

## **Economic and Social Transformation of Palestine, CZA S25/5934, 1937.**

### **Note to Reader:**

This document was prepared by the Jewish Agency as background information for testimony to be provided by JA leadership before the Royal (Peel) Commission of 1936-37. Part of the JA argument to the Commission was that the economic development of Palestine since the end of World War I was due in large measure to Jewish demographic growth and economic development, especially due to the import of large amounts of capital. This report, along with literally thousands of others pertaining to the work of the Jewish Agency's work in Palestine is to be found in the CZA, or Central Zionist Archives. S25 refers to the files of the JA's Political Department, hence CZA, S25 and the file number.

The author of this document was David Horowitz who served as Director of the Economics Department of the Jewish Agency, (recognized by the British Government as the political organization representing official Jewish interests in Palestine under the Mandate). Before reaching that position in the 1940s, Horowitz churned out hundreds of analyses, papers, and publications dealing with all aspects of Palestine's economy. His meticulous work can be found in dispatches and reports prepared for internal consumption of the JA, and those filed on behalf of the Jewish Agency to the British government from the 1930s onward. He rose to become the Director of the Economics Department of the Jewish Agency and became a member of the Jewish Agency's delegation to the United Nations General Assembly in 1947. After statehood, Horowitz was appointed Director-General of the Israeli Ministry of Finance.

From 1954-1971, he served as the first Governor of The Bank of Israel. On his retirement, he was appointed Chairman of the Advisory Council and the Advisory Committee of the Bank of Israel, and later Honorary Chairman. ( -1979 )

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## **ECONOMIC AND SOCIAL TRANSFORMATION OF PALESTINE**

**DAVID HOROWITZ, CIRCA 1937**

**CZA S25/5934**

### **Preface**

During the last 16 years, Palestine has been transformed from a primitive, agrarian country into a semi-industrialized, capitalist state with a rising standard of living, good communications, modern methods of production, etc. The revolutionizing process of Jewish colonization and immigration (Palestine now absorbs three-quarters of world Jewish immigration) has brought about this transformation, which has involved an unprecedented improvement in the condition of the indigenous population, such as unequalled in any other part of the Middle East. During these 16 years, LP 80,000,000 have been invested by Jews in economic enterprise in this small country. A quarter of a

million Jewish immigrants with skill, initiative and enterprise have established themselves in the country. The effect of this immigration and capital influx can be traced in every field of economic and cultural life.

## Population

Palestine's population has increased during the period 1922 to 1935 from 649,000 to 1,350,000, i.e., it has more than doubled. The total immigration of Jews since 1920 has amounted to 256,000 and the Jewish population has grown from 84,000 in 1922 to 375,000 in 1935, i.e., it has been multiplied more than fourfold. The composition of the population has, therefore, changed as follows:

YEAR	JEWS	NON-JEWS	TOTAL	JEWISH PROPORTION OF TOTAL
1922	84,000	565,000	649,000	13%
1935	375,000	975,000	1,350,000	28%

A comparison between the increase of the non-Jewish population of Palestine and other countries is interesting. From 1922-1934, the Palestine non-Jewish population increased by 68%. From 1920-1935, the Egyptian population increased by 13%; the population of Japan (which is known to be rapidly increasing) by 28%; and the population of Brazil (also an immigration country) by 38%.

Arab emigration from Palestine, which in 1913 was 2,000 from the Jerusalem district alone, was from 1920-1930, 1,400 yearly from the whole of Palestine, and is now no more than 600 yearly, while Arab immigration into Palestine – an unknown feature in the past – is now taking place on a considerable scale. Twenty to thirty thousand [20,000-30,000] Hauranis are estimated to have entered Palestine during the last few years. In the years 1920-1930, Arab emigration from Syria was 9,500 or about seven times as great as Arab emigration from Palestine.

It is a further striking fact that the greatest growths in the Arab population are found just in those districts of large Jewish immigration. There are two reasons for this:

1. An influx of new Arab population into these relatively prosperous areas;
2. A fall in the death rate in these particular districts;

At the same time, no urbanization of the Arab population has taken place. The 1931 census showed the same proportion of population in towns and villages as was shown by the 1922 census, whereas in the ten years, 1917 to 1927, the urban population of the three largest towns of Egypt increased by 35%, whereas the rural population increased by only 8.4%.

## **Government Finance**

Palestine's finances are in a condition unparalleled by any other country in the world. The Treasury has accumulated a surplus of 6.5 million pounds, equaling the total budget of two years. Expenditure has increased from LP 1,900,000 in 1922-23 to LP 3,200,000 in 1934-5, i.e., an increase of 68%. Revenue increased from LP 2,371,000 to LP 5,452,000 during the period, that is by 116%.

The increasing revenue has made it possible for the Palestine Government to raise two successful loans amounting in all to LP 6,500,000 in the London money market – and to invest the proceeds in important capital expenditure.

Revenue per head in Palestine approximated LP 4 in 1934, while in Egypt it was LP 2.14 and in Syria LP 1.74.

This increased revenue was possible thanks to the influx of Jewish capital, the incidence of taxation on Jews averaging in 1930 LP 4,270 per head, while on non-Jews it was only LP 1,350. Since 1930 this discrepancy has been further accentuated.

The increased revenue resulted in:

1. The development of the country through public works – the expenditure under this item being LP 0.39 per head in Palestine, in comparison with LP 0.22 in Syria and LP 0.08 in Egypt.
2. The alleviation of the burden of taxation on the poorer strata of the indigenous population, in particular the fellahin through tax remission and agricultural tax reform, which has very considerably reduced its burden.

## **Foreign Trade**

The foreign trade of Palestine shows an increase of imports from LP 8.4 million in 1920 to LP 17.8 million in 1935, i.e., an increase of over 100%, while exports increased in that period from LP 1.3 million to LP 4.2 million, i.e., by over 200%. The comparison of foreign trade figures per head of population in Palestine and in the adjacent countries bears testimony to the rising standard of life both of the Jewish and Arab populations. A large part of these imports is in the form of capital goods (machinery, etc.), which have resulted in the intensive economic expansion and development of productive enterprise. Total foreign trade per head in 1934 was LP 17.0 in Palestine, LP 4.0 in Syria, LP 3.9 in Iraq, and LP 4.4 in Egypt.

## **Agriculture**

Jewish immigration has given a strong impetus to Palestine agriculture. Of the 1,284,000 dunams of land today in Jewish possession (as opposed to 576,000 dunams in 1919), 1,031,000 dunams are agricultural land. The Jewish rural population has grown from 10,500 in 1919 to 91,000 in 1935, of which 46,000 are actually engaged in agriculture. Jewish agricultural settlements have multiplied from 50 in 1919 to 156 in 1934.

The most outstanding achievement in Palestine agriculture has been the development of the citrus industry. In 1922, 30,000 dunams were planted under citrus, of which 20,000 belonged to Arabs and 10,000 to Jews. By 1935 the total citrus area had increased more than eightfold – to 260,000 dunams, divided equally among Arabs and Jews. Citrus exports have increased in value from L 200,000 in 1921 to L 2,700,000 in 1934, and Palestine is now the second country in the world by volume of its citrus export.

This expansion of the citrus industry has resulted in an increase in agricultural land prices by 400-500%. As land is concentrated in Arab hands, sales at these inflated prices enriched many Arabs and enabled them to invest in citrus plantations and to undertake new forms of intensive and irrigated farming previously little known to the Arab farmer. The sale of the new products of this diversified and intensified farming were made economically possible by the existence of a large urban – and to a considerable part – Jewish population, creating an effective demand for milk, eggs, vegetables, etc.

The increase in vegetable production in Palestine is an indication of the development of mixed farming. Vegetable production in Palestine is an indication of the development of mixed farming. Vegetable production in 1923 was 12,563 tons, which had increased to 36,465 tons by 1934.

Jewish farming has introduced modern methods into Palestine and increased the yields in almost all branches of agriculture. On Jewish farms, the yield of wheat per dunam is 110 kg, as opposed to 48 kg on Arab farms; similarly, the yield of table grapes – Jewish – is 450 kg per dunam, and 175 kg – Arab; Jewish dairy farming secures a yield of 3,500 liters of milk per cow, and Arab dairy farming only 700. These new methods are also gradually being adopted by the Arab peasantry.

## **Industry**

The output of Jewish industry increased from less than LP 1,000,000 in 1921 to over LP 8,000,000 in 1935. The investment increased from LP 700,000 to LP 8.5 million. The use of electrical current increased during the last 5 years by 1,000%.

During the period from 1920 to 1928 (the last Government census figures available), 1,110 Arab industrial enterprises with a capital of LP 570,000 were established, i.e., more than existed in the pre-war period.

The industrialization of the country has had a marked influence on the development of agriculture in opening a new market for agricultural products which greatly promoted the intensification and diversification of farming, both Jewish and Arab.

## **Building**

The annual capital investment in building increased from LP 900,000 in 1924 to LP 7,000,000 in 1935. Jewish investment in building amounted during the last four years to a total of LP 17,000,000.

A new town – Tel Aviv – whose population has grown from 15,000 in 1922 to 150,000 in 1935, was constructed entirely by Jewish effort and capital. During this same period, the population of Haifa has tripled and of Jerusalem has almost doubled.

The influence of the Jewish capital import and constructive movement on the Arab economy can be gauged from the fact that in one year, 1933-34, the investment in building activity in five purely Arab towns ( Jaffa, Nablus, Lydda, Gaza, and Nazareth) rose from LP 261,900 to LP 881,000. This was the year of large Jewish immigration into the country.

## **Transport**

The development of transport has kept pace with the general economic expansion of the country. The number of registered motor vehicles in Palestine was 400 in 1922, and has increased to 12,000 in 1935. This implies one motor vehicle for every 110 of the population, as compared with one to 496 in Egypt, and one to 298 in Syria. Railway traffic also shows a considerable increase: 606,000 passengers were carried in 1922 and 1,929,000 in 1934. The growth in importance of Palestine's harbors has been even more outstanding. Tonnage entered at Haifa has grown more than ten times since 1922 (470,000 in 1922 and 4,900,000 in 1935) and tonnage at Jaffa five times (510,000 in 1922 and 2,407,000 in 1935). Letters posted in 1921 numbered 5.9 million and in 1934 – 22 million.

## **Labor**

The number of Jewish workers in Palestine has increased from 4,800 after the war to 100,000 today. Since 1931 alone, the number has tripled. The Federation of Jewish labor numbers 86,000 members and has organized various colonization, economic, cooperative, cultural, and social welfare activities.

The Government index of wages shows a rise from 100 in 1913 to 190 in 1919 and 390 in 1922. Since then, no further Government statistics have been published, but wages have risen considerably both in towns and villages. Average wages per day in Palestine are 10 to 15 piastres, as compared with 2-3 piastres in Iraq and Egypt. In spite of Palestine's relatively high wages there has been no increase in the cost of living – the Government retail price index having fallen from 100 in 1922 to 55.1 in 1934.

Jewish share in Government public works is 9.2% as regards numbers of workers and 22% as regards wage fund. But the Jewish proportion of the population is 28% and Jewish contribution to

revenue about 50%.

## Health

The improvement of the health service and health conditions of the population is due, in large measure, to Jewish colonization. It is certainly true that the progress illustrated in the figures below would have been impossible in an impoverished country – with a stationary economic and cultural development.

The Jewish Health Service is almost self-supporting, with a an annual budget of LP 250,000, and LP 10,000 (4%) Government subsidy. The whole Government health expenditure is only LP 211,000. The Jewish hospital bed strength in 1934 was approximately 769 and the number of admissions 15,429, while the corresponding Government figures were 405 and 5,854.

Through large-scale drainage works undertaken by Jewish institutions – particularly in the Valley of Esdraelon and Habarek, there has been an astonishing decrease in the incidence of malaria. The number of malaria patients treated decreased from 20,000 in 1922 to 7,000 in 1934, in spite of the great increase of the population. The percentage of malaria cases to all diseased treated fell during that period from 7.2% to 0.8%.

Increased revenue has enabled a Government health expenditure of LP 0.13 per head as against LP 0.09 in Egypt and LP 0.04 in Syria.

The most striking fact in this connection is the decrease in mortality, and particularly infant mortality rates, during the period of Jewish colonization. The death rate among Jews fell from 13.45 per 1,000 in 1927 to 9.26 in 1934, among Christians from 20.10 to 13.75 and among Moslems from 33.07 to 24.07. Infant mortality rates decreased in the same period from 115.79 – 80.84 (Jews), 216.79 – 156.8 (Moslems) and 187.22 – 128.38 (Christians).

## Education

The number of pupils in Jewish schools has increased from 18,000 in 1922 to 60,000 in 1935. Jewish education expenditure is LP 250,000 of which the Government supplies LP 28,000 or about 11%, as compared with the Jewish proportion to the total population of 30%, and the Jewish contribution to Government revenue of about 50%. Arab education is almost entirely supported by the Government. Thus, a direct benefit is conferred on the Arab population by Jewish contributions to revenue. The percentage of literates among Palestine Moslems is 23.4% as compared with 20.3% in Egypt, 18.1% in Bengal and 11.3% in Turkey. The Palestine percentage is higher than among a number of Moslem Asiatic populations.

## **Palestine and Adjacent Countries**

Palestine's colonizational development has conferred great benefits on the neighboring countries. Palestine buys from Syria half of the total exports of that country and sells to it only one-fifth of the amount of its purchases. The Jewish tourist movement in Lebanon is an important item, and accounted for half of the Lebanon summer visitors in 1935. About 20,000 Syrian and Haurania workers have immigrated into Palestine.

Palestine's trade balance with Egypt and Iraq is also in favor of these countries; Palestine's imports increase greatly in correlation with Jewish immigration.

### **Sources of Quotations in the Memorandum**

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2. Memorandum to the League of Nations submitted by the Jewish Agency, March 1936, p. 32.
3. Report on Palestine Administration, 1920-21, p. 31.
4. Annual Report of the Department of Customs, Excise and Trade, 1935, p. 49.
5. Selous, G. H., "Economic Conditions in Egypt, 1935," (Department of Overseas Trade) London 1935, p. 74. Monthly Summary of the Foreign Trade, December 1935, (Ministry of Finance Statistical Department) Cairo, 1936, p. 7.
6. Statistique du Commerce Exterieur des Etats du Levant sous Mandat Francais, Beirut 1935, pp. 20-21.

7. Statistical Yearbook of the League of Nations, 1935-36, Geneva 1936, p. 217. Administration Report for the Financial Year 1934-35, (Department of Customs and Excise) Baghdad 1936, pp. 2-5.
8. Annual Report of the Department of Customs, Excise and Trade, p. 49.
9. Calculated on basis of import statistics in Annual Blue Books of Government of Palestine.
10. Short statistical survey of Palestine, presented by the Anglo-Palestine Bank, Ltd., Tel Aviv, April 1936, p. 3.
11. Annual Report of the Department of Customs, Excise and Trade, 1935 p. 49.
12. Annual Report of the Department of Customs, Excise and Trade, 1935, pp. 48-9.
13. Jewish Agency Industrial Census.
14. Estimates of Statistical Department of the Jewish Agency.
15. Figures published by the Palestine Electric Corporation. 20% of the figures of electrical current used as power refer to domestic power consumption. In 1936, there was a further increase in the consumption of power generally.
16. An analysis of the Census figures into Jewish and Arab industry was submitted by the Government to the Shaw Commission.

17. Census of Palestine, Volume II, Table XVI.
18. First Census of Industries, taken in 1928 by the Trade Section of the Department of Customs, Excise and Trade ( Jerusalem 1929), p. 5.
19. His Majesty's Government Report to the League of Nations, Administration of Palestine, 1935, p. 224.
20. Calculation based on customs tariff of the respective countries.
21. Calculated on basis of Australian and Palestinian Customs Tariff.
22. Report of a Committee on the Economic Conditions of Agriculturists in Palestine, Government of Palestine, 1930, p. 23.
23. Granovsky, A., "Das Steuerwesen Palaestinas," Jerusalem 1935, p. 15.
24. Report by the Treasurer on the financial Transactions of the Palestine Government for the year 1934-35, p. 5.
25. The Economic Journal, December 1935, p. 624.
26. Figures provided by the Statistical Department of the General Federation of Jewish Labor in Palestine.