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**OSCAR GASS**  
DIRECTOR OF RESEARCH

June 6, 1944

Mr. John W. Pehle  
War Refugee Board  
Treasury Building  
Washington, D. C.

Dear Mr. Pehle:

I am enclosing for your information a copy of a letter and a copy of each of its two enclosed questionnaires, which we are sending to Mr. Eliezer Kaplan, Treasurer of the Jewish Agency for Palestine.

These questionnaires deal with subject matter which is less directly related to the interests of the War Refugee Board than the one which we sent to you about two weeks ago. I am sending it to you, however, in the thought that you and some of your ex-associates in the Treasury may be interested in all the lines of our inquiry into the potentialities of Palestine for economic development and as a home for permanent refugee settlement.

Sincerely yours,



Robert R. Nathan

Enclosures

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June 5, 1944

Mr. Eliezer Kaplan, Treasurer  
Jewish Agency for Palestine  
Jerusalem, Palestine

Dear Mr. Kaplan:

In accordance with my letter of May 16, I am sending you herewith a copy of our Palestinian questionnaire No. 3 (dealing with Water, Power, and Fuel) and questionnaire No. 5 (dealing with Currency, Credit, and Capital). Like questionnaire No. 1, which we sent you previously, these documents reflect an effort to focus our thinking clearly on the basic policy issues involved in the economic development of Palestine during the postwar decade. We have tried, in setting down these questions, to clarify and direct the thought of our own staff, as well as to furnish a basis for discussion with you and the staff of the Jewish Agency, with representative Arabs, and with officials of the American and British governments.

We regret profoundly that we are unable as yet to discuss these issues with you personally, rather than through the unsatisfactory medium of a letter. We look forward to an early resolution of the difficulties which have delayed our departure for Palestine.

As you can see, these questionnaires reflect little interest in forecasting the economic development of Palestine in the postwar decade. We believe that it is neither possible nor profitable to forecast what will in fact occur in Palestinian economic growth during the years 1945-1955. Rather, it is our purpose (1) to appraise the magnitude and direction of possible economic expansion in Palestine on the basis of known facts and varying assumptions with respect to future circumstances, and (2) to investigate major economic policies essential to this expansion.

No conviction is more basic to our approach than that general economic targets, particular directions of emphasis, and institutional arrangements for achieving economic goals will all need to be reviewed many times during the postwar decade. That is the continuing responsibility of economic policy formation. We do not wish to suggest that a substantive and institutional economic "plan" can be struck off now and that the subsequent

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Mr. Eliezer Kaplan, Treasurer -3-

decade will need only to give it faithful adherence. Neither do we wish to concern ourselves with distant decades about which no current decisions are required and which will be governed by a technology, capital accumulation, world organization, distribution of population, and markets which can now be foreseen only in barest outline.

Our questionnaires look forward even as much as a decade only because we believe that decisions which will have to be made during the next year are dependent on judgments of what can be achieved in as long as ten years. Must the Jews of central and eastern Europe find homes outside of Palestine -- in Europe, the Americas, and the British Commonwealth -- or can such as prefer find homes in Palestine? Can Palestine take in large numbers of Jews within a year after peace, within a decade, or not at all? What capital outlays will be required to absorb such an immigration and maintain or raise the prevailing Palestinian standard of living? Can such absorption of immigrants go hand in hand with improving the standard of living of the Palestinian Arabs? These are the kinds of questions which we feel have to be answered now. It is these practical questions which our questionnaires pose, in some detail. The answers to these questions will be the subject-matter of our Report.

We will greatly appreciate any thought you or other persons connected with the Jewish Agency may be able to give to the issues which the questionnaires raise.

As indicated above, we plan to transmit these questionnaires to the British Embassy in Washington and to several interested agencies of the United States Government.

Sincerely yours,

Robert R. Nathan

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Questionnaire No. 2

THE DEVELOPMENT OF PALESTINIAN WATER, POWER,  
AND FUEL RESOURCES  
1945 -- 1955

A Effect of the War on Fuel and Power Requirements

In 1938, Palestine's fuel and power consumption was supplied by the following fuel commodities in the following proportions when measured in calorific value:\*

	<u>Percentage of total consumption</u>
Coal	36
Firewood	8
Fuel oil	26
Kerosene	18
Benzine	13
Methylated spirits	1
Butane	1
Hydro-electric power	9

\* Palnews Economic Annual 1939, p. 112

How has the war affected this distribution? To what extent has fuel oil replaced coal on the railroads, in lime and cement kilns? in other uses? Is this conversion to oil likely to be economical in the postwar period when shipping space is no longer scarce?

Has Haifa been able to develop as a bunker fuel station? To what extent has the Haifa Refinery satisfied the local demand for kerosene and benzine during the war years?

B War-time Expansion of the Electricity System

Fairly complete records are available on electricity rates, costs of production, sales by major types of consumers, etc. for the prewar period. No attempt is made to summarize them here.

- 1 What extensions have been made during the war in the distribution lines of the electric light and power companies in cities and towns? in the Jewish villages? in the Arab villages?

Has the war appreciably accelerated the habituation of the Arab peasant to the use of electric light instead of kerosene? Has he become sufficiently prosperous, so that he could afford the change-over?

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- 2 What is the war-time experience with respect to the costs of producing electric power by oil and by water power? Has generating capacity been increased during the war? If so, has the increase been in steam plants or hydro-electric plants?

What has happened during the war to the schedule of rates by type of consumer? What percent of total generating capacity was used? What percentage of total power sold was consumed by military installations? Are there any offsets to the disappearance of this consumption in the post-war years?

C Petroleum Development

- 1 In February 1939, Oil Prospecting Licenses were granted to the Petroleum Development (Palestine), Ltd. for a period of four years. Was the prospecting carried out? If so, what are the results? If not, are there any other plans pending for the exploration of Palestine oil resources?
- 2 Are there any provisions in the Government's concession to the Iraq Petroleum Company and the Consolidated Refineries whereby the Government can force the sale of the petroleum products at less than monopolistic prices? As a war-time measure has the Government been able to breach the monopolistic price policy of the oil interests? Would the termination in Palestine of a pipe line from Arabia make for lower prices?

D Basic Information on Water and Power Resources and Use

- 1 What are the major bodies of available data on water resources? Is there an exhaustive list and archive of the surveys that have been made by Government and by private companies?

Are further surveys and the establishment of a more comprehensive system of observations and measurements required for determination of total water resources in the country? By whom should these surveys and continuous observations be done?

How long will it take until sufficient stream-flow, evaporation, etc. data have been assembled for a major development scheme? To what extent are presently available data sufficient for preliminary, but reasonably accurate, plans of large-scale water and power developments?

- 2 What is the estimated total rainfall in Palestine? How much might be made available for use if properly recovered, through what sources, rivers, underground springs, other

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sources? Where are the most likely drilling belts for underground springs? Estimated quantity which can be recovered from this source?

- 3 What is the present total use of water in the country? by types of users? How has the present development of water resources taken place, under aegis of government, Jewish development institutions, or private companies? Has it been a planned development? Has a comprehensive consolidated schedule of water charges been assembled for the whole of Palestine? What have been the costs of existing water developments and the rate of return on investment?

#### E Water and Power Development Plans

Preliminary plans for two major water and power developments have been made available to us; the Litani project developed by the Palestine Economic Corporation and the proposal of the Commission on Palestine Surveys for the use of the waters of the Jordan and its tributaries, the Litani River, and the diversion of Mediterranean Sea waters to the Dead Sea.

- 1 Are there any other large water and power developments now being planned? What is the scope of the various proposed plans? Are they feasible from a strictly engineering point of view? What amount of water and power would they make available? How much land could be irrigated and in what parts of the country? What amount of water for irrigation and power would be available if non-Palestinian sources of water were not available?
- 2 What are the estimated construction costs of such planned developments in monetary terms, assuming prewar prices, wartime prices? What quantities and kinds of materials and machinery would be required, and how much and what types of labor?

What part of the materials and machinery must be imported and what can be produced domestically? How much of the direct labor required would be Palestinian and how much non-Palestinian? to what degree will Palestinian labor be employed outside Palestine?

What are the estimated operating costs? What employment opportunities will result from the actual operations of the project?

- 3 What are the possible bases for allocating the costs of water and power projects between the two uses? Should part of the total cost be borne by the economy as a whole without allocation to particular consumers of water and power? What would be the cost of water for irrigation if charges for power are maintained at present levels? What would be the cost of power if charges for water for irrigation are held at present levels?

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Assuming it is desirable to hold either the costs of water for irrigation or charges for power to a certain maximum level, what would be the costs allocated to the other part of the project? How do the present costs for irrigation for various crops, citrus, vegetables, etc., in different parts of the country compare with estimated rates which can be charged by proposed projects? What is the affect of irrigation on the "lot viable" and the comparative yield per dunum of different crops?

- 4 What are the probable demands for water and power for industrial use, commercial use, and residential use, assuming immigration of 50,000 per year, 100,000 per year for next ten years? What would be a proper allocation of the costs of power to industrial, commercial, and residential users -- of costs of water for irrigation, domestic use, industrial, and commercial use?

- 5 At the present time, steam power is cheaper than hydro-electric power. How does the P.E.C. plan to handle future expansion? by hydro-electric stations? or by oil stations?

Would the relationship between steam and hydro costs be changed by the development of large dual-purpose irrigation and hydro-electric schemes? To what extent is steam power affected by the price of oil? Does any reduction in price of oil after the war seem likely? How much of a reduction in the price of oil would be needed adversely to affect the economy of proposed hydro-electric developments? Could the irrigation part of proposed water and power projects be economically developed, assuming the power part of the project was not economical?

- 6 What time period will be required for completion of various stages of the water and power projects? What amount of land can be irrigated and power developed upon completion of each stage?

Costs per dunum or per KW of installed capacity will differ in earlier and later stages of the projects. In the Litani project, for example, costs per dunum are higher in the earlier than in the later stages, but costs per KW installed capacity are lower for the first stage than in later stages. Should the rate policy in the early stages be based on costs of such stages as are completed or on the average costs for the entire project? Would the disadvantages of a high initial rate or an increase in rates outweigh the possible risk of non-completion of the project?

- 7 Under whose aegis should large water and power projects be developed -- governmental, Jewish development institutions, private companies? What should be the extent of government control, assuming it is not directly developed by government? Should it regulate prices, service, profits, security issues, etc.?

Should irrigation and power be under the control of the same or separate companies? What are the likely effects on rates of control by one rather than two companies?

Should local distribution of water be in the hands of private companies or rural cooperatives? What controls should be instituted to insure a satisfactory rate policy?

- 8 What are the sources for the financing of large-scale water and power projects? To what extent can funds be raised locally, and to what extent will international participation be required? Should government make a contribution to the costs? by borrowing? by taxation?

Note: The impetus which might be given to industrial and agricultural development by the availability of cheap water and power will be discussed in the studies relating to industrial and agricultural development in the postwar decade.

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Questionnaire No. 5

THE ADAPTATION OF THE MONETARY, CREDIT, AND CAPITAL  
INSTITUTIONS OF PALESTINE TO DEVELOPMENT NEEDS  
1945 -- 1955

A The Adjustment of the Currency System

1 Currency Requirements of Palestine

At the end of July 1939, currency in circulation in Palestine totaled LP. 6.3 million. At the end of March 1944, it totaled LP. 27.0 million. During the same period the total (monetary, not real) National Income of Palestine more than doubled. So, while money incomes more than doubled, currency in circulation sextupled.

How much of the rise in money in circulation may be accounted for by the holdings of soldiers in the country (whose incomes are, of course, not part of the National Income of Palestine)? Is Palestine currency also outstanding in other countries of the Middle East, particularly Syria or Lebanon?

How much of the rise in currency in circulation may be due to extraordinary cash holdings, by the civilian population, as insurance against special war-time contingencies? How much of the rise may be due to the special war-time liquidity of consumers and businessmen? why do businessmen and consumers prefer to hold their liquid assets in cash, a non-income-earning asset, rather than in interest-bearing deposits or securities? does this "liquidity" cash holding reduce itself to the "contingency" holding above mentioned?

Has war prosperity brought cash to Arabs and other rural people who are not accustomed to bank deposits? what is the probable magnitude of this factor?

Assuming the continuance of present price levels, can a roughly proportional increase in cash holdings be projected for any anticipated increase in total Palestinian real income? In view of the comparative stability of basic Palestinian wage rates during the war period, is it realistic to assume that the present high price level will persist after the restoration of the flow of overseas imports and the withdrawal of extraordinary military forces?

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2 Currency Requirements and the Magnitude of "Available" Foreign Exchange

In the Bulletin of the Economic Research Institute of the Jewish Agency (Vol. VII, page 46), it is assumed that the whole difference between the present volume of currency and the prewar level will be retired from circulation and redeemed in sterling and that this difference may, therefore, be regarded as sterling assets that will be available for the purchase of imports into Palestine in the postwar period.

Are these "potential" assets not actually tied up as "backing" for currency which will probably remain in circulation? Can these "potential" sterling assets -- or even a large part of them -- be made available for expenditure on Palestinian imports without either (a) a reversal of the investment policy of the Palestine Currency Board, or (b) a reconstruction of the Palestine currency system?

Is it desirable to make these sterling assets available to further Palestinian development by (a) altering the policy of the Palestine Currency Board so as to insure the investment of a large part of its funds in Palestinian assets, or by (b) issuing a new Palestinian currency not backed by a 100 percent sterling reserve? What real advantage would (b) have over (a)? If it is judged that (b) would have any advantages over (a), are these advantages worth the disturbance which would result from the introduction of a currency to which the country is unaccustomed?

3 Palestine's Exchange Stabilization Reserve

The Palestine Currency Board now holds almost 100 percent non-Palestinian assets as "backing" for Palestinian currency. Its assets are almost entirely sterling securities of British Empire governments. These assets are now equal in magnitude to about half of Palestine's annual National Income.

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Does Palestine need a public foreign exchange reserve (apart from privately owned foreign exchange assets) equal to half of her National Income? How is the magnitude of the necessary foreign exchange reserve affected by the relatively great importance of international trade in Palestine's economy? To what extent is the appropriate magnitude of her foreign exchange reserve affected by the fact that foreigners hold only relatively small liquid balances in Palestine?

What is the significance for exchange reserve policy of the fact that Palestine's privately owned foreign exchange assets are perhaps one and one-half times as large as her public (Palestine Currency Board) foreign exchange assets and equal to about three-quarters of her annual National Income? What is the significance for exchange reserve policy of the consideration that Palestine's public (Palestine Currency Board) foreign exchange holdings have shown a relatively consistent increase during two decades -- though not at a constant rate?

4 Investment Policy of the Palestine Currency Board

The Palestine Currency Board has invested its funds almost exclusively in non-Palestinian assets though, on at least one occasion, it has purchased Palestine Government securities.

Should the Palestine Currency Board hold as large a part of its funds in Palestine assets as possible, consistent with its responsibility for maintaining convertibility of the Palestine currency into sterling at a stable rate? Can the Palestine Currency Board be said to be employing its full potentialities for the development of the country if it does not pursue a policy of investment in Palestine?

What, if any, kinds of Palestinian assets should the Palestine Currency Board hold? Should it hold Government of Palestine obligations? publicly guaranteed obligations of development and credit institutions? other banking obligations? obligations of firms and individuals?

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Does the embarking on an active policy of holding Palestinian assets mean that the Palestine Currency Board should be transformed into a Palestine Central Bank with responsibility for (a) maintaining the foreign exchange stability of the LP., (b) serving the domestic credit requirements of Palestine and supervising its banking and credit institutions, and (c) facilitating the long-term economic development of the country?

5 Exchange Rate of the Palestinian Currency

Under the Palestine Currency Board, the Palestinian pound has been kept exchangeable one for one with the pound sterling. Unless a new exchange rate is adopted, the postwar relaxation of exchange and trade controls will restore the one to one rate to its full efficacy. The following brief table shows the war-time movement of Palestinian basic wage rates, "take-home" earnings, wholesale prices, and cost of living, in comparison with a few other countries. It should be noted that all the indices -- but especially those of basic wage rates and cost of living -- contain a wide margin of error.

	<u>Palestine</u>	<u>Egypt</u>	<u>United Kingdom</u>	<u>United States</u>
<u>Basic Wage Rates</u>				
July 1939	100 (yr. 1935)			100
July 1941	94 (yr. 1941)			114
July 1943	101 (yr. 1943)			145
<u>Monthly Earnings*</u>				
July 1939	100		100	100
July 1941	118		121	127
July 1943	290		136	174
<u>Wholesale Prices</u>				
July 1939	100	100	100	100
July 1941	183	160	156	117
July 1943	341	269	167	136
Nov. 1943	342	291	166	136
<u>Cost of Living</u>				
July 1939	100 ("prewar")	100	100	100
July 1941	186 (July 1942)	132	128	106
July 1943	247	231	128	125
Dec. 1943	220	261	128	125

\* Includes overtime and cost-of-living allowances

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Has the Palestinian price structure been given so permanent an upward pull by war demands as to require a devaluation of the LP. to resume normal international economic relations? What is the significance for the answer to the previous question of the fact that basic wage rates have remained comparatively stable during the war? Can wholesale prices and the cost of living be expected to decline rapidly as imports of raw materials and consumers' goods are restored, in the postwar period? Will the special wage "cost of living" allowances then also be rapidly abandoned?

How has the Palestinian price structure fared in comparison with that of her Middle Eastern neighbors? What are the comparative prospects for an orderly postwar deflation?

How is the problem of the appropriate exchange rate for Palestine affected by the need for absorbing large numbers of low-skill immigrants at prevailing (trade union) wage rates? Is a devaluation the most effective method of achieving a requisite reduction in real wages consistent with expanding employment and investment? What are the advantages and disadvantages of reducing real wages through devaluation rather than through reduction in money wage rates?

How would a devaluation act as a depressant on Palestinian consumption of imported goods? How would it stimulate activity in industries importing raw materials for further fabrication and re-export, e.g., the diamond industry? How would it stimulate activity in industries using domestic resources for export, e.g., citrus or potash?

Would it be possible to adopt measures taxing private windfall gains (to Palestinians holding liquid assets abroad in foreign currencies) sufficiently to compensate (foreigners holding liquid in assets in Palestine) for any proven windfall losses? Would the devaluation profit of the Palestine Currency Board (i.e., the difference between its sterling liabilities for outstanding currency on the old and new parties) accrue to the Government of Palestine?

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Would the "loss of confidence" resulting from devaluation be so important as to offset seriously its stimulating effect? Should devaluation be resorted to unless a clear and substantial advantage can reasonably be anticipated? Will it be possible to make a reasoned decision concerning the appropriate foreign exchange value for the LP. until some time after the end of the war in Europe? Should that decision be made subject to periodic review by a responsible monetary authority?

B The Role of the Banking System

1 The Private Banks

At the beginning of 1944, Palestine had 5 foreign banks and 20 local banks apart from branch banks. The total volume of bank deposits was about LP. 57 million at the end of February 1944. Over 90 percent of the deposits were demand deposits. The Palestine banks held assets equal to about 80 percent of their total deposit liabilities in the form of balances and investments in sterling assets in the United Kingdom.

Are there too many banks in Palestine to furnish the required banking services at the lowest cost? Should the number of banks be reduced by raising their capital requirements or by some other device?

Does sound banking policy exclude the holding of other than "self-liquidating" short-term assets by Palestinian banks? Can the banks reasonably hold part of their assets in carefully arranged maturities of government bonds, guaranteed mortgages, industrial bonds, etc.? Does the practice of holding longer term assets require higher bank capitalization for any volume of business done? Is the capital position of the Palestinian banks strong enough to permit them to hold other than short-term "self-liquidating" assets?

Can the sterling and other foreign exchange assets held by Palestinian banks be made available for Palestinian use by any other device than the withdrawal of customers' deposits? Should Palestine's banks gradually shift their policy in favor of holding an increasingly large share of their assets in Palestinian loans and investments? Is the policy of holding most of their assets outside the country a necessary feature of the Palestinian banking system, in peace as in war?

Should the Palestinian banks be required to shift their assets gradually into channels facilitating Palestinian development? Is central bank (or investment authority) regulation an appropriate instrument for such gradual diversion of banking assets into home, rather than foreign, channels? Should home or foreign use of their assets rather be left completely to the discretion of the individual private banks?

2 A Palestine Central Bank?

Palastine has no central bank. No bank acts as a general regulator of the total monetary flow and credit policy. The Palestine Currency Board has powers of note issue and maintains the convertibility of the LP. into the L. sterling. Barclay's acts as agent of the Palestine Currency Board and of the Palestine Government for some financial purposes.

Does Palestine need a central bank to act as the monetary instrument of any postwar development policy? Would such a bank absorb the functions and resources of the Palestine Currency Board?

Presumably, in accordance with modern trends, the controlling board of such a central bank would have an official Government majority; what other interests should be represented on the central bank board? Should other interests participate in its capital?

Would all the banks in the country be required to hold some reserves with the central bank? Would the central bank exercise powers of inspection over all bank assets? Would the central bank insure deposits?

Would the centralization of reserves and the availability of the discount facilities of the central bank contribute (a) to a reduction in the liquid requirements of the total banking system, (b) to a reduction in the total reserves needed to be held abroad, and (c) to a reduction in interest rates?

Should the central bank have power to do a banking business with the general public, as well as with other banks and Government? If the central bank has such power in reserve, should that power be exercised regularly or only when necessary to make up for inadequacies in the private banking system?

### 2 The Structure of Interest Rates

In the prewar years, the following were representative Palestinian banking interest rates, without service charges:

#### Allowed on Deposits Foreign Banks Local Banks

Demand	$\frac{1}{2}\%$	$2\frac{1}{2}\%$
Time, repayable		
3 months	$1\frac{1}{2}\%$	$3\frac{1}{2}\%$
6 months	2	$4\frac{1}{2}\%$

#### Charged for Loans

Advances	6	$8\frac{1}{2}\%$
Bills	6	8

Mortgage rates were higher than loan rates, and non-banking credit was more costly than banking credit.

Should the postwar reform of the banking system include the abolition of all interest on demand deposits and the fixing of a maximum rate of perhaps 2 percent on time deposits? What effect would such a policy have on the whole system of Palestinian interest rates?

Is there evidence that a substantially lower level of interest rates than that at present prevailing in Palestine would diminish the propensity to save? Are not savings rather primarily a function of the magnitude and distribution of income?

Is Palestine prepared to use central banking powers to carry out a policy of low interest rates for development purposes? Will such a policy mean that the central bank will need special departments for the finance of housing, agricultural crops, etc.? Are these enterprises too hazardous for any but a very small participation by banking institutions unless they are afforded adequate government guarantees against loss?

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## C The Supply of Capital and Development Institutions

Note: It is assumed, purely as a basis for analysis, that the deflation of the 1943 and 1944 Net National Product values for Palestine into constant 1935-39 prices will yield values of LP. 40 million to LP. 50 million. It is assumed further that the analysis of development potentialities will suggest, as a realistic target, the expansion of the Net National Product during the decade 1945-1955 to between LP. 80 million and LP. 100 million. It is postulated that, of this expansion, 1 percent to 2 percent per year will be due to increased per capita productivity and the remainder will be due to the expansion of the labor force both through natural increase and immigration. It is estimated that the development process will involve a net investment during the decade of LP. 200 million to LP. 300 million. These assumptions and estimates are introduced tentatively, for analytical purposes; they may be replaced by very different estimates as the investigation progresses.

1 Investment from Domestic Resources and National Development Institutions

In the immediate prewar years, the Palestinian economy, on balance, apparently provided little or no net investment from domestic resources. During recent war years, on the other hand, Palestine has invested (saved) -- primarily in liquid assets -- roughly 25 to 30-percent of her national income.

Is 10 percent of the national income too high a target for net Palestinian investment, from domestic resources, in the decade 1945-1955? How does this target compare with actual Soviet achievement in the prewar decade? What other relevant comparisons may be made involving nations with a roughly comparable standard of living and willingness to sacrifice for an economic and national goal?

How should Palestine go about to determine the appropriate percentage of her national income to devote to investment? What criteria are relevant? What consultation of popular preferences is possible?

Do data exist in Palestine from which it would be possible for a planning and investment authority to determine currently whether 10 percent (or any other percent) of the national income is currently being invested? data on capital formation in farms? in manufacturing? in public utilities? in public construction? in housing? in other construction? Is it possible to discriminate, in such investment, between domestic and foreign sources of capital?

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How would public and quasi-public institutions in Palestine implement an investment target or plan? Would they rely on public or quasi-public development institutions to fill the gap between anticipated private investment and the investment target? To what extent would it be necessary to license private investment to assure absence of conflict with general public goals? What would be the appropriate policies of restraining consumption to assure accomplishment of the investment program without inflation?

What public development institutions does Palestine need, as arms of Government, in carrying out the development program of the postwar decade? Should the institutions responsible for major investment areas, e.g., water and power, housing, the intensification of agriculture, etc., be closely knit branches of a single planning and investment authority?

What should be the relationship between public development institutions and the Palestine Central Bank? What representation of national groups or economic interests (trade unions, manufacturers, etc.) would be useful on the governing boards of these public development institutions? Apart from public capital, international loans, etc., could private capital usefully participate in the financing of these public development institutions?

Can Palestine reasonably expect international loans for development purposes unless she gives evidence of a maximum effort to find domestic resources to participate in the same purposes?

## 2 Quasi-public Institutions and Investment Resources

In the period from the end of World War I to the present, perhaps LP. 30 million have been brought into Palestine by quasi-public, Jewish, Moslem, and Christian institutions. About LP. 25 million of this total have been brought in by Jewish institutions. At the same time, certain domestic Palestinian institutions (particularly the Histadruth, the municipal community of Tel Aviv, etc.) have acquired a significant role in total investment and economic activity.

It has been estimated that at least three-fifths of the funds brought into Palestine by the Jewish quasi-public institutions (and almost all of the funds brought in by Moslem and Christian institutions) have been spent on current social, religious, and national services, and only at most LP. 10 million have been spent on investment -- including in investment land acquisition

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as well as all durable producers' goods and all construction; are these estimates broadly accurate? What annual income is received by these quasi-public institutions from their investments?

What control has this quasi-public investment yielded over the further development of the Palestinian economy? Is the J. N. F. in a position to assure saving in the agricultural settlements on J. N. F. land? What modifications in its rental and lease policy are necessary to transform it into an instrument of economic policy and planning? How effective is the Jewish Agency at the present time as an economic control and development institution? Have its policies been consciously adapted to create a lever of development control?

What funds can the J. N. F. and the Jewish Agency expect to contribute to Palestinian investment (including land acquisition, as a separate item) in the postwar decade? Is it to be expected that the resources of these funds, from contributions will be as large after the war as they are now? Are these institutions capable of developing into important instruments of development policy?

Should purely domestic institutions, such as the Histadruth, be looked to for an expanding initiative in economic development, rather than international institutions such as the Jewish Agency or the J. N. F.? In an economy expanding as above assumed, what approximate annual savings could the Histadruth and its affiliates devote to investment purposes? What would be the appropriate relationship between the Histadruth (or other similar institutions) and the central planning and investment authority?

What role in public investment can be assumed by municipal institutions, such as Tel Aviv? What is the anticipated amount of such investment, by major purposes? What should be the appropriate relationship between such local government investment activity and central policy?

### 3 Investment of Palestine's War-Acquired Foreign Exchange Assets

At the end of hostilities in Europe, Palestine will have foreign exchange assets in sterling and dollars, of at least LP. 100 million. Perhaps LP. 40 million of this minimum total will belong to the Palestine Currency Board, perhaps LP. 5 million to the Palestine Government, and perhaps LP. 55 million to private banks, firms, and individuals. It is assumed that Palestine will decide to hold a public foreign exchange reserve, for currency exchange stabilization purposes, no larger than LP. 20 million to LP. 25 million.

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What portion of Palestine's war-acquired foreign assets represent liquidated inventories and funds held to replace machinery which it has been impossible to replace during the war?

Will Palestine maintain public controls in the postwar period generally prohibiting her residents from utilizing their foreign exchange holdings for other than approved investment purposes? What exceptions to such a policy will be necessary?

Will Palestinian banks holding sterling or dollar assets be required to lend these funds for Palestinian development over a period of years, to divert these funds increasingly into Palestinian assets? Will the Palestine Currency Board (or its successor central bank) pursue a policy of extending credits for development purposes requiring imports, within the limits of a safe foreign exchange reserve?

If no control is maintained over the use of war-accumulated foreign assets, what reason is there for believing that these assets will gradually be made available for Palestinian development?

#### 4. Reparations and Development Resources

It has been argued that part of the resources for Palestinian development in the postwar decade might come from German reparations. Such reparations would presumably be of three kinds: (a) payments to individual present Palestinian residents in virtue of individual property claims against Germany, (b) payments to individuals who may come to Palestine after the war, (c) general relief and resettlement payments by Germany to a United Nations authority (in virtue of property taken from Jews now dead and in virtue of other not individually assessable damages) to be used for resettlement.

Have any estimates been made of the claims on Germany by present Palestinian residents? What is the magnitude of the provision which Germany might reasonably be required to make for refugee Jews who may wish to come to Palestine? Have any claims been drafted for institutions to handle claims against Germany where individual property loss is not at issue?

#### 5. Foreign Investment and Foreign Borrowing for Palestine

In the years between the end of World War I and the present, about LP. 110 million have been brought into Palestine by immigrants and by foreign firms. The immigrants have been responsible for about three-fourths of the total and the private firms for about one-fourth. The private

foreign investment is largely equity capital, rather than bond holdings.

Apart from reparations, what capital can postwar immigrants be expected to bring into Palestine? What is the outlook for interesting foreign private firms in Palestinian enterprises? Are Jewish businesses in other countries particularly interested in making investments in Palestine? Have political uncertainties deterred this?

What outlays in Palestine would be involved were a pipe line to be built from Saudi Arabia to Haifa?

For what types of projects does Palestine plan to raise international loans? Who will be the borrowing bodies? Have plans been made for intergovernmental loans? Is it planned to approach individual foreign governments or only (as yet non-existent) world investment institutions?

For what periods, and at what rates, may Palestine expect to raise international loans? Would these loans be for projects in which foreign capital might share to the extent of 30 percent to 50 percent or would Palestine expect 100 percent borrowed foreign capital?

Can any estimate be made of the amount of foreign borrowing Palestine may need in the next decade?

000253

ROBERT R. NATHAN, CONSULTING ECONOMIST  
1731 K ST. N. W., WASHINGTON 6, D. C.  
NATIONAL 1011

OSCAR GASS  
DIRECTOR OF RESEARCH

W. R. B.
Filing Authority
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Initial
Date

May 16, 1944

Mr. John W. Pehle,  
War Refugee Board,  
Treasury Building,  
Washington, D. C.

Dear Mr. Pehle:

I am enclosing, for your information, a copy of a letter and two copies of its enclosed questionnaire, which I sent to Mr. Eliezer Kaplan, Treasurer of the Jewish Agency for Palestine. I would be very grateful if you would transmit them to any one in your staff to whom they may be of interest.

We would like to have access to any data on these questions which you feel in a position to make available for our confidential use.

I would greatly appreciate an opportunity to discuss the issues involved with you at length before we prepare our final report.

Sincerely yours,

*Robert R. Nathan*

Robert R. Nathan

RRN:AS  
Encs.

COPIY

ROBERT E. HANNAH, Consulting Economist  
1731 E St. N. W., Washington 6, D.C.  
National 1011

May 16, 1944

Mr. Flierer Kaplan, Treasurer,  
Jewish Agency For Palestine,  
Jerusalem, Palestine.

Dear Mr. Kaplan:

Mr. Chaim Weizmann has informed us that you have kindly agreed to act as liaison between the Jewish Agency in Palestine and the American group making a study of The Economic Potentialities Of Palestine 1945-1955. We thank you for assuming this burden. We will attempt to make it as light as possible.

We had expected to be on our way to Palestine by now, but there have been several delays. We hope to be in Palestine in a short time. In any event, we have thought it advisable to delay no further in giving you a more concrete indication of the kinds of questions about which we have been thinking and the matters that we will wish to explore thoroughly with you, with the staff of the Jewish Agency, with officers of the Palestinian Government, and with representative Arabs, when we are in Palestine.

For that purpose, I thought it might be useful to send you the series of planning questionnaires which we are preparing for our own use and for discussion with Government officials and private individuals in this country. As our work on this study has progressed from assembly and analysis of data on the present status of the Palestinian economy to examination of prospects for the next decade, we are finding it useful to prepare questionnaires that serve to clarify our thought on the direction of our investigation. I am enclosing a copy of the first of these questionnaires, which deals with the two related problems of refugee rehabilitation and immigration, as they affect Palestine.

As we see the subject-matter now, the second questionnaire will deal with development possibilities in water, power, and fuel. The third will deal with the outlook for Palestinian manufacturing industry. The fourth will cover expansion possibilities in agriculture. The fifth will deal with requirements and supply of capital and related monetary, banking and exchange problems. The sixth will probably deal with public finance, development institutions and related policy questions. We plan to cover also opportunities in construction and housing, the expansion of the service industries, and international trade policy -- but these subjects are further down on the agenda for our staff's work.

000255

Mr. Eliezer Kaplan, Treasurer  
Page 2.

May 16, 1944

We plan to transmit these questionnaires, as they are completed, to the State Department and the War Refugee Board as well as to the British Embassy in Washington.

We have addressed fragmentary inquiries to Messrs. Bonne, Horowitz, Gruenbaum and Ulitzur, among the members of the staff of the Jewish Agency. We have not yet heard from any of these gentlemen.

We will greatly appreciate any thought you may be able to give to the questions raised and any relevant data and analyses which the Jewish Agency staff may be able to prepare.

Sincerely yours,

Robert R. Nathan

ERN:AS  
Enc.  
Via Air Mail

000256

questionnaire No. 1

THE JEWISH REFUGEE PROBLEM AND THE PROBABLE TOTAL  
DEMAND FOR ENTRY INTO PALESTINE, 1945 - 1955

A The Demand of Jewish Refugees for Entry Into Palestine

- 1 What will be the number of displaced Jews in continental Europe at the end of hostilities? What will be their age distribution, physical and psychological condition, and immediate value as a labor force? How prolonged a period of rehabilitation will they need before they can be made self-supporting members of a labor force?
- 2 To what extent are the above estimates of the probable number of displaced persons at the end of hostilities affected by estimates of the number of refugees who will be able to get out of Europe from now to the end of hostilities? What is assumed about mortality among displaced Jews from now to the end of hostilities? What is assumed about further displacement from now to the end of hostilities?
- 3 What evidence exists of the desire of these displaced Jews to emigrate to Palestine? How could such evidence be secured now or after the termination of hostilities?
- 4 Is there evidence that some European countries will place barriers in the way of the migration of refugee Jews who are their nationals? Is there reason to believe that many European Jewish refugees will prefer to return to their former European homeland? If desiring to migrate, will they prefer to go to other countries rather than to Palestine?

B The Demand of Non-Refugee Jews for Entry Into Palestine

- 1 From what countries can substantial numbers of non-refugee Jews be expected to desire to emigrate to Palestine in the decade 1945-1955? For what reasons? In what numbers?
- 2 What are the probable occupational characteristics, economic status, etc., of such non-refugee immigrants?

C The Demand of Non-Jews for Entry into Palestine

- 1 From what quarters is there likely to be a considerable non-Jewish demand for permanent admission to Palestine? What are the probable numbers?
- 2 What are the probable reasons for this non-Jewish demand? What are the occupational and other economic characteristics of the persons involved?

D The Probable Costs of Refugee Rehabilitation in Palestine

000257

- 1 What does Palestinian experience indicate of the per capita costs of rehabilitating refugees of various kinds?
- 2 To what extent are these past costs reasonable indications of the probable outlays that would be involved per capita in postwar refugee settlements?
  - a) To what extent is past cost experience modified by the availability of war-constructed barracks and other military equipment?
  - b) To what extent is past cost experience misleading because rehabilitation will now be a longer process?
  - c) To what extent is past cost experience modified by shifts in price levels, and by a changed situation with respect to the supply of imported commodities?
  - d) To what extent is the experience of the past in handling a relatively few refugees at one time invalidated by the change in the scale of the problem from a few thousand to possible hundreds of thousands? What is the elasticity of supply of food, clothing, housing, medical services, etc., in Palestine in terms of the projected increase in requirements?

B The Probable Costs of Non-Refugee Immigrant Services for Palestine

- 1 What costs are likely to be incurred in facilitating non-refugee immigration into Palestine?
- 2 What assets brought by this class of immigrants may be considered as offsets to such costs?

C Selectivity among Persons Desiring to Enter Palestine

- 1 Assuming limited absorptive capacity, should preference be given to refugees among those requesting admission to Palestine? Should preference be given to those possessing capital, special skills, etc.? Should preference be given to Jews?
- 2 What technique should be used in selecting among refugees for admission to Palestine? Is it possible that some refugees will opt for emigration to Palestine and yet have to wait their turn for years?

D Analysis of Advantages and Disadvantages of Mass Jewish Refugee Rehabilitation in Palestine

- 1 Is there reason to believe that it will be cheaper to rehabilitate large numbers of refugees in Palestine after the war than in the United States or several other countries?

000258

- 2 Will UNRWA funds or other public funds (including reparations) be more readily available if rehabilitation takes place outside of Palestine?
- 3 Does Palestine have an advantage in handling refugees through the availability of an effective, functioning organization which approaches the refugee in a welcoming spirit as a potential asset?
- 4 Does Palestine have advantages in social and economic organization permitting refugees to be partially self-supporting during the period of rehabilitation? Is such partial self-support possible even in organizations modelled on prisoner-of-war camps? Does the Palestinian organization make for an easier transition from a subsidized to a self-supporting way of life for the refugee?
- 5 To what extent is the locus of refugee rehabilitation necessarily determined by the consideration that the temporary guest is likely to become a permanent resident? What nations other than Palestine are willing to accept large numbers of refugees either for rehabilitation or for permanent settlement?
- 6 Should refugees be brought into Palestine for rehabilitation only if it is reasonably sure that they will be legally and politically acceptable as immigrants if they desire to stay?
- 7 Should refugees be brought into Palestine for rehabilitation only if there is a reasonable outlook that economic expansion will permit their unsubsidized employment at presently prevailing wages when their physical and psychological rehabilitation has been completed?

#### B Conclusions and Policy suggestions

- 1 The probable demand of refugees and non-refugee immigrants for entry into Palestine
- 2 The cost problem in rehabilitation and immigration
- 3 The long-term political and economic commitments involved in immediate policy determinations
- 4 Suggested policies on refugee rehabilitation and immigration

000259

Questionnaire No. 1

THE JEWISH REFUGEE PROBLEM AND THE PROBABLE TOTAL  
DEMAND FOR ENTRY INTO PALESTINE, 1945 - 1955

A The Demand of Jewish Refugees for Entry Into Palestine

1. What will be the number of displaced Jews in continental Europe at the end of hostilities? What will be their age distribution, physical and psychological condition, and immediate value as a labor force? How prolonged a period of rehabilitation will they need before they can be made self-supporting members of a labor force?
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3. What evidence exists of the desire of these displaced Jews to emigrate to Palestine? How could such evidence be secured now or after the termination of hostilities?
4. Is there evidence that some European countries will place barriers in the way of the migration of refugee Jews who are their nationals? Is there reason to believe that many European Jewish refugees will prefer to return to their former European homeland? If desiring to migrate, will they prefer to go to other countries rather than to Palestine?

B The Demand of Non-Refugee Jews for Entry Into Palestine

1. From what countries can substantial numbers of non-refugee Jews be expected to desire to emigrate to Palestine in the decade 1945-1955? For what reasons? In what numbers?
2. What are the probable occupational characteristics, economic status, etc., of such non-refugee immigrants?

C The Demand of Non-Jews for Entry into Palestine

1. From what quarters is there likely to be a considerable non-Jewish demand for permanent admission to Palestine? What are the probable numbers?
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D The Probable Costs of Refugee Rehabilitation in Palestine

000260

- 1 What does Palestinian experience indicate of the per capita costs of rehabilitating refugees of various kinds?
- 2 To what extent are these past costs reasonable indications of the probable outlays that would be involved per capita in postwar refugee settlements?
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- 1 What costs are likely to be incurred in facilitating non-refugee immigration into Palestine?
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- 1 Assuming limited absorptive capacity, should preference be given to refugees among those requesting admission to Palestine? Should preference be given to those possessing capital, special skills, etc.? Should preference be given to Jews?
- 2 What technique should be used in selecting among refugees for admission to Palestine? Is it possible that some refugees will opt for emigration to Palestine and yet have to wait their turn for years?

#### G Analysis of Advantages and Disadvantages of Mass Jewish Refugee Rehabilitation in Palestine

- 1 Is there reason to believe that it will be cheaper to rehabilitate large numbers of refugees in Palestine after the war than in the United States or several other countries?

000261

- 2 Will UNRWA funds or other public funds (including reparations) be more readily available if rehabilitation takes place outside of Palestine?
- 3 Does Palestine have an advantage in handling refugees through the availability of an effective, functioning organization which approaches the refugee in a welcoming spirit as a potential asset?
- 4 Does Palestine have advantages in social and economic organization permitting refugees to be partially self-supporting during the period of rehabilitation? Is such partial self-support possible even in organizations modelled on prisoner-of-war camps? Does the Palestinian organization make for an easier transition from a subsidized to a self-supporting way of life for the refugee?
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- 7 Should refugees be brought into Palestine for rehabilitation only if there is a reasonable outlook that economic expansion will permit their unsubsidized employment at presently prevailing wages when their physical and psychological rehabilitation has been completed?

#### B Conclusions and Policy Suggestions

- 1 The probable demand of refugees and non-refugee immigrants for entry into Palestine
- 2 The cost problem in rehabilitation and immigration
- 3 The long-term political and economic commitments involved in immediate policy determinations
- 4 Suggested policies on refugee rehabilitation and immigration

000262

## ROBERT R. NATHAN, CONSULTING ECONOMIST

1731 K ST. N. W., WASHINGTON 6, D. C.  
NATIONAL 1011OSCAR GASS  
DIRECTOR OF RESEARCH

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May 4, 1944

Mr. John W. Pehle, Executive Officer,  
War Refugee Board,  
Treasury Building,  
Washington, D. C.

Dear Mr. Pehle:

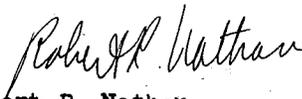
In connection with our study of the economic potentialities of Palestine, we need certain data which we believe you may be in a position to supply -- in part or in whole. These data bear rather on your recent responsibility in connection with Foreign Funds Control than your present duties, but perhaps you may be able to furnish them for our confidential use. They relate to the foreign exchange assets of Palestine.

If any part of the requested data is not available in the Treasury, I would appreciate it greatly if you would inform me to that effect so that we may inquire of the British Government.

I attach a form table which indicates what we would like to know ideally. I am sure that the information available to you falls short of this ideal in one direction or another. However, we will be very appreciative of anything you may be in a position to furnish us to fill in some of the blanks on this draft table.

Thanking you in advance,

Sincerely yours,



Robert R. Nathan

RRN:AS

Enc.

000263

FOREIGN EXCHANGE ASSETS OF PALESTINE<sup>a/</sup>  
 (in thousands of indicated currency unit)

Ownership of Assets	Gold & Silver <sup>b/</sup>	Sterling	Dollars	Other Currencies	Total <sup>e/</sup>
Banks	:	:	:	:	:
Corporations	:	:	:	:	:
Individuals	:	:	:	:	:
Public Bodies <sup>c/</sup>	:	:	:	:	:
Quasi-public Agencies <sup>d/</sup>	:	:	:	:	:
Total <sup>e/</sup>	:	:	:	:	:

<sup>a/</sup> Sept. 1, 1939; Dec. 31, 1940; Dec. 31, 1941; Dec. 31, 1942; Dec. 31, 1943 and latest date.

<sup>b/</sup> Gold at \$35 or 175 shillings per ounce, silver at 45 cents or 23 pence per ounce.

<sup>c/</sup> Excluding Palestine Currency Board.

<sup>d/</sup> Jewish Agency For Palestine; Jewish National Fund; etc.

<sup>e/</sup> Indicate currency unit of total and conversion rate used for other currencies.

000264

FOR RELEASE: MORNING PAPERS  
APRIL 24, 1944  
*April 24.*

ROBERT R. NATHAN CONDUCTING SURVEY OF THE  
ECONOMIC POTENTIALITIES OF PALESTINE

It was announced in Washington today that Robert R. Nathan, Consulting Economist, and his associates are conducting a survey of the economic potentialities of Palestine. The director of research of this project is Mr. Oscar Cass. Preliminary work has been under way for several months, and a final report is to be delivered before the end of 1944.

Mr. Nathan and his associates aim to make a comprehensive and scientific appraisal of the economic possibilities of Palestine during the next decade. Consideration will be given to both agricultural and industrial possibilities. While emphasis will be placed upon raw materials and other resources available within Palestine and in the Middle Eastern area, the investigation will also aim to indicate opportunities which may present themselves to manufacturers, traders, and investors from other countries. Markets throughout the Middle East and elsewhere will be studied.

An analysis will be made of the capacity of Palestine to absorb new settlers; the rate of absorption of immigrants under varying assumptions; the related capital investment required; and the probable direction of economic development. The report will be, primarily, an economic appraisal, rather than an engineering survey. However, results of previous engineering surveys will be utilized, and the services of engineering consultants as well as industrial experts will be utilized.

As part of the preliminary investigation, a staff of professional economists has for some time been engaged in evaluating all the available publications and other materials which have been gathered in the United States. Requests for additional data have been submitted to authoritative sources. In addition, Mr. Nathan, together with Mr. Cass and Mr. Louis H. Bean, will shortly travel to Palestine to conduct a personal investigation there and in the Middle Eastern area, for the purpose of obtaining first-hand information and a realistic insight into the related problems.

The survey is being made by Mr. Nathan and his associates for American Palestine Institute of 165 Broadway, New York City. This organization was incorporated as a membership corporation in the State of New York at the end of 1942, for the purpose of conducting research into the economic potentialities of Palestine and the Middle East, and disseminating economic information concerning this area. The Institute is a non-political, non-profit organization, which is not affiliated with any other organization and is financed by private contributions from individuals.

By the provisions of the contract, Mr. Nathan and his associates have complete independence in conducting this study and in the formulation of the findings.

In announcing the survey, Mr. Nathan emphasized the fact that it is not an official government project, and that the survey is not concerned with political matters. While it is recognized that political considerations are very important in determining policies concerning the future development of Palestine and the Middle East area, these political considerations are regarded as outside the scope of the present survey, which is designed to deal solely with the economic aspects of the subject.

A very attempt will be made to review the facts and conditions scientifically and objectively. The aim is to present the final results to the Institute in such a form as to make the entire report useful to those private and governmental agencies which may participate in determining the future economic development of Palestine.

Mr. Nathan will be available for questions and discussion on Friday, April 21, at his office, 1731 K Street, N. W., at 3 P. M.

N. B. -- R. K. Nathan, now operating as a private consulting economist, was formerly Chairman of the Planning Committee of the War Production Board, and prior to that, Chief of the National Income Division of the Department of Commerce. Oscar Gass, who is acting as director of research for this project, was formerly an economist with the U. S. P. B. and the Treasury Department. L. H. Bean, on leave of absence from the Bureau of the Budget to assist in this survey, was formerly an economist in charge of agricultural-industrial relations for the Department of Agriculture.

In reply please  
refer to: 410

APR 1 1944

Dear Mr. Gass:

Thank you for your letter of March 27,  
1944, enclosing copies of an outline of the job  
you are doing on Palestine's economic potentialities  
for 1946 to 1955.

Your cooperation in making this information  
available to us is indeed appreciated.

Very truly yours,

J. W. Fehle  
Executive Director

Mr. Oscar Gass,  
Director of Research,  
1731 "K" Street, N. W.,  
Washington 8, D. C.

RBH Hutchison:agr 3-30-44

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**ROBERT R. NATHAN, CONSULTING ECONOMIST**  
1731 K ST. N. W., WASHINGTON 6, D. C.  
NATIONAL 1011

**OSCAR GASS**  
DIRECTOR OF RESEARCH

W. R./B.
Filing Authority
To: Files
Ans.
No. Ans. Req.
Initial
Date

March 27, 1944

Mr. John W. Pehle, Executive Director  
War Refugee Board  
Treasury Building  
Washington, D. C.

Dear Pehle:

I am attaching two copies of the general outline of the job we are doing on Palestine's economic potentialities from 1945 to 1955.

The outline was prepared about three months ago before we began to do any work on the project. Our ideas have changed in some important particulars since that time, and we believe that our focus has become sharper and better directed.. This outline, however, does still adequately indicate the general drift of what we are trying to do.

It is not confidential, and you may show it to anyone you please.

Sincerely yours,

*Oscar Gass*

Oscar Gass

OS:JBE  
Attachments (2)

000268

OUTLINE OF INVESTIGATION for AMERICAN PALESTINE INSTITUTE, INC.

THE ECONOMIC POTENTIALITIES OF PALESTINE

This is to be an objective study of the economic potentialities of Palestine. It will include a brief review of the recent progress of the Palestinian economy and a somewhat more extended analysis of its present status. The core of the investigation will be contained, however, not in the review of the recent past or even of the present but in an examination of prospects for the next decade, potentialities of growth, and methods of implementing those potentialities.

The following is the central question to be examined by this study:  
Is Palestine by nature a country in which economic development cannot proceed substantially beyond the point now attained, or is the country capable of supporting a substantially larger population than its present one, at a standard of living which would attract such a population -- having regard to the probable pressures upon Jews to seek new homes? No answer is given to this question in advance of the exploration contemplated; the answer is to emerge from the study itself.

While the authors reject the idea of a comprehensive blueprint of the distant future, particular blueprints of specially promising developments will be their vital concern. To that end, it is intended particularly to explore the possibilities of water and power development in Palestine and the related problems of reclamation and agricultural expansion. It is planned also to investigate the opportunities for expansion in chemicals, textiles, industrial equipment and other industries where skills and capital seem likely to find reward. Special attention will be given throughout to capital requirements, possible sources of capital, and general investment policy. The dependence of Palestinian development on world economic and political policies will be stressed.

The economic investigation that will be conducted for this project will be designed to be exploratory and suggestive of intelligent development policy and development organization. It will not constitute an authoritarian plan for the next decade. It will lack the detail of an operating, engineering blueprint. And, rather than pretending to a specious firmness, it will emphasize the world political and economic uncertainties which necessitate the careful consideration of alternatives in planning for the future of Palestine.

These purposes and general approaches indicate the type of work that will be attempted. It is designed to be scholarly, exploratory and suggestive, rather than popular, dogmatic or argumentative. At the same time, it is intended to give a great deal of care to the task of exposition. The work should be attractively written and equipped with visual aids to ready understanding in the form of maps, charts and photographs. The final report should be an eminently readable work of not over 250 pages, which it is hoped will stand the test of the most critical scrutiny. Detailed special by-products of the general study will be presented in a series of appendices.

It is hoped that -- apart from the permanent staff that will be responsible for preparing the report -- it will be possible to enlist the cooperation of a number of individuals and organizations who may be in a position to contribute analyses of particular topics and valuable suggestions. Among the

individuals who can be particularly helpful there are no doubt included business men, engineers, scientists in a wide variety of fields, specialists in Palestinian studies, and persons with a considerable number of other vocations and personal aptitudes.

A somewhat more concrete indication of the area which it is intended to survey is contained in the one page outline on the next page and in the more detailed outline which follows. It must be emphasized that these outlines are extremely tentative. Suggestions for improving them will be welcomed. We are at the beginning of our investigation; it is therefore quite possible that the study that will finally emerge will be linked to these preliminary outlines only by a common general purpose and a few general ideas.

000270

THE ECONOMIC POTENTIALITIES OF PALESTINE

I. THREE MILLENIA OF LAND AND LABOR

II. PALESTINE TODAY

Chapter 1	The land
Chapter 2	Population
Chapter 3	National Income
Chapter 4	Agriculture
Chapter 5	Industry
Chapter 6	Trade and Services
Chapter 7	International Economic Relations
Chapter 8	Public Finance and Economic Policy

III. CREATIVE POSSIBILITIES OF THE NEXT DECADE

Chapter 1	Population Growth and Economic Opportunity
Chapter 2	Water and Power
Chapter 3	Agricultural Development
Chapter 4	Industrial Expansion
Chapter 5	International Communications
Chapter 6	Public Finance and Development Policy
Chapter 7	General Perspectives

IV. IMPLEMENTATION OF ECONOMIC POLICY

Chapter 1	The Jewish Agency and the Development Funds
Chapter 2	Government and Democratic Planning
Chapter 3	A Palestinian Development Bank?

APPENDICES

These four sections are by no means of equal importance. An approximate idea of the relative importance assigned to them may be conveyed by their estimated length. Section I should be about 15 pages, section II about 75 pages, section III about 150 pages, and section IV about 10 pages. The appendices will be as long and as varied as the special interests that emerge during the course of the investigation.

## THE ECONOMIC POTENTIALITIES OF PALESTINE

### I. THREE MILLENIA OF LAND AND LABOR

This introductory section of perhaps 15 pages is designed to suggest the greatly varying patterns of adaptation of man to the land in Palestine over three millenia. It is intended to illustrate the basic theme that the ability of a land to support a population and a civilization is not given uniquely for all time, that the very face of the land may be modified by man, and that the ability of a land to support a population is a function -- within wide limits -- of (a) pressures to leave other areas, (b) skills and techniques, (c) capital and (d) success in developing fruitful interchange with other centers of civilization. It is hoped that a distinguished scholar in this field, such as Professor Arnold J. Toynbee, may be enlisted to write this chapter.

- A. The Desert and the Sown
- B. Road of Conquerors
- C. Hellenistic Civilization
- D. Roman and Byzantine Rule
- E. Five Centuries of Arab Culture
- F. The Feudal Kingdom of Jerusalem
- G. From the Tartars to the Dissolution of the Turkish Empire
- H. Modern Colonization

### II. PALESTINE TODAY

The essential contribution of the report will not lie in this section any more than in section I. It is, in the first instance, a work of critical assembly and presentation of data that needs to be accomplished in this section, rather than one of research in a more creative sense. Yet this work of assembly and presentation is necessary if only because the audience for whom the report is intended can not be presumed to have these facts in their minds. It is hoped also that the analysis and interpretation of the present (and the recent past) contained in this section will serve as a point of departure for the critical estimate of future potentialities to be attempted in section III.

#### Chapter I. The Land (Text, maps, charts, photographs)

- A. Structure and Relief
- B. Temperature
- C. Rainfall and Water
- D. Soils and Minerals
- E. Vegetation
- F. Population Distribution and Urbanization
- G. Character of Particular Regions  
Maritime Plain, Shephelah; Central Range, Esdraelon;  
Jordan Valley, Negeb; Transjordan

Chapter 2. Population (Text, tables, charts)

- A. Numbers
- B. Religious Divisions
- C. Natural Increase
- D. Immigration
- E. Age Composition, Sex, Marital Status
- F. Occupational Distribution and Skills
- G. Literacy and Education

Chapter 3. National Income (Text, tables, charts)

The degree of detail that will be possible in this chapter will depend largely on the availability of data or the ability to assemble them rapidly. These factors have not yet been explored.

- A. Money Income - Magnitude and Recent Trends
- B. Real Income - Magnitude and Recent Trends
- C. Distribution of Individual Income by Size
- D. Distribution of Income by Source
- E. Investment - Magnitude, Sources and Directions
- F. Consumption - Magnitude and Composition

Chapter 4. Agriculture (Text, Maps, tables, charts, photographs)

- A. Land Survey and the Establishment of Titles
- B. Ownership of the Land
- C. Types of Operation
- D. Land Improvement and Irrigation
- E. Principal Crops
- F. Returns from Agriculture
- G. Relation of Food Production and Consumption
- H. Influence on Arab Agricultural Activities
- I. Agricultural Research

Chapter 5. Industry (Text, Maps, tables, charts, photographs)

- A. Industrial Production and Investment, 1919 - 1939
- B. Influence of the War on Industrial Development
- C. "Heavy" Industries - Construction, Chemicals, Metals, Power, etc.
- D. "Light" Industries - Food Processing, Textiles, Leather, Apparel, etc.
- E. Ownership and Structure of Industry
- F. Labor Organizations and Trade Associations
- G. Influence on Arab Opportunities
- H. Industrial Research

Chapter 6. Trade and Services (Text, Maps, tables, charts)

- A. Wholesale and Retail Trade
- B. Professional and Personal Services
- C. Roads, Railroads, Internal Waterways and Communications
- D. Financial Institutions and Resources

Chapter 7. International Economic Relations (Text, Maps, tables, charts)

- A. The Balance of Payments 1919 - 1943
- B. Imports 1919 - 1943 - Volume, Source, Products
- C. Exports 1919 - 1943 - Volume, Destination, Products
- D. International Services and Remittances
- E. Capital Flow
- F. Ports, Shipping Lines, Air Lines

Chapter 8. Public Finance and Economic Policy (Text, tables, charts)

- A. Volume and Sources of Revenue 1919 - 1943
- B. Volume and Direction of Expenditure 1919 - 1943
- C. Public Debt 1919 - 1943 - Interest Burden; Debt Policy
- D. Public Enterprises, Fiscal Policy and the Role of Government in Development

III. CREATIVE POSSIBILITIES OF THE NEXT DECADE

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It is the purpose of this chapter to explore what can be done in Palestine to make available additional water and power, since these may well limit all other developments. It is intended to inquire concerning what capital will be required, what labor will be needed, and what permanent agricultural and industrial possibilities will be opened up by such development.

- A. Potential Additional Irrigation from Springs and Wells - exploration needs, probable value in population absorption; immediate steps to be taken
- B. The Jordan Valley Authority - engineering plan; costs; direct and indirect Palestinian labor required; resulting water and power available; possibilities of land reclamation; industrial use of power; permanent population potentialities.
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1. Domestic Demand for Industrial Products
2. Export Markets

B. Resources

1. Raw Materials - Domestic and Imported
2. Quality and Quantity of Labor Force
3. Capital Requirements

C. Illustrations of Possibilities of Particular Industries

1. Consumers Goods - food processing; textiles; leather and apparel; watches, etc.
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It is the purpose of this chapter to explore the possibilities of Palestine as a center of communications in the Middle East.

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- B. International Rail Communication
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It is the purpose of this chapter to discuss the system of taxation, domestic borrowing and international borrowing which will be appropriate to the policy of expansion outlined in the chapters above.

- A. Revision of the Tax System
- B. Directions of Public Expenditure
- C. Policy on Domestic and International Borrowing
- D. Policies and Problems of Foreign Equity Holdings
- E. Palestine and an International Development Bank

Chapter 7. General Perspectives

It is the purpose of this chapter to summarize and reconcile what has been discussed in this section with respect to agricultural development, industrialization, investment policy, population absorption, domestic economy and world economy.

IV. IMPLEMENTATION OF ECONOMIC POLICY

It is the purpose of this section to suggest the kind of institutions of democratic planning or policy formation which might be appropriate to carry out the development process of which the large outlines (and a few particular projects) will have been sketched in the chapters above. At this stage in the investigation, no further outline is attempted than a few possible chapter heads, which may serve to suggest the kind of topic that will be discussed.

- Chapter 1. The Jewish Agency and the Development Funds
- Chapter 2. Government and Democratic Planning
- Chapter 3. A Palestinian Development Bank ?

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OUTLINE OF INVESTIGATION for AMERICAN PALESTINE INSTITUTE, INC.

THE ECONOMIC POTENTIALITIES OF PALESTINE

This is to be an objective study of the economic potentialities of Palestine. It will include a brief review of the recent progress of the Palestinian economy and a somewhat more extended analysis of its present status. The core of the investigation will be contained, however, not in the review of the recent past or even of the present but in an examination of prospects for the next decade, potentialities of growth, and methods of implementing those potentialities.

The following is the central question to be examined by this study: Is Palestine by nature a country in which economic development cannot proceed substantially beyond the point now attained, or is the country capable of supporting a substantially larger population than its present one, at a standard of living which would attract such a population -- having regard to the probable pressures upon Jews to seek new homes? No answer is given to this question in advance of the exploration contemplated; the answer is to emerge from the study itself.

While the authors reject the idea of a comprehensive blueprint of the distant future, particular blueprints of specially promising developments will be their vital concern. To that end, it is intended particularly to explore the possibilities of water and power development in Palestine and the related problems of reclamation and agricultural expansion. It is planned also to investigate the opportunities for expansion in chemicals, textiles, industrial equipment and other industries where skills and capital seem likely to find reward. Special attention will be given throughout to capital requirements, possible sources of capital, and general investment policy. The dependence of Palestinian development on world economic and political policies will be stressed.

The economic investigation that will be conducted for this project will be designed to be exploratory and suggestive of intelligent development policy and development organization. It will not constitute an authoritarian plan for the next decade. It will lack the detail of an operating, engineering blueprint. And, rather than pretending to a specious firmness, it will emphasize the world political and economic uncertainties which necessitate the careful consideration of alternatives in planning for the future of Palestine.

These purposes and general approaches indicate the type of work that will be attempted. It is designed to be scholarly, exploratory and suggestive, rather than popular, dogmatic or argumentative. At the same time, it is intended to give a great deal of care to the task of exposition. The work should be attractively written and equipped with visual aids to ready understanding in the form of maps, charts and photographs. The final report should be an eminently readable work of not over 250 pages, which it is hoped will stand the test of the most critical scrutiny. Detailed special by-products of the general study will be presented in a series of appendices.

It is hoped that -- apart from the permanent staff that will be responsible for preparing the report -- it will be possible to enlist the cooperation of a number of individuals and organizations who may be in a position to contribute analyses of particular topics and valuable suggestions. Among the

individuals who can be particularly helpful there are no doubt included business men, engineers, scientists in a wide variety of fields, specialists in Palestinian studies, and persons with a considerable number of other vocations and personal aptitudes.

A somewhat more concrete indication of the area which it is intended to survey is contained in the one page outline on the next page and in the more detailed outline which follows. It must be emphasized that these outlines are extremely tentative. Suggestions for improving them will be welcomed. We are at the beginning of our investigation; it is therefore quite possible that the study that will finally emerge will be linked to these preliminary outlines only by a common general purpose and a few general ideas.

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THE ECONOMIC POTENTIALITIES OF PALESTINE

I. THREE MILLENIA OF LAND AND LABOR

II. PALESTINE TODAY

Chapter 1	The land
Chapter 2	Population
Chapter 3	National Income
Chapter 4	Agriculture
Chapter 5	Industry
Chapter 6	Trade and Services
Chapter 7	International Economic Relations
Chapter 8	Public Finance and Economic Policy

III. CREATIVE POSSIBILITIES OF THE NEXT DECADE

Chapter 1	Population Growth and Economic Opportunity
Chapter 2	Water and Power
Chapter 3	Agricultural Development
Chapter 4	Industrial Expansion
Chapter 5	International Communications
Chapter 6	Public Finance and Development Policy
Chapter 7	General Perspectives

IV. IMPLEMENTATION OF ECONOMIC POLICY

Chapter 1	The Jewish Agency and the Development Funds
Chapter 2	Government and Democratic Planning
Chapter 3	A Palestinian Development Bank?

APPENDICES

These four sections are by no means of equal importance. An approximate idea of the relative importance assigned to them may be conveyed by their estimated length. Section I should be about 15 pages, section II about 75 pages, section III about 150 pages, and section IV about 10 pages. The appendices will be as long and as varied as the special interests that emerge during the course of the investigation.

## THE ECONOMIC POTENTIALITIES OF PALESTINE

### I. THREE MILLENIA OF LAND AND LABOR

This introductory section of perhaps 15 pages is designed to suggest the greatly varying patterns of adaptation of man to the land in Palestine over three millenia. It is intended to illustrate the basic theme that the ability of a land to support a population and a civilization is not given uniquely for all time, that the very face of the land may be modified by man, and that the ability of a land to support a population is a function -- within wide limits -- of (a) pressures to leave other areas, (b) skills and techniques, (c) capital and (d) success in developing fruitful interchange with other centers of civilization. It is hoped that a distinguished scholar in this field, such as Professor Arnold J. Toynbee, may be enlisted to write this chapter.

- A. The Desert and the Sown
- B. Road of Conquerors
- C. Hellenistic Civilization
- D. Roman and Byzantine Rule
- E. Five Centuries of Arab Culture
- F. The Feudal Kingdom of Jerusalem
- G. From the Tartars to the Dissolution of the Turkish Empire
- H. Modern Colonization

### II. PALESTINE TODAY

The essential contribution of the report will not lie in this section any more than in section I. It is, in the first instance, a work of critical assembly and presentation of data that needs to be accomplished in this section, rather than one of research in a more creative sense. Yet this work of assembly and presentation is necessary if only because the audience for whom the report is intended can not be presumed to have these facts in their minds. It is hoped also that the analysis and interpretation of the present (and the recent past) contained in this section will serve as a point of departure for the critical estimate of future potentialities to be attempted in section III.

#### Chapter I. The Land (Text, maps, charts, photographs)

- A. Structure and Relief
- B. Temperature
- C. Rainfall and Water
- D. Soils and Minerals
- E. Vegetation
- F. Population Distribution and Urbanization
- G. Character of Particular Regions  
Maritime Plain, Shephelah; Central Range, Esdraelon;  
Jordan Valley, Negeb; Transjordan

Chapter 2. Population (Text, tables, charts)

- A. Numbers
- B. Religious Divisions
- C. Natural Increase
- D. Immigration
- E. Age Composition, Sex, Marital Status
- F. Occupational Distribution and Skills
- G. Literacy and Education

Chapter 3. National Income (Text, tables, charts)

The degree of detail that will be possible in this chapter will depend largely on the availability of data or the ability to assemble them rapidly. These factors have not yet been explored.

- A. Money Income - Magnitude and Recent Trends
- B. Real Income - Magnitude and Recent Trends
- C. Distribution of Individual Income by Size
- D. Distribution of Income by Source
- E. Investment - Magnitude, Sources and Directions
- F. Consumption - Magnitude and Composition

Chapter 4. Agriculture (Text, Maps, tables, charts, photographs)

- A. Land Survey and the Establishment of Titles
- B. Ownership of the Land
- C. Types of Operation
- D. Land Improvement and Irrigation
- E. Principal Crops
- F. Returns from Agriculture
- G. Relation of Food Production and Consumption
- H. Influence on Arab Agricultural Activities
- I. Agricultural Research

Chapter 5. Industry (Text, Maps, tables, charts, photographs)

- A. Industrial Production and Investment, 1919 - 1939
- B. Influence of the War on Industrial Development
- C. "Heavy" Industries - Construction, Chemicals, Metals, Power, etc.
- D. "Light" Industries - Food Processing, Textiles, Leather, Apparel, etc.
- E. Ownership and Structure of Industry
- F. Labor Organizations and Trade Associations
- G. Influence on Arab Opportunities
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Chapter 6. Trade and Services (Text, Maps, tables, charts)

- A. Wholesale and Retail Trade
- B. Professional and Personal Services
- C. Roads, Railroads, Internal Waterways and Communications
- D. Financial Institutions and Resources

Chapter 7. International Economic Relations (Text, Maps, tables, charts)

- A. The Balance of Payments 1919 - 1943
- B. Imports 1919 - 1943 - Volume, Source, Products
- C. Exports 1919 - 1943 - Volume, Destination, Products
- D. International Services and Remittances
- E. Capital Flow
- F. Ports, Shipping Lines, Air Lines

Chapter 8. Public Finance and Economic Policy (Text, tables, charts)

- A. Volume and Sources of Revenue 1919 - 1943
- B. Volume and Direction of Expenditure 1919 - 1943
- C. Public Debt 1919 - 1943 - Interest Burden; Debt Policy
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