

LAND PROBLEMS IN PALESTINE

BY
A. GRANOVSKY

Authorised Translation

WITH A FOREWORD BY
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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 dummied 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. Subletting 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,

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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.

PART I.

THE JEWISH NATIONAL FUND :

THE SOCIAL INSTRUMENT FOR THE UPBUILDING OF PALESTINE.

I

In practice, as in theory, the Zionist Organization is motivated in its Palestinian activities by Jewish nationalism and a social point of view. Those inspired solely by the nationalist motive hold that Zionism has the single object of achieving a Jewish majority in Palestine, which shall found a spiritually and economically self-sustaining commonwealth. The defenders of the social point of view, however, adding general human considerations to the nationalist motive, are impelled to aim at something higher. For example, the Haluzim, those self-sacrificing and enthusiastic pioneers, are not content with their own personal transformation into peasants or industrial labourers. They dream of a Jewish commonwealth which shall be not merely an ingathering of the exiles; it represents to them an opportunity of freeing the national life from the social and economic ills of the capitalist order.

The latest period of Zionist work in the Land (which, if measured by its results, is the most important in the history of Jewish colonization) represents the triumph of the latter tendency. The nationalist motive is being synthesized with the social point of view in this formula: a Jewish commonwealth with new social forms.

It is not by mere chance that land reform ideas have played so significant a rôle in the great works consummated in Palestine during the last few years. The many new settlements have been founded, and the thousands of recently arrived labouring men and women settled, not upon private but upon nationalized land. It was, moreover, not accidental that the major part of the upbuilding work—both in the cities and on the land—has been carried out through closely knit co-operative labour groups. (The various problems of land nationalization come to light as work progresses, and find a natural solution in practice.)

The Zionist Organization began its practical work in

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Palestine eighteen years ago by founding small agricultural co-operative settlements, which held rigidly to the principle of Self-Labor.¹ Exploitation of workers in such settlements was thus made impossible. Various forms of labor co-operatives have since been called into being, reaching their high water mark in farming groups with several hundred working members. New and advanced forms have been created not only for production, but for the distribution of products as well.

2

In the upbuilding of Palestine the most important problem to be faced is the need of the settlers for land. The Jewish National Fund (Keren Kayemeth le-Israel) was therefore created (1901) by the Zionist Organization in order to provide land for Jewish colonization. Both the national and the social ends above referred to were embodied in the policy of the Fund, namely: to redeem the soil of the Homeland by purchase ("Geulat ha-Aretz"); and to make the soil, as the basis of the Homeland, not private but national Jewish property. The nationalization of Jewish land in Palestine was proclaimed from the very first.² As the instrument of national Jewish land policy in Palestine, the Fund aims to bring all ground used for Jewish colonization into public ownership. Its means are derived from donations gathered in multifarious ways, day in and out, by the ceaseless efforts of thousands of Jews the world over. What is acquired with the people's money, ought to remain in the possession of the people.

Land acquired by the Jewish National Fund, therefore, becomes a permanent holding. It may not be sold, nor even mortgaged. The usual real estate business transactions are therefore precluded with these public lands. (It is noteworthy

¹ That is, all work must be done by the members of the group themselves, without hired labor.

² This principle underlies the proposals (published in 1897) of Prof. Hermann Schapira, the father of the National Fund: "The land acquired through the 'General Jewish Fund' may never be alienated, nor even sold to individual Jews. It is to be leased only, and for no longer a term than 49 years."

that the proviso against alienation is the only unalterable clause in the statutes of the National Fund.)

The National Fund turns over its land to the Jewish settlers in the form of hereditary leaseholds, since they have the right of use only. As tenants, they pay a moderate ground rent to the Fund in its capacity of owner.

Steps are taken to prevent the rural Arab population from being made homeless through the land acquisitions of the Fund. It buys chiefly from Effendis (Arab landed gentry) who own large tracts, but do not cultivate them. If, however, Arabs happen to be working on land bought from an Effendi, they are compensated. In the case of a purchase in the Valley of Jezreel, for instance, some part of the tract was left to Arab tenant farmers, with a buying option on favourable terms within a given period.

3

The principles of land nationalization, with their very significant agricultural, economic and social implications, are integrated into the system of the National Fund. Its hereditary leasehold represents the first attempt to provide a definite legal setting for the new social forms of the developing Jewish commonwealth.

With the withdrawal of the soil from private ownership, the harmful social and economic effects of such land tenure fall away. One of the severest ills of private ownership in land is that increase in value, though it is due to the labours of the whole community and not of the individual, unjustly accrues to the latter as landlord. This unearned increment has helped to create large landed estates and a class of wealthy land owners. Under the National Fund system, however, the increased values accrue to the community as a whole. At the end of a fixed period (ten years for urban land, and twenty-five for rural), a re-appraisal is made of the ground value of each leasehold, which is entered in the books of the Fund at its new value. The rise in value of the land is absorbed, and the national wealth augmented, in that the tenant pays a correspondingly increased ground rent. However, the terms

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of the lease are so framed that not only the interests of the community, but also those of the settlers are adequately safeguarded.

4

The National Fund system provides opportunity to influence and control the economic methods of the tenant farmers in the public interest. In many countries agriculture suffers from the unrestrained economic freedom of the private landowner, with its frequent disastrous effects upon himself, his successors, and even the general community. In order both to avoid this evil and to foster normal development of Jewish agriculture and a Jewish peasantry, the Fund has imposed a series of checks upon its tenants (designed to prevent abuse of the soil, immoderate indebtedness, over-parcellation of farms, and much else.)³ Furthermore, a method of bequest is being devised which will obligate the settler so to divide his leasehold among his heirs that each plot will serve as a normal farm. Concentration of several farm parcels in one hand is not permitted, since such estates would be too large to be worked by the settlers and their families. They would be forced to employ cheap labor, and such labor would almost always be non-Jewish—a situation that must by all means be avoided. Self-Labor, without hired assistance of any kind, is a basic principle in the Reconstruction of Palestine as the Jewish Homeland. The underlying idea of Self-Labor is to prevent a compulsory lowering of the higher standard of life of the Jewish worker. This principle of Self-Labor—in which the idea of Jewish labor only is of course implicit—is carried out in practice through a norm of measurement whereby the unit of land allotted to each settler is determined by the working capacity of a family without employing additional labor.

Still another important public interest is here involved. Jewish agriculture in Palestine is as yet in its infancy. Being unaccustomed to farming, the settlers must adapt themselves to

³ Detailed information on the provisions of the lease will be found in the chapter on "The Hereditary Leasehold of the National Fund." (See below.)

the new way of life by degrees. The only practicable form of agriculture for the present is, therefore, extensive cultivation, which requires much surface. With the general progress of agriculture in the country and the maturing of the settlers into actual "dirt" farmers, farming will gradually tend toward intensification. It will then be possible to reduce the size of the individual farm, thus releasing new ground for later comers. The Jewish commonwealth must reserve to itself the right of reducing the original allotments per settler so as to provide access to the soil to the ever-increasing number of immigrants. With the growth of the commonwealth, such a right of intervention may some day become exceedingly important for the assurance of an opportunity to every working Jew to settle on the soil as a producer.

5

Speculation in land is one of the most baneful effects of private ownership. Land values increase, thanks to general progress, without special effort on the part of the landowner. The outcome is a rapid rise in rents, which enables the landlord to pocket a handsome profit. This applies particularly to the cities. Rapid growth of a city sends up prices of ground within urban, especially suburban areas, in double quick time. And then the land speculators manoeuvre prices up still higher, beyond all reason. Rents and house-building methods are subjected to the pressure of speculation; inevitably, tenement houses with tiny rooms go up that will yield a profit even upon a high-priced site. The ensuing extortionate rents and unhealthy housing conditions fall precisely upon the poorest sections of the population.⁴

As the instrument of Jewish land policy in Palestine the National Fund aims to combat speculation in land. The thousands of immigrants who are settling in the cities have the greatest difficulty to find normal housing facilities, owing to the mounting prices and the land speculation which have followed the rapid growth of the Palestinian cities, as for example, Tel

⁴ Speculation is further discussed in the chapter on "Land Speculation in Palestine: Its Dangers."

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Aviv. It is the duty of the National Fund to provide the newcomers with sites for their homes on favorable terms. New urban quarters could be established if large tracts were bought in the vicinity of the cities, where land is still to be had at fair prices. Both rents and building methods could be improved in this way. The best means of combating speculation, exploiting landlords and bad housing is through an active urban land policy. This pre-eminently social task falls precisely upon a public institution like the National Fund, which will doubtless be obliged to shoulder it.⁵

The Fund thus has a large task in the cities as well as upon the land, since it is the instrument of that social policy upon which depends the success of the whole work of Reconstruction. Upon it devolves the duty of providing a free soil for the Jewish people, out of which a new and better national life, liberated from the evils of the capitalist system, will blossom forth.

⁵ Compare chapter on "Combating Land Speculation."

“ GEULAT HA-ARETZ ”¹ AND A LAND POLICY.

I

On the threshold of the new period of Zionist colonization in Palestine—following the war—the functions of the Jewish National Fund underwent a thorough revision. For the first nineteen years of its existence it had been a general Zionist colonizing agency; now it became the land fund of the Zionist Organisation. The Zionist World Conference in London (1920) clearly defined its scope as the instrument of Zionist land policy, both in the rural and urban districts. Five years have since elapsed. It is now in order to judge whether, and to what extent, these principles have been realized in the activities of the National Fund.

In so far as it has concentrated upon land purchase and the concomitant primary improvements, the Fund has given full effect to the London program. The ratio of funds invested in land and improvements has continually risen until ninety per cent. of all its expenditures in Palestine was claimed for these two purposes. It is, therefore, to-day in actual fact the land fund of the Zionist Organisation. However, the important function of carrying on a social land policy, imposed upon the Fund in 1920, could be fulfilled only in a very inadequate measure.

As already explained, two ideas underlie the activity of the National Fund: first, the national idea (“Geulat ha-Aretz”), that is, the redemption of the soil and the increase of national land possessions; second, the social idea, that is, land reforms and healthy social conditions. The London Program of 1920 was intended to achieve a harmonious synthesis of the national and the social ideas.

During the last few years the policy of the National Fund has been dominated by the Geulat ha-Aretz idea, by the desire to bring the largest possible areas into Jewish ownership. Land was purchased chiefly, almost exclusively, in rural districts. While large rural tracts were acquired, no attention whatever was paid to urban and suburban land. The small urban plots acquired by the Fund during the last five years represent quite incidental and—for the most part—unconsummated purchases.

¹ Hebrew for “redemption of the soil of Palestine.”

Being concerned to acquire the largest possible extent of ground that its very limited means could cover, cost was the determining factor in its purchases. Under such a policy, only rural land, which is still comparatively cheap, could be acquired. For one dunam of suburban land (one-fourth of an acre) argued the advocates of Geulat ha-Aretz, which costs £E15 to £E20 (\$75 to \$100), we can buy five dunams in the country. And they held the latter to be more essential.

Geulat ha-Aretz, then, was the criterion for all National Fund land purchases. Considerations of social land policy were relegated to second place. No bit of land might be bought from Jews under any circumstances at all, however important the reasons in favor of such purchase. For instance, when a small Jewish settlement could not be set on its feet except through acquisition of additional tracts which happened already to belong to Jews, the purchase was not made, despite the objective necessity. This was, however, in consonance with the Geulat ha-Aretz point of view that it is not the function of the National Fund to take over land already in Jewish possession, be its extent never so small.

In the widespread verbal and written propaganda conducted by the National Fund during recent years, also, Geulat-ha-Aretz has been made the leading motive. This single thought has been proclaimed over and over again.

The Geulat ha-Aretz attitude is perhaps justified by the status of the colonization work immediately after the war. The situation was exactly contrary to what it had been just before the war, when many "Ahuzot"³ were already in existence and others in the process of formation: there were no private buyers at all for rural land. The only interested parties, until quite recently, were the National Fund, the Jewish Colonization Association (ICA), and, in a modest way, the American Zion Commonwealth. The advocates of Geulat ha-Aretz argued that all public moneys, especially those of the National Fund as the Zionist land instrument, ought to be used for rural land purchase. Only rural, and no urban, ground must be

³ Private associations which purchased rural land on behalf of their members, and planted it with fruit trees.

considered, inasmuch as private capital, while not interested in the former, could easily be mobilized for the latter. There was, indeed, a mass rush to the cities after the war, and Jewish urban holdings increased most rapidly. To leave the towns to private initiative and to concentrate the efforts of the National Fund upon rural land would best serve the Geulat ha-Aretz idea—according to its advocates—in that a maximum area might thus be redeemed. As a result, the principles laid down by the London Conference in respect of an urban policy have almost wholly been left in the realm of theory. Rural land purchase has claimed all but exclusive attention, while the cities have been thoroughly neglected, to the great detriment of the Reconstruction.

2

To those who see in the National Fund something more than an instrument for Geulat ha-Aretz, it has long been clear that neglect to acquire land in the cities is an error that will one day have to be dearly paid for. They have therefore been demanding that the Fund include the cities within its operations. Geulat ha-Aretz by itself does not content them: it is the motive of every individual Jew who buys land in Palestine from a non-Jew. The duty of the Fund goes far beyond mere acquisition of land. It has a high social function, namely, to work according to a system that will gradually lead to the nationalization of all Jewish land in Palestine. Since private ownership in land brings many economic, social and national perils in its train, the National Fund must intervene wherever these evils are strongly felt. In the rural districts, settlement must be made possible for men without means; the “little fellow” must be allowed to invest all his scanty funds in equipping his farm, without having to divert any part of them into land. The principle of Jewish labor, more particularly in the sense of Self-Labor, must be safeguarded. In the cities, it is the function of the Fund to combat speculation in land; to create healthy housing conditions; and to see to it that the rise in the value of land inures

not to the benefit of private individuals, but of the whole community.

The changing conditions in Palestine have in many respects confirmed the correctness of this viewpoint. An important factor has entered the real estate market during the past year—the private buyer of rural terrain. In Eastern Europe, and especially in Poland, numerous societies have sprung up, which buy rural tracts on behalf of their members, who dream of becoming Palestinian farmers some day. In the United States, also, lively interest has been awakened, and Americans have bought considerable areas within the last year. All this means an immense stride forward for the Geulat ha-Aretz idea. A quarter of a million dunams (nearly 63,000 acres) have been redeemed in the course of a twelve-month, raising the total Jewish possessions to nearly one million dunams (250,000 acres). The share of the National Fund in these acquisitions has been comparatively small, about one-third. The remainder was privately acquired.

Thus Geulat ha-Aretz as the sole function of the National Fund seems suddenly to have lost its importance. What significance can it have within the Fund's operations, if other interested parties have been able to double its purchases? One private land association now has holdings (which, indeed, it re-sells) equal in extent to those of the National Fund. This despite five years of laborious effort on the part of the latter, and large financial obligations for the future. Private buying is and will continue to be an important factor in land acquisition, though varying in extent from time to time.

The value of the National Fund as a medium for Geulat ha-Aretz is therefore on the decline. If things go on in this way, it is likely not only to lose its present leading rôle, but to become an almost meaningless appendage to large private enterprise. The increasing income of the Fund will, indeed, permit of extending the scale of its purchases. On the other hand, it is entirely certain that it will be unable to keep step, even approximately, with private land buyers.

But the Fund has another, and very important, function: that of carrying a policy in which the nationalist idea (Geulat ha-Aretz) goes hand in hand with the social motive. Only so

can Geulat ha-Aretz attain its true value. The National Fund must, first and foremost, hold to a social policy which will enable it to act in the public interest as no private individual or association is able to do. There is the fundamental difference between the Fund and the private land purchasers; and therein lies its *raison d'être*.

The National Fund must be judged not by the number of dunams redeemed by it, but by the national and social value of its holdings: their suitability for colonization, the number of settlers drawing a livelihood from them, their influence upon Palestinian land policy in general.

3

A characteristic feature of the new conditions in Palestine is that the great majority of the newcomers settle in the cities, mainly in Tel Aviv. Enormous increases in the price of urban building sites and unreined speculation have promptly followed the rush to the cities. The one way to overcome these evils is through a systematic, well-planned urban land policy, such as only the National Fund is able to carry out.

The land policy hitherto pursued by the National Fund stands in need of revision. The rule of rural land only must be abandoned in favour of integrating urban, and more especially suburban land, within the Fund's scope of operations. Speculation in land must be checked. It can be checked only if the Fund will acquire, at moderate prices, suburban tracts which have prospects of rising rapidly in value as the city spreads. The effectiveness of the urban policy depends, of course, on the condition that the areas acquired by the National Fund are large enough to offset private holdings. Nothing at all can be achieved by small incidental purchases such as those hitherto made by the Fund in the cities (for instance, the “Nordia” section in Tel Aviv, with sites for 200 houses, or the “Jechiel” suburb in Haifa consisting of only 90 building plots). Neither in Tel Aviv nor in Haifa have real estate conditions been affected one whit by these holdings. An oasis of nationalized land provides neither defense against the ills of private ownership nor a check upon speculation.

Clearly, then, it is incumbent upon the National Fund

to buy up land on the outskirts of the growing towns—of Haifa and Tel Aviv especially. Its purchases should represent no petty fraction of the urban area in comparison with private holdings, but should be large enough decisively to influence the further development of the cities where it operates.

It gives one pause to imagine how differently—and how much more wholesomely—Tel Aviv would have developed had the National Fund secured large stretches of ground near the city fifteen, ten, or even five years ago. Much Jewish capital might have been spared for productive uses, and speculation almost entirely forestalled. Let us admit that it was not easy to foresee the swift expansion of Tel Aviv. However, that which could not be guessed at seventeen years ago is now manifest, and it is still not too late for decisive measures. Tel Aviv is far from having reached its final limits, and will doubtless continue its present rate of growth for some years to come. Land at reasonable prices is still to be bought on its more remote periphery which is bound to be absorbed by the city within no considerable period. New urban quarters would then be available where hundreds, perhaps thousands, of new settlers could find building sites for homes on very easy terms. The development of the city and the price of site land as well could be very effectively influenced in this way. Who would buy expensive building sites from private owners if public land were made available?

Or, let us take Haifa which, thanks to its natural bay (extending all the way to Acre) is destined for an extraordinary future. Should a harbor be really constructed there—and this seems to be assured by the statement of the former High Commissioner—the city will soon develop so rapidly as to outstrip Tel Aviv. All the railroads will converge at Haifa. All imports and exports from Palestine and (in time) from the hinterlands—like Transjordan and Iraq—will pass through its harbor. The price of building sites will, of course, mount sky high, and the outlying districts will soon be drawn into the urban area.

Should the land in question fall into private hands, the door will be opened wide to inflated prices and speculation. The Arab landowners will naturally be the first to profit,

and the story of Tel Aviv will be told over again in Haifa, as they pocket hundreds of thousands of pounds of Jewish money.

Moreover, an increase in land prices near the cities is inevitably followed by a general rise in the cost of rural ground. The soaring prices in Tel Aviv have doubtless had a most untoward effect upon agricultural land. This ought to be a lesson for the future.

By acquiring large areas near the cities, the National Fund would be enabled, perhaps for the first time, to embark upon a comprehensive land policy. In the event that it did so, all would-be settlers could obtain site land on favourable terms. Jewish money would be saved, prices held in check, and the housing shortage ameliorated. Such an urban and suburban policy would be bound to react upon—and reduce—rural land prices. In time, the National Fund could assume a leading rôle and become a decisive factor upon the real estate market.

If a mass immigration is really wanted, favorable conditions must be created in the cities for the settlement of the newcomers since, for the most part, they will join the existing urban population. They ought not to be hampered by high priced land. The demand for working men's suburbs (the so-called Shehunot Ovdim) which is being resolutely put forward, is a result of the situation in which the Jewish cities find themselves because of the latest immigration. But the establishment of working men's suburbs presupposes a definite urban land policy.

It is time that the land policy of the National Fund be revised. The possibility of a healthy economic basis for the future Jewish commonwealth depends largely upon this, not to mention the future of the institution itself. The National Fund, in its essence, consists of a social policy which, taking Palestinian facts and needs fully into account, is brought into an organic union with the Geulat ha-Aretz idea. An urban land policy is the *sine qua non* for its fulfilment.

JEWISH AGRICULTURE AND NATIONAL LAND.

1

That Jewish agriculture is the base for the reconstruction of Palestine and a Jewish peasantry the foundation of the new Jewish commonwealth, are integral theses of the Zionist philosophy. Recently, however, many voices have been raised—and their number is not least in prominent Zionist circles—to minimize the importance of agriculture in favor of commerce, industry and the handicrafts. The supporting argument runs thus: Zionism aims to create a Jewish majority in the country as speedily as possible. A majority can be attained only by mass migration. But to settle immigrants on the soil is very expensive—each settler costs the Zionist Organization about £E1,200 (\$6,000). The Jewish majority will remain a distant ideal, if it is to depend upon agricultural settlement. But the latest wave of immigration, which is happily on the increase, consists mainly of city dwellers; and this facilitates the creation of a majority. The weight of Zionist activity, therefore, ought to be thrown on the side of urban settlement, which should be fostered by moral, and more particularly, by financial support.

Unfortunately, the antitheses which undoubtedly are to be found among us—national capital and private initiative, agriculture and industry, village and town, working class and middle class—have been inflated into basic philosophies. Yet it is a truism that nothing is more dangerous than an *ad hoc* philosophy. The differences become only the more vexatious.¹ The latest immigration, to be sure, brings Baale-battim (the middle class) in place of the Haluzim (the pioneers). The

¹ This goes so far that purely practical questions of colonization are raised to the level of *Weltanschauungen*. So, curiously enough, the experiment of intensive colonization upon the basis of irrigation (according to the plans of Dr. S. Soskin) has become a dogma for many Zionists. Yet it is only an interesting and important technical experiment which, beyond any question, has to be made, and in the success of which everyone who has at heart the rapid development of Palestinian agriculture is deeply interested. But, through a peculiar perversion of ideas, this purely technical experiment is set forth as a "system of Middle Class Colonization," which is supposed to be antagonistic to the present system, and to the labor aims which the latter involves.

advocates of reconstruction by commerce, etc., insist that this is the only suitable and desirable type of settler, even going so far as to say that it is he who is called to build up the land. In their program, the Haluzim would be supplanted by the Baale-battim, Nahalal and Dagania by Tel Aviv. They demand of the Zionist Organization, with ever growing insistence, that it concern itself less with agriculture, and devote itself primarily to urban colonization. Possibly, then, it may be of use to recall some homely truths that seem to have been forgotten.

2

The A.B.C. of Zionism declares that a normal Jewish commonwealth is to be built up in Palestine which shall be free of the defects that have lain so heavily upon our people during its sojourn in the Diaspora. Like all other nations, the Jewish commonwealth ought to become a self-sustaining economic organism. In the Diaspora, the Jewish people had an abnormal social structure, characterized both by a one-sided concentration upon the professions, and an unhealthy preponderance of commerce and certain handicrafts. For various economic and psychological reasons, which cannot be dealt with here in detail, the Jews lack a class of farmers and farm laborers,² the very element which among all other peoples forms the basis of production, and more or less conditions the productiveness of the whole country. ...

Jewish agriculture, which was so sorely missing in the Diaspora, is indispensable to the national economy in Palestine. It was not for nothing that Jewish colonization in Palestine was purely agricultural from the very first, and aimed by one method or another to root Jews in the soil. The process of

² The proportion of Jews engaged in agriculture in the Diaspora lands is: Austria, 12.8 per cent.; Russia (Pale of Settlement), 2.5 per cent.; United States of America, 2 per cent.; Germany, 1.3 per cent.; Italy, 0.3 per cent. (Ber Borocho, *Die wirtschaftliche Entwicklung des juedischen Volkes*, Berlin, page 18. Compare A. Ruppin, *Die Juden der Gegenwart* (Juedischer Verlag, Berlin), second edition, p. 57, 1911; third edition, 1920).

going over from urban pursuits into agriculture is, indeed, a very difficult one. More than a mere change in one's mode of living is involved, for it demands a spiritual revolution as well. For this uncommonly difficult task the most careful preparation is required—which the Jewish settlers almost always lack. Until quite recently, their agricultural training was sadly deficient. In the circumstances, it is not to be wondered at that people either withdrew altogether from farming, or had to fight a hard battle with poverty for many years. There lies the explanation of the fact that most of the older settlers (in the I.C.A. and Chovevi Zion settlements) became mere owners but not workers of the soil.

Untrained human material, the difficulty of attaining to the paying stage, the extensive mode of farming, primitive working facilities, the unfavorable market (that is, competition of a native population with very few wants and of foreign products such as Australian grain, butter, etc.) all these obstacles have made Jewish agriculture the weakest spot in the whole reconstruction work. It is not yet able to stand on its own feet, and requires to be nurtured with extraordinary care.

3

Forty years of colonizing experience in Palestine have clearly demonstrated that Jewish agriculture can maintain itself only by Self-Labor. If the principle of Self-Labor be not held to, the course of events is bound to exclude Jewish labor completely. The moral and material conditions of the early period of Jewish agricultural settlement inevitably developed, not Jewish villages with Jewish peasants, but Jewish land and plantation owners employing Arab labor. The lack of vocational training above referred to caused the early settlers to seize chiefly upon those branches of agriculture which were best adapted to their physical make-up, mental attitudes, and business experience. It was not by accident that they devoted themselves at first to vine and later to fruit growing: it was simply that those highly developed forms of farming required initiative, administrative ability and commercial adroitness rather than physical labor. The assumption then held that planting

would facilitate the transition of the Jews to ordinary farming has proven untenable. It was precisely the commercial spirit and the hankering for easy work that led the settler and his children to continue in their Diaspora ways of living, so that they neither could nor would adapt themselves to actual farm labor. And since Palestine, like all Oriental countries, offers masses of cheap native labor, they were tempted to employ workers content with a minimum wage even under exacting conditions.

Those early settlers were obliged also to employ outsiders because their holdings were too large to be worked by themselves alone or with the help of their families. Even in the plantation settlements, the units of land were too large. For example, a family cannot possibly work forty to fifty dunams of orange plantation by itself. The plots were especially large in the agricultural settlements. In Jabneel (Lower Galilee), for example, each of the thirty-three settlers owns three hundred dunams of plough land, besides twenty to twenty-five dunams of orange plantation. In Jessod Hamaaleh, the settlers average six to nine hundred dunams each.³

Workers had to be employed in large numbers by the early settlers because, being themselves deficient in knowledge of farming, they had taken over from the backward native population its crude methods of work—extensive cultivation, primitive equipment and tools, etc. The settlers' sons held aloof from their fathers' undertakings. In their indifference, they left the settlements and even the country to enter better paid occupations. Or, when they did remain at home, they busied themselves either with administrative matters or with the lighter form of farm work. The stern logic of reality thus forced the settlers to depend upon hired labor. Since there was only one kind of cheap labor—and that was non-Jewish—

³ See *Die Erez Israel-Arbeit*, report of the investigating committee sent to Palestine in 1920 by the international Jewish social labor association "Poale Zion," Jaffa 5680 (1920), page 42, Yiddish. See also section of the report in German by S. Rubaschow, *Die privatwirtschaftliche Kolonisation in Palaestina*, *Der Jude*, Vol. VI., 1921-22, p. 214. The case of Zichron Jacob is cited there, showing that each settler received an average of 300 dunams made up of bits and scraps of ground.

we now find thousands of Arabs working in the settlements while the throngs of Jewish laborers continually entering the country are not employed there. Out of all these factors developed the phenomenon of a Jewish village with several hundred Jewish landowners employing thousands of non-Jewish farm laborers to cultivate their land.

The outcome can be easily forecast when we recall the well-worn thesis that the land belongs not to him who owns it, but to him who cultivates it. Many examples can be offered in proof of this: Czecho-Slovakia and Galicia, for instance, where in the struggle of nationalities, the final victory went to those peoples which had lived and worked on the land.

4

The history of Jewish colonization in Palestine shows many attempts to create a class of Jewish farm laborers, all of which have proved fruitless. For example, it was attempted to provide reservoirs of Jewish labor by establishing small settlements for Yemenites (Jewish immigrants from Southern Arabia) and other workers employed by the Jewish farmers on small plots of their own in the vicinity of the larger villages. Notwithstanding the unparalleled heroism of the Jewish workers they could not compete with the natives, and had to give way. Non-Jewish labor, however, is a menace to the whole Jewish colonization enterprise in Palestine. Jewish colonization is actuated by a unique motive: Other nations, in their colonizing efforts, strive to exploit natural resources through native labor, or to find markets for the products of the mother country. The Jews, conversely, wish to settle themselves on the land. The difference, in a word, between the Jews and other colonizing peoples is that the latter have a colonial policy, the former a policy of colonization.

From the ethical point of view also, hired farm labor is a menace. Zionism aims to create a society living upon its own work, to restore to the Jews the possibility of once more becoming producers. The Zionist sees in agriculture the noblest form of production.

All attempts to create a class of Jewish hired farm

laborers having collapsed, it was at last seen that the first commandment of the agricultural colonization must be the *elimination of hired labor*; that only the work of his own hands could attach the Jew to the soil. What is needed is not a class of hired farm laborers, but a free peasantry pouring its own vitality into the soil. The inflexible economic and national demands of Palestinian colonization impose a rigid alternative: either a class of working farmers must be created, or all hopes of a Jewish peasantry must remain forever in the limbo of wished-for things.

Profiting by experience, Jewish agriculture in Palestine unhesitatingly struck out upon the right path after the war, and now carries on under the standard of Self-Labor. In the Zionist colonization undertakings upon nationalized land, the principle of Self-Labor is firmly enforced, so that wage-earners cannot by any means be employed. The end of the war found hundreds of trained farm workers in Palestine who were hoping, after many years of hard work and severe sacrifice, to be settled on the land. These people, being wholly without means, could achieve their desire only if they were provided with nationalized land (which, of course, they would not have to pay for). The same thing holds true of the Haluzim, the pioneers, who came to Palestine after the war with more or less agricultural training in the hope of being settled on the land after a few years of work. To remain farm laborers all their lives was the ideal of neither the old pioneers nor the new. They could not, indeed should not, be condemned to this. They dream of a future as independent farmers, living on the fruit of their labors upon their own bit of ground.

Some of the recent immigrants are of a new type, the so-called "little fellows," men who bring a little money and plan to go into farming. Very rarely are their funds sufficient to cover the cost of both land and farm equipment, the very considerable sum of £E1,100 to £E1,200 being required (\$5,500 to \$6,000). (According to the most recent calculations, the settlement of a family costs about £E700 (\$3,500) for equipment and £E400—500 (\$2,000—\$2,500) for the land. This estimate is based on the current idea that 100

dunams (25 acres) per family are required. A dunam of improved land costs £E4—5 (\$20—\$25)).

Most of the settlers of the latter type have no preliminary agricultural training. Baale-Battim, inspired by the romance of work upon the soil, want to earn their bread by the sweat of their brows. Their lack of training and experience may, however, make Self-Labor impossible for them, and oblige them—as in the case of the older settlers—to employ labor. There are indeed to be found among these Baale-Battim men who have gained agricultural knowledge and experience in the Diaspora, and brought a little money as well.⁴ All these varied elements aspire to become not farm laborers, but independent farmers. How can they be helped to realize their aim? How can they be placed as farmers upon a basis of Self-Labor.

5

Only by placing the settlers upon *national* land can this object be attained. The ills incident to private farming can be swept away by no other means. From the *national viewpoint* all colonization on private land is dangerous because there is no certainty that it will not at some time be sold out of Jewish possession. Non-Jews might even penetrate into the heart of a Jewish settlement. Granted, this has rarely occurred hitherto because the Jews now in the country are so strongly nationalistic that they do their utmost to prevent such sales. But the eventuality ought to be forestalled entirely. The question is by no means academic. It has already happened, in one of the larger Judæan settlements, that a Jewish orange grove was sold to an Arab planter—and this at a time when the number of Jews in Palestine was smaller, and the personal sense of national responsibility correspondingly greater. With the present large immigration, which brings heterogeneous elements into the country—not a few of whom come

⁴ Attention is here called to the group which immigrated from Transylvania in 1923. They have founded a farm settlement at Tel Adas consisting of forty families. The development of their work has hitherto been thoroughly satisfactory.

out of any but idealistic motives—the question becomes urgently practical. The danger that land may revert into non-Jewish hands ought not to be taken lightly. When national land is used for colonization, it is wholly obviated.

In Jewish agriculture not only the soil, but the work upon the soil, must be Jewish. The latter requirement can be fulfilled upon national land only. The National Fund, which allots land on hereditary lease (and on no other terms) takes various measures to protect the principle of Jewish labor. Little dependence can be placed upon an appropriate clause in the lease between the National Fund and its tenants. Such things avail little against reality. Should economic conditions so require, hired labor will be used without further ado. At one time, for instance, the I.C.A. (Jewish Colonization Association) inserted the following clause in the contract of sale with its settlers: "The colonist has no right to employ laborers by the year (*charatim*) unless he can show that the working forces of his own family are insufficient for his farm."⁵ The effectiveness of this proviso was exactly nil. There were and are very few Jewish laborers in the I.C.A. settlements where, on the contrary, hordes of non-Jews are employed.

Hired labor can be dispensed with only if matters are so arranged in advance that the settler is able to do all the work on his farm with the help of his family only. The size of the farm must therefore be adapted to the working capacity of the settler. When more intensive methods of farming came to be used, it might easily happen that a parcel which originally could be cultivated by the settler's own efforts would require additional working forces. He would thereupon be obliged to engage hired labor. The National Fund reserves the right not only to determine the area of the original allotments, but also, if necessary, to make changes later on.

The National Fund has the decisive say in the choice of persons who are to settle upon its land. Hereditary leaseholds are granted only to those settlers who offer the required guarantees for Self-Labor, preliminary training, etc. The same

⁵ "Contract for the Guarantee of Sale" (of the farms) of the I.C.A. administration, Article 3, Clause 2.

right of choice is exercised in case of a transfer of the lease, every such change requiring the approval of the Fund. Thus, only those persons are settled upon the land who appear suitable to the National Fund or to the colonization department of the Zionist Organization.

The "absentee" is a frequent phenomenon in private colonization. The landlord neither lives upon his farm nor cultivates it. In the case of National Fund land, however, the lessee is obliged to work his holding. Otherwise, the Fund has the right to cancel his lease. Furthermore, by prohibiting consolidation (that is, joining of several parcels in one hand, either by inheritance or by taking on more than one lease) the Fund is able to prevent any settler from getting hold of more land than he is able to work without hired help. By these methods, all untoward conditions can be effectively overcome.

Purely *economic* considerations, also, prove that a healthy agricultural settlement can originate only on national land. As already mentioned, land is a heavy item in the settler's budget, since 35 per cent. to 40 per cent. of the total investment is absorbed by the cost of the plot and primary improvements. With the higher prices of land which are to be expected as a result of the increasing purchases, this percentage will become even more unfavorable. It is therefore of extreme importance for the settler if he need not invest part of his capital in land.

For the laborer type of settler, who has no means of his own to invest and is financed entirely by the Zionist Organization, it is most important, that he need amortize and pay interest upon only 60 per cent. of the entire cost of establishing himself (that is, upon that part advanced to him by the Keren Hayessod, or colonization fund, for all purposes except his land and the primary improvements upon it). On the other hand, on the remaining 40 per cent.—the share of the National Fund for land and improvements upon land—he has only to pay a moderate rate of interest, since the Fund regards its financing not as a credit to the settler, but as a capital investment on its own part.

The most difficult problem of the Palestinian settler is that of making his farm pay. He works under conditions of

extreme severity : the soil is exhausted, and requires much fostering ; his credits from the Colonization Fund come in irregularly and scantily, so that purchase of equipment, erection of farm house and farm buildings and all other necessary operations are delayed and made more expensive. Disbursements for communal purposes and for living expenses until harvest time are considerable. Under such conditions, it is almost a matter of luck if a settler is able to draw a livelihood from his farm, and to get along without incurring a deficit or borrowing money. Very few settlements in Palestine have as yet reached the paying stage. If, in this difficult struggle with nature, the soil, inadequate allowances from the Zionist budget and so on, the settler were also burdened with a mortgage on his land, his position would become untenable, without any hope of ever attaining to a normal livelihood. It should be borne in mind that loans for land purchases in no sense increase the income of the farm, whereas loans for amelioration or equipment do have this effect. " It is peculiar to credits for land purchase that while they in no way increase the profits of an estate, they must be amortized and bear interest out of such profits. Credits for land purchase have no reproductive effects."⁶ We know from European agriculture that when the settler is too heavily burdened, the result is over-indebtedness and oppressive interest payments on mortgages. Too much strain upon agrarian credit facilities, with the resulting over-indebtedness, undermines the resistance of the estate owner and leads to financial crises.⁷ In view of his lack of capital, over-indebtedness on the part of the Jewish settler will probably be inevitable. Therefore everything must be done to ease his burdens.

Mortgages are not the only cause of over-indebtedness. In European agriculture, it is due chiefly to equal division of estates. In order not to split up the paternal estate, the heir remaining upon the land is compelled to pay out to all the

⁶E. von Philippovich, *Grundriss der politischen Oekonomie*, vol. 2. " Volkswirtschaftspolitik," Part I, 11th ed., p. 123, Tuebingen, 1920, J.C.B. Mohr Verlag.

⁷J. Conrad, *Landwirtschaftliches Kreditwesen (Handwoerterbuch der Staatswissenschaften*, third ed. Vol. VI, p. 377.).

others the equivalent of the value of their shares. In all cases of this kind, where the burden of debt upon the estate is likely to become too great, the National Fund is entitled under the terms of its lease to intervene. A limit of indebtedness is there set which may under no circumstances be exceeded.

The considerations here cited with reference to would-be settlers without means apply as well to those with some means. It is hardly likely that there will be many in the latter category whose funds will suffice for land and primary improvements as well as for farm equipment. Usually they have not enough money even for the latter purpose. (Those immigrants who are really wealthy do not as a rule come to work on the land themselves, but are concerned, rather, to invest what they have salvaged from the chaos in Eastern Europe in agricultural land or plantations). If, therefore, a settler with small means invests in land, he does so at the cost of the installation, which is thereby made more difficult and the chances of success decreased. When land is furnished to such a man, it not only eases the process of settlement, but makes possible what would otherwise not be possible at all. All his funds can at once be productively invested so as to increase the yield of his farm.

The correctness of these implications is proven by the fact that a number of colonizing societies have recently come to the National Fund asking that some of their members be provided with national land. The land is wanted for those members whose capital is insufficient for both land and equipment. It is regrettable that these associations are interested in National Fund land only on behalf of their poorer members, who have no other alternative. For their well-to-do members they prefer private land ownership. If, however, these latter are not concerned to take advantage of that increase in land values which accrues without effort on the part of the owner, but really wish to live by farming, they would do much better to expend their money upon improving the soil and adequate farm equipment rather than upon the bare ground. Unfortunately, the majority are chiefly interested in investing their funds profitably.

During the first hard years in which the settler struggles to attain to a paying basis, the National Fund helps to ease

his lot either by reducing the amount of his ground rent or postponing the date of payment. There are also other ways, in national colonization, of fostering the interests both of the individual farmer and of a healthy agricultural economy. For instance, forms of settlement and methods of cultivation can be determined upon which will yield a maximum of profit, permit of Self-Labor, do away with hired labor, promote the intensive cultivation which will tend to increase the density of the farming population, etc. The colonizing agency can also intervene to hinder abuse and undue exploitation of the soil, which, owing to the inexperience of the new immigrants, may happen without wrong intent.

All these forms of intervention on behalf both of the individual and of the community do not exist under private ownership. Only under colonization upon national land can they come into play. The hereditary lease of the National Fund gives practical form to these rights of intervention.

6

We should take to heart the old—and in spite of all deficiencies—very valuable judgment of the physiocrats: the wealth of a nation is increased by the “produit net,” that is, by the difference between that which is produced and that which is consumed in the process of production.⁸ The marvelous faculty of creating this “produit net” lies in the soil (old Quesnay and his school mistakenly claim that it inheres in cultivation of the soil only and claim for agriculture that it is the sole form of really productive labor). More than any other people, we Jews need the strong religious faith of the old physiocrats in the magic powers of the soil, which derive directly from the “Ordre Naturel,” from the world order itself. In one way, this view is undoubtedly correct: the soil is the primary means of production, and agriculture is the trunk out of which all other branches of the national economy develop—Handicrafts, Industry, Commerce.

⁸ Ch. Gide et Ch. Rist, *Histoire des doctrines économiques depuis les Physiocrates jusqu'à nos jours*. Quatrième édition, p. 13, Paris, 1922 (Librairie Recueil Sirey, Éditeur).

26 LAND PROBLEMS IN PALESTINE.

To those who forget this and see the centre of gravity everywhere but in agriculture, it must be said that Zionism aims to create a new Jewish commonwealth in Palestine through the productive work of every member of the community. Our ideal is not a new Ghetto, but a free Jewish life. And a free Jewish life is to be achieved, first and foremost, through a return to a soil tilled and cultivated by the Jews themselves. The road to a generation of free Jews, to Jewish villages, and a Jewish Homeland leads through Jewish agriculture upon national land.

NATIONAL LAND PURCHASE AND PRIVATE INITIATIVE.

I

Jewish purchases of land in Palestine are made through two distinct factors : national institutions and private initiative. The National Fund and, in a certain sense, the ICA (Jewish Colonization Association) belong in the former category. The associations and individuals holding their land in unrestricted private ownership are included in the latter category.

The ICA does, indeed, follow public aims only ; but the essential difference between its system and that of the National Fund is that the ICA allots land to its settlers in private ownership, while the National Fund land remains the inalienable property of the nation, and is merely leased to the settlers.

The relative importance of the national and private factors in land purchase have varied with the different periods of Jewish colonization in Palestine. Before the war numerous societies under manifold names sprang up which acquired land for their members in various forms. Just before the war broke out, the movement of the so-called " Ahuzot " was in its first stages ; and it seemed as if, after the war's end, an era of extensive buying by private parties would set in.¹ That was why, when the first large post-war Zionist assembly was held at London in 1920, the discussion centered upon the problems of national and private land acquisition in Palestine. These problems were also the topic of lively interest among the Zionist public at the time. The question was posed thus : Shall land for Jewish colonization be acquired only through the National Fund, so as to eliminate private purchases ; or is private initiative to be permitted to enter this field, and to what extent ?

The champions of the first alternative argued that the evils of private property in land are so outrageous that it must be done away with by every available means. They pointed to its pernicious results—high ground rents, undeserved enrich-

¹ According to Ruppin, *Der Aufbau des Landes Israel*, (p. 42). the sum of their activity before the war consisted of the purchase of some 50,000 dunams of land, and the founding of a number of farms and settlements.

ment of small groups by automatic rises in value, land speculation, concentration of large areas in the hands of a few landlords, land hunger on the part of the working population. To these add the evils of a national character peculiar to Jewish colonization in Palestine: the constant uncertainty that the land will remain in Jewish possession, and that it will be worked by Jews only.

The advocates of private initiative, on the contrary, while fully admitting the importance of national land ownership, demanded that private initiative be given free play. They argued that private agencies could do far more than the national institutions to increase Jewish land holdings. No matter how effective the propaganda methods of the National Fund, it could not gather enough to buy up all the land on the market. Moreover, the Zionist Organization is unable to enforce decrees against private purchases, for, "It is not possible to require of the British administration (of Palestine) that one group shall have fewer rights than others. Under such a rule, individual Christians and Mohammedans would be able to buy land, while Jews would be forbidden to do so."² It is not, of course, intended to prohibit land transactions in Palestine. Were Jews only prohibited from private buying, the whole point would be missed, because such matters can always be arranged through non-Jewish dummies. In short, *Geulat ha-Aretz* (redemption of the soil of Palestine) is not to be served by restricting Jews from land purchase.

After lively debates, the London Conference adopted a compromise resolution to the effect that the Jewish National Fund was to be the instrument of Jewish land policy in Palestine, but that private purchase was permissible. Various measures were taken to protect the National Fund principle. For example, the Conference resolved that the credit facilities of the Zionist Organization were to be extended primarily to *settlers who conformed to the rules of the National Fund*.

² In *Der Juedische Nationalfonds*, third edition, p. 29 (National Fund Publications, No. 2), Vienna, 1923, Adolf Boehm rightly observes that it is essentially impossible for a Jewish body to demand discrimination against Jews in Palestine.

2

So much for the theoretic solution of the problem. As soon, however, as colonization was resumed after the war, an entirely different set of problems cropped up. Contrary to expectation, there was no rush of well-to-do immigrants to buy rural land. In fact, they did not appear at all interested in agricultural colonization. In the early post-war years, the only candidates for settlement were persons with no money at all—partly laborers who had worked for some years in Palestine, and partly newly arrived Haluzim. And for them only national land was available. Private purchases of rural land stood almost at zero, though active buying soon commenced in the cities.

The post-war situation did not alter until 1924 and 1925, when it underwent a fundamental change. Private initiative flooded the country, and carried over 150,000 dunams (37,500 acres) into Jewish possession. The problems which occupied the London Conference in 1920 have thus once more come into the foreground. Many people are disquieted because they believe that the Reconstruction of Palestine is endangered by the ever increasing amount of land which comes into private ownership.

However varied may be the attitudes toward land nationalization, all will agree that the transfer of soil into Jewish possession is a *sine qua non* for the success of the Reconstruction. Yet we do not believe in the alarmist theory which is being trumpeted abroad: in ten years, even in five, there may be no more land to be had. So buy, buy, buy—as much as possible, as soon as possible. We cannot entertain this theory, because in general we reject fears of catastrophe in Zionism. Neither can we admit that the realization of the whole Zionist project depends upon temporary circumstances during the next five or ten years. Zionism is an historic and—we freely admit it—slow process, which follows its natural course and refuses to be forced. Zionism, in its essence, means a social and economic transformation, a new cultural mould for Judaism. Nevertheless, we also realize that, in order to meet immediate colonizing needs and to provide for the great

masses of immigrants expected within the next few years, the largest possible areas of land must be brought into Jewish possession.

Public funds alone will not suffice for the task. This is abundantly proven by the fact (mentioned in a previous chapter) that although the National Fund strained all its powers and assumed a heavy load of debt, it was able to redeem only 100,000 dunams of land during the last few years, while private parties simultaneously acquired much larger areas. Again, it must be kept in mind that the last word has not yet been said in private buying. During 1924 and 1925, very large purchases were made by private individuals. At the moment (February, 1926) there is what appears to be a temporary lull in private buying, owing to the serious economic crisis in which the Jews of Eastern Europe are now involved. It may safely be assumed, however, that when conditions become more normal, active land buying will be resumed.

The circumstances being what they are, who would place obstacles in its path? Who would dare say, rather let the soil remain unredeemed than that it pass into the *private* ownership of Jews?

Few are likely to assume so negative an attitude, not even those who combat most strenuously the evils incident to private land ownership for the national Jewish economy in Palestine. However strongly one may be convinced that private ownership will affect social conditions adversely, it is clear that the speedy upbuilding of the Jewish national home must not be interfered with. As long as the public funds are inadequate to redeem the soil, the national interest demands that the path of private purchase be not blocked.

3

It follows, therefore, that the Zionist Organization ought not to hinder private land purchase, but rather to foster it, as for example, by establishing an agency that would try to eliminate mutual competition, and in other ways. But, on the other hand, people ought not to run to the extreme of declaring that the existing order is ideal and that nothing ought to

be done to change conditions in the future, since the ~~the~~ enterprise—the redemption of the soil of Palestine in whatever form—has been started on its way.

In creating the National Fund, the Zionist Organization was motivated by the fundamental idea—and ideal—of establishing the entire colonization project upon national land. That this has not been achieved in full measure is due to the oft mentioned fact that the national agencies for land purchase have had only a small fraction of the means required. Once it is granted that national ownership of the land can be achieved by degrees only, and that other methods are not to be rejected for the time being, the question simmers down to finding the necessary transitional form. The path leading towards the realization of this ideal must be levelled well in advance, in order that violent disorders may later be avoided.

Methods must be devised to assure the ultimate transfer of private lands into national ownership. Thus, as is explained in the chapter on "Financing National Land Purchase," the National Fund can enlist private capital for its acquisitions without injury to its own principles. The settlers are granted easements and privileges in return for the capital which they place at the disposal of the Fund, either in the form of loans or—what is far more helpful—as large advances on their ground rents.

The essential thing is, however, that the National Fund be granted the right, under certain conditions, *to transform every private parcel into a national possession.* The right referred to is that of pre-emption.

4

The right of pre-emption would enable the National Fund, whenever a sale of land was contemplated, to exercise the first option of purchase. This right may be personal, that is, effective only against the person who conferred it; or it may be real or impersonal, that is, effective against any person whatsoever.

Practically, this means that the National Fund would

be enabled to buy any land from Jews in certain eventualities, such as change of ownership through sale; after the lapse of a fixed period; and so on. The plot would be taken over after its value had been appraised by a committee composed of one representative each of the National Fund, the vendor of the land, and an impartial third party.

The advantages of pre-emption are apparent: the National Fund would have the right (the right, but not the duty!) to claim any piece of ground it might happen to need, or to intervene where serious national or social hazards were to be overcome (for example, the transfer of Jewish land into non-Jewish hands). The settler would not be injured materially, because the Fund would take over his land, with the improvements which he had made upon it, at their full value. He would also be compensated for the buildings—either by the hereditary tenant installed by the Fund, or by some special credit institution. According to prevailing usage, the right of pre-emption would be exercised where change of possession ensued as the result of sale; in case of inheritance, only if the heir were not a Jew. (Pre-emption cannot always be valid in inheritance, since the owner may will his land to his children.) This right might also become effective after a time limit fixed in advance, say twenty-five or fifty years after the purchase of the land if ownership had not changed except through inheritance. In the latter event—and if no especially important national considerations inclined to the contrary—the landlord or his heirs might remain as the hereditary lessees of the National Fund under the usual conditions.

The National Fund right of pre-emption must be not personal, but real or impersonal; that is, it must attach not to the person of the landowner but to the land itself, and so entered in the government land registry. The personal right of pre-emption is of little use to the Fund, first, because it holds good only for the first change of ownership, leaving the second owner free from all obligation; and, second, because it is limited in point of time. In Palestine, land changes owners very often, especially in the early stages, because, for example, people who enter farming from other pursuits, often realize, after a little time, that they are unsuited to it. In general,

the risk of economic failure is greatest at the beginning of an agricultural enterprise. Later on, the situation becomes stabilized and changes of tenure occur less frequently.

The National Fund, however, is interested to postpone the exercise of its right of pre-emption as long as possible, for, as a rule, it will buy Jewish holdings only as purchase from non-Jews may become rarer or more difficult. Obviously, for many years to come the precedence will be given to purchase of land from non-Jews, and pre-emption will not be employed in the near future. If the right be generally assured, however, no restrictions of any kind, either personal or chronological, will bind it so that the Fund may step in at every proposed change of ownership or after the lapse of a fixed period. Only so does this right become the effective instrument it is designed to be.

How, then, shall the right of pre-emption be conferred upon the National Fund? Obviously, not through governmental action. But there are other means available: the Zionist Congress, the pressure of public opinion and, lastly, moral suasion. Every association which sells land ought to insert in its agreement of sale a clause obligating its clients to give the National Fund a purchasing option whenever they contemplate a re-sale. The buyers here referred to must be required, at the time of purchase, to record the right of pre-emption, in the impersonal form, in the Government land registry. Similarly, colonization societies—the "Ahuzot" or the numerous groups which have recently been formed—ought to incorporate a clause in their statutes providing that in every case where one of the members intends to sell his share of land, the National Fund shall have prior right of purchase. The Zionist Congress could obligate all associations under its control—both land-purchasing and colonizing—(and there are many associations of this kind which perhaps desire to place themselves under Zionist control)—to insert such a clause in their statutes.

Much aid could be rendered in this respect by the Zionist credit institutions, the Keren Hayessod in particular, when it grants loans to settlements founded on other than National Fund land. The Mortgage Bank, which lends money for building on private land, could also be very helpful. Both institutions

could make their grants of credit dependent on the willingness of the borrowers to confer the right of pre-emption upon the National Fund.

5

There is no doubt at all that the proposed method will stumble upon many obstacles. The psychology of the Jew is such that he will inevitably see in it an ultimate curtailment of his property rights. The Jewish public must therefore be educated to see the immense national and social advantages which accrue from national ownership of the soil.³ With proper influence upon public opinion and the exertion of the authority of the Zionist Congress, these proposals can, in all likelihood, be made effective.

³ If the Jewish public generally were made fully to realize the importance of national land in the scheme of Reconstruction, much could be done to extend its area, without investment of capital by the National Fund. For example, if the custom of bequeathing to the National Fund land owned privately by Jews in Palestine—and the number of such landowners is on the increase—were to be adopted, considerable areas would in time become automatically nationalized. Gifts of land during the life-time of the owners might also be made an important source of acquisition. An example of such recent gifts is that of a Jew who donated a plot of land which he had acquired by purchase. He attached the condition that he might remain on the land as a tenant of the National Fund, and that he might bequeath it to his children as a hereditary leasehold without having to solicit the sanction of the Fund for the transfer.

All of these methods could be made very effectual once the idea of national land in Palestine were brought close to the hearts of the Jewish people generally.

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LAND PROBLEMS IN PALESTINE.

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LAND SPECULATION IN PALESTINE : ITS DANGERS.

1

A characteristic feature of the latest Palestinian immigration is the large number of well-to-do Jews it brings into the country. A majority of them settle in the cities, particularly in Tel Aviv. The rapid growth in urban population has been accompanied by extensive building operations. A lively traffic in building sites set in, which soon developed into speculation on an abnormally large scale. There are some who regard such speculation as an inevitable concomitant of a period of economic prosperity. Others, again, under the guise of scientific demonstration, even ascribe positive value to it. In order to clear up the question, an attempt will here be made to explain the real meaning of the fast and loose exploitation of land which is now going on.

In Palestine, private initiative is often confused with land speculation. The new "Aliyah" (immigration) is to be welcomed. It brings men of means—the so-called Baale-Battim—who rarely require assistance from the Zionist Organization. Every element which comes to upbuild the land is useful. Certainly those who erect houses, establish factories and do other productive work, enrich the land by their efforts. Opportunities of employment are created, the potentialities of the country developed, and its capacity to absorb new immigrants accordingly enlarged.

But unrestricted speculation in land—as exemplified in Tel Aviv—is a horse of another color. It is a phenomenon which, under present conditions in Palestine, is harmful from the economic, social and national points of view, and bodes no small danger to the still young and unsteady economic organism of the country.

2

The high price of building sites in Tel Aviv is due not so much to increased intrinsic value as to artificial stimulation. The heavy demand, the unregulated buying and selling inside the Jewish camp, more particularly the buying from non-

Jews, the army of large and small Jewish brokers who pay the non-Jewish landlords whatever they choose to ask because of their certainty of reimbursement in the Tel Aviv "real estate market," all these factors have sent prices soaring. A class of speculators has grown up who short-sightedly bid against each other. The result is, that non-Jews with land to sell screw up their prices, and vast sums of money unnecessarily pass out of Jewish hands. During 1924 and 1925, the cost of Tel Aviv building sites doubled, even trebled. The increases have not been confined to Tel Aviv, but have reacted upon other urban centres and even upon rural land. (Rising costs of land in the cities are always reflected in the rural sections.) Rise in land value is, of course, a normal occurrence in a city like Tel Aviv, up to a certain point. The disproportion between the number of inhabitants and the available housing facilities must lead to higher rents, which in turn enhance the value of the sites. Modern metropolitan development does indeed involve the creation of rent monopolies (since land by its nature is an object of monopoly!) But in Tel Aviv the development has been wholly abnormal. Profits are forced to artificially high levels, and increased still further through speculation.

3

To whom do these profits accrue? Whom do they enrich? Is the Jewish national wealth in Palestine increased by them? Not by a penny. On the contrary, it is greatly reduced. The remark is often made that when Jews speculate in land they deal among themselves, so that the money is merely transferred from one pocket to another, and remains "at home." This is not at all correct. Immoderate increases in the cost of Jewish land in the cities are reflected in the contiguous non-Jewish areas, for which thousands and thousands of pounds are being paid out by Jews. Consider only the prices paid to Arab planters for orange groves near Tel Aviv which have to be sacrificed to the expanding city. Or the sums allowed the German settlers at Sarona, whose purely agricultural holdings must be absorbed

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into the urban area. The hundreds of thousands of pounds spent by the Jews for this purpose represent a wholly unproductive investment. Urban land in itself, since it produces nothing, cannot be regarded as an economically productive investment. Only such capital investments in urban land are productive as are used for laying streets, erecting buildings, &c., that is, for rendering the ground profitable.

Personal economy, also, is seriously affected by speculation in land. High rents—the outgrowth of speculation—do indeed benefit the landlords, but weigh heavily upon the majority of the inhabitants of Tel Aviv in their capacity of tenants. Working men—industrial as well as those employed on buildings—clerks, and officials suffer much from this cause. Master workmen, merchants, even manufacturers, feel the pressure—the latter perhaps even more than the others, because rents of shops, stores, and factories are much higher than those of dwelling houses. Working men and clerks are obliged to pay a third, even as much as half, of their modest incomes for rent. They must either lower their standard of living, or receive substantial increases in wages and salaries. The latter alternative would impose an undue burden upon the young industry of the country in competing with foreign products. Otherwise, the increase would be passed on to the consumers, who must also shoulder the higher rents paid by the merchants and manufacturers for their places of business.

One class only welcomes the rise in land—the landlords and the real estate brokers. In the old cities, at least, a rather considerable number of persons benefit because the parcels pass through many hands, with a corresponding division of profits. But Tel Aviv has grown so fast that a comparatively small number of persons have pocketed the substantial profits. They have done so at the expense not only of the national wealth brought into the country by Jews, but of the great majority of the working and consuming population.

Speculation has many other far-reaching social consequences, because, as can be demonstrated by numerous ex-

amples taken from modern city life, it determines building methods, housing facilities, and living conditions. Urban history for the last two hundred years is the *via dolorosa* of the householder. In ever increasing numbers, city dwellers have been forced out of their own homes and into rented houses. For example, in the year 1700, 50 per cent. of the population of Berlin still lived in their own homes; as late as 1786 the ratio was 25 per cent. But in 1843 it had dwindled to 9 per cent., and in 1905 almost to vanishing point, 2.3 per cent.¹ As prices increase and speculation sets in—features which characterized the development of the city of Berlin in particular—the “own house” disappears, and almost the entire population is domiciled in rented houses. Conversely, in those countries or districts where the owned houses—especially the one-family house—has managed to maintain itself, the cost of land is much more moderate and speculation far less widespread than in countries which have large building sites and tenement houses (Berlin being the classic example of that sort of thing). This is especially noticeable in countries with very large and intensively developed cities, like the United States of America, England, and Belgium. It is remarkable that at the end of the last century 33 per cent. of the inhabitants of American cities with a population of over 100,000 still lived in their own houses.

Speculation and the high price of land drive the population into tenant barracks, which are characteristic of the evolution of the modern city. The frightful prices of the building sites necessitates the utmost possible utilization of space. Hence the tenements which begin below the surface of the ground and heap storey upon storey. Since the site must serve for the largest possible number of tenants, the rooms grow smaller and the density of population greater. In London, where the system of one-family homes prevails, the average of persons to a house is seven, while in Berlin it is seventy-two.

Urban development by speculation may therefore be ex-

¹ G. Schmoller, *Grundriss der allgemeinen Wirtschaftslehre*, II, p. 514. Munich, 1919, Duncker & Humblot.

² G. Schmoller, *Grundriss der allgemeinen Wirtschaftslehre*, II, p. 513, Munich, 1919, Duncker & Humblot.

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pected in Palestine to bring the same series of results in its train: tenement houses, small rooms, scanty light and air, bad sanitary conditions—all of which must have serious physical and moral effects upon the inhabitants. Is this what we desire in the Jewish Homeland? Is not the first Jewish city in Palestine already headed in this direction?

Building sites in Tel Aviv shrink more and more. When Tel Aviv was established, the average building plot measured 1,000 square pics (2,500 feet), which even at that time was not quite adequate. But now very many plots comprise only 600 square pics (1,500 feet) and less. (In this connection, it should, however, be noted that in the new Jewish quarters of other Palestinian cities one to two dunams per house—1,600-3,200 square pics, or 4,000-8,000 feet—have been allowed.) What guarantee is there that the building sites in Tel Aviv will not be still further reduced? The average dimensions of the room, also, are being contracted. The difference can easily be noted by comparing houses built in Tel Aviv during the early years, to those of recent date. If things go on in this way, European conditions will be repeated in Palestine. Economic laws are everywhere the same, and like causes produce like effects.

The lack of parks, public squares, playgrounds for children, and so on is a serious deficiency in the make-up of Tel Aviv. This city of almost 35,000 inhabitants has almost no trees. Is not this to be ascribed, among other things, to frugality compelled by the high price of land? Shall the first Jewish city, following the old, bad models, emerge with many-storied houses and tiny rooms, lacking gardens and fresh air? Yet the sight of the three—and soon, probably, there will be four-storey houses—evokes the often heard joyful comment that “Tel Aviv is becoming quite European!” Is not the advent of the tenement house soon to be expected? Only recently there was a report concerning the formation of a society which was to put up large dwelling houses with many apartments—in other words, tenement houses! Was this the vision that guided us to Palestine?

In addition to the many gloomy economic and social aspects of speculation in land, it harbors a grave national danger. The event may prove that we shall have built a new Ghetto in Palestine. The problem of the Jewish city is, therefore, one of the most serious involved in the Reconstruction; but, unhappily, it has received little attention hitherto.

It is obvious that the cities will be called upon to play an important—perhaps predominant—rôle in the upbuilding of the Homeland. The agricultural colonization will, beyond all doubt, remain at the core of the whole enterprise, and must be fostered with all possible support. But, many causes over which the builders of the land have no control, will retard its pace, so that only a small fraction of the thronging masses who enter Palestine can be absorbed in this way. The majority of the immigrants will settle in the cities. Therefore, the national interest demands that the cities be so planned as to leave the way open to a free and full unfolding of the new Jewish life, physically and spiritually. But this becomes impossible if the new Jewish cities follow in the footsteps of the European capitals.

Let us beware of a new Ghetto! Its high structures and narrow spaces poison body and soul. They make education of the youth in a new spirit altogether impossible. If a free and healthy generation of Jews is to grow up in Palestine, the metropolis must be banned, and the garden city built up instead, as is already being done in Europe. Not tenement houses, but one-family homes. Not New York skyscrapers to keep out the Palestinian sunshine, but parks for the adults and playgrounds for the children. The Jew, precisely because he has spent hundreds of years within the cramped walls of the Ghetto, is in urgent need of a radical change of environment. But the way is blocked by the hydra of land speculation, which destroys whatever it touches. Speculation has thus become the central problem of the day: to combat it while there is still time is the most urgent duty not only of Jewish Palestine but of the whole Zionist world.

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In conclusion, let us point the moral, that speculation brings demoralization. We Jews have had more than enough of similar pursuits in the Diaspora. Palestine inspires us with the wish to devote ourselves to other, and productive, pursuits. Speculation is purely destructive; it produces nothing. Production means laying roads, building houses, setting machines in motion. Production means to bring capital and labor into a creative union with the lifeless ground. We must therefore say to ourselves: The Jew is not come to Palestine to win riches, but to work, to produce new values in the world.

COMBATING LAND SPECULATION.

1

Speculation is so menacing an evil that the new Jewish settlement in Palestine—and the whole Zionist world as well—must arm against it. What are the prospects of winning out? And, if the contest is to be entered upon, what tactics shall be employed? There are some who, confusing unreined speculation with private initiative, see in measures against the former “socialistic” attempts to restrict individual freedom of action. Counter-attack against speculation, they say, is impracticable—better not attempt it. Let economic forces have free play; things will right themselves in the end. But that, in the meantime, certain evils are bound to develop, not even the most enthusiastic adherents of a *laissez faire* policy can deny.

The Jewish world cannot be content to look on passively while severe, and what may be irreparable, injury—economic, social, and national—is inflicted upon the young Jewish settlement. Steps must be taken to ensure its unhindered progress. Where important national interests are at stake, economic activities must submit to some sort of curb. Land speculation must be fought, and the abundant experience of European and other countries goes to prove that it can be fought to a standstill. The best results have, however, been obtained not by force, but through peaceable legislative measures by public agencies which, while guarding the national interests, do not interfere with individual freedom of action.

2

Rural and urban land will be considered separately here, since speculation affects them diversely. The effects of speculation are seen in high prices when rural lands pass from non-Jewish into Jewish possession; and in urban land especially when Jews sell to one another, as is almost always the case in Tel Aviv and in the new Jewish quarters of the other cities.

Rural lands in Palestine, under present circumstances, are not wares that change hands frequently, and there is no active demand which would send up prices. It is still possible—but for how long?—to satisfy the demand out of the available

supply. Contrariwise, the demand in the cities for building site land is already greater than the supply. But if even the present rate of rural buying is maintained, it will not be long before the supply becomes unequal to the demand. And then speculation will begin to flourish there as wildly as in urban Palestine.

3

Prices of rural land are forced upwards primarily by the unorganized and unsystematic methods of Jewish buyers. In general, land purchase is a difficult process in Palestine. It is not made through an agency especially organized for the purpose which has experts and adequate machinery at its disposal, but through numerous private associations and individuals. Most of the latter are not familiar with the peculiar circumstances attaching to the purchase of land in Palestine. They do not know how to seek out the best opportunities—say where a landowner is anxious to sell and will not hold out for a high price. The Jewish brokers compete heavily against each other. It happens that several brokers attempt a purchase at the same time, and bid one against the other. (There have been cases where several approaches were made on behalf of the same client!) The man with land to sell imagines that there is a strong demand for his parcel, and naturally sets an unreasonable price upon it. Some very unfortunate incidents have occurred where representatives of various colonizing groups (sent on special missions from Diaspora lands), either directly or through unsuitable persons, overbid on the prices already secured by experienced land-selling associations.

Obviously, much Jewish money is lost in this wild scramble. The one way to master the situation is to establish a central, well-equipped land-buying agency, and to concentrate all Jewish purchases in its hands. Only through such an agency, which would be able to acquire the best land at the most favourable rates, can a proper policy of land acquisition be carried out, as by expert geographical division of new purchases, pressure upon prices, &c. But the accidental, unmetho-

dical purchases made by private buyers out of selfish motives, obstruct realization of the national aims.

Geulat ha-Aretz, in the public interest, urgently needs to be served by such a central land-buying institution, expertly organized from the business and technical points of view, and with abundant means at its command. The Zionist Organization ought to establish this institution. An existing body, such as the Palestine Land Development Company, could be designated for the purpose, and equipped to carry it out. Or, if this—for one reason or another—were not feasible, an entirely new agency should be set up. An indispensable condition of success would be such thorough efficiency and reliability that even in Palestine, where land transactions are most chaotic, the confidence of the public could be won.

The Zionist Congress and the Zionist administration ought to give this subject their most earnest thought. If a central, well organized land-purchasing institution were set up with strong financial backing and moral authority, it would soon be able to concentrate all transactions in its own hands. Every Jew wishing to buy a piece of land would gladly turn to an agency assuring him of minimum prices and good terms.

There are, however, various obstacles in the way of establishing such an institution, the chiefest being that it could hardly succeed in bringing all purchases within its purview. It is not at all likely that certain institutions or land-buying groups in Palestine will consent to be served by a Zionist agency. For example, the P.I.C.A. (Palestine Jewish Colonization Association—formerly the I.C.A.), whose holdings are still much larger than those of the National Fund; or the Agudat Israel, a strong opponent of the Zionist Organization which has recently begun to make land purchases in Palestine. These bodies would be only the more inclined to play a lone hand. There are also other organizations and private buyers operating on a rather large scale who, out of selfish motives, will not want to forego individualistic transactions. In these difficult circumstances, it is probable that much valuable time will be lost and much Jewish money wasted before a central Zionist land institution is able to concentrate all Jewish land purchases in Palestine under its wing.

Measures must therefore be taken for immediate relief. As quickly as possible, an agency ought to be created in which the organizations interested in land (with no exceptions) and the larger real estate brokers would be represented for the purpose of *co-ordinating* all Jewish transactions. The prevailing chaos would be brought into a semblance of order, and prices immediately reduced by eliminating competition.

It may safely be assumed that a co-ordinating agency could be much more readily arranged for than a central land-buying institution, because in the former case, the autonomy of the various participants would be left intact. As this agency would, of course, be completely neutral, there need be no hindrance to the participation of all parties in question. It would have to concern itself with land in the neighbourhood of Jewish cities like Tel Aviv, and with almost all the cities—Jerusalem, Haifa, Tiberias—whose Jewish suburbs are surrounded by non-Jewish holdings. It is precisely in those districts where speculation is most dangerous.

To carry out this project is admittedly difficult, because of the diversity of the factors involved. Yet concentration of all efforts to acquire land is the *sine qua non* of normal development.

4

The problem of combating land speculation shows an entirely different face within the cities. There, as already remarked, buying and selling have to be regulated. In Europe, governments, municipalities and various public service associations have long carried on energetic reforms based on the results of scientific study of housing, city planning and land tenure. Germany (in particular) and other Continental States, England, and, to some extent, overseas countries, are successfully overcoming the evils of land speculation by means of building regulations, various forms of systematic land taxation and (chiefly) a methodical land policy on the part of municipalities and national governments. The essence of all this experience ought as far as possible to be adapted to Palestinian conditions.

A distinction must here be drawn between those measures which lie within the scope of a communal or municipal administration, and those which fall within the competence of the State (in our case, the central institutions of the Zionist Organization). The term "municipal administration" as here used applies to Jewish cities or autonomous settlements.

The powers of a municipality are several: (a) technical, in respect to building regulations; (b) financial, in respect to land taxation; (c) land-political, in respect to purchase by the municipality.

(a) Adequate building regulations can be very effectively used to check speculation, particularly by limiting the number of storeys permitted to any structure. The building with many storeys, as exemplified in the tenement house, drives the price of site land sky high. Until some thirty years ago, it was believed that the high cost of sites was responsible for cramped housing. But Eberstadt in his basic works on housing proves just the opposite. "It is an irrefutable law that the cramped building methods of private business firms do not—by intensive utilization of the site—reduce the cost of the individual apartment. On the contrary, the advantage accrues solely to the site, and its value increases in exact ratio to the use made of it." . . .¹ "The higher the building the higher the rents."²

The first effect of heaping storey upon storey is, then, a wholesale rise in the price of the site. That being the case, high buildings ought to be allowed only in central commercial districts, where the price of land is high in any event. But they ought to be prohibited in residential sections, especially in new quarters of the city. Tel Aviv should have had regulations to prevent the erection of tall dwelling houses (of more than three storeys), in view of the fact that the area of the business section—where buildings of many storeys are perhaps not avoidable—is still comparatively limited. Instead, the system of one-storey houses ought to be adopted, "their superiority being proven from every point of view."

¹ R. Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage*, 4th edition, Jena, 1920. Verlag Gustav Fischer, p. 115.

² R. Eberstadt, *Die Spekulation im neuzeitlichen Städtebau*, Jena, 1907. Verlag Gustav Fischer, p. 194.

Tel Aviv has already adopted some excellent building regulations. For instance, dwelling houses are restricted to three storeys; only one-third of the building plot may be used for the house, forty per cent. being conceded where terraces are used, &c. Much more should be done along the same lines, say by the introduction of a "graduated" system of construction, and the division of the city into zones. In the outlying zones, one-storey buildings should be the rule, while even in the districts where higher structures are permitted, the number of storeys should be limited.

Tenement houses must not be permitted to get a foothold. Formerly, the building regulations of Tel Aviv were concerned mainly with architectural and hygienic considerations. They must now be broadened so as to take into account the requirements of an urban land policy.

5

(b) It is a moot question whether—and how—taxation of land can be used to curb speculation. The line of enthusiastic advocates of taxing away profits from land runs from Adam Smith down to Adolf Wagner and the modern land reformers. The last named insist that taxes do not raise the price of land, and cannot be tacked on to rents, but that they serve as a means of bringing back to the public a part of the accrued values.³ Others, however, see little advantage in land taxes under existing conditions, because every penny of the charge will be passed on by the land speculators to the public through the house-builders and house-owners. Housing evils can hardly be obviated by this method.⁴

³ See, for instance, Adolf Wagner, *Zur Rechtfertigung der Zuwachssteuer*, Jahrbuch der Bodenreform, Vol. II, pp. 81 et seq., Jena, 1906. Verlag Gustav Fischer; Dr. H. Koppe, *Die Zuwachssteuer*, ebenda, pp. 1 et seq.; Ad. Damaschke, *Die Bodenreform*, pp. 97 seq., 18th edition, Jena 1920. Verlag Gustav Fischer. For England, see the works of Henry George, father of the Single Tax movement, which advocates taxing away all unearned increment. Also, more recently, the land reform proposals of the British Government in 1914.

⁴ Eberstadt, *Handbuch des Wohnungswesens und der Wohnungsfrage*, p. 437.

Two aims may be pursued in land taxation : (a) Financial-fiscal, wherein the land is regarded as a source of revenue to the state or municipality ; (b) political-reform, by combating the evils of private ownership and—in the wider implication—by helping to solve the land question in general. Taxation is not an adequate means of achieving the reformative purpose. "It must be admitted that taxation is *not* by itself a basic method of land reform."⁵ 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. But in Palestine, where numerous immigrants seek opportunities to invest their capital, and where houses bring high rents, a buyer does not hesitate to pay more for his land, because he expects to reimburse himself out of the rents. However, the method of taxing sites should not be underestimated as a check to speculation, since a part of the unearned increment is thus restored to the community. Moreover, owners of vacant plots are by this means forced either to build or to sell, so that holding land for a long period in order to skim the accumulated profits is made impossible.

Compulsion to sell (which is equivalent to compulsion to build) is most important for Tel Aviv. Hardly a third of its area is now built up. According to a recent report to the city administration, there are 2,000 vacant and 1,000 undivided building plots there. In the center of the city lie many vacant plots, whose owners—especially if they live abroad—do not build and will not sell, because they want to extract the utmost from the present favorable market. The municipality disburses large sums for public works—water supply, cutting of streets, lighting (soon there will be sewerage also)—all of which must be carried out on a broad and expensive scale because of the numerous vacant sites. This imposes an excessive burden upon the home-dwelling citizens. The absentee landlords contribute very little to the municipal expenses, the modest tax upon vacant sites being paid by only 20 per cent. of the owners.

Tel Aviv has two kinds of ground taxes : (1) the above-

⁵ *Idem*, p. 436.

mentioned site tax, or "tax upon the general (selling) value," applying only to vacant plots which, during 1924 and 1925, paid from 1 to 3 per cent. according to the appraisal of a special commission. This rate is low as compared with that of other cities, Danzig, for example, paying 5 per cent. (2) A change-of-ownership tax, of $\frac{1}{2}$ to 1 per cent., which, also, is set too low if compared with the rates of other cities.⁶ Taxation of unearned increment is unknown in Tel Aviv. The city council recently discussed the passage of a law to tax empty building sites up to $12\frac{1}{2}$ per cent. of their value, with the intention of forcing the owners to build.

An unearned increment tax would be morally and practically justified in Tel Aviv. In the first place, it would strike at the vacant plots by taxing away a fixed proportion, say up to 33 per cent. of the yearly increase. Sites in use should be given a different rate, based on their utilization value and not, as in the former case, upon general value. A sharp line must be drawn between land in itself on the one hand and buildings and improvements on the other. They must not be lumped together as a unit. The value of the land has to be determined as such. Buildings and improvements upon land ought to be tax-free, because charges upon them may tend to check building enterprise. Such taxes would most seriously interfere with additional house construction of which Tel Aviv, with its heavy inflow of immigration, is so sorely in need.

All these three types of land tax could form an important source of municipal revenue. This applies, of course, only to wholly Jewish cities or to Jewish settlements with their own town councils. Otherwise, taxation of land in Palestine would not only bring no benefits to the Jewish settlement, but might actually prove injurious. In cities with a large Jewish population which are administered by non-Jews—for example, Jerusalem or Haifa—this revenue might easily be spent for purposes bringing no advantage to the Jewish taxpayers. But in cities like Tel Aviv, the land tax is entirely feasible. Villages like Petah Tikvah or Rishon le-Zion, which may presently develop

⁶ Many comparative figures are given in the before-mentioned book of Eberstadt, *Handbuch*, etc., pp. 433-434. Almost all are higher than those of Tel Aviv.

into urban centers, or recently founded Jewish settlements like Herzliah or Afuleh, if they should really grow into cities, come within the same category. Even in those places, there would have to be a proviso that the status of these revenues was that of purely communal income, and not subject to appropriation by the state.

The income from land taxes, especially those on unearned increment or "general value," ought not to be lumped with the municipal revenue from other sources. It ought to be put into a separate fund to foster a land reform policy whose features will presently be explained. Wealth created by the efforts of the general community, which is withdrawn from the individual as unearned increment, ought to be devoted to public uses.

6

In addition to regulation of building methods and taxation, still other means are available for checking the increase of profit upon land. For example, a systematic traffic policy which would provide rapid, cheap and good transportation facilities to the outlying districts for the large number of inhabitants who work in the central part of the city. With the opening up of new sections, ever larger numbers of people would settle on the outskirts — so that much would be achieved toward the wished-for decentralization of population.⁷

By applying any one of these measures singly, very little can be achieved. Only through a social policy incorporating all of them can success be expected, assuming, of course, that they were coupled with an urban land policy. "First of all, the institutions of our land policy must be reformed. Only then can financially and socially effective land taxation be introduced. To permit the present ills to continue and to make them the object of taxation is inadmissible."⁸

An urban land policy conducted by the community (that is, the Jewish municipal authorities) and by the state (in our

⁷ Compare Prof. Dr. L. Pohle, *Die Wohnungsfrage*, Part II: *Die Staedtische Wohnungs- und Bodenpolitik*, p. 56, Berlin, 1920. Verlag Walter de Gruyter & Co.

⁸ Eberstadt, *Handbuch*, etc., p. 437.

case, the Jewish National Fund, as the national land agency), if combined with the technical and financial measures above described, is the most effective antidote against speculation.

As has been said, speculation is a consequence of unlimited private property rights in land. The most effective method of combating it is through a limitation of such property rights. Building regulations and taxes do, indeed, serve partly to offset speculation, but only a municipal and governmental land policy can be fully efficacious.

7

(c) The essence of a municipal land policy is that the city buy much land before prices go up and speculation sets in. It must acquire large sections of land which will be later used for building purposes, and thus assure itself in advance of decisive influence upon the development of housing in the district in question. In this way, speculation is not given a chance to do much mischief, the price of land and rents is held down, and the city assures itself of a decisive say in housing methods. City land must be bought while it still ranks in the rural category, so that future needs are provided for. In Europe, municipal ownership of land is on the increase. There are even cities where a substantial part of the municipal area is public property.⁹

The adoption of a municipal land policy is dictated either by financial-fiscal or colonizing-political considerations. Under the first head, the cities attempt to build up sources of revenue for themselves by buying and selling land—which in some cases has been done quite successfully. Under the second head, the aim is to provide good dwellings at prices adapted to the means of the class using them: but both aims depend altogether upon ownership of cheap land.¹⁰

⁹ Pöhle, *Die Wohnungsfrage*, Part II, p. 61, gives a long list of the areas of land owned by the German cities. Thus, for Ulm, 80 per cent., for Freiburg i.B., 70.9 per cent., Frankfurt a.M., 52 per cent., etc.

¹⁰ Prof. Hugo Lindemann, *Bodenpolitik*, Taschenbuch fuer Kommunalpolitiker, pub. by Victor Noack, p. 111, Berlin, 1923, Verlag J.N.W. Dietz Nachf.

There are as yet no traces of a municipal land policy in Palestine. The city of Tel Aviv has so far done nothing in this regard, let alone the other Jewish settlements. In October, 1924, there were in Tel Aviv, all told, about 100 dunams (25 acres) of municipally owned land, or 2.8 per cent. of the total area of 4,820 dunams (1,200 acres). Of the total area of Tel Aviv, Jews own about 3,580 dunams and Arabs about 1,240 dunams.¹¹

Outlying tracts which are a bit remote from the present center but quite within the range of the city's possible expansion, are still to be had at rural prices, a fact which certainly is worth the attention of the municipal authorities. Even more distant sections could be considered as transportation facilities developed. If a street railway is run out some distance, or a street is laid through plough or plantation land, the city ought to reserve some part of the new sections for itself.

But a broad municipal land policy requires a well-filled treasury. And the current budget of Tel Aviv is fully absorbed by the needs of its growing population — does not, indeed, suffice, as can be seen from the circumstance that a loan had to be placed in the United States for additional public works, such as a sewerage system. It is, however, possible to finance municipal land purchase with the proceeds of the land taxes, which ought to be turned into a "Land Purchase" or "City Expansion" Fund, that must be self-sustaining. In the beginning, before it had accumulated sufficient means for its operations, the Fund might borrow from the city treasury.¹² This Fund would acquire large and continuous tracts as permanent property of the city, not to be sold to any private individual (as is done in various countries which stimulate building enterprise by selling site land cheaply). No permanent reduction in the cost of land and houses can be

¹¹ The percentage of municipally-owned land is reckoned on the basis of the Jewish holdings.

¹² Compare S. Gretzschel, *Kommunale Bodenpolitik, Jahrbuch der Bodenreform*, Vol. X, 1914, pp. 272-273, in which there is an interesting list of forty German cities, which have invested more or less substantially in their land-buying funds, whether for building sites or other property.

secured by the latter practice. The first buyer from the city sells his cheaply bought land at the higher market prices, and pockets a handsome profit. To overcome this difficulty, it has been suggested that the city, in selling its land, impose certain restrictions; for instance, that no re-sale can be made without its approval. The lesson of experience is, however, that attempts at municipal control which depend upon precautions and prohibitions to be enforced over a long period of time, do not meet with success.¹³ The one feasible method is to retain the land in the permanent possession of the city. Persons wishing to build upon municipal land would be granted the use of it only. The hereditary building lease provides the proper vehicle for this purpose. Though it withholds ownership from the tenant of the land, it confers rights which, in many respects, place him on a par with the owner. It is transferable, i.e., it can be sold and bequeathed as a property right. And both the lease and the buildings upon the leased land are mortgageable. The comparatively limited experience of the National Fund, with its small urban holdings in Tel Aviv and Haifa, already proves that these uses can be made of the building lease. As the operations of the National Fund become more extensive, it is to be hoped that the mistrust of certain business and banking circles against the hereditary building lease as a little-known property right will tend to disappear.

The adoption of a land policy is one of the most important, as it is one of the most difficult, tasks of the young Jewish municipalities, and of Tel Aviv in particular. The success of a municipal land policy depends by all means upon adequate support from the credit institutions. An effective land policy is unthinkable unless supported by adequate credit facilities. The problem of cheap mortgage money, pressing as it is, has not been yet solved in Palestine. However, a treatment of this subject does not fall within the scope of our theme.

8.

Municipalities cannot, by themselves, annihilate the evils of speculation. There must be no illusions on that score. Much

¹³ Lindemann, *Bodenpolitik*, pp. 113-114.

more penetrative measures are required than they are able to take, and which can be taken only by an agency with good financial and moral resources.

The municipal powers of the new Jewish centers are, after all, pretty much limited. They have no great freedom of action. To begin with, their financial resources are slight. Some time must elapse before land taxation can be introduced in face of the opposition to be expected from the landowners. Many obstacles will doubtless rise in the process of forming the "Land Purchase Fund," while its positive benefits will appear only little by little. That being the case, it will not be possible for Tel Aviv to purchase large tracts: and operations with small areas are bound to fail.

Another point. The principle of public ownership may not always certainly and unalterably be upheld by municipalities. Palestinian cities may, in certain circumstances, find themselves obliged to sell much of their holdings, as has repeatedly happened in Europe. In addition, municipal policies often depend upon very diverse factors—not the least of which is the composition of the elected administrative bodies. Finally, there is always the need to conform to the attitudes of governmental authorities, which may be either friendly or unpropitious. There is thus no guarantee of continuity in a municipal land policy. And yet success depends upon just that quality of continuity, plus perseverance.

The Jews in Palestine have not the powers of a state: But in the National Fund they have an institution which, as the instrument of Jewish land policy, could operate as a continuous and conscious factor in the land problems of the Palestinian cities. The proper method would be for the Fund to buy up extensive tracts near cities with a large Jewish population, and in other places which are likely to attract large numbers of Jewish immigrants in the future. Continuous stretches ought to be acquired in the outlying sections of the cities to be utilized in later years as sites for dwelling houses (in particular) and for industrial undertakings. As the city expanded, these sites would be released under hereditary building leases. In general, the land reserves on the outer circumference of growing cities ought never to be depleted.

This policy ought to be carried out by the National Fund in the neighbourhood of Tel Aviv and the larger Jewish settlements; in connection with other cities with favourable prospects of development; in the older cities, like Jerusalem; and, finally, in the centers still to spring up in the process of the Reconstruction.

Thus land prices would be regulated, healthy housing assured, and speculation headed off.

9.

The National Fund only can be equal to a task of this magnitude. Yet the rôle of the proposed municipal measures should not be under-estimated. The participation of all factors is imperative; proper building regulations, systematic taxation, and comprehensive municipal land policies would support the National Fund land policy very effectively. The revenues derived from the land taxes, in particular, and mortgage institutions to finance construction at low cost on the basis of real estate credits, would be very helpful materially.

In the constitution of the German Republic of 1919, one of the most interesting documents in modern public law, the following remarkable clauses appear: "The state is to supervise the *distribution and use of land* so as to guard against abuse. It will aim to assure every German of a wholesome domicile, and all German families . . . of living and working quarters suited to their needs. That increase in the value of land which accrues without labor or capital investment is to be utilized for the good and welfare of the community."¹⁴

In the great enterprise upon which the Jewish people has embarked, the principles of a farseeing social policy must never be lost sight of. Everything must be done to eliminate the evils of private ownership—of which land speculation is the head and front—in the Jewish commonwealth.

¹⁴ Constitution of the German Republic of August 11, 1919, Art. 155.

THE HEREDITARY LEASEHOLD OF THE NATIONAL FUND.

1.

In the National Fund system of hereditary leaseholds—as in every other similar system—a clear line of demarcation is drawn between ownership and possession. Actual ownership is vested in the Jewish people with the Jewish National Fund acting as its agent, while the settlers are in possession of the land, which they cultivate. The rights of both owner and possessor of the land, as well as their mutual relations, are defined in the hereditary lease and the hereditary building rights of the National Fund. The hereditary lease applies to agricultural land, while the hereditary building lease applies chiefly to urban sites.

The leasehold is a very old legal device, which is found at various periods in history in different forms.¹ It was known to the Jews of ancient Palestine, and is in practical use in several countries at the present time. When it came to fixing a norm of property rights to the soil during settlement upon national land in Palestine, it was seen that the leasehold might have been created for that very purpose. “The hereditary lease will be put to its proper use,” writes Buchenberger, in his well-known work,² “in *new agricultural settlements* in which, for economic or social reasons, persons of small means are to be established. If the settlement intends to introduce intensive cultivation, so much the better.” In the internal colonization of Germany and Holland, for example, this form of lease was employed for the reasons given. (In Holland, it was applied to the land regained from the *Zuyder Zee*).

The hereditary lease was already considered the most suitable form of land tenure for Palestine by Hermann Schapiro, founder of the National Fund, when he proposed the forty-nine-year term of domicile.

Since that time, the National Fund, as the holder of

¹ Nathan ben Nathan, *Die Erbpacht*, an historical sketch. *Der Jude*. Vol. IV, 1919. Nrs. 1-2, pp. 25 seq.

² A. Buchenberger, *Agrarwesen und Agrarpolitik*, 2nd edition, adapted by W. Wygodzinski, Vol. I, p. 181, Leipzig, 1914.

national land, has formulated the terms of the lease, adapting it to Palestinian conditions in the light of European experience. As now drafted, the lease represents (as remarked in another connection) the first attempt to frame the progressive social manifestations of Jewish life in Palestine within fixed legal formulas.

2

“ The hereditary lease is a form of land tenure in which ownership is divorced from possession in such a way that the latter attaches as an alienable and hereditary real or impersonal property right in the soil—a right that may be acquired by undertaking certain obligations to a party other than the landowner.”³

This device is of all forms of land tenure the nearest approach to ownership, many of whose benefits are included within it. The lessee holds a usufruct upon his land: it is a *right* which he can sell, give or bequeath at will. He is in full possession of his holding, and is protected against arbitrary increases in his ground rent. There is nothing to prevent him from developing his farm to the utmost. Knowing that his occupation is permanent, and that he can pass on his land to his successors, the lessee has an owner's sense of certainty and stability—no mean advantage to Diaspora Jews who have for so long been uncertain of what the day might bring forth. Conversely, the lease is an attempt to obviate the numerous evils of private ownership in land, to safeguard the interests of the community in general, and not less to protect the individual settler.

To summarize, these ideas constitute the pillars of the leasehold system. It offers the settler all the advantage of ownership without its drawbacks: certainty of tenure, full enjoyment of the fruits of his labor, the right to sell or bequeath his interest, capacity to borrow. Whatever he instals upon his land—improvements, buildings, the entire farm equipment—is fully his own. He can dispose of it freely and without interference on the part of the landowner. To offset the disad-

³ H. Paasche, *Erbpacht*. Handwoerterbuch der Staatswissenschaften, Vol. III, p. 1012, 3rd ed. Jena, 1909, Verlag Gustav Fischer.

vantages appertaining to these property rights, the system of the National Fund provides various checks, thus : from the national point of view, it preserves the Jewish character of the settlement; the social interests of the community are fostered by absorbing increases in the value of the land not due to individual effort; and, lastly, the economic measures needed to assure normal farming are found in the taboos on parcellation, amalgamation and abuse of the soil. The National Fund aims at a just division of the soil of Palestine.

3

The National Fund lease is limited in time. It runs for forty-nine years, with option to the lessee to renew for a similar period. The time-limit was adopted in order to draw a clear line between ownership and possession. Arguments have, however, been advanced in favor of the perpetual lease, somewhat to the following effect :⁴ (a) That the tenant, towards the end of his term, being no longer interested to keep the soil in good condition, may abuse or neglect it so as to cause permanent injury. (The drainage facilities installed by the National Fund might also be neglected for the same reason.) These drawbacks would be avoided under the perpetual lease. (b) Perpetual leasehold is a closer approach to ownership than limited tenure: the lessee having a stronger feeling of possession, becomes rooted in his land. The mortgageable value would also be greater in a perpetual leasehold.

But it is just this parity with ownership that is to be avoided. A harmful muddle of ideas would be apt to ensue, since the leasehold system is new in Palestine, and the Jewish sense of individuality very strongly developed. The limited lease guards the rights of the owner. And the fact that the lessee has the option of renewing for a second forty-nine-year period is enough to offset the possibility of abuse of the soil or equipment. Except in a few rare cases, he need have no fear

⁴ Argumentation in favor of the perpetual lease is to be found in *Die Probleme der Erbpacht I*, by N. ben-Nathan, *Volks und Land*, 1919, No. 17, pp. 519 seq.

of losing his farm at the end of the term. From this angle, the limited lease is not inferior to the lease in perpetuity.

During the life of the lease, the tenant farmer, except for a few restrictions, may do as he pleases with his farm. He is, for instance, free to sell his lease or his equipment, though the approval of the National Fund is required for the sale. He must declare in writing, in advance, according to a prescribed form, that he transfers his rights and duties to his successor; and the latter must make a similar statement accepting those rights and duties. The National Fund, on its part, is required to signify approval or disapproval within a fixed term. If the approval is given, the transfer is recorded in the Land Registry. (In the cities, National Fund land changes hands very often. In the country, transfers are less frequent.) The obligation upon the lessee to secure the approval of the National Fund at every change of possession is an important means of protecting its principles. Consent is withheld if anti-national or anti-social factors are involved in the transfer, if the successor be a non-Jew, or unfitted for farming, or if there be a speculative motive.⁵ In the event of refusal, the lessee has the right of appeal to arbitration.

The National Fund lease, as stated, can be bequeathed. The lessee is free to choose his heirs, his freedom being, of course, limited by the general inheritance laws of the country. The very involved legal questions connected with the Palestinian rights of inheritance and with the old Jewish rules are too complicated to be entered into here. One restriction of a national character must be mentioned, to wit, that the heir must be a Jew. (Here, as in the event of sale of the leasehold rights, the very interesting and not easily to be answered question rises: "What constitutes a Jew?" Is this to be determined by the religious or the national viewpoint?) Furthermore, an economic clause forbids division of the leasehold among several heirs. Splitting up a farm might endanger its very existence, or,

⁵ The speculation raging in Tel Aviv has already affected National Fund land. The ground itself being inalienable, leases are sold at high prices. This is not strange. The demand for building sites being very heavy, and the supply of leaseholds nil, even national land is drawn into the vortex.

at the least, impose heavy burdens of debt upon it. The heir taking over the farm would be obliged to pay out the others. He might be obliged to mortgage the lease and the farm equipment. For the rest, important questions of inheritance still await their solution.

The hereditary lease as a real property right, can also be mortgaged. The lessee is as free as the landlord to borrow, not indeed upon the land, but upon his leasehold right. Here his borrowing capacity is about equal to that of the landlord. "The borrowing capacity of an estate under hereditary lease is practically on a par with that of an owner in fee simple. . . This is not so remarkable as it may seem. For fifty years I may do as I please with my leasehold, and may renew possession after that if I choose. Or, if I do not choose, I receive adequate compensation for my investments. I am, therefore, quite equal to the landlord in point of actual possession, and even have an economic advantage over him in that I pay a low ground rent where he has had to invest his capital or to borrow money at high rates."

Not the least advantage of the leasehold system is it that the settler need not spend or borrow money to buy land. He is in this respect better situated than the real owner who buys with borrowed money. If the latter has to borrow for equipment also, that mortgage must yield precedence to the one on the land itself. But, in order to bring the lessee up to the economic level of the owner whose land is unencumbered, the National Fund is ready to yield precedence to credit institutions making loans to the settlers for buildings, &c., by ranking its claims to ground rent behind the mortgage on equipment.

4

The annual ground rent required from National Fund tenants is very moderate—2 per cent. on the value of rural land; 3 per cent. on suburban, and 4 per cent. on urban sites. The value of the leaseholds consists of the ground plus the improvements installed by the Fund, and cannot be gauged

* Julius Simon, *Das Kreditproblem bei der Erbpacht*. Erez Israel, No. 3, pp. 8-9. The Hague, 1919.

merely by the price paid for the land by the National Fund. The ground rent cannot, moreover, be determined mechanically by setting a percentage upon these costs. It must depend also upon the productivity of the farm, and bears a certain relation to the market price of farm produce, especially grain and fruit.

Before signing a lease, a settler will stop to consider whether the farm can pay well enough to cover a high ground rent. He will refuse to accept a high valuation of the plot, or to allow for a price paid during a "boom" period. The ever rising cost of land might imperil Jewish agriculture in general by reducing its capacity to pay for itself. For the National Fund it would mean that it could not draw full interest on the capital invested in land. As a public service institution, it can perhaps forego due returns. But farms established on privately owned land, where investments must bring adequate returns, would suffer severely.

During the first difficult years, until the farms begin to pay, the Fund assists its settlers by remitting their ground rent for a specified period (whose length depends upon difference in soils and upon the peculiar circumstances of each farm).

Appraisals are made at regular intervals, so that an essential feature of the leasehold system—the withdrawal of accrued value in the public interest—is served. Since the price of urban land rises very rapidly, it is appraised every ten years. Under present circumstances, however, with the extraordinary rise in prices, the interval ought probably to be shortened. But, in the case of rural land, much more time must be allowed, so that the settler may reckon for a long period with a fixed rent. He must be in a position to make long range calculations and not be subjected to extra burdens just when he has brought his farm to the paying point.

The re-appraisals are made by committees composed of one representative each of the National Fund and the lessee, both of whom together choose an impartial third member. Land and improvement values are severely separated. (Improvements made by the lessee must, of course, be allowed to his credit, since it is only right and fair that the increment upon improvements installed by the settler himself, or accru-

ing from intensive cultivation, should benefit himself alone. In this respect, also, he is on a level with the landlord. On the other hand, increases in the value of his land due to factors with which he has had nothing to do—say, better roads or transportation facilities, &c., must revert to the community which originated them. To absorb these increases is the intent of the revaluation.

5

A most important problem in colonization is to determine the size of the individual allotment. It ought to comprise no more land than the settler is able to work by himself, but at the same time be large enough to assure him a livelihood. For this reason, over-parcellation, that is, sub-division into too many units, is not permitted by the National Fund. If the lessee wishes to sub-divide his farm, he must secure permission, which is granted only if the proposed action be not contrary to his own or to the public interest, or will not result in several pigmy farms.

Nevertheless, a situation might arise where sub-division of leaseholds was altogether within the public interest. The present allotments were adapted to extensive methods of farming. This was the normal procedure during the first phase of colonization, owing to the incomplete preparedness of the settlers, their lack of the necessary farming traditions, the unproductiveness of the exhausted soil, and so forth. But with the progress of agricultural technique and the rise of a new, native generation upon the soil, farming will become more and more intensive. The present units will then appear too large, and will have to be scaled down, not only in order that the farmer may be able to manage without hired help, but that additional ground may be gained for new settlers. We must not forget that Palestine is small, that but a part of its area is cultivable, and that only a part of the arable area will be available for Jewish colonization. Land must therefore be sparingly used. Yet immigration is on the increase, which is to say, the number of would-be Jewish farmers is growing. A time may come when Palestine is unable to still the land hunger

of the Jewish masses—all land occupied, and new purchases impossible. On the occupied land, however, there would be tenant farmers who, having received their leaseholds during the period of extensive cultivation, now had more land than they could cultivate by themselves.

With a far-seeing land policy this contingency, even though somewhat remote, would be taken into account, so as to make room for the oncoming immigrant masses. Under its leasehold system, the National Fund has the right, at the expiration of the forty-nine-year term, to determine, in view of the intervening progress in agricultural methods, whether it is not possible to reduce the acreage of the farms. The decision would have to be made by an irreproachably impartial committee of experts. Were it in the affirmative, the re-allotment would have to be so arranged that the new leaseholds, being made up of portions sliced away from several older farms, had potentialities of existence as normal farm units. The older tenant farmer would, of course, have to be duly compensated for improvements made by him on the ceded land. Moreover, first choice of the new leasehold would go to his children or relatives. The present farm units are large, and it is quite possible that within a relatively short time they will have become too large. When one of the most important settlements, Nahalal, was founded, each family was allotted 100 dunams,⁷ (25 acres). This was regarded in advance as a transitional arrangement, the intention having been to reduce the size of the farms as farming methods became more intensive.

Still another possible change in the status of a leasehold is this: that in the course of time a farm near a city becomes urban site land. Should the tenant farmer be disinclined to make the change voluntarily, the National Fund must have the right to do so—provided that the withholding of the land from urban development were contrary to the public interest. The lessee would be adequately compensated for his improvements, and also given first option upon his former farm as a building site.

⁷ Eliezer Joffe, father of the idea of small-holders' settlements, advocates 74 dunams (18½ acres) as the proper size of the individual leasehold. See *Founding of Labor Settlements*, p. 64 (Hebrew) Jaffa 5679.

Over-enlargement of farm units is as undesirable as too much sub-division. It may occasionally happen that two or more leaseholds come into the possession of one lessee, as through purchase, inheritance, or marriage. The consent of the National Fund is required for consolidation of farms, and is granted only in case the farmer is able to work the whole of the area by himself (which might happen if he farmed by extensive methods).

The ban on sub-division and amalgamation of leaseholds is intended to maintain the principle of Jewish labor and to foster Jewish agriculture. The same leading motives underlie all the conditions imposed upon the tenant farmers—that they must live upon their leaseholds, keep them constantly under cultivation, &c. The “absentee landlord” and hired labor are precluded by the terms of the lease; and methods of cultivation which would exhaust the soil are interdicted (that is, which would diminish its value).

Should the lessee fail to pay his ground rent or to keep in repair the water supply equipment installed by the National Fund, or, in general, to live up the terms of the lease, he may be deprived of his holding. This right of retrieval gives the National Fund, as lessor, a means of control over the use—and especially the abuse—of the soil.* In case a lease were actually cancelled, a committee on which both parties were represented would estimate the present value of the improvements made by the lessee. He would not be reimbursed for the actual cost of the improvement made by him, but would be compensated on the basis of the committee's estimate. Speculation can also be checked by the same measures.

Another clause in the lease sets a limit to the indebtedness which the lessee may incur upon his estate. This is a highly important restriction because, as pointed out elsewhere, the consequences of over-indebtedness may be most serious. The mortgageable capacity of the leasehold is determined by both parties to the lease, which provides that indebtedness may not exceed 75 per cent. of the designated amount, except with the consent of the lessor.

* Dr. Hans Kampfmeyer, *Wohnungs- und Siedlungspolitik*, p. 62, Munich-Berlin, 1920, Verlag fuer Kulturpolitik.

6

In practice, personal leases are granted to farmers in settlements based on the principle of individual holdings, as, for example, in the so-called Moshve-Ovdim. The same procedure is followed with reference to the hereditary building leases in the towns. It is, however, preferred, when at all possible, to turn over leaseholds to entire groups of individual settlers.

In the case of co-operative groups, however, the lease is made not with the individual members, but with the group as a whole. It is not hereditary, but limited by the life of the group. Many other clauses in the individual lease do not apply here, as, obviously, that concerning inheritance. Many eventualities incident to individual lessees, speculation, sale to non-Jews, &c., are hardly to be feared from the co-operatives, the peculiarly idealistic character of the Palestinian workers leaving little room for selfish motives. In its main features, the lease is identical whether applied to individuals or to groups.

At first, there was a certain difficulty in borrowing upon the hereditary lease or building rights of the National Fund. Business and financial circles were sceptical toward these leases as property right, and were unready to grant mortgages on buildings on National Fund land. This initial aloofness has, however, been successfully overcome. Lessees in Haifa, Tel Aviv and Jerusalem have repeatedly obtained loans upon their property—from the General Mortgage Bank, Ltd., in particular, and from other mortgage loan institutions in Palestine. It may fairly be expected that as the National Fund expands its work, especially in the cities, the borrowing capacity of its lessees will equal that of landowners.

After all has been said, the leasehold system is bound to meet with many obstacles. In the cities, leases for site-land have already been entered into, but they need to be thoroughly revised. Leases on rural land will now follow. Here, too, the theoretically worked out system will have to be modified in practice, so as to meet the needs of practical life and the undoubtedly peculiar requirements of Jewish

colonization. But, as it adapts itself to the ideal aims and the practical conditions of Jewish Palestine, the hereditary lease will doubtless become a powerful instrument for land reform.

PART II.

THE WORK OF THE JEWISH NATIONAL FUND.

1

During the first nineteen years of the existence of the National Fund, it was the sole financial instrument of the Zionist organization. When, in 1908, Zionist colonization in Palestine began to take on a somewhat extensive range, the Fund financed all the related activities. That is to say, farms were established, agricultural experiments undertaken, homes built for workingmen, fruit and shade trees planted, loans granted for housing, plantations kept up, truck gardening encouraged, livestock and farm equipment purchased, opportunities of employment and agricultural training created for the workers, and much else. In a word, though but little land was bought, all the processes of colonization were carried on, but on a very modest scale if compared with present operations. This phase lasted until the outbreak of the war.

The land holdings of the National Fund before the war, acquired mainly as small and accidental purchases, totalled at no more than 20,000 dunams (5,000 acres). The farms of *Benshemen*, *Huldah*, *Merchavia* and *Dagania* were founded, and a labor group at *Gan Shmuel* maintained. In these five settlements, 1,638,000 gold francs (\$327,600) were invested up to the war. In order to maintain what had already been achieved, every manner of device had to be used during the war. For instance, the labor groups were enabled to keep their co-operative settlements going. Some 1,643,000 gold francs (\$328,600) were invested during the war years for this purpose alone.

At the close of its first period (September, 1920), the National Fund had invested something like £E198,900 (\$994,500), of which only £E37,100 (\$185,500) or 18.7 per cent. was spent for land. The remaining 81.3 per cent. was spent for other colonization purposes. Under the latter head we find £E86,000 (\$430,000) for the upkeep of farms, £E38,800 (\$194,000) for miscellaneous loans, and £E37,000 (\$185,000) for building purposes.

It was not until 1920 that the Zionist Organization was able to resume its Palestinian activities which had at that time

a certain philanthropic tinge. In 1921, coincidently with the real beginning of the Restoration work in Palestine, the National Fund entered upon its second phase. At that time, the Keren Hayesod was founded as a central fund to finance the whole Zionist reconstruction project. As for the National Fund, it was to revert to its original purpose: to become a land fund pure and simple—to purchase land and to execute the primary reclamation works upon it. (Afforestation was also included in its program, but in a very limited way). So ran the clear-cut decision of the first post-war Zionist Conference (London, 1920).

By this act, the London Conference set up the National Fund as the *investment fund* of the Zionist Organization to acquire permanent possessions in behalf of the Jewish people, while the Keren Hayesod was designated as a general *loan and maintenance fund*. The latter grants credits of various kinds to the settlers, and also makes expenditures *à fonds perdu* for organizing immigration, maintenance of a school system, a sanitation service and similar enterprises. As for the National Fund, its scope was firmly delimited and it was—perhaps for the first time—set upon the path designed for it by its creators.

2

The Jewish calendar year 5681 (which began in October, 1920) ushered in the second phase of National Fund activity which, although of much shorter duration than the first, already exhibits much larger achievements. During this period—at the beginning of 5683 (October, 1922)—its central headquarters were transferred to Palestine, so that the administration came into closer touch with the colonization work in general, and was able to establish a vital contact between the propaganda in the Diaspora and the activities in Palestine.

In the spirit of the principles adopted by the London Conference, every effort was now made to transform the National Fund into the actual land fund of the Zionist Organization. All enterprises not directly connected with the acquisition of land, were systematically discontinued. The first step in that direction was to leave off the construction of houses, and to discontinue collections for the Work

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ingmen's Dwellings Fund (an auxiliary created in 1912). Furthermore, in order to leave the headquarters free to concentrate on the true functions of the Fund, all property on its estates—farm-houses and buildings, livestock, equipment, &c.—was given to the settlers outright. The same procedure was followed with reference to fruit plantations set out before the war. (This was the last measure releasing the National Fund from its old system.)

The following financial table (see next page) presents the total investments of the National Fund in its second phase: for the five-year period from October, 1920, to October, 1925.

It appears from this that the total sum expended by the Fund during these five years amounts to some £E747,609 (\$3,738,045), or an average of £E149,500 (\$747,500) a year. The expenditures for 1920-1921 and 1922-1923 represent the average, while in 1921-1922 and 1924-1925 much larger amounts—£E182,000 (\$910,000) and £E173,000 (\$865,000) were expended; 1923-1924, again, shows only £E106,000 (\$530,000). Compare the second period of five years with the first of nineteen, and it will be seen that the National Fund has more than tripled its expenditures.

In the second period, about half of the expenditures were made during the first two years (1920-1921 and 1921-1922). As soon as the ban on land transactions was lifted in 1920, the National Fund began to buy very actively and (in 1921) acquired its first large tracts in the Valley of Jezreel. The large sums disbursed during those two years were offset by comparatively small incomes, the donations falling in 1921 to rise again in 1923. (In 1920-1921 and 1921-1922 the donations totalled £E247,500 (\$1,237,500). That expenditures were larger than income during those years was due to the fact that a reserve had accumulated during the war and post-war years. By 1923, however, the reserve had been entirely exhausted, and the Fund had only current income to depend upon. The effects of this situation were felt in the very next year, when investments had to be curtailed. How-

Item	1920/1921 £E	%	1921/1922 £E	%	1922/1923 £E	%	1923/1924 £E	%	1924/1925 £E	%	TOTAL £E	%
Rural Land ...	101,339	69.3	117,407	64.4	70,437	50.5	78,281	73.6	147,813	85.3	515,277	68.9
Reclamation of Rural Land ...	8,211	5.6	22,473	12.3	18,820	13.5	3,891	3.6	3,203	1.9	56,598	7.6
Urban Land ...	12,335	8.4	19,939	11.0	25,132	18.0	3,727	3.5	11,554	6.7	72,687	9.7
Farm Buildings & Workingmen's Dwellings ...	8,222	5.6	4,182	2.3	2,076	1.5	2,079	2.0	376	0.2	16,935	2.2
Water Supply ...	425	0.3	2,525	1.4	13,552	9.7	13,384	12.6	6,060	3.5	35,946	4.8
Plantations ...	15,761	10.8	10,612	5.8	5,368	3.8	4,638	4.3	3,279	1.9	39,658	5.4
Loans ...	—	—	5,081	2.8	4,175	3.0	419	0.4	833	0.5	10,508	1.4
Total ...	146,293	100	182,219	100	139,560	100	106,419	100	173,118	100	747,609	100

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ever, in 1924-1925 a rising income has again made increased expenditures possible.

3

An analysis of the appended financial table shows how the new principles have been applied. In 1920-1921, the expenditures for land (rural and urban) amounted to 77.7 per cent. of the budget; in 1921-1922 to 75.4 per cent.; in 1922-1923 to 68.5 per cent.; in 1923-1924 to 77.1 per cent.; in 1924-1925 to 92 per cent.

If we add reclamation works, such as sanitation of the soil, roads, clearance of stones, &c., which are an integral feature of land acquisition, to the original cost, the following percentages are evolved: 1920-1921, 83.3 per cent.; 1921-1922, 87.7 per cent.; 1922-1923, 82.0 per cent.; 1923-1924, 80.7 per cent.; 1924-1925, 93.9 per cent.

Land is now the largest item in the National Fund budget. The revolutionary significance of this fact appears only when we compare the 18.7 per cent. devoted to land and reclamation works during the first nineteen years with the 93.9 per cent. of 1924-1925.

Rural land has the right of way. Given in percentages, the amounts spent for it have fluctuated between 50.5 per cent. and 85.3 per cent. with an average of 68.9 per cent. per annum. The present policy of the National Fund appears in this preponderance of rural acquisitions: it is due to the desire to extend Jewish land to the utmost. Lacking means to acquire large tracts of urban land, the Fund concentrates all its strength upon multiplying rural holdings as the base for national colonization and the pre-requisite for the creation of a Jewish peasantry.

In making purchases, certain lines of policy are followed: concentration upon given districts, and acquisition of land in large and continuous stretches. No bits and scraps are bought here and there, because this merely increases the costs of colonization and obstructs the progress of farming. How mistaken was the pre-war method of sporadic purchases, Huldah and Benshemen bear witness. Extensive colonization projects can be carried out far more cheaply and efficiently upon a large

and continuous expanse. Therefore, the new purchases are made almost exclusively in the Valley of Jezreel, a district of great geographic and economic importance, whose soil is accounted the most fertile in Palestine. According to the Biennial Report of the Head Office of the Jewish National Fund presented to the Zionist Congress, Vienna, 1925, 117,500 dunams or 78 per cent. of the total holdings of the National Fund (at that time 150,500 dunams or 48,750 acres) lay in the Valley of Jezreel.

Next in line of importance, the National Fund regards the extension of the older Jewish villages, whether they be founded on its land or not. This makes possible the settlement of sons of settlers and others which, for the smaller villages, is literally a question of to be or not to be. There are all too many settlements in Palestine which suffer from the grave initial mistake that no room was allowed for them to expand. The result was too small a number of settlers, so that the overhead communal charges fell much too heavily upon the individuals; and their lot in general became unnecessarily difficult. The National Fund has eased up the situation materially for certain of the older settlements not founded upon its land—Ness Zionah, Gederah, Beer Jacob—in that it has acquired contiguous tracts for settlers' sons and other suitable persons.

Still greater is the need to enlarge the National Fund settlements founded before the war — Huldah, Benshemen, Nahlat Yehuda, Kfar Mlal (Ain Hai). The Yemenite settlements have special claims to consideration, because when they were established (before the war) near some of the older villages, the individual plots were so tiny (often only a couple of dunams per family) that self-sustaining farms could not even begin to be developed upon them. It was the more difficult to extend these Yemenite settlements because, as a rule, they were set down in the midst of Jewish land, and the National Fund administration was opposed to buying land already in Jewish possession. Nevertheless, the following extensions have recently been made: Mahne Yehuda (near Petah Tikvah), originally comprising only 91 dunams, has received an allotment of 600 dunams additional. At Rehovot, where the situation of the Yemenites with 130 dunams was quite

desperate, room was made for many new families by an acquisition of 500 dunams.

Another instance of this kind is furnished by Hittim, a settlement of Orthodox Jews. The National Fund had owned some 2,000 dunams at that point in scattered parcels since 1904. By various exchanges and the purchase of a similar area, a compact plot of some 4,000 dunams was arranged. The establishment of the settlement then became possible.

Urban land has claimed £E72,687 (\$363,435) or 9.7 per cent. of the total Budget. This small percentage is explained by the policy of the National Fund in limiting itself as much as possible to rural land purchases. As already mentioned, acquisitions of urban ground were mainly accidental, and as such valueless from the point of view of a systematic urban policy. Outward events only have determined investments in the cities, as for instance, in Tel Aviv, where 200 dunams were bought in what is now the "Nordia" section for the masses of Jaffa Jews who sought refuge in Tel Aviv after the 1921 disorders. The land of the "Yechiel" suburb in Haifa also represents an unplanned-for purchase. In Jerusalem a gift of a plot (upon which the Orthodox settlement of Mkor Haim is founded) having been received by the Fund, it was extended by purchase.

After the war, the National Fund extended its holdings very largely. The 21,108 dunams (5,000 acres) owned by it in 1919 grew to 22,500 dunams (5,600 acres) by the following year; then, successively, to 73,040 dunams (18,000 acres) in 1921; to 78,720 dunams (19,500 acres) in 1922; to 98,820 dunams (24,500 acres) in 1923—a 25 per cent. increase; to 149,600 dunams (37,400 acres) in 1924, (a 50 per cent. increase this time).

The National Fund thus attempts to fulfil its function of enlarging the extent of Jewish land in Palestine. (Owing to the long drawn out processes of land purchase in Palestine and to legal difficulties, much of its property is not yet registered in its own name). If it be kept in mind that, after all, the National Fund owns only some 20 per cent. of the million or so dunams of Jewish land in Palestine (which in turn represents only 5 per cent. of the total area of the country—according to official

government estimates of 1920, some 20,000,000 dunams or 5,000,000 acres)—it becomes obvious that the Fund is still on the threshold of an immense task. Yet the very modest results it has so far achieved are due to the concentration of all available means and the shouldering of very heavy financial obligations. The larger part of the purchase price is not paid in cash, but has to be liquidated in the course of several years. The National Fund commitments for this purpose amounted to about £E770,000 or \$3,850,000 on October 1, 1925.

4

Reclamation works upon rural land are an important and largely recent chapter in the National Fund operations. In the first period, the expenditures for these works were very small. In nineteen years only £E7,500 (\$37,500) were spent upon them. Over against that low figure, we now have about £E56,600 (\$283,000) or 7.6 per cent. of the investments of the five-year period in question. The greater part of this sum was spent during the years 1920-1923 for the extensive reclamation projects upon the Nuris and Nahalal tracts, which had then been recently acquired.

As has been repeatedly remarked in the opening chapters, these works are an indivisible part of the process of acquiring the land itself, which is in no condition for settlement when taken over from the Arab owners. It must be drained so as to safeguard the public health and permit of cultivation. The settlers do not possess the requisite means, so that the improvements must be undertaken by that public agency which owns the land.

The question as to which improvements come within the province of the National Fund and which do not are discussed elsewhere.¹ Here it suffices to point out that the Fund has drained all its own land thoroughly, installed water supply, and—in some places—laid roads and carried out minor improvements like terracing and clearing away stones. At this moment, the tendency is to limit reclamation to drainage of

¹ See chapter entitled "Reclamation Works."

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swamps and flooded tracts, and to provide water supply for man and beast. In the very successful and comprehensive Nuris and Nahalal operations, 30,500 metres of drain pipe were laid during the years of 1922 and 1923; also 18,200 metres of iron pipe (inclusive of water supply). Hundreds of settlers and workingmen earned their livelihood at these works during a period of especial difficulty for the Zionist Organization, when funds for the most urgent items in its budget were often lacking. During those two years about £E39,500 (\$197,500) was spent on the Nuris-Nahalal operations. (At the same time, minor works were carried out at Huldah, Kiryat Anavim, Jadjur and other points.) By these works, the National Fund was the first to make colonization of the "Emek" (the Valley of Jezreel) a possibility.

In a waterless country like Palestine, water supply is, of course, of prime importance in agriculture. The present administration of the National Fund has therefore included water supply for man and beast among the improvements on its land. Water for truck gardening has also been provided in most of the settlements in order to help the farmers to maintain themselves from the produce of their own land.

During the five years ending October, 1925, the Fund expended about £E56,600 (\$283,000) for these purposes, or 7.6 per cent. of its total. In some years the percentage was even higher, thus: 1922-1923, 9.7 per cent.; and 1923-1924, 12.6 per cent. How rapidly this work has been extended appears from the following comparison: from the beginning up to 1921-1922, £E6,600 (\$33,000), while during 1922-1923, 1923-1924, and 1924-1925, the expenditure reached about £E33,000 (\$165,000).

5

Other National Fund activities are of minor range and often incidental. In the post-war period about £E16,900 or 2.2 per cent. of the budget was expended for *construction*. This sum represents the balance of the "Workingmen's Dwellings Fund," and was used to build Yemenite houses—mostly

in the Shivat Zion settlement near Rishon le-Zion founded after the war.

The auxiliary Tree Fund too has been used for *planting* on a small scale. In line with the policy of diminishing other expenditures in favor of the major item of land, planting has been reduced as well. The following sums were spent: in 1920-1921 to 1923-1924, respectively £E15,700 (\$78,500), £E10,600 (\$53,000), £E5,300 (\$26,500), and £E4,600 (\$23,000); and in the year ending October, 1925, £E3,280 (\$16,400). The transfer of the fruit trees to the settlers has also released additional funds for planting new trees. The National Fund is concerned first of all to plant the actual number of trees for which donations have been received. Land is used for these groves which is not suited to other agricultural purposes.

Loans are the last item in the financial table. During the period in question loans amounting to £E10,500 (\$52,500) were granted—1.4 per cent. of the budget. In the earlier period this item had assumed a major place in the disbursements. For example, in the year 1917-1918, loans totalling £E40,000 (\$200,000) had been granted for building of homes, barns and agrarian credits. The National Fund being anything but a credit institution, this practice has been discontinued in recent years. The sums loaned latterly are, in part, obligations assumed before the war. The remainder was loaned for improvements on the urban land of the Fund, such as levelling, laying streets, water supply, sewerage, &c., which are carried out by its tenants. The urban policy is thus precisely the opposite of that with reference to rural land: whereas, the National Fund carries out all primary improvements on its rural land at its own cost, in the cities it encourages such works solely by means of loans of part of the required sums to its lessees. These loans, which are made for short terms and bear interest, have been extended to all urban and suburban settlements on National Fund land.

The National Fund can look back upon a period of lively activity since the ~~end of the war~~. This work has been permeated by a single principle and looks towards a single aim:

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by systematic withdrawal from the pre-war activities to give full precedence to the redemption of the land. Concentration upon land purchase and the primary reclamation works is the order of the day. A nine-fold increase in area has already been attained, so that the National Fund is becoming the instrument of Jewish land policy not only in theory but in practice. Its function is neither more nor less than *to redeem and to administer the national land.*

RECLAMATION WORKS.

1

The term "reclamation" will here be applied to improvements which, in one way or another, alter the natural condition—and particularly the quality—of the soil. Diversion of superfluous water by drainage, drying up swamps, &c., irrigation of dry districts, regulation of streams, clearance of stones, roads, afforestation, manuring, &c., are forms of reclamation intended to enhance the productiveness (and thus the profit-yielding capacity) of the soil.

The advantages of such works need not be dilated upon. Uncultivable land is made arable, as by drainage or regulating the flow of the water courses; and the productiveness of arable land is intensified, as by irrigation and manuring.

In Europe, the Governments have long devoted themselves to reclamation works, since these usually have to be extended over large areas at a cost beyond the reach of individual landowners. In Palestine, reclamation is doubly necessary after the rack and ruin of innumerable conquests and devastations, which robbed the land of its inhabitants, so that it lay untilled and neglected for centuries. The once so fruitful ground is usurped by dangerous swamps. In 1920, the Government of Palestine published an official estimate giving the extent of marsh, forest and pasture land at about 7,660,000 dumas (1,915,000 acres), or some 39 per cent. of the total area of the country.¹ According to the "Handbook of Palestine," about 10,000,000 dunams (2,275,000 acres)—or one-half of the country—are not cultivable.² A large part of the waste area is monopolized by the malarial swamps which ensued from the unsystematic handling of the water sources. This area includes the Hule district, with its thousands of dunams north of Lake Merom in Upper Galilee; the Kabara district, bounded on one side by the Jewish settlements of Zichron Jacob and Ben-

¹ Compare Government of Palestine Report: Report on Palestine Administration. July, 1920-December, 1921, p. 106, London 1922. Out of 1,820,000 hectares (about 4,550,000 acres) about 700,000 are uncultivable.

² H. Luke and E. Keith Roach, *The Handbook of Palestine*, p. 187, London, 1922, Macmillan & Co., Ltd.

yamina, and on the other by the Mediterranean Sea—where the P.I.C.A. (Palestine Jewish Colonization Association) is now carrying out an extensive sanitation project; the Plain of Djedro between Haifa and Acre; and many other swamps, which poison entire districts. Numerous remains are to be found of Arab villages in different parts of the country, whose entire populations were wiped out by the fever. Malaria is the worst foe to human well-being in Palestine.

Furthermore, centuries of neglect and abuse have bared the hills of Judaea, which were once so richly terraced and covered with magnificent forests. Left uncultivated, the terraces gradually disappeared. The forests were cut down. The soil itself has been so thoroughly devitalized by the crude native cultivation that enormous amounts of money and energy are required to restore it.

To pave the way for an extensive settlement in Palestine, noxious swamps must be drained, arid districts irrigated, bare hills afforested, the encroachments of the sand dunes which stretch over many thousands of acres arrested, roads laid for the new settlements, fields cleared of stones and the weeds destroyed which root deep in the soil and suck out its strength. All these works, which the colonizing agency must execute if it aims at settlement on a large scale, demand to be carried out *before* actual colonization is begun, and involve the expenditure of millions of pounds.

2

Reclamation works undertaken in the course of Jewish colonization in Palestine divides itself into two periods; before the war and after. During the pre-war period, long as it was, too little attention was paid to the subject. Although malaria is one of the severest obstacles to the progress of colonization—it fully undermines the working capacity of the immigrants—little or nothing was done to obviate it. Remedial measures were the more necessary because the Jewish settlers, being wholly unaccustomed to the climate, were far more susceptible to infection than the native population. When the older settlements were founded, nothing was done to cleanse the soil of

its poisons. Even now, after forty years, otherwise flourishing settlements still harbor malaria. Only in places like Hedera, where the fever took toll of innumerable lives, was an attempt made to control the source of infection by planting the swamplands with large numbers of eucalyptus trees. Then there is Dagan, a Zionist settlement founded by the National Fund some sixteen years ago—during the later colonization period—which is still not free from fever.

In the post-war Zionist colonization a radical change was made. The settlers were no longer dumped down on marsh lands. Thoroughgoing reclamation works were carried out in advance of actual settlement. The soil was drained, the fields cleared of stones, roads laid, water supply installed for man and beast and for small truck gardens.

Hard experience gradually developed the conviction that the soil must be prepared in advance of colonization. In order to bring the exhausted Palestinian soil up to the standard of productivity of the land of the average European farm and to assure the new settlers of a livelihood, it must be thoroughly reclaimed.

The colonizing process divides itself into three phases: (a) purchase of land; (b) improvement and "occupation"; (c) settlement.³ In the second phase, various reclamation works are executed by special co-operative labor groups which "occupy" Jewish land in behalf of its owners: "They are delegated to carry out drainage and irrigation, and preliminary agricultural labors in order to improve newly acquired land, receiving a fixed wage therefor."⁴ Such "occupation" co-operatives worked in various new settlements before the war—Merhavia, Kerkur, &c. After the war these preliminary improvements were no longer carried out by the "occupation"

³ Nehemia de Lieme, *Ueber die Palaestina Arbeit*, Erez Israel, Publication of Head Office of Jewish National Fund, No. 1, p. 27, The Hague, 1916.

⁴ *Ibid.*, p. 18. Also see Ruppin, *Der Aufbau des Landes Israel*, p. 214, Berlin, 1919, Juedischer Verlag. Also Dipl. Ing. S. Kaplansky, "Landarbeiterfrage und Genossenschaft," Erez Israel, No. 2, p. 14, The Hague, 1917.

co-operatives which left when their work was completed, but—for the most part—by the future settlers themselves.

3

Reclamation works play an important rôle in the operations of the National Fund. Before and even during the war, the Fund, as the sole Zionist colonizing agency, had to finance all the practical activities in Palestine, reclamation included. Works of the latter kind (here to be understood as reclamation in a narrow sense) were not, indeed, very comprehensive at the time. Thus, the total spent for reclamation up to the end of 1914, amounted to £E2,770 (\$13,850); up to the end of 1915, 1916, 1917, and 1920, respectively, £E3,270 (\$16,350); £E4,014 (\$20,070); £E4,828 (\$24,140) and £E7,504 (\$37,520). In addition, £E3,382 (\$16,910) was spent for water supply works up to the end of 1914; at the end of 1920 the total amounted to £E4,093 (\$20,465). It must be admitted that not too much importance was attached to reclamation in those days by the Zionist organization in general.

After the war, however, when Zionist colonization activity was resumed, these works came to represent an important item in the budget. Thus, the National Fund expended for purely ameliorative purposes the sums of £E8,211 (\$41,055) in 1920-1921, £E22,473 (\$112,365) in 1921-1922, £E18,820 (\$94,100) in 1922-1923, £E3,891 (\$19,455) in 1923-1924, and £E3,203 (\$16,015) in 1924-1925, while its total investments—from the beginning of its improvement works in Palestine until October, 1925, amounted to £E56,600 (\$283,000). To this should be added the cost of water supply works, as follows: in 1921-1922, £E2,525 (\$12,625); in 1922-1923, £E13,552 (\$67,760); in 1923-1924, £E13,384 (\$66,920), and in 1924-1925, £E6,060 (\$30,300). Various works were also carried out by the Zionist Organization as unemployment relief.

A detailed examination of the National Fund accounts shows that various reclamation works were carried out upon its large holdings in the Valley of Jezreel—"The Emek"

(acquired in 1921)—thus : drainage of swamps and drawing off of superfluous water, water supply installation, clearance of stones, road-laying, planting of trees on boundary lines, &c. After a brief period of hesitation, the National Fund began to restrict the scope of these undertakings, finally concentrating on sanitation of marshland and water supply for man and beast.

Up to the end of 1923-1924, the National Fund spent £E7,503 (\$37,515) for roads, £E1,784 (\$8,920) for stone-clearing, and £E4,081 (\$20,405) for terracing—all comparatively moderate sums, since these works were carried on only for a very short time, immediately after the war, when work was resumed. On the other hand, the item for sanitation amounts to £E44,710 (\$223,550), and that for water supply installation to £E33,578 (\$167,590).

The reclamation works on the Nuris and Nahalal tracts (acquired in 1920) were the largest undertaken in Palestine up to that time. Through the use of modern technical methods, ground that was swampy throughout and a menace to the public health has been so well reclaimed that, as in Nahalal, no trace of malaria remains. Wide stretches of land (4,700 hectares, Nuris and Nahalal covering 3,500 and 1,200 respectively) have been opened up to civilization, where only lately Beduins pastured their herds.

4

When the Keren Hayesod took over the rôle of central colonizing agency, the National Fund was relieved of all colonization duties, and the functions of the two major Zionist funds differentiated. The first phase of the colonization process—the purchase of land—undoubtedly falls within the scope of the National Fund; and the third—the settlement of the immigrants upon the land—as clearly comes within that of the Keren Hayesod. But in the second phase—reclamation—certain difficulties appear.

In how far is the National Fund to engage in reclaiming the land which it purchases? This is a very vexed question. In one view, reclamation is a very extensive term, which would include everything needful to prepare the ground for the settlers,

up to the point of actual settlement. This would include all the items already listed under the head of reclamation.⁶ At the other extreme we find the opinion that the National Fund ought to be relieved of these tasks altogether, so that it might put all its energies into the acquisition of land.⁶ A middle course would not restrain the Fund from engaging in reclamation enterprises, but would limit them to initial works only. Yet even here a difficulty arises, because "initial reclamation works" is a very vague term, and may mean anything. An attempt will now be made to define "initial reclamation works"; to establish the duties of the colonizing agency; and then to delimit the scope of the two Zionist funds in relation to each other.

5

By "initial reclamation works" we understand those improvements which fully restore unhealthy soil to a normal condition. They are an indispensable preliminary to cultivation. Under an older classification, they would be classed as "negative" improvements; that is, those which eliminate factors impeding production. Over against these, we set "positive" improvements, or those which increase the natural capacity of the soil. By this definition, the drawing off of superfluous water and the draining of swamps undoubtedly come under the former heading of "negative" improvements. Engineer J. Treidel has aptly remarked that swamps are a "disease" of the soil.⁷ "Sick" soil cannot produce, and is so much dead capital in the national economy. And for the Jewish immigrants the "sick" soil is especially dangerous.

⁶ J. Ettinger, for example, in his *Methoden und Kapitalbedarf juedischer Kolonisation in Palaestina*, would add to the list of the tasks of the labor "occupation" co-operatives, standing guard over boundaries, building fences or enclosures, first ploughing, etc., p. 28, The Hague.

⁶ Izchak Wilkansky, *Midoth* (Hebrew), p. 271. Tel Aviv, 5684.

⁷ *Kulturtechnische Aufgaben auf dem Gebiete der Bodenentwaeserung*. Erez Israel, Vol. 4, p. 49, Berlin, 1920. Juedischer Verlag.

The deep-burrowing weeds, also, must be regarded as a severe "disease." Undisturbed time out of mind, they have spread so far and entrenched themselves so stubbornly—in Bet Alpha, for example—that cultivation becomes impossible. Just as drainage of swamps is an indispensable preliminary of colonization, so, though in a more limited degree, the rooting out of weeds and clearing away stones which make cultivation impossible, must be undertaken.

Irrigation, deep ploughing, manuring, &c., fall into the second, or "positive" class of reclamation works. They increase the productivity of the soil by feeding it with organic or inorganic material drawn from the air, water, &c. These works either improve the soil or facilitate its cultivation. For example, the utilization of water raises the productivity of the soil, while the chief advantage of road-laying is a saving of labor.

To sum up, the two types of reclamation serve different purposes. Reclamation of the first type restores the ground at least to that point where it can meet the minimal agricultural requirements. A certain equality in the value of land is thus achieved. Reclamation of the second type aims to bring the soil to its highest pitch of productiveness. Units of ground in about the same condition, the same capacity for yielding identical products, may yet vary greatly in their market value, because they are in a very unlike state. Should two plots just as they are be leased to two settlers, a much larger sum will have to be spent upon one than upon the other in order to place both on about the same par of productivity.* To equalize the value of both plots in the first place, those factors must be eliminated which hinder cultivation.

Initial reclamation works like drainage of swamps and rooting out weeds constitute an integral part of the process of acquiring the land, since only with their aid can it become an instrument of production. All other works of this type improve the quality of that instrument, so that it will become more productive. In other words, in the former case, unproductive soil is brought to the point of productiveness; in the latter, pro-

* de Lieme, Erez Israel, No. 5, pp. 62-63. The Hague, 1920.

ductiveness is enhanced. Without the initial reclamation works, farming would be quite impossible.

6

Properly, only those reclamation works fall within the province of the National Fund, which are bound up with the acquisition of the land itself, and which make cultivation possible at all. Sanitation—the cure of the “sick” soil—is its first, and indeed only task. Drainage opens up formerly malarial districts for settlement by destroying the breeding places of the anopheles mosquito, the carrier of the fever. The money expended for such purposes is an integral part of the capital invested in the tract. The cost of the improvements is added to the price of the land. The National Fund does not require its lessees to amortize the cost of its reclamation works, but regards it as capital investment on which they are required to pay interest only. Agricultural improvements of the second type, on the other hand, are capital investments which have to be amortized and bear interest. The settler must finance them either out of his own capital or with borrowed money.

As already mentioned, the National Fund since the war has restricted its reclamation works to sanitation projects (such as drainage) and to the installation of water supply. While the first—as explained in detail above—are part and parcel of its land-buying operations, it is curious that the latter, which is a purely colonizing enterprise, should have been undertaken. “Installation” by the Fund means, not introducing water into an otherwise arid region, but bringing water already in the district into the settlement. This is done by setting up motors (in specially constructed sheds) from which the water is piped directly to the settlement, usually at some distance. In the village itself there is a reservoir, from which other pipes run directly into each individual farm.

Now, it cannot be said that these works improve the quality of the soil. They are, it is true, a necessity for a well managed farm, saving time and expense; which is to say, that water supply is one—perhaps the first—of the tasks of a colonization enterprise. Just as the settler provides himself with live-

stock and implements, builds a house and farm buildings, so must he convey water from its sources to his village and his farm. But, in assuming this function, the National Fund is trespassing upon a field from which it was to have withdrawn altogether.

7

It will help to elucidate our problem if we investigate how reclamation projects are carried out elsewhere—especially to what extent governments participate in them. In European countries, up to the middle of the nineteenth century, all reclamation works for which large funds were required—drainage and irrigation, regulation of rivers, afforestation—were carried out by the state. In the second half of the century, a decided change set in. Steps were taken to interest private initiative also in reclamation projects. But the Governments continued in various ways to take an important part in the work, apparently on the ground that “the State is adequately compensated for its support by the heightened productivity of the soil, the increase in the national revenues and in private incomes.”⁹ The individual farmer is, indeed, the first to benefit by reclamation works, but the country as a whole benefits as well, because the soil and the climate (afforestation) are improved, and the general earning capacity of the population raised to a higher level.

The financing is done either with the help of the State or of special reclamation credits. The method formerly used¹⁰ has been superseded in most countries by the latter. Special credit facilities were created by a number of Governments, as in England, Prussia and Saxony, pre-war Austria and Italy, where large sums were made available. In England, a special loan fund for drainage works was established as far back as 1847. Austria, in 1884, set up a general State reclamation fund to

⁹ A. Buchenberger, *Agrarwesen und Agrarpolitik*, Vol. I, p. 311, second ed., Leipzig, 1914, C. F. Winterscher Verlag.

¹⁰ Thus, for instance, the Italian State, in the latter half of the nineteenth century, expended about 1,000,000,000 lire for reclamation enterprises carried out by itself.

" foster the protection of landed property against devastation by flood; and to increase the net profits of production by irrigation and drainage."¹¹ In some countries—England, Germany, pre-war Austria—special reclamation banks were founded, or loans were granted for the purpose by public mortgage banks (Crédit Foncier in France¹²), Landeskulturrentenbanken in Germany, &c.) Co-operative societies to finance reclamation loans have also been effectively fostered.

Says Buchenberger, " State advances for reclamation projects (to be repaid in annual instalments) form a valuable source of support; also special credit institutions (Landeskulturrentenbanken) founded for the purpose of granting loans to be amortized over a long period of time. . . . Smaller undertakings, such as drainage and irrigation equipment, do not as a rule require State support. But it is a very great benefit to the promoters if they can be supplied with plans and estimates by the State experts . . . free of charge, and if qualified persons to direct and supervise their projects be placed at their disposal in return for moderate fees."¹³

It appears, then, that reclamation works nowadays are financed much more through various forms of credit than through State support. In the history of internal colonization which closely resembles that of Palestine—as in Denmark,¹⁴ Sweden,¹⁵

¹¹ E. von Philippovich, *Grundriss der politischen Oekonomie*, Vol. II, 8, Part I, p. 110, 11th ed., Tuebingen, 1920, Verlag J. C. B. Mohr.

¹² In France, also, the State formerly granted reclamation loans. A law promulgated July 17, 1856, appropriated 100,000,000 francs for promoting drainage. The loans were to be refunded in 25 years, at 4 per cent. interest. In 1858, the Crédit Foncier took the place of the State, i.e., it advanced loans against mortgages. Daniel Zolla, *L'Agriculture moderne*, p. 89, Paris, 1920, E. Flammarion, Éditeur.

¹³ A. Buchenberger, *Agrarwesen und Agrarpolitik*, Vol. I, pp. 311-312.

¹⁴ The loan may not exceed nine-tenths of the borrowing value of the property, and bears interest at 3 per cent. Dr. J. Frost, *Die innere Kolonisation in den skandinavischen Laendern*, p. 16, Berlin, 1914, Verlag Paul Parey.

¹⁵ Loans are granted for no more than 3/4 to 5/6 of the value of the homesteads to be built. (Idem, p. 35.)

Norway¹⁶—funds for reclamation, as for other colonizing processes, take the form of credits. In Germany, interior colonization on an enormous scale was consummated through special "Settlement Commissions," *with the help of State loans*. (Since the passage of the Rent Law in 1891, 500 to 1,000 villages have sprung up in Germany). The homesteads are turned over to the settlers against compensation for the cost of the land, improvements, and equipment. These so-called "colonization costs," include, in addition to charges for civic purposes, the disbursements for public works, such as roads, reclamation projects, &c.¹⁷ In New Zealand colonization, the land only is provided, after having been surveyed at the public expense and divided into allotments. High roads are sometimes laid, but no others. No other reclamation projects are undertaken.¹⁸

Reclamation works, then, seem everywhere to be regarded as part of the process of colonization, and are financed by grants of credit—not by allowances *à fonds perdu* from the State. Here lies the line of direction for the work in Palestine.

8

As already mentioned, since the National Fund was set up as the land fund of the Zionist Organisation, it has gradually withdrawn from all undertakings not immediately connected with the purchase of land. But there is still no clear-cut limit to its reclamation activities.

The National Fund ought to restrict itself to sanitation works exclusively—to drain swamps, draw off superfluous water, root out weeds, clear away brush, and—to a limited degree—remove the stones that hinder cultivation. This means that installation of water supply must be discontinued.

¹⁶ The interior colonization is financed by a special government Workingmen's Homes and Housing Bank, which grants loans only up to nine-tenths of the purchase price. (*Idem*, p. 54.)

¹⁷ M. Sering, *Innere Kolonisation im oestlichen Deutschland*, Leipzig, 1893.

¹⁸ W. Pluegge, *Innere Kolonisation in Neuseeland*, p. 84, Jena, 1916, Verlag Gustav Fischer.

That and all other improvements come within the scope of colonization, and ought to be carried out by the settlers themselves. As already mentioned, the settlers who have no means of their own must look to the Zionist colonizing agencies for these as they do for other purposes. Those who have some capital would do well to organize some form of credit for reclamation, since few are likely to be able to finance improvements as well as farm equipment. The creation of an *agency for reclamation credits* will probably very soon become urgent.

After the founding of the Keren Hayesod, the scope of the two major Zionist funds was defined as follows: the National Fund is an investment fund which creates material and permanent national possessions. The Keren Hayesod is a credit and maintenance fund which, while granting allowances to the settlers that must at some future time be refunded, also pays out *à fonds perdu* for objects which, though of great national importance (education, for example) have no property value. The interests of the Reconstruction as a whole require a rigid division of functions between the Keren Hayesod and the National Fund. If, for instance, the National Fund were to advance loans to the settlers for water supply works, it would cease to be a purely investment institution, and would undertake enterprises coming within the scope of a credit fund. Yet it is in every way desirable that identical Zionist credit operations be concentrated in one place. (Not the least advantage for the settlers is it that they have not two creditors—the Keren Hayesod and the National Fund—but one, the former.)

By no means must there be confusion or overlapping of functions. The National Fund must be left absolutely free to concentrate all its energies upon providing a healthy soil for Jewish colonization.

9

In conclusion, a few words upon afforestation. Afforestation falls entirely within the scope of reclamation works to open up land to cultivation which is not suitable for agriculture and lies unused. The sand dunes on the coast or the bald hills of Judaea can be brought into use again only by extensive affore-

station. This work therefore lies within the province of the National Fund. The establishment of an auxiliary Tree Fund in 1904 was not accidental: it still forms a section of the National Fund.

Nevertheless, extensive afforestation cannot be undertaken by the National Fund, because much larger funds would be required than are in sight. General experience in this field all over the world teaches that afforestation can be successfully carried on only by the State or by institutions subventioned by the State. Success in afforestation depends upon large-scale operations, backed by abundant technical and financial facilities.¹⁹ So long as these are not available, it is impossible to speak of afforesting Palestine by Jewish effort. The Zionist movement possesses for this purpose a small subsidiary Tree Fund to serve within the limits of its present scanty means—not indeed for forests—but for groves on small tracts of National Fund land unsuited to any other purpose. Systematic afforestation would be particularly valuable in Palestine, seeing that so much of the soil is not suited to agriculture. Perhaps, in time, the Zionist Organization will be able to engage extensively in forestry. But the hour has not yet come. More urgent tasks press. Above all, the soil of Palestine awaits its redemption.

¹⁹ A. Granovsky, *Der Staat und die Privatinitiative in der Aufforstung*. Erez Israel, Vol. 4, p. 14 et seq., where the experience of many countries—England, France, Germany, former Austria-Hungary, Belgium, Holland and Japan—in afforestation is described. Berlin, 1920. Juedischer Verlag.

FINANCING NATIONAL LAND PURCHASE.

I

There has been much disquiet lately in the Zionist camp because the funds available for the purchase of national land are sorely inadequate. The champions of nationalized land demand that as much land as possible be acquired as soon as possible—economic and political considerations inclining them to fear that soon no new land will be available. There are even some who insist most emphatically that in spite of the danger that every other Zionist activity may be wholly relegated into the background, all available funds be concentrated upon land purchase. Others, again, are distressed to see private individuals and associations buying up rural land so quickly that the National Fund is being forced into second place: a situation that seems to them, because of national and social as well as propaganda considerations, seriously to endanger the acquisition of national land. All, however, agree that the present tempo of the National Fund is much too slow, and that its purchases must be many times multiplied.

Since, however, much larger funds are required for this purpose than the National Fund is able to raise by means of donations, other financial sources are sought for. Always more frequently the plan of a National Fund loan is being suggested.

Despite its rapidly rising income from donations, the means of the Fund do not permit land purchase on a large scale. Only by strenuous effort were 100,000 dunams (25,000 acres) acquired during this year (1925) and at that a large indebtedness was incurred. The advocates of speedy land acquisition will not hear of marking time until large new sums can be accumulated from donations—which would, indeed, require a considerable period. Ways must, rather, be found of raising a large sum at one stroke to enable the Fund to augment its holdings immediately. A proposal is frequently made to mobilize capital on a commercial basis, that is to say, by means of a loan.

It is therefore necessary for once and all to probe into the idea of a loan,—to see if and under what conditions one might be possible. Upon closer examination it is to be feared that

the many illusions which, unfortunately, inhere in the proposal, will collapse.

2

A loan, it is rightly said, ought to be made on a business basis, because only thus can a large sum be procured. We must, therefore, test the capacity of the National Fund to offer security for a commercial loan.

Let the Fund appear in the international money market to ask for a loan, and the first question asked will be: What terms is it able to offer, and—chiefly—what guarantees can it provide for the security of the borrowed capital?

The rate of interest would offer no great obstacles. Though the Fund would naturally be interested not to increase unduly the cost of the land bought with the proceeds of the loan, it might be worth while under certain conditions to pay a rather high rate of interest. The question of guarantees is much more difficult. Therein lies the worst hindrance.

In the theory of finance two types of security for loans are defined. First comes the general, or organic, security. This is nothing but the personal credit of the State, and is the usual basis for loans granted to governments, provinces and municipalities. The *confidence* of the creditor in an economically sound state (or in a body for which the state can guarantee) is the equivalent of security for the loan. "Security depends upon all factors which safeguard the financial soundness of the state and its ability to pay—in particular upon a proper balance of income and expenditure in the governmental housekeeping, and in general upon the prospects of increasing the public revenues."¹ The second type of guarantee is the special or formal security which pledges definite objects of value or sources of income as security. This is a form of real credit.

There is no need to dilate upon the fact that neither the National Fund nor the Zionist organization—even in the newer

¹ Dr. M. von Heckel, *Loans*, in the *Handwoerterbuch der Staatswissenschaften*, third ed., Vol. I, p. 483.

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form of an all-Jewish Agency—is able to offer security of the first type. Only such bodies come into question as have sovereign rights and dispose over public revenues, and are able, in case of need, to assure regular payment of obligations by force or the application of sanctions. The Zionist organization, however, has no sovereign powers which would enable it to increase its credit capacity. It can offer only special or formal guarantees, that is, it can pledge certain objects of value or sources of income. As pledge objects the National Fund would have to offer :—

- (a) Its property, that is, the land which it owns.
- (b) Income from its property, that is, ground rent paid on its hereditary leaseholds and for hereditary building rights.
- (c) Income from donations.

3

(a) The National Fund already possesses considerable property which, at first sight, might seem able to serve as a pledge. According to the balance sheet for the year ending September 30, 1925, its value amounts in round figures to £E1,000,000 (\$5,000,000). The net value of mortgageable land (after deducting indebtedness) is set at £E775,000 (\$3,775,000).

First of all, there is a legal hindrance to placing the National Fund lands in pawn, thanks to a wise provision in the statutes by which they were made the *inalienable* property of the Jewish people, and which forbids even placing a mortgage upon them. It is, nevertheless, possible to place National Fund land in pawn at the time of purchase only. At the identical moment when the land is entered in the Land Registry in the name of the National Fund and the Fund takes title, it is possible to mortgage it to the person from whom it was bought. (The mortgage, also, is entered in the Land Registry.) Assuming that the legal difficulty could be obviated by granting a mortgage to the loan creditors by the method now used with vendors of land at the time of the sale, the National Fund would perhaps be in a position to mortgage its land but

would still be unable to offer such securities as the capitalist must demand.

The National Fund soil does not lie unused, but is almost immediately put under cultivation. The settlers establish themselves, build houses, etc. If the loan were not repaid, the lender would find himself either forced to drive the tenants out of their leasehold, to compensate them for labor put into the soil and for the value of their buildings, and then to take over land and farms together; or, he might assume the powers of the National Fund over against the settlers, and draw out as much as he could in the form of the ground rent. In every case there would be many vexing complications for the creditor. And, if he really wanted to exercise his rights, the settlers (and consequently the whole colonization process) would be seriously hampered. There is no doubt at all that this would be correctly estimated in the money market. It would be clearly understood that in the case of the National Fund, creditors would not go to the extreme length which in the case of private debtors they would not be deterred from. Since the Fund lands cannot be sold, nor the debt retrieved at all if annuities be not paid, the security offered the capitalist is illusory. The only possible element of security would be furnished by the income from the National Fund holdings.

4

(b) If the National Fund property yielded a steady and certain income, the loan problem could be quite simply solved. This is not, however, the case. In the commercial sense, the property of the Fund must be considered frozen capital, bringing in no tangible profit. After almost twenty-five years, there is practically no income from its property. Such income is to be derived from the hereditary leasehold and hereditary building rights. Income from the leasehold (agricultural land) has been almost nothing, and from building rights (urban sites) exceedingly low. This is due to the condition of the agricultural settlement in general, and in particular to the fact that a method of making it pay has not yet been found. Hardly any of the settlements are assured of a livelihood, that is, they are

not yet able to yield a return on the capital invested in them.

A paying agricultural settlement could provide an adequate base for a loan without further ado. Did income from its leaseholds figure in the annual balance sheets of the National Fund, it could readily turn to the money market with proof that its capital yielded a regular annual profit. Under normal economic circumstances, the payment of rentals could be counted upon with certainty (which is not the case with income from donations) and pledged as guarantee for a loan. So long, however, as the capital investment of the National Fund shows no regular income, a commercial loan is hardly possible.

Agricultural conditions are such in Palestine that rural land will only very gradually come to yield an income. Agricultural colonization in Palestine, which is still in its beginnings, struggles with severe hardships: the inexperience of the new settlers, climatic and especially financial difficulties, oppressive taxes, and much else. After all the years of work in Palestine, things are still in the experimental stage, and the lines of Jewish agriculture not yet clear. It must not be taken as a sign of despair if we say that some time must elapse before the farm settlements can be made to pay. And the payment of ground rent must, obviously, depend upon the successful operation of the farms. So long as these are not self-sustaining, the National Fund cannot of course require them to pay interest on its capital investment. But a long time must elapse before the settlements can maintain themselves.

5

Ground rent from urban land, on the contrary, may be taken for granted. There is here no question of bringing the soil to the paying stage. Building sites almost always are certain to bring a profit. In Tel Aviv, for instance, the price of land has gone up at a furious rate. Haifa, also, will develop in the same way in the not remote future. In the other Jewish cities, say Jerusalem, and Tiberias, land prices are not likely to go up by leaps and bounds; but, for all that, the cost of sites there is certain to increase. This is due, among other things, to the higher rents which make the houses

more profitable. Ground rent from urban sites comes in regularly and without difficulty, as the experience of the National Fund in the cities—though very limited—already demonstrates. The yield is, of course, much greater than from rural land. The rates for National Fund land are constitutionally fixed at 2 per cent. of the value of rural holdings, and 4 per cent. in the cities. There is a large difference between these two categories, in that the re-valuation of the land, upon which the amount of the rent depends, is made at much longer intervals in the rural districts than in the cities. The re-appraisals are made every twenty-five years in the former case, every ten in the latter. The interval will probably have to be much shortened where cities develop with extraordinary rapidity and the price of land keeps pace, as in Tel Aviv. (Frequent re-valuations will of course result in large increases in income, though the percentage charge remains stationary).

Had the National Fund invested a fairly large part of its funds in urban terrain, it would by now be deriving a not inconsiderable income therefrom, sufficient to serve as security for a loan. The regularly inflowing rents from the site land would assure payments both for amortization and interest.

We have here, then, an additional argument in favor of an urban land policy. In the opinion of the writer, large tracts in and near the cities—that and nothing else—would in a short time enable the National Fund to obtain a commercial loan. Urban land is not only valuable property in itself, but constitutes the one method of financing national land purchase on a business basis.

6

(c) It has been suggested that the National Fund pledge its income from donations as security for both amortization and interest payments on a loan. It can hardly be assumed that a large commercial loan would be possible on this basis. As there is no certainty whatever about donations, they offer very vague security to the capitalist. They derive from the good will of hundreds of thousands of contributors all over the world. Their amount depends upon factors which the National Fund is not always, and the capitalist never, able to control. There

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is no guarantee that the sources of these contributions may not suddenly—in greater or smaller measure—be dried up. Everything depends upon faith in the love of the Jewish masses for Palestine and their readiness to make sacrifices for the Restoration. The donations, therefore, offer no formal security but at best a general one which, for the present, has the backing of neither a state nor a similarly equipped body, but rests upon confidence in the donors. A loan on these terms would be nothing but a personal credit, which can at most serve as supplementary security.

The conclusion is melancholy indeed. Present conditions give no gleam of hope for a large commercial loan. It is, however, entirely within the range of possibility if the National Fund comes to realize a ponderable income from its holdings.

7

Small loans from Zionist sources might, indeed, be obtained, and for these a double security could be offered: first, a definite guarantee in the form of a mortgage upon the land bought with the proceeds of the loan, that is to say, the land would be registered in the name of the National Fund only after the mortgage had been paid off; second, "personal security," income from donations to be pledged as security. Such loans would, however, necessarily be granted for short terms only, and would thus prove very irksome to the borrower.

Credit operations are by no means new to the National Fund. During the five post-war years, it began to make large purchases from Arab land owners. Part payment was made in cash (as a rule, 25 per cent. to 30 per cent.) and the balance liquidated in four to six annual instalments. Interest at the rate of 6 per cent. was allowed on the unpaid balances. The Fund issued mortgages to the former owners, which were gradually wiped out with the payment of the yearly instalments. Almost all of its post-war purchases were made on similar terms. The burden of debt grew inevitably from year to year as the number of annual instalments increased. Since 1920, in spite of the large sums paid out, the obligations have con-

tinually grown and increased, as can be seen from the following table :—

Year	Cash Payments	Total obligations at Year's End
1921-1922	£E 182,219 - \$ 911,095	£E 269,990 - \$ 1,349,950
1922-1923	£E 139,560 - \$ 597,800	£E 184,876 - \$ 924,390
1923-1924	£E 106,419 - \$ 532,095	£E 329,688 - \$ 1,648,440
1924-1925	£E 173,118 - \$ 865,590	£E 771,024 - \$ 3,855,120

On October 1, 1925, therefore, the National Fund owed about £E770,000 (some \$3,850,000) which must be paid off in the course of the next five and a half years out of current income from donations. The question must now be asked whether the indebtedness of the National Fund for the next few years has not reached the maximum limit: and whether, if that limit be exceeded, the financial capacity of the Fund may not be overstrained. If so, a halt must now be called.

To sum up. A sound commercial loan is practicable only upon the basis of the income of the National Fund from its property. Loans of any other type are either not feasible or too burdensome. The road to a commercial loan may appear too long, and this view may seem to take too little account of the impatient demands that the area of the national lands be extended immediately by any means whatsoever; but it represents the method of economic reality, and opens up wide perspectives. If it had income from its property, the Fund would be able to invest the donations in land purchase as well as the proceeds of loans, whereas, as things stand now, current contributions would have to be drawn upon both for amortization and interest. As agriculture becomes self-sustaining and a broader urban policy is adopted, the income from National Fund holdings will, it is hoped, provide a sufficient basis for a large loan.

Inasmuch as, at present, the purchase of national land is financed solely by the income from donations, shall the National Fund ignore possibilities of opening up other financial sources and wait passively until these reach such a height that

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extensive operations become possible? There is no doubt that, in the future as in the past, the Fund will depend chiefly upon voluntary contributions, being in its nature a donation fund. The funds for land purchase must be neither interest-bearing nor repayable; that is, they can be raised only by means of donations.

Though the donations do not show any spectacular increases there is, however, no limit to their increase. By utilizing every possibility of propaganda, by an adequate extension of the collecting machinery, and the employment of proper methods, the income can grow at a very rapid rate. The progressive rate of increase can be judged by the returns of the last few years. In the year 1921-1922, the income was £E100,000 (\$500,000); in 1922-1923, £E114,000 (\$570,000); in 1923-1924, £E167,500 (\$837,500); and in 1924-1925, £E260,000 (\$1,300,000). Half a million pounds annually (\$2,500,000) is the mark set for the near future. With such sums in hand, the National Fund would be able to increase its land purchases considerably.

Yet, the utmost possible increase in contributions would not enable the National Fund to fulfil its tremendous function of nationalizing Jewish land in Palestine. Still other ways and means must, consequently, be sought out. The Zionist Conference held in London in 1920 understood this so well that one of the principal decisions there arrived at required that "for the sake of accelerating land purchase in Palestine," the National Fund mobilize private capital also for its land purchases. The underlying idea was that the National Fund must discover methods which would enable it to open up large new financial sources aside from donations and loans. In this respect, the little that has already been done may be an augury for future possibilities.

Private capital can be drawn upon in two ways for the purposes of the National Fund :

(a) Intending purchasers of land to lend their money to the Fund so that it may buy the tract they require, which they take over as a hereditary leasehold. The repayment of the sum advanced by the settlers is pledged for a given date.

(b) Money turned over to the National Fund by settlers to be credited to them as advance payment of ground rent. Under this procedure, no refund is required. The tenant simply pays no rent for a fixed period.

9

The first method, which is merely a loan of private capital, has already been used—as in the case of certain associations of Polish Hassidim, for whom land was bought by the National Fund. These associations had acquired fairly large tracts on which they intended to settle their members, who were not all on the same financial level: some possessed over £E1,000 (\$5,000) while others had come with £E300-400 (\$1,500 to \$2,000) per family. The latter could just barely manage to establish themselves, with nothing left over for land purchase. They were therefore obliged to turn to the National Fund, the associations offering a two-year loan, interest free, to cover the initial payments. The poorer families, not having to invest their whole capital at one time in equipment could lend the remainder to the Fund, provided that it were returned to them at the end of two years. With the means thus made available, the Fund has purchased 9,000 dunams (2,250 acres) in the Valley of Jezreel alongside the settlement of Jadjur.

Such transactions avail very little to solve the financing problem, but they do afford the Fund the temporary relief of not having to pay out cash at the time of purchase. Operations requiring cash payments are practically out of the question for the National Fund at this moment. It is only if moneys are advanced to the National Fund, that purchase can be made at all. The above-described loans have the advantage of costing nothing, since they are interest free. A further advantage is that people who knew little about the National Fund and who would not otherwise have settled on its land, have been brought under the influence of the principles for which it stands: Jewish labor, and the safeguarding of Jewish national interests.

On the other hand, these loans involve the disadvantage

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that they must be refunded in a short time. The burden for the following years is doubled, in that the refund must be made at the same time that further instalments on the purchase price fall due. Were there a possibility of securing long term loans in this fashion, they would be of real benefit. But this is a consummation hardly to be hoped for, seeing that the money is loaned by persons who have wished to settle on National Fund holdings because they could not afford to buy land for themselves, and that they really cannot lend even part of their equipment capital for more than a brief period. They do not regard their loans to the National Fund as a commercial transaction, making no demands for interest.

10

The second proposal involves private capital which does not have to be refunded because the money handed over by the settlers to the National Fund is credited to them as advance payment for ground rent for a long period. Associations whose members wish to settle on National Fund land furnish part of the purchase price, and the tract acquired is turned over on hereditary lease. In compensation for having paid a lump sum, the settlers are credited with rent for a longer period than their advance of funds actually represents.

These transactions have the very obvious advantage for the National Fund that it thus incurs no debt. Furthermore, it is assured of receiving rent for a certain period. (This is an important circumstance, because under present Palestinian conditions, the ground rent of rural leaseholds is rarely paid).

That this proposal is entirely feasible is proven by the experience of the National Fund in the cities, where it can be much more easily carried out than on the land. For instance, the settlers of the Yechiel suburb in Haifa participated with 30 per cent. of the purchase price of the Shadlije tract on which their settlement is founded (£E7,000 out of £E22,000, that is \$35,000 out of \$110,000). Similarly, when Shchunat Borochov was established near Tel Aviv, the settlers paid 8.5 per cent. of the cost of their land. Later, in 1925, when an additional tract of 350 dunams was acquired for this settlement,

the future settlers were able to contribute a substantial proportion, £E1,900 or 31 per cent. of the purchase price of about £E6,000. And when a small plot of five dunams was bought by the National Fund in Tel Aviv for the workshop of the German Blau Weiss group, they provided a major part—70 per cent. of the cost.

This method permits of extensive application to urban land purchase. Many intending buyers of building sites will doubtless avail themselves of it. Settlers must not be asked for sums beyond their capacity to pay, which ought to be tested in each case. In each case there ought to be an investigation as to the limits of the individual's capacity of participation. It seems beyond doubt, however, that as much as 25 per cent. of the cost of urban land can always be had. The ratio must needs be smaller for rural land, but a definite percentage can be fixed there as well. For rural land, also, interested persons will certainly be found who will be ready to place funds at the disposal of the National Fund under the above-mentioned conditions. The National Fund has already been asked to acquire land on behalf of settlers who were ready to contribute toward its cost. In such cases, 15 per cent. and even 20 per cent. can be counted upon.

Furthermore, it is quite possible to combine the short term loan with advance payment of ground rent in the following manner: the settlers to provide up to 50 per cent. of the cost of the land, of which 20-25 per cent. would be regarded as rent in advance, and 25-30 per cent. as a loan to the National Fund. Private capital could thus do much to extend the land purchasing capacity of the Fund.

If Zionists generally realized the far-reaching effects of the financial participation of settlers in the work of the National Fund, much more support would be forthcoming by this method. At present, the wealthier elements, who ought to be the first to help, show very little readiness to settle on national land. The proposed method of financial participation is perhaps the best way of approaching them.

The contributions of the settlers in no way entitle them to special rights, particularly to such as might impair the special features of the hereditary leasehold system of the

National Fund. Neither do they acquire any title whatever to the land, all property rights attaching to the Fund as in every other leasehold. They are compensated for their aid by the financial relief which they gain. Though they are relieved from liability for rent for a long period, they are required to pay a yearly quittance fee as a reminder that they are not owners of the land, but tenants.

It should be noted that, should this method come to be widely used, large tracts would always have to be kept in reserve for colonizing groups which had advanced funds for land purchase in their behalf.² Obligations would be heaped up on the National Fund, since, as said above, refunds to the settlers as well as instalments on the purchase price of the land would have to be forthcoming. Should such transactions occur very frequently, a situation might soon arise where the Fund could not provide land for settlers who were unable to contribute toward the purchase price. This would endanger the colonization enterprise as a whole, which depends chiefly upon the workingmen (who, needless to say, have no means at all). These very men, who are well trained in agriculture and have long been awaiting their opportunity to be settled on the land, might have to accept quite inadequate allotments. Colonization of the workingmen, which is of extreme importance, would be greatly hampered. All these misgivings will disappear if private funds be handled cautiously, and a large percentage of the public funds set aside in the annual Zionist budgets for the settlement of the workers.

Among the labor groups, also, some are ready to share in the National Fund land purchases. In fact, such support would seem to be assured for the workingmen's suburbs. During the very first negotiations regarding these suburbs, the labor representatives suggested that the settlers in question provide the Fund with certain sums for the necessary purchases.

² These applicants for settlement would, of course, have to meet the usual tests—fitness for farming, preliminary training, amount of required capital (in cash or credit) imposed by the colonization department of the Zionist Organization.

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To summarize. National land purchase, in the future as in the past, will have to be financed chiefly by donations. Private capital, however, should also be drawn upon by the National Fund, to be used partly for short term loans and partly as advance payment of rent. These methods can be put into operation *immediately*. Small loans might also be obtained from well-to-do Zionists by pledging the income from donations as security.

Discussion of a large commercial loan is, however, quite premature. The idea may merit serious consideration some time later, provided, of course, that the National Fund property shall have been made to yield an income. That object can be achieved only if, as explained above, agriculture be brought to the paying stage, and, especially, if a systematic, farseeing urban land policy be adopted.

The time will certainly come when large amounts of capital can be mobilized by these means for the acquisition of national land. In the meantime, the present fund-raising methods must be exploited to the utmost in order to provide the National Fund with means to fulfill its very wide-ranging functions.