

LAND PROBLEMS IN PALESTINE

BY
A. GRANOVSKY

Authorised Translation

WITH A FOREWORD BY
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TABLE OF CONTENTS

PART I

PREFACE

FOREWORD by *The Rt. Hon. J. C. Wedgwood*,
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THE JEWISH NATIONAL FUND: THE SOCIAL INSTRUMENT FOR THE UPBUILDING OF PALES- TINE	1
"GEULATH HA-ARETZ" AND A LAND POLICY ...	7
JEWISH AGRICULTURE AND NATIONAL LAND ...	14
NATIONAL LAND PURCHASE AND PRIVATE INITIATIVE	27
LAND SPECULATION IN PALESTINE: ITS DANGERS ...	35
COMBATING LAND SPECULATION	42
THE HEREDITARY LEASEHOLD OF THE NATIONAL FUND I	56

PART II

THE WORK OF THE JEWISH NATIONAL FUND ...	67
RECLAMATION WORKS	78
FINANCING NATIONAL LAND PURCHASE	91

NOTES.

The unit of measure for rural land in Palestine is: 1 dunam = 1,600 square pic = 919 square meters = 1/11 hectare = 0.23 acre.

The unit of measure for urban land is: 1 square pic = 75 square centimeters = 29.53 inches.

The present Palestinian monetary unit is the Egyptian pound (£E). The value of the Egyptian pound (£E) as compared with the pound sterling (£) is as 100 to 97.5.

The calendar used by the Jews in Palestine is that of the Jewish year (which is dated according to the Jewish tradition of the creation of the world). It runs, approximately, from October to September 30.

PREFACE

The land question in Palestine is evoking unprecedented interest on the part of the Jewish public. This display of interest is not to be accounted for solely by the first signs of speculation in land. Rather, the problems of Jewish land policy have been precipitated into the foreground because all Zionist groups are coming to realize ever more clearly the decisive rôle which the soil itself is bound to play in Jewish Palestine. As the reconstruction progresses, recognition grows that by the mode of its land tenure the Jewish National Home will stand or fall.

That national ownership of soil is imperative for Erez Israel (Jewish Palestine) has long been understood. Some twenty-five years ago the Zionist Organization established the Jewish National Fund (Keren Kayemet le-Israel) as its agency for bringing the largest possible amount of Jewish land in Palestine into the national possession. The National Fund was thus made the standard bearer of national Jewish land policy in Palestine.

The present series of ten essays is devoted to various phases of the land policy of the National Fund. A single thought runs through the whole: that the Jewish Homeland can be erected only upon nationalized land. With the development of the upbuilding work, all Jewish land in Palestine must and will in time be brought into public ownership. New and wholesome conditions of land tenure for Jewish settlement are being created by the National Fund through a policy which incorporates the characteristic social and national aims of the Reconstruction.

A healthy Jewish commonwealth can grow only out of a free soil. Hence the aim which the National Fund has set itself: to win a free soil for a free people.

A. G.

Jerusalem, June 3, 1925.

FOREWORD

By Right Honourable J. C. Wedgwood, D.S.O., M.P.,

Every Zionist knows that the success of this Judeo-British venture depends upon the Jews getting land to use in Palestine. If they cannot use the land, Jews cannot stop in Palestine. Successful immigration depends on land being available, and the more there is available, the sooner shall we have a Jewish majority and a safe Homeland. Moreover, the ethical or moral value of the successful colonization of Palestine by the Jews depends on showing that, given a chance, Jews can be as good producers (even producers of food by hard labour) as any other colonial race—that they are men, not middlemen. And this too means the creative use of land such as can be done under the best conditions and on the best terms.

There is, therefore, need of a book on Land Problems in Palestine. Dr. Granovsky's book, translated from the Hebrew, deals with the problems of the acquisition, tenure, administration and control of Jewish land in Palestine—rural and urban; and it is thoroughly documental from continental (chiefly German) sources. It was felt, however, that the book would gain by a glance at the problem from the British Colonial side also. The due balance of (British) individual liberty with (German) regulation and direction is as much required in Jewish land problems as it is fortunately found in Jewish human nature.

AGRICULTURAL COLONIZATION

In our objects, the German and the Englishman are at one. Dr. Granovsky is as anxious as I am to show that agricultural success is everything—all that really matters. And he, like myself, sees in the family-farm the foundations of freedom. We want no hired labour, no landless serfs, but free Jews—"Auf freiem Grund mit freiem Volke stehn" was good enough for Faust, and it is good enough for us. That the J.N.F. should own the land of Palestine and lease the land on hereditary lease in family-holding areas, at revisable rents, based on land value alone, is our common ground. We would both extend the term "family" to cover any Marxian or co-operative community which desired to lease and operate in common.

Dr. Granovsky, however, sees in the ownership of the J.N.F. a means of directing and restricting the freedom of the peasant leaseholders; to this I am opposed in theory, and it is little likely to work in practice. He would make the lease for 49 years—renewable. I prefer perpetual leases, and I think he realizes that this is what it would amount to in practice. He approves of the restrictions in the leases preventing subdivision or amalgamation, requiring residence, and the limitation of tenancy to Jews. No one doubts that the J.N.F. is entitled to make such restrictions, and that some of them are eminently desirable, but I do not think they can be enforced. Exceptions would have to be made in countless cases, till it would become manifestly unfair to refuse to some and allow to others. Intensely as I dislike the development of both subletting and the amalgamation of holdings—for both spoil “the principle of Self-Labour”—yet it has been found that private influence, and the dummying through male and female relations, always defeats such regulations. The most effective, indeed, I think the only effective way, to prevent landlordism arising, is the rigid insistence on the payment of a frequently-revised full land value rent. Sub-letting immediately starts directly there is a margin between the full land value enjoyed by the holder and the land value rent or tax paid to the State—see, for instance, the results of the Ryotwari system in India. If the leaseholder is paying the full land value rent he has no incentive to sublet, for he gets no more than he pays; or, if he should extract more by reason of special shortage of land, he risks having the rent of his entire holding raised to match. As for amalgamations, in so far as they lead to increased production they should regretfully be accepted. It is the amalgamation to create a monopoly and to raise the price of the article monopolized, that injures others. If the amalgamator knows that the increased value of his monopoly will go to the State (or the J.N.F.) the laying of farm to farm will lose its attractions.

For all these reasons it becomes of the utmost importance that the land value rent should be frequently and generally re-assessed. The best examples are Nigeria and Tanganyika, where the land value rent is re-assessed every seven and fourteen

years respectively. In England, the somewhat similar revaluation for local taxation takes place every five years. Dr. Granovsky suggests every twenty-five years. This is rather long. The chief objection, however, is that the J.N.F. revaluation is not a general and public revaluation, but a revaluation of each individual lease at the end of twenty-five years from the original grant of that lease. Such a partial revaluation will always be inaccurate, slow, and unjust. The personal factor is too powerful, comparisons are impossible, under-valuation becomes universal. We have had much experience of this in connection with certain lands in Scotland and Ireland; there the rents are frequently reduced and hardly ever raised. It is human nature. In justice to the State (or the J.N.F.) revaluations should be periodic and general both of town and country land.

PRICE OF LAND REDEEMED

The special difficulty, so far as the J.N.F. is concerned, is that they have had to pay large prices for land which is on or below the margin of cultivation. Only by heavy "doses" of capital after purchase has such land been made productive at all. The land value of such land is nil; the price paid did not represent land value; it represented merely the price paid for the redemption from the Arabs of the land of Israel. The full land value rent to be charged to the tenant cannot be based on these prices. After roads, drainage, and reclamation have been completed, then the letting value of such land in the open market must be taken as the basis of the fair land value rent to be charged to the tenant. It will be long before this reaches even the interest on the capital sunk in reclamation.

Dr. Granovsky touches on the high prices that are being paid for these lands by the J.N.F., on the absurd competition between the various Jewish organisations and individuals, all buying land and pushing up the price against each other. He rightly suggests some form of pooling to reduce this competitive bribery in the buying back of Israel. I suppose he was precluded (as I am not) from going to the root of the evil. There is competition to buy; there is little competition to sell. The

Arab Effendis, holding the monopoly, are in clover. Without inconvenience or taxation they can let their lands lie idle till the swarming landless Jews accept their figure for the redemption of the Jewish land and of the Jewish people. Even if we admit that the titles of the Effendis of these lands, which under the Turks were doubtful, are now good under British rule; even if we admit that Britain's duty to make Palestine a "Homeland" for the Jews should not involve drastic action effecting a change of ownership of waste land—even so, it is obviously the duty of any civilized government to encourage, by fiscal or other methods, the reclamation and development of the land they rule. Are they making it easy to create the Emek elsewhere in Palestine? Are they facilitating the transfer of land from the old dead hand to the new civilization and to vigorous production? Are they making it increasingly difficult for men to hold "their" land idle, and to charge fancy prices for its use?

POSSIBLE GOVERNMENT ACTION.

Something the Government is doing, and every Zionist, who realizes the fundamental character of this land question in Palestine should see and urge that they act thoroughly and quickly. The normal form of taxation in Palestine, as in most Moslem (and early Christian) countries, is a tithing of the produce of the soil. If there is no production there is no tax. If land is reclaimed and made productive, the good citizen is made to pay. It has been put in parable form.

"There was a Sultan in Egypt and he taxed the people. For every fig-tree they grew he took payment of 10 dinars; and so it came to pass that the people cut down their fig-trees. Then another Sultan arose, and he took the tax off fig-trees and taxed instead the land from which all good things must come; and behold! the people planted fig-trees with diligence and the land flourished exceedingly."

This is the change which Lord Plumer is now contemplating in Palestine. At present, the Emek is taxed for tithe, and the Effendis, lords of the waste, escape. Apart altogether from the Zionist question, all men of sense want more Emeks and fewer wastes. So all men of sense should press for the

abolition of the tithe and the substitution of a land value tax which, if it cannot be based on an accurate valuation, should at least depend on area fertility and position rather than on the actual produce of the soil, the result of men's labour and Jewish capital.

Such a change would, of course, reduce the ability of the lords of the waste to hold out for a big price. The J.N.F. could buy Palestine more cheaply; and the workers on the Emek could more easily make a living. I wish Dr. Granovsky had dealt with this aspect. The problem before us is not solely one of the raising and spending of Jewish contributions, but of getting value for these contributions.

TOWN LANDS

It is when we come to town lands—to the speculation in the suburbs of Tel Aviv and Haifa—that the English and the German schools find themselves most at variance. Throughout the Anglo-Saxon world, all local revenues are raised by one tax on property—either, foolishly, on the annual rental of the property, or, more wisely, on its selling value. Throughout the Continent of Europe town revenues are raised from a dozen different sources—octrois at the barrier, window taxes, turn-over taxes, licences, income taxes, increment taxes, etc., etc. Dr. Granovsky, familiar with the many German varieties of local taxation and town administration, sees in them the salvation of Tel Aviv. He has *Zuwachssteuer* (increment taxes) and *Steuer vom gemeinen Wert* (Common-value taxes) and the “*Lex Adickes*” at his fingers' ends. He would apply them all to cure Tel Aviv of slumdom and speculation. He would have the J.N.F. buy largely in the suburbs—go in for land speculation themselves, regardless of the fact that any such competition must still further boom land values.

But the whole of this bureaucratic method of weird taxes and minute regulations requires an experienced, well-equipped and absolutely honest bureaucracy, such as they had in Frankfurt before the war. Neither in America, nor in any British Colony* is such a method dreamed of, nor is it required. In

* This applies also to the former German colony of Kiao-Chow, where an admirable system of local taxation on property was in operation that might well be copied by Tel Aviv and Haifa.

England itself, under German influence, we once tried the *Zuwachssteuer* or Increment Duty, and we had to drop it, so hypothetical were all the calculations involved. All that we have been able to adopt from Germany in town administrations has been their system of town planning.

Let the Zionists rather look to Sydney, N.S.W.—a vast city of 1,000,000 inhabitants, stretching out miles into the country, each house in its own garden. The city has doubled in population in 20 years. There, there is land enough at reasonable prices—and all municipal taxation is raised exclusively from land values. Except for a local water-rate there is no other tax but this. Or I might refer to a less known example. My old home town of Ermelo in South Africa, has trebled in population and area since 1904. There the local tax on property is 4d. in the £ on all land value, and only 1d. in the £ on all buildings and improvements. All over South Africa, New Zealand and Canada, you will find similar forms of taxation, intended to encourage improvements and to discourage the non-use or misuse of land. In America the well-known "Pittsburgh plan" is simply a half-assessment on all improvements and a full assessment on all land values. But one need go no further—outside Europe, in the newer countries such as Palestine, one tax on property, often designed to encourage production, is universal.

It is unfortunate that Dr. Granovsky, with the whole experience of the British Empire before him, can still say, "The landowner will always be able to add the taxes paid (on land value) to the selling price of his land. . . . In Palestine a buyer does not hesitate to pay more for his land." He then follows up this strange piece of economics with the contradictory confession that "owners of vacant plots are by this means (a tax on land values) forced either to build or sell, so that holding land for a long period in order to skim the accumulated profits is made impossible." Indeed, what else does he allege to be the advantage of the German *Steuer vom gemeinen Wert*?

The J.N.F. does not own enough suburban land to apply any far-reaching principle successfully in the towns. It is of good augury that they do, where they can in the country,

FOREWORD

—xv

secure the full land value for the community and encourage improvements. But the Jews of Tel Aviv and Haifa are able to control their own municipal development. They can insist on taxes being raised, either on the Colonial model, or on the German bureaucratic model. If they leave it to the "realtors" to decide and rule, then the latter method will prevail. But at least the Zionist Organization is entitled to urge upon the Jewish municipalities, and upon the Government, the adoption of financial reforms in taxation which will tend to lower the price of land, thus making it possible for them to redeem, and for the Jews to use, the land of their fathers.

This book is not controversial, and it is only to provoke thought that I have ventured to introduce something of the controversial tone. It is packed with valuable information; it opens up a subject both fascinating and vital—an old subject in a new country and a new setting. As these foundations affect British citizens as well as Jews it is good to have it in the English tongue and I heartily recommend it to everyone interested in the great experiment of Palestine.

April 20th, 1926.

JOSIAH C. WEDGWOOD.

In his interesting critical Foreword Col. Wedgwood has accused me of inconsistency, alleging that I declare that the landowner is able to add taxes paid on land value to the selling price, although I admit that owners are by means of taxation forced either to build or to sell. But if my esteemed critic will turn to the passage in question (page 48) he will find that he has overlooked an important phrase, the insertion of which in his quotation would have robbed him of any ground on which to allege inconsistency on my part. The full sentence in question is as follows:—

The landowner will always be able to add the taxes paid to the selling price of his land, *though not indeed without limit because its value is fixed, normally, by its rent yielding capacity.*

It is true that unlike Col. Wedgwood I am not a believer in the all-powerful, unsupported influence of Land Taxation.

I acknowledge its usefulness but to a limited degree; it can have a positive effect only when instituted together with other means, as, for example, the systematic acquisition of land by communal authorities. (See page 51 et seq.)

I have referred in the book to my opinion that Land taxation can only produce the proper results when it is sufficiently high, because *up to a certain limit*—as stated in the passage under discussion—the owner is able to pass it on to the next purchaser. This limit—as also mentioned by me—is fixed by the market value, which normally is determined by the rent.

But if taxation is sufficiently high—I estimate the necessary standard at a minimum of 33 per cent. of the increment value—then it has the power to force the owner either to sell, or build upon, his vacant plot. A.G.

RETORT TO AUTHOR'S NOTE.

I am not quite certain of the meaning of Dr. Granowsky's qualifying sentence, but I fancy he was thinking of two different forms of Land Value Taxation—the *Zuwachssteuer* (Increment Tax) and the *Steuer vom gemeinen Wert* (Common Value Tax). Nowhere in the English-speaking world is the Increment Tax imposed or, I believe, proposed. The Common Value Tax is, however, largely analogous to the usual English Colonial method of land taxation. The systems adopted in the German Colonies, Kian-chow and Kamerun, were also based on this model. This is the only tax I support in my Foreword.

His criticism of the economic effect of Increment Tax is probably justified. The prospective payment of 33.1/3 per cent. of the *increased* value of his land makes the owner less anxious to sell; less land is therefore "on the market," and such land as can be bought will fetch a higher price. The purchaser therefore pays part at least of this tax. The other tax which has to be paid whether the land is sold or not, whether it is used or not, has the opposite effect,—in increasing the supply on the market and therefore reducing the price to the purchaser and user. J.C.W.