

PALESTINE : PROMISE AND PERFORMANCE

[Notes of an Address by DOUGLAS J. J. OWEN in the Picton Hall, Liverpool.]

THE MAIN provisions of the White Paper of 1939 (Cmd. 6,019) are, first, to limit immigration into Palestine to 10,000 per year for five years, plus 25,000, with no further addition to this 75,000 without Arab consent; and, secondly, to restrict land purchase to certain areas. The Land Regulations under this provision, issued in 1940, were unexpectedly severe on Jewish hopes, making it almost impossible for them to extend their purchases in by far the larger part of the country. It has been rumoured that the White Paper will be repealed, and some authorities have doubts, expressed by Lord Davies in the House of Lords, as to the validity and legality of its provisions, which have never been endorsed by the Mandates Commission of the League of Nations. In fact, the Mandates Commission in 1939 refused to sanction the policy of the British Government.

The Palestine Mandate, given to the British Government in 1922, refers in its Preamble to the recognition given by the Balfour Declaration "to the historical connection of the Jewish people with Palestine and to the grounds for reconstituting their national home in that country." And in Article II. it gives instructions to the Mandatory Power, Great Britain, "to introduce a land system appropriate to the needs of the country, having regard, among other things, to the desirability of promoting the close settlement and intensive cultivation of the land."

It is obvious from the above that the League of Nations thought that a new land system was required. It is equally obvious that the land system in Palestine remains in essence what it always was; that is, similar to land systems in most other countries, based on private monopoly, with consequent speculation. The *Encyclopædia Britannica*, 14th Ed., 1929, vol. 23, states: "With the exception of about 20 sq. miles of State and waste lands, all the land acquired (390 sq. miles) since the war (1914-18) has been bought in the open market, often at inflated prices, and in addition to the heavy expenditure in which they have thus been involved, the Jewish National Fund and other Jewish bodies have had to sink large amounts of capital in improvements, including in particular the drainage of marshes."

That the land ramp in Palestine has gone on unabated since 1929 is testified by the recent statement (quoted in *Land & Liberty*, June, 1943) by Judge Bernard Rosenblatt, President of the Palestine Foundation Fund, who uttered a grave warning against the growth of land speculation in Palestine. He said that land values there have risen substantially since Rommel's defeat in Libya. "The present landlords, both Arab and Jewish, will reap a harvest which must operate as an increasing tax upon every newcomer in the country. The Jewish National

Fund is vitally affected, for it would be unable to purchase land at an increasing tempo to meet the demands of the new immigration, while land values continue to forge upwards with every shipload of immigrants; the fund may in fact be forced into the awkward position of becoming virtually a collecting agency for Palestine landlords."

This remarkable warning is borne out officially in the report of the 1937 Royal Commission, which referred to the criticism of the Mandatory Power for not implementing Article 11 by introducing a new land system. "It is true," they stated, "that no new system has been enacted. The Ottoman Land Code has been retained, with all the difficulties involved in its various forms of ownership and tenure of land; several new laws have been passed to amend it, but it remains in essence the same complicated system, one which is not calculated to promote close settlement and intensive cultivation. Even with the amendments which it has been found possible to introduce, it cannot be deemed to be a satisfactory system in these respects." It goes on to speak of the "era of speculation" and gives statistics in illustration.

The Palestine land system is, in fact, the one that is familiar in Great Britain and most other parts of the world. The valuation in Palestine is described as "prehistoric and biased." It bears no relation to present values. Unused building land escapes taxation. Tithe is levied on gross production, and if the land is untitled there is no tax to pay. This, as the Joint Palestine Survey Commission of 1928 pointed out, puts a premium on the non-cultivation of land! "Cultivators of poor land are more heavily taxed than cultivators of good land. . . . Psychologically, the tithe exerts an unfavourable effect upon the cultivator, as he is less interested in improving his farm and increasing his crop yields, since he believes that he will but have to pay more taxes to the State as a result of the increase in his profits." Members of this Commission were Lord Melchett (Chairman), Dr. Frankel and Messrs. Warburg and Oscar Wassermann of U.S.A. Their Report not only gave a reasoned criticism of the existing system, but showed the way to a better one. The main interest of the passages on agriculture was to indicate how far the Mandatory Power had failed to carry out its Mandate to introduce a new land system. On p. 134 we find this significant description of land and taxation in Palestine. It may be compared with conditions in any country taken at random:—

"The laws and the methods of taxation which are now in force are recognised to be archaic and inequitable. They discriminate in favour of those lands which are not cultivated, and which are therefore unproductive, and penalise the industry and enterprise of those who add to the productivity of the soil and to the prosperity of the country.

In most countries where land taxation prevails, it is upon the basis of the fair value of the land, whether it be cultivated or not, or whether the methods of husbandry be good or bad. The actual value of the land is, as it should be, the controlling factor. Any other policy obstructs the economic development of the country. It is hoped, therefore, that a fiscal policy may soon be adopted which will tend to equalisation in taxation upon a reasonable basis."

When the Joint Survey Commission of 1928 came to specific proposals and recommendations, they were equally clear as to the remedy required. They stated: "No progressive colonisation of Palestine is practicable until a modification of the present system of taxation has been effected. . . . Although the new system (commutation of tithe) eliminates some of the major evils of the tithe, it will not prove satisfactory since taxation should be based not on the actual yield, but on the unimproved value of the property to be taxed." The advice was unheeded. As a direct result, a crisis developed, ending in violence and bloodshed. The British Government of that time, ignoring the warning of both the above Commissions, attempted to deal with the situation with the White Paper policy instead of laying the foundations of the Jewish National Home upon a just land system in accordance with the instructions of the Mandate. As stated already, the White Paper policy was rejected by the Mandates Commission upon whose approval its legality and validity depended.

Rabbi Perlzweig recounted at our International Union's Conference in Edinburgh, July, 1929, the interview he had just had with the then High Commissioner of Palestine, Sir John Chancellor, who was at that time in London. After showing that with every bit of land bought and improved the next bit of land is made harder to buy, and that the Jews were thus putting up the price against themselves, Rabbi Perlzweig put this question: "Don't you realize that this present system, by which the value of land that we have to pay for is increased, is unjust?" And the High Commissioner replied: "Yes, I know it is unjust, but that is what happens everywhere," He was right, it does happen everywhere that men ignore the teachings of justice. The Rabbi went on: "But is it not right that in this land of all lands, the land of the prophets, some attempt should be made to consider whether it is not possible to find a way out of the difficulty?" The High Commissioner replied: "I know what you are: you are a follower of Henry George." After the Rabbi had admitted to the Henry George discipleship, the High Commissioner went on: "I will at any rate say this: I have some experience in colonization. I was Governor of Southern Rhodesia, and I will promise you that my Land Department shall make inquiries into the experiments

which have been made in the Taxation of Land Values, and if anything can come out of these experiments of use to Palestine then you may rely upon my sympathetic desire to put them into practice." There spoke the best type of British colonial governor; but unfortunately nothing appears to have been heard of the inquiries.

One of the greatest friends of the Zionist movement has just died in the person of Lord Wedgwood. He was, of

course, at the same time one of the greatest followers of Henry George. Writing in his book, *The Seventh Dominion*, in 1928, Lord Wedgwood said: "Gravest of all the impediments that Zionism has had to face is the exorbitant price exacted for land." If the sense of frustration and betrayal of the Jewish people in Palestine is not to issue once more into a state of chaos and disorder, heed must be taken of the warnings quoted from so many sources.

Taxation should be based, as the Joint Survey Commission said, not on the actual yield but on the unimproved value of the property to be taxed. The remedy is in line with the requirements of the Mandate: it has been endorsed and demanded by the Jewish leaders: it is the remedy associated with the name of Henry George, and embodies the principles of the Laws of Moses: "the land shall not be sold in perpetuity."

SCOTTISH RATING AND VALUATION COMMITTEE

Memorandum of Evidence Submitted by the United Committee for the Taxation of Land Values

[The Secretary of State for Scotland has appointed a Committee with the following terms of reference: To review with reference to post-war requirements the law and practice in Scotland in relation to (1) The valuation and rating of hydro-electric undertakings, with special reference to the recommendations of the Committee on Hydro-Electric Development presided over by Lord Cooper; (2) The effect of the existing system of rating on the provision of houses and the question of whether it is practicable and desirable to limit the maximum amount payable in respect of owners' rates; and (3) The liability for rates in respect of empty or unused premises.]

The terms of reference to the Committee indicate a variety of subjects for consideration, the most extensive of which is "the effect of the existing system of rating on the provision of houses." But, as any alteration in the rating system in relation to any class of lands and heritages will automatically affect the proportion of rates to be borne by the occupiers and proprietors of all other classes, it is essential to consider in the first place what is the general nature of the existing system and what economic consequences flow from it.

The fundamental basis of the system of rating is the valuation upon which the rate is levied. This is the yearly value of land and heritages and is defined to be "the rent at which, one year with another, such lands and heritages might in their actual state be reasonably expected to let from year to year."

The subject to be valued is land, but that term in law includes the buildings and other improvements which have been made on or in it. Thus the basis of the rate is a composite subject consisting both of the natural resource, land, and of the artificial things attached to it by man. It is also to be observed that the subjects of valuation are to be valued "in their actual state," that is to say, according to the actual degree of development or use which has been made of the land and without regard to the possibility of it being put to a better use.

The result is that undeveloped land is valued at a nominal figure, and that the better it is developed, the higher becomes the valuation, and the greater becomes the burden of rates levied in respect of it. For example, if there be in the same street three sites side by side and of equal site value, and if the first is undeveloped, the second poorly

developed (e.g., having on it worn out and antiquated buildings), while the third is well and adequately developed, then the first will be rated at a nominal value, the second at a low value and the third at a high value.

It is, therefore, evident that the present system of rating discourages the provision of houses and of other buildings and improvements, and makes them scarcer and dearer.

On the other hand, the present system by virtually exempting unused land from contribution to the rates encourages owners to hold back their land from sale or feuing until they can get a high price or feu duty. This tends to raise the level of market price, and in that respect also discourages the provision of houses and other buildings and improvements.

The fact that the Scottish system of assessment imposes part of the rates upon the "proprietor" and part upon the occupier does not make any material difference to the economic effects outlined above. It is to be remembered that "proprietor" in this connection means the person "who shall be in actual receipt of the rents and profits," and that a person occupying under a lease for more than 21 years is deemed to be the proprietor. As there cannot for the purpose of rating be more than one proprietor of any rateable subject, it follows that no rate is levied upon the owners of feu duties and ground annuals, although both of these are owners of interests in land and in the broad sense of the word are as much proprietors as those who are defined to be "proprietors" for purposes of rating. Thus it appears that in some cases the occupier and the proprietor are one and the same person who bears both classes of rates, and that in many cases proprietors who draw very large rents in the form of feu duties or ground annuals are not rateable.

The ultimate incidence of a rate, as of any tax, is not determined by the mere fact of it being collected in the first place from some defined person. It depends upon the nature and economic effect of the charge. Thus, it is well understood that taxes upon commodities such as tea and sugar although collected from importers or manufacturers are paid in the end by consumers in the shape of a higher retail price.

The same thing takes place in the case of rates which are taxes upon

houses and other buildings and improvements. In the case of houses they are borne by the occupier (who is in effect the consumer of the dwelling) and in the case of heritages used for industrial or commercial purposes, they are shifted on to the consumers of the goods manufactured or vended.

The incidence of rates upon the value of land is entirely different. Land is not produced. There can be no question of reducing the supply and so raising the price. On the contrary, if a rate on land value is levied upon all land, whether used or unused, it will discourage the holding up of land for future increase of value and so will reduce land values from a speculative to a normal level.

The effect of the existing system of rating in discouraging the provision of houses does not arise from the fact of some rates being levied upon owners. The amount of the rate which the owner is likely to bear is taken into account when he bargains with the occupier over the rent. Houses will not be erected unless a return can be foreseen from them which will both cover any rates which the owner has to pay and remunerate the cost of construction and the cost of the land.

It may be said that the levy of rates on owners has the effect of asserting the principle that payment should be made for public services which maintain the value of the heritage whether it is used or not. Clearly no land would be worth much more than a nominal price or rent if all public services were withdrawn. The existence of these services is essential to the maintenance of the land value, which is indeed simply a measure of the communal advantages of living in one place rather than in another. There would be a principle involved if the rate were levied upon land value and so fell inescapably on those who benefit by public expenditure and other forms of public activity, and it would be a sound principle. The same principle is not involved when the rate is levied on the yearly value of land as built upon and improved because the rate then tends to be shifted on to the occupier.

But there is nothing to be gained by limiting or abolishing owners' rates, so long as the present system remains. The result will be to increase the direct burden upon occupiers, whereas it was formerly an indirect burden concealed in the rent. The discouragement to the