

CHAPTER IV

GEOGRAPHY AND ECONOMICS**Geography**

1. Palestine, about the size of Wales or the State of Vermont, is geographically an integral part of Syria, having no natural frontier on the north. A marked natural division within the country separates the rich soil of the coastal strip and the plain of Esdraelon from the rocky mountain areas, parched for a large part of the year, and from the southern deserts. In the wide coastal plain there are thriving towns—Acre, Haifa, Tel-Aviv, Jaffa and Gaza—with ports and a variety of industries. Here, moreover, is to be found intensive cultivation, by Arab and Jew alike, with attention concentrated on the old and profitable pursuit of citrus growing. The mountains contain not only desolate areas of barren rock and deforested hillside, but also fertile valleys and basins where cereals are grown; in addition remarkable results have been achieved in the cultivation of olives, vines and fruit trees on tiny terraced strips constructed and maintained with great patience and skill. In summer the hills are dry. In winter heavy rains tear away soil from every hillside that is not adequately protected by terracing or forest cover, and constant warfare has to be carried on against erosion.

2. Nearly all the Jews of Palestine and almost half the Arabs live in the plains, though these contain less than one-seventh of the total area of Palestine, while the mountains and the southern deserts are populated, apart from scattered Jewish colonies, exclusively by Arabs. Both Arab and Jew put forward historical and cultural claims to the whole of Palestine, and even the great deserts to the south, almost rainless and with more rock than soil, are not uncontested. With a small, semi-nomadic or nomadic Arab population, their emptiness appears to the Jews as a challenge to their powers of colonisation; and, despite the unpromising outlook on any economic test, the Arabs regard proposals for Jewish settlement as yet further evidence of the well-planned "creeping conquest". Geography, indeed, partly explains the intransigent claims of both sides to the whole country. The plains are too small and the mountains too poor to subsist as independent economies.

3. The significance of Palestine in international affairs, apart from its possible strategic importance, derives largely from the fact that it lies across natural lines of communication. Major railway and road communications pass through the country. It is on the route between two great centres of Arab culture, Cairo and Damascus; between Egypt, the administrative centre of the Arab League, and other member states; and between Iraq and the newly independent state of Trans-Jordan and their outlets to the Mediterranean; and it has great potential importance in the air traffic of the future. Palestine is also deeply involved in the business and politics of the international trade in oil; for, although there are no wells in the country, a pipe-line delivers a stream of crude oil to the great refineries at Haifa; and from there tankers deliver it to countries around and beyond the Mediterranean. The American concession in Saudi Arabia may produce another stream converging on much the same point of distribution.

Population

4. According to official estimates, the population of Palestine grew from 750,000 at the census of 1922 to 1,765,000 at the end of 1944. In this period the Jewish part of the population rose from 84,000 to 554,000, and from 13 to 31 per cent. of the whole. Three-fourths of this expansion of the Jewish community was accounted for by immigration. Meanwhile the Arabs, though their proportion of the total population was falling, had increased by an even greater number—the Moslems alone from 589,000 to 1,061,000*. Of this Moslem growth by 472,000, only 19,000 was accounted for by immigration. The expansion of the Arab community by natural increase has been in fact one of the most striking features of Palestine's social history under the Mandate.

5. The present density of population in Palestine is officially estimated at 179 per square mile. If the largely desert sub-district of Beersheba is excluded from the calculation, the figure is 336.

6. The Committee obtained estimates of the probable future growth of Palestine's population from Professor Notestein, Director of the Office of Population Research at Princeton University, from Dr. D. V. Glass, Research Secretary of the Population Investigation Committee in London, and in Palestine from the Commissioner for Migration and Statistics and the Government Statistician. The estimates for the non-Jewish population made by the last-named, on various hypotheses but with the constant assumption that there would be no non-Jewish immigration or emigration, ranged from 1,652,000 to 1,767,000 at the end of 1959. Professor Notestein, also assuming the absence of non-Jewish migration, extended his calculations to 1970 and arrived at a figure of 1,876,000. The Commissioner for Migration predicted an Arab population of 1,565,000 in 1960 and 1,820,000 in 1970. The highest estimates were those of Dr. Glass, who anticipated a settled Moslem population (*i.e.*, excluding the Christian Arabs) of 1,636,000 in 1961 and 2,204,000 in 1971. For the probable Jewish population at the end of 1959, on the supposition that no immigration occurred in the interval, the Government Statistician put forward the figure of 664,000.

7. The Jewish community, in the absence of immigration, would form a steadily diminishing proportion of the total population. This is clear from the comparative rates of natural increase, shown in the table below:—

AVERAGE ANNUAL RATE OF NATURAL INCREASE
PER 1,000

Years.	Moslems.	Jews.	Christians.
1922-25 ..	23·27	20·44	20·16
1926-30 ..	25·19	22·70	20·60
1931-35 ..	24·97	20·91	20·85
1936-40 ..	27·68	17·75	20·77
1941-44 ..	30·71	17·83	18·89

The high Arab rate of natural increase is accounted for by a fertility which is among the highest recorded in the world, and by the disappearance under the Mandate of such counter-balancing factors as conscription for the Ottoman army and a high incidence of malaria. The fact that the rate is still rising seems to be due principally to declining mortality, particularly infant mortality.

* It is difficult to estimate the Arab population precisely, as the official statistics are compiled on a religious basis and a small proportion of the Christian population is not Arab. At the end of 1944 the Christians numbered 136,000.

Economic Contrasts

8. On the economic side Palestine is a country of marked contrasts. While the Arabs have remained preponderantly rural, in the Jewish sector, along with the "close settlement on the land" which had been laid down as a guiding principle of Jewish colonisation, there has been, particularly in later years, a remarkable industrial development. Moreover, the new Jewish colonisation has assumed more and more the character of a socialist experiment. For though at many points it retains, particularly in urban industry and trade, the form of private enterprise, it is everywhere guided and supported—in finance, technical advice and other matters—by the great complex of Jewish undertakings which co-operate in the building of the National Home.

9. The passage of years has only sharpened the contrast in structure between the two economies. On the Arab side, notwithstanding some development in co-operation and trade unionism, individualism is still characteristic. In agriculture small-scale peasant farming, still largely on the subsistence principle, remains predominant; and the many signs now visible of enterprise and expansion in Arab industry conform to the same pattern of strong individualism. In the Jewish economy, on the other hand, is to be found a nexus of centralised control. Thus the Jewish Agency, besides being a landowner on a large scale, is a promotor and financier of agricultural settlement, and has large and varied participations in industrial and other enterprises. Histadruth, which is closely associated with the Agency, is by no means simply a federation of workers' unions. It is, in addition, a vast consumers' co-operative organisation; it operates large contributory social services, including unemployment insurance, and it has latterly become a capitalist employer, being the sole or controlling owner of a wide and ever-increasing range of industrial, constructional, financial and service undertakings. There have occurred lately several instances of members of Histadruth, as a trade union, striking in a wage dispute against Histadruth as owner of the employing business.

10. Not to over-emphasise the cleavage, it should be noted that there are points of contact between the Arab and Jewish economies, as in the Palestine Potash Works. There is indeed some limited interdependence, where for example the Jewish housewife buys vegetables from an Arab grower. But there can be few instances of so small a country being so sharply divided in its economic, let alone social and political, basis. Only in citriculture, which before the war provided the staple export of Palestine, do we find close association between the two sectors. It is shared about equally between the two communities, and many Jewish citrus groves employ some irregular Arab labour. Individualism is the characteristic form of enterprise in both sectors of the industry, though war-time difficulties have called for special measures of government assistance, which in turn have tended to bring the two together in co-operative protective measures.

11. Everywhere is to be seen a marked disparity between the standards of living, however measured, of the Arab and Jewish communities. Jewish wage rates are consistently higher than Arab, those for unskilled labour being more than twice as high. There is only a limited range of competition between them; and therefore a minimum of natural pressure towards equalisation. Habits of consumption, the degree of reliance on the market, whether for supplies or income, housing standards and so forth, differ widely, and in general the social services available to the Arab are extremely limited. The war has done little, if anything, to weaken the division.

War-time Economic Developments

12. In recent years, the war and changes due to the war have been the main influences governing the standard of living and economic prosperity of both sectors. Though the margin between Jewish and Arab wage rates underwent in general little change, the incidence of taxation and rationing, together with subsidies in aid of the cost of living, tended to depress the higher Jewish standard of living more than the Arab.

Another result of the war was that the Jewish sector of the economy became increasingly urban and industrial, while the Arab sector, notwithstanding the fuller utilisation of its limited industrial capacity, remained overwhelmingly agricultural. In both sectors, the Government took an increasingly active part in determining the shape and direction of economic effort.

13. The closing of the Mediterranean to Allied shipping cut Palestine off from the chief market for her citrus fruits and the chief source of her imported supplies. The spread of the war zone to the Middle East converted Palestine into a base as well as an arsenal. Large numbers of troops had to be quartered there. Supplies of food and other necessities of life and of war materials had to be provided locally or imported where possible from neighbouring Middle East countries, themselves subjected by the same combination of causes to severe economic pressure. Existing industries were, as far and as fast as possible, redirected into war production. Established undertakings were enlarged and new ones set up, with Government support, in order to contribute to the needs of the military campaign and build up a higher degree of self-sufficiency. In this development the variety of manufactures was broadened to include a number of more complicated mechanical and chemical processes.

14. Thus Palestine became an important source of supply of manufactured goods not only for military purposes throughout the area but for civilian needs in surrounding countries. The skill and inventiveness of the Jewish immigrants of pre-war years proved an invaluable asset, and the directed effort was supported by the Jewish Agency and the other established organs of Jewish settlement. Notwithstanding the necessity of maximum food supply, the Jewish economy became still more concentrated upon industrial activity, and "close settlement upon the land" was forced further into the background as the ruling principle of expansion.

15. The war had yet another distorting effect, which sprang from financial transactions. Vast military expenditure in Palestine for both goods and civilian services, along with shortage of shipping and potential inward cargoes, brought about a stringency in supplies and in labour. This resulted in rising prices, rising wage rates and still more rapidly rising earnings, large profits and a rapid growth of money wealth (including bank deposits and hoarded currency), shared by both the Jews and Arabs. Taxation was increased; but taxation and voluntary saving went only a small part of the way in draining off the flow of unspendable incomes. Rationing, so far as it was applied, failed to check with sufficient promptitude the effects of competitive buying. Subsidies in aid of the cost of living were only successful in keeping a few bare essentials within the range of the poorest peoples' resources. By allocating raw materials and by close costing of industrial processes, the Government kept a brake on the rise in prices of a wide range of military stores and essential civilian goods. But in general the inflationary trend was restrained only to an extent that made Palestine's experience less alarming than that of surrounding countries.

16. As to external finances, whereas Palestine had been hitherto nominally a debtor country—"nominally" in the sense that her debtorship on capital

account did not entail the normal current remittances on account of interest and amortisation—the war changed her status to that of a creditor. The bulk of her overseas assets, however, being confined within the sterling area, cannot be converted into goods until Great Britain is once more able to resume a full flow of exports or to release sterling for transmutation at will into “hard currencies.”

Post-war Prospects

17. At the time of the Committee's investigations in Palestine, it could by no means be said that even the more transitory results of war pressures upon the economy had passed away. The pattern of the post-war economy is still undetermined—and this without allowing for the omnipresent uncertainty concerning the political future of the country. Even before the war ended, war orders had fallen off somewhat; but the continued shortage of imported supplies has afforded a natural protection to industry in shifting the flow of its products into the civilian market. The Arab boycott of Palestine Jewish products had had, when the Committee was in the country, little effect thus far on the general economic situation. No obvious unemployment had appeared, but some concealed unemployment was said to exist, and earnings of factory labour had probably diminished. The cost of living and wage rates remain obstinately high.

18. House-building is slowly getting under way after the long interval—resulting in shocking congestion—which began with the disturbances of 1936–39 and continued throughout the war, when all constructional activity was concentrated upon military works. There is, however, some natural hesitation in undertaking a large building programme while costs remain so high. Quite apart from the value of land, which has risen inordinately in recent years, building materials are extremely expensive, while timber, nearly all of which has to be imported, is scarce. As a result of the shortage of skilled artisans, some building operatives are earning up to L.P.3 a day, and, within recent times, have secured additional benefits such as three weeks' paid holiday and pension scheme. Building costs, therefore, are found to be roughly L.P.20 a cubic metre—far higher than in Great Britain.

19. The situation is, indeed, replete with elements of uncertainty. There is for one thing the question, debatable on pre-war experience, how far the consolidation and further growth of Jewish industry and trade are dependent upon maintenance of the momentum provided by continuing immigration. It is a matter of conjecture whether the market as a whole is likely to shrink if more peaceful conditions in the Middle East, or a change in political status, result in a large withdrawal of British forces, including police and civilian residents, and a consequent reduction of incomes provided from abroad, though more peaceful conditions would on the other hand induce a fuller flow of tourists. Arising again from war-time growth of industry is the question whether the high costs of production, and inferior quality of some products, in Jewish industry will permit the establishment of a firm position in the home market without inordinate protection. There is the related question how far external markets can be retained—even allowing for special advantages in the new diamond-cutting industry and the fashion and women's specialty trades which together are thought to have outstanding prospects for yielding revenue from abroad—in the face of competition from advanced industrial countries and possible continuation of the boycott of Jewish products in neighbouring Arab states. Again, even though internal conditions might become fully adjusted to the inflated structure of prices and costs, the gross over-valuation

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of the Palestinian pound in relation to the pound sterling presents a further impediment to successful competition in export markets and an added inducement to competitive imports.

20. It is sometimes claimed that the wage structure in Palestine is far more elastic than elsewhere, so that reductions in wage-costs and prices might proceed smoothly and concurrently once the process had begun ; but the war-time wage increases have been by no means wholly in the form of cost-of-living bonuses—basic rises have been widespread and substantial. The Committee could not but observe that at the time of its visit the cost-of-living index number still stood above 250 as compared with a pre-war figure of 100 ; that limited supplies of sometimes inferior butter were selling at the equivalent of 11s. a pound, and that, in one of the factories visited, workers already receiving L.P.12 a week were putting in 60 instead of the standard 48 hours in order to make ends meet. It remains to be seen whether the claim of elasticity will be falsified by widespread resistance to downward adjustment of wage rates. Some take the view that increased immigration and a free flow of imported supplies will “ automatically ” precipitate such a fall in wages and prices as will substantially reduce costs of production and bring the cost of living down to something like the British level. Others complain that the Government does nothing to reduce the cost of living, without being quite sure what the Government ought to do about it. Meanwhile political and other causes hinder the transformation of liquid savings into long-term investment, and the pressure of large unused or unusable money resources, poured out in the process of financing the war, is substantially unrelieved.

Economic Expansion and Immigration

21. Leaving aside these uncertainties of the moment, there can be little doubt that, given some central direction, more co-operative effort, and a peaceful political atmosphere, Palestine could be made to provide further opportunities for prosperous settlement, concurrently with an improvement in the living standards of its present population. Some progress towards central direction was made under stress of war, and arrangements are in hand to provide for its continuance. The War Supply Board, under which the capacity of local industry was enlarged and directed to war production, is shortly to be transformed into a full-fledged Department of Commerce and Industry. The War Economic Advisory Council, notwithstanding the withdrawal of the Arab members, is to carry on its consultative work in the shaping and application of official policy. The Government of Palestine itself has brought to an advanced stage a programme of post-war development covering land reclamation, afforestation and other soil conservation measures and irrigation.

22. In addition, the expansion of Palestine's economy has engaged a great deal of attention on the part of non-official bodies. Some witnesses have been severely critical of the Administration for lack of vision and unreadiness to give positive support to proposals for expansion. Others have expressed the view that monetary independence would clear the way to more vigorous public and private enterprise. Opinion has been almost unanimous as to the cramping effects of Article 18 of the Mandate, which restricts the exercise of tariff-making and bargaining power in the interests of the mandated territory. Conflicting views are held on the question whether the citrus industry will be able to regain, or even possibly to expand, its pre-war markets. Some see Palestine's future in the establishment of the coastal fringe as the industrial workshop of the Middle East ; some stress the need of an expansion nicely balanced between agriculture and industry.

23. Any forecast of Palestine's long-term prospects must necessarily be viewed against the background of the country's natural resources. These are extremely limited, making Palestine peculiarly dependent on foreign trade for raw materials and supplies of many finished goods. Even the exploitation of the natural asset comprised in a good soil irradiated by long hours of bright sunshine is limited by the availability of water. Despite an abundant winter rainfall in many parts, Palestine is an arid country. In the words of the Palestine Government, "there are few countries nowadays which can say that their water resources are of such little concern to their people that legislation to control their use is unnecessary"; yet the Government of this arid country has no statutory authority to control the exploitation of its water resources, and no authority even to ascertain the extent of such water resources as exist.

24. The Commission on Palestine Surveys, an American-Zionist financed organisation, submitted proposals, conceived on bold and imaginative lines, and worked out in considerable detail by American engineers of the highest standing, for a "Jordan Valley Authority." The general design is to bring water from the sources of the Jordan to the fertile Esdraelon and coastal plain, to irrigate the lower Jordan Valley, and to utilise the waters both of the Jordan River and of the Mediterranean Sea for the generation of electric power. It is claimed for the scheme that, whether carried to full completion or adopted in part—it is subdivided into stages each standing on its own merits—it would bring a bountiful supply of water at an economic cost to large areas of fertile land now yielding only one crop a year. Very large sums of money would be required, but these, the Committee were informed, would be available from external sources.

25. Such bold long-term planning presupposes willing co-operation, or at least interested neutrality, between all sections of the population and the Government. Moreover, it can have little or no bearing on the capacity of Palestine to provide an immediate haven of refuge for homeless Jews from Europe.

26. We have in this immediate context another example of the manner in which Jewish zeal and energy are ready to outrun economic caution of the ordinary Western pattern. Full recognition of the weak points in the Jewish economy and its immediate prospects does not in the least deter the insistence upon providing a home for the homeless. If this should entail an all-round cut in standards of living of the present Jewish population, so be it. There is much to admire in this demonstration of brotherhood carried, if need be, to the point of sacrifice. But it is conceivable that the passionate expansion of an economic structure, upon a dubious basis of natural resources, might lead to over-development on such a scale as to render it top-heavy to the point of collapse. The argument thus returns to the need for systematic improvement of the country's basic resources, for which, as already indicated, orderly progress in an atmosphere of peaceful collaboration is a *sine qua non*.