

of two separate economies.

Next Metzer deals with the economic role of the public sectors (i.e., the government and the organized Zionist institutions). He points to the well-known attributes of British colonial fiscal policies, of “conservative fiscal management,” and similar breakdown in the “composition of government outlays,” both of which were adhered to in Palestine.<sup>88</sup>

Then Metzer describes the change over time in the components of tax revenues as between direct and indirect taxes, which, in Palestine, followed the normal cycle where in “premodern economies” direct taxes are a major share of revenue, then as development proceeds their share declines, and then rise again with further development. In Palestine, this pattern was observed in the 1921-1933, 1934-1941, and 1942-1947 periods.<sup>89</sup> Within this context, Metzer looks at the “incidents of government taxes and expenditures along Arab-Jewish lines.” He chooses the two fiscal years, 1926-1927 and 1935-1936, where he finds

that in both the proportion of total tax revenues paid by Jews was substantially larger than their share in Palestine’s total income, let alone in the overall population. . . . This outcome was driven solely by the exceedingly large proportion of indirect taxes paid by Jews whereas the share of direct taxes, though it rose appreciably, it remained lower than the Jewish share in the countries’ total output in both 1926-1927 and 1935-1936.”<sup>90</sup>

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<sup>88</sup>Ibid., 178-9.

<sup>89</sup>Ibid., 181-2.

<sup>90</sup>Ibid., 184.