

## THE CORE OF THE PALESTINE PROBLEM

DR. BERNARD ASCHER, Haifa, writes:

From my window I am looking at a procession of about 4,000 strikers, headed by Arab and Jewish Government employees carrying banners with the slogan in Hebrew and Arabic:

*"The Arab and Jewish workers are united and insist on their just demands!"*

Am I dreaming? Time and again, politicians have told the world that there is bitter hatred between Jews and Arabs. . . .

No, it is not a dream. All the stories the political witnesses have told the Anglo-American Inquiry Commission have been disproved by the fact of Arab-Jewish unity made manifest. Both Jews and Arabs want an increase of wages and a decrease of the cost of living. The official cost of living index stands at present at about 260 (pre-war level=100).

But this is not the whole truth. There is rent restriction in Palestine. A tenant who happens to occupy the same flat for, say, ten years, pays a protected low rent (i.e., he expropriates the landlord). The newcomer—and there are many in a country built upon immigration—is unable to find accommodation. There are not enough new buildings. But if the newcomer succeeds in finding an abode, he is compelled to pay, in spite of rent restriction, a lot of money as additional rent in a disguised form, perhaps 50 per cent. or more of his income. These secret payments are never disclosed to the statistician; if they were, the cost of living index might stand at 500 instead of 260.

This newcomer is compelled to demand higher and higher wages, in order to cover the rent; if he succeeds, the man who has occupied the same flat for many years gets the same higher wages too. The result is . . . inflation.

The problem of inflation and cost of living is, in fact, a housing problem, and this, on the other hand, may be reduced to that of the cost of sites. There is a tremendous dearth of land in Palestine. Certain plots cost £St50 or more per square metre. How can the cost of housing be low, if the builder is compelled to pay £St50 for the plot? It is too easy to blame the "speculators." Wherever the population and its funds increase, wherever an active and industrious people lives, there the value of land is sure to increase, because it is simply the expression of the community's efforts and achievements. It is the speculative price of land that causes the land famine and high rents; and all the king's horses and all the king's men will fail to bring them down or reduce the cost of living unless we do something really decisive; that is, unless we introduce Land Value Taxation. When we shall give to the community what belongs to it, then land prices will stop rising, houses will be built, and the Palestine troubles will be settled.

All this might concern any other country, too. But we have still other reasons to introduce Land Value Taxation.

Lowdermilk and other famous experts have proposed large-scale development schemes for Palestine. We can have a second Suez Canal. We can use the sweet waters of the Jordan or the Orontes for a thorough irrigation of the whole Middle East. We can use the Dead Sea depression for an immense generation of hydroelectric power. We can make aluminium, magnesium and other light metals at low cost sufficient to build all ships and planes of the world, and we can create a home and jobs for millions of Jews and Arabs. We could do all that if we executed a scheme on the line of the famous Tennessee Valley Authority (TVA). But we do not want to put the profits derived from such a scheme into the pockets of some landowners who failed to risk their

funds and health in building up all these works. -The working community will sow, so this same community must earn the fruit.

Or are we to imitate TVA also in so far as it permitted landowners to enjoy without any effort the increase of land values created by TVA? David Lilienthal, the Chairman of TVA, boasts of this shame!

Shouldn't we better apply the principles embodied in the Irrigation District Act of California and secure for the working community the land values created by such scheme?

### LAND TENURE AND TAXATION

The Palestine land system is still based on the Ottoman Land Code, which is a codification of ancient Mohammedan and Byzantine traditions. These traditions not only meet with eastern conditions, but also respond to modern demands. A Land Value Taxation system could be built directly upon them. The Ottoman Land Code, for example, recognises:

- (a) The escheat of uncultivated land.
- (b) The right of landless peasants to buy cheaply land which has been sold to strangers and left uncultivated or left by a deceased person without heirs.
- (c) The "unimproved value" of the land. This "Bedl Mithl" or "Tapu Value" is, in fact, that kind of value on which Land Value Taxation ought to be based. Even an inexperienced official knows how to assess it. Thus we are able to switch at once to pure Land Value Taxation, using old-established laws and practices.

The present taxation system includes a progressive income tax, urban property tax, municipal and local council rates, Jewish community rates and rural property tax on industrial buildings levied on the net annual value of immovable property. The net annual value of unimproved plots is legally fixed at 6 per cent. of their capital value. The rural property tax on other than industrial buildings is levied in accordance with the category of lands. There are 17 such categories corresponding with the value of the lands. It is immaterial whether or not lands are used in this or in that way, except that certain improvements are not considered to raise the value or alter the category of lands for a certain period or even for ever.

About 70 per cent. of all lands owned by Jews are owned by the Jewish National Fund, by the Palestine Jewish Colonisation Association and other public institutions. Their practice is to lease their lands on long terms, the contracts providing for periodic revision.

A goodly proportion of these leases has been granted to Jewish communal villages (Kibbutzim) which are *de jure* co-operative societies, and are forbidden by their statutes to make a profit. Neither these societies nor their members can sell their shares in the society nor in the leasehold rights of the society, so that there is a second and still more important safeguard against speculation in and usurpation of the ground rent.

There are also Government leases of State domains to developing bodies (mostly the above Jewish institutions) under similar conditions.

Mohammedan and Christian religious endowments (Wakf) cannot sell their lands and are thus compelled to lease them for limited periods.

### THE COLLECTIVE SETTLEMENTS

The Jewish communal and collective settlements—the Kibbutzim—are Jewry's real answer to Hitler. Out of misery and persecution they were created, and their spirit of justice and co-operation, combined with technical efficiency, will

survive when the spirit of hatred, injustice, class rule and exploitation will long be dead.

But these Jewish settlers are human, and no human being can persist in living brotherly and honestly on the fruit of his toil if his neighbour gains sudden riches from land speculation without doing any work at all. As long as there is wild land speculation in the cities of Palestine by buying and selling a plot, the intelligent communal worker might be seduced to leave the Kibbutz and make money the same way. Land Value Taxation will destroy this possibility and this temptation, so it will save these co-operative settlements and preserve them as models for a better world. Their preservation is more important than the so-called struggle between the local politicians—and, by the way, there is no struggle at all between Jews and Arabs in Palestine—only between their politicians and journalists.

## RENT IN RUSSIA

BOTH "CAPITALIST" and "Soviet" societies are based upon the denial of the right of the individual to apply his labour to land on equal terms with his neighbour. In the latter it is, in theory, only by permission of the State that any use may be made of the vast resources of the country or a building of any sort may be put up; it is only as a member of a Kolhoz that a man may cultivate the soil. In practice, of course, this silly idea has had to be abandoned in all directions, yet it remains substantially true that no large-scale undertaking can be begun outside the "National Plan."

Thus Rent appears in Russia first and foremost as an enormous bunching up of power in the hands of the bureaucracy and of the inner circle of the Communist Party. The evidence that these men are also feathering their own nests is substantial, but the point is comparatively unimportant. It would be odd if Russians were any more able than the rest of mankind to resist the temptations of power; power corrupts, and the power to say "yes" or "no" to the productive initiative of 200 million people doubtless corrupts very greatly.

There are, however, other forms taken by Rent in Russia. Nature is no more uniform there than elsewhere, and the population is no more evenly distributed. It is thus easier to produce in one place than in another, and the difference (which is rent or community income) is, in the absence of any corrective legislation, left in the hands of those more fortunately placed. That the "rentiers" are often themselves collective persons—trades unions, co-operatives, factories or farms—in no way restores the lost balance.

A clear example can be seen by those with eyes to see in the organisation of the collective farms. By a decree of February 18, 1935, houses with the land they are built on, kitchen gardens and allotments, were made individual property. The produce of these small-holdings will vary in the usual manner, apart from variations due to the different level of industry and intelligence brought to bear on them. But they are all small, and the Soviet policy has normally been hostile to them. Much more important, therefore, is another decree published about the same time, stating that the limits of the domain of each collective farm cannot be reduced. "This," says Sir Bernard Pares (*Russia*, Penguin series, p. 196), "the peasants regarded as satisfying their claim that the given holding belonged to these and to no other peasants—the principle which they had always maintained." For our purposes it should be regarded as a guarantee that the advantages of site and fertility enjoyed by certain collectives will never be taken from them.

We have the evidence of Trotsky that this collective landlordism has led to the hiring of labour by the so-called "millionaire" collectives and the renting of land to less

favourably placed collectives. (See *The Revolution Betrayed*, pp. 128 and 130. The whole passage—"Social Contradictions in the Collective Village" is a running commentary on the ineluctable law of rent all the more striking since the author is, himself, blissfully unaware of the fact.) Perhaps Trotsky overdraws the dependence of the Soviet state upon the favoured few—that is his political line. For our purposes it is sufficient to note that the inequality occurs.

Further "collective inequality" can be seen in what Sir Bernard Pares describes as "the economic domination of the Motor Tractor Station" (loc. cit. p. 166). These are a State-made monopoly which, according to Sir John Maynard, absorb 18 per cent. of the output of the collective farms, and which are, by law, immune from any outside competition.

Thus deeply embedded in the structure of Soviet agriculture we find pure economic rent and State-made monopoly profit going to private ("collective") hands. A similar analysis could be made in industry.

The distortions which result when the laws of political economy are ignored by society are many and various. They fall into two broad categories—monopolistic and Socialistic. In England, where these laws were once known and were made the basis of the policy of a great political party (now defunct) we stagger along under an exasperating combination of both types of distortion. Time will probably show that they are substantially identical. The monopolist in Socialist Russia and the Socialist in monopolised England approximate more and more in their standards of behaviour every day.

J. R. M. S.

## GOLD RUSH AND LAND BOOM

SPEAKING IN the debate on the Finance Bill, May 16, Mr. R. R. STOKES, M.P., referred to the gold rush in South Africa as a good example of what happens as a result of natural resources being discovered and of population desiring to go to a particular place. He quoted from *The Times*, May 13:

"Main attention at Odendaalsrust is shifting gradually away from share speculation and is concentrated on the buying of property. Plots and stands have risen spectacularly in price. The record price of £12,000 has been paid for a small building plot in the centre of Odendaalsrust which 14 days earlier changed hands at £2,700. An offer of £7,000 has been rejected for a building plot formerly worth less than £100. One sold 10 years ago for £52 is priced £5,000 to-day."

"And so it goes on," Mr. Stokes said; "this is because they are expecting population to flow there." He gave a number of examples of land prices in this country to illustrate the anomaly and inequity of the present rating system. "Tax buildings and improvements and you immediately hinder all development. Tax commerce and you at once hinder it. The purchase tax is obviously hindering people from buying. But taxing land according to its value, whether used or not, will force the owners to make use of it in the interests of the community. We need to stimulate the wealth of the country by bringing in a thoroughgoing system of the taxation of site values."

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