage must be paid off *before* the hereditary building lease has expired—indeed, some considerable time before. Thus the German hereditary Leasehold Ordinance of 1919 (§20 [3])

be amortised, the debt being paid off by regular instalments of small sums during a long period of time. The interest and amortisation are both included in the annual payments. (See Dr. Arthur Nussbaum, *Lehrbuch des deutschen Hypothekenwesens* (second edition, I. and B. Mohr, Tuebingen, 1921), pp. 59 and 78.) The "stable" or ownership mortgages are more common. The amortisation mortgages constitute only about a third of the mortgages of the German Mortgage Banks, e.g. 27.9 per cent. in 1913. It is significant that a steady decrease in redeemable mortgages took place in Germany until shortly before the War. Thus the percentage was : 30.20 in 1907, 29.24 in 1908, 28.32 in 1909, 27.40 in 1910, 27.04 in 1911. This is easily understood if it be recalled that the private individual granting a loan has nothing to gain from repayment by instalments as in the case of the amortisation mortgage. Consequently, it is only among the mortgages granted by institutions that amortisation mortgages are found. With rural mortgage credits the situation is different. Here the amortisation mortgage has played a great part. (See Fritz Terhalle, "*Hypothekarkredit*," *Handwoerterbuch der Staatswissenschaften* (fourth edition, Vol. V., G. Fischer, Jena 1923), p. 323.)

provides that the mortgage must be paid off at least ten years before the leasehold interest expires. Thus the effect of the hereditary lease is that the building debt is in most cases paid off long before the house begins to decrease in value.

The Ordinance in question provides (§ 20 [4]) that the amortisation shall not extend over a period longer than that which can be reasonably allowed for depreciation of the building. Thus, in the case of freehold, the security of the building costs mortgage (provided that it is an owner's mortgage) diminishes every year, while in the case of hereditary leasehold it improves yearly.¹ The security of a mortgage on a leasehold depends on whether the net returns which are taken as a basis for the loan are actually obtained, or at least may be obtained if the land is properly worked.² The security for the loan is provided first and foremost by the sound economic position of the debtor.³

3

In the case of freehold, it is the land which affords the security for the mortgage. In the event of

¹ Erman, *op. cit.*, pp. 277 ff.; "*Erbbaurecht*" in *Handwoerterbuch der Staatswissenschaften* (third edition, Vol. III., G. Fischer, Jena 1909), p. 1,007. "*Fragen des Erbbaurechts*" in *Jahrbuch der Bodenreform*, Vol. VI., 1910, p. 83.

² Wilhelm Freiherr von Pechman, Director of the Bavarian Commercial Bank at Munich. "*Erbbaurecht und Amortisationshypothek*," in *Jahrbuch der Bodenreform*, Vol. VI., 1910, p. 109.

³ A. Pohlman-Hohenaspe goes so far as to say that the loan limit is greater in the case of hereditary leasehold than in that of private ownership. To prove his statement, he says that the cities of Frankfurt and Düsseldorf, where houses held on hereditary lease were to be built on municipal property, obtained communal credit up to 90 per cent. of the value of the buildings. "*Erbbaurecht und Kredit*," in *Jahrbuch der Bodenreform*, Vol. V., 1910, p. 252.

a forced sale, the land is sold and the debts are covered from the proceeds. In the case of a leasehold, it is the hereditary leasehold interest that is the security. If there is a forced sale, it is the hereditary lease which is put up for sale instead of the land. The hereditary lease has exactly the same status as a piece of land in being a real, saleable, and transmissible property; hence it may be mortgaged in just the same way as a piece of land. There is here a legal separation between the ownership of land and the ownership of that which is attached to it; where it is built upon, the separation is between land and buildings. A building erected on land which is the subject of an hereditary building lease is considered as an integral part of the property represented by the hereditary building lease, and is mortgaged together with it. In contradiction to the well-known principle, which has passed from Roman into modern legislation—*superficies solo cedit*—the hereditary lease introduces a legal separation between land and buildings.¹ In this way it became possible to mortgage the right of possession and the buildings without mortgaging the land itself. This separation of land and buildings and provision for the mortgaging of the leasehold interest are to be found in the legislation of various countries. A historical survey, on which we cannot here embark,

¹ Nevertheless, the origin of the hereditary building lease may be found in the institution of Roman Law called *Superficies*. Although the buildings erected on the land became the property of the landowner, *Superficies* was still recognised as a real, transmissible and saleable right to build on land belonging to another, which might be mortgaged or serve as a security for a loan in other ways. P. F. Girard, *Manuel élémentaire de Droit Romain* (fifth edition, Arthur Rousseau, Paris 1911), pp. 384, 385.

would show that building on land belonging to another is an ancient legal institution which has proved highly useful at various epochs. The very fact that records of "land loans" are to be found in the later days of Imperial Rome, in the vigorously developing cities of the Middle Ages, and in capitalist England, shows that this is in itself a proper method of raising money.¹ Here we can do no more than give a few examples drawn from modern legislation.

In Belgium the *Droit de Superficie* is a real right to possess buildings, other structures, or plantations on land belonging to someone else. The holder of the hereditary building lease may either sell his interest or mortgage it. His title must be entered in a special public register. The hereditary building lease holds good for a maximum of fifty years and can be renewed when this period has elapsed.² In Holland also an hereditary building lease may be acquired for buildings, other structures, and plantations. The interest is saleable, may be mortgaged, and must be entered in a special public register. This hereditary building lease may be for any period of time; if no provision is made as to its duration, the landowner may revoke the lease, after the lapse of at least thirty years, by giving one year's notice.³ In Germany

¹ Dr. Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage* (fourth edition, G. Fischer, Jena 1920), p. 429.

² Law of January 10th, 1824, which came into force December 25th, 1824, Articles 1, 2, 3, and 4, *Codes en vigueur en Belgique*, Brussels, 1850, p. 701.

³ Civil Law of the Netherlands, 1838, Articles 758, 759, section 1, 760 and 766. *De Nederlandsche Wetboeken, uitgegeven door Mr. J. A. Fruin, Vyfde Druk*. Martinus Nizhoff ('s Gravenhage, 1905), pp. 310, 311.

the hereditary building lease is an institution dating from mediæval times and was included in a modified form in the Civil Code of 1896. In consequence of various defects in the legislation which were brought to light by practical experience, a new law was published in 1919. This law enacts that the hereditary building right is saleable and transmissible and permits building or other improvements to be carried out either above or below the surface.¹ A building erected on the strength of the hereditary lease, or which was in existence when the hereditary lease came into force, is regarded as an integral part of the leasehold interest.² The hereditary building lease may be mortgaged, but the mortgage may not exceed half the value of the lease. The maximum loan value is determined by the capitalised net rental yield.³

With regard to one point of particular interest to us the new law marks an important step forward. Formerly the hereditary building lease system made little progress in Germany, because, in consequence of the obscurity of the law, it was not regarded as a satisfactory security in financial circles. The fact that it was not considered a proper investment for trust funds made it difficult for German credit institutions to grant other than small loans on hereditary building leases.⁴ Even those public institutions

¹ The Ordinance relating to Hereditary Building Right of January 15th, 1919, which came into force January 22nd, 1919, Para. 1 (1).

² *Ibid.*, Para. 12 (1).

³ *Ibid.*, Para. 19 (1).

⁴ In certain cases special care has to be taken in the investment of money. The law lays down definite rules ensuring the safety of trust funds. The conception of safety for trust funds grew out of the law of guardianship. Thus the German Civil Code demands that

which would be glad to further housing by recognising hereditary building leases, as, for instance, Federal Insurance Institutions, cannot overcome the difficulties involved in granting loans on hereditary building leases except in comparatively rare cases.¹ The Ordinance of 1919 pronounces mortgages on hereditary building leases safe investments for trust funds under certain conditions. The most important condition is that the transaction shall be for an amortisation mortgage, which must not exceed half the loan value of the hereditary building lease. There are certain definite rules prescribed for the systematic amortisation of the loan.² Loans may be granted on hereditary building leases by mortgage banks, savings banks, insurance companies, and other similar credit institutions.³ What is more, the limit fixed for the investment of trust moneys is not insisted upon, and mortgage banks and insurance

the guardian invest the money of his ward at interest (Para. 1,806). But legislation has extended the scope of this idea beyond the sphere of guardianship and requires safe investment in a number of cases, as, for instance, for mortgages held by Endowment Funds and institutions of all kinds. Similarly, social insurance institutions are obliged to invest their funds safely. In financial circles a high value is placed on the security of trust funds (Nussbaum, *op. cit.*, pp. 119-120).

¹ Otto Glass and Adolf Scheidt, *Das Erbbaurecht* (Carl Heymanns, Berlin, 1919), p. 132.

² Ordinance of January 15th, 1919, Paras. 18, 19, 20.

³ *Ibid.*, Para. 21. When the Draft Ordinance was being prepared, special importance was attached, in dealing with the loan question, to the fixing of the limits and the conditions for investing trust funds in mortgages on hereditary building rights. This was done so that federal insurance institutions, public savings banks, and similar bodies could invest their capital in hereditary building leases. See comments on the Draft of a Law regarding hereditary building leases, *Deutscher Reichs-Anzeiger*, May 3rd, 1918, reprinted in the *Jahrbuch der Bodenreform*, Vol. XIV., 1918, p. 222.

companies are allowed to grant loans on urban property beyond this limit up to three-fifths of their value.¹ The mortgage need not necessarily be a first mortgage. It may rank after the mortgage securing the hereditary building rental. In this case, however, the mortgage must be reduced by the capitalised value of the hereditary building rent which ranks above it. "A mortgage which is safe for trust funds may occupy second place without question."²

The Ordinance of 1919 shows how favourable a judgment has been passed by the Legislature on the security offered by the hereditary building lease. Both juridically and economically it has been placed on the same level as private property held on unrestricted freehold tenure.

The leasehold system, the product of a long historical development, is characteristic of English legislation. Building on land belonging to another, and the consequent differentiation between land and buildings, are very common, especially in large cities. The owner of the land transfers by contract the right to use it for long periods, usually for ninety-nine years, but not infrequently for longer periods, which may go up to a thousand years or more. The tenant enjoys the right to dispose of his interest as freely as though he were an owner; he can sub-let or part with his lease.³ The leasehold interest can not only be disposed of, but bequeathed by will.⁴ Since the Act

¹ Glass and Scheidt, *op. cit.*, p. 145.

² *Ibid.*, p. 139.

³ Joshua Williams, *Principles of the Law of Real Property*. Twenty-fourth edition by R. A. Eastwood, LL.D.; Sweet and Maxwell, London, 1926.

⁴ *Ibid.*, p. 618.

of 1875, the tenant of an agricultural holding, on leaving the leased land on the expiry of the lease, is entitled to compensation for the improvements he has made on the property. According to the Agricultural Holdings Act, 1923, the tenant can obtain from the landlord a sum of money which is a fair equivalent of the value of the improvements to an incoming tenant. Of course, this is subject to certain provisos : in the case of buildings or other permanent improvements, for instance, the landowner would have previously to give his consent in writing to the carrying out of the work.¹ The rental remains unchanged throughout the term of the lease. The question of hypothecation can hardly be said to arise, since the Continental system of building loans on mortgage is unknown in England. It is, indeed, possible under English law to mortgage real estate which has been leased, but only by a very complicated procedure. According to the Law of Property Act, 1925, it can be done, for instance, by transferring the leasehold interest to the creditor for a period which must be at least one day shorter than the term of the lease.² In this case, however, the creditor no longer becomes the landlord's tenant, responsible to the landowner for observing all the provisions of the lease, as was usual under English law before 1925. ³ The building lease, by which land is granted for house-building purposes, is a favourite method of dealing with urban sites, especially in

¹ *Ibid.*, pp. 631-2.

² *Ibid.*, p. 682.

³ *Ibid.*, p. 683.

large cities. Usually the parcels are handed over to speculative builders, who put up houses and proceed, in their turn, to lease them.

This short survey shows that the differentiation of land and buildings, on which the hereditary building lease is based, is by no means a rare phenomenon. The Ottoman law prevailing in Palestine also provides for such differentiation. By Ottoman law, buildings, trees, or plants do not form part and parcel of the land ; they may be separately treated as the property of the planter or of the person who has built the house, and need not necessarily belong to the landowner. Buildings on land belonging to another were of frequent occurrence in Palestine, and it was therefore permissible to grant mortgages on such buildings, the house and the leasehold interest serving as security. Hundreds of houses have been erected in recent years on sites leased from the National Fund. The owners were given special title-deeds (*Kushan*) for these houses and were able to raise mortgages on their property. A report has recently been current that the Palestine Government proposes to enact a new law to the effect that buildings cannot be the property of anyone but the owner of the site. It will, indeed, still be possible to erect buildings on leased land, which will be saleable and transmissible for the term of the lease. Perhaps it will also be permissible to raise mortgages on these buildings ; formally, however, the buildings will have to belong to the landowner and be entered in his name in the Land Register. The result will be that when the lease expires, the buildings will revert to the landowner. This is the

custom in England, where the house reverts to the possession of the landowner when the lease expires, without his being under any obligation to compensate his tenant, the owner of the house. This state of affairs might possibly react unfavourably upon the hereditary leasehold system of the National Fund, in that prospective builders would hesitate to erect on leasehold land buildings to which they obtain no permanent title. It would, however, be open to them to assure the use of the house to themselves and their heirs by prolonging the lease for about a hundred years, a term which greatly exceeds the amortisation period in the case of a long term loan. Moreover, in the event of the lease not being renewed, the owner of the house might receive compensation, as he does according to German, Belgian, and Dutch law, on the basis of the value of the existing buildings.¹ Whatever form the new law may take, it is essential that it should contain a clause providing unequivocally that the leasehold interest may be mortgaged. That it should be possible to mortgage the leasehold interest is the first and most important condition for the extension of the hereditary lease and hereditary building lease system in Palestine. It is on this point that the whole National Fund system hinges.

4

Payment of the rental due under the hereditary lease or the hereditary building lease, as the case

¹ German Ordinance of January 15th, 1919, Para. 27. Belgian Law of January 10th, 1824, Article 6. Civil Law of the Netherlands, Article 762.

may be, is secured by a first charge on the leasehold interest in favour of the landowner—in our case the National Fund. Thus any mortgage forming the security for a building loan or a loan for some other purpose must necessarily be a second mortgage. This arrangement has unfortunate consequences : first, for the creditor, since, in the case of a forced sale, the value of the mortgage is reduced, with the result that lenders may be deterred from making advances on leasehold property ; secondly, and more particularly for the tenant, since the value of his leasehold interest as a basis for credit is diminished. The credit institution to which he applies would probably reduce its loan by the amount of the capitalised rental. For example, let us suppose that a loan of £500 is to be granted on a building erected on a site held on hereditary lease, the annual ground rent being £8. Assuming the rental to be 4 per cent., as is customary in the case of the urban property of the National Fund, the capitalised rental would amount to £200. If the total mortgage liability—taking together the mortgages securing the rent and the building loan—is to be kept within the limits of the loan value of the hereditary building lease, the loan will have to be reduced by this amount. Instead of a loan of £500, the tenant would obtain only £300. This diminution of the tenant's credit may be avoided by the following device : the landowner gives up his right to the first mortgage, ceding it to the credit institution. Thus the mortgage securing the landowner's rent ranks immediately after the credit institution's mortgage. This concession is particularly important in dealing with credit

institutions which hesitate to grant loans on buildings erected on leasehold property. What is, perhaps, really important in such cases is the psychological effect, since from a financial and legal point of view this priority is not indispensable. As a matter of fact, it does not increase the security of the party granting the loan. For this reason the German Hereditary Building Lease Ordinance of 1919, as we have already said, does not make such priority an indispensable condition in declaring mortgages on hereditary building leases to be safe investments for trust funds. On the contrary, it asserts that a second mortgage ranking immediately after the mortgage securing the rental is sufficient. If, however, this consideration makes credit institutions less disposed to grant loans on the security of holdings situated on leased lands, the National Fund ought to yield them priority. In this way it is in its power to enhance the value of a leasehold farm as security for a loan. It is the duty of the National Fund to do everything in its power to strengthen and increase the borrowing power of settlers on its land.

5

Our conclusion is, then, that from a financial point of view hereditary leases or building leases are in no way inferior to unrestricted freeholds, and that they are, on the whole, worth no less as security for mortgages. But since this limited form of ownership does involve certain restrictions on the economic freedom of the occupier, it suffers from a certain

psychological prejudice which is reflected in financial circles in a certain reluctance to grant loans. These circles are inclined to regard the old traditional form of proprietorship, in which the owner can do as he likes with his land, as the only safe basis for credit. Their only concern is that there should be an estate which, in case of a compulsory sale, can be used for meeting the liability. But to one who takes a broader view of the credit problem, as it faces the Jewish farmer in Palestine, the first question is the capacity of the farm to earn a profit. Only a farm which pays its way can secure a mortgage. What makes an agricultural holding in Palestine a suitable basis for loan transactions on a business footing is not the fact that it may, in case of need, be put up to compulsory sale by auction, but the fact that it earns sufficient profits to pay interest and amortisation on the loans raised. Once this stage has been reached, it will be a matter of indifference to the creditor whether the property in question is leasehold or freehold. In case of a forced sale, the creditor can undoubtedly find plenty of would-be purchasers for a profitable farm situated on leasehold property. As for hereditary building leases, the security on a loan granted on such leases is equivalent to that of a loan on freehold property. If in Germany mortgages on hereditary building leases are unhesitatingly pronounced to be safe investments for trust funds, in Palestine there need be no hesitation in granting loans on hereditary building leases in the same way as on unrestricted freeholds. From the purely business standpoint, a loan of this kind may be regarded as a permissible and safe transaction.

All these conclusions, of course, are based on the assumption that the Government of Palestine will not legislate in such a way as to put difficulties in the way of the practical application of the National Fund system, which is based on the separation of the soil from the buildings erected upon it. On the contrary, legislation should aim at making it easier to put this system into practice in the colonisation of Palestine ; for on this depends to a great extent the success of the work of Jewish settlement.

CHAPTER V

THE YEAR 1925 AND ITS LESSONS

I

Considered in its economic aspects, the year 1925 is peculiarly interesting and instructive. Its history gives us in miniature a picture of the general course of the development of Palestine. The curve reached its highest point during this year, only to sink almost to the lowest depth ever reached. This was not the first time that these fluctuations occurred in the process of building up the country, and no doubt it will not be the last. In the history of colonisation in Palestine periods of upward and downward movement have repeatedly alternated. What is remarkable in the year 1925 is the fact that this alternation took place within an unprecedentedly short period of time. The change from good to bad times was felt all the more keenly because it came suddenly and without any transition.

This was particularly the case with Jewish activities in the sphere of land purchase, which responded to the general economic situation of the country. The year had begun under uncommonly auspicious circumstances ; new tracts of land were acquired day after day and thousands of dunams of agricultural land came into Jewish possession. In the towns the

sale of building sites—"the chief business of the country"—flourished, and wild, unbridled land speculation set in. It was generally assumed that this was a permanent development, that Jewish landed property would continue to grow uninterruptedly. Undreamed-of vistas loomed up before the *Geulah Haaretz* movement.

The upward curve of land purchase began in 1924, and reached its culmination in the first half of 1925. It ran parallel to the influx of immigrants and the general economic progress of Palestine. The so-called "Fourth *Aliyah*"¹ had brought into the country many moneyed immigrants, who sought a profitable use for their capital, large or small. The purchase of land offered them the best, the most profitable, and perhaps the easiest opening for the investment of their money. There was as yet practically no industry in the country in which they might have engaged. Commerce is an occupation, in which Jews play a leading rôle throughout the world, but in Palestine they found that in this field their opportunities were limited by the keen competition of the experienced and astute Arab merchants. This may be illustrated by the fact that the Arabs control the most important market in the country, namely the orange market, which is particularly concerned with export. The consequence was that in 1925 land transactions in which private Jewish capital was engaged reached dimensions never before known in the history of

¹ "Fourth *Aliyah*" is the designation applied to the immigration of 1924-1925, which consisted mainly of bourgeois elements. It has become a technical term, used to distinguish the bourgeois immigration from that of the *Halutzim* ("Pioneers") directly after the War, constituting the Third *Aliyah*.

our colonisation. The acquisition of private property took first place, out-distancing the purchases of the National Fund, which also displayed great activity during this period. Great hopes were placed in this influx of private capital, which was expected to inaugurate a new era in Jewish land purchase, if not in the whole building up of the country. Indeed, a theory was formulated to the effect that land purchase by private individuals and the settlement of the middle classes out of their own resources was the *only* way to make colonisation proceed more rapidly. This was in contradiction to the practice prevailing hitherto of carrying on agricultural colonisation on National Fund land with *Keren Hayesod* moneys, a process which is necessarily slow as it has to keep pace with the receipts of the Zionist Funds. The result was a complete rejection of the colonisation system previously in force.

In the second half of 1925 the Fourth *Aliyah* fell off sharply, and the immigration began to assume a very different complexion. Instead of people with money, more or less impecunious elements began to arrive. This turn of affairs tended to corroborate the rival theory, which grossly exaggerated the unfavourable aspects of the Fourth *Aliyah* and made it solely responsible for numerous untoward developments in the economic life of Palestine, such as land speculation or even the economic depression. The opponents of the Fourth *Aliyah* questioned whether the bourgeois class was at all suitable for agricultural colonisation, and their further investigations led them to reject it wholly for this purpose. For the adherents of this view, national capital is the one and only basis for

the building up of Palestine and must be relied upon exclusively for all the requirements of our colonisation.

2

The truth is that neither of these extreme attitudes was justified. The position of both factors in the building up of the country, private initiative and national capital, is subject to fluctuations corresponding generally to the direction of the economic curve. Where the curve reaches its highest point, we observe extensive co-operation between those factors; where it sinks very low, national capital alone continues to function. The extravagant ideas of what was to be hoped from private initiative were dashed to the ground. In by far the greater number of cases capital is drawn to Palestine by self-regarding motives. It comes in because people expect to find favourable openings for investment. The influx of capital at the time of the Fourth *Aliyah* brought many untoward results, especially land-grabbing and speculation, which Palestine had previously been spared. This had injurious and far-reaching effects upon our economic life. As proof may be mentioned the extraordinary rise in land prices in Tel Aviv and Haifa during the year 1925.

It was a serious error to assume that moneyed elements would find it an easy matter to engage in agriculture, as was generally imagined at the time of the boom. Nothing could have been more mistaken than the belief that people who had no previous acquaintance with agriculture could become experienced farmers overnight and master the many

difficulties with which this occupation is fraught in Palestine. Without preparing the people in any way for their hard task, steps were taken to found a number of "bourgeois" agricultural settlements. This method was bound to result in failure, which necessarily brought disappointments, financial losses, and ruined lives in its train. Bitterly disillusioned, the newcomers saw themselves compelled to leave the country, and wherever they went they created an atmosphere unfriendly to our work in Palestine, which again reacted unfavourably upon all Zionist activity in the *Galuth*.¹ The lesson to be learnt is that bourgeois agricultural colonisation must not be undertaken without careful preparation. For the making of farmers other pre-requisites are indispensable besides money and goodwill. Most of the bourgeois groups which purchased the land for their agricultural settlements out of their own pockets encountered great difficulties, because their capital was far from sufficient to cover both the cost of the land and the cost of settlement. People who have enough money to buy their land and cover the cost of settlement, and who are at the same time inclined to take up the difficult vocation of farming, are few and far between. Instead of saving the purchase-price of the land by taking National Fund land on lease and thus being able to devote all their means to the settling process proper, these groups tied up their money unproductively by putting a considerable part of it into land purchase. The events of 1925 again amply demonstrated the truth of the proposition that, under existing conditions, our

¹ The Diaspora.

agricultural undertakings can succeed only on nationally owned property, where the settler is not compelled to sink his own money in the land. This does not imply that it is impossible to settle moneyed elements on the land, nor does it in any way belittle the value of the attempts made on these lines in the course of that year, as, for instance, the settlement of groups of Polish *Hassidim*. It simply means that experience has proved the correctness of our assertion, that it is advisable even for moneyed elements to settle on national land, if they want their agricultural ventures to be successful. If we had envisaged the position from this angle from the very beginning, disappointment and despondency would not have followed in the wake of the enthusiasm aroused by the Fourth *Aliyah*.

When the economic depression is surmounted, when immigration recommences and new capital comes in, the curve of development will again show a tendency to ascend, and then moneyed elements will also come to the country once more. From the experience of that one year, however, we should learn how to avoid the mistakes we made then, and to prevent strength, enthusiasm, and, last but not least, money, from being uselessly squandered.

3

The most characteristic phenomenon of the year in the domain of land purchase, and one which powerfully affected the entire economic life of Palestine, was undoubtedly the speculation in land

which, starting at Tel Aviv, spread all over the country. Many actually welcomed this phenomenon, which they identified with economic progress. Need it be said how mistaken they were? Here, as everywhere else, speculation has been but an attendant phenomenon of a period of prosperity. And as in the rest of the world, so also in Palestine, it exercised a retarding influence upon economic development and had a most injurious effect on the country. An examination of the results of unrestrained land speculation at Tel Aviv showed first of all that building lots *within* the town had risen tremendously in price, a circumstance which did not fail to affect the price of land *around* the town; it showed, moreover, that this rise in price had already affected rural land and hence caused tens, if not hundreds, of thousands of pounds to flow quite unnecessarily into non-Jewish pockets. In all the towns, and especially in the important immigration-centres—Tel Aviv and Haifa—rents went up sharply. Immigrants had to pay exorbitant prices for housing accommodation, an expense which was a heavy drain on their resources and made it harder for them to establish themselves. Finally, speculation had created opportunities of making money easily in Palestine and thus attracted elements which would otherwise never have come here. These elements contributed not a little to the confusion in the business world and the economic crisis, which struck Tel Aviv with special severity.

The Jewish public was completely helpless and passive in the face of this phenomenon. The fact that speculation had come on the scene with little

or no warning may, perhaps, serve to explain, if not to excuse, this attitude. It was only when the results of speculation, which had quickly made themselves felt in the towns, began to cause serious trouble that voices were heard urgently demanding that this pest should be eradicated. But neither during this year nor later was any organised attempt made by the Jewish community to counteract it. Neither the Zionist Organisation nor its leading economic institutions undertook any steps in this direction. The chief blame attaches to the Municipality of Tel Aviv, which had every reason to intervene decisively, as this town suffered most of all from the devastating effects of speculation.¹

In this respect, too, the experience of 1925 should prove instructive. We must not be led astray by the fact that in the second half of the year speculation subsided and the price of real estate fell considerably. Speculation as such is not finished with merely because the speculators have met with reverses and cannot dispose of their lots owing to the stagnation of the market. What happened in the boom years was only the first consequence of speculation, certainly not the last. It is safe to assume that if the curve rises anew and prosperity sets in once more, if the increase of immigration causes the towns to expand, speculation on as large a scale as formerly will revive in other towns, if not in Tel Aviv. The Jewish public must not again face this grave social peril unprepared and defenceless. It must take timely measures to combat the evil. It is the duty of all the constituent bodies of the Zionist Organisation, and

¹ For details see Chapter VIII.

especially of the Jewish Municipalities in the country, to devise beforehand measures of protection—and there are several which might be mentioned—to be applied if the occasion arises.

4

A far-sighted, clearly defined, and well-planned urban land policy is an absolute necessity—now, perhaps, more than ever. We must not forget that a large part of the Jewish immigration streams into the urban centres, making the housing question one of our most urgent concerns. To the solution of this question a suitable land policy can contribute more than anything else. But instead of exerting a decisive influence upon the land policy in our towns, the institutions working for the general Jewish interest allowed it to become the sport of the uncontrolled operations of speculators, who had only their own advantage in view. During the boom period a class of real estate agents sprang up in Palestine to whom land speculation offered a good opportunity of making easy profits. They did much harm, and are in large part responsible for the excessive rise of real estate prices in Tel Aviv. But while it is necessary to organise the real estate business in the towns on a rational basis, this forms only a small part of the general problem of regulating land purchase in Palestine. There is still noticeable a lack of co-operation, or even actual conflict, between the bodies working in this field ; and this was not the least important of the causes instrumental in bringing

about land speculation and the tremendous rise in the price of building sites. There were many cases in 1925 where wholly inexperienced newcomers, without any knowledge of local conditions, engaged in land purchase on their own account without asking counsel or assistance from the authoritative agencies existing for the purpose, and began bidding against one another, with the result that they had to pay exorbitant prices for their lots. All this shows the sad lack of discipline, both social and national, which prevailed, and how Jewish money was wasted in consequence. A particularly striking instance was the Abu-Kishk purchase in Judea, entered into by a group of Polish Jews. The tract in question consisted of over 4,000 dunams, which the Palestine Land Development Company had contracted to purchase in 1924 at a price of three pounds per dunam. The aforementioned group went to the point of offering the Arab Sheikh of Abu-Kishk eight pounds per dunam, and actually acquired the land at a figure £20,000 in excess of that agreed upon by the Palestine Land Development Company. All attempts to dissuade these people—even through the Rabbinate—were in vain, and by this transaction a sort of speculation previously unknown was introduced into Palestine.¹

To recapitulate, the events of 1925 prove that it is inexpedient to give Jews free rein in the matter of the sale and purchase of land, and to leave such transactions to the play of economic forces. The only way to

¹ For a detailed description of this transaction, see the pamphlet published by the Palestine Land Development Company entitled *The Story of a Land Purchase in Palestine during the Land Speculation Period in 1925*. Jerusalem, 1925 (Hebrew).

regulate the real estate market is to found a central agency for land purchase, in which all land purchasing activities shall be concentrated. This body must dominate the entire real estate market and regulate the conditions prevailing there, especially in respect of prices.¹ In this way newcomers might be spared many of the troubles into which they fall as a result of over-hasty land purchases, and much Jewish money would be saved.

5

It is the tendency of the Jews to concentrate their land purchases as far as possible in one place, and the acquisitions of 1925 formed no exception, being restricted to a few definite regions. Two main categories may be distinguished. Rural land purchases were concentrated in the Plain of Esdraelon, a procedure which opened the way for large scale colonising operations. Within a short time a homogeneous, almost unbroken Jewish territory was to be found, extending from Haifa to the neighbourhood of Beisan, where the great open stretches of Government lands (*Jiftlik*) commence. Outside the Plain of Esdraelon agricultural land was bought only in isolated instances. Thanks to this concentration of Jewish property, a whole series of extensive settlements were established on a continuous stretch of land. This circumstance is productive of many advantages from the point of view of colonisation, as well

¹ I have already put forward a proposal for a Jewish central agency for land purchase in my book *Problems of Land Policy in Palestine*, pp. 79-82.

as economically and politically, tending as it does to promote the success of the settlements and the progress of our agricultural colonisation as a whole.

The second important group of land purchases was in the environs of Tel Aviv, where the acquisition of urban and suburban sites was mainly concentrated. In a short time a number of suburban settlements had arisen. This region, which may be designated the Tel Aviv-Petach Tikvah-Jelil (now Herzliah) triangle, has a bright future before it. The proximity of this district to Tel Aviv, and the extraordinary rise of prices within the town itself, induced immigrants desirous of building their own houses to seek ways of establishing themselves more cheaply in this area. Thus new settlements grew up beyond the immediate neighbourhood of the town on land which could be bought at low prices. Apart from the expansion of Tel Aviv, the growth of the large plantation colony of Petach Tikvah also had something to do with this. The excellent and lucrative orange-groves in this colony induce an ever-increasing number of newcomers either to acquire existing plantations or to lay out new ones. This gives a great stimulus to the purchase of land and the founding of new settlements in the whole of the district. It seems highly probable that in the course of a relatively short time the chain of settlements extending from Tel Aviv to Petach Tikvah will form a continuous belt of suburbs and plantations, covered with buildings and thickly inhabited.

The surroundings of Haifa are of even greater significance. There in 1925, in the Plain of Acre, was consummated the most noteworthy transaction in

land purchase since the World War ended and Jewish colonisation work recommenced—the acquisition of the so-called Jedro land. Thanks to this purchase, a promising area of about 45,000 dunams on the Haifa-Acre Bay came into Jewish hands. The greater part of this tract was acquired by a private body, the Haifa Bay Development Company. Here was a rare opportunity to show what could be effected by a systematic urban policy: to secure control at one stroke of the development of the prospective metropolis of the country, with its boundless opportunities, and thus to prevent the speculation which otherwise was certain to be very intense. The private company which took over the extensive work in the region of the Haifa-Acre Bay could not be expected to develop this tract in the interests of the public. This being a private undertaking, the aims of a land policy framed in the public interest were foreign to it. Unquestionably this was a case for the Zionist Organisation to intervene energetically through its agencies. Unfortunately it let the opportunity slip. The National Fund does, it is true, own a quarter of the entire Jedro tract, but it has leased its section for a long period to the Haifa Bay Development Company, which has undertaken to open up this area also. The provisions of the contract make it impossible for the National Fund to have any decisive influence upon the land policy to be adopted.¹

¹ The economic depression in Palestine in the years 1926–1928 did not leave unaffected the activities of the Haifa Bay Development Company, which found itself compelled to suspend the work it had already begun. The Company fell into such serious financial difficulties that it finally had to sell its entire property. Its lands have passed into other hands, for the most part into those of the National Fund, which had long been anxious to acquire them. There is thus

There is hardly likely to be another such opportunity. In all Palestine there is no centre with such prospects as Haifa. With the development of the country, however, a number of smaller urban centres will spring up, and care must be taken not to repeat the mistake that was made in the case of the Jedro land purchases.

A retrospective glance at 1925 provides us with many important lessons for our future work. The momentary stagnation of the land market should not blind us to the fact that another wave of feverish activity will one day come, though we cannot foretell at what date. We should prepare ourselves for this contingency, so that when it arrives we shall be able to put into practice a carefully thought out and effective land policy.¹

no longer any danger of these lands, on which longing eyes have been cast from many quarters, being lost to the Jews or becoming an object of unbridled speculation. Thus the proprietary interests of the Jewish community in this most important district of the country can be safeguarded. The subject is more fully treated in Chapter VI.

¹ The above chapter, written at the beginning of 1926, called forth a very excited reply from Mr. Z. Eliahu Cohen, which he published under the title of *Private Capital and Speculation—A Reply to Dr. Granovsky*. The writer gives vent in this pamphlet to his indignation at my calling speculation a scourge and speculators dangerous parasites. It is superfluous to examine the contents of this pamphlet closely, because it is written in the crudest style of controversy and only shows the writer's complete inability to interpret economic phenomena. A few of his wise sayings may be quoted as examples. According to Mr. Cohen, it is to land speculation that the general prosperity prevailing in Palestine in 1924-1925 was due (p. 5). Further, he maintains that land speculation is nothing less than the "eternal and almighty cause of all that man has achieved on earth: art, handicrafts, science, thought, wealth, prosperity, and everything else that is included in the term civilisation" (p. 7). How can such a statement be explained, if not by an ignorance of economics

bordering on naïveté? The author, who is, as the title-page of the pamphlet tells us, a Doctor of Laws (Political and Economic Faculty of the University of Paris), makes a hotch-potch of all sorts of ideas in the ten pages of his work, and confuses the most elementary notions of political economy. Effects are taken for causes, free competition for speculation—and so forth. Mr. Cohen, who brands the campaign against speculation as a Socialist trick, and accuses the author of this work of being caught in the toils of Socialistic phraseology, declares in all seriousness that the crisis in Palestine was brought about by "Socialist" speeches, writings, and other means of propaganda (p. 9). Apparently Mr. Amery, the British Colonial Secretary, is also to be counted among the Socialists, as he is said to have stated after his visit to Palestine that the country was ruined by land speculation.

We do not want to rob the honourable champion of land speculation in Palestine of his enthusiasm for what he regards as the fountain-head of all good. But we advise him to re-read his pamphlet and, in the light of what Tel Aviv has undergone since 1925, to answer this question: Where is the blessing that speculation conferred on Tel Aviv and the rest of the country? And where are the countless thousands of pounds which the Jews sacrificed on the altar of speculation?

CHAPTER VI

HAIFA BAY LAND POLICY

I

In 1925, the land lying along the Haifa-Acre Bay was sold by its Arab owners to a Jewish body—the Haifa Bay Development Company. At the time the Jewish National Fund could have acquired the whole area without difficulty, but neglected to do so. In 1928 the greater part of this land—all that could still be obtained—was, after laborious efforts on the part of the National Fund, brought into national ownership. Instead of the 45,000 dunams which it could have secured in 1925, the Jewish National Fund acquired only 32,000 dunams, including the 11,000 dunams which it had already acquired in 1925. Five thousand dunams were taken over by the Palestine Economic Corporation of New York; the rest had in the interval been disposed of by the Haifa Bay Development Company in other ways. The news that some 21,000 dunams had come into the possession of the National Fund was received with great gratification by the Zionist world, which regarded the transaction as a notable success.

Between these two events only four years elapsed. But in that period events and changes had occurred which explain why the transaction which was declined in 1925 was acclaimed with enthusiasm in

1929. These four eventful years witnessed the rise and decline of Tel Aviv. This, too, was the period of the severe economic crisis which befell the Jews of the whole of Palestine and opened our eyes to many defects in our land and colonisation policy. And, finally, the unremitting struggle of the National Fund to secure the adoption of an urban land policy also helped to bring about an alteration in the attitude hitherto prevailing on this matter.

It was Tel Aviv, above all, which demonstrated how inexcusable an error it was to let the town develop haphazard and to leave it at the mercy of economic cross-currents. The results of this policy were fatal. The influx of immigrants gave a great stimulus to building activity and to dealings in real estate. At the same time, speculation in land was allowed to flourish without restraint. The effect was soon felt in the property market, and the price of building sites in and around Tel Aviv rose at a dizzy speed. The cost of building also increased considerably. All this led to a great increase in rents. There was a time, indeed, when rents in Tel Aviv attained a figure unknown even in European capitals. The result was that hundreds of thousands of pounds were spent by Jewish immigrants uselessly from the standpoint alike of the community and the individual. All these circumstances served to make the economic position worse in Tel Aviv. In no town in Palestine was the crisis so keenly felt as in Tel Aviv, nor did it have so harmful an effect anywhere else, for it arose in large measure from the condition of the Tel Aviv real estate market. It was a bitter punishment for the failure to provide a land-reserve at

the proper time and to keep a sufficient amount of cheap land on hand, in view of the town's potential growth. In the last analysis, it is the lack of a land-reserve which brought about the rise in the price of real estate, the prevalence of speculation, and the rest.

The economic crisis showed how greatly Jewish colonisation work suffers from the fact that it is carried on principally with an eye to the exigencies of the moment and little or no attention is paid to future development. It was obvious how much the existence of a land-reserve would have helped to overcome the crisis in all the towns of Palestine, and especially in Tel Aviv. It would have been possible to found suburban settlements where the town-dwellers who were hit by the crisis might have eked out a living from their small holdings while times were bad. To meet this need there should have been cheap land available on the outskirts of the towns. But there was no such land, and land was only obtainable at a prohibitive price. A similar situation developed in the plantation-colonies. The growth of these settlements in recent years has brought about a considerable increase in the rural population. Here, too, the lack of a land-reserve was sorely felt, and hence many workmen, artisans, small planters, and so forth, were denied the possibility of establishing themselves upon their own plots of land. All these cases show clearly how much we may have to suffer from the want of a far-sighted land policy. Wherever we have gained a new foothold in the course of our advance, the increased cost of the adjoining land has impeded, if not entirely prevented, the extension of the settlements.

Such were the considerations which weighed with those who, foreseeing the imminent rise in prices and realising the intimate connection between land policy and colonisation policy, unceasingly called upon the National Fund to adopt an energetic and clearly defined urban land policy. The development of the country must, so they reasoned, inevitably bring in its wake a growth of urban centres, which in its turn would cause a rise in prices and an increase in the cost of land in the vicinity of the towns. Timely steps should, therefore, be taken towards forming land-reserves round all settlements which were likely to expand rapidly, the towns first of all. Of the latter, the first to be considered was Haifa, for it was destined to be the largest city in Palestine.

2

The prime importance of Haifa in the economic development of Palestine has become increasingly evident in recent years. In many respects anticipations as to its future have already been fulfilled. In 1927 we used to say that "should the Haifa harbour be built one day, the city will develop with lightning rapidity. All railway-lines will converge on Haifa and new lines will radiate from there; all the imports and exports of Palestine and gradually of the entire hinterland—for instance, Transjordan and Mesopotamia—will pass through Haifa."¹ Soon the construction of the harbour is to be commenced, and

¹ *Problems of Land Policy in Palestine*, p. 24.

in a few years it will be an accomplished fact. A railway connection between Haifa and Bagdad is under serious consideration ; this would make Haifa the port of Mesopotamia. A Haifa-Beirut line has long been contemplated. The question of a pipe-line which would carry oil from Mosul to Haifa is also under discussion. The London-India air-line, which will connect the centre of the British Empire with its most important colonies, is to pass over Haifa, and Imperial Airways have already picked out a suitable site for an aerodrome in the vicinity of the town.

Through its extraordinarily favourable geographical situation, Haifa is well adapted to become a great world-centre of communications. First of all, it lies on the highway to Asia—to Transjordan, Mesopotamia, India, Persia. Further, it already has, or is about to have, railway-lines connecting the African continent with Europe—on the one hand the Haifa-Cairo line, and on the other the already existing Haifa-Damascus line ; while the projected connection with Beirut will join it up with Constantinople and the European capitals.

Thanks to its harbour, which will make it one of the most important Mediterranean ports, and to its manifold transportation facilities—railway, motor-car and air-lines—between three continents, the trade and industry of Haifa will rapidly grow. As a focus of world traffic-routes, Haifa will naturally become an *entrepôt* for extensive areas. As the town can spread to the north and the east without hindrance, it offers an excellent site for large scale industries. Industrial enterprises can secure land in the

vicinity of the town, and of existing and prospective transportation facilities, at a reasonable price. This fact is particularly favourable to the concentration of industries—especially large scale industries—in the neighbourhood of Haifa. It will be easy to bring in raw materials from abroad as well as from the agricultural hinterland of Haifa, and similarly to ship manufactured goods to adjoining countries by means of the excellent facilities for transport both overland and by sea.

All this goes to show that Haifa is destined to be a metropolis of the first rank. As in the case of all rapidly growing towns, the real estate question is certain to present considerable difficulties. First of all, the price of land will rise steeply. The experience of modern cities teaches us to what incredible heights prices may rise in a relatively short time. This is equally true of business and residential districts, and also, though in a lesser degree, of the environs. Some striking examples of the way in which real estate prices rose in Berlin in the course of about thirty years (1881-1910) were given in an address delivered by the German Secretary of the Treasury before the Reichstag Commission for the Taxation of Land Values on November 25th, 1910. Thus, in the business district the price per square metre rose from 240 to 2,220 marks, and from 30 to 450 marks in the residential district. In Vienna there was an average rise in price of 250 per cent. in the course of forty years (1860-1900), while in nine districts of Vienna it reached 520 per cent. At Nuremberg the price of the various categories of real estate increased during 1871-1909 by 1,150, 2,900,

and 4,700 per cent. respectively.¹ Many more cases might be quoted.

It is certain that a similar situation will develop at Haifa. Already the price of sites has gone up to five times and ten times what it was. At Tel Aviv instances might be quoted of an even greater increase. But the present rise of prices at Haifa is only a beginning, corresponding to the hitherto relatively small growth of the town. If its development really progresses rapidly, as we may assume it will, the price of land at Haifa will attain the same fantastic heights as in the European capitals. As long ago as 1910, 2,250 marks per square metre were paid in a busy street at Berlin, and 810 marks in a residential street. In London a square metre cost in 1926 from £109 to over £1,070. It goes without saying that so tremendous a rise is inevitably accompanied by unlimited speculation, which in turn artificially forces up the price of sites. What we saw at Tel Aviv in this connection is child's play compared with what may occur in Haifa.

3

The only way to prevent all this is to establish a land-reserve which will meet the needs of the prospective metropolis. Haifa must not suffer from the lack that was so sorely felt at Tel Aviv. The transfer of the Haifa Bay land to the National Fund has

¹ Von Nostitz, "Wertzuwachssteuer," in *Handwoerterbuch der Staatswissenschaften*, Vol. 8 (third edition, G. Fischer, Jena, 1911), p. 775. Adolf Damaschke, *Aufgaben der Gemeindepolitik* (G. Fischer, Jena, 1922), p. 9.

created a reserve of this nature. A barrier is set to the expansion of present-day Haifa by the Carmel range. The town can spread out only to the north and north-east, where there are wide tracts of unoccupied land. In other words, the town must develop in the direction of the land-reserve now created by the National Fund.

What are the practical advantages of a land-reserve? In what way can it prevent the evils we have described from arising? We must remember that the law of supply and demand, which governs the other phenomena of economic life, cannot be applied to real estate, except in a very restricted measure. If the law held good in this connection, the price of real estate would be lowest where there was an abundance of land easy of access and suitable for building purposes, and, "on the contrary, highest when land conditions are unfavourable and the growth of the city is hampered by topographical difficulties."¹ As a matter of fact, what happens is the reverse. The price of land is highest where it is most open and where the city can spread with hardly any difficulty. Almost all recent experience in growing cities shows that the existence of a large quantity of building land leads to a rise in real estate values. This deviation from a natural law is attributable to the fact that land speculation concentrates upon the outskirts of the city. The ease with which outlying land can be bought up and retained makes it the chosen field for land speculation.² The real

¹ Rud. Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage* (fourth edition, G. Fischer, Jena, 1920), p. 128.

² *Ibid.*, p. 129.

domain of speculation lies in the empty land in the environs of the city, and the course of land speculation is directed inward from without. Lujo Brentano has expressed this in the following axiom: "The pressure of land speculation proceeds from the outside inwards and crowds the population together."

The investigations made by Professor Eberstadt, the well-known housing expert, show that "crowding (i.e. the building of many-storeyed houses) does not move outward from within, as a natural urban development would require, but inward from without. . . . The crowding caused by land speculation is worst on the abundant and originally cheap lots lying on the outskirts of the city."¹

This explains the importance of a land-reserve. Speculators buy up the cheap lots and wait until the advance of the city causes them to go up in price and yield high profits. We have already seen this happen on a small scale in Tel Aviv, where the price of outlying lots rose greatly. For example, lots in the *Sh'chunath Hazafon*, which was a considerable distance from the town when they were originally bought, brought in prices usually paid only for city lots, namely £230 to £285 per dunam. If land speculation is to be successfully combated, the land which speculators would be likely to snatch up in view of the prospective growth of the town must be bought in good time. That is why the purchase of land round the town is the most effective means of preventing speculation. Instead of falling into the

¹ Rud. Eberstadt, *Die Speculation im neuzeitlichen Städtebau* (G. Fischer, Jena, 1907), pp. 26-7.

hands of speculators, this land becomes the property of an institution like the National Fund, devoted to the public interest, which will hold it until it becomes part of the town proper. Then the National Fund can release whatever quantity is indispensable to the growth of the town. But this land will not be sold at a speculative price ; it will be leased for building or industrial purposes at a moderate rental. Land speculation will be struck a mortal blow, since the article it deals in will be removed from its clutches. The land-reserve must be sufficiently ample to include the entire area which is likely to suffice for the spread of the town for a long period of time. With this end in view, it must include some land which is still used for purely agricultural purposes.

The owner of the land-reserve can have a preponderant influence on the fixing of land prices throughout the entire town, for a great demand for building land when the town is in process of expansion tends to produce not only a sectional, but also a general, rise in land prices.¹ That is to say the rise of land prices in the outskirts brings about a corresponding rise inside the town. If a rise of prices in the outskirts of the city is prevented by means of a land-reserve, the rise manifests itself to a far more moderate degree in the town proper. If, thanks to the spread of the town, there is a demand for new land in the real estate market, it will not be directed to the naturally very expensive private property surrounding the inner town, because the supply of national land will

¹ Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage*, p. 129.

be sufficient to cover the demand on more favourable conditions. It will be far more advantageous to acquire national land on hereditary lease at a moderate rental than to pay exorbitant prices for private land. Thus the National Fund will be in a position to influence the entire real estate market of Haifa. High land-prices make for crowding, that is to say for high houses of several storeys ; and this crowding makes for higher rents than one-storey houses, according to the axiom "the higher the house the higher the rent." This principle is of decisive importance for the whole housing question in the modern large town. Thanks to the land-reserve, it will be possible to promote the creation of normal housing conditions ; instead of barrack-like tenement apartments, the one-family house will remain the rule. Moreover, rents will be kept at a lower level.

The acquisition of the Haifa Bay tract enables the National Fund to dominate the future land policy of Haifa by controlling land prices, eliminating real estate speculation, and giving a lead in the matter of housing conditions.

4

From another and an entirely different standpoint the acquisition of the Haifa Bay land may have far-reaching consequences for the National Fund. The very considerable capital of the National Fund—on September 30th, 1928, its possessions in land were valued at the impressive sum of about £1,300,000—is useless to it in the sense that it brings in no actual profit. In the financial year 1927-1928 all the land

owned by the National Fund brought in the meagre sum of about £1,200 in the form of rentals. This means that it can secure no credit on its property for financial operations on a large scale. The reason is that the profit accruing from farming land is not sufficient, in any case during the early years, to permit the farmer to pay his leasehold rental in addition to all his indispensable expenditure. On the other hand, the urban property owned by the National Fund is extremely small. It should be remarked that the sum representing the income of the National Fund from rentals, insignificant as it is, is derived exclusively from urban land let on hereditary building leases.

If the National Fund owned more urban land, it would be enabled to derive a considerable income from rents. This is particularly true of the Haifa Bay land, where there is certain to be a great increase in values. It is extremely probable that the land which the National Fund acquired for £5 per dunam will be valued at hundreds of pounds in the not too distant future. The area adjoining the town will be disposed of per square metre as building sites. If the most is made of this property, it will yield the National Fund a large income.

The profitable investment of National Fund money is a most important problem. From the national point of view, every land purchase made by the National Fund is necessarily a good investment. But on the purely business side the fact remains that the greater part of its land has not risen to any extent in value, and cannot yield a satisfactory income from rents. New residential quarters, as well as large and

small industries, will be built on the National Fund land at Haifa—all of these undertakings requiring expensive land. On this expensive land the National Fund should be able to obtain a correspondingly high rental. The rise in value of this land, which should be re-assessed (say) once every ten years, will accrue to the community in the form of an increased rental from hereditary leaseholds. The National Fund must at some time or other be given a chance to finance its activities out of the income derived from its possessions, much on the lines of the policy recently adopted by the Commonwealth of Australia in the founding of its new capital of Canberra. The history of this achievement is instructive for us in various ways. Each of the several States of the Commonwealth desired to have the Federal capital situated within its own borders. To remove the jealousy thus aroused, it was decided to "exterritorialise" the capital. A tract of about 100 square miles in the Yass-Canberra district was designated as a special "Federal Capital Territory." The portion of this land which belonged to the State was transferred to the Commonwealth. In addition, the Commonwealth acquired 209,500 acres of land from private owners, for which it paid about £750,000 of its own money. A further 108,500 acres were also to be acquired. It was foreseen that there was certain to be a rise in values in the new city, to which the Federal Administration and Parliament were to be moved, and, in order to secure the benefit of this increase for the community, the land within the newly-formed district was given out in leaseholds and not sold outright.

Since 1924 lots lying within the city have been leased by means of public auctions. A rental equivalent to 5 per cent. of the bare value of the land (i.e. regardless of improvements) is levied on the prices obtained. The values are fixed according to the position of the lots—business or residential district, main or side street. The prospective builder makes a contract for a period up to 99 years, providing for re-valuations at intervals of ten years. He binds himself to put up a building of a certain value, dependent upon the position of the lot, within a fixed period.¹

According to the Chief Federal Capital Commissioner, the rise in land values in and around Canberra is already so considerable that the Commonwealth can confidently reckon on the revenue being sufficient in twenty-five years' time to pay the interest on the whole of its very considerable outlay for the construction of the capital city.²

5

Because of the peculiar features of the Haifa Bay tract, it is impossible to draw analogies between this purchase and any other purchase. Hence the use to which it is put must be determined by different standards from those applying to other land. This area is to serve as a reserve to meet the prospective spread of the town. The whole point of a land-reserve

¹ *Land and Liberty*, Monthly Journal for Land Value Taxation and Free Trade, August–September 1927, p. 177.

² *Land and Liberty*, January 1927, p. 22.

is that for the most part the land must be left to stand idle. The interests of the future should not be jeopardised in order to satisfy immediate colonisation needs. Just because this land is so expensive, and just because such a tract cannot again be acquired in any part of Palestine, it should be handled with special care. If by any chance it were used to further agricultural colonisation, the object of the purchase would be completely missed. With this land the National Fund has come into an uncommonly valuable possession, and it should do its best to derive the proper benefit therefrom.

When plans are drawn up for putting this tract of land to use, an entirely different time-standard should be adopted from that which has been used heretofore. Here decades, not years, must be reckoned with. The success of an urban land policy depends on long views being taken.

Without doubt the acquisition of the Haifa Bay land represents a turning-point in the activity of the National Fund. With this step it has clearly and unreservedly declared for the adoption of an urban land policy. It has here undertaken something through which it can become the standard-bearer of Jewish land policy in Palestine—a land policy which, taking into account all the sources of our national wealth, will be applied to the towns no less than to the country. The struggle for Haifa Bay was a struggle for the urban land policy of the National Fund ; and the acquisition of the land constitutes the first victory of that policy.

CHAPTER VII
SH'CHUNATH OVEDIM
THE WORKERS' GARDEN CITY

I

During the last few years the founding of workers' garden cities (*Sh'chunath Ovedim*) has been regarded, especially in Labour circles, as one of the most pressing problems of Jewish colonisation in Palestine. The truth is that it is a question of wide and general importance which concerns not only the working classes, but the whole Jewish public.

The *Sh'chunath Ovedim* is an outcome of modern conditions. It is a direct consequence of the character of the Jewish immigration as well as of the economic development of Palestine in the post-War years. The pre-War immigrants to Palestine found occupation in agriculture for the most part, only a small number settling in the towns. After the War the situation was quite different. The overwhelming majority of the many thousands of immigrants who arrived remained in the towns. This may be explained by a variety of causes. For one thing, the new arrivals could not all be employed in agricultural work. Secondly, the rapidly growing towns exercised a strong attraction on Jewish immigrants through offering more plentiful and more varied openings for employment, and

easier and more profitable opportunities of earning a living. Thus within a short period of time considerable masses of workmen were concentrated in the towns.

It generally happens that in towns with a rapidly growing population the cost of housing rises more quickly than the income of most classes of the inhabitants. Hence rent plays a disproportionate part in the total cost of living. It is the more impecunious strata of the urban population that suffer the most. In European countries workmen have to spend approximately 20 to 30 per cent. of their income on housing, while among the better situated classes rent absorbs from 10 to 15 per cent. of the income at the most, and sometimes even less.

The same phenomenon can be observed in the towns of Palestine. The first to suffer is the Jewish working-man. The conditions under which the poorer Jews live in the towns are abominable. There is, unfortunately, a lack of reliable data, especially statistical data, with reference to the living conditions of the urban population in Palestine. We may, however, assume that anything up to 25 per cent. of the income of the Jewish workman is swallowed up by rent. A Commission appointed by the Zionist Executive in 1925 to study the question of working-men's settlements took the conditions prevailing among the workmen of the Silicate Brick Factory as typical of Tel Aviv. The workman earning 35 piastres (about 7s.) a day spent from 40 to 50 per cent. of his income on rent. In a month of about twenty-five working days, he had to use ten to twelve days' wages to pay for his home, which usually consisted

of one room and a kitchen. The Labour Department of the Zionist Executive undertook in 1926 an examination of the cost of living of Jewish working-men's families in Palestine among a limited circle of urban working-men, and found that in Jerusalem rent claimed 21 per cent. of the working-man's earnings.¹

The lower the income, the higher the ratio of the minimum outlay for rent. The high rental is paid at the cost of the nourishment of the worker and his family, the children's education, the most indispensable clothing.

The ratio of income to rent is generally considered to have been correctly formulated in the Schwabe Law, which runs as follows: "As a general rule the lower the income, the higher the percentage which must be spent on rent." Economists have laid it down that, in the case of small dwellings, the proportion of the income which can properly be paid by way of rent is from a seventh to a sixth.²

Through the rapid development of the modern large town, the ratio of rent to income which was once considered normal has been greatly exceeded. Thus in Germany, where the growth of the cities was responsible for the spread of large blocks of tenements, the curve of rents shows a continuous

¹ The examination gave far lower figures for other cities—13 per cent. for Tel Aviv, and 14 per cent. for Haifa. See *Report on Investigation of Cost of Living of Jewish Workers' Families* (August, 1926; Jerusalem, 1927), p. 14.

² This law was called after the Berlin statistician Schwabe, who stated the rule as follows in 1867: "The poorer a person is, the greater is the sum he must lay out for rent in proportion to his income." Dr. Rud. Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage*, (fourth edition, G. Fischer, Jena, 1920), pp. 193-7.

upward trend. In the lowest grades of income, the rent usually absorbs 20 to 25 per cent. of the income. Numerous investigations in various cities have corroborated the Schwabe Law and have shown, not only that the poorer section of the population must lay out a disproportionate part of its income for rent, but that even in the course of the last few decades the ratio of rent to income has risen in the case of smaller incomes, while in the case of larger incomes it has fallen. In 1906 a comprehensive study of rents in one district was carried out in Greater Berlin among the working population with an annual income ranging from 1,600 to 2,100 marks. This investigation showed that in the case of three-quarters of the households under observation the rent absorbed more than 24 per cent. of the income, and in the case of one quarter more than 38 per cent.¹

The general rise in rents also bears hardest upon the poor. Thus, in the City of Hamburg it was shown that in the case of annual incomes ranging from 900 to 1,200 marks 19.8 per cent. was expended for rent in 1868, 21.2 per cent. in 1882, and 24.7 per cent. in 1901. On the other hand, in the case of annual incomes ranging from 6,000 to 12,000 marks the outlay for the same years was only 16 per cent., 16.7 per cent. and 14.3 per cent. respectively. At Breslau it was calculated that in the course of a period of 20 years (1880-1900), in the case of annual incomes ranging from 420 to 800 marks the ratio of rent to income had risen from 28.9 per cent. to 31.8 per cent., while in the case of incomes of from 900-1,200 marks it had, on the contrary, fallen from

¹ *Ibid.*, p. 194.

21 to 20 per cent. In the case of incomes of from 3,000 to 6,000 marks the fall was even greater, viz. from 19.8 to 16.9 per cent. and in the case of incomes of from 4,800 to 6,000 marks it was as much as from 18.3 to 14.6 per cent.¹

Even in England, Holland, and Belgium, where the prevailing type of dwelling in the towns is the small one-family house and not the crowded many-storeyed tenement, there is an upward trend of the rental curve, with a similar increase in the proportion of rent to income, although not nearly to the same extent as in Germany. It is well known that in countries like Germany rents are much higher on the whole, because the first result of the systematic introduction of the many-storeyed building is a rise in rents. In Holland, for instance, rents are considerably lower than in Germany, even in large cities with many-storeyed houses, in spite of the general rise in rents. In towns with individual houses the difference is considerable.²

An investigation of housing conditions of workmen living in the suburbs of London in 1900 showed that the proportion of rent to income fluctuated between 13.4 and 24.8 per cent. As the distance from the city increases, the proportion of the income spent on rent is reduced.³

Apart from high rents, the homes of the poorer

¹ Dr. Hans Kampfmeyer, *Wohnungs- und Siedlungspolitik* (Verlag fuer Kulturpolitik, Munich and Berlin, 1920), p. 15.

² Prof. D. Rud. Eberstadt, *Stadtebau und Wohnungswesen in Holland* (G. Fischer, Jena, 1914), p. 405.

³ Dr. Carl von Tyszka, *Löhne und Lebenskosten in Westeuropa im 19 Jahrhundert*, *Schriften des Vereins fuer Sozialpolitik*, Vol. 145, Part 3, (Duncker & Humboldt, Munich and Leipzig), pp. 183-4.

section of the urban population of Palestine have yet another great disadvantage : their sanitary arrangements are wholly inadequate. Here, too, we have no precise data to go upon. It may, however, be mentioned that in Jerusalem, Haifa, and other towns hundreds of families are lodged in dirty, broken-down houses under most unwholesome conditions ; while there are also many cases of several persons occupying one room. These circumstances have a most adverse effect upon the health of the family and, above all, on the development of the children ; even in Tel Aviv, where life is better ordered and more after the European style, things are just as bad. The Census published by the Municipality of Tel Aviv in September 5685 (1925) shows how great the congestion was at that time. In the houses there were two to three persons per room on the average, in the huts three to four persons, while in Paris, for example, there are only 1.08 persons per room, and in England an allowance of more than two persons per room is regarded as overcrowding. Nevertheless, there was a great house famine in Tel Aviv, and many inhabitants were quite unable to find accommodation corresponding to their requirements and incomes. The Census just referred to showed that 23.0 per cent. of the population of Tel Aviv lived in huts. The number of people living in huts in Tel Aviv has always been considerable : 20.0 per cent. in 5683 (1923), 20.9 per cent. in 5684 (1924), 20.0 per cent. in 5685 (1925), and 21.5 per cent. in 5687 (1927). In 1927 52.4 per cent. of the rent-paying residents of Tel Aviv lived in one-room dwellings, 27.5 per cent. in two-room dwellings, 11.2 per cent.

in three rooms, 6.1 per cent. in four rooms, and 2.7 per cent. in five or more rooms. For house-owners the figures were as follows : 39.6 per cent., 35 per cent., 14.6 per cent., 6.5 per cent., and 4.2 per cent. for one, two, three, four, and five rooms respectively.¹ Let us compare this with the corresponding figures for a number of German cities :

BERLIN: 7.37 per cent. one-room lodgings, 33.67 per cent. two-room lodgings, 32.61 per cent. three rooms, 11.30 per cent. four rooms, and 15.05 per cent. five or more rooms.

HAMBURG: 0.68 per cent., 3.90 per cent., 29.35 per cent. 33.73 per cent. and 32.34 per cent.

COLOGNE: 5.30 per cent., 21.21 per cent., 26.02 per cent., 17.01 per cent. and 30.46 per cent.

HANOVER: 0.94 per cent., 1.68 per cent., 8.06 per cent., 29.33 per cent., 59.99 per cent.²

In March 1927, 221 families in Tel Aviv were living in cellars ; 8,094 people, or 21.5 per cent. of the total population, could find no houses to live in.³

In the same way hundreds of families in Haifa lived in huts. The sanitary conditions in such dwellings are bound to have a prejudicial effect upon health. It suffices to remark that in Tel Aviv 23.2 per cent. of the dwellings had no kitchen, 34.8 per cent. had no privies, and 53.4 per cent. no bathrooms.⁴ Elsewhere the situation was still worse.

The fact that the great majority of these huts were put up on ground owned by others, not infrequently

¹ *Report of the Town Council of Tel Aviv*, Vol. II., No. 16, (November 1, 1927), p. 11.

² Eberstadt, op. cit., p. 82.

³ *Report of the Town Council of Tel Aviv*, Vol. II., Nos. 13-14, September 15, 1927, pp. 15-16.

⁴ *Ibid.*, p. 18.

without the consent of the owner, often led to conflicts between the owner and the occupier, who refused to vacate the premises. This created a feeling of insecurity, of unsettlement, and, last but not least, of resentment. If the housing conditions in the towns were to develop further along these lines, they would be bound to lead to the rapid deterioration of the immigrant masses into a proletariat. This is not only an economic and social evil, but also and above all a national danger. The link between the people and the land is loosened ; they take root much less easily, are more susceptible to every change in the economic situation, and more readily inclined to leave the country ; the young generation grows up remote from contact with nature. As in the Diaspora, so here, instead of free citizens bound closely to the land, a generation of *luftmenschen* grows up, leading a penurious, hand-to-mouth existence. The majority of Jewish immigrants in recent years have settled in the towns and have swollen the ranks of urban labour. A moment's reflection on this fact will bring home to us the gravity of this problem, which inevitably arises from the development of the towns in Palestine. It is hardly necessary to dwell upon the importance of promptly finding a remedy for this state of affairs.

2

It is the object of the working-men's settlement to obviate this evil. The working-men's settlement is simply a Garden City for town-workers suffering

from bad housing conditions. In recent years European cities have more and more adopted the practice of creating garden settlements in the suburbs. Every Garden City dweller—drawn as a rule from the poorer sections of the urban population—receives a parcel of land on which to erect a cottage and lay out a small garden.

The Garden City Movement, which is only about thirty years old, originated in England. It was a reaction against the evils which the development of the modern large town brought in its wake. In 1896 there appeared the well-known book by Ebenezer Howard, who died in 1928. He warmly advocated the idea of the Garden City as the surest safeguard against the evils arising from the development of the modern large town.¹ The next year saw the establishment of a well-supported Garden City Association, which carried the Garden City idea into practical effect. It was in England that the first Garden Cities came into being—Port Sunlight (1887), Bournville (1895), Letchworth (1903), Hampstead (1907). Stimulated by the example of England, the movement made rapid strides on the Continent, and in a number of countries similar settlements were laid out under various names. The movement was particularly strong in Germany before the World War, the following settlements, among others, being founded there : Hellerau near Dresden (1908), Stockfeld near Strassburg (1910), Wandsbeck near Hamburg (1910). In 1902 a Society was

¹ Ebenezer Howard, *Garden Cities of To-morrow*. Third edition, Swan Sonnenschein & Co., London, 1902.

founded under the name of the German Garden City Association.

In Palestine also similar evils will bring about similar results. It is the duty of the Jewish colonisation agencies to anticipate them as far as possible by suitable preventive measures. The working-men's settlement—the Garden City or Garden Village—is meant to create healthier and more normal conditions of life for the urban working population. If such settlements are to be founded, land must be acquired not too far from the town, which shall suffice for settling about a thousand families. Each family should be given a lot of about one dunam, which is sufficient to put up a little house and plant a garden with vegetables and a few fruit-trees to meet the needs of the family. The settlement must make ample provision for public squares, parks, playgrounds, etc. The environment will be urban, but instead of resembling that of the old-fashioned city, it will to some extent approximate to rural conditions.

The Garden City offers many advantages; economically and socially it effects a fundamental change through the provision of cheap and healthy housing. Everyone acquires a small house of his own, and, no matter how modest it is, this means a vast improvement on the dwelling previously occupied. The settler must, of course, be granted certain financial facilities for putting up his house. Even if he is required to provide part of the building costs out of his own pocket, 60 to 70 per cent. of the requisite capital must be loaned to him under favourable conditions against mortgage security. In this

way the money which is otherwise laid out unproductively by the worker for the rent of miserable lodgings can be invested in his own home. From the standpoint of health, there is a considerable improvement in the living conditions of the working-man and his family—no overcrowded rooms, but, on the contrary, plenty of light and air.

In his free time the working-man, and, still more, the members of his family who do not go out to earn, can spend their time profitably in the garden. This work is not only beneficial to health, but it is economically profitable, as the family can thus supply itself with vegetables and later with fruit. They can also keep chickens, and, should their financial situation improve, perhaps buy a cow. Gradually, this Garden City dweller can so improve his plot as to provide from it a considerable part of his own sustenance and that of his family. In this way his economic position will become much more secure. He will not be so dependent as he was upon external conditions, nor be at the mercy of every crisis. He will be better able to pull through the periods of unemployment, from which scarcely any working man in Palestine is secure, as his household will provide something to fall back upon and can in any case protect him from actual want.

Psychologically, the working-men's settlement will do much to strengthen the feeling of security and stability in the settler. Absorbed as he is in the task of making the most of his property, of building up for himself and his children a home which will afford him a certain security against the time when he will be old and unable to work, he can scarcely fail to

become more firmly rooted to the soil. His children will be brought up in an atmosphere of work and in close touch with nature. He will live among people to whom he is attached by ties of common interests and aspirations. Communal institutions with economic or cultural aims find a suitable soil in such homogeneous settlements. Both the desire and the capacity to save will be strengthened in him, not only to his own advantage, but to the benefit of the community as a whole.

In its national aspect the working-men's settlement signifies the formation of a community which stands in direct contact with the soil. As we have already said, a considerable proportion of the new arrivals settle in the towns. It is of the utmost importance that such conditions of life be created for this class as will bring them nearer to nature and attune them to the new spirit in the country, and at the same time guarantee them a life of productive work in healthy surroundings. There is already a cleavage between the Jewish town and the Jewish village in Palestine, and this is growing wider from day to day. This estrangement is a national danger that must not be under-rated. Perhaps the working-men's settlement is destined to bridge this gulf and to form the connecting-link between the Jewish town and the Jewish village. It should combine the advantages of town and village without the disadvantages of either.

We see, then, that the working-men's settlement should form an intermediary stage between the Jewish village and the Jewish town. The new life in Palestine requires the Jew who emerges from the

Diaspora to re-adjust his way of living and, above all, to draw nearer to nature. A Garden City can be very useful for this purpose. It is easier to settle in a Garden City than in an agricultural colony, since it requires no vocational training or special preparation. It is an excellent thing for people whose occupation ties them to the town. A Garden City can be built up with less difficulty than an agricultural settlement, since the money needed for erecting houses can be secured more easily than the larger amounts required for farms. The workingmen's settlement affords room for the settlement of many hundreds, perhaps thousands of working families. It opens wide vistas before the colonising agency—possibilities of mass colonisation ; the formation of compact areas of Jewish settlement by easier and hence more rapid means ; and the consequent acceleration of the process of building up the country.

From the standpoint of land policy also the foundation of Garden Cities is of far-reaching significance. The settlements built up round the towns can do much to relieve congestion, to render the conditions of life more normal, to reduce rents, and thus to keep down the price of sites in the vicinity of the town itself. These settlements constitute a reserve which can absorb the elements unable to find accommodation in the town. Jewish urban land policy would be materially forwarded if the towns were surrounded with settlements of this type.

The Garden Cities must be erected on national land exclusively. One reason for this is, of course, that the settlers are not in a position to pay for their lots out of their own pockets ; but there are others

also. The only way to ensure that the settlements shall retain the character of a Garden City—even with the expansion of the town proper, which will bring about a rise in land values in the whole neighbourhood, and so in the Garden City itself—is to exclude the private ownership of land. This will prevent land speculation and its inevitable consequences—such as the reduction of the size of the lots, changes in the types of houses, and the disappearance of gardens.

The experience of England and Germany in the Garden City movement shows that the basic principle of a Garden City must be the collective ownership of land and the grant of long-term leases. In England, grants of building sites and agricultural lands have from the beginning been made solely in the form of hereditary leases, usually for ninety-nine years, and sometimes, in the case of factory-sites, for as long as 999 years. In Germany the collective ownership of land was recognised to be the only means of preventing the rise of land values as a result of speculation. The statutes of the German Garden City Association commence with the statement that the land of the Garden City is “perpetually in the ownership of the community, so that any sort of speculation with landed property is rendered impossible once and for all.”¹ Therefore the Garden Cities in Palestine should not be founded on other than National Fund land.

¹Hans Kampfmeyer, *Die Gartenstadtbewegung* (B. G. Teubner, Leipzig and Berlin, 1913), pp. 18, 26, 27.

3

There is one disputed point on which we should like to say a few words. It is held in certain quarters that an intimate and organic connection between industry and agriculture is an indispensable prerequisite of a working-men's settlement. According to this theory, the decisive consideration in founding a Garden City is the formation of an economically independent working-class unit. One means of bringing this about is the creation of a network of small agricultural concerns of various types. The owners of these are to occupy themselves in handicrafts or factory work as a side-line, and, together with the larger agricultural concern which is to constitute the economic centre of the settlement, they are to form one great agricultural unit. In short, a "Working-Man's City" is to be created. Some advocates of the working-men's settlement believe that it is destined to become such a "Working-Man's City," and that in this fact lies its great importance for the working classes.¹

In our view the working-men's settlement is indissolubly connected with the existing town and grows naturally out of its expansion. New settlements economically dependent upon the town can develop as an integral part of it, sharing its economic life. It is for this reason that a Garden City cannot be founded anywhere at will, but only in the environs of the town. It is, of course, not impossible that under peculiarly favourable conditions, a Garden City may,

¹ D. Remes, "The People's Settlements." *Mischar Wataasia* (No. 2,) January 30, 1925 (Hebrew), pp. 56-7.

in course of time, expand on such a scale as to become an independent centre. An example of this may be found in Tel Aviv, which developed from a mere suburb of Jaffa into a town. This is quite a normal development, which, however, can hardly be foreseen at the outset. We do not, therefore, consider it possible to found working-men's towns which shall form from the start self-contained economic units. We are rather inclined to believe that if the working-men's settlement becomes more than a Garden City and develops into a large urban centre, it will be subject to the same economic laws and hence be in danger of treading the same path as every other large town.

It is not through the creation of independent working-men's towns that we must seek to realise the great economic and national possibilities of the working-men's settlement. Its value consists rather in providing normal conditions of life for the urban worker. This purpose is so important from the national, so lofty from the social, and so attractive from the purely human point of view, that the greatest possible efforts are worth making to achieve it. The establishment of Garden Settlements, in which men and women indissolubly bound up with the land shall live and work creatively and joyfully, is in itself a splendid task.

4

The first attempts to carry the *Sh'chunath Ovedim* idea into effect were made a few years ago. In 1925

the National Fund bought a tract of about 97 dunams for a small Garden City adjoining Tiberias. In the neighbourhood of Haifa the National Fund reserved a large section of its extensive properties in the Haifa-Acre Plain for a Garden City for urban workers. The development of the town of Haifa will doubtless lead to the concentration there of a considerable labouring population and provide openings for many thousands of workmen. A large and healthy working-men's settlement would be an excellent model for the whole area, where large scale works will be established in the near future. The founding of working-men's settlements would also have a favourable effect on living conditions in Haifa itself.

Circumstances have determined that the first working-men's settlement shall come into being in the neighbourhood, not of Tel Aviv, the "Jewish City," but of Haifa, the city with a future. Owing to various causes, which cannot be gone into here, it has hitherto not been possible to undertake the formation of a Garden City near Tel Aviv. But it cannot be put off for long. The greatest Jewish labour centre in Palestine at the present moment cannot develop advantageously unless either one large garden settlement or else a series of smaller ones grow up in its vicinity. In due course Garden Cities must also be founded in connection with all the important Jewish centres in Palestine, both for the sake of the workers in the town and for the benefit of the towns themselves.

CHAPTER VIII

THE MUNICIPAL LAND POLICY OF TEL AVIV

I

The Palestinian public once took a great interest in the important problem of the land policy of "the first Jewish town in Palestine." This was at the time, when, after the influx of immigrants and the fabulous growth of the town, Palestine became a prey to economic depression. The question was often asked how the municipal authorities of the most important centre of Jewish immigration in the country could look idly on while the activities of the real estate dealers assumed large dimensions and land speculation ran amok, it being obvious that these manifestations might have unfortunate economic and social consequences, such as the rapid rise of land values and the increase of rents, thus rendering it harder for the newly arrived immigrant to settle. It is, indeed, strange that while land speculation was at its height, the Municipality of Tel Aviv could not bring itself to intervene actively in the confused affairs of the real estate market in the new city and took no steps to counteract this evil. Had the township earnestly tried to mobilise the forces that were at its disposal against land speculation, it could not have

failed of success. A constructive system of taxation and a resolute land policy would have enabled it to liberate the Jewish Home which was being built up from the yoke of speculation.

In 1926, when speculation had begun to subside rapidly in consequence of the incipient economic depression, a few feeble attempts were made by the township to combat speculation by means of land taxation.¹ But these first steps were so hesitating and irresolute that, in our opinion, they did nothing to inaugurate an effective land policy. The depression, which meanwhile grew ever more acute, interrupted the development of Tel Aviv, paralysed building activities, and put an end to speculation; hence these burning problems lost their urgency. Other anxieties occupied public opinion, and it seemed as though speculation were done with for all time. As we shall see later, this is an error, and the questions which were so urgent yesterday will again be pressing to-morrow. It is, therefore, worth while to

¹ In this connection should be mentioned the land purchases of the Municipality of Tel Aviv, one object of which was apparently to serve the interests of a land policy. A number of these purchases, which were said to have been carried out in an irregular manner, aroused sharp criticism in Palestine. It is not within the scope of our observations to pass judgment upon them. It must, however, be said that from the standpoint of land policy these purchases were a total failure, because the land was not meant to remain in the possession of the Municipality but to be sold to prospective builders. In any case, it was wrong that such a commotion should have been aroused by the first attempts of the township of Tel Aviv to take independent steps in the direction of a communal land policy both through these land purchases and through the attempt to introduce a communal land tax. In the bitter struggle for power waged by the parties represented within the Municipality, the question of land taxation and the communal land policy was too often dragged into the fray, the result being that the essence of the problem was smothered under side-issues.

examine these problems and scrutinise the attempts that have been made to solve them. At the same time we may outline the possible methods of taxing land in Tel Aviv in such a manner as to pave the way for a land policy.

2

The laws in force before 1926 relating to the taxation of sites in Tel Aviv had a somewhat fortuitous character, as was, indeed, the case with the entire fiscal system of the township. This may have been due to the sharp fluctuations which characterised the growth of Tel Aviv generally ; after years of arrested development there had been a sudden and precipitate growth, which again gave way to a period of utter stagnation. Each wave of immigration had given the town something of its own peculiar character. The fiscal system could neither adapt itself to these rapid changes nor yet keep pace with the development of Tel Aviv. The unexpectedly rapid growth of the town accounts for the frequent changes of policy, which were often made precipitately and without due consideration. These defects naturally appear in the sphere of land taxation, as elsewhere. There are two sorts of site taxes in Tel Aviv : the *Building Site Tax* or *Market Value Tax*, and the *Property Transfer Tax*. The latter played but a small rôle. As its name implies, it was levied when a site passed from one hand to another, ranged from half of 1 per cent. to 1 per cent. of the value of the site. The Building Site Tax was the only important land tax and had some direct relation to ability to pay. The town was divided up into zones. The value

of the site was fixed according to the zone, and 3 per cent. of its value was collected annually by way of tax. Owners of small building sites were given a reduction ; thus building sites worth £300 paid only 2 per cent. tax.

The chief concern of the township was to raise funds to meet the ever growing municipal budget. Thus the taxation of building sites was also designed to increase the municipal revenues. It was definitely fiscal in character and differed in no way from the other taxes in force in Tel Aviv, such as building or trade taxes or other fees for building permits, shop signs, water-supply, and so forth. Neither of the taxes on building sites was conceived as an instrument of any land policy, nor were they in any way calculated to influence real estate conditions in Tel Aviv. Even from the purely fiscal standpoint there are many defects to be noted in the form of these taxes, above all in the way in which building sites were assessed. Periodical valuations were carried out by a special Commission, which had to make assessments on the basis of the market-prices of real estate. In reality, however, the valuation was far below the level of the market-price. Thus, for instance, at the time when the town was divided into zones, the highest valuation was fixed at 50 piastres (about 10s.) per square pic, while in the business quarters of Tel Aviv prices had risen to £2 per square pic as early as the end of 1924. It is true that, when land speculation was at its height, prices could be seen to rise from day to day, and it would have been impossible for valuations to keep pace with these incessant fluctuations. At one time it was reported that the Valuation

Commission had decided that building sites held by their owners for speculative purposes should be valued according to the real estate prices of the day ; but, as far as we know, this decision was never carried into effect. As a matter of fact, it is not easy to find out exactly why a building site remains empty, and it is extremely difficult to ascertain whether this is done for speculative purposes. Another very serious ground for complaint is that the greater part—about 80 per cent.—of the owners of vacant building sites failed to pay even the extremely low site tax.

In his memorandum of July 23, 1925, the Mayor of Tel Aviv asked the Government of Palestine to invest the township with legal power to combat land speculation. The first step proposed by the township was that the building site tax in Tel Aviv should be increased from 3 per cent. to 12 per cent. of the value of the land.¹ The Municipality proposed this increase at a time when land speculation was still in full swing. Its object was, by the threat of heavier taxation, to force owners of vacant sites to build. Compulsion to build would, it was thought, be a means of combating land speculation, as, owing to the increased taxation, it would no longer pay to buy sites only to leave them vacant. The Government agreed to this measure in principle but found the rate of 12 per cent. too high. An Ordinance of the Palestine Government of February 23, 1926, increased the building site tax as from April 1 of the same year, from 3 per cent. to a maximum of 10 per cent. of the market-value of sites which were vacant but ripe for

¹ *Reports of the Township of Tel Aviv*, No. 1, September 1925, p. 4 (Hebrew).

building. The township has the right to divide the town into zones periodically, and to fix a special rate of taxation for each zone. It is further empowered to exempt sites from taxation, if they are used for public purposes or serve the needs of the community.¹ Apart from the raising of the rate, the building site tax was modified as follows. The distinction between building sites adjoining a street and those lying at a distance from a street was to be abolished ; whereas, according to the previous arrangement, the former were taxed 3 per cent., the latter only 1 per cent. Furthermore, no distinction was to be made between land belonging to Jews and that belonging to non-Jews. This was important, because, with the expansion of the town, considerable areas of non-Jewish land came within its boundaries. Finally, mention should be made of the fact that while the old building site tax was payable as soon as the site changed hands or building was begun, it was henceforth to be paid regularly, once a year or in monthly instalments. Essentially, the tax remained unchanged ; it preserved its fiscal character, even if the increase in the rate was due mainly to certain considerations of land policy, as can be seen from the Mayor's memorandum referred to above.

From the fiscal standpoint, the rise in the rate of taxation was certainly desirable, as the receipts of the Municipality were increased. From the standpoint of land policy, however, even the increased tax was of little effect, because it appropriated only a small part of the increase in the value of the land.

¹ *Official Gazette of the Government of Palestine*, No. 158, March 1, 1926, p. 84.

The real estate owners would have been but little affected by it, if the rise of land prices in Tel Aviv had continued at the same rate as at the time of the boom, when the prices of building sites sometimes increased fivefold or even tenfold in a relatively short time. In the memorandum by the Mayor of Tel Aviv we find that while the price of land within the boundaries of Tel Aviv was normally £30-£35 per dunam, it had risen to £150-£200 per dunam by the middle of 1925; indeed, there were cases where £250-£300 per dunam was paid. When the price of sites rose to this extent, a tax amounting to a maximum of 10 per cent. of the current market value was of practically no importance. If the prices rose 100 per cent. or even only 50 per cent., taxes amounting to 10 per cent. could be regarded with equanimity. But if prices fluctuate more slowly, as they have in the last few years, even a tax of 10 per cent. may have a certain importance from the standpoint of land policy. But even this inconsiderable effect was completely neutralised by the way in which the new measure was applied. The town was divided into six zones, and the tax fixed, according to zones, at 2 per cent., 3 per cent., 4 per cent., 5 per cent., 8 per cent., and 10 per cent. of the land value. Moreover, for house-owners who possessed only one building site in Tel Aviv the rate was reduced by one grade, so that people in the first zone paid 8 per cent. instead of 10 per cent. and in the last zone only 1 per cent. instead of 2 per cent.¹ As a matter of fact,

¹ It seems that the Government was reluctant to endorse this division into zones because, as it was said, of protests from non-Jewish real estate owners in Tel Aviv. See *Reports of the Township of Tel Aviv*, No. 21, October 15, 1926, p. 4.

only a small number of the building-site owners were affected by the tax. By far the greater number paid a tax which was not at all in proportion to the value of their property. At a town's meeting the Treasurer stated that, according to his estimates, only 7 per cent. of the building-lot owners paid taxes from 5 per cent. to 8 per cent., while the others did not pay more than 1 per cent., 2 per cent. or 3 per cent. As if this was not sufficient, at another meeting, held on July 21, 1926, it was announced that a resolution had been taken reducing the maximum rate of taxation of 10 per cent. for the year 1926-1927 to 6 per cent. of the market-value, the distribution into zones being changed accordingly.¹ Thus the Ordinance ceased to have any significance as far as land policy was concerned. As a matter of fact, the building site tax for 1926-1927 was levied according to the old rate of 1 to 3 per cent. The serious economic crisis which made itself felt with peculiar severity in Tel Aviv, as well as the internal administrative difficulties of the township, had a disastrous effect on the collection of taxes. This was specially noticeable in the case of the building site tax, which was put down at £E.12,000 in the Budget of 1927, but actually brought in £E.1,146 in the first six months of that year.² In the Budget for 1928 the receipts from the building site tax were put down at only £2,000.

¹ *Reports of the Township of Tel Aviv*, No. 18, August 15, 1926, p. 4.

² *Reports of the Township of Tel Aviv*, Nos. 13-14, September 15, 1927, p. 5.

When a city is expanding and land prices are rising, it is not possible by means of a building site tax to secure for the community a really substantial part of the increment. Such a tax can accomplish this only indirectly and in a relatively trifling measure. If an effective influence is to be exercised on the local real estate market, the increase in value of the land must be subjected to a direct tax as high as can be borne, in the form of an *unearned increment tax*.

The social justification of this tax lies in the fact that, through the rise in the price of land, the real estate owners pocket large gains which they owe to the efforts of the entire Jewish public. The work done by the community in opening up extensive areas, in creating better, more comfortable, and safer conditions of life, in building roads, in providing police services, lighting, water-supply, good sanitation, and so forth—all this has made Tel Aviv attractive to the newcomer, and hence a centre towards which great numbers of Jews have gravitated. This concentration brought about a rise in land prices, which has contributed much to the enrichment of the real estate owner. Hence it is only right that the Jewish public should also reap the benefit of values created mainly by its own efforts by claiming part of the increment for itself. The increase in the value of land, which is due in a very small measure, if at all, to the efforts of the real estate owners, should not be enjoyed by them alone. The receipts from the unearned increment tax should be used for

communal purposes—among others, for extending the landed property of the community. When land prices rose so enormously in Tel Aviv from 1923 to 1925, the real estate owners would not have been badly treated if, let us say, a third of the increment had been payable in taxes ; even so, they would have been able to make plenty of money in a short time. At any rate, building activity would not have suffered from this tax at all, as it would have been levied only upon vacant sites. On the contrary, the tax would have proved an incentive not to let the sites lie idle. It is generally known that the vacant sites which still form a large proportion of the total area of Tel Aviv are a great disadvantage to the township, since they increase the burden to be borne by the present population.¹ An abnormal situation arose, as a result of which the township was forced to pay a heavy rate of interest to cover its expenditure (as, for instance, for the loan taken up in the United States), while the owners of vacant sites continued making large and easy profits month by month. This should have been stopped. The equilibrium could best have been restored by introducing an unearned increment tax on land. This would have given the Municipality a good handle for shutting the door on land speculation. At the same time, considerable funds would have come in which could have been used for acquiring land for the Municipality and so enabling it to dominate the land policy of Tel Aviv.

The experience of various countries, more

¹ At the beginning of 1925 about 50 per cent. of the sites in Tel Aviv were vacant.

especially the British Dominions, has shown that considerable sums can be raised from the taxation of land. Thus in several cities all other taxes have been discontinued, as the total municipal budget can be covered out of the Land Value Tax. Let us take a few examples. To begin with, there is the City of Sydney, which abolished all communal taxes, replacing them by a single land value tax levied on the net site value, but not on buildings and improvements on the land. This measure has proved extraordinarily successful. In 1920, for instance, this tax brought in £3,123,201 in all the Municipalities of New South Wales, of which sum Sydney, with its forty Boroughs, contributed £1,634,829.¹ As a result of the land tax introduced in the suburbs of Sydney in 1908, the population of Sydney, as well as the value of improvements and buildings of all kinds, increased with incredible rapidity. Hence in 1916 the city proper also decided to replace all other taxes by a Land Value Tax. In the course of seventeen years (1908-1924) the population of Sydney rose from 555,000 to over 1,100,000 and building activity increased enormously: within eleven years, 1914-1924, 90,956 new buildings, valued at £81,816,794, were erected.²

In Canada the requirements of the Provincial Governments of Manitoba, Ontario, Saskatchewan,

¹ A. G. Huie, "Land Value Taxation in New South Wales," in *Official Report of Proceedings of International Conference on the Taxation of Land Values* (Oxford, 1923), p. 61. For the City of Sydney alone the Land Value Tax brought in £550,000 in 1919, at a rate of 4½d. in the £.

² Alderman J. H. Firth, *Land Value Taxation in Practice—New South Wales and Sydney*. Reprint from *Land and Liberty*, June 1925, pp. 5-6.

Alberta, and British Columbia are covered mainly by land value taxes. The Municipal Tax Law of Ontario of January 1920 empowered the municipal authorities to make an assessment of land values so that they might cover their receipts through land taxes alone in a period of from four to ten years.¹

The same phenomenon is also to be observed in the Transvaal, where in 1916 urban and rural local authorities were empowered to cover their total revenue requirements by a land tax.²

Finally, there is the City of Pittsburgh, in the United States, where the entire municipal tax revenues come from the taxation of land. There is no other municipal tax on property or income.³

If we are in favour of introducing an unearned increment tax in Tel Aviv and consider it important for the development of the town, the first reason is that it is only in this way that the township will be enabled to inaugurate a communal land policy. This, however, is subject to the proviso that the receipts from this tax shall be used mainly for acquiring

¹ In Winnipeg the cost of the new water-supply, amounting to about £3,350,000, was covered *exclusively* by a special tax on land values. A. W. Madsen, *Land Values, Rating, and the Abolition of Rates on Buildings and Improvements*, London, 1921. See also Report of A. G. Huie on the Taxation of Land in Australia and New Zealand, in *Land and Liberty*, July 1919.

² Adolf Damaschke, *Aufgaben der Gemeindepolitik* (tenth edition, Jena, 1922), p. 123.

³ Percy R. Williams, *Pittsburgh's Graded Tax in Full Operation*, p. 3. Reprint from *The National Municipal Review*, Vol. XIV., No. 12, December 1925. A complete and most instructive survey of the ways and means of municipal taxation of immovable property for the benefit of the State in all British Dominions is to be found in a pamphlet by Josiah C. Wedgwood, *Local Taxation in the British Empire*, published in London by the English League for Taxation of Land Values in association with the Labour Party.

land which is to be the property of the Municipality. They could also be used for building, if, for example, the Municipality were to establish a building loan institution for the granting of credits under certain specified conditions, as, for instance, on buildings put up not on the builder's own property, but on publicly owned land held on hereditary lease, and subject to a right of pre-emption, should the local authorities desire to acquire the buildings. The Municipality might also use the receipts of the unearned increment tax for erecting houses to be put up for sale on easy terms, as has been successfully done at Ulm in Germany.

If house building is properly encouraged, that is to say, in the way best suited to the needs of the Municipality, the communal land policy may greatly benefit. Cheap and convenient building credits constitute one of the pre-requisites of a successful communal housing policy, which in turn forms the most useful adjunct to the municipal land policy. There has already been talk of founding an Urban Mortgage Credit Institution in Tel Aviv. It is doubtful, however, if this will come into existence, as the Municipality is hardly in a position to find the necessary means. As it is, Tel Aviv has such serious financial difficulties to overcome that the township can hardly be expected to assume additional responsibilities. An Institution of this kind could, however, easily be financed through the funds accruing from the unearned increment tax, since the rational taxation of land provides a safe source of income, which is more or less lucrative according as real estate prices are rising or at a standstill.

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It may be asked whether Tel Aviv needs a system of land taxation based on considerations of land policy. It may be urged that land speculation has long ago disappeared and that it is, therefore, superfluous to use such drastic means as the taxation of building sites, which many people regard as restricting the economic liberty of the individual, and which is at best looked upon as an onerous burden. But this is not the case. It is true that urban land speculation is not going on at present, but that is no reason for assuming that it has disappeared for ever. Land speculation is a concomitant, perhaps an inevitable concomitant, of economic prosperity, so that it is necessarily paralysed at a time of economic depression. It may, however, be assumed with certainty that as soon as the economic situation improves, with moneyed immigrants coming in in greater numbers, the real estate business will flourish, building activities will proceed apace, and land speculation will once more raise its head.

We must not be led astray by the fact that the economic depression brought about a standstill in the real estate market. When the situation improves and Tel Aviv begins to develop again, land speculation will come to life in the same forms and with the same, if not greater, intensity. The leading institutions of Tel Aviv should utilise the breathing-space which external events have afforded them to prepare the necessary preventive measures against the coming wave of speculation. They should consider beforehand how these manifestations, so pregnant

with national, economic, and social evils, may be nipped in the bud. For this purpose it is necessary, first of all, that the Municipality should make up its mind to initiate a suitable land policy. The taxation of building sites, based on considerations of land policy, and a suitable programme for the acquisition of land, or rather a combination of both, namely, the taxation of building sites in order to raise the means for acquiring land for the Municipality—these are the means by which a municipal land policy could best be furthered. The building site tax must first of all be deprived of its fiscal character by employing its receipts, not for the general budget, but for a special land purchasing fund, which is to be used for acquiring land in order to enlarge the town. It is for the township to call such a land purchasing fund into being. This fund should be backed by adequate means, so that large blocks of land, in and about Tel Aviv, may be acquired. This land must not be re-sold, but must remain the property of the township, and be granted only on hereditary leasehold tenure under similar conditions to those enforced in respect of the urban property of the National Fund.¹ It goes without saying that the large sums necessary for land purchase cannot be raised all at once, but in the course of a number of years the Tel Aviv Land Purchasing Fund might collect sufficient money to acquire considerable areas for the township. It must be large enough to give the Municipality the opportunity of providing as many building sites as possible

¹ I have already made the proposal that a "Land Purchasing Fund of the Township of Tel Aviv" be established in my book, *Problems of Land Policy in Palestine*, p. 52.

for would-be builders. A systematic land policy carried out by the township might have a favourable effect on land conditions in the entire town-planning area of Tel Aviv, and above all on real estate prices. This is of the utmost importance in its bearing on building, housing, and rent questions. Building activities are greatly influenced by the level of real estate prices. If these were to maintain the level of the prices prevailing during the years of speculation, they would constitute a serious obstacle to the expansion of the area already built up. From 1923 to 1925 it was often necessary to lay out as much for the bare ground as for the entire building. Hence we must not be discouraged if the Tel Aviv Land Purchasing Fund has at its command a relatively small capital at the beginning of its activity, whereas large means are required for the purchase of such an area of land as would have anything like a real significance for the township. A beginning in this direction must be made, and even if it be modest, an institution that is beneficial to the entire township may result. The capital necessary to inaugurate the activity of the Land Purchasing Fund might also be raised in the form of a loan. Many such institutions in Europe, especially in Germany, obtain their initial capital in this way, later repaying the loan out of the regular receipts of the Land Purchasing Fund.¹ It is quite feasible to obtain a loan for such a

¹ The Decree of the Prussian Minister of the Interior and Finance of August 23, 1907, urged the Municipalities to establish special funds of this kind, in consequence of the successful experience of many cities. He laid special emphasis on the fact that in general there was nothing against founding such a fund by means of a loan. For experience in Germany see A. W. Damaschke, *Aufgaben der Gemeindepolitik*, pp. 144 ff.

fund ; the fund disposes of definite and, as a rule, regular receipts, which tend, under normal conditions, to increase. Moreover, the communal ownership of land provides the creditor with abundant security for his loan. From the moral standpoint also, a loan of this kind is justifiable ; the payments to be made on account of amortisation will be more than counterbalanced by the great rise in value of the communal property acquired with this money, which is of benefit to the public at large.

From the standpoint of land policy, the Jewish public has greatly neglected the towns of Palestine, having done hardly anything to assure them a normal development in the future. In the case of agricultural land, the National Fund is responsible for the national and social interests of the Jewish Community. It has, however, paid no attention whatsoever to the towns, a neglect which, in our opinion, has been prejudicial to the work of reconstruction. Thus, up to the time when the Haifa Bay land was acquired in 1929, it had not a single important undertaking to its credit for the shaping of an urban land policy. If the Jewish Municipalities also miss the opportunity of exerting a strong influence on the land conditions in their areas, our towns, which are all either new or entering on a new stage of development, are threatened with the grave dangers entailed in land speculation. We dare not leave our towns, which play so important a part in absorbing Jewish immigration, to their own resources, or, worst of all, let them be at the mercy of unbridled land speculation. The Jewish Municipalities have a great national and social task before them, for which they

have so far proved inadequate. This is specially true of Tel Aviv. There are still no genuine beginnings of a communal land policy in Palestine. Such a policy should, however, be inaugurated while there is yet time. We should not imitate the Municipality of Tel Aviv, which began, indeed, to discuss the question of combating speculation at the time when the activities of the real estate speculators were still at their height, but whose first actual measure against speculation is contained in an Ordinance dated as late as 1926. If the Municipality of Tel Aviv were to introduce such taxation of building sites as would serve the purposes of a land policy, it would be taking an eminently important step in the direction of founding a Jewish town, and would be pointing the way to other towns in the country with an increasing Jewish population. It is of the utmost importance for the future of Palestine that the Jewish towns should develop normally. But this cannot take place unless the preliminary question, namely the land question, is properly dealt with. This depends first of all on the Jewish Municipality—upon its capacity to understand its tasks correctly, to draw the correct inferences, and to give them practical effect.

CHAPTER IX

LAND LEGISLATION IN PALESTINE

Palestine is in all respects a land of contrasts. The mediæval and the modern rub shoulders, producing a bizarre and characteristically Oriental picture. We find here institutions dating from every epoch, the most up-to-date methods side by side with the most primitive. Next to the latest American tractor we see the nail-plough which was in use thousands of years ago ; next to the modern social usages of the immigrant European, the mediæval customs of the *fellah*. Palestinian life is a fair-ground of manifold civilisations, races, and religions—an interesting and unique medley, in which we may perceive the influences of many different periods and civilisations.

This applies, not only to economic and cultural matters, but also to legislation. Palestinian legislation contains, not only up-to-date Ordinances regulating co-operative societies or other forms of social organisation embodying the most progressive economic ideas of the present day, but laws dating from ancient times and dominated by religious influences or

institutions appropriate only to the primitive phases of economic intercourse. Thus, side by side with the beginnings of modern labour legislation, we find the ancient institution of the tithe. The old system of legislation which still prevails in present-day Palestine is in no way suited to the requirements of the modern economic system. This is particularly the case with land legislation, which still retains laws dating back to the Turkish régime. Up to the present the British Administration has done but little towards Europeanising or modernising land legislation.

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The legislation at present in force in Palestine consists of two parts—Ottoman Law and the Ordinances of the British Administration. The Ottoman Law is clearly connected in its origin with the Moslem religion, while the enactments of the British Administration are based on European ideas and are meant to meet the requirements of a modern society. But so far as land legislation is concerned, the recent legislation of the Palestine Government has effected hardly any change. In this field legislative activity has been extremely restricted and has done but little to modify the existing land laws. Only in a few isolated cases has a fundamental alteration been made. Thus, in connection with the registration of land transactions, the Land Transfer Ordinance of 1920 provided for a re-organisation of the Land Registry Offices, which were completely neglected under the Turkish régime. As is well known, the Offices provided no guarantee of the

titles held by landowners. The Correction of Land Registers Ordinance of 1920 made it possible for land which had been entered in the name of nominees, as was customary under the Turkish régime, to be transferred to the actual owners. A number of other matters were dealt with, including (*inter alia*) the expropriation of land by public authorities, the cadastral survey, and the procedure governing the valuation of land.

But all these are only minor or technical questions. Except for a very few Ordinances, the fundamental problems of land legislation have remained untouched. One exception is the *Mewat* Land Ordinance of 1921, which was meant to put an end to squatting on *mewat*, that is to say "dead" or uncultivated lands. In the same way, the *Mahlul* Land Ordinance of 1920 attempted to fix the area of the lands reverting to the State by reason of a failure of heirs or because of the non-cultivation of the land for a certain period.

This exhausts the legislative activity of the Government as far as land legislation is concerned. Almost all the laws dating from the pre-War period have remained unchanged. This applies, not only to land legislation, but also to land tax legislation, which is closely connected with it. Not till 1927-1928 were the first steps taken to reform this branch of the law. In 1927 the Government enacted the Commutation of Tithes Ordinance—a very inadequate measure, in our opinion—the effect of which is that, instead of paying 10 per cent. of the harvest—an impost varying in its incidence from year to year—the farmer was to pay a fixed amount, based on the tax-revenue

of the Government for four selected years.¹ This was followed by the important Urban Property Tax Ordinance of 1928, which represents the first serious attempt to reform the legislation governing the taxation of immovable property in urban areas.²

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With these few exceptions, no attempt has been made to reform the existing legislation. Perhaps it was not possible to remedy all its defects at one blow. The Government maintains, not without a measure of justification, that it cannot undertake the reform of the land laws until the status of every piece of land has been determined by a survey and an accurate Land Register has been prepared. A good register might settle a number of questions or at least bring them nearer solution by clearing up, for instance, the rights of landowners, sifting the numerous disputes and law-suits regarding property rights, fixing the area of the state domain, introducing modern methods of land taxation, and so forth. Above all, it would serve to put an end to one of the most peculiar phenomena of Palestinian land legislation, the so-called *mesha* ownership, that is to say, the common ownership of a piece of land, whereby each of the owners possesses a theoretical share. The

¹ In my book *Land Taxation in Palestine* (Juedischer Verlag, Berlin, 1928), pp. 99-104, the proposals of the Commission which laid the foundation for these Ordinances are subjected to a searching criticism.

² This Ordinance, which abolished the old *werko* tax in the towns and replaced it with a new immovable property tax, is discussed in greater detail in Chapter X.

institution of *mesha* ownership has resulted in complicating the property situation to an incredible degree. This may be illustrated by a *kushan* (contract) which we happen to have seen ; it is a document relating to an area of 24 dunams out of a total area of 1,410 dunams, which represents the ownership of about 173,000,000 parts out of a total of 9,700 millions. *Mesha* ownership, which so seriously interferes with the stabilisation of property rights and the progress of agriculture, may be abolished through the cadastral survey. This survey, which was initiated in 1921, showed until recently a very unsatisfactory rate of progress. The report of the first High Commissioner for Palestine, Sir Herbert Samuel, stated that in the course of four years an area of 1,100 square kilometres had been surveyed.¹ At this rate the survey of the total area of the mandated territory of Palestine, which is over 23,300 square kilometres, would take about 85 years. In this regard the Land Settlement Ordinance, enacted in 1928, represents a considerable advance. We may now presume that the survey will go forward much more rapidly, and with it the elucidation of proprietary rights, as well as the distribution of land in *mesha* ownership.

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We should consider it a great mistake if the reform of land legislation were put off until the completion of the Register. Even before the whole of the land has been surveyed, there is a wide field of activity open to the legislator. First of all, he should do away with

¹ *Report of the High Commissioner on the Administration of Palestine, 1920-1925* (London, 1925), p. 23.

the legal distinctions between various types of lands. What we have in mind is the well-known division into *mulk* and *miri* lands¹ which prevails in Moslem law. This distinction has far-reaching practical consequences ; for instance, the owners of *mulk* land have far greater rights of testamentary disposition than the owners of *miri* land. By the law of 1911, the Ottoman Government abolished most of these distinctions. It would be a good thing to work further along these lines and do away entirely with the differences which still exist. The Palestine Government ought to complete what the Turkish Administration began. Under existing conditions it is quite possible, absurd as it may seem, for the owners of two adjacent properties, of which one is *miri* and the other *mulk*, to be on an unequal footing in the eye of the law ; *mulk* land may be disposed of without restriction, *miri* land may not. And this arises simply from the fact that the land belongs to a category which is a survival from ancient legal institutions, and which, while explicable by the history of Moslem law, is a legal absurdity under present-day conditions. To give yet another example, there are certain rules for fixing the boundaries of *mewat* (dead) land, the reasons for which were certainly intelligible in a period of primitive agriculture, when there was so much land available that estates did not have to be accurately delimited. According to the Ottoman law, the boundaries of *mewat* lands are fixed even now by the distance from which a human voice is

¹ *Mulk* lands are those which—along with their products—are wholly the property of the occupier ; *Miri* lands are those of which the ownership belongs to the State, but the right of possession and the usufruct to the occupier.

audible.¹ There are not a few similar anachronisms in Palestinian legislation.

It is obvious that legislation of this sort must necessarily hamper economic development, especially in a country like Palestine, which has made enormous strides in every sphere of development since the War, thanks to the enterprise of Jewish immigrants. The introduction of agriculture based on intensive methods and the establishment of successful industrial enterprises are the first signs of the economic transformation which is taking place in the country. Palestine is no longer what it was before the War—an economically primitive and isolated country. It is being drawn more and more into the vortex of world commerce. Legislation should take account of these circumstances and shape its enactments accordingly. Side by side with an accelerated survey of the country and the determination by law of proprietary rights, there should be a thorough overhauling of the existing land laws, which should be reformed as quickly as possible by those who legislate for Palestine.

¹ Ottoman Land Code, Art. 6, Stanley Fisher, *Ottoman Land Laws* (Humphrey Milford, Oxford University Press, London, 1919), p. 5.

CHAPTER X

THE REFORM OF URBAN LAND TAXATION

I

The abolition of the old *Werko* Tax in the towns is rightly regarded as the first step taken by the Palestine Administration towards the reform of the system of taxation in Palestine. For this reason, if for no other, the Draft Ordinance published in January 1928 deserves careful examination.¹ Instead of the Ottoman House and Land Tax (*Werko*) and the Building Tax (*Musagqafat*), a new tax is to be levied on urban immovable property. The High Commissioner is empowered to impose by special order an annual tax on land and house property within urban areas, to an amount not exceeding 12½ per cent. of the net annual value. The annual value is calculated on the basis of the prospective rent, a certain sum being deducted for repairs and other expenses defrayed by the landlord. In the case of vacant sites, the net annual value is fixed at 6 per cent. of the sum which could be obtained if the land were to be sold in the open market. The valuation is carried out by special Committees consisting of two

¹ "Urban Property Tax Ordinance, 1928," *Official Gazette Extraordinary* of January 26, 1928, pp. 54-60.

Government officials and one non-official member appointed by the High Commissioner from a list containing not less than three names submitted by the Municipality concerned. The Committee prepares lists of all immovable properties, with their annual values. The landlords are entitled to lay any objections to the assessment before a special Appeal Committee, constituted in the same way as the Assessment Committee. When the lists have been prepared, special Revision Committees are nominated for each urban area in the same manner as the Assessment Committees, their duty being to keep the lists up to date. They have, for example, to assess properties not mentioned in the valuation-lists or re-assess houses and sites whose net annual value has increased or decreased by 20 per cent. Every five years, or even more frequently, a re-valuation of all immovable property takes place. The tax is to be paid by the reputed owner of the property. If he has not paid the tax after a month has elapsed, the tenant or lessee must do so. Certain exemptions from the tax are provided for. Thus buildings newly erected at the time of the assessment are exempt for a period of one year. There are also exemptions in favour of open spaces, playgrounds, and houses whose net annual value amounts to less than £10.

These are the main features of the proposed reform. The first point to notice is that it deals exclusively with immovable property in the towns; rural

property continues to pay the *werko* as heretofore. Since the High Commissioner has the right to extend the limits of the urban area in individual cases by special order, the term "urban property" is elastic. Thus, buildings and sites in adjacent zones may be drawn into the urban town-planning area.

This Ordinance constitutes an important step forward in comparison with the existing state of affairs, in so far as it puts an end to the intolerable situation prevailing hitherto. Up to now there have been two categories of taxpayers. One class paid the *werko* according to real estate prices prevailing thirty of fifty years ago, and so was liable for a derisory sum; the other consisted of those who, having either acquired land or built houses after the War, were obliged to pay heavy taxes. Moreover, as prices have fallen rapidly in the last few years, in consequence of the economic depression in Palestine, the great majority of taxpayers in the second category have had to pay a tax which was no longer in proportion to the value of their property, having been fixed according to the highest real estate prices of the post-War period. Thanks to the new Ordinance, this difference of status among the taxpayers has been discontinued. Actually it was the Jews who were chiefly concerned in the real estate transactions of the last years and consequently had to pay the highest taxes. First of all, the new law prescribes a general valuation of all urban property in order to provide a basis for fixing the taxes. This will mean a considerable increase in the revenue from urban property, as the houses and sites of the resident population will bring the State many times their present yield.

A further improvement introduced by the new Ordinance is that the tax is not levied on the capital value of the property, but on its annual value. Under present conditions in Palestine, the perpetually fluctuating market-value provides no reliable point of departure; hence the tax based on the annual value is undoubtedly the most suitable for Palestine.¹ The income derived from a house provides a clear and equitable criterion of taxable capacity. The new Ordinance makes some attempt to ascertain the net value, by deducting the landlord's outgoings for repairs and other items from the annual rental value up to a quarter of its value, if under £40 per annum, and a fifth if over. It should also be mentioned that the new Ordinance does away with the difference in the liability to taxation of *mulk* and *miri* land. Hitherto the *werko* amounted to 10 per thousand of the market value for *mulk* land and 4 per thousand for *miri* land, or, in the case of buildings erected on *mulk* land, from 5 to 8 per thousand. This difference in the status of land is a survival from ancient Moslem law and cannot be justified by any legal—much less by any economic—considerations. So far as the taxation of urban immovable property is concerned, all land will henceforth have the same status, and a uniform rate of taxation will be levied on all vacant sites.

Another very important point is that the valuations are to take place regularly every five years, or even oftener, if the High Commissioner so decrees.

¹ A detailed argument in support of the introduction of the system of the revenue tax is to be found in my book on *Land Taxation in Palestine* (Juedischer Verlag, Berlin, 1928), Chapter VIII., pp. 86-7.

This stipulation revives a provision of the Ottoman Law which was never carried out in practice. If valuations are carried out regularly at short intervals, it will be possible to make allowance for the frequent changes in the economic situation of Palestine. A further noteworthy feature of the new Ordinance is that vacant sites are to be taxed. Here there is a deviation from the principle elsewhere observed in the Ordinance, the tax being assessed, not upon the annual value, but upon the capital value of the property. In other words, in the case of vacant sites, the old land tax, determined by the price of the land, remains in force. The effect of the new Ordinance is to make the tax on *mulk* land somewhat lower than at present ; it will henceforth be 7.5 per thousand instead of 10 per thousand, i.e. $12\frac{1}{2}$ per cent. of the rental value calculated at 6 per cent. of the market value of the site. In the case of *miri* land, however, the tax on vacant sites will be increased, amounting as it will to 7.5 per thousand, instead of 4 per thousand as at present.

It is interesting to note that the rate of taxation is not to be uniform, $12\frac{1}{2}$ per cent. being the maximum. The High Commissioner is empowered to have immovable property graded into various categories, each with its own rate of taxation. The Draft Ordinance does not state on what principles the distribution of immovable property is to take place—whether, for instance, the principle of progressive taxation will be applied. This would certainly be most desirable.

Special attention should be paid to the fact that the Ordinance gives the High Commissioner the right

to exempt entirely houses with an annual value of less than £10. This is the Palestine Administration's first attempt to apply the principle of the tax-free minimum income. Some time ago we pointed out the peculiar need for the introduction of this principle in Palestine.¹ The draft Ordinance, however, does not go far enough to be really effective. In England houses with an annual value of less than £20 are exempt from taxation. If this provision is necessary in wealthy England, how much more necessary is it for needy Palestine.

3

The tax which is to replace the *werko* is a land tax only in so far as it relates to vacant sites. Otherwise it is nothing more than a *building tax* assessed according to the prospective annual value. The value of the site is only a secondary consideration. The draft Ordinance designates as house property every building, together with the land on which it stands, as well as the garden, courtyard, and similar adjoining land. Taxation is based on the potential rental value of the house.

In comparison with analogous taxes in other countries, this new building tax has serious defects. First and foremost, there is the rate of taxation, amounting to 12½ per cent. of the net annual value, which is far too high a figure.

In England the Inhabited House Tax was fixed at 3¼ per cent. in the case of houses exclusively used

¹ *Land Taxation in Palestine*, pp. 87, 89.

as dwellings and bringing in more than £60 annually. Where the annual value was lower, the rate of taxation was also lower. In the case of houses which were used both as dwellings and for industrial purposes, the rate of taxation was $2\frac{1}{2}$ per cent. of the estimated annual value. Since 1924, however, this tax has ceased to be levied. In France the building tax (according to the law of 1890) is a so-called quota tax, the rate being determined annually by the Budget Law. The usual rate was $3\frac{1}{5}$ per cent. of the average net annual value. Since 1920 the rate of taxation has been raised on account of the depreciation of the currency.¹ In Prussia the law of 1861 made the rate 4 per cent. of the value in the case of inhabited houses in which only single rooms were used for industrial purposes, and 2 per cent. in the case of buildings which were used either exclusively or mainly for industry. In Bavaria the law of 1910 fixed the rate of taxation at 2 per cent. of the annual value. In 1918 this was reduced to $1\frac{1}{2}$ per cent.² A similar situation prevails in other German States. In countries which have developed normally and contain very large cities, like England, France or Germany, the rate is only one-third or one-fourth of what it is in Palestine. At the same time, the economic condition of the urban population is far worse in Palestine than in the countries just mentioned. Palestine being as yet a purely agricultural country, the towns and industries are in the initial stages of development. The return on capital

¹ Professor J. Conrad, *Finanzwissenschaft* (seventh edition, edited by Professor H. Koppa, Vol. III. ; G. Fischer, Jena, 1919), pp. 114, 361.

² *Ibid.*, p. 113.

invested in buildings is generally low. The times have passed when dwellings yielded a return of from 15 to 20 per cent., as was once the case in Tel Aviv for a short period. As a result of the disproportionately high cost of building, the return on houses in all the towns is below the legal rate of interest—9 per cent.—and at about same level as the rate of interest on bank deposits. The situation is still worse, in Tel Aviv, where houses, with few exceptions, bring in 4 per cent., 3 per cent., or even less; in other words, the interest hardly covers the amortisation payments. The draft Ordinance provides that the High Commissioner has power to revise the rate of taxation every year. The purpose of this is not clear. This provision is probably due to the Government's desire to have a free hand for regulating the rate of taxation according to the budgetary needs of the coming year. If this assumption is correct, we must expect that a year of economic depression, when house-owners are in difficulties, will be precisely the year when the requirements of the Budget will lead to an increase in the rate of taxation. Possibly the Government will endeavour to make good the drop in other receipts by a higher rate of taxation on immovable property.

We can hardly expect that the Government will fix the tax at much below the maximum rate of $12\frac{1}{2}$ per cent. Thus, for instance, the Ottoman Municipal Tax Law of 1915 provided for a maximum rate of $7\frac{1}{2}$ per cent. for the tax on rents. This was raised to 10 per cent. in 1925, and in practice the tax has never been much below the latter rate. In all probability, much the same will happen in the case of

the new tax. The method prescribed in the draft Ordinance for determining the net annual value gives ground for apprehension. What is in question is not the actual rental value, which can be determined on the basis of the contract, but the prospective value, the determination of which is left to the estimates of the Assessment or Revision Committees. These decide all questions by a majority vote, thus giving the two Government officials the opportunity to outvote the third member, the representative of the Municipality, and to decide everything as they think fit. There is reason to fear that the valuations will not correspond to actual conditions and will be unduly high. The valuation of cereals undertaken for determining the tithe have shown only too well to what degree they can prejudice the taxpayer. Moreover, we know how often the value of immovable property is over-estimated in fixing the *werko* in the case of transfers or newly erected buildings. These valuations are also carried out by Government officials. Hence we can well understand the anxiety of owners of houses and building sites. As no clear and tangible standards are laid down for the purposes of the valuation, personal fancies and opinions will have free play. Hence objective standards of measurement must be discovered for fixing the annual value. For example, we might suggest the actual rental value as it stands in the contract or, as is customary in some countries, the number of living-rooms occupied by the taxpayer. The so-called House Class Tax is graded according to the number of living-rooms contained in the house, kitchens, cellars, attics, workshops, and

offices being tax-free. A certain number of living-rooms constitute a class for which a certain rate of interest is fixed.¹ Here we have a standard of measurement which leaves little leeway for misinterpretation on the part of the authorities to the prejudice of the taxpayer.

Committees endowed with such far-reaching powers as those conferred by the draft Ordinance cannot obtain the confidence of the public. They should, therefore, be differently constituted. The members of the Assessment and Revision Committees must be intimately acquainted with the local situation in each place, as every town has a character of its own. The proper arrangement would be for the majority on the Committees to consist of local representatives, that is to say of two members whom the High Commissioner might nominate from a list prepared by the Municipality, together with one representative of the Central Government. In order to enable the Government to make sure that fiscal interests are not jeopardised in any way, the Government's representative in the Assessment Committee should be given the right of appeal against the decisions of his colleagues. The classification of houses and sites in categories, and the fixing of the rate of taxation for each, are left to the High Commissioner. This classification is very important, because in the last resort it determines the burden which will fall on the taxpayer. If it is to be carried out for each

¹ The House Class Tax was introduced in pre-War Austria in places where less than half the buildings were rented. It was meant to apply to houses which yielded no rental. See Dr. K. Th. Von Eheberg, "Gebäudesteuer," in *Handwörterbuch der Staatswissenschaften* (third edition, Vol. IV. ; G. Fischer, Jena, 1909), p. 509.

individual urban area, it would be advisable to consult the representatives of the respective Municipalities, as knowledge of local conditions is of decisive importance in this matter.

In calculating the net annual value, one-fifth or one-fourth (according to circumstances) of the prospective rent is deducted to leave a margin for the cost of repairs and other expenses falling upon the landlord. But this is not enough, since the following items must be taken into consideration : (a) large scale repairs, (b) insurance, (c) amortisation ; every building is subject to wear and tear and must sooner or later be renovated. In other countries these items are fixed at a higher figure. Thus in France, 25 per cent. is deducted on all dwelling-houses and 35 per cent. (since 1900, 40 per cent.) on all buildings used for industrial purposes. In Palestine no distinction is made between dwelling-houses and buildings for industrial purposes, although the latter are subject to more wear and tear than the former. Special treatment should be accorded to industrial buildings, such as stores, warehouses, factories, by deducting more than 25 per cent. of the annual value.

The draft Ordinance does not make any provision for houses which remain untenanted or unlet. This being a revenue tax, it should not be demanded where there is no revenue. The payment of taxes on houses which bring in no income is merely a heavy burden on house-owners who are already seriously encumbered. In England vacant houses were exempted from taxation.

In dealing with exemptions from the tax, the draft Ordinance has not gone far enough. No tax is levied

on newly erected buildings for a year after they have been valued ; in France it is only in the third year after erection that they become subject to taxation. Similarly, in Prussia newly-built houses are taxed only after two calendar years have elapsed, counting from the time when they become habitable or ready for use, as the case may be. Where the tax is increased in consequence of improvements to the building, the increase comes into force only two years after the completion of the improvements. In other German States the number of tax-free years was far greater. In Bavaria, for instance, the law of 1918 freed small dwelling-houses from taxation, under certain conditions, for 6, 12 or 18 years after erection.¹ In pre-War Austria exemption was accorded in the case of new buildings, renovations, additional wings, extra storeys,² sometimes for a period of 12 years, and in the case of working-men's dwellings for not less than 24 years, under certain conditions. In England working-men's houses of the larger type are entirely exempt from taxation, if certain conditions are fulfilled.³ On the Continent of Europe, at a time when it was desired to give an impetus to building activities, the period of exemption for new buildings was far longer than to-day. In Palestine, where building ought to be encouraged by all possible means, the tax-free period should be lengthened to something like three years for dwellings and five years for industrial buildings. The question who is to pay the tax is of the highest importance.

¹ Conrad, *op. cit.*, pp. 113, 114.

² Not exempted from the municipal tax.

³ Eheberg, *op. cit.*, pp. 505, 506.

The draft Ordinance is based upon a system approximating to that of the communal tax in England. The entire communal taxation system in England has hitherto been based on the poor-rate ; it is organically connected with the peculiar historic development of English local government. The legal basis for the poor-rate was provided by the Act of Queen Elizabeth of 1601. The person upon whom the tax falls is not necessarily the proprietor, but whoever uses the premises—in other words, the tenant or lessee. Thus in England the tax has really become a rental tax.¹ Probably the Palestinian legislators had this model in view when they included the peculiar provision in the draft Ordinance that, while the owner must pay the tax, the tenant or lessee is equally responsible, and must make good the amount if the owner fails to do so in the course of the month. This regulation is essentially wrong, being contrary to the very nature of the building tax. As this is a tax on income, the only person who should be responsible for its payment is the recipient of the income—in other words, the owner of the house. Otherwise it is a rental tax falling upon the tenant. Apparently this was not the legislator's intention, since the new tax is meant to be a building tax and, to a small extent, a land tax. This shifting of responsibility from the owner to the tenant is open to grave objection. The fact that the tenant has the right to deduct the amount of the tax from the rent does not protect him. The right to take legal proceedings against the owner, which is granted to the tenant by

¹ Dr. E. Muensterberg, "*Armenlast and Armenstuern*," in *Handwoerterbuch der Staatswissenschaften* (third edition, Vol. II.), pp. 171-2.

the draft Ordinance, is very curious. Anyone can see that the authorities can go to law with a far better chance of success than the tenant. It is an amazing thing that the Government, solely in order to facilitate the collection of taxes, should create conditions which may lead to law-suits between owners and tenants, and which cause the burden of the tax to fall ultimately upon the poorer population, to which the majority of the tenants belong. It is well known how slowly the law moves in Palestine. Meanwhile, the tenant must pay the tax, without knowing when he will get his money back, and quite possibly in some cases he will forfeit it altogether. It may often be impossible to deduct the amount of the tax from the rent, since it is customary to pay the rent in advance for an entire year, or at least for six months. The shifting of the responsibility for the tax on to the tenant is calculated to bring him into greater dependence on the landlord. It is imperative that this clause should be struck out. It is for the Government to use all the means at its command to collect this tax, as it does other taxes.

A point of special importance for Jewish house-owners is that when the building is valued, the mortgages on it should be taken into consideration. In the course of recent years the Jews have built many hundreds of houses in all the towns, and particularly in Tel Aviv. The mortgages raised on these houses, amounting to hundreds of thousands of pounds, bear heavily upon the owners, to say nothing of the large sums which have been lost through the fact that originally houses in Tel Aviv were very expensive for various reasons—the high price of sites, labour, and

materials—and that their value dropped in consequence of the general fall in prices. This last fact, indeed, need not be considered by the legislator, but he ought to reckon with the fact that houses are heavily mortgaged. The interest on the mortgage, which the house-owner has to pay, reduces the return on the house, and, as the building tax is a revenue tax, this interest should be deducted in calculating the return. In Tel Aviv, interest on the mortgage often swallows up the entire return on the house. For this reason it would be right to deduct at least part of the interest on the mortgage in determining the net annual value.

4

The Municipalities of Palestine have extensive powers in the sphere of taxation. The Ottoman Municipal Tax Law of 1915 empowered them to levy taxes on immovable property. This was done by a supplementary tax to the *werko* on buildings, the proceeds of which were handed over to the Municipalities by the Central Administration up to 1919. At the beginning of 1919 the British Military Administration introduced a general house tax to replace the supplementary tax. This was to be assessed on buildings according to their annual value, including the value of the site. The responsibility for this tax falls on the tenant. The valuation is carried out by a Committee appointed by the District Commissioner. At first the rate was not to exceed $7\frac{1}{2}$ per cent. of the rental value. The Ordinance of 1925 empowered the Municipalities to raise the

maximum rate of taxation up to 10 per cent. with the consent of the District Commissioner.¹ It is a sort of rental tax, since it falls upon the occupier of the house, whether he be owner or lessee.

In connection with the new Ordinance, the question of dividing the tax between the State and the Municipalities had to be examined and a decision taken as to which taxes fell to the State and which to the Municipalities and in what proportion. What must be avoided under all circumstances is that the same taxpayer should be made to pay taxes twice on the same thing. But one result of the new building tax will be that the same taxpayer will be taxed twice over in his capacity as owner and as occupier, once on behalf of the State and once on behalf of the Municipality. In certain circumstances, the amount may rise to $22\frac{1}{2}$ per cent. of the annual value of the house, if the old rental tax and also the building tax are fixed at their respective maximum rates of 10 per cent. and $12\frac{1}{2}$ per cent. Such fiscal encumbrances are not justifiable anywhere, and especially not in Palestine, where neither the general economic situation of the country nor the condition of the urban population in particular is such as to permit the house-owner to be taxed in this way on his immovable property. If the new tax, as we said above, is to be shifted on to the tenant, it will mean a burden upon the poorer population of the cities such as is unknown anywhere. There should be a clear line of demarcation between the rental tax, which is levied on the tenants only and accrues to the Municipalities, and the communal tax, which is paid

¹ Municipal Rates Ordinance, 1925, Article 2.

by the house-owners only and accrues to the State. Those people who are both house-owners and occupiers of a house should be taxed only once. The number of taxpayers who live in their own houses is very large in Palestine. In such cases the State and the Municipality should share the receipts according to a fixed ratio.

5

Taking it all in all, the new Ordinance may be regarded as a step forward. Nevertheless, while recognising its advantages, we must point out that it has many defects which are calculated in large measure to nullify its good effects. If the law is to be made into an effective instrument for the reform of urban land taxation, some important modifications must be introduced. In this connection we would make the following suggestions :

(1) The maximum rate should not be $12\frac{1}{2}$ per cent. but be 6 to 8 per cent. of the annual value of the building or the vacant site.

(2) With the increase in the annual value, the tax should grow, not only proportionately, but progressively. Hence the categories of immovable property should be prepared in such a way as to allow for the application of the principle of progressive increase.

(3) In calculating the net annual value, a distinction should be made between dwellings and buildings for industrial purposes. In the case of the former the deduction allowed should be 25 to 30 per cent., and in the case of the latter 40 to 50 per cent., according to the annual value. This distinction, which is drawn in countries with advanced industries, is

urgently needed in Palestine, which has yet to create its own industries, if industrial activity is to be furthered.

(4) In fixing the net annual value, an attempt should be made to take the indebtedness of the house-owner into consideration to a certain extent. Where loans are guaranteed by officially registered mortgages on the building, a part of the annual interest required to be paid, not amounting to more than 20 per cent. of the annual value, might be deducted in fixing the net annual value.

(5) The Committees must not be given an entirely free hand in fixing the rental yield. Clear and objective standards of measurement must be laid down, as, for instance, the real annual value or the number of dwelling-rooms. The urban area should be divided into zones, and special rates of taxation fixed for the dwelling-rooms in each zone.

(6) The representatives of the Municipalities concerned must be assured of a majority on the Assessment, Revision, and other Committees ; at the same time, the representative of the Central Government on these Committees should have the right of appeal against any decisions to which he may take exception.

(7) The number of tax-free years for newly erected buildings should be increased to three years for dwelling-houses and five for buildings used for industrial purposes. In the same way, houses whose rental yield does not exceed £20 should be wholly exempt from taxation.

(8) Vacant houses which bring in no rental returns to their owners should be exempt from taxation.

(9) The tax must fall upon the house-owner alone ; the tenant or lessee should in no circumstances be under an obligation to pay the tax for the landlord in any form or shape.

(10) A sharp line of demarcation should be drawn between the new building tax and the old rental tax. The former bears solely upon the house-owner, while the latter concerns only the tenant. People living in their own houses should be subject to only one of these taxes.

Public opinion in Palestine is urgently desirous that the Government should modify this draft Ordinance. If the above proposals are accepted, the new building tax will serve both the interests of the revenue and those of the taxpayer. But the introduction of a building tax in the towns to replace the obsolete *werko* should be only a first step towards the reform of the entire fiscal system of Palestine, which is utterly out of date.

SUPPLEMENT

This chapter was written immediately after the publication of the draft Ordinance. The object of the draft Ordinance is to give public opinion the opportunity of bringing proposals for the modification of the draft Ordinance, or other suggestions, to the attention of the Government within a limited period.

On July 28, 1928, the Ordinance was promulgated in its definitive form and put into force.¹ It seems that the criticism directed against the draft

¹ *Official Gazette*, No. 216, August 1, 1928, pp. 447-54.

Ordinance was not without effect, as on a number of points it underwent modification. For instance, the maximum rate of taxation was reduced to 10 per cent. of the net annual value, which was something, if not as much as we had demanded.¹

Moreover, in connection with exemptions, important improvements are to be noted. As in England, houses of an annual value not exceeding £20 are exempted from taxation.² Newly erected buildings are exempted for three years—the year in which the valuation takes place, and the two ensuing years. For this purpose the owner must carry out a number of rather complicated formalities.³ In compliance with the suggestion that buildings used for industrial purposes should enjoy further exemptions, a provision has been inserted that in fixing the net annual value of a factory building in which machines are used, one third of the annual value is to be deducted. The machines and industrial installations are not to be included in the valuation.⁴ A change has also been made in the constitution of the Assessment and Revision Committees, so that they now consist of four members instead of three, viz. two Government officials and two non-official members. One of the officials acts as Chairman, and in this capacity has a casting-vote in case of an equality of votes.⁵ For the Appeal Committee the arrangement contained in the draft Ordinance holds good.⁶ A change has also been made with regard to the shifting of liability for payment on to the tenant. The tenant remains

¹ Article 5, section 1.

² Article 8, section 2.

³ Article 8, section 3.

⁴ Article 5, section 2*b* and section 3*c*.

⁵ Article 9, Article 18, section 1, and Article 19. ⁶ Article 16.

responsible for the tax, but apparently only to the extent to which he owes rent. If a house-owner has not paid the tax, the Government is empowered to demand that the rent be paid thenceforth to itself. It may be assumed that if no more rent is due, the tenant is not held responsible for the tax.¹ Moreover, the law contains an interesting provision which did not appear in the draft. If the buildings erected on a site have a smaller capital value than the vacant site, the net annual value is calculated in the same way as for a vacant site, i.e. at 6 per cent. of the market-value of the site.² Other changes are only in matters of detail, and have no special significance. The demands of Palestinian public opinion have been complied with only in a few points. The most important provisions of the draft have been embodied in the text of the Ordinance. The modifications which have been made cannot by any means be regarded as adequate. Although a number of suggestions have been accepted, the criticisms contained in this Chapter apply, on the whole, to the modified text of the law as enacted. The law requires further improvement. For the rest, much depends on the manner in which it is given practical effect and, above all, on the character and quality of the work done by the Committees on whom it devolves to make the first valuations of urban immovable property.*

¹ Article 6, section 2.

² The work of these Committees is described in detail in the article by P. Dickstein, "House and Building Taxes in the Towns," *Mischar Wetaasia*, No. 2, February 1929, pp. 29-31 (Hebrew).

* Article 5, section 4.

CHAPTER XI

THE JEWISH NATIONAL FUND : ITS HISTORY AND PRINCIPLES

Hermann Schapira originated the idea of the National Fund ; Theodor Herzl was its founder and creator. The object of both was to fashion in the Jewish National Fund one of the instruments for the future building up of Palestine. The fund was to collect large sums which were to remain intact until large scale activities could be begun in Palestine. This purpose was in line with Herzl's general political attitude, by which he was guided in laying down the principles of Zionist policy in connection with all the financial institutions of the Movement. Thus the first institution founded by Herzl, the Jewish Colonial Trust, was to begin practical work only after it had accumulated a considerable capital. For this reason, when the Fifth Zionist Congress, held at Basle in 1901, established the *Keren Kayemeth*, it declared it to be the inalienable property of the Jewish people. Not till the fund had reached the sum of about £200,000 might it be touched. At the First Congress Schapira proposed the sum of a million pounds ! The *Keren Kayemeth* was to be a perpetual fund, which was not to be entirely used up under any circumstances, even after land purchase in Palestine

had been begun : there was always to be a reserve of at least £100,000. These were the proposals presented by the *Actions Committee* of the Zionist Organisation to the Fifth Congress. During the deliberations of the Congress, Herzl more than once emphasised the point that the fund must be inalienable. The question of the use to which this new institution was to be put gave rise to an animated debate, and Herzl was compelled to reiterate what he had already said in his opening address, that the fund had a definite purpose and that "its arbitrary use in a manner alien to the founders' intentions was forbidden." The National Fund should be employed "exclusively for land purchases in Palestine and Syria."¹

In obedience to the wishes of its founders, the *Keren Kayemeth* at first confined itself to the task of collecting money. Hence the first, relatively short, stage of its activity may be designated as that of accumulation. The money that had been raised—it was not much according to our present-day ideas—was not to be used till better times had arrived. Meanwhile, the cleavage within the Movement between political and practical tendencies—a cleavage which had existed since its inception—had become more acute. The question whether colonisation work in Palestine was to be undertaken, regardless of the results of political activities, had given rise to a sharp conflict among the Zionists. With the victory of the practical school of thought, the *Palästina-Amt* (Palestine Office) was founded in 1908, and the

¹ *Verbatim Report of the Proceedings of the Fifth Zionist Congress at Basle, Vienna, 1901*, pp. 8, 266, 274, 284, 291, 293.

colonising activities of the Zionist Organisation began, though only on an inconsiderable scale. The activity of the *Keren Kayemeth* in Palestine began at the same time. The first two thousand dunams were bought at Hittin. This purchase, the first made by the *Keren Kayemeth*, and as such an event of importance, was from a practical standpoint deplorable. It embraced 37 scattered parcels, separated by stretches of Arab land, and twenty years' work was necessary to round them off into a continuous tract. Nevertheless, this purchase, marking as it did the inception of a new era, was a milestone in the history of Zionist colonisation work. Further purchases of various small areas followed. The difficulties by which the purchase of land was beset at that time permitted of sporadic acquisitions only. There could be no question of a systematic land policy. Still, each land purchase marked a new advance in Zionist work in Palestine, for it was linked with important colonising enterprises which have become household words to all Zionists—Ben Shemen and Hulda in Judea, where the first attempts were made to give Jewish working men an agricultural training, and where the Herzl forest was first planted ; Daganian on the Lake of Kinnereth, where was founded the first producers' co-operative society, which was to have many successors as Zionist colonisation progressed ; and finally, Merhaviah, the purchase of which opened the way for the subsequent acquisition of by far the greater part of the Plain of Esdraelon. Even yet, however, land purchase constituted but a small part of the *Keren Kayemeth's* activity and claimed but a fraction of its means. Up to the outbreak of

the World War not more than 20.47 per cent. of its total investments were made in Palestine for this object, and altogether it had brought only 21,208 dunams into the possession of the Jewish people. The second period had opened, the period in which the scope of the National Fund's activity was enlarged. Contrary to the wishes of its founders, who insisted that the fund should be employed solely for land purchase, the *Keren Kayemeth* was forced by circumstances to become the colonisation fund of the Movement. This was due to various causes, which may be summed up in the statement that when the organisation began its colonisation work in Palestine, it possessed no financial institutions specially charged with the carrying out of its work, and thus the *Keren Kayemeth* was the only body which was raising what were at the time regarded as large sums of money. Furthermore, it was inadvisable to acquire land which could not be colonised in a relatively short time. According to Ottoman law, land which was left uncultivated beyond a certain period was lost to its owners and became State Domain. The land had to be colonised, and there was no other money available for this purpose than that of the *Keren Kayemeth*. Thus the very thing came to pass against which Herzl had warned the Fifth Congress ; the money was put to uses incompatible with the founders' intentions. Instead of being strictly limited to the definite purpose set forth by the founders, the scope of the work was extended, and the *Keren Kayemeth* was made the Colonisation Fund of the Zionist Organisation. Unquestionably in this capacity it has important achievements to its credit.

These are not to be judged by their volume, but by their inner significance and their effects on subsequent colonisation work. They are an example of pioneer work in the true sense of the term, and through them the colonisers as well as the colonists gained much useful knowledge. They constituted the perhaps inevitable first stage, in which money had to be spent *à fonds perdu*, without any immediately apparent return, though later it was to produce valuable results. At this time the activity of the *Keren Kayemeth* was very varied. It comprised the establishment of farms, the initiation of agricultural experiments, the training of farm labourers, the building of working men's quarters, the granting of loans for various purposes such as house building in urban areas, the laying out and maintenance of plantations and vegetable gardens, the acquisition of livestock and equipment ; these and many other things were accomplished with National Fund moneys. With but few exceptions, the entire work of Zionist colonisation devolved upon the *Keren Kayemeth*. In the course of this period, which lasted approximately from 1908 to 1920, a total of £208,485 was invested in Palestine, of which 81.57 per cent. was employed for other purposes than land purchase. It is not our object to submit the achievements of that period to a critical scrutiny. But two points must be mentioned. On the one hand, the work done by the *Keren Kayemeth* at that time was a pioneer service, the significance of which for subsequent Zionist work in the country cannot be over-estimated ; on the other hand, it was contrary to the spirit of the institution as it was conceived by its founders.

Sooner or later the *Keren Kayemeth* was bound to revert to its original character as a land fund. This actually happened when practical work in Palestine was begun on a large scale after the claims of the Jewish people had won international recognition and Herzl's dream of a political basis for a large colonisation enterprise had been realised. The machinery needed for the work of reconstruction had to be set up. The first instrument to be created was the colonisation fund of the Zionist Organisation, the *Keren Hayesod*. This body took over all the colonisation work. A line of demarcation was drawn between the fields of activity of the *Keren Kayemeth* and the *Keren Hayesod*. The *Keren Kayemeth* was relieved of most branches of colonisation work and was allowed to concentrate solely upon purchasing land and carrying out the first improvements. In addition, it laid out forests with the moneys of the special fund attached to it, the *Tree Fund*.

This change of attitude first found expression in the resolutions adopted by the first Zionist assembly held after the War, the London Conference of 1920. These resolutions laid down the principle that the *Keren Kayemeth* was to be a land fund exclusively and must be devoted to rural and urban land purchase, and also carry out such improvements of the land as are indispensable for colonisation work. The London Conference reverted to the principle laid down by the founders of the fund, that the *Keren Kayemeth* is a fund with one distinct purpose, namely land purchase—*Geulath-Haaretz*.

With this Conference begins the third period in the history of the National Fund, which may be

designated as that of specialisation, though at the same time it introduced a vast extension of the scope of its work. Restored to its original task, the *Keren Kayemeth* was now enabled to become the instrument of the Jewish land policy in Palestine. Soon after, in October 1920, the embargo on land purchase, which had continued in force in Palestine even after the War, was lifted. A great rush to buy land set in throughout the country, and the National Fund took the lead in this movement. It consistently kept aloof from every activity unrelated to land purchase. It neither built houses nor granted loans nor colonised. But it did include the amelioration of land in its sphere of activity, that is to say, the so-called *first* amelioration, which consists in making the land fit for habitation. By means of extensive drainage operations, the swamps infesting the land were dried up and the superfluous water led off, and in this way malarial tracts were reclaimed for colonisation purposes. In addition, the *Keren Kayemeth* undertakes the installation of water-supplies for man and beast—an operation which, appertaining as it does to colonisation work proper, seem to us to go beyond the limits of “first” improvements.¹

Consequently the expenditures of the *Keren Kayemeth* on land purchase and improvements connected therewith increased yearly. The following table shows the proportion of expenditure for each of these two branches of work. The figures represent the total expenditure at the end of each year. It should be noted that after 1922 the fiscal year of the *Keren*

¹ This is dealt with more fully in my *Problems of Land Policy in Palestine*, pp. 104, 105.

Kayemeth was fixed according to the Jewish calendar and terminated on September 30 of each year.

TABLE VI

Year	Land Purchase	Expressed as Percentage of Total Investment	Improvements and Water Supply	Expressed as Percentage of Total Investment
	£P.		£P.	
1920	38,438	18.43	11,568	5.55
1921	165,490	43.86	25,382	6.73
1922	288,192	54.80	44,009	8.37
5683	393,818	59.14	77,227	11.60
5684	480,389	61.66	94,059	12.07
5685	643,085	66.99	103,347	10.76
5686	771,865	69.34	114,936	10.32
5687	944,545	72.28	148,084	11.33
5688	1,069,547	73.24	170,942	11.70

These figures speak for themselves. In the course of about nine years the expenditure of the *Keren Kayemeth* on land purchase has increased about thirtyfold, and that on improvements almost fifteenfold. The outlay for land purchase and improvements, including water-supply, came to 84.94 per cent. of the total investments of the *Keren Kayemeth* at the end of 5688.

The *Keren Kayemeth* no longer acquires small scattered pieces of land, but endeavours to carry out a systematic land policy. Instead of small parcels, large continuous blocks, comprising thousands of dunams, are bought, such as Nuris, Nahalal, Tel Adashim, Knefes-Jebata. There has been a tendency

to confine the land purchases to a few regions—indeed, to a single part of the country. This concentration profoundly affects the course of colonisation ; it renders large scale colonisation plans feasible, thus reducing the cost of colonising, increasing the security of the settlements, and enhancing the value of colonisation enterprises in various respects, not least from the political standpoint. Thus the first purchases of the *Keren Kayemeth* were made in the broad Plain of Esdraelon, which in a few years was able to show the largest unbroken area in Jewish hands in Palestine, consisting of 239,000 dunams belonging to the nation and to individuals, of which the *Keren Kayemeth* owns 168,064 dunams. On this tract, extending from Haifa to Beisan, many Jewish settlements have arisen. Recently large tracts of land have been acquired by the *Keren Kayemeth* in other parts of the country, as, for instance, a large unbroken area in the Plain of Acre. Further, in 1929 the first purchase—over 30,000 dunams—was concluded in the Plain of Sharon (Wadi-el-Khawarith), a locality of immense potentialities for agricultural colonisation. Thanks to the structure of the soil and the abundance of water, this tract may in time be covered with plantations and densely settled.

Through these acquisitions the *Keren Kayemeth* has assumed the rôle of the leading Jewish land purchaser in Palestine. It is the next largest landowner after the Pica (Palestine Jewish Colonisation Association), which administers all the land acquired by Baron Edmond de Rothschild in the course of about fifty years. It was the land purchases of the *Keren Kayemeth* which first made it possible for the

Zionist Organisation to settle Jews without means who were willing to work their own farms. In a word, a definite land policy took the place of haphazard land purchases. The course pursued by the *Keren Kayemeth* may be variously judged, and indeed it has been subjected to criticism on many grounds. What is certain is that it is only recently that the *Keren Kayemeth* has given evidence of having a land policy, though it must in fairness be said that the very possibility of purchasing land on a large scale was due in no small measure to the fact that in the War and post-War years the income of the National Fund from collections rose uninterruptedly, and that it consequently had large sums at its disposal. It is also true that a land policy has gradually been evolved which will enable the *Keren Kayemeth* to satisfy the maximum demands that may be made upon it. In this way it will eventually become the real standard-bearer of the Jewish land policy in Palestine.

A question that has been much debated is whether the *Keren Kayemeth* should purchase rural land only and thus restrict its activity exclusively to the Jewish village, or whether it should also include the towns in its field of activity and pursue an urban land policy. These were already burning questions at the London Conference, which expressed the opinion that the national land policy ought also to include the towns. In the first years following upon the World War the *Keren Kayemeth* did not carry out this principle ; as we have already stated, it acquired rural land exclusively, making only unimportant and accidental purchases of urban and suburban sites. In 1928, however, it carried through a large land

purchase which denoted a re-orientation of its land policy in the sense of the principles laid down by the London Conference. We refer to the acquisition of about 33,000 dunams on the Haifa-Acre Bay, which forms a land-reserve sufficient for the expansion of the prospective metropolis. Through this acquisition the *Keren Kayemeth* is now in a position to control the direction of Haifa's land policy in the future.

The *Keren Kayemeth* has become an important—perhaps the most important—influence in the Palestine land market. Its activity largely determines that of other land purchasing enterprises. Various Jewish societies and private individuals take their cue from the policy pursued by the *Keren Kayemeth* and acquire land in regions in which the latter has preceded them as a pioneer.

Along with the expansion of National Fund work, the conception of national land has gained a firmer hold on the Zionist public and has been more consistently applied in the development of practical colonisation. The task of the *Keren Kayemeth* as the land fund *par excellence* of the Zionist Organisation is now clearly defined. It is to acquire land as the inalienable property of the Jewish people, and to grant it only on hereditary lease in the case of rural land, or on hereditary building lease in the case of urban land. The principle of the collective ownership of land, on which the *Keren Kayemeth* system reposes, was already set forth in the first motion to establish the fund drawn up by Hermann Schapira in 1897.¹

¹ Schapira's motion is contained in the minutes of the First Zionist Congress held at Basle, August 29-31, 1897 (re-published at Prague, 1911).

It aims at preventing, above all things, the transfer to non-Jews of land acquired by Jews at the cost of so much care and toil : recently the sale of Jewish property to non-Jews has ceased to be such a rare occurrence. The land belongs to the Jewish people, which appropriates the benefit usually accruing to the private owner ; the " unearned increment " goes to the people. In this way the *Keren Kayemeth* both bases itself on ancient Jewish practice and, profiting by modern economic experience, creates a system which seeks to correct the defects of the private ownership of land. On the one side it closely approximates to private ownership, on the other it attempts to avoid its drawbacks. It is for this reason that the form of tenure which the *Keren Kayemeth* has adopted is the long-term hereditary lease with the option of renewal.

With but few restrictions, which can scarcely be said to hamper his movements, the tenant is at liberty to do what he likes on his land. It is only where public interests are jeopardised that the *Keren Kayemeth* reserves to itself the right to interfere, as, for instance, if there is a danger of the land passing into the hands of a non-Jewish tenant, or of the hereditary lessee disposing of his holding for speculative purposes. Apart from this, he may either sell, pledge, or bequeath his hereditary leasehold, and is in practice at no disadvantage as compared with the private owner in this respect. The capacity of the hereditary lessee to obtain credit has been sufficiently demonstrated in practice as well as in theory. The buildings erected on *Keren Kayemeth* land are, in fact, accepted as mortgage security by various loan

institutions. Mention may be made of the mortgaging of about eighty houses on *Keren Kayemeth* sites at Tel Aviv by the Palestine Economic Corporation of New York in 1928-1929.¹

The manifold advantages of the *Keren Kayemeth* system, as theoretically demonstrated in the thesis of the London Conference, have been completely realised in the practical work of colonisation in Palestine during the few years since the World War. It is these advantages which have largely contributed to make the National Fund a dominating factor in the building up of Palestine. The *Keren Kayemeth* is now stronger than ever before, thanks not only to the sentimental attraction of its basic idea, which has won it the enthusiastic love and loyalty of innumerable adherents in the Diaspora, but also because it has stood the test of practical colonisation, its system of tenure having justified itself in the actual establishment of settlements.²

But what the *Keren Kayemeth* has achieved hitherto is negligible in comparison with the task which is yet before it. It has redeemed scarcely 1.1 per cent. of the land of Palestine. Large tracts must be secured for Jewish colonisation, those already opened up must be extended, new positions must be won and extensive land-reserves created. For, with the progressive development of the country and the resulting rise in prices, it becomes increasingly difficult to acquire land. In order to prepare for the future, large tracts of land must be purchased in time. For

¹ This question is treated in detail in Chapter IV.

² A detailed account of the advantages of settling on national land as compared with private land is contained in Chapter I.

land policy means not only buying land, but buying it under the most favourable conditions. What the *Keren Kayemeth* has done in the Plain of Acre by buying at a low price land which is bound to rise considerably in the near future should be done in all parts of the country where little or no land can at present be called Jewish.

The Jewish people has "extended, strengthened, and utilised" the institution founded by Herzl, as he predicted at the Fifth Congress. The *Keren Kayemeth* has become that which its founders desired it to be, a powerful financial institution pursuing a land policy in the full sense of the word. On the twenty-fifth anniversary of Herzl's death his fairest dream will have been realised by the purchase of the land lying along the Haifa-Acre Bay. As early as 1902 Herzl designated this region as the most valuable part of the country. He visualised the Haifa of the future as one of the greatest ports of the Mediterranean and the most important commercial centre of Palestine. With the transfer of the land about Haifa to national ownership, the Jewish character of this region has been assured. Herzl's prophecy is to be realised ; only Haifa is to become, not only a great city, but a Jewish city.

In the third period of its activity the *Keren Kayemeth* has proved that it is capable of great undertakings and that it is taking the leading part in the work of *Geulath Haaretz* at the present time. But indeed *Geulath Haaretz* is also furthered by the passing of non-Jewish land into Jewish *private* ownership. It is not sufficient, however, to acquire the land ; it is also necessary to keep it Jewish. The significance of

the *Keren Kayemeth* lies in this very fact, that it not only redeems large tracts of land for the Jews, but that it makes them irrevocably Jewish, that they are not accidentally in private Jewish hands, but in the perpetual and inalienable possession of the Jewish people. This is the point of Herzl's lofty remark : " The people shall be not only the founder but the perpetual owner of this Fund with which we are to work "

