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**THE PUBLIC FINANCES OF SYRIA**

**A Thesis Presented for the Degree of M. A. in Economics**

**by**

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## P R E F A C E

This thesis has been written with the object of giving a clear and comprehensive exposé of the system of public finance of the Syrian States. It is intended that this study will be included as a chapter in the book on the economic organization of Syria now under preparation. The thesis has been written with this end in view and its contents are such as to conform with the nature of the book as a whole. Thus, in the first place, this study is mainly, though not wholly, descriptive. In the absence of any published studies on the subject it has been necessary to refer to the original financial laws and to such government publications as contained any information on fiscal legislation. Secondly the emphasis in this study has been laid more on the taxation system in view of its greater importance than on any other aspect of public finance. Lastly, in order to describe the system of Syria as a whole, it was necessary to choose one of the states, the State of Syria, as a basis and then to point out the differences that existed in the other states.

The study has been carried only to the end of 1932, but allusions were made to important changes that took place since that year.

G. H.

A. U. B. May 20, 1934.

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THE PUBLIC FINANCES OF SYRIA

I. FINANCIAL ORGANIZATION OF THE SYRIAN STATES<sup>1</sup>

The financial organization of the Syrian States is adapted to their political structure as resulting from the application of the Mandate. This structure closely resembles that of a loose federation. Syria is composed of four autonomous states, namely: the State of Syria, the Lebanese Republic<sup>2</sup>, the Government of Latakia and the Government of Jabal al-Druza. The Sanjaq of Alexandretta is not a separate state for it is part of the State of Syria. It enjoys however, a separate and distinct existence especially in financial matters. These states have complete autonomy in all matters of internal administration and legislation, except those which are controlled by the French High Commission. The High Commission serves as the connecting link between the four autonomous states and performs, in practice more than in theory, the functions of a central government<sup>3</sup>. In addition to its general functions of a tutorial and advisory nature in the administration of the separate states, the High Commission assumes direct control over a number of services of common interest to all the states.

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<sup>1</sup>The terms "Syria", "the Syrian States" or "the States under French Mandates" are used interchangeably to mean the entire territory under the French Mandate. The "State of Syria" on the other hand, refers to the territorial and administrative division of the Mandate so designated.

<sup>2</sup>We shall also briefly refer to the Lebanese Republic by the name "Lebanon".

<sup>3</sup>In practice, by means of a system of delegates and advisors, the High Commission's influence pervades the whole governmental structure.

The most important of these services are the customs, the monetary system and the Ottoman Public Debt. As a result of this political structure which we have roughly sketched, we have a parallel financial organisation consisting, on the one hand, of separate financial systems for the separate states and, on the other hand, of a financial organisation common to all. The existence of this central financial organisation does not imply the existence of a common sovereignty that would subsist after the end of the mandate regimes.<sup>1</sup> The common organs are designed to furnish the machinery necessary for the economic life of the states as a whole. They are supposed to exist only by virtue of a delegation of powers by the separate states.<sup>2</sup>

The four states above mentioned have financial systems different in two respects. In the first place, they have different fiscal systems and are subject to different fiscal legislation. In the past, they were united by a common fiscal system, that of the Ottoman Empire. As a great number of the Ottoman Laws still apply, the bulk of their fiscal legislation is common to all. However, new fiscal legislation has been promulgated in the separate states and old Ottoman laws have been amended. These laws and these amendments were sometimes divergent, so that at the present time, differences in taxation exist. In addition to this, two fiscal systems exist on the territory of the Lebanese

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<sup>1</sup>Republique Française, Ministère des Affaires Etrangères, Rapport à la Société des Nations sur la Situation de Syrie et du Liban. 1930. p. 162.

<sup>2</sup>Ibid.

Republic where the old province of Mount Lebanon has still certain privileges in the matter of taxation. While certain taxes have since been unified over the whole territory of Lebanon, some taxes remain dissimilar in the two parts of the territory. In the second place, by virtue of their being separate administrative entities, the four states as well as the Sanjaq of Alexandretta have separate budgets. Each state has complete command over its revenue resources, and each is responsible for the support of its administrative services. The autonomous Sanjaq of Alexandretta, while subject to the same fiscal system existing in the State of Syria, nevertheless has a certain degree of financial autonomy. The nature of this autonomy is governed by the Organic Law of the Sanjaq as promulgated by the High Commissioner.<sup>1</sup> All receipts and taxes collected on the territory of the Sanjaq as well as its share from the budget of common interests, and all disbursements made, are governed by means of a special budget voted by its Administrative Council and executed by its mutassarif or governor. In as much as the Sanjaq is a part of the State of Syria and should share in the expenses of the central government and legislature, it contributes to the State of Syria a sum amounting to 5% of its (the Sanjaq's) ordinary receipts.<sup>2</sup>

Attached to each state is a French financial counsellor who acts as an advisor in all financial matters. His rôle is of great importance, especially in the preparation of new financial legislation and in fiscal reform. The work of the counsellors of the different

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<sup>1</sup>"Reglement Organique du Sanjaq d'Alexandretta", annexed to the arrêté of the High Commissioner, No 3112 of May 14, 1930. Haut Commissariat de la République Française en Syrie et au Liban, Bulletin Officiel des Actes Administratifs, June 15, 1930, p. 108.

<sup>2</sup>See footnote on p. 10.

states is centralized through the Financial Counsellor of the French High Commission, who is the person largely responsible for the uniformity of financial legislation in the entire mandated territory.<sup>1</sup> He is also active in the administration of the budget of common interests, to be discussed presently.

So far we have been concerned with the states as separate organisms. As a group they have a common financial organization which is necessitated by the existence of a number of services of common interest. These services involve receipts and expenditures common to all the states. They are governed by a budget officially known as Compte de Gestion des Services d'Interet Commun, which we shall call briefly the budget of common interests. The first and most important of these common interests, and one which is the chief bond between the different states is the customs. The Syrian States are united by a single customs frontier, are subject to the same tariff legislation and are not separated by any customs barriers. Besides the revenue from the customs which constitutes the bulk of the receipts, small amounts of revenue are furnished by the powder monopoly, by the <sup>dues (share of the profits from notariats)</sup> ~~taxes~~ paid by the Bank of Syria and Lebanon, and more recently by the Surete Generale and the lighthouses. On the other hand, the main items of expenditure are the expenses of the maintenance of native troops organized under French officers, the service of the Ottoman Public Debt, the expenses of the Administration of Customs and a contribution to the civil expenditures of the Mandate.

The problem of the distribution among the states of the financial results of the budget of common interests has not yet been solved.

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<sup>1</sup>Rapport à la Société des Nations, op. cit., Year 1932, p. 48.

In principle, the states should contribute from their separate budgets for the common expenditures and on the other hand, are entitled each to its share in the common receipts. In practice, this budget of common interests has <sup>until lately</sup> always had a surplus of income over outgo and the problem has been one of distributing this surplus among the states. At the outset it was determined that the distribution of the surplus should be based on the assignment of definite coefficients for each of the states indicating the proportions in which each should share the common receipts and contribute to the common expenditures. Separate coefficients were to be made for each receipt, and for each expenditure. The problem is a very delicate one because of the complexity of the factors involved. An allotment of the customs receipts based purely and simply on the number of inhabitants of every state would be far from equitable. The extent of consumption of imported goods depends on the habits and standard of living of the population. The same question arises with other receipts and expenditures. Moreover, any coefficients once established would have to be revised periodically taking into account new elements in the situation.

An attempt at the solution of this problem was made in 1929 when the Financial Counsellor of the French High Commission, after an inquiry into the matter, adopted the following indices according to which the allotment would be made:-<sup>1</sup>

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<sup>1</sup>Rapport à la Société des Nations, op. cit., Year 1931, p. 164-165.



Receipts:-

Bases of Allotment

Customs	:	Population; consumption of imported articles
Economic services <sup>1</sup>	:	Extent of work done in <sup>each</sup> territory
Powder monopoly	:	Amount of sales made in <sup>each</sup> territory
Dues from the Bank of Syria: (Share of the profits from note issue)	:	Circulation of notes in each territory
<u>Expenditures:-</u>		
Customs	:	Same as for receipts (above)
Economic offices	:	" " " " "
Powder monopoly	:	" " " " "
Other services of common interest and civil expenditures of the Mandate	:	Central services of the High Commission: Lebanese Republic, 40% State of Syria, 40% Other states, 20%
	:	Special services or delegations; in the proportion of the expenses involved in each territory.
Military (Special troops of the Levant)	:	Population, and amount of budgetary appropriations of each state.
Ottoman Public Debt	:	In accordance with the Principles of the Treaty of Lausanne:- Average of budgetary Revenue collected on every territory during the two fiscal years 1910-1911, and 1911-1912.

On these bases the following coefficients were fixed:<sup>2</sup>

	Lebanon:	State of Syria:	Govt. of Latakia:	Sanjaq of Alexandretta:	Govt. of Jabal Druze:
<u>Receipts:</u>					
Customs	41	43	8	6	2
Economic services	33	49	8.5	8	1.5
Powder monopoly	43	37	8	11.5	0.5
Dues from the Bank of Syria at du Grand Liban	60	30	5	4.4	0.6
<u>Expenditures:</u>					
Customs	41	43	8	6	2
Economic services	33	49	8.5	8	1.5
Powder monopoly	43	37	8	11.5	0.5
Other services and civil expenses of the Mandate	33	49	8.5	8	1.5
Military expenditures	33	50	9	6	2
Charges of the Ottoman Public Debt	28.279	57.588	7.278	5.677	1.178

<sup>1</sup>These include the patent office, <sup>and</sup> a meteorological service

<sup>2</sup>Rapport à la Société des Nations, op. cit., Year 1931 p. 155.

The states have not yet reached an agreement on these bases of allotment nor on any other bases. The Jabal al-Druse is the only one to have sent its formal adhesion to the allotment adopted by the High Commission. The other states affirm their disagreement with the coefficients as well as with the principles on which they are based. Until an agreement is reached, these coefficients preserve their provisional character. In order to make future corrections in the share of each state, not all the surplus of the budget of common interests is distributed, part of the funds being kept in reserve.

The budget of common interests is administered by the High Commissioner. At the time when the High Commissioner decreed the organic laws and constitutions of the various states he created a new organ called the Conference of Common Interests to aid him in an advisory capacity in the study and settlement of economic and financial questions which the states have in common.<sup>1</sup> This conference is presided over by the High Commissioner or his delegate, and is composed of the delegations of the separate states. It meets yearly at the convocation of its president who also fixes its agenda. To this conference is submitted the budget of common interests to be examined by it, in a consultative capacity. As an exception to this, the contributions from the budget to the military and civil expenditures of the Mandate are not submitted to the conference. Besides the budget of common interests, economic and financial questions of interest to two or more states are also examined by the conference

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<sup>1</sup>Arrêté No. 3115 of May 14, 1930. Haut Commissariat de la République Française en Syrie et au Liban, Bulletin Officiel des Actes Administratifs, June 15, 1930.

at the request of the states concerned.

## II. PUBLIC INCOME

Broadly speaking, public income may be classified into two main groups: tax revenues and non-tax revenues. Following this classification, we shall hurriedly pass over the latter, to devote most of our effort and space to the former which are by far the more important.

### A. Non-tax Revenues

The items of non-tax revenues in the two most important states, and the receipts therefrom in the year 1932, are <sup>given</sup> summarized in the following table:

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TABLE NO. 1

Income from Sources Other than Taxation  
in the  
State of Syria and the Lebanese Republic in 1932<sup>1</sup>

Non-tax Revenues	State of Syria	Lebanese Republic
	Revised Estimates <sup>2</sup> L. L. S.	Estimates L. L. S.
<u>Duties and Fees</u>		
1. Judicial fees	131,000	110,000
2. Duties on contracts of lease	2,000	
3. Fees of the Notary Public	68,000	60,000
4. Registration fees ( <u>tābū</u> )	243,000	160,000
5. Tobacco licenses	30,000	
6. Duties on fishing, hunting, and hides	8,000	20,000
	<u>479,000</u>	<u>380,000</u>
<u>Public Domain</u>		
1. Sale of movable public property	5,000	2,000
2. Sale of immovable public property	30,000	12,000
3. Income from public property other than forests	80,000	20,000
4. Receipts from the sale of the private property of the State	30,000	
5. Income from forests	300	6,000
6. Income from fisheries (state property)	20,000	
7. Repayment of loans for seeds	10,000	
	<u>175,300</u>	<u>40,000</u>
<u>Public Enterprises</u>		
1. Income from the Government printing press and official publications	15,000	15,000
2. Income from the post office	170,000	275,000
3. Income from the telegraph office	60,000	155,000
4. Income from agricultural stations	3,000	
	<u>248,000</u>	<u>445,000</u>
<u>Miscellaneous Receipts</u>		
1. Census and passports	11,000	10,000
2. Discounts for pensions	293,152	150,000
3. Fees on arms and hunting		1,000
4. Duties on amusements and wagers		65,000
5. Receipts of hospitals	10,000	8,000
6. Port dues		38,000
7. Fees of public schools	25,000	
8. Fines	10,000	40,000
9. Interest on funds in bank	10,000	5,000
10. Dues from the <u>Bank of Syria</u>	42,580	45,000
11. Miscellaneous receipts	25,000	75,000
	<u>426,732</u>	<u>451,000</u>
<b>TOTAL NON TAX REVENUES</b>	<b>1,329,082</b>	<b>1,266,000</b>

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<sup>1</sup>The figures for the State of Syria were taken from the Budget of the State of Syria for the year 1933. The figures for the Lebanese Republic were taken from its budget for the year 1932.

<sup>2</sup>A distinction is made between estimates and revised estimates. Estimates are the original figures in the budget which represent a forecast of the receipts for the coming year. If estimates are later corrected in the light of collections of taxes or revenues during the major part of the year, then we speak of them as revised estimates. They are nearer to the actual receipts than the original estimates.

<sup>3</sup>The abbreviation L.L.S. stands for Livres Libano-syriennes and denotes Syrian pounds. A Syrian pound is equivalent to 20 French francs.

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The estimates of total non-tax revenues for 1932 given above are 19.7% of the ordinary receipts<sup>1</sup> and 13% of the total revenue burden<sup>2</sup>, in the State of Syria; and 25% of the ordinary receipts and 17% of the total revenue burden in the Lebanon. From this comparison, it results that non-tax revenues are more important from the fiscal standpoint in the Lebanon than in the State of Syria.

A comparison of the individual items of non-tax receipts in the two states reveals the fact that some sources of revenue exist in one but not in the other. The duties on contracts of lease, the receipts from the sale of the private property of the State, state fisheries, and public school fees are sources of receipts in the State of Syria

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<sup>1</sup>The ordinary receipts of the state budget as opposed to extraordinary receipts, are those which are regular and can be relied upon from year to year. The extraordinary receipts consist mainly of withdrawals from reserves. See Appendix Tables I and II.

<sup>2</sup>The total revenue burden includes in addition to the ordinary receipts the share of the state in customs receipts. This share is gotten by multiplying the customs receipts in 1932 by 43% and 41%, which are the coefficients allotted to Syria and Lebanon respectively (See page 7). This share, although not part of the budget of each state, is paid by its taxpayers, and therefore should be considered in determining the total revenue burden born by the taxpayers. (See footnotes, page 14 ).

that do not exist in the Lebanon. On the other hand, such Lebanese receipts as duties on amusements and wagers, and port dues have no counterpart in the State of Syria. The item of tobacco licenses exists also in the Lebanon, but there it is treated as part of the tobacco excise receipts and is not segregated from the true excise duty. In the State of Syria separate figures are given for the tobacco license receipts. A license is not a tax properly speaking and for this reason we included these licenses among the non-tax revenues.

The comparison also shows the varying importance of some items in the two states. It appears for example that the receipts from public domain <sup>land</sup> are more important in the State of Syria than in Lebanon. On the other hand, the income from post and telegraph is relatively greater in Lebanon. The second statement might be explained by the fact that there is greater commercial activity in Lebanon necessitating a more extensive use of these means of communication. We shall not carry this comparison further nor try to indicate the causes of such variations as may exist. ~~We leave it to the reader to draw his own conclusions.~~

## B. Taxation

The taxation system of the Syrian states preserves a striking similarity, in its main outlines as well as in minor details, to that which existed under the Ottoman regime. A few modifications have been made here and there, amending, suppressing or completely changing particular taxes, but these modifications seldom mark a radical departure from the Ottoman system. These piecemeal changes will be discussed under the particular taxes concerned. The purpose of this brief introduction is not to discuss modifications in the basis or nature of

taxation, but to record some of the historical events that changed the conditions under which the taxes were levied or that enlarged their sphere of application.

Under the Ottoman Empire a uniform fiscal system existed over the whole territory now covered by the Mandate with the exception of the then autonomous province of Mount Lebanon. In view of the status granted to this province by the Protocol of 1861, it enjoyed a taxation system different from that applying to the other parts of the Ottoman Empire.<sup>1</sup> With this exception, the system before the war was characterized by uniformity. Since the advent of the Mandate, however, this uniformity has been disturbed by the creation of a number of different states each with its own law-making body. In this way the door was opened for the promulgation of different fiscal legislation in the different states. The result is that today some differences in taxation as between the states exist, although the main features of the tax system remain the same. The present system may therefore be characterized as one of diversity of fiscal legislation, although this diversity has not yet developed to any great extent. Four<sup>2</sup> different fiscal systems may be said to exist today as a consequence of the division of the mandated territory into four different states.

The status of the old autonomous province of Mount Lebanon has changed. During the French occupation, it was incorporated with four of the old Turkish administrative divisions or regions namely: Beirut, Tripoli, Sidon and the Biqā'. All together they formed the State of Great Lebanon which in 1926 became the Lebanese Republic. In spite

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<sup>1</sup>Rapport à la Société des Nations, op. cit., Year 1924, p. 79.

<sup>2</sup>It has been pointed out earlier that the Sanjak of Alexandretta as part of the State of Syria has a system in common with it.

of the fact that the old province now forms part of the Lebanese Republic, it still retains some of its old privileges in matters of taxation: Since the formation of the State of Great Lebanon, the aim has been to establish a uniform fiscal system over <sup>its</sup> the entire territory as shown by the arrêté of the High Commissioner No. 751 of March 2, 1921 which provided for the unification of all taxes and duties over the entire territory of the State of Great Lebanon, on the basis of the fiscal legislation in force in the Vilayet of Beirut<sup>1</sup>. However, the provisions of this arrêté were not fully carried out. The process of unification has progressed very slowly and is not yet over. In 1923, the tamattu<sup>1</sup> and the road tax were extended to the old province of Mount Lebanon and in return the capitation tax, a tax of 8.75 Turkish piasters per capita, in force only in that province was abolished. In 1926, the working of the salt monopoly was centralized and made uniform all over the Lebanese Republic. Previous to this date, throughout Syria with the exception of the old province of Mount Lebanon the salt monopoly was managed by the Ottoman Public Debt Administration<sup>2</sup>. There was a separate monopoly in the said province where the Administration did not exercise any authority. Again, it was not until 1930 that a uniform tobacco fiscal system was instituted. Before 1930 there was a tobacco monopoly in all parts of Syria except in the province of Mount Lebanon where freedom of cultivation, of commerce, and of manufacture of tobacco prevailed. This gradual unification of the fiscal system in the Lebanese Republic is still incomplete, and

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<sup>1</sup>Haut Commissariat de la République Française en Syrie et au Liban, Recueil des Actes Administratifs, Vol. II, p. 51-53.

<sup>2</sup>See p. 72.



taxation not being uniform.

The second question of interest is that of the Ottoman Public Debt. As was the case under the Ottoman Empire, the Syrian states when they were placed under the Mandate were not in command of all the tax resources of their fiscal system. A number of taxes had been conceded by the Ottoman Government to the Administration of the Ottoman Public Debt to which we referred above. This Administration which had offices all over the country, gathered these taxes on its own account, and reserved the funds for the service of the Debt. The taxes subject to concession were the following:- the salt monopoly, duties on liquors, duties on fishing, stamp duties, the silk tithe, the tithe on cereals in certain regions, the tobacco monopoly, and the customs surtax of 3%.<sup>1</sup> Most of these taxes were collected directly by the Administration, although some were "farmed" and the last, the customs surtax was collected by the agency of the Customs Administration.

While awaiting the determination of the share of the Syrian states in the obligations of the Ottoman Public Debt, the sums collected by the Administration of the Debt after June 15, 1923, were blocked in a special account at the Banque de Syrie et du Grand Liban<sup>2</sup>, where they were reserved until such time as the question of the resumption of the service of the debt was settled. Beginning with January 1, 1926, the collection of the conceded revenues was turned over to the local authorities and at that date the states began to enjoy complete command over all their revenues except the customs duties. The reason for this is clear, <sup>that</sup> by the year 1926, the obligations of the Syrian States

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<sup>1</sup>Rapport à la Société des Nations. op. cit., Year 1924, p. 40.

<sup>2</sup>Ibid., Year 1926, p. 182.

<sup>3</sup>Ibid.

on account of the Ottoman Public Debt were definitely determined. In guarantee of the fulfillment of these obligations, the revenue from the customs was pledged as security.<sup>1</sup> In this way customs revenues were substituted for the conceded revenues previously administered by the Ottoman Public Debt Administration

A third question relating to the taxation system, now of historical interest only, needs a brief statement. This is the question of the capitulations. Under the Ottoman Empire, foreigners residing on its territory enjoyed a number of privileges which were embodied in the so-called capitulations. Among these privileges was exemption from direct taxation. These capitulations were not in conformity with the new status given to the Syrian states under mandate from the League of Nations. That is why the capitulations were suspended, <sup>for</sup> during the period of the Mandate, by article 5 of the Act of Mandate<sup>2</sup>. By way of application of this provision, foreigners were no longer exempt from direct taxation. They became liable for the payment of taxes as from July 13, 1924, date of the ratification by the U.S.A. of the accord concluded with the French Government, by which the former accepted the French Mandate over Syria and Lebanon.<sup>3</sup>

#### 1. Direct Taxes

Having stated some of the historical facts relating to it, we are now in a position to discuss the taxation system in detail. We shall divide the taxes into direct and indirect. In the discussion of each

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<sup>1</sup>Ibid. Rapport de la Société des Nations, op. cit., year 1924, p. 182.

<sup>2</sup>This amounted to a renunciation by the Powers of their privileges and immunities embodied by the Capitulations, during the term of the Mandate.

<sup>3</sup>Recueil des Actes Administratifs, op. cit., Vol. V, p. 405-406. By the accord ratified July 13, 1924, the U.S.A. accepted the suppression of the capitulations.

direct tax we shall state: (1) its fiscal importance in the two major states, the State of Syria and Lebanon, (2) its operation in the State of Syria and (3) the main differences which exist between its <sup>basis</sup> and rate in the State of Syria and in the other states<sup>1</sup>. The direct taxes are six in number, namely, the tithe, the land tax, the buildings tax, the tamattu (income tax), the animal tax and the road tax.

a. The Tithe

From the fiscal standpoint, the tithe is the most important direct tax in the State of Syria. This statement is also true of the other Syrian states with the exception of Lebanon. In Lebanon the revenue from the tithe is relatively small. The reason for this <sup>is</sup> two-fold. In the first place, as has already been stated, a portion of the Lebanese territory, the old autonomous province of Mount Lebanon, is not subject to the tithe. In the second place, agriculture on which the tithe falls, occupies in the Lebanon a place of secondary importance relative to other forms of economic activity, such as commerce and industry. The following tables show the fiscal importance and the money burden of the tithe in the State of Syria and in Lebanon:-

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<sup>1</sup>Lebanon and the Government of Latakia. Because of the lack of published material on the Jabal al-Druse, it is impossible to state anything definite about its tax system. But probably it is not very different from that of the State of Syria.

TABLE NO. 2

Fiscal Importance and Money Burden  
of the  
Tithe in the State of Syria  
1927-1932<sup>1</sup>

Year	Tithe Receipts	Percent of Ordinary Receipts <sup>2</sup>	Percent of Revenue Burden <sup>3</sup>	Percent of Tax Burden <sup>4</sup>
	L. L. S.	%	%	%
1927	1,967,115	22	15.5	18.40
1928	1,882,923	22.5	13.7	16
1929	2,130,845	24	16.5	19.6
1930	1,296,094	16.5	11	13.2
1931	1,284,272	16.7	11.1	13.1
1932 <sup>4</sup>	1,330,000 <sup>5</sup>	19.7	13.0	14.8

TABLE NO. 3

Fiscal Importance and Money Burden of the Tithe  
in Lebanon 1927-1932<sup>6</sup>

Year	Tithe Receipts	Percent of Ordinary Receipts	Percent of Revenue Burden	Percent of Tax Burden
	L. L. S.	%	%	%
1927	248,752	5.3	3.1	3.8
1928	183,323	2.4	1.6	1.9
1929	272,894	4.8	3.3	4.0
1930	151,881 <sup>7</sup>	2.9	1.9	2.3
1931	250,000 <sup>7</sup>	4.8	2.9	4.0
1932	200,000 <sup>7</sup>	3.9	2.7	3.2

<sup>1</sup>For the source of the figures of tithe receipts, see Table IV in the Appendix.

<sup>2</sup>For a definition of ordinary receipts, see footnote on page 19...

<sup>3</sup>By revenue burden is meant the total amount of revenue paid by the taxpayers plus the total receipts from non-tax sources. Accordingly, it consists of (a) total non-tax receipts in the State of Syria (b) total tax receipts and (c) the portion of customs receipts allotted to the State of Syria (See page 67<sup>23</sup>) This portion is supposed to represent the amount of customs taxation paid by the population of the State of Syria. Therefore the percentages in the third column of the table are intended to show the proportion of the total revenue burden born by taxpayers.

<sup>4</sup>Here again, all taxes born by the population of the State of Syria are taken into consideration including customs duties. The difference between tax burden and revenue burden is that the latter includes non-tax receipts while the former excludes them. Consequently the percentages in this column are intended to show the ratio of the burden of the tithe to the total tax burden. It is clear from what has been stated in explanation of the table, that while the first column of percentages views the revenues from the standpoint of the government, the last two columns view them from the standpoint of the tax payers. That is why customs revenues are taken into consideration in the last two columns although they do not constitute a part of the budgetary receipts of the State of Syria, for they enter into the budget of common interests.

<sup>5</sup>The figures used for 1932 are revised estimates. For an explanation of this term see footnote p. 16.

<sup>6</sup>This table has been constructed in the same manner as the preceding. For the source of the figures see Table V in the Appendix.

<sup>7</sup>Budgetary estimates.

The tithe is the eldest of all Ottoman taxes, and has had a very complicated history. Under the Ottoman Empire it was subjected to eight radical modifications during a period of fifty years.<sup>1</sup> Since the war, there has been a conscious effort to reform it. This resulted in the institution of the commuted tithe in 1925. This reform, intended as a temporary measure, is destined to give way to a more radical one, namely, the replacement of both the tithe and the land werko by a fixed contribution from land based on a cadastral survey. For an understanding of the present commuted tithe, it is necessary to make a preliminary statement of the system that prevailed before 1925, with which the present system is intimately connected. Later we shall give a brief account of the new land tax.

(1) The old tithe system

Basis and rate:- The system prevailing before 1925 is essentially that of the Ottoman Law of June 9, 1321<sup>2</sup> (1905). According to this law, the tithe is a tax on the gross produce of land. Inasmuch as not all land pays the tithe we are led to make a distinction between two forms of land tenure; mulk and miri. The title to the former rests with its owner, but the title to the latter is vested in the state. The holder of miri land exercises the right to use the land. This right is without a time limit and can be transferred.<sup>3</sup>

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<sup>1</sup> The State of Damascus, Ministry of Finance, Bilāghāt Māliyyah, 1924, p.247 ff.

<sup>2</sup> Sader, Majma'at al-Qawānin, Vol.III, p.293-335. The date of the law pertains to the fiscal calendar, in that, since the Year A.H.1266, it has followed the Julian calendar beginning with March 1, 1789. As it is customary to date Ottoman financial laws according to the fiscal calendar, we shall follow this practice in referring to the dates of Ottoman taxes.

*of the Ottoman Government which differs from the Moslem (Hijri) Calendar,*

He pays to the state in return for this right, a tithe, which is similar to a rent, as a percentage of the produce of his land.

The original rate of the tithe as its name implies, was 10%. But the following additions<sup>1</sup> were made since the latter part of the 19th century:

1.5% For the benefit of the Agricultural Bank and  
for primary education  
.5% For covering a budget deficit  
.5% For military preparations

2.5% Total

The resulting rate of 12½% ~~that resulted~~, survived the causes of its increase, so that until the present day the tithe amounts to an eighth of the produce instead of the original tenth.

Assessment and collection:- The assessment of the tithe comprised two operations; the determination of the quantity of the crop, and the fixation of the price.<sup>2</sup> The assessment of the quantity of the crop was made by agreement between the collector and the cultivator. In case of disagreement, resort was had to the administrative council of the district (qadā') whose decision was subject to appeal. The price was fixed by the administrative council with due regard to the market price, and this price was subject to appeal by either party.

The collection of the tithe presented the most complicated aspect of the system. The prevailing method was the so-called farming method. It consisted in the sale of the tax by auction to farmers who collected it on their own account from the peasants. The sale of the tax was conducted on the lines of competitive bidding.

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<sup>1</sup>Balāghāt Nāliyyah, op. cit., p.252-253.

<sup>2</sup>The tithe could be collected either in money or in kind, in the latter case, there was no need for fixing the price of the crop. However, collection in money was by far the more common of the two methods.

The highest bidder was awarded the right to farm the tax. The system had the following characteristics:-

1. As a general rule, the tithe of every village was sold separately.
2. Special care was taken to insure the highest price by means of repeated bidding operations that lasted several days.
3. A minimum price based on past returns and on the condition of the present crop was set for the tithe of every village by the administrative council of the district. In case the bidding did not reach or surpass the minimum price set, the collection of the tithe was made by government agents.

It appears from this brief description of the old tithe system that it had some defects. The practical ones, however, far outnumbered the theoretical weaknesses. Some of these defects were enumerated by the arrêté reforming the tithe in 1925.<sup>1</sup> The preamble of the arrêté recognizes the necessity of reforming the tithe because of the just and repeated protests of the peasants. It declares further that the farming system was injurious to the peasants and inflicted real hardship on them. Moreover, the loss of time to which the peasants, the administration, and the judiciary were subjected, was emphasized. For these reasons and in view of the fact that a radical reform was under consideration, the system of the commuted tithe was adopted.<sup>2</sup>

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<sup>1</sup>Arrêté No.123 of May 22, 1925. The state of Syria, Ministry of Finance, Bilaghāt Māliyyah of the State of Syria, 1925, p.230.

<sup>2</sup>First introduced in 1925 as a temporary measure, it was reshaped in 1928 by arrêté No.177 of May 20, 1928. The application of the commuted tithe is to continue until it is gradually replaced by the new lad tax to be made possible by the completion of the cadastral survey.



The protests of the peasants were levelled against the abuses to which the farming system gave rise. The tax farmers who were in the majority of cases influential persons, exploited the peasants in various ways.<sup>1</sup> The estimation of the quantity of the crop, almost <sup>always</sup> resulted in a higher estimate than the actual. Likewise the price of the products was fixed in most cases at a higher figure than the market justified. The reason why the farmers of the tithe could thus exploit the peasants is twofold. In the first place, the ignorance of the peasants and their submissiveness - a quality acquired through a long period of coercion and intimidation - made them comply too readily with the exacting demands of their superiors.<sup>2</sup> Secondly, the members of the assessing committee as well as other officials were either under the influence of the potent tax farmers, or sided with them by corruption. In addition, the delay that the system involved and the fact that the peasants could not move their grain from the threshing floor before the assessment was made, frequently resulted in loss to the cultivators who missed in this way the high early prices, and whose grain was sometimes injured by rain or otherwise.

(1) The Computed Tithe in the State of Syria

Basis and rate:- The change to the computed tithe consisted

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<sup>1</sup>The report of the Financial Mission which examined similar conditions in Iraq concluded, "There is every reason to believe that the tax farmers pay less to the Treasury and extract more from the cultivator than they should." Iraq, Report of the Financial Mission to Inquire into the Financial Position of Iraq, 1925, p.13.

<sup>2</sup>Rapport à la Société des Nations, op. cit., year 1925, p.131.

in the replacement of the farming system by the imposition of a fixed tax determined by the average of the tithe returns during the four years from 1921 to 1924 inclusive. As a result, the concepts of basis and rate have been blurred. Is the commuted tithe a fixed tax on land or does it still retain the character of a tax on the yield of land? In other words, has it evolved into a property tax or is it more similar to an agricultural income tax? It seems to me that the reform of 1925 reshaped the tithe into a property tax for the time being. Subsequently, an amendment to the law of the commuted tithe, to be described later, permitted an actual assessment of the crops for the levy of the tax and so changed the situation. The commutation of the tithe on the basis of <sup>a fixed</sup> ~~the preceding~~ four year average has made the tax fixed for the future. It is based, as is any property tax, on the probable money income from land. This probable income ~~or potential yield~~ has for a basis at least theoretically, the past yield as measured by the amount of tax collected during a period of four years.

Since the tax returns of the basic four years were calculated on the basis of a rate of 12½% the rate may be assumed to be the same original 12½%. But there is no rate strictly speaking. There is the so-called tithe contingent of every village, which is a fixed amount.

The distribution of the tithe contingent among the villagers is determined by a commission composed of two delegates of the administrative council of the district on the one hand, and the committee of experts of the village on the other hand. The table of distribution prepared by this commission serves for future years except in so far as it has to be modified in case of sale or succession to landed property. The table once prepared has to be

made public so as to allow the formulation of objections by those concerned. These objections are decided upon by the administrative council whose decision is final. X

In estimating the value of the change in the tithe system one has to keep in mind that the computed tithe is based on the results of the old tithe. While it is true that the commutation of the tithe eliminated some of the defects and abuses involved in the operation of the farming system, it is also true that it retained two basic weaknesses inherent in that system.<sup>1</sup> In the first instance, the figures used in making the four year average were the result of competitive bidding. In other words, the tithe burden laid on every village was determined by competition among bidders. Since this competition was not as keen in the case of one village as in the case of another, the weight of the burden varied.<sup>2</sup> From the viewpoint of the extent of competition present, villages may be divided into two classes, (a) villages owned by landlords, and (b) villages owned by small peasants. The competition between prospective tax farmers in the case of villages of the first class was usually not keen and frequently absent. In general, the landlord or his agent secured the privilege of tax farming at a cheap price, because few persons, if any, could antagonize the influential landlord by competing against him in the purchase of the tithe of his own village.<sup>3</sup> On the other hand, competition was ordinarily more

<sup>1</sup>Space does not permit a full discussion and substantiation of these points. However, the validity of the statements made would not be contested by persons acquainted with the situation.

<sup>2</sup>The Government itself recognized that the tax burden was too heavy in some villages. This was the main reason for the amendment of the tithe law permitting the levy of the tithe to be according to an actual assessment of the crops. See footnote 1 on following page 26

<sup>3</sup>The safeguard requiring that a minimum price for every village ~~be reached before the tithe was sold to tax farmers~~, was not effective, for that minimum was fixed too low in most cases.

severe in the case of villages owned by small peasants. But even here, a "knock down" price was often arranged beforehand between the competitors. To sum up, we can safely say that the tithe burden was not equitably distributed as between <sup>different</sup> villages, and that landlords' villages carried in general a lighter burden than villages owned by peasants. The commutation of the tithe did not change this maldistribution of the tax burden; it simply consolidated it and made it fixed for the future.

The second defect that the commuted tithe owes to the old system is that it is based on the village as a unit and not on the individual peasant. In the distribution of the tithe contingent, injustices occurred because the more influential proprietors in the village were able to shift the greater burden of the tithe on to the poorer peasants.<sup>1</sup>

Assessment and collection:- It has already been hinted that resort might be made to the actual assessment of the crops and to the levy of the tithe accordingly, under certain conditions. The original arrêté declared the tithe contingent to be final, but provided for a resort to an assessment of the crops under exceptional circumstances, such as partial or complete destruction of the crops of a village by floods, fire by an unknown author, locusts, war or revolt, and only such destruction of crops as reduced the tithe by 25% or more below the tithe contingent was admitted. In 1929, an

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<sup>1</sup>In comparing the new land tax with the tithe, the Report to the League of Nations for 1929, says, "La nouvelle contribution ..... s'appliquant à des propriétés individuelles et bien définies, est plus juste que la dîme perçue sur l'ensemble du village et dont les personnages influents se déchargeaient autant que possible sur leurs voisins." Rapport à la Société des Nations, op. cit., Year 1929, p. 74.

amendment was made that marked a definite departure from the principles of the commuted tithe.<sup>1</sup> Thereafter any village which believed that its tithe contingent was too heavy, could ask that the tithe be levied on the basis of an assessment of its crops,--in other words, a partial return to the old system. Only such assessment, however, as reduced the tithe by 25% or more was admitted. Otherwise the tithe contingent would be collected. This amendment stole away from the commuted tithe much of its rigidity and fixity. It introduced a new tithe system different from both farmed tithe and the commuted tithe. In 1932 more than 50% of the villages asked for the levy of the tithe by means of assessment.<sup>2</sup>

When an assessment is demanded by the village Council<sup>3</sup>, it is undertaken by an assessing committee of five on which the village is represented by two assessors chosen by its Council of Elders. Appeal may be made from the decisions of this committee to an assessment commission of appeal whose decisions are final.

Once the question of assessment is settled the tithe is collected through the agency of government collectors in three equal instalments on August 1st, September 1st, and October 1st. Interest of 9% is charged on arrears. To cover the costs of collection 1% is added beforehand to the tithe contingent of each village.

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<sup>1</sup>Arrêté No. 1197 of June 13, 1929, The State of Syria, Al-'Ain (Journal Officiel) June 30, 1929. The reason for this amendment given in the arrêté as follows: "In view of the fact that the price of the tithe in the years 1921, 1922, 1923, and 1924 which served as a basis for the determination of the tithe contingent, had reached in some villages, where competition in bidding was severe, too high a level, and whereas the object by the commutation of the tithe was to reduce its burden on the taxpayer, etc." (translated from Arabic)

<sup>2</sup>Arrêté No. 4279 bis of June 1, 1932. Preamble. The Arabic text of the arrêté gives the percentage as 50% while the French text gives it as 25%. Al-'Ain, pp. cit., June 30, 1932.

<sup>3</sup>The granting of the demand is mandatory.

Reductions in the tithe:- The commuted tithe rests on one or more of three assumptions; (1) that neither the productivity of land nor the price of the crop would vary considerably from the four years' average taken as a basis; (2) if either of them varies, its variation is neutralized by an opposite variation of the other, so as to keep the money income from land on which the tithe falls, approximately the same; (3) that unfavorable variations in the money income of land in a certain year are counterbalanced by favorable variations in another year. The developments in the business cycle seem to have belied these assumptions. Since 1929 the prices of agricultural products have been falling, along with other prices but to an even <sup>e</sup>grater extent. The money income from land has shrunk considerably but the commuted tithe has remained fixed. Under such circumstances, many villages took advantage of the amendment passed in 1929 and asked that the tithe be levied on the basis of an assessment of their crops. In recognition of the fall in prices, the government made a 30% reduction in the tithe contingent of 1930.<sup>1</sup> A similar reduction of 35½% was made in 1931.

The silk tithe:- The silk tithe continued to be levied according to the old system until 1929. In that year an attempt was made to apply the system of the commuted tithe to silk, on the basis of a three years' average (1926, 1927, and 1928).<sup>2</sup> This attempt failed because of the rapidly falling price of silk cocoons

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<sup>1</sup>Arrêté No.2277 of July 23, 1930. Al-'Asimah, op. cit., July 31, 1930. The results of the assessments decreased the tax returns by a considerable amount below the tax contingent.

<sup>2</sup>Arrêté No.1094 of April 27, 1929, Al-'Asimah, op. cit., April 30, 1929.

which resulted from the competition of artificial silk, and later from the depression. Consequently another system was tried. Under the new system the average production of silk cocoons during the three years 1926, 1927, and 1928 was to be multiplied by the prevailing price in 1929 and on the product was to be applied the tithe rate of 12½% in order to determine the tithe contingent.<sup>1</sup>

Hardly had a year passed, when the falling price of cocoons necessitated remedial measures. In 1930, a reduction of 40% in the silk tithe was made.<sup>2</sup> A further reduction of 50%<sup>of the tithe of 1930</sup> was granted in 1931.<sup>3</sup>

The whole scheme of the commuted silk tithe had failed, and it was abandoned in 1932. The new system introduced in 1932 presented a radical departure from the conception of the tithe. Thereafter the silk tithe was to be levied from the merchants at the time of export, at the old rate of 12½% ad valorem.<sup>4</sup> For this purpose the basic price of cocoons was to be fixed by decree in April of each year.<sup>5</sup> Thus, after a short and troubled career, the silk tithe was transformed into what amounts to an export duty.

<sup>1</sup>Arrêté No.1486 of Sept. 25, 1929, Al-'Asimah, op. cit., Sept. 30, 1929. The price of cocoons was fixed at 70 p.l.s. (piastres libano-Syriennes) per kilogram.

<sup>2</sup>Arrêté No.2236 of July 8, 1930, Al-'Asimah, op. cit., July 15, 1930.

<sup>3</sup>Arrêté No.3561 of Oct. 1, 1931, Al-'Asimah, op. cit., Oct. 15, 1931.

<sup>4</sup>Arrêté No.3750 of Nov.25, 1931, Al-'Asimah, op. cit., Feb. 25, 1932.

<sup>5</sup>The price of cocoons for 1932 was fixed at 21 p.l.s. per kilogram. Compare this with the price fixed in 1929, 70 p.l.s.

(3) The commuted tithe in the other states.

The tithe in Lebanon:- The following are the main differences between the tithe in the State of Syria and the tithe in Lebanon:-

1. The tithe does not apply to the entire Lebanese territory. That portion of the Lebanese Republic which was formerly the autonomous province of Mount Lebanon is not subject to it.

2. The burden of the tithe is lighter in the Lebanon than in the other states. To explain this statement, it is necessary to mention the rates at which currencies were converted in the different states, which had their effect on government finances. After the catastrophic fall of the French franc, with which the Syrian pound is linked, a money of account was created into which were converted all public accounts including taxes and duties of all sorts.<sup>1</sup> This money of account was called the Syrian gold pound<sup>1</sup>, which lasted from 1927 to 1929, when it was reconverted into the new Syrian currency<sup>2</sup> which was based on the new value of the French franc after it had been stabilized. The tithe contingent was converted in 1927 from the original Syrian currency to Syrian gold currency in the State of Syria at the rate of 2.70 piastres to 1 gold piastre.<sup>3</sup> This represented according to the rates of exchange prevailing in <sup>the years 1921-1924 on which the tithe is based,</sup> ~~1925 when the contingent was determined,~~ the real equivalent in money burden.<sup>4</sup> In the Lebanese Republic, on the

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<sup>1</sup> 1 Syrian gold pound = 20 Swiss francs = 4.91 Syrian pounds (at present).

<sup>2</sup> 1 Syrian pound = 4.07 Swiss francs. The official designation of the Syrian currency is L.L.S. (liveres libano-syriennes).

<sup>3</sup> Rapport à la Société des Nations, op. cit., Year 1927, p.165.

<sup>4</sup> Ibid., p.165.



other hand, it was converted at the rate of 5 piastres paper to 1 gold piastre.<sup>1</sup> This amounted to a reduction of the burden of the tithe by a little less than half.

3. Perhaps it is for this reason that there was no reduction in the commuted tithe in Lebanon. <sup>in 1930</sup> In 1931, however, a reduction of 30% was made.<sup>2</sup> In 1932 there was no reduction in spite of the fixity of the tax and of the considerable fall in prices.<sup>3</sup>

4. This fixity of the tithe in Lebanon results from the fact that here no amendment was made whereby the villages could ask for the levy of the tithe by means of an assessment of the crops.

5. The commutation of the tithe was applied to silk in 1927 on the same lines as in the case of the general tithe. The fall in the price of cocoons necessitated a reduction of 60% in the commuted silk tithe in 1931. This reduction was continued in 1932.<sup>4</sup>

The tithe in the Government of Latakia:- The main points of difference between the tithe in the State of Syria and that in the Government of Latakia are the following:-

1. Pending the application of the new land tax, which will be possible on the completion of the cadastral survey, a single tax has been substituted in 1930 for the tithe and the present land ~~work~~. This tax, equal in amount to the sum of the two taxes it replaces, is distributed among the landowners in the village by a

<sup>1</sup> Ibid., p.165. The coefficient of 5 was passed by the Lebanese Parliament against the will of the government which proposed the coefficient of 3.

<sup>2</sup> Republique Libanaise, Journal Officiel, Jan.8, 1932; Law of Jan.6, 1932.

<sup>3</sup> This study is carried to the end of 1932 only. It may be well to note, however, that a reduction in the commuted tithe of 25% was made in 1933. See page 38.

<sup>4</sup> Journal Officiel, op. cit., June 29, 1931; Law of June 25, 1931, Journal Officiel, August 17, 1932; Decret Legislatif No.19/L of July 8, 1932.

commission composed of representatives chosen by the Council of Elders and by the proprietors of each village. This distribution is revised every year in order to take account of transfers of property.<sup>1</sup>

2. As a measure of encouragement to the growing of cotton, lands on which it was grown, were exempt from the tithe until 1929. In that year, an arrêté of the Governor of the State provided for the reestablishment of the tithe on land on which cotton is grown, as follows: first, however great is the productivity of land on which cotton is grown, it shall not pay a greater tax than that paid by land of average productivity on which cereals are grown; second, a temporary exemption for the year 1929 was still accorded to cotton cultivators in all except the district of Latakia and Jablah where cotton cultivation had reached a stage of development where it no longer needed this encouragement.<sup>2</sup>

These are the main differences. Otherwise the development has been similar to that discussed in connection with the State of Syria. The evolution of the silk tithe has been almost identical in the two states.

#### b. The Land Tax

From the fiscal point of view the land tax (werke) is not a very important tax. In amount of revenue it stands fourth among the direct taxes in the State of Syria. Its importance, however,

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<sup>1</sup>Haut Commissariat de la République Française en Syrie et au Liban, Bulletin Economique Trimestrielle, 1st quarter, 1930. p.10.

<sup>2</sup>Bulletin Economique Trimestriel, op. cit., 2nd quarter, 1929, pp.250-251.

lies in the fact that it is a tax on agriculture. It is an additional burden to rural lands. Therefore the amount of revenue that it yields cannot <sup>but</sup> be small in view of the fact that the object on which it falls is already heavily taxed. The following tables show the fiscal significance and the money burden of the land tax in the State of Syria and in Lebanon.

TABLE No.4

Fiscal Importance and Money Burden of the Land Tax (Warka) in the State of Syria.<sup>1</sup>

Year :	Land Tax Receipts : L.L.S.	Percent of Ordinary Receipts :	Percent of Revenue Burden :	Percent of Tax Burden :
		%	%	%
1927:	454,186	5.1	3.6	4.3
1928:	437,033	6.2	3.8	4.4
1929:	459,642	5.2	3.6	4.2
1930:	435,599	5.5	3.7	4.4
1931:	416,024	5.4	3.6	4.2
1932:	416,000 <sup>2</sup>	6.2	4.1	4.6

TABLE No.5.

Fiscal Importance and Money Burden of the Land Tax in Lebanon

Year :	Land Tax Receipts : L.L.S.	Percent of Ordinary Receipts :	Percent of Revenue Burden :	Percent of tax Burden :
		%	%	%
1927:	283,211	6.1	3.6	4.4
1928:	247,295	4.9	3.2	3.9
1929:	289,702	5.1	3.5	4.2
1930:	225,561	4.3	2.8	3.5
1931:	248,000 <sup>2</sup>	4.7	2.9	3.9
1932:	255,000 <sup>3</sup>	5.0	3.3	4.0

<sup>1</sup>The construction of this table is identical with that made for the tithes. See the table and footnotes on page 17. For the source of the figures of receipts see Table IV in the Appendix.

<sup>2</sup>Revised estimate.

<sup>3</sup>Budgetary estimates.

(1) The land tax in the State of Syria

A distinction shall be made between two taxes on land, namely, the land werko, and the new land tax. The land werko is the old tax of Ottoman origin, which is still applicable to the entire territory of the State of Syria, with the exception of the Sanjaq of Alexandretta, where the new land tax operates. This latter tax is destined to replace both the land werko and the tithe in the State of Syria as a whole. Until now, however, it has been possible to levy it only in the Sanjaq of Alexandretta, the only region where the conditions of its application have been achieved.

(a) The present land werko

Basis and rate:- The land werko is a property tax assessed on the capital value of land. By land is meant all kinds of property without buildings, cultivated or not, cultivable or not. In cities, small pieces of land adjacent to buildings are considered part of the building property and as such are subject to the buildings tax. The capital value of all land subject to the werko was determined by a general valuation made in A.H. 1303 (1885).<sup>1</sup>

The rate of the werko varies according to whether or not the land pays the tithe. Land that is subject to the tithe pays a lower rate, namely 5 per thousand of its value.<sup>2</sup> Sandy land and other sorts of uncultivable and uncultivated land also benefit from the lower rate. On the other hand, land that does not pay the tithe is subject to a werko of 16 per thousand of its capital value.<sup>3</sup> Such

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<sup>2</sup> Bilaghāt Māliyyāh, op. cit., 1929, p.2, and Rapport à la Société des Nations, op. cit., Year 1927, p.163.

<sup>3</sup> Ibid

<sup>1</sup> Faris Khuri, Ilm al-Maliyyah, p. 236. The date of the general evaluation is given as 1319 (1903) in another source. See Mouchawar, Notice sur les Impôts et Taxes au Liban, p. 23.

property is very limited in extent. It consists of fruit groves and orchards in the vicinity of the big cities.

Assessment and collection:- According to the Ottoman Law of July 24, A.H. 1308 (1894), which regulated the werke,<sup>1</sup> the assessment of the capital value of land is the function of a commission of valuation, composed of four experts, two of whom are chosen by the government and two by the village council. A fifth may be chosen by the four in case of a tie vote. Provision is made for a revision of the valuation every five years. This last provision, however, has been neglected and no revision has been made since the original valuation. It is true there have been revaluations of individual pieces of land whose capital value was contested by either the owner or the Treasury.<sup>2</sup> But these are so few as to be negligible and the revision was more apt to be downwards than upwards. Moreover, the original valuation of A.H. 1305 (1891) was not thoroughly and carefully carried out.<sup>3</sup> It was based mostly on information given by the villagers which resulted in land values being registered at figures unfavorable to the Treasury.<sup>4</sup> The method of collection of the land tax is the same as that which is followed in the case of other direct taxes.

(b) The new land tax. In the discussion of the tithe, the new land tax was referred to as destined to replace both the tithe and the land werke as soon as the cadastral survey made its application possible. It is desirable, therefore, to sketch here the main outlines of this tax, which has been instituted in 1927 in the State of Syria,

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<sup>1</sup>Majmū'at al-Qāwanīn, op. cit., Vol.III, p.334.

<sup>2</sup>Paris Khuri, Ilm al-Māliyyah, p.236.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid.

and applied to the Sanjaq of Alexandretta in 1929, where the survey had proceeded further than anywhere else.<sup>1</sup>

Basis and rate:- This tax is based on the rental value of landed property of all kinds, as determined by a careful assessment. A deduction of 10% is made from the assessed valuation to cover the expenses incurred by the proprietor in the maintenance of his property. The rate of the tax is to be determined in the following manner. The total amount of the receipts from the former taxes (the tithe and the land werke) is divided by the total net assessed rental value of all property subject to the tax. It is intended that the new tax will provide the Treasury with the same revenue that it received from the former taxes. However, the rate is not to be below 12% of the net assessed rental value. To the basic rate thus established are added a surtax for municipalities of 10% of the basic rate on property within municipal boundaries and a surtax for the Agricultural Bank of 5% of the basic rate on all property.

Assessment:- In order to determine the rental value of property subject to the tax, an assessment commission is instituted for every administrative district or qadhi. Land is divided into eleven categories.<sup>2</sup> Each category is to be divided by the commission into classes (at most six, and preferably three) in order to make allowance for differences in the fertility of the various pieces of land in each category. For every class the capital value and the rental value are to be fixed by the commission per hectare, taking into consideration certain indices, namely, (1) contracts of lease, (2) prevalent market

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<sup>1</sup>First instituted by arrêté No. 239 of March 23, 1927, it was later revised by arrêté No. 1439 of Oct. 9, 1929 (Al-'Asimah, op. cit., Oct. 31, 1929, p. 6.) after a year's experience in its application in Alexandretta.

<sup>2</sup>Such categories as; agricultural land, prairies, orchards, olive and mulberry groves, vineyards, forests, etc.

value, (3) average gross produce over a period of years after deduction of expenses and profits, etc. The pieces of land in the district are distributed in the various classes and the rental value of each piece is recorded in a special register. Objections to the valuation are examined by a commission of appeal, of which there are three for the State of Syria.

Application in the Sanjaq of Alexandretta:- The new land tax ~~was~~ <sup>was</sup> ~~been~~ <sup>in</sup> applied since 1929 <sup>to</sup> in about 40 villages where the preliminary work of land registration and assessment were completed.<sup>1</sup> In 1930, it was extended to ten more villages<sup>2</sup> and the sphere of its application has been growing in proportion as the cadastral survey progressed. The rate applied in the Sanjaq is 12% to which are added the surtaxes of 10% and 5% already mentioned.<sup>3</sup>

It has been ascertained that the yield of the new land tax is superior to that of the tithe.<sup>4</sup> Moreover it is an improvement on the tithe in that it is assessed on individual well-defined pieces of land, and not on the village as a whole. Unlike the tithe it falls also on uncultivated land and thus tends to discourage the practice, common with large landholders, of leaving part of their possessions unexploited.<sup>5</sup> Lastly, if the valuation of land is carefully made, the new land tax results in <sup>a</sup> much more equitable distribution of the tax burden than is afforded by the commuted tithe which hits the small peasants more heavily than the rich landowners.

<sup>1</sup> Bulletin Economique Trimestriel, op. cit., 1st Quarter 1929, p.1

<sup>2</sup> Rapport à la Société des Nations, op. cit., Year 1930, p.110.

<sup>3</sup> Arrêté No.772 of Dec. 23, 1928. Al-'Asimah, op. cit., Dec. 31, 1928, p.4.

<sup>4</sup> Rapport à la Société des Nations, op. cit., Year 1929, p.74.

<sup>5</sup> ibid., p.74.

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(B) The land tax in the other states

The land tax in Lebanon- The territories added to Lebanon in 1920 are governed in matters of the land tax, by the Ottoman miri law. What has been said of the State of Syria applies here, except in the matter of the rate. The rate including surtaxes is as follows in the Lebanon<sup>1</sup>:-

- 5.66 per thousand of the capital value of land subject to the tithe and of uncultivated<sup>2</sup> land;
- 5.83 per thousand for <sup>uncultivated</sup> land within the boundaries of the city of Beirut;
- 14.575 per thousand for land in the vicinity of Beirut exempt from the tithe (fruit groves);
- 14.20 per thousand for land in the vicinity of Tripoli and Sidon exempt from the tithe (fruit groves).

The old province of Mount Lebanon is subject to a land tax very different from that applying elsewhere, popularly known as the miri. It was established in 1861 at the time of the creation of the autonomous province. The cadastral survey and assessment, made at that time, formed the basis of the tax. The productivity of land subject to the tax was measured according to an old system of measurement composed of dirhams, qirāt, and habbahs.<sup>2</sup> For example, a piece of land that produced a qintar <sup>approximately</sup> (255.5 kgs) of olive oil or ten loads of mulberry leaves, was registered as producing one dirham. A dirham is divided into <sup>24</sup> qirāt, and a qirāt into 24 habbahs.<sup>3</sup> This assessment made in 1861 has never

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<sup>1</sup> Majma'at al-Qawānīn, op. cit., p.359.

<sup>2</sup> Shoucair, Rapport sur les Finances du Liban, 1913, p.51.

<sup>3</sup> Mouchawar, Notice sur les Impôts et Taxes au Liban, p.33.



been revised. Lands that were of low productivity then, and are now of high productivity, are still taxed according to their yield as determined more than 70 years ago. The rate of the tax (the amount of tax per dirham) is determined by dividing <sup>the total</sup> ~~the total~~ tax (which amounted to L.L.S. 128,857.41 in 1931) ~~sum of 36,300 Turkish gold pounds~~ by the total number of dirhams assessed.<sup>1</sup> The rate resulting amounts approximately to 8.85% of the value of the gross product of land.<sup>2</sup>

Although this study is only carried up to the end of the year 1932, yet it seems desirable in view of its importance, to say a word about the latest development in land taxation in Lebanon. The tithe, the land werke, and the land tax (miri) of the old province of Mount Lebanon, were abolished in August 1933, and in their place a unified land tax was established. The new tax is applicable to the entire Lebanese territory. It was distributed among the villages in the form of a tax contingent on every village, the amount of which was fixed by executive decree. The tax contingent was determined in the following manner. For the villages of the old province of Mount Lebanon, the tax contingent falling on each village, is equivalent to 85% of its miri returns in 1932. For the villages of the other parts of the Lebanese Republic, the tax contingent consists of (1) 75% of the tithe contingent, (2) 75% of the land werke returns of the village, and (3) 50% of the silk tithe contingent for 1932.<sup>3</sup> The burden of the

<sup>2</sup> Rapport à la Société des Nations, op. cit., Year 1924, p.79.

<sup>3</sup> Decret-Legislatif, No.106/L, August 12, 1933; Journal Officiel (Lebanon) op. cit., July 8, 1933. Also information given by Mr. Prince of the Department of Finance of Lebanon.

<sup>1</sup> Mouchawar, Notice sur les Impôts et les Taxes au Liban, p.38. The rate per dirham in 1931 was p.l.s. 102.90.

new tax is therefore lighter than that of the old taxes. The distribution of the tax contingent among the landowners, is entrusted to the Council of Elders of each village.

This new law does not secure uniformity of land taxation in the Lebanese Republic except in name. The principles on which the tax is based are still different in the two parts of Lebanon. Nevertheless, this measure has the advantage, in addition to reducing the tax burden, of unifying the collection of the various land taxes by combining them all into one. One of its disadvantages, however, is that it fixes the tax on the village and not on the individual landowner. There lies the danger of an inequitable distribution of the tax contingent among the village proprietors. But the Government recognizes that this is only a temporary measure to apply until it is possible to reform the whole system of land taxation. The reform contemplated will probably be very similar to the new land tax of the State of Syria.

The land tax in the Government of Latakia:- The land werke in the Government of Latakia is the same as that already described as existing in the State of Syria. Even the rate is the same, although it was different until 1929.<sup>1</sup> What was said in connection with the tithe<sup>2</sup>, about the unification of the tithe and the werke in this state into <sup>single</sup> fixed imposition on land, applies here also. Lastly, it is to be noted that, following the example of the State of Syria, the Government of Latakia has promulgated in 1929 an arrêté instituting the new land tax and providing for its gradual application in those villages where the cadastral survey has been

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<sup>1</sup>Bulletin Economique Trimestriel, op. cit., 1st Quarter 1929, p.13. The rate of the werke, before 1929, was 6½ per thousand for land subject to the tithe. In 1929 it was reduced to 5 per thousand, the rate applied in the State of Syria.

<sup>2</sup> See page 30.

completed.<sup>1</sup>

C. The Buildings Tax

In the State of Syria, the buildings tax is the third in importance among the direct taxes, from the fiscal standpoint. In ~~the~~ Lebanon it is the most important revenue-producing direct tax.<sup>2</sup> Its burden falls mainly on the urban population for buildings are largely found in cities and it is there that they have the higher valuation. The following tables give the actual revenue from the buildings tax and its money burden in the State of Syria and in Lebanon.

TABLE No.6

Fiscal Importance and Money Burden of the Buildings Tax  
in the State of Syria<sup>3</sup>

Year	Buildings Tax Receipts	Per-cent of Ordinary Budget	Per-cent of Revenue Burden	Per-cent of Tax Burden
	L.L.S.	%	%	%
1927	594,273	6.7	4.7	5.6
1928	587,830	8.3	5.1	5.9
1929	619,102	7.1	4.8	5.7
1930	623,405	8.0	5.3	6.3
1931	448,853	5.9	3.9	4.6
1932	500,000 <sup>4</sup>	7.4	4.9	5.6

<sup>1</sup> Bulletin Economique Trimestriel, op. cit., 3rd Quarter 1929, p.462.

<sup>2</sup> See Table No.V in the Appendix.

<sup>3</sup> The table is constructed in the same way as the table for the tithes. See footnotes page 17. For the source of the figures, see Table IV in the Appendix.

<sup>4</sup> Revised estimate.

TASK No.7.

Fiscal Importance and Money Burden of the Buildings Tax in Lebanon

Year	Buildings tax Receipts <sup>1</sup>	Per cent of Ordinary Receipts	Per cent of Revenue	Per cent of Tax Burden
	L.L.S.			
1927	309,106	6.6	3.9	4.8
1928	417,803	8.2	5.4	5.5
1929	375,063	6.7	4.5	5.4
1930	415,755	7.9	5.2	6.4
1931	390,000 <sup>2</sup>	7.4	4.6	6.2
1932	450,000 <sup>2</sup>	8.8	5.9	7.1

(1) The Buildings tax in the State of Syria

Basis and rate:- In contrast with the land werko which is a tax on rural property, the buildings tax, which is also called the buildings werko, is largely a tax on urban property. Originally it was governed by the same rules as those governing the land werko, i.e. it was based on capital value. In fact the law of 1308 (1886) refers both to land and buildings. In 1326 (1910) its basis and assessment were modified and it became a tax on the rental value of buildings.<sup>3</sup> The rental value was to be determined by a general assessment. This general assessment was only partially carried out, and was not completed except in a few cities. The result is that at present there are two different taxes on buildings in the State of Syria, the one applying in localities where the assessment was made and the other applying in localities where no assessment was made.<sup>4</sup>

<sup>1</sup> Budgetary estimates

<sup>2</sup> See Table V in the Appendix for the source of the figures of receipts.

<sup>3</sup> Majma'at al-Qawā'in, op. cit., Vol. III, p.338, and Bilghat al-Liyyah, op. cit., 1924, p.642.

<sup>4</sup> Rapport à la Société des Nations, op. cit., Year 1924, p.76.

In the latter case, the tax is very similar to the land tax and is based on the capital value of buildings<sup>as</sup> assessed in 1905 (1908). Its rate ranges between 5.80 and 21 per thousand, depending on whether the buildings are rented or not and whether they are made of stone or of other materials.<sup>1</sup> To this rate is added a surtax for the benefit of municipalities ranging between 0.4 and 2 per thousand.<sup>2</sup>

In those localities where an assessment was made the law of 1910 is in force.<sup>3</sup> All buildings used for habitation, commerce, or industry, as well as open spaces used for industry or commerce, are subject to the tax. Pieces of land adjacent to or surrounding a building are considered as part of the property, on condition that their area does not exceed a certain maximum consistent with the importance of the building. Whatever exceeds such a maximum is subject to the land tax.

The rate of the tax is 12% of the assessed rental value. Surtaxes amounting to 60% of the rate are added.<sup>4</sup> The rate thus amounts to 19.2%. A reduction of 25% of the assessed rental value is made for workshops, mills and buildings made of wood. This reduction is made partly as an encouragement to industry and partly because such buildings either require greater expense of maintenance

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<sup>1</sup>Rapport à la Société des Nations, op. cit., Year 1924, p.76.

<sup>2</sup>Ibid.

<sup>3</sup>Bilâghât Miliyyah, op. cit., p.542.

<sup>4</sup>Bilâghât Miliyyah, op. cit., 1924, p.542. See also 'Ilm al-Miliyyah, op. cit., pp.247-48. The original<sup>purpose</sup> of these surtaxes is as follows:- 25% for military preparations, 25% for covering a budgetary deficit, and 10% for local and municipal revenue.

and repair, or are less durable than stone buildings. An exemption of 250 Turkish gold piastres of rental value is made for houses inhabited by their owners, if their assessed rental value does not exceed 1,000 Turkish gold piastres.

The new tax on buildings:- In 1931 a new buildings tax law appeared. It could not be applied in 1932 as was anticipated, because the general reassessment required could not be completed. It is expected that it will be completed in 1933. The new law, drawn up along lines prepared in 1930 by the financial section of the French High Commission<sup>1</sup>, is nothing but a perfected version of the Ottoman law, whereby the tax is based on the rental value of buildings as assessed by local commissions. The rate of the tax is 8½% instead of 12% with an unspecified surtax for the benefit of municipalities.<sup>2</sup>

(2) The buildings tax in the other states.

The buildings tax in Lebanon:- The buildings tax in Lebanon which applies uniformly to the entire Lebanese territory, differs from that applying in the State of Syria in many respects. In the first place, in 1922<sup>3</sup> a general assessment permitted the application of the tax all over the territory of Lebanon on the basis of the

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<sup>1</sup>The Financial Counsellor of the High Commission drafted in 1930 a model law governing the buildings tax, and this law was adopted successively by the various states.

<sup>2</sup>Arrêté No. 3142 of April 20, 1931, Al-'Asimah, op. cit., April 30, 1931, p. 101. The rate of the municipal surtax will be fixed after the completion of the assessment.

<sup>3</sup>Decret législatif  
Arrêté No. 1481 of Aug. 13, 1922, Majma'at al-Qawānīn, op. cit., Vol. III, pp. 248 ff. Also, Law of April 26, 1927, Journal Officiel, op. cit., April 29, 1927.

rental value of buildings. Secondly, the valuation in ~~the~~ Lebanon is more recent, while in the State of Syria it dates back to 1910. Thirdly, the rate of the tax is lower. Instead of 12% with 7.2% of surtaxes, it is only 8½% with not more than 3% of surtax for municipalities, varying with the locality. Lastly, there is an exemption of the first 1,000 Libano-Syrian piastres of the assessed rental value of all buildings.

The application of the new buildings tax instituted in Lebanon at the end of 1930<sup>1</sup> has proceeded further than elsewhere.<sup>2</sup> The assessment of all buildings was completed in 1932, but the settlement of objections and appeals is not yet accomplished. The application of the new tax is expected to take place in 1934.

The Buildings Tax in the Government of Latakia:- What was stated for the State of Syria applies equally here with one exception. The basic rate is 8½% as in the Lebanon and not 12%.<sup>3</sup> The new buildings tax has also been instituted in this state and the prerequisites for its application are being undertaken.<sup>4</sup>

#### d. The Tamattu'

In the State of Syria the tamattu' or income tax was not in the past of great fiscal importance. In 1932, however, an increase in its yield was anticipated, because salaries of government officials hitherto exempt, were subjected to it. The burden of

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<sup>1</sup>Law of Dec. 16, 1930, Journal Officiel (Lebanon), op. cit., Dec. 31, 1930.

<sup>2</sup>Interview in the Department of Finance, Lebanon, Mr. Prince.

<sup>3</sup>Bulletin Economique Trimestriel, op. cit., 1st Quarter, 1932, p.13.

<sup>4</sup>Ibid., 1st Quarter 1931, pp.7-8, and 2nd Quarter, 1931, p.230.

this tax falls on the commercial, industrial and professional classes of the community. In the Lebanon which is a more commercialized and industrialized country, its fiscal importance is greater and it stands second among the direct taxes from the standpoint of revenue. The following tables give for the State of Syria and for Lebanon the revenue from the tamattu<sup>1</sup> and its money burden, during the years 1927-32.

TABLE No.8.

Fiscal Importance and Money Burden of the Tamattu<sup>1</sup> in the State of Syria<sup>1</sup>

Year:	<u>Tamattu</u> <sup>1</sup> Receipts L.L.S.	Per-cent of Ordinary Receipts	Per-cent of Revenue Burden	Per-cent of Tax Burden
		%	%	%
1927:	235,690	2.7	1.9	2.2
1928:	248,055	3.5	2.2	2.5
1929:	271,356	3.1	2.1	2.5
1930:	270,098	3.4	2.3	2.8
1931:	278,953 <sup>2</sup>	3.6	2.4	2.8
1932:	425,000 <sup>2</sup>	6.3	4.2	4.7

TABLE No.9

Fiscal Importance and Money Burden of the Tamattu<sup>1</sup> in Lebanon<sup>3</sup>

Year :	<u>Tamattu</u> <sup>1</sup> Receipts L.L.S.	Per-cent of Ordinary Receipts	Per-cent of Revenue Burden	Per-cent of Tax Burden
		%	%	%
1927 :	295,752	6.3	3.7	4.5
1928 :	308,632	6.1	4.0	4.8
1929 :	348,660	6.2	4.2	5.1
1930 :	329,493 <sup>4</sup>	6.3	4.1	5.1
1931 :	220,000 <sup>4</sup>	4.2	2.6	3.5
1932 :	350,000	6.8	4.6	5.5

<sup>1</sup> This table as well as that given for Lebanon are constructed similarly to the table given for the tithes. See page 17.

<sup>2</sup> Revised estimate.

<sup>3</sup> For the source of the figures of receipts, see Table V in the Appendix.

<sup>4</sup> Budgetary estimates.



(1) The tamattu' in the State of Syria

The nature of the tamattu' is difficult to understand.<sup>1</sup> It is not strictly speaking an income tax as is sometimes supposed. It differs from an income tax in a number of respects. In the first place, it is not a general income tax. It falls only on the business, professional, and salaried classes. The agricultural class is out of its field. Also, the investing class as such does not pay the tamattu'. A person who is not engaged in any kind of enterprise or employment, but lives on income from investments in shares and bonds, bank deposits or other forms of investment is not reached by it.<sup>2</sup> In the second place, it is not a personal tax, as every true income tax should be, for it falls on corporations and partnerships as well as on individuals. Likewise, if a person has two occupations, he is taxed on each one separately as if they pertained to two separate persons. Thus, it is rather a tax on businesses, trades and professions than on personal income. Thirdly, the tamattu' does not reach income directly, but tries to reach it indirectly, through certain convenient indices, as will be shown presently. It is, therefore, a typical example of a pseudo-income tax.

Basis and rate:<sup>3</sup> The tamattu' is based in the majority of cases on convenient indices of income, in a few cases on direct measures of income, and in cases where neither of these bases is

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<sup>1</sup>The tamattu' is most similar to the French "Impôt des patentes" on which the Ottoman law was modelled. See Ilm al-Miliyyah, op. cit., p.268.

<sup>2</sup>It is true that investments in land or buildings are hit by other taxes. But these are property and not income taxes.

<sup>3</sup>The tamattu' is regulated by the Ottoman law of Nov.30, 1330 (1914). In the State of Syria, a codification of all laws and regulations relating to the tamattu' is contained in arrêté No.48 of Jan.29, 1922. This arrêté also contains some reforms of the original law.

found, it is fixed by law. For the sake of clearness in presentation, a distinction is made between three groups of taxpayers.<sup>1</sup> With the first group an attempt is made to reach income directly. This group includes salaried employees and certain companies of public utility. With the second group the intention is to tax income indirectly by taking as a basis certain rough indices of income. It includes those engaged in commerce, in industry and the professions. The third group, very small in number,<sup>2</sup> is composed of those who normally would be included in the second group but to whom the tax for that group did not apply because of the absence of those indices which serve as a basis for the tax. In their case, the tax is fixed more or less arbitrarily by the tamattu' law.

Following this outline, the basis and rate of the tamattu' are given in the coming tables<sup>2</sup> :-

I. Tamattu' on Direct Measures of Income.

Taxpayer	Basis	Rate
1. Companies of public utility (railways, tramways, electricity, telephone, sea transport, water companies, etc).	Net profits to be distributed as dividends and interest among stock and bondholders.	5%
2. Insurance companies other than life	Annual total premiums cashed.	2%
3. Life insurance companies	Annual amount of insurance carried	2 per M
4. Contractors & concessionaires for governmental organisations	Amount of contract or concession.	3%
5. Employees (public & private) including those receiving pensions.	Total salary and allowances after deduction of L.L.S. 240.	4%

<sup>1</sup> A number of persons are exempted from the tamattu', such as; painters, sculptors, musicians, editors of newspapers, authors, etc.

<sup>2</sup> All these tables are compiled from arrêté No.48 of Jan.29, 1928, Bilāghāt Maliyyah, op. cit., 1928, p.32.

... + ... once and for all on every insurance

Tamattu' on indices of income:- In this group there is a proportional as well as a variable tax. The proportional tax is based on the rent of the place where the business or profession is exercised. The variable tax varies with the number of persons employed and with the means or instruments used in carrying out the trade or industry.

II. Tamattu on Indices of Income.

A. Proportional tax on the rent of the place of business

<u>Taxpayer</u>	<u>Basis</u>	<u>Rate</u>
Class 1. Banks and credit institutions		20%
Class 2. Transportation companies, commission houses, contractors, engineers, lawyers, dentists, physicians, etc.	Rent of place of business	15%
Class 3. Wholesale merchants, jewelry and antique shops.		12%
Class 4. Retail shops of hardware, clothing, furniture, etc.		10%
Class 5. Retail shops of food, charcoal, etc.		8%
Class 6. Workshops, factories, mills, printing presses, and warehouses.		5%

**B. Variable tax according to persons employed**

**1. Business employees<sup>1</sup>**

Taxpayer	City <sup>2</sup>	Tax per employee in Syr. gold piastre
Classes 1 and 2 (above) <sup>4</sup>	Class I	86
	Class II	57
	Class III	46
	Class IV & V	34
Classes 3, 4, 5, and 6 (above)	Class I	46
	Class II	34
	Class III	23
	Class IV & V	17

**2. Industrial employees**

Taxpayer	Kind of employee	Tax per employee in Syr. gold piastre
Factories or workshops without regard to city where they are situated.	Foremen and masterworkmen	57
	Laborers over 20 and under 60 years of age.	14
	Laborers under 20 and over 60 years of age.	7

<sup>1</sup>A distinction is made between business and industrial employees, the former being those who worked in offices such as book-keepers, clerks, salesmen, etc., and the latter being those who work in factories or workshops such as foremen, masterworkmen, and ordinary laborers.

<sup>2</sup>Cities and towns are divided into the following classes:-  
 Class I. These having a population of over 100,000  
 Class II. Those having a population of 50,001-100,000  
 Class III. These having a population of 20,001- 50,000  
 Class IV. These having a population of 2,001-20,000  
 Class V. These having a population of 2,000 or less  
 and which have railway stations or which are on the sea coast.

<sup>3</sup>By arrêté No.968 of March 7, 1929, the Syrian gold piastre was converted into current Syrian money at the rate of 100 gold piasters = 490 current piasters.

<sup>4</sup>This refers to the classes of taxpayers given in the preceding table for the proportional tax.

C. Variable tax according to means used:- This tax is based on the means used in carrying out the business or trade. But the only means enumerated by the tamattu' law are means of transportation so that this tax is in reality a tax on means of transportation such as vehicles of all sorts, boats and beasts of burden. It is to be noted here that motor cars formerly taxed in this way, are no more subject to the tamattu' because they are reached by the benzine tax which was substituted for it.

Fixed tamattu' tax:- This tax is fixed by law for the professions or trades concerned and varies with the classification of cities. The detailed table is not reproduced here but as an example the following table is given:-

Taxpayer	City	Tax in Syrian gold piastres
Engineers, masons,	Class I.	285
lawyers, physicians,	Class II.	171
dentists, etc.	Class III.	86
	Class IV & V.	57

The tamattu' law thus gives in its numerous tables (proportional variable and fixed) a very detailed and perhaps exhaustive list of all persons in business or exercising a profession or trade.<sup>1</sup> It provides further that if it should happen that a person is discovered who is liable to the tamattu' by virtue of a business, trade, or profession that is not mentioned by the law, the tax would be levied on him by assimilating him to others mentioned by the law.

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<sup>1</sup> Tables annexed to the Arrêté No.48 of Jan. 23, 1928. Bilāghat Miliyyah, op. cit., 1928, p.32.

Tamattu' on the rent of houses:- The old Ottoman law provides that in addition to the proportional or fixed taxes, a certain group of persons<sup>1</sup> are subject to a 10% tax on the rent of their houses of habitation, which are also regarded as an index of income. In the State of Syria the 10% habitation rate was changed in 1928 to a fixed tax of 200 gold piasters in cities of the first class, 150 gold piasters in cities of the second or third class, and 100 gold piasters in cities of the fourth or fifth class.

Surtaxes:- Two surtaxes on the total tamattu' assessed are collected in addition to the tax itself: (1) 10% for the benefit of the Treasury and (2) 10% for the benefit of the municipalities. These surtaxes do not apply to the tax on employees but do apply to the additional habitation tax mentioned above.

Assessment and collection:- In every district (qadR') or town a register is kept in which are recorded the names of taxpayers, their business or profession, and the basis on which the tax is levied. The rent of the place or building where the business is carried on is derived from the assessment of the buildings tax already described. The number of employees to serve as a basis for the variable tax is derived from written declarations submitted by each employer. The register, which is kept up-to-date, serves as a basis for the drawing up of tax lists which are prepared every year, and which are open to public inspection. Notice is sent to every taxpayer informing him of the amount of the tax due from him and its basis. Objections that are presented are examined by a commission whose decisions are subject to appeal. The tax is collected in two instalments and a fine of 20% is charged for failure to pay on time.

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<sup>1</sup>This group includes bankers, merchants of all sorts, engineers, lawyers, physicians, dentists and jewellers or goldsmiths.

(2) The *tamattu'* in the Other States

The *tamattu'* in Lebanon :- The *tamattu'* from which the autonomous province of Mount Lebanon was exempt before the war, has applied since 1923 to the whole territory. In the main, it is the same as that applied in the State of Syria, except in the following points;

~~1. In Lebanon the rate of the tax on insurance companies is still the old Ottoman rate of 3%.~~

1. The additional habitation tax is still levied in accordance with the Ottoman practice, i.e. 10% of the rent of the house inhabited.

2. The rate of the tax on the salaries of employees is 3% in Lebanon as compared with 4% in the State of Syria, and the minimum exemption is L.L.S. 600, as compared with 240 in the State of Syria. Day laborers are exempt, no matter what the amount of their wages. Their wages are, however, almost invariably below L.L.S. 600.<sup>1</sup>

3. Government employees and school teachers are still exempted from the *tamattu'* in Lebanon, while they have been subjected to it in the State of Syria since 1932.

4. In the matter of surtaxes, the situation in Lebanon is completely different. A number of Ottoman surtaxes totalling 70% of the principal of the tax still apply.<sup>2</sup> An increase of 25% of the total of principal and surtaxes was made in 1920 by the Administrative Delegate of the Western Zone.<sup>3</sup> The real rate of the *tamattu'* is

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<sup>1</sup> Arrêté No. 2976 of Feb. 2, 1925, Recueil des Arrêtés et Décisions du Grand Liban (1924-25), p. 201.

<sup>2</sup> Etat du Grand Liban, Budget <sup>de</sup> 1923, pp. 7-8. The same 70% of surtaxes applied in the State of Syria until 1928.

<sup>3</sup> Arrêté No. 1245 of April 28, 1920, Lebanese Budget <sup>de</sup> of 1923. Under the Allied occupation of Syria, the present mandated territory was divided into an Eastern Zone occupied by the Arab troops under the command of King Faysal, and a Western Zone occupied by the French army and comprising the coastal region of Syria. The Administrative Delegate was the head of the administration of this Zone.

therefore, 212.5% of the basis rate, - quite a high rate as compared to that of the State of Syria. It is perhaps for this reason that there were reductions in the tamattu' in Lebanon. A reduction of 20% was maintained during the period 1927-30. This was raised to 30% for 1930-32. In every case, however, the reduction was contingent on the payment of the tax at the date due.

The tamattu' in the Government of Latakia:- The tamattu' in the Government of Latakia is, like that of Lebanon, still regulated by the Ottoman law without the amendments made to it in the State of Syria. Thus, the habitation tax remains 10% of the rent of the house inhabited and the rate of the tamattu' on the salaries of employees is 3%. Otherwise the basis and rate of the tax are very similar to what have been described.

In conclusion, it should be pointed out that in Syria as a whole, there has always been dissatisfaction with the present tamattu' tax on the part of both of the taxpayers and of the government. The taxpayers object to it as a burden on commerce and industry. (It falls on those classes which are most vocal in their complaints). The government, on the other hand, finds it difficult to collect as well as complicated in basis and rate structure. A commission appointed by the Lebanese government in 1927 to revise and reform the tamattu', has made recommendations which have not yet been adopted. An inter-state commission meeting at the French High Commission in 1931 advised the splitting up of the tax into (a) a tax on salaries and (b) a tax on exterior indices of income.<sup>1</sup> This does not seem to

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<sup>1</sup> Rapport à la Société des Nations, op. cit., Year 1931, p.150.



improve the present tanattu<sup>1</sup> law to any great extent. Apparently no radical modification, such as that adopted or to be adopted in the neighboring countries, is contemplated.<sup>1</sup> K.

c. The Animal Tax or Aghnām

From the revenue point of view, the animal tax is the second in importance among the direct taxes in the State of Syria. It was even more productive than the tithe <sup>in</sup> the years 1930 and 1931. In ~~the~~ Lebanon, it is not fiscally very important, <sup>a fact</sup> which shows a relatively less developed cattle-raising industry. The following tables give the revenue and money burden of the animal tax or aghnām in the State of Syria and in Lebanon.

TABLE No.10

Fiscal Importance and Money Burden of the Aghnām in the State of Syria

Year:	<u>Aghnām</u> Receipts	Per-cent of Ordinary Receipts	Per-cent of Revenue Burden	Per-cent of Tax Burden
	L.L.S.	%	%	%
1927	1,154,183	13	9.1	10.9
1928	1,192,348	16.9	10	12
1929	1,285,978	14.6	10	11.8
1930	1,342,774	17.1	11.5	13.7
1931	1,538,854	20.0	13.2	15.6
1932	837,000 <sup>2</sup>	12.4	8.2	9.3

<sup>1</sup> Iraq has adopted an income tax. In Palestine an income tax project is under study.

<sup>2</sup> This table is similar to that on page 17. For the figures of receipts see Table IV in the Appendix.

<sup>3</sup> Revised estimate. This heavy fall in the receipts of 1932 is due partly to a reduction in rates, but mainly to a heavy mortality of live stock, estimated at 25%-40%, and caused by the severe winter of that year. See chapter on natural resources, p.24.

TABLE No.11

Fiscal Importance and Revenue Burden of the  
Aghnām in Lebanon<sup>1</sup>

Year:	Aghnām	Per-cent	Per-cent	Per-cent
	Receipts:	of	of	of
	Ordinary	Revenue	Tax	
	Receipts:	Burden	Burden	
	L.L.S.	%	%	%
1927:	136,060	2.9	1.7	2.1
1928:	170,711	3.4	2.2	2.7
1929:	155,067	2.8	1.8	2.3
1930:	170,900 <sup>2</sup>	3.3	2.1	2.8
1931:	140,000 <sup>2</sup>	2.7	1.6	2.2
1932:	120,000 <sup>2</sup>	2.5	1.6	1.9

The aghnām is the only tax on movable property that exists in the countries under French mandate. Direct taxes on movable property seem to have been carefully avoided in the financial legislation of the Ottoman Empire, for such taxes require a good tax assessing and tax collecting machinery - a requisite that was and is still lacking in this part of the world.

(1) The animal tax in the State of Syria.

Basis and rate:<sup>3</sup> The aghnām is levied on camels, sheep, goats, and pigs. It is not levied on other animals for one of two reasons; (1) cows and other animals used on the farms are considered as a part of the means of cultivation and thus contribute to agricultural produce which is subject to the tithes; (2) horses, donkeys, and mules are subject to the tamattu' inasmuch as they are used as means of transportation. This perhaps explains why some animals formerly taxed were afterwards exempt.<sup>4</sup>

<sup>1</sup>For the figures of receipts, see Table V in the Appendix.

<sup>2</sup>Budgetary estimate.

<sup>3</sup>The aghnām is regulated in the State of Syria by arrêté No.794 of Dec.25, 1926, Al-Masrah, op. cit., Dec.31, 1926.

<sup>4</sup>In Lebanon, for example, horses, cows and buffaloes were exempt from the tax in 1928. Law of Dec.29, 1927, Lebanese Budget, Republique Libanaise, Budget de 1928.

Of the animals mentioned as subject to the tax, the following are exempt:

1. Sheep, goats and pigs less than one year old, and camels less than two years old.
2. Animals belonging to convents and other like religious institutions.
3. Animals in transit.<sup>1</sup>
4. Imported animals, having paid the customs duty, are exempt from the agham during the fiscal year in which they were imported.

With exceptions noted, all cattle, even those belonging to nomadic tribes, are subject to the agham. Formerly these tribes paid a tax, called wedi, which was levied as a lump sum on each tribe according to an estimate of the cattle it owned.<sup>2</sup> In 1928 the wedi was abolished and steps were taken to apply the agham instead.

The rates<sup>3</sup> of the animal tax are as follows:-

Animals	Libano	Syrian	piasters	per	head
Camels	100	"	"	"	"
Sheep	40	"	"	"	"
Goats	30	"	"	"	"
Pigs	50	"	"	"	"

Assessment and collection:- Two censuses of live stock are made annually, the first between February 15 and April 14, and the second between April 15 and June 15. The purpose of the second census is to check the first and to reduce evasion to a minimum. A certificate is given to every herdsman after the enumeration of his herd designating the kind and number of cattle and the tax due from him. In case of evasion of the first census, the tax is doubled.

<sup>1</sup> Transit of animals are regulated by arrêté of the High Commissioner No.49, of Jan. 1926. See also Rapport à la Société des Nations, op. cit., Year 1926, p.187.

<sup>2</sup> Al-'Aimah, op. cit., Jan. 15, 1928, Arrêté No.1091 of Dec. 9, 1927. See also: Rapport à la Société des Nations, op. cit., Year 1926 p.188.

<sup>3</sup> In 1933 the rates were modified in the State of Syria. The new rates are; camels, 50 p.l.s.; pigs, 75; sheep and goats, 20.

The aghnām is collected one month after the completion of the second census. The law for the collection of direct taxes is more strictly applied because of the relative ease of the seizure and sale of live stock. In case of non-payment of the tax, cattle in sufficient numbers to cover the amount of tax due, are seized and sold at auction. To make the census and collection more efficient and to reduce the possibility of evasion, agreements have been entered into with the neighboring states.

(2) The animal tax in the other states.

The aghnām in Lebanon:- In Lebanon this tax has been made more or less the same as it is in the State of Syria, so as to minimize fraud and evasion.<sup>1</sup> The only difference is that in Lebanon mules, donkeys, and bulls are also subject to the aghnām, at the rate of 50, 20 and 40 Libano-Syrian piastres respectively.

The aghnām in the Government of Latakia:- The aghnām in the Government of Latakia was commuted in 1930, on the basis of the average of tax receipts for the three years 1927, 1928, and 1929. Every village is thus subject to a fixed tax contingent which is distributed annually among the proprietors of cattle in the village. The object of this commutation is said to be: (1) to encourage raisers to increase their cattle, and (2) to do away with census operations which have been a source of difficulty both to the government and to the taxpayers.<sup>2</sup>

f. The Road Tax

The road tax or poll tax is the least important of the direct taxes from the fiscal point of view. In 1932, the road tax receipts in the budget of the State of Syria, fell to less than <sup>half</sup> that of the previous

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<sup>1</sup> Rapport à la Société des Nations, op. cit., Year 1924, p. 77,  
and Year 1927 p. 166.  
<sup>2</sup> Ibid., Year 1929, p. 100.

year. The reason for this fall is that beginning with 1928, the road tax collected within municipal boundaries became a source of revenue for the municipalities. Only in the villages does it continue to be levied by the state treasury.

The following tables, similar to the ones given for the other taxes, are given for the road tax:

TABLE No. 12

Fiscal Importance and Money Burden of the Road Tax  
in the State of Syria

Year	Road Tax Receipts	Percent of Ordinary Receipts	Percent of Revenue Burden	Percent of Tax Burden
:	L.L.S.	%	%	%
1927	211,547	2.4	1.7	2
1928	199,004	2.8	1.7	2
1929	224,561	3.6	1.7	2.1
1930	208,453	2.7	1.8	2.1
1931	178,496	2.3	1.5	1.8
1932	75,000 <sup>2</sup>	1.1	0.7	0.8

TABLE No. 13

Fiscal Importance and Money Burden of the Road Tax  
in Lebanon

Year	Road Tax Receipts	Percent of Ordinary Receipts	Percent of Revenue Burden	Percent of Tax Burden
:	L.L.S.	%	%	%
1927	135,827	2.7	1.6	1.9
1928	114,885	2.2	1.5	1.8
1929	126,862	2.2	1.5	1.9
1930	116,230 <sup>1</sup>	2.2	1.4	1.8
1931	110,000 <sup>1</sup>	2.1	1.3	1.7
1932	110,000 <sup>1</sup>	2.2	1.4	1.7

<sup>1</sup>For the figures of receipts see Table IV in the Appendix.

<sup>2</sup>*Revised*  
Budgetary estimates.

<sup>3</sup>Budgetary estimates.

The road tax is nothing but a poll tax levied uniformly on every male person between the ages of 18 and 60. It gets <sup>its</sup> name from the origin of its imposition. Under the Ottoman regime the road tax was originally payable in labor.<sup>1</sup> In order to build roads and bridges <sup>to</sup> and maintain them in good condition, every able-bodied man was required to work four days a year on the public roads. If he did not wish to work in person, he was obliged either to engage a laborer to work for him or to pay a sum of money sufficient to employ a laborer for the purpose.<sup>2</sup> The tax thus collected in money was reckoned at the rate of 5 Turkish piasters as the wage of a laborer per day. Four days of obligatory work thus amounted to a tax of 20 Turkish piastres a year. In 1326 (1910) the payment of the tax in money was made compulsory and so it remains to this day. But this did not mean that work on the public roads was completely abolished. The law of Feb. 27, 1329 (1913)<sup>3</sup>, which is taken as the basis of road tax legislation in Syria, required every person who could not pay the tax in money to work on the public roads receiving the same wage as other laborers, but half of his wage was set aside to pay his debt to the government. This practice has changed since the war. The provision of the Ottoman law sanctioning the use of forced labor in case of non-payment of the tax is no longer observed.<sup>4</sup> As a result the road tax has assumed the nature of an ordinary poll tax except that it falls on men only.

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<sup>1</sup>Bilāghāt Māliyyah, op. cit., Year 1924, pp. 229-305.

<sup>2</sup>Ilm al-Māliyyah, op. cit., p. 317.

<sup>3</sup>Majmū'at al-Qawā'id <sup>of cit.</sup> Vol. III, p. 404.

<sup>4</sup>Rapport à la Société des Nations, op. cit., Year 1928, pp. 95-97.

(1) The road tax in the State of Syria

It has already been pointed out that in the State of Syria the road tax is no longer a source of state revenue within municipal boundaries.<sup>1</sup> This modification meant a reversion to the old conception of the road tax as being affected or earmarked for the building and maintenance of roads or streets.<sup>2</sup> City people are much more interested in street building and maintenance than in that of highways, and such expenditure by municipalities is likely to require ample funds. Villages and agricultural communities, on the other hand, have few roads to maintain, the main roads being cared for by the central government as part of the network of public roads.

Basis and Rate:- The road tax falls on all males between the ages of 18 and 60 inclusive, with two exceptions: (1) sick and disabled persons, and (2) soldiers and non-commissioned officers under arms.<sup>3</sup> These two exceptions are the vestiges of the old obligation to work on public roads for they do not form part and parcel of an ordinary poll tax. Even the restriction of the tax to males is not of the essence of a poll tax, but it may be considered a wise restriction in view of the inferior economic position of the overwhelming majority of women in Syria.

The amount or rate of the tax is 125 p.s. per person.

Assessment and collection:- A basic register of the persons subject to the tax is prepared and kept up-to-date in every village or town.

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<sup>1</sup> Arrêté No. 3243 of May 29, 1931, Al-'Asimah, op. cit., May 31, 1931.

<sup>2</sup> The Ottoman Government used to turn over half of the receipts of the road tax in Constantinople to the municipality. After the War, the Government of Damascus followed suit in granting the Municipality of Damascus the same proportion. This was discontinued in 1925. See Ilm al-Maliyyah, op. cit., p. 218.

<sup>3</sup> Arrêté No. 92 of April 16, 1924. Bilghāt Maliyyah, op. cit., 1924, p. 450.

This register is derived from the official census. Tax lists are prepared annually and approved by the Minister of Finance. Objections to the tax may be presented and are submitted to the examination of the administrative council of the district (qadā'), whose decision is final.

For the collection of the road tax, notice is sent to every person liable, stating the amount and the date of payment. The tax is collected in the month of June and in the case of public employees it is deducted from their salaries.

In practice, the collection of the road tax all over Syria, has been very difficult and defective.<sup>1</sup> In the State of Syria in 1928, there were 286,595 persons who paid the tax, but this number is far less than the number of persons liable to it, as compared with the total population.<sup>2</sup> From personal experience and from that of many others, it is a well-known fact that very many persons, especially in the cities, are not even <sup>nor</sup> ~~for~~ approached for payment, ~~for~~ is any notice sent to them. The usual method of obtaining payment in such cases is to require it when a person gets involved in the courts or in other government business such as that of a passport. The reason for this defectiveness of collection is the great number of persons liable and the high cost of collection as compared with the small amount of the tax.

(2) The road tax in the other states

What has been said about the road tax in the State of Syria, applies equally well to the other states except, that in those latter the road

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<sup>1</sup> *Republique Libanaise, Budget de 1928,*  
~~Budget of the Lebanese Republic, 1928, p. 2.~~

<sup>2</sup> *Rapport à la Société des Nations,* <sup>op. cit</sup> Year 1928, p. 96.



tax remains a source of state revenue none of it going to the municipalities.

## 2. Indirect Taxes

Having described the direct taxes we now turn to the indirect. They are divided into two classes, namely, excise duties and customs duties.

### a. Excise Duties

Excise duties are of two types. The first type consists of taxes on commodities produced<sup>1</sup> and consumed within the country. Of this type there are four taxes in Syria, namely, the tobacco banderole, the benzine tax, the salt monopoly, and the liquor taxes. The second type consists of taxes on certain activities or documents. Of this type are the stamp duties. Before dealing with each tax separately, we shall examine the fiscal importance of the whole group. The proportion of revenue received from indirect taxation is a noteworthy feature of any tax system. The following tables give, for the State of Syria and for Lebanon the receipts from excise duties and show the marked growth of excise revenue during the years 1927-1932.

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<sup>1</sup>Goods partly manufactured, reshaped or packaged in the country are included in this category. Viewed in this light, the benzine tax is an excise although benzine is imported from abroad.

TABLE No. 14

Revenue and Money Burden of Excise Duties in the State of Syria<sup>1</sup>

Year	Total Excise Receipts	Percent of Ordinary Receipts	Percent of Revenue Burden	Percent of Tax Burden
	L.L.S.	%	%	%
1927	1,163,355	13.1	9.2	11
1928	1,189,182	16.8	10.3	12
1929	1,305,998	14.9	10.1	12
1930	1,775,333	22.7	15.2	18.1
1931	1,718,573	22.4	14.8	17.6
1932	1,664,000 <sup>2</sup>	24.7	16.3	21.5

TABLE No. 15

Revenue and Money Burden of Excise Duties in Lebanon

Year	Total Excise Receipts	Percent of Ordinary Receipts	Percent of Revenue Burden	Percent of Tax Burden
	L.L.S.	%	%	%
1927	481,025	10.3	6.1	7.4
1928	737,038	11.2	10.0	12.0
1929	959,191	17.0	11.5	13.9
1930	1,372,356	26.2	17.0	21.2
1931	1,192,000 <sup>3</sup>	22.7	14.0	18.9
1932	1,510,000 <sup>3</sup>	29.6	19.8	23.9

TABLE No. 16

Revenue from Excise Duties in the State of Syria<sup>4</sup>

Kind of Duty	1927	1928	1929	1930	1931	1932
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.	Revised Estimate L.L.S.
Tobacco	450,710	524,837	626,982	1,041,534	666,449	780,000
Opium	70,892	60,704	54,106	153,522	451,607	555,000
Alcohol Monopoly	291,729	274,386	301,206	239,065	258,595	260,000
Amusements	36,735	28,850	21,260	36,418	25,935	24,000
Stamp	313,289	300,405	302,444	304,794	317,797	315,000
Totals	1,163,355	1,189,182	1,305,998	1,775,333	1,718,573	1,664,000

as well as No 15

<sup>1</sup>This table is constructed in the same way as that on page 17. See footnotes on that page.

<sup>2</sup>Revised estimates.

<sup>3</sup>Budgetary estimates.

<sup>4</sup>For the source of the figures see Table IV in the Appendix.

TABLE No. 17

Revenue from Excise Duties in Lebanon<sup>1</sup>

Kind of Duty:	1927	1928	1929	1930	Estimate 1931	Estimate 1932
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
Tobacco	33,662	165,439	120,893	438,129	500,000	700,000
Opium	110,285	84,374	209,786	328,168	200,000	285,000
Alcohol Monopoly	162,243	162,980	250,579	224,594	280,000	220,000
Spirits	32,044	68,410	61,188	51,367	42,000	45,000
Stamps	142,791	285,835	316,745	330,101	170,000	260,000
Totals	481,025	767,038	959,191	1,372,356	1,192,000	1,510,000

(1) The tobacco excise

The present tobacco excise system called the banderole system dates from May 31st, 1930. Preceding it was the system of monopoly which existed under the Ottoman regime. In 1881 the famous Decree of Muharram<sup>2</sup>, which conceded a number of government revenues to the Administration of the Ottoman Public Debt, transferred the monopoly from the state to that Administration. In 1884 this concession was leased for thirty years to a private company, The Regie Cointeressee des Tabacs, which was to exploit it and pay to the Administration and the Ottoman Government annual rents varying with the amount of net profits. The lease was extended in 1914 for another fifteen years. In the post-war period the Regie paid to the states under French Mandate annual rents corresponding to their share of the net profits, but these rents did not enter into the local budgets of the states until 1926 when the revenues formerly conceded to the Ottoman Debt Administration were turned over to the states. It is to be noted here that the

<sup>1</sup>For the source of the figures, see Table V in the Appendix.

<sup>2</sup>See page 86.

old province of Mount Lebanon was not included in the tobacco system. This fact contributed to the growth of smuggling, which complicated the system. This duality of system was unsatisfactory, and in 1930, a year after the convention with the Regie had expired, the banderole system was instituted.

The new system is characterized by free cultivation, commerce and manufacture of tobacco and its products, subject to certain restrictions of an administrative nature<sup>1</sup>. An excise duty in the form of a banderole and a special import duty are provided for. To ensure the proper working of the excise duty a system of licencing is established. Inasmuch as licences are administrative revenues and are not taxes strictly speaking, they do not form part of our discussion. It is sufficient to say that annual licence fees are collected from those engaged in the manufacture, commerce, and retail selling of tobacco or its products.

The banderole duty:- The banderole duty is a tax on consumption. To every tobacco product ready for sale to consumers should be attached a banderole sold exclusively by the Treasury. It is affixed to the package before the product leaves the factory. The rate of the banderole, which is very similar to a stamp duty, varies with the retail price of the product. Originally it was a flat rate of 25%, but at the present time it is a graduated duty varying with the retail price of a standard package.

In the State of Syria, this graduated duty amounts to an ad valorem duty of 40% - 50%, and applies to tambak<sup>2</sup> as well as to all tobacco products.

<sup>1</sup> Bulletin Economique Trimestriel, op. cit., 2nd Quarter, 1930, p. 47.

<sup>2</sup> A variety of tobacco used for the narjilah.

<sup>3</sup> Arrêté No. 3938 bis of Jan. 29, 1932, Al-'Asimah, op. cit., Feb. 27, 1932, p. 47.

In Lebanon it applies to all tobacco products with the exception of cigars, and amounts to an ad valorem duty of 25% - 40%.<sup>1</sup> The rates of the banderole duty on cigars and tambak in Lebanon are 40% and 25% ad valorem respectively.<sup>2</sup>

Special import duty:- In addition to the banderole duty and to the regular customs duties, imported tobacco products of all sorts are subject to a special import duty levied by the Customs Administration for the benefit of the separate states. It is a specific duty as follows:<sup>3</sup>

Libano-Syrian Piastres

Tobacco leaf	60	per Kg. net
Minced tobacco	300	" " "
Cigarettes valued at 250 p.l.s. or less per 1,000 cigarettes	300	" " "
Cigarettes valued at more than 250 p.l.s. per 1,000	500	" " "

The special duties collected by the Customs Administration are set aside in a special account and distributed monthly among the states in proportion to the quantities of tobacco imported by each, after deduction of 2% of the receipts for cost of collection.

Administrative regulations:- For the efficient working of the banderole system, the cultivation, manufacture, and commerce of tobacco are regulated in detail. No products can be transported from one place to another without authorization. The package of tobacco products, should conform to certain prescriptions. Furthermore, a system of inspection of factories and shops and of the books of their proprietors is set up. Any violation of the law is punished by a fine.

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<sup>1</sup> Decret legislatif No. 6/L of June 3, 1932, Journal Officiel (Lebanon), op. cit., June 13, 1932.

<sup>2</sup> Ibid.

<sup>3</sup> Decree No. 2845 bis of Jan. 26, 1932, Al-'Asimah, op. cit., Jan 31, 1932, and Decree No. 2846 of Jan. 20, 1932, Journal Officiel (Lebanon), op. cit., Jan. 27, 1932.

(2) The benzine tax

The benzine tax was instituted and put into force on the 16th of May 1928 in all the territories under French Mandate. The object of this tax was to replace the tanattu' on automobiles, which was based on their horsepower. The benzine tax was thought to be more equitable because it is proportional to the use of the car.<sup>1</sup>

Basis and rate:<sup>2</sup> The benzine tax is levied uniformly in all the states. It is based on the weight of benzine and its rate is 3 1/2 piastres per kilogram. It is collected from the benzine companies or their agents as soon as the benzine arrives at the municipal warehouse or company warehouse. Inasmuch as the tax is intended to fall on cars, it is refunded to all industrial users of benzine, such as owners of factories, workshops, mills, or agricultural machinery using benzine as fuel.

Assessment and collection: Every person importing benzine is required to hand in a declaration of its quantity as soon as it arrives at the territory of the state into which it is imported. If no declaration is handed in to the Department of Finance, the goods may be confiscated. There is a system of inspection in order to verify the declarations given by the importers. On the basis of these declarations the tax is collected from the importers as soon as the benzine is warehoused.

Distribution of the receipts among the states: All the sums collected on account of the benzine tax by the different states are pooled together and then distributed among them in proportion to the

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<sup>1</sup> Rapport à la Société des Nations, op. cit., Year 1928, p. 165.

<sup>2</sup> Arrêté No. 125 of May 8, 1928 and No. 2773 of Jan. 15, 1931. Miliqhat Maliyyah, op. cit., 1928, p. 189 and Al-'Asimah, op. cit., Jan. 15, 1931.

total horse power of cars registered in each territory. Each state then, allocates one fourth of its receipts to the municipalities. The amount allocated to each municipality is fixed by executive decree which takes into consideration the budget of the municipality and the number of cars domiciled in it.

(3) The salt monopoly

The monopoly of salt was conceded in 1881 to the Ottoman Public Debt Administration. The administration of the monopoly was not turned over to the different states under the Mandate until 1926 when the agreement concerning the distribution of the Ottoman Debt had been concluded. Before 1926, the old province of Mount Lebanon had its own salt monopoly administered independently of the Ottoman Public Debt Administration.

In the State of Syria, the existence of a number of salt marshes has made of the salt monopoly a sort of a business enterprise and not simply a fiscal monopoly. The most important salt marsh is that of the Lake of Jabul, north of Aleppo, and its exploitation should if properly conducted ensure the salt supply of all the states under mandate.<sup>1</sup> But the salt of Jabul is not yet of as good quality as foreign salt. Consequently a certain quantity of salt is imported, mainly from Egypt.

The nature of the monopoly:- The importation, manufacture or sale of salt without authorization by private persons is prohibited.<sup>2</sup> The government is the sole importer or extractor of salt. Merchants buy salt from government warehouses but they are forbidden from transporting

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<sup>1</sup> Rapport à la Société des Nations, op. cit. Year 1927, p. 164.

<sup>2</sup> Bilāghāt Maliyyah, op. cit., 1926, p. 42.

it from one place to another without due authorisation.<sup>1</sup> The price of salt is fixed by executive decrees.

The price of salt in the State of Syria differs according to whether the salt is sold at the source, i.e. the salt marshes, or from the government warehouses in the cities. Different rates apply to salt imported from abroad into the Sanjaq of Alexandretta.<sup>2</sup>

In Lebanon the price of salt which is entirely imported, is fixed at the uniform rate of 3.675 p.l.s. per kilogram.<sup>3</sup> In 1930, the expenses of the Lebanese salt monopoly amounted to L.L.S. 52,047, while its income was L.L.S. 224,129.<sup>4</sup> The net income of the monopoly which constitutes the tax levied by the government, was L.L.S. 172,082. This represents a tax of 340% of the cost price of salt.

#### (4) Duties on liquors

These duties also were among the revenues conceded to the Ottoman Public Debt and did not become part of the local income until 1926. There are two kinds of duties on alcoholic liquors, namely, duties on their manufacture and duties on their sale. We shall deal with each one separately.

Duties on the manufacture of alcoholic liquors:- Alcoholic liquors produced in the country, such as 'araq,<sup>5</sup> cognac, and beer, as

<sup>1</sup> Ibid.

<sup>2</sup> The following are the rates in the State of Syria:-

	p.l.s.
Salt sold at the marshes	2.00 per kg.
Salt sold at the warehouses	3.50 " "
Imported salt	3.67 " "

<sup>3</sup> Arrêté No. 968, Al-'Asimah, op.cit., March, 15, 1929, and Budget of the State of Syria, 1933, p. 5.

<sup>4</sup> Law of Dec. 27, 1928, Budget of Lebanon, 1929, p. 2.

<sup>5</sup> Lebanese Republic, Final Accounts, 1930, pp. 6 and 13.

<sup>6</sup> 'Araq is a native alcoholic liquor made by the distillation of the grape juices.



well as araq imported from foreign countries, are subject to a tax of 30% of the price, which is fixed every year for this purpose. Wine on the other hand is subject to a tax of 15%.

The assessment of this tax comprises two operations: (1) the determination of the quantity produced, and (2) the fixation of the price. Every person desiring to make liquors should inform the proper official. At the time of distilling, this official inspects the raw materials on hand and determines, by actual experiment if necessary, how much liquor a certain quantity of raw materials yields. With this as a basis, he determines the quantity of liquor which will be produced from the available quantity of raw materials. The price, of the product to serve as a basis for levying the tax, is fixed by the administrative council of the district (qaḍā'). The result is communicated to the Department of Finance, where it may be modified. The final decision is taken by the Department and the basic price is fixed by executive decree for every region (liwā')<sup>1</sup>. As a measure of control and to prevent evasion, alcoholic liquors may not be transported from one place to another without due authorization.

Duties on the sale of liquors:- All shops or places where alcoholic liquors are served<sup>2</sup> are subject to a tax based on the rental value of the premises. The rate varies with the quantity of liquors handled by the shop in proportion to its total sales. Liquor shops are divided into three categories. The rate of the tax paid by shops of the first category is 25%; that paid by shops of the second category is 12½%; while that paid by shops of the third category is 8½%.

<sup>1</sup>The liwā' is an administrative division of the State of Syria, which is larger than the qaḍā'. Each liwā' is divided into a number of qaḍā' and each qaḍā' into a number of villages.

<sup>2</sup>Retail shops <sup>of liquors</sup> are sold but are not served on the spot are not subject to these duties.

the category in which a shop falls is determined by a committee of the Finance Department. The rental value of the shop is determined by the rental value of the buildings as assessed for the levy of the buildings tax. This duty is collected in two instalments before the first of January and before the first of July of every year.

(5) The stamp duties

All commercial papers, contracts, receipts, documents of various kinds used in connection with government business, written declarations and advertisements are subject to stamp duties. The character of such documents is varied. The list of them is too lengthy to enumerate. The stamp duty is either fixed or proportional. The fixed duty varies with the nature and importance of the document. The schedule of the fixed duty is long and complicated and it is not possible to subject it to a simple classification. The proportional duty, which falls mainly on commercial paper, varies with the amount declared in the document. The rate of the proportional duty is as follows:-

<u>Amount in L.L.S.</u>	<u>Duty in p.l.s.</u>
1 or less	0.25
1 - 10	0.50
10 - 20	1.00
20 - 100 for every L.L.S. 20	1.00
100 - 1000 for every L.L.S. 50	2.50
Over 1000 for every L.L.S. 100	5.00

Besides these duties there is a special duty on insurance policies, and also a duty on tickets of admission to places of amusement.

b. Customs Duties

In this chapter, the emphasis is mainly on the revenue aspect of customs duties. Only the salient features of the tariff schedule are given.

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Sader, The Stamp Duties Law (Arabic), 1933. Lately a new law has appeared which fixes the proportional duty at 1 p.l.s. for every L.L.S. 10 or a fraction thereof. See Journal Officiel (Siber) op.cit., Jan. 5, 1934, arrêté No. 130/L.

questions of customs organization and tariff relations with neighboring countries are left to the chapter on foreign trade. Discussion of tariff protection for industry and agriculture belongs more properly in another chapter.

Customs duties are by far the most important single source of public income. Customs receipts form about 40% of all ordinary receipts (including non-tax revenues) in the Syrian states. In Lebanon, where the tariff burden is greater than in the other states more than half of the total tax burden is paid in customs duties. The following tables show more clearly and accurately the fiscal importance and the money burden of customs duties.

Table No. 18

Customs Receipts and Percentage of Total Receipts  
of all Syrian States<sup>1</sup>

Year	Customs Receipts	Total Receipts <sup>2</sup>	Percent of Total Receipts
	L.L.S.	L.L.S.	%
1926	6,161,572	.....	....
1927	11,232,360	24,568,409	45.7
1928	10,376,645	23,055,145	45
1929	10,598,942	25,379,617	41.8
1930	8,997,478	23,425,277	38.4
1931	9,157,015	23,650,511	38.7
1932	8,119,175	20,108,246	40.4

Compiled from:- Rapports à la Société des Nations, op.cit., Years 1926, 1927, 1928, 1929, 1930, 1931 and 1932.

Total receipts consist of the sum of the ordinary receipts of the states (from which was deducted the distributed share of customs receipts) plus the customs receipts in the first column.

TABLE No. 19

Customs Burden, Its Percentage of Revenue Burden and of Tax Burden in the State of Syria<sup>1</sup>

Year	Share of Customs Revenue allotted to the State of Syria	Percent of Revenue Burden	Percent Tax Bur
	L. L. S.	%	%
1927	4,829,918	38.4	45.
1928	4,462,043	38.8	45.
1929	4,557,538	35.8	42.
1930	3,868,816	33.2	39.4
1931	3,937,516	33.9	40.2
1932	3,491,245	34.1	38.8

<sup>1</sup>The figures in the first column were gotten by multiplication of the customs receipts in the preceding table by 43%, which represents the coefficient allotted to the State of Syria. See page 6.

TABLE No.20

**Customs Burden, Its Percentage of Revenue  
Burden and of Tax Burden in Lebanon<sup>1</sup>**

Year:	Share of Customs Revenue Allotted to Lebanon	Per-cent of Revenue Burden	Per-cent of Tax Burden
	LS	%	%
1927:	4,605,368	59.8	71
1928:	4,254,508	55.4	66.5
1929:	4,345,566	52.2	63.1
1930:	3,688,966	45.7	57
1931:	3,754,376	44	59.5
1932:	3,328,362	43.6	52.6

**(1) The tariff schedule.**

The construction of the Syrian tariff has followed closely the prescriptions of the Act of Mandate. As a result of the open door policy proclaimed by this Act, all countries members of the League of Nations are accorded equal treatment. They all pay the same tariff as the Mandatory Power. The Act also permits special arrangements with countries adjoining Syria. Consequently the Syrian tariff is divided into three sets of rates. The normal schedule

<sup>1</sup> The figures in the first <sup>column</sup> were arrived at by multiplying the customs receipts in Table No.18 by 41% the coefficient allotted to Lebanon. See p..6.

applies to countries which are members of the League of Nations.<sup>1</sup> The maximum schedule applies to non-members and is generally twice the normal. The conventional rates, differing with the country concerned, apply to adjoining states. The conventional rates falling outside of our discussion we shall deal here only with the normal schedule.

The normal schedule, according to a compilation made for 1931, is composed of 911 items of which 513 are subject to an ad valorem duty of 25% and 111 items are exempt from all duty.<sup>2</sup> The majority of the remaining items are subject to duties of less than 25%, generally 11%, although some pay duties higher than 25%. It appears, therefore, that the tariff wall around Syria is below 25%. The proportion of customs receipts to total imports, which might serve as a measure of the tariff wall, was 15.2% in 1931. The nature of the items taxed and the rates applied to each class of articles are shown in the following table:-

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<sup>1</sup> A few countries not members of the League have been accorded the normal schedule namely, the states of Arabia, the U.S.A., Sarre, Danzig, and Cyprus.

<sup>2</sup> The statistics and information given about the tariff are taken from Burns, The Tariff of Syria, 1933, Publications of the American University of Beirut, Social Science Series No.5, 1933.

<u>Nature of Article</u>	<u>Duty</u>
1. General merchandise	25%
2. Certain foreign agricultural products and manufactures	25%, 40%, and over
3. Articles of current consumption, cereals, foods, fruits, and animal products, etc.	11%
4. Raw materials for industry, if not produced locally.	Exempted
5. Machinery for local factories, agricultural machinery, and equipment for hospitals, educational, and philanthropic institutions.	Exempted
6. Combustibles, metals, chemical products, automobiles, etc.	Specific duties varying with the article.

Such is the tariff schedule resulting from present customs legislation. Power to alter the schedule is vested in the High Commissioner. The Customs Administration, which is under the control of the High Commission collects these duties and pays the receipts into a special account, the budget of common interests. The relation of customs receipts to this budget and the nature of its other receipts are of special interest, and will be briefly considered.

(2) The budget of common interests.

This budget, officially known as the Compte de gestion des services d'intérêt commun, includes the receipts and the expenditures received or paid by the Syrian states as a unit. Customs revenue is by far the most important among its receipts, amounting to about 95% of the total. The following table gives the receipts of this budget over a period of years:-

TABLE No.21

Budget of Common Interests - Receipts<sup>1</sup>

Source of Receipts	1928	1929	1930	1931	1932
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
Customs	10,378,845	10,598,942	8,997,478	9,157,015	8,119,178
Quarantine service	--	--	163,917	181,045	--
Economic offices & powder monopoly	150,992	86,447	87,922	80,700	60,800
Dues from concessions	--	28,678	30,656	28,608	28,665
Exploitation of railways	--	375,804	--	37,500	292,500
Dues from the Bank of Syria	42,250	64,964	122,283	--	--
Interest of funds in bank	42,621	57,120	42,904	23,404	18,080
Share in receipts of lighthouses	--	--	13,974	23,020	20,555
Miscellaneous receipts	1,558	2,050	60,428	2,161	35,643
Receipts from pre- ceding years	--	--	222,977	118,370	280,169
<b>Total</b>	<b>10,594,366</b>	<b>11,204,006</b>	<b>9,742,539</b>	<b>9,601,823</b>	<b>8,855,596</b>
Percentage of cus- toms in total	98%	95%	92%	95%	92%

This budget has always had a surplus of receipts over expenditures. Part of this surplus was distributed among the states, not in any definite proportion, but according to their budgetary needs.<sup>2</sup> Enough was left in reserve, however, to make possible at a future date a redistribution of the amounts due to the different states should coefficients be agreed upon by them. The following table gives the surpluses, the distributed portion, and the portion remaining on account during 1927-31.

<sup>1</sup> Compiled from Rapports à la Société des Nations, op. cit., Years 1928, 1929, 1930, 1931 and 1932.

<sup>2</sup> The coefficients adopted by the High Commission for the distribution of this surplus, have not been accepted by the different states. Therefore, they only serve as a rough guide and are not strictly followed. See pp.5-7.



TABLE No. 22

Distribution of the Surplus of the Budget of  
Common Interests<sup>1</sup>

Year	AMOUNT	
	Surplus	distributed; Amount in reserve
	LLS	LLS
1927	5,137,596 <sup>2</sup>	3,957,660
1928	3,389,642	1,465,298
1929	3,313,489	2,948,731
1930	1,078,044	1,077,870
1931 <sup>3</sup>	902,350 <sup>2</sup>	622,181
1932	379,469 <sup>2</sup>	--

The amount distributed enters into the local budgets <sup>of the states</sup> on the side of receipts. The amounts in reserve are kept in a special account controlled by the High Commission. This accumulated ~~of reserves~~ has become a source of extraordinary receipts for the different states. Another source of extraordinary receipts for the local budgets is the special account of blocked revenues of the Ottoman Public Debt. It has already been mentioned towards the beginning of this chapter that the receipts of the Ottoman Public Debt in Syria were blocked in a special account during the period June 15th 1932, to December 31st, 1925.<sup>4</sup> These blocked revenues left a considerable surplus after the payment of the obligations of the Syrian states to the Ottoman Public Debt. This surplus served as a source of receipts to the states to be used in an extensive program of public works. Due to the decrease in customs receipts resulting from the depression, on the one hand, and the increase in the common expenditures of the budget

<sup>1</sup> Compiled from Reports à la Société des Nations, op. cit., Years 1927, 1928, 1929, 1930, 1931 and 1932.

<sup>2</sup> Estimates.

<sup>3</sup> See p. 14. The undistributed part of the surplus of 1931 was entered on the side of receipts in the budget of 1932.

<sup>4</sup> See page 14.

of common interests on the other, the surplus of that budget has fallen off and both the amounts distributed and the amounts left in reserve have been reduced. This fall in the extraordinary receipts of the Syrian states, has been accompanied by a fall in their ordinary receipts. Consequently the Syrian states which enjoyed a sort of budgetary prosperity in the past few years, are now faced with the necessity of taking strong measures to ensure the balancing of their budgets without a deficit. The states have been advised by the High Commissioner to rely more fully on their proper resources and to regard the budget of common interests and the other reserves as extraordinary receipts that cannot be depended upon.<sup>1</sup>

### III. PUBLIC EXPENDITURES

The volume and nature of public expenditures depend upon a variety of factors. One of the most important of these determining factors is the economic development of the country. There is a tendency for the volume of expenditures to grow in proportion as a country develops and becomes more industrialized. The nature of of expenditures also changes along with the socialization of the functions of the state, a process that tends to go hand in hand with industrialization and large-scale enterprise. Syria is mainly an agricultural country where industrialization is still in its infancy, and even if it were to grow, would never assume large proportions. Consequently, the volume of public expenditures is relatively small, and they represent in the main the primary activities of government, security, justice, and administration. Expenditures for social and developmental purposes are proportionately small.

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154. <sup>1</sup> Rapport à la Société des Nations, op. cit., Year 1931, pp.155-

Another factor controlling the volume and nature of public disbursements is the volume of revenue resources at the disposal of the government. Iraq is an example of a country whose revenue resources<sup>1</sup> enable it to support a wide developmental program. The revenue resources of Syria are more limited and its expenditures are thereby reserved to the more immediate needs.

An analysis of expenditures requires a preliminary classification in order to show the relative amount of public funds devoted to various governmental activities. The classification that we propose to follow rests on a distinction between the various functions of government. Expenditures will be divided into four classes: (1) expenditure on security; (2) expenditure on administration and justice; (3) expenditure for economic, developmental, or commercial purposes; and (4) social expenditure#. It may be noted that the first two classes correspond to the primary and necessary functions of the state, while the last two correspond to the secondary functions. While these secondary functions are not absolutely essential to the existence of the state, yet they are highly desirable, for they promote national well-being and progress.

Total expenditures of the Syrian states:- Tables Nos. VI, VII, VIII, and IX in the Appendix give the expenditures of the State of Syria, of Lebanon, of the Syrian States taken together, and of the budget of common interests. These tables show the total expenditures of Syria to be as follows:-

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<sup>1</sup>The revenue resources of Iraq have been considerably increased by the annual royalties its government receives from oil concessions.

TABLE No. 23

Total Expenditures of the Syrian States<sup>1</sup>

Year	Local Budgets	Budget of Common Interests	Total
	L. L. S.	L. L. S.	L. L. S.
1927	15,243,875	5,061,104 <sup>2</sup>	20,304,979
1928	17,914,910	7,204,773	25,119,683
1929	20,023,808	7,890,516	27,916,324
1930	18,942,581	8,715,596	27,658,177
1931	18,942,723	8,699,648	27,642,371
1932	17,087,489 <sup>3</sup>	8,776,127	25,863,616

Expenditure on security:- The amount expended on security in Syria, comes from three sources: (1) local budgets, (2) the budget of common interests and (3) the French budget. The local governments maintain the police force and gendarmery. Special troops whose personnel consist of both Frenchmen and natives are maintained by the budget of common interests. In addition to these the French War Ministry provides for the maintenance of the Armée du Levant. The following table shows the extent of expenditures of security from each of the three sources mentioned:-

<sup>1</sup>Appendix Tables VI, VII, VIII, and IX.

<sup>2</sup>Rapport à la Société des Nations, op. cit., Year 1927, p. 150-151.

<sup>3</sup>Estimates.

TABLE No. 24

Expenditure on Security in the Syrian States<sup>1</sup>

	1927	1928	1929	1930	1931
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
Local Budgets:					
a. Police	646,560	653,323	701,488	725,565	736,299
b. Gendarmerie	2,489,519	2,705,323	2,769,688	2,661,230	2,477,943
Budget of Common Inter- ests: Special Troops	4,650,000	4,667,508	4,674,000	4,737,500	4,750,000
French Budget: Arme du Levant	14,890,000	11,028,589	13,550,000	14,750,000	14,803,163
<b>Total</b>	<b>22,676,079</b>	<b>19,054,743</b>	<b>21,695,176</b>	<b>22,874,295</b>	<b>22,767,405</b>

One readily observes that the expenditure on security is enormous in comparison with other expenditures. More is spent on the army and the militia than on all other things combined. It is true that the greater part of this expenditure is not supported by the Syrian States but by the French Government. Nevertheless, it is spent in Syria, and ostensibly for Syrian security. Were Syria to become independent and were it to provide entirely for its own security, it is improbable that it could bear this heavy burden, if as seems to be assumed<sup>2</sup>, such a huge expenditure is necessary for Syria's internal security and external defence. Even if we leave aside French military expenditures the total amount spent on security is about 30% of the total expenditures.

<sup>1</sup> Tables VI, VII, VIII, and IX in the Appendix.

<sup>2</sup> However, the assumption that the French Army of the Levant is necessary for Syrian security can be easily contested.

When it is considered that expenditure on security and defence is frequently classed as unproductive, such a percentage seems high.<sup>1</sup>

Expenditure on administration and justice:- It is often very difficult to isolate disbursements for administrative purposes, and distinguish them from those for social and economic ends. The following classification makes no pretensions to completeness and thoroughness, but it helps to give in a general and broad manner the expenditures that fall under this heading:-

TABLE No. 25

Expenditure on Administration and Justice in the Syrian States<sup>2</sup>

	1927	1928	1929	1930	1931
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
<u>Budgets:</u>					
Central Administration	263,233	237,245	168,913	181,884	182,709
Assemblies	184,823	222,874	186,564	161,329	164,916
Wages or Pensions	898,528	998,929	1,295,463	1,387,674	1,664,598
Finance Department	1,635,159	1,848,021	1,417,018	1,497,851	1,725,099
Department of Interior	787,807	699,117	772,959	771,259	787,813
Justice	1,220,232	1,354,463	1,406,609	1,384,331	1,369,774
<u>Out of Common Interests:</u>					
Customs Administration	1,298,500	1,592,113	1,285,255	1,392,356	1,130,620
Inspection and Control <sup>3</sup>		79,754	149,637	129,567	288,080
Contribution to tax	107,604	579,141	579,150	579,150	363,000
Civil Expenditures of the Mandate.					
<b>Total</b>	<b>6,395,886</b>	<b>7,611,657</b>	<b>7,259,568</b>	<b>7,485,381</b>	<b>7,676,609</b>
Percent of total expenditure	31.5%	30%	26%	27%	28%

An examination of the table reveals that expenditures on administration and justice amounts to about 30% of total expenditures. While

<sup>1</sup> See Grunwald, The Government Finances of the Mandated Territories in the Near East, pp. 91-92.

<sup>2</sup> Tables VI, VII, VIII, and IX in the Appendix

<sup>3</sup> Under this heading fall the Inspection of Post and Telegraph, the Inspection of Public Works, the Control of Land Services and the Control of Concessions.

these expenditures are a social necessity, nevertheless they should be reduced to a minimum. Any expenditure in excess of that minimum is likely to be wasteful especially if compared with other more productive disbursements. If we were to compare the State of Syria with the Lebanon, we would find that the proportion of expenditure on administration and justice is definitely higher in the latter.

Expenditure for commercial and developmental purposes:- By such expenditure is meant all disbursements made with a view to fostering the economic development of the country, and also those that are made with the aim of yielding income or profit to the government, such as the exploitation of public domains. A table showing the extent and nature of such expenditures follows:-

TABLE No. 26

Expenditure for Commercial and Developmental Purposes in the Syrian States

	1927	1928	1929	1930
	L.L.S.	L.L.S.	L.L.S.	L.L.S.
<u>Developmental</u>				
Agriculture & Economic Services	412,879	487,313	548,901	963,547
Public Works	2,506,046	3,472,363	5,091,058	5,887,475
<u>Commercial</u>				
Post and Telegraph	600,093	597,190	629,592	822,000
Public Domain	2,000,000	2,000,000	1,220,000	1,711,511
<u>of Common Interests</u>				
Economic Offices		144,187	59,471	49,747
Subsidies		23,715	24,539	44,027
<b>Total</b>	<b>3,519,018</b>	<b>5,710,799</b>	<b>7,504,110</b>	<b>7,811,568</b>
<b>Percent of total expenditures</b>	<b>17%</b>	<b>23%</b>	<b>27%</b>	<b>26%</b>

Tables VI, VII, VIII, and IX in the Appendix.

This includes besides public lands and forests, expenditure for central survey which is developmental rather than commercial.

It thus appears that these expenditures amount to about one fourth of the total expenditures of the Syrian states. The most important <sup>these</sup> item among expenditures is that of public works which alone amounted to about 15% of total expenditures. These expenditures, especially the developmental ones, are very desirable and should be increased and made more varied *by adding new types of expenditure of this nature.*

Social expenditure:- Disbursements on public health and education are classed as social expenditure. They are of special significance because they aim at increasing the social welfare of the nation. That the expenditures for such purposes constitute but a very small proportion of the total expenditures is shown by the following figures:-

TABLE No. 27

Social Expenditure in the Syrian States<sup>1</sup>

	1927	1928	1929	1930	1931
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
<u>Local Budgets</u>					
1. Public Health	501,981	569,041	584,504	542,846	568,984
2. Public Instruction	1,181,625	1,360,480	1,442,131	1,431,497	1,606,551
<u>Budget of Common Interests</u>					
1. Quarantine Service				163,967	131,045
2. Antiquities & Archeology	21,680	30,196	23,271	32,657	24,980
<b>Total</b>	<b>1,705,286</b>	<b>1,959,717</b>	<b>2,051,985</b>	<b>2,170,967</b>	<b>2,331,560</b>
Percent of Total Expenditures	8%	8%	7%	6%	9%

The proportion of expenditures for social purposes to total expenditure is very small in view of the importance of social expenditure and its productive character.

The service of the Ottoman Debt and other expenditures:- Besides the four classes of public expenditure just analysed, there remains the service of the Ottoman Public Debt and ~~some bookkeeping expenditures such as expenditures of preceding years and extraordinary expenditures.~~

<sup>1</sup>Tables VI, VII, VIII, and IX in the Appendix.



#### IV. THE OTTOMAN PUBLIC DEBT

Origin:- The Ottoman Public Debt is the only public debt of the Syrian states. It is a heritage from the Ottoman Empire of which they formed a part. To grasp the nature of this debt, it is necessary to give a brief historical introduction regarding its origin under the Ottoman regime.

Shortly after the Crimean War the Ottoman government, being hard pressed for funds, resorted to foreign borrowing on a large scale. Her reckless borrowing policy soon led her to the verge of bankruptcy. An agreement with her foreign creditors resulted in the famous Decree of Maharram (8/10 Dec. 1881) which created the Administration of the Ottoman Public Debt and conceded to it a number of public revenues<sup>1</sup>. This Administration was a corporation of shareholders (former bondholders of the Ottoman Debt) organized for the purpose of administering the conceded revenues and distributing the receipts in the form of a variable interest to the creditors of the Ottoman Empire. The revenues conceded by the Decree of Maharram<sup>2</sup> were the following<sup>2</sup>:-

A. Revenues administered directly by the ~~O.T.D.~~ *Administration of the Ottoman Public Debt.*

1. The salt monopoly
2. Stamp duties
3. Duties on liquors
4. Duties on fishing
5. The silk tithe

<sup>1</sup> O'Zoux, Raymond, Les Etats du Levant sous Mandat Français, p.158.

<sup>2</sup> Rapport à la Société des Nations, op. cit., Year 1924, pp.86-87.

6. Licenses for fishing and hunting
7. Licenses for the sale of tobacco
8. Duties on hides $\lambda$

B. Farmed revenues.

1. Tithe on cereals in certain regions
2. Tobacco monopoly

C. Tax collected by the Government

1. The customs surtax of 3% $\lambda$

The Administration was a vast undertaking. In 1914 it had 698 agencies, employing 8,931 persons, and extending its operations over the whole Ottoman Empire.<sup>1</sup> The resources at its disposal were well exploited and its financial receipts showed an upward trend until the World War.

Distribution of the Debt among the succession states:- After the war the Ottoman Empire as such ceased to exist. In its place emerged a number of succession states which, according to the Treaty of Lausanne, had to bear the burden of the Ottoman Public Debt. The Treaty laid down the principles according to which the Debt should be distributed among the different states. The distribution was to be made on the basis of the proportion of the revenue collected in each state to the total revenue of the Ottoman Empire in the two fiscal years of 1910-11 and 1911-12. The Council of the Debt immediately set to work and made the distribution, the results of which were communicated to the states concerned. These results aroused numerous objections which were submitted to an arbitrator designated by the

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<sup>1</sup> Les Etats du Levant sous Mandat Francais, op. cit., p.158.

Council of the League of Nations. His decisions were favorable to the theses held by the representatives of Syria. It was decided, for example, that the revenues of the autonomous Lebanon Mountain should not be included, in determining the share of Syria.<sup>1</sup>

The Debt obligations of the Syrian states:- In accordance with the arbitral sentence, a new distribution was made which fixed the obligations of Syria at 10,888,459 Turkish pounds out of the total debt of 129,384,910 Turkish pounds, or 8.41% of the whole. A table of annuities was drawn up which fixed the first annuity, that for 1925-26, at 787,328 Turkish pounds, and succeeding annuities on a descending scale over 87 years.

The Treaty of Lausanne and the arbitral decision limited themselves to the enunciation of the principles according to which the distribution of the annuities and the capital of the Debt, was to be made. They left unsettled such questions as the money of payment (whether in Turkish gold pounds or paper pounds), the date of resumption of payments and the security to be held for the debt.<sup>2</sup> This latter question was settled in 1926 when it was decided to place as security the net receipts from customs duties in Syria. The other questions had to be settled by negotiations between the bondholders and the governments concerned. In 1926 the delegates of the Syrian states entered into negotiations in the course of which they were given the assurance that Syria would be granted the same treatment as Turkey. The Turkish negotiations did not end until the end of 1928 when the National Assembly at Angora ratified

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<sup>1</sup> Berger-Levrault, Editeurs, La Syrie et le Liban sous l'Occupation et le Mandat Français, 1919-1927, p.75.

<sup>2</sup> Rapport à la Société des Nations, op. cit., Year 1928, p.159.

the agreement, whereupon the negotiations with Syria were reopened and resulted in the contract of January 15, 1929. This agreement left the capital of the debt as it was, namely 10,888,489 Turkish pounds, money of account. But it provided for a series of annuities to be paid over 37 years according to the following schedule<sup>1</sup>:-

June 1st 1929 to May 31st 1936 . . .	.244,000	Turkish gold pounds	annually
" " 1936 " " " 1942 . . .	.291,000	" " "	" "
" " 1942 " " " 1947 . . .	.340,000	" " "	" "
" " 1947 " " " 1952 . . .	.388,000	" " "	" "
" " 1952 " " " 1962 . . .	.415,000	" " "	" "

After 1962 the annuities decrease progressively until the extinction of the debt.

The final settlement:<sup>2</sup> The agreement of 1929 was not destined to last long. In fact, as early as 1930 Turkey defaulted and only made a partial payment on account of the second annuity. Turkey's default was followed by a fall in the price of the bonds of the Ottoman Public Debt on the stock exchange. This fall enabled the High Commissioner to buy up at favorable prices and thus amortize a portion of the debt. In addition, he bought at 15% of par value the number of bonds for which Syria was liable of the loan called Bagdad III, and which was not listed on the stock exchange. The conditions were then favorable to engage in negotiations with a view to the final settlement of the Syrian portion of the Ottoman Public Debt. Immediately after the new agreement with Turkey was arrived at, negotiations were started, which ended in the agreement of July 29, 1933, signed in Beirut and approved by the Syrian states and the High Commissioner. This settlement provided for the

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<sup>1</sup> Rapport à la Société des Nations, op. cit., Year 1928, p.159.

<sup>2</sup> "La Dette Publique Ottomane", La Syrie, Aug. 1, 1933, p.1.

immediate payment of a lump sum of 32,850,555 francs which would extinguish the debt completely. This sum was paid from the budget of common interests. It was arrived at by a discount at the rate of 7.5% of the remaining debt obligations of Syria.

Payments made by the states under French mandate.<sup>1</sup> The sums paid by the Syrian states on account of the Ottoman Public Debt are as follows:-

First payments (before June 1929)	4,027,000 francs	"
Four annuities (June 1st 1929 to May 31st 1933) of 244,000 Turkish gold pounds each	109,524,000	"
Purchase on the market of bonds of the Loan "Baghdad III"	7,149,445	"
Final payment in lump sum	32,850,555	"
Total	<u>153,551,000</u>	"

With these payments, the obligations of the Syrian states were completely wiped out, thus freeing them from a burden which was going to extend over 82 years more. It should be noted that Syria paid with scrupulous regularity all its debt obligations in spite of the fact that they were burdensome, while Turkey, the main debtor, defaulted and forced the bondholders to accept a considerable reduction in their claims.

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<sup>1</sup>La Syrie, op. cit., Aug. 1, 1933. p.2.

## V. GENERAL EVALUATION OF THE SYRIAN FISCAL SYSTEM

Having described the Syrian fiscal system, we are now in a position to make a brief evaluation of its main features. In this short evaluation it is not possible to go into an analysis of every tax and consequently the discussion will be restricted to the system as a whole. When evaluating any taxation system it is customary to look at it from three points of view; (1) fiscal adequacy; (2) equity in the distribution of the tax burden; (3) its effects on production and distribution. This plan will be followed in this discussion, but before that is done, it is necessary to point out that we are dealing not with one homogeneous and uniform system, but with several systems combined. It has been mentioned early in the chapter that there exist four different systems of fiscal legislation and five different budgets in the territory under French Mandate. Although these systems<sup>are</sup> similar in most respects, yet their diversity makes our conclusions for Syria as a whole necessarily general and incomplete. It is not possible to say, for example, that the revenue from indirect taxation is unduly large, for it may be so in Lebanon, but not in the Government of Latakia or in the State of Syria.

Aside from limiting our conclusions, this diversity is in itself undesirable. It is against this feature of the Syrian system that one may level the first criticism. Whatever the reasons for such a division of the Syrian Mandate into various states, the disadvantages from the fiscal standpoint are serious. In the first place, differences in taxation in the different states may exist which would cause a diversion of economic resources from their natural distribution over the country. In some cases the rates of a certain tax are lower in one state than in another. This situation tends to divert capital

and labor to the state where the tax is lower. Let us cite but two examples. The animal tax was computed in the Government of Latakia in 1929, and stabilized on the basis of tax returns in previous years. The tax being so fixed, it is profitable for a cattle owner in the Government of Latakia to buy cattle from the State of Syria and bring them to the territory of the former where he will not be charged an additional tax for the increase in his cattle. The second example is an actual case where the State of Syria was invaded by alcoholic liquors from Lebanon, because it happened that in that year the liquor duty was much lower in the latter than in the former. Syrian distillers found great difficulty in disposing of their stocks, because of the competition of the cheaper Lebanese products. These examples help to show how diversion may occur. Such diversion is undesirable because it disturbs the equilibrium of the natural distribution of economic resources.

In the second place, differences in taxation in the different states make evasion possible. In the example of the animal tax given above, the possibility of evasion is obvious. An owner of live stock in the State of Syria may move his herds into the neighboring territory of the Government of Latakia just before the census of animals is made in the former state, and will bring them back after the census operations are over. In this way the animal tax in the State of Syria may be evaded. In order to realize how serious the problem of evasion of taxation may become, it is only necessary to recall the days, before 1930, when a tobacco monopoly existed in all parts of Syria with the exception of the old province of Mount Lebanon. Smuggling of tobacco from this province to the territories where the monopoly was in operation, was a commonplace occurrence. This hampered a great deal the efficient working of the

monopoly by enabling the evasion by smugglers of the tax represented by the monopoly. In spite of this fact there was some talk towards the end of 1932 of instituting a tobacco monopoly in the State of Syria. If such a measure materialises, while in the other states the banderole tax remains in operation, history will most probably repeat itself.

Fiscal adequacy:- The question that first arises with respect to any revenue system is whether it is fiscally adequate, or whether the revenue is sufficient for the needs of government. In the past few years the budgets of the Syrian states showed large surpluses. But these surpluses were only possible because of the large extraordinary receipts which represented withdrawal from built-up reserves. The following table, which gives the surplus on the one hand and the extraordinary receipts on the other, shows clearly that, were it not for these extraordinary receipts, there would have been deficits instead of surpluses:

TABLE No. 28

Extraordinary Receipts and Surpluses of the  
Local Budgets of the Syrian States<sup>1</sup>

Year	Extraordinary Receipts	Surplus
	L.L.S.	L.L.S.
1926	4,086,468	2,460,934
1927	4,755,700	5,665,202
1928	7,760,461	4,426,984
1929	6,988,929	4,100,296
1930	5,392,930	1,839,688
1931	4,399,853	485,348
1932	1,464,854 <sup>2</sup>	256,158 <sup>2</sup>
Total	34,788,695	19,234,590

<sup>1</sup> Rapports à la Société des Nations, op. cit., Years 1927-32.

<sup>2</sup> These are not the final figures, but are the nearest approximations. Rapport à la Société des Nations, op. cit., Year 1932, pp. 171-172.



The table also shows that the extraordinary receipts are decreasing, while at the same time the surplus is decreasing even more rapidly. The sources of extraordinary receipts have been: the blocked revenues of the Ottoman Public Debt, the reserves of the states, and the reserves of the budget of common interests.<sup>1</sup> From these sources during the period 1928-1938 about 15½ million Syrian pounds were consumed by the local budgets. (The figure represents the difference between total extraordinary receipts and total surpluses during the period). Partly as a result of this fact and partly as a result of the economic depression these sources have been almost exhausted and the states can no longer depend upon them.<sup>2</sup> In the past ordinary receipts were not fiscally adequate or, in other words, were not sufficient to meet expenditures. They had to resort to withdrawals from reserves. Now that the reserves have been almost exhausted, the Syrian states are faced with two alternatives, either they will have to increase their revenues or they will have to decrease their expenditures. The yield of the revenue system instead of increasing has been decreasing since 1929.<sup>3</sup> It appears therefore that the revenue system is not quite fiscally adequate. Therefore either new taxes would have to be levied or a reduction in the volume of expenditures is necessary, or both. In fact, these two alternatives have been resorted to by the governments of the states during the last year or so. In 1938

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<sup>1</sup> See pages 14 and 78.

<sup>2</sup> See pages 78-79 and Tables I, II, and III in the Appendix.

<sup>3</sup> Tables I, II, III, IV, and V in the Appendix.

the provisional government instituted in Lebanon made large reductions in expenditures. Lately the government of the State of Syria has also effected considerable retrenchment. Moreover a new tax on matches was recently established. As regards the budget of common interests the redemption of the Ottoman Public Debt, and the raising of some customs duties on articles of wide consumption are expected not only to prevent a deficit but also to leave a certain surplus. Whether these measures are sufficient to meet the situation remains to be seen.

Equity in the distribution of the tax burden:- In the field of taxation, Syrian legislation has been guided by financial and administrative requirements, rather than by the desire to effect an equitable distribution of the tax burden. If we take the reform of the tithe as an example, we find that it was motivated to a large extent by the need of making the methods of assessment and collection simpler and easier for the government, and by the desire to make the revenue received from it more certain and less fluctuating than it used to be. It has been shown in the discussion of the tithe, that the reform left the distribution of the tax burden as inequitable as it was under the old system, because of the fact that the commuted tithe was based on the results of the old tithe. Likewise the institution of a tax on benzine as a substitute for the tax on cars, resulted in a considerable increase in revenue to the government, but did not result in an equitable distribution of the tax burden.

*Paragraph* It is not intended here to prove that car owners are more heavily taxed than other people, for that cannot be done in such an easy manner. All that we intend to <sup>point out</sup> ~~show~~ is that the tax on benzine, taken separately, results in an inequitable distribution

of the tax burden among car owners. In other words, it lays a greater burden in proportion to income on car owners of small incomes than on those of large incomes. Lastly, the trend of development in taxation during the last ten years was towards an increase in the proportion of indirect taxes. As will be shown presently these indirect taxes distribute the tax burden very inequitably. This tendency of the Syrian states to rely more and more on indirect taxes is sufficient indication that fiscal legislation has been motivated more by the desire to secure revenues more easily, indirect taxes being such easier to collect and administer than direct ones, than by the desire to secure equity in the distribution of the tax burden.

To answer the question whether the Syrian tax system is equitable or not, it is necessary to determine the relation between the distribution of the tax burden and the distribution of incomes. From this point of view tax systems are divided into progressive, proportional and regressive. A progressive tax system is one which distributes the tax burden in such a way as to have the proportion of income paid in taxation increase, as income increases. On the other hand, a tax system is regressive, when the proportion of income paid in taxation decreases as income increases. A proportional tax system keeps that proportion constant. We shall analyse briefly the different Syrian taxes with a view to determining to which of the three types mentioned, the Syrian tax system belongs.

Taking the group of direct taxes first, it is to be noted that, with the possible exception of the tanattu', none of them has any progression in rate structure. The tithe, the land worko and the buildings tax all have proportional rates. Apparently they result in a distribution of the tax burden that is proportional to incomes. In practice, this is not so. We have seen how the tithe lays a greater burden on villages owned by small peasants than on villages owned by landlords. As to the land worko and the buildings tax, their defect lies in that the valuation of property <sup>was</sup> ~~has been~~ made long ago, in 1887 in the case of the land tax, in 1910 in the case of the buildings tax of the State of Syria, and in 1922 in the case of that of Lebanon. Since these dates property values have greatly changed and especially in the cities has greatly risen. This leads us to believe that these taxes have become regressive, because property of high value which has become undervalued by the tax assessment, is mainly found in the hands of the rich classes.

The progression in the rate of the proportional tax of the tanattu is more than offset by the regressive character of the basis of the tax. The tax is based on the rent of the place where the business or profession is exercised. Now, there is no definite ratio between the income of a doctor or the profits of a merchant, and the rent of his office or shop. On the contrary there is a tendency for the income of a person to grow at a much faster rate than the rent of his place of business. Thus if the rent paid by a merchant whose income is L.L.S. 1,000 a year, is L.L.S. 200, it is not likely that the rent of another merchant whose income is L.L.S. 10,000 would be L.L.S. 2,000. Moreover, there is another peculiarity which makes the tanattu a regressive tax. It does not tax income from investments. Obviously, investments are made on a much larger scale by the rich than by the poor classes.

As to the road tax it has a marked regressive character. A person receiving L.L.S. 10,000 of income and another getting only L.L.S. 100 both pay the same road tax. In general the animal tax may be considered as proportional to incomes.

It is indirect taxation, however, which gives a high degree of regression to the whole tax system. In the first place, one is struck by the great proportion of indirect taxes in Syria. In the State of Syria, revenue from excise duties is about 20% of tax revenue, and customs revenue accounts for about 34% of the tax burden. Thus more than half of the receipts from taxation come by indirect ways. In the Lebanon the proportion is much higher: in 1951 the burden of customs duties was about 60%, and that of excise duties 24% thus making a total for indirect taxation of about 84% of the total tax burden. The proportion of money going out of the taxpayers' pockets through indirect taxation in the Lebanon is thus very high. It is rather difficult to

realize that about 60% of what is paid by the people in taxation goes to pay for customs duties and another 24% for other indirect taxes. It is irrational to think that the people bear this heavy burden silently and almost painlessly while they are vociferous in their complaints against the much lighter burden of direct taxation.

How is this heavy burden of indirect taxation distributed? Although indirect taxes are generally regressive, yet in some cases, as when the commodities taxed are of the luxury type, their regressive character may be reduced or done away with. In Syria the commodities taxed are largely necessities. Among the excise taxes, salt is a physical necessity while tobacco and alcoholic liquors are conventional necessities. All of these are consumed in large quantities by the poorer and middle classes. The benzine tax burdens the poor car owner in relation to his income much more than it does the rich car owner, while stamp duties fall on all classes alike but hit the lower and middle classes more than the higher classes because their ability to pay is smaller. One can hardly imagine a more regressive set of excise duties. As to the customs duties the burden of which is far greater, there seems to be no differentiation between luxuries and necessities. Mr. Burns makes the following statements on this point:<sup>1</sup> "Fire and construction wood bear the same duty as gold and platinum thread (11%). High grade silk cloth, ribbon and velvet pay a duty very nearly the same as that for cheap cotton cloth which the peasants use for clothing. The duty on rice, a staple food of the peasants, is not much lower than some kinds of vermouth". He concludes:

<sup>1</sup>Burns, Norman, The Tariff of Syria, <sup>op. cit.</sup> p. 241.

"The consequence is that a large part of the government revenue comes from customs receipts, and the burden falls mostly on the poor and middle classes of the cities. The wealthy class - the class which is most able to bear the tax burden - escapes with impunity." On the contrary duties on necessities are preferred for they yield more revenue. In 1932, <sup>to</sup> remedy the fall in customs receipts, duties were raised on a number of articles of general consumption, such as sugar, coffee, alcoholic products, cotton goods, matches, wood etc.<sup>1</sup>

We have seen how almost all excise duties as well as many customs duties fall on necessities or conventional necessities. The burden of indirect taxation falls more heavily on the poorer and middle classes. By this we do not mean to say that a poor person pays more through indirect taxation than a rich person. We simply mean that a person of small income pays a much larger proportion of his income through indirect taxation than a person of large income.

Considering both direct and indirect taxation we conclude that the Syrian tax system is definitely regressive. The higher a person is in scale of incomes, the lower the proportion of it he pays in taxation. As it is generally admitted that a regressive tax system is inequitable, therefore the Syrian taxation system results in an inequitable distribution of the tax burden.

Effects on production and distribution:- We can only mention here the general effects of the Syrian tax system on production. Such effects have to do mainly with the diversion of productive resources from one occupation to another. The effects of taxation on saving and efficiency need a more detailed and a deeper analysis than can be given to them here.

<sup>1</sup>Rapport à la Société des Nations, op. cit., Year 1931, p. 170  
and Year 1932, p. 163.

The tax system helps to divert capital and labor from one occupation to another, according to the relative weight of the burden. From the point of view of the distribution of the tax burden on different occupations, the direct taxes might be divided roughly into taxes on agriculture on the one hand and taxes on commerce and industry on the other. The tithe, the land tax, and the animal tax are taxes on agriculture, while the temattu' and perhaps the buildings tax might be considered as taxes on commerce and industry. The agricultural taxes account for about one third of the total tax burden in the State of Syria while the taxes on business given above account for about 9% only. In Lebanon on the other hand, the proportion of the total tax burden due to agricultural taxes is 8.5% and to business taxes 11.5%. The high percentage given for agricultural taxes in the State of Syria, may be explained by the fact that agriculture there predominates over the other forms of economic activity and is not a conclusive evidence that the burden is heavier on agriculture. Nevertheless, we believe that the burden on agriculture is much greater than that on commerce and industry, for two reasons. First the income of the peasantry in Syria is in itself small and taxation takes away a greater proportion of it than it does in other occupations. Secondly, for the last five years there has been a depression in agriculture, which has reduced greatly the income of the rural population and made the burden of taxation on the peasant almost intolerable. Thus in many cases, the peasant had to borrow at high interest rates in order to pay taxes and in some cases, because of his inability to pay <sup>them</sup> his land ~~tax~~ or implements were seized and sold by the government. The cumulative burden of taxation to be paid every year, is one of the factors causing a diversion of capital and labor from agriculture to



other occupations. It has been reported recently that many lands are being left uncultivated because of the lack of working capital. Furthermore not only present capital and labor may be diverted, but future capital seeking investment and unemployed labor in search of work will be discouraged from turning to agriculture, if it is seen that this occupation is heavily taxed. It is true that taxation is not the only factor responsible for the present deplorable situation of Syrian agriculture, but certainly it is an important one. This discussion does not exhaust the question of diversion of capital and <sup>labor</sup> by means of taxation, but it helps to indicate a problem the importance of which is not ordinarily realized.

Finally, as regards the effect of taxation on distribution, the question arises whether the tax system tends to increase the inequalities in the distribution of wealth or to decrease them. In discussing the question of equity we came to the conclusion that the Syrian tax system was definitely regressive. Regressive taxation and even proportional taxation tend to increase inequality. Consequently the Syrian taxation system has the effect of increasing the inequality in the distribution of wealth and income.

A reform of the Syrian taxation system is badly needed. The policy of the legislative authorities, which seems to put too much stress on revenue and ease of collection with little regard to the other aspects of taxation is very harmful and should be discarded. ~~xxxx~~ Such a policy ignores the economic and social effects of taxation and is in the long run very prejudicial to the economic development of the country. As one writer on public finance puts it, the best taxation system is that which besides raising the necessary revenue, produces the best or least harmful effects.<sup>1</sup>

<sup>1</sup>Walton, B., Principles of Public Finance, p. 14.

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Such considerations should guide future financial legislation.

TABLE I  
RECEIPTS IN GROUPS OF THE STATE OF SYRIA  
1927-1932

Name of Receipts	1927	1928	1929	1930	1931	Revised 1932
	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
<b>A. Ordinary Receipts</b>						
1. Direct taxes	4,775,848	4,397,388	5,088,521	4,275,372	4,213,315	3,655,000
2. Indirect taxes and other fees	1,003,050	979,158	1,072,069	2,188,273	2,201,828	2,143,000
3. Amount distributed from the surplus of the Budget of Common Interests	1,056,264	5,000	418,000	51,500		
4. Share in the profits of the tobacco monopoly	450,712	524,837	626,982			
5. Public domain	652,239	273,695	704,539	402,404	403,332	175,300
6. Public enterprises	279,569	273,768	299,815	271,330	287,521	248,000
7. Miscellaneous receipts	414,741	410,701	464,592	433,477	458,472	426,732
8. Receipts in attenuation of expenditures	223,004	199,196	106,267	114,493	114,500	93,725
<b>Total</b>	<b>8,855,427</b>	<b>7,063,743</b>	<b>8,780,785</b>	<b>7,836,957</b>	<b>7,678,980</b>	<b>6,741,757</b>
<b>B. Extraordinary Receipts</b>						
9. Withdrawals from the reserve funds of the Ottoman Public Debt	145,324	2,318,117	1,295,000	480,000		101,500
10. Withdrawals from the reserve funds of the local budget	1,636,257	2,480,259	2,801,494	1,438,398	763,434	584,700
11. Withdrawals from the reserve fund of the Budget of Common Interests				850,000	434,750	43,771
12. Special receipts	344,989	183,175	201,634	260,700	1,298,337	536,973
<b>Total</b>	<b>2,126,570</b>	<b>4,981,551</b>	<b>4,298,128</b>	<b>3,029,098</b>	<b>2,496,521</b>	<b>1,266,944</b>
<b>GRAND TOTAL</b>	<b>10,981,997</b>	<b>12,045,294</b>	<b>13,078,913</b>	<b>10,866,055</b>	<b>10,175,501</b>	<b>8,008,701</b>

Source: Rapports à la Société des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932 and Budget of the State of Syria, 1933.

TABIE II

RECEIPTS IN GROUPS OF THE LEBANESE REPUBLIC  
1927-1932

Items of Receipts	1927	1928	1929	1930	1931	1932
A. Ordinary Receipts						
1. Direct taxes	L.L.S. 1,505,530	L.L.S. 1,468,483	L.L.S. 1,613,920	L.L.S. 1,444,380	L.L.S. 1,446,434	L.L.S. 1,486,000
2. Indirect taxes and other fees	663,161	858,684	1,242,246	1,728,768	2,315,412	1,840,000
3. Amount distributed from the surplus of the Budget of Cession <del>Interests</del>	1,389,802	1,644,684	1,667,500	857,500	495,722	800,000
4. Share in the profits of the tobacco monopoly	-----	155,781	121,000	-----	-----	-----
5. Public domain	26,210	49,354	50,852	34,719	27,589	40,000
6. Public enterprises	477,632	479,062	487,075	453,865	461,577	445,000
7. Miscellaneous receipts	571,759	353,712	383,918	544,348	464,434	451,000
8. Receipts in attenuation of expenditures	18,556	60,557	81,511	177,707	40,416	41,000
Total	4,652,750	5,070,317	5,648,022	5,241,287	5,251,584	5,103,000
B. Extraordinary Receipts						
9. Withdrawals from the reserve funds of the Ottoman Public Debt	993,916	-----	500,000	50,000	742,279	-----
10. Withdrawals from the reserve funds of the local budget	330,579	1,503,088	1,125,086	880,208	-----	6,000
Total	1,324,495	1,503,088	1,625,086	830,208	742,279	6,000
GRAND TOTAL	5,977,245	6,573,405	7,273,108	6,171,495	5,993,863	5,109,000

Source:

Report of la Societe des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932 and Budget of the Lebanese Republic, 1932.

TABLE III

RECEIPTS IN GROUPS OF ALL SYRIAN STATES

1927-1932

Name of Receipts	1927-1932					L.L.B.
	1927	1928	1929	1930	1931	
<b>A. Ordinary Receipts</b>						
1. Direct taxes	7,803,676	7,334,947	8,334,958	7,002,525	6,796,864	7,258,875
2. Indirect taxes	1,833,957	2,111,947	2,612,272	4,557,959	5,077,745	4,686,875
3. Amount distributed from the surplus of the Budget of Common Interests	2,948,565	1,903,133	2,356,500	961,500	539,722	815,000
4. Share in the profits of the tobacco monopoly	523,668	819,200	882,982	634,226	525,989	613,750
5. Public domain	758,285	424,452	866,457	797,469	830,604	807,700
6. Public enterprises	894,941	809,077	863,782	1,110,121	1,079,960	1,566,900
7. Miscellaneous receipts	1,119,851	896,857	976,884			
8. Receipts in attenuation of expenditures	311,757	281,820	234,340	325,539	177,334	176,118
<b>Total</b>	16,194,700	14,581,433	17,137,175	15,389,339	15,028,218	15,925,218
<b>B. Extraordinary Receipts</b>						
9. Withdrawals from the reserve funds of the Ottoman Public Debt	1,754,190	2,879,566	2,025,700	806,000	997,109	161,500
10. Withdrawals from the reserve funds of the local budgets	2,653,095	4,697,720	4,661,595	3,204,888	1,318,610	916,000
11. Withdrawals from the reserve fund of the Budget of Common Interests			90,000	1,003,430	650,431	54,771
12. Loans from the High Commission	348,415	183,175	211,634	260,700	1,433,703	
13. Special receipts	4,755,700	7,760,461	6,988,929	5,292,930	4,399,853	1,132,271
<b>GRAND TOTAL</b>	20,950,400	22,341,894	24,126,104	20,782,269	19,427,571	17,057,489

Source: Bureau of the League of Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932.

TABLE IV

TAX RECEIPTS IN THE STATE OF SYRIA

1927-1932

Name of Tax	1927	1928	1929	1930	1931	1932
		L.L.S.	L.L.S.	L.L.S.	L.L.S.	L.L.S.
<b>A. Direct Taxes</b>						
1. Tithe	1,967,115	1,582,923	2,130,845	1,296,091	1,284,272	1,330,000
2. Land Tax	454,126	437,033	459,642	435,599	416,024	416,000
3. Buildings Tax	594,273	587,830	619,102	623,406	448,853	500,000
4. Taxattu <sup>1</sup>	235,690	248,055	271,356	270,096	275,953	425,000
5. Animal Tax	1,154,183	1,192,348	1,285,978	1,342,774	1,528,864	837,000
6. Road (Poll)	211,547	199,004	224,561	208,453	178,496	75,000
<b>Total</b>	4,616,934	4,247,193	4,991,484	4,176,419	4,142,462	3,583,000
<b>B. Excise Duties</b>						
1. Tobacco	450,710 <sup>2</sup>	524,837 <sup>1</sup>	626,982 <sup>1</sup>	1,041,534	666,449	730,000
2. Benzine	70,892	60,704	54,106	153,522	451,807	335,000
3. Salt Monopoly	291,729	274,386	301,206	239,065	258,595	260,000
4. Liquors	36,735	28,850	21,260	36,418	23,935	24,000
5. Stamps	313,289	300,405	302,444	304,794	317,797	315,000
<b>Total</b>	1,163,355	1,189,182	1,305,998	1,775,333	1,718,573	1,664,000
<b>Total Tax Receipts</b>	5,780,289	5,436,375	6,297,482	5,951,752	5,861,045	5,247,000

Sources: Budgets of the State of Syria, 1929, 1930, 1931, 1932 and 1933.

<sup>1</sup> These figures pertain to the receipts from the tobacco monopoly.

<sup>2</sup> This figure pertains to the 'taxattu' tax on vehicles which was replaced by the benzine tax, in 1928.

TAX RECEIPTS IN LEBANON

1927-1932

Name of Tax	1927	1928	1929	1930	1931	1932
<b>A. Direct Taxes</b>						
1. Pithe	L.L.S. 248,752	L.L.S. 123,323	L.L.S. 272,894	L.L.S. 151,881	L.L.S. 168,963	L.L.S. 144,884
2. Land Tax	283,211	247,295	289,702	225,561	217,405	216,981
3. Buildings Tax	309,106	417,803	375,063	415,755	424,283	341,882
4. Wealth Tax	293,752	308,532	348,660	329,493	328,476	256,211
5. Animal Tax	136,060	170,711	155,067	170,900	179,752	117,322
6. Road Tax	125,827	114,855	126,862	116,230	98,493	87,603
<b>Total Tax</b>	<b>1,396,708</b>	<b>1,382,519</b>	<b>1,568,248</b>	<b>1,409,820</b>	<b>1,417,372</b>	<b>1,164,883</b>
<b>B. Excise Duties</b>						
1. Tobacco	33,662 <sup>1</sup>	165,439 <sup>1</sup>	120,893 <sup>1</sup>	438,129	524,565	524,794
2. Benzine	110,285 <sup>2</sup>	84,374 <sup>2</sup>	209,786	328,165	699,508	392,265
3. Salt Monopoly	162,243	162,980	250,579	224,594	259,595	233,692
4. Liquors	32,044	68,410	61,188	51,367	55,570	51,011
5. Stamps	142,791	285,835	316,745	330,101	350,607	318,362
<b>Total Excise</b>	<b>481,025</b>	<b>767,038</b>	<b>959,191</b>	<b>1,372,356</b>	<b>1,889,845</b>	<b>1,520,034</b>
<b>Total Tax Receipts</b>	<b>1,877,733</b>	<b>2,149,557</b>	<b>2,527,439</b>	<b>2,782,176</b>	<b>3,307,217</b>	<b>2,684,917</b>

Sources:

Final Accounts of the Lebanese Government 1927, 1928, 1929, 1930.  
 The figures for 1931 and 1932 were secured from the Department of Finance of Lebanon.

<sup>1</sup>These figures pertain to the receipts from the tobacco monopoly.

TABLE VI

PUBLIC EXPENDITURES IN THE STATE OF SYRIA

1927-1932

Name of Expenditures	1927	1928	1929	1930	1931	1932
1. Government and Central Administration	L.L.B. 122,319	L.L.S. 149,592	L.L.S. 63,223	L.L.B. 73,179	L.L.S. 74,819	L.L.S. 115,728
2. Assemblies and Councils	17,076	41,318	18,650	18,280	19,242	118,967
3. Debt (Pensions)	575,873	674,757	944,997	880,705	1,166,935	822,176
4. Finance	766,296	672,005	615,490	727,303	882,198	770,219
5. Interior	445,356	370,510	440,059	471,054	479,863	499,606
6. Justice	540,044	656,369	677,942	681,898	706,432	688,590
7. Gendarmerie and Mobile Guard	1,345,403	1,576,957	1,597,902	1,520,192	1,377,381	1,354,240
8. Police	399,384	378,434	396,841	411,987	414,595	435,565
9. Public Health	235,552	292,927	288,370	291,994	309,524	310,000
10. Public Instruction	769,266	902,071	923,514	947,412	999,649	1,025,678
11. Agriculture and Econ. Services	214,223	313,471	359,204	649,665	425,954	290,360
12. Public Works	756,947	1,468,549	2,658,553	2,143,871	1,854,351	1,311,933
13. Post and Telegraph	208,010	178,547	216,754	228,828	250,360	241,467
14. Public Domain	-----	623,558	600,999	681,816	586,931	376,989
15. Expenditures of Preceding Years	284,185	421,225	523,637	208,811	101,286	-----
16. Extraordinary Expenditure	1,274,735	1,073,191	1,198,253	108,405	352,243	885,271
TOTAL	7,955,669	9,793,481	11,524,388	10,045,400	10,001,763	9,246,789

Sources:

Rapports à la Société des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932



TABLE VII

PUBLIC EXPENDITURES IN LEBANON

1927 - 1932

Name of Expenditures	1927 - 1932					
	1927	1928	1929	1930	1931	1932
1. Government and Central Administration	L.L.B. 55,512:	L.L.B. 27,675:	L.L.B. 34,755:	L.L.B. 49,669:	L.L.B. 49,994:	L.L.B. 49,584
2. Assemblies and Councils	153,325:	166,856:	153,047:	126,686:	130,595:	136,000
3. Debt (Pensions)	256,966:	244,275:	268,281:	419,492:	388,342:	360,000
4. Finance	461,487:	968,860:	603,087:	553,568:	609,495:	424,961
5. Interior	224,935:	222,119:	223,421:	174,842:	175,117:	172,947
6. Justice	549,123:	542,149:	556,383:	523,956:	486,486:	548,018
7. Gendarmerie and Mobile Guard	797,196:	778,713:	799,292:	774,227:	777,333:	748,776
8. Police	199,459:	232,294:	259,172:	261,427:	275,407:	277,494
9. Public Health	194,922:	202,737:	206,165:	136,697:	152,052:	178,290
10. Public Instruction	244,446:	255,930:	287,473:	230,309:	338,114:	288,846
11. Agriculture and Recon. Services	111,671:	91,546:	102,418:	164,375:	104,240:	174,768
12. Public Works	585,731:	955,400:	1,444,782:	1,505,045:	1,511,916:	925,063
13. Post and Telegraph	313,801:	343,188:	329,072:	341,420:	362,392:	362,550
14. Public Domain	-----:	195,508:	235,795:	222,826:	264,438:	160,992
15. Expenditures of Preceding Years	287,478:	68,231:	80,116:	78,987:	261,883:	-----
16. Extraordinary Expenditure	-----:	5,796:	13,491:	-----:	-----:	300,711
TOTAL	4,436,052:	5,321,277:	5,596,750:	5,563,526:	5,887,804:	5,109,000

Source: Reports à la Société des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932.

PUBLIC EXPENDITURES OF ALL SYRIAN STATES

1927-1932

Years of Expenditures	1927	1928	1929	1930	1931	1932
I. Government and Central Administration	263,233	237,245	168,913	181,884	182,709	167,006
2. Assemblies and Councils	184,823	222,874	186,564	161,329	164,916	270,482
3. Debt (Pensions)	898,528	998,929	1,295,463	1,387,674	1,664,598	1,286,276
4. Finance	1,635,159	1,848,021	1,417,018	1,497,851	1,725,099	1,438,940
5. Interior	787,807	699,117	772,959	771,259	787,813	802,228
6. Justice	1,220,232	1,354,463	1,406,609	1,384,331	1,369,774	1,467,302
7. Gendarmerie and Mobile Guard	2,489,519	2,705,323	2,769,688	2,661,230	2,477,943	2,431,924
8. Police	646,560	653,323	701,488	725,565	736,299	759,584
9. Public Health	501,981	569,041	584,584	542,846	568,984	599,510
10. Public Instruction	1,181,625	1,360,480	1,442,131	1,431,497	1,606,551	1,576,501
11. Agriculture and Econ. Service	412,879	487,313	548,901	663,547	644,008	566,863
12. Public Works	2,506,046	3,472,363	5,091,055	4,887,475	4,427,373	2,591,662
13. Post and Telegraph	600,093	597,190	629,592	654,461	639,101	686,300
14. Forest and Game Domain	-----	986,051	1,140,552	1,212,311	1,095,827	626,750
Expenditures of preceding years:	630,419	558,287	658,547	370,416	449,485	-----
Ordinary expenditure	1,284,971	1,154,900	1,211,744	108,405	352,243	1,786,161
TOTAL	15,243,875	17,904,920	20,025,808	18,942,081	18,892,723	17,057,489

Reports to the Société des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932.

TABLE IX

EXPENDITURES OF THE BUDGET OF COMMON INTERESTS

1928 - 1932

CHAPTERS	Name of Expenditure	1928	1929	1930	1931	1932
1.	Financial Services and Ottoman Public Debt.	L.L.S.	L.L.S.	L.L.B.	L.L.S.	L.L.S.
2.	Customs	5,102	694,086	1,444,817	1,652,379	1,503,941
3.	Sureté Generale	1,592,113	1,283,255	1,392,336	1,130,620	1,054,248
4.	Quarantine Service	-----	-----	163,967	132,188	140,454
5.	Monnaie Offices and Other General Interests	144,167	59,471	49,747	143,829	88,803
6.	Inspection of Post and Telegraph	66,642	69,219	68,462	69,283	54,134
7.	Inspection of Public Works	-----	30,884	16,648	157,112	98,350
8.	Control of Concessions	-----	33,450	29,374	-----	-----
9.	Control of Land Services	13,112	16,084	15,083	61,685	24,587
10.	Antiquities and Archeology	21,680	30,196	25,271	32,657	26,453
11.	Subsidies	23,715	34,539	44,027	-----	-----
12.	Contribution to the Civil Expenditures of the Mandate	579,141	579,150	579,150	363,000	306,900
13.	Special Troops of the Levant	4,667,508	4,674,000	4,737,500	4,750,000	4,750,000
14.	Allocation of the Profits of Free Railways	-----	375,804	-----	37,500	292,500
15.	Extraordinary and Miscellaneous Expenditures	85,189	10,378	149,214	38,350	135,757
	TOTAL	7,198,369	7,890,516	8,715,596	8,699,648	8,476,127

SOURCE:

Rapports à la Société des Nations, op.cit., Years 1928, 1929, 1930, 1931, 1932.

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- No. 23. Does he think the government should make any laws or take any police action in his favor? This will give you a reason for asking these questions.
24. In case the ~~data~~ <sup>data</sup> is secured from an employer about a worker or from the members of his family or some one else, note this fact.
- No. 25. "Living with" means: Is he living with some of his family or not? If he has left his family, was it due to a step-parent situation, a divorced parent situation, death of one or both parents, the poverty of the family, or some quarrel? More than one reason may be checked, of course. How many months has it been since he lost contact with his family, i.e. left home?
- No. 26. Do his earnings go to support wife, children, other relatives?
- No. 27. Can he read phrases? (Check this by testing him if convenient) or a newspaper? Can he write simple notes, and how many years has he been in some sort of school, if any?
- No. 28. Enquire as to the kinds of sickness he has had in the last 12 months, and the degree of each sickness measured in units of days when he was unable to work or stayed in bed, or lying down.
- No. 30. Did he ~~see~~ see a doctor? How many times? Were medicines taken? This leads naturally into a tactful questioning designed to find out whether he uses habit forming drugs, hashish, etc. Usually they will deny this if asked directly, but if asked indirectly such as "did hashish help you when you were sick", etc., he may tell of it.
- No. 31. Does he have only one room, or if with the family perhaps more than one room, or does he sleep out in the street or under any shelter? What rental is paid per month, if any? Is there running water in the house where he sleeps? Is there a toilet? Does he use a lamp? Mark ++ for electricity, and minus for a candle. Does he have any blankets or other warm covering at night, or does he simply huddle down in his clothes? Has he any companions where he sleeps, or family?
- No. 32. Eating. Does he state he gets enough to eat? How much did he spend on food yesterday? List the items in his diet yesterday as a sample.
- No. 33. Leisure. List the types of things he does for recreation.
- No. 34. Much of the information from each person may not fit into the above categories and may require notes. Number these and state them very concisely.

Wherever you are uncertain of rulings use your best judgment and make a note of the issue and how you settle it.

ECONOMIC ORGANIZATION OF SYRIA

Chapter XII: The Public Finances  
of Syria

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ECONOMIC ORGANIZATION OF SYMLA

CHAPTER X: INLAND COMMUNICATIONS

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## CHAPTER X

### INLAND COMMUNICATIONS

Foreign commerce can develop and coast towns can prosper only if there exist extensive and effective means of inland transportation. Roads, together with shipping and marketing facilities, constitute the important limiting factors in production.

Land transport in Syria has passed through five distinct phases. The transport system has been evolved through these stages and each has not been superseded by the next, but supplemented by it. Hence at the present time all these means of transportation exist side by side and in the aggregate constitute the transport system of the country.

1. Animal transport: In antiquity, but also down to surprisingly modern times, the sole means of transport consisted of beasts of burden. In the desert and on the plains, the camel constituted the principal conveyance for man and goods, while in the more mountainous regions the mule, the donkey and, to a less degree, the horse, served man in this capacity. The thoroughfares in those days consisted of paths or trails. Some of these were much frequented arteries of through trade, roads of international and of world importance. Such was the road leading from Galilee to Damascus and thence either eastward to Mesopotamia, Persia and India, or northward into Asia Minor with its terminus on the Black or the Caspian Sea. In addition to these ancient trunk lines and branching from

them were the less frequented trails serving the larger towns in local communication and transport. Still less frequented paths connected the more remote settlements with the outside world. In addition to the one already mentioned, some of the more important trunk lines were;

Alexandretta to Mosul via Diarbekr

Coast route, Adana to Palestine

Latakiyeh to Hama

Tripoli to Homs

Beirut to Damascus

Sidon to Baalbek

It was along these roads and trails that the products of the widely separated people of the East and of the west were carried. In large measure the commercial and the political importance of the Near East, and also the source of the wealth of these countries lay in the fact that these countries represented the bottle neck where many of these thoroughfares converged and crossed.

2. Wagon Roads; Wheeled vehicles remained scarce until comparatively recent times and few wagon roads were constructed previous to the beginning of the present century. In <sup>part</sup> this slow development of wheeled transport is accounted for by the mountainous character of a large portion of the country. That this does not constitute the sole explanation, however, is evidenced by the fact that it is less than twenty years ago that carriage roads were constructed connecting Beirut and Tripoli on the north (a distance of 90 miles) and with Sidon on the south (30 miles). In both cases the road lies in the maritime plain.

The Beirut-Damascus diligence road (112 kilometers) was constructed

ted in 1857. The concession was granted by the Ottoman government to a French company organized by le Comte de Pertuis. The road was completed for traffic in 1865. This was the first wagon road in the country included in this survey. In 1892 the company was absorbed into the "Société des Chemin de Fer Ottoman de Beyrouth-Damas-Hauran" or "Société Ottoman de Chemin de Fer Damas-Hama et Prolongements" and during the Turkish regime the road was maintained in a reasonably good state because of its strategic importance.

Few roads were built during the remainder of the century and some of those that had been constructed were allowed to fall into disrepair and disuse. The first impulse to road building came in the Lebanon. Among the returned emigrants were many who had accumulated a considerable amount of wealth while abroad; they sought prestige for themselves or for their native villages, and not infrequently they gave expression to their personal and civic pride by taking the lead in the construction of roads connecting their communities with other parts of the country, preferably with the larger coast towns. Hence it resulted that in many cases these roads were not only poorly planned and ill constructed but the road building in the country was wholly without system or plan. Roads were not built where the need was the greatest or where they would best serve the larger community. In 1914 as the result of this haphazard roadbuilding the vilayat of Damascus and Beirut had 20 kilometers. Lebanon had 208 kilometers. Aleppo, Cilicia, and Diarbekr, where roads had been built for strategic reasons by the government, had 900 kilometers.

During the war, when all other constructive activities came to a standstill, road building received a new impetus. For the sake of military efficiency, new routes were planned and construct

while many of the older roads were improved to accommodate the heavy wartime traffic. During the four years of the war many kilometers were added to the road system of the country, and never before had roads been in such good condition as they were in 1918.

The French have the reputation of being road builders and their colonial administration everywhere bears testimony to the appropriateness of the title. Only with the coming of the French administration was road building in Syria reduced to a systematic program, a program giving due consideration to the economic needs of the country as well as to the political and strategic factors involved. The roads to be constructed and maintained were divided into two categories:

1. Those highways that are considered to be of general interest to the country, because they constitute channels of through transportation or because they connect the more important centers of population, and

2. Secondary roads, those serving a less extended area and which are therefore of distinctly local importance.

The Department of Public Works in each of the Administrative districts into which the country has been divided by the mandatory power, was charged with the construction, maintenance and supervision of the roads of the second category while the cost involved in the execution of the first item in the road building program became a charge on the French administration. It is interesting to speculate on the objectives of the roads built and planned; in some cases the purpose is clearly strategic in character, at other times the military objective seems to be combined with or subordinated to the economic need of the region served by the road.

This program of road building takes full cognizance of the physical configuration of the country and may be divided into three parts;

1. Three trunk lines with a general north-to-south direction, each traversing one of the three plains running parallel to the coast.

- a. From Ras Nakura (the southern frontier on the Mediterranean) via Tyre, Sidon, Beirut, Tripoli, Latakiah, and Antioch, to Aleppo.
- b. From Tyre, via Zahleh, Baalbek, Homs and Hama, to Aleppo.
- c. From Dera' via Damascus to Homs.

2. Transverse lines of communication joining the plains and valleys by connecting lines across the mountain ranges, taking advantage of the passes and the depressions which break the mountain chains.

- a. From Tyre to Zahleh by way of Nebatiyeh and the Judaydet Marj 'Uyun plain.
- b. From Beirut to Damascus
- c. From Jubayl to Baalbek, crossing the Lebanon in the vicinity of the Cedars of Lebanon
- d. From Tripoli to Homs
- e. From Banias to Hama by way of Kadmus and Iraniyeh
- f. From Jaleel to Hama
- g. From Latakiah to Aleppo
- h. From Alexandretta to Aleppo

Of these roads two take advantage of transverse valleys, the

Alexandretta-Aleppo road and the one connecting Tripoli with Hama. All the others present difficult engineering projects and involve a correspondingly high cost of construction and maintenance.

3. Shorter lines in each of the larger plains, converging upon the larger centers of population, particularly Aleppo, Damascus and Beirut.

In addition to the above a longitudinal line is projected connecting Tyre with Alexandretta, paralleling the road which follows the coast line. The second road is to be carried along the lower ranges of the foothills of the Lebanon and is avowedly planned for strategic purposes, possessing the advantage over route 1, a, in that it would be protected against immediate danger from attack from the sea.

That the French authorities attach great importance to this program, that they take it seriously, is indicated by the fact that, notwithstanding great financial limitations and in spite of warlike operations in the country, considerable progress has already been made in ~~xxxxxxxxxxxx~~ carrying into effect the details of the plan. Old lines are kept in good repair and several new roads have already been built, while some of the old roads have been practically rebuilt to bring them into harmony with present day needs.

3. Railways: The main impetus to railway construction in Syria has come from French enterprise and the work has been carried on for the most part with French capital. The following lines have thus far been built:

- a. Damascus-Mezarib (102 km). This is a narrow guage (1.05 m) line and was opened for operation in 1894. It was intended to serve the Hauran, to ~~make more~~

easily accessible to the larger cities the wheat grown in the regions of the interior plain.

- b. Beirut-Damascus (140 km). This is also a 1.05 meter (3' 6") gauge road and was completed in 1895. The line traced by this road is a difficult one. The Beirut terminus is at sea level, the line then rises to a height of 1,525 meters where it crosses the Lebanon range. From this point the road drops into the Bika' plain which it crosses at a level of 950 meters above the sea. Then it rises again to an elevation of 1,405 meters above the sea in crossing the Anti-Lebanon, after which it descends to the Damascus plain with its terminus at 699 meters above sea level. For a distance of 40 kilometers this road consists of cog line. In addition to the inherent difficulties of the line traced by this road its administration labors under the disadvantage of shortsighted construction policy and of injudicious economy on first cost, without regard to the effect that such a course would have upon the cost of operation.
- c. Rayak-Hama-Aleppo: (331 km). This is the French standard gauge width, 1.445 M or 4' 85". It was completed in 1902 as far as Hama and in 1907 to Aleppo. This road rises from 950 meters at Rayak to 1,120 meters at Baalbek and then descends to 307 meters at Hama. The line was originally planned to extend to Birijik but this project was frustrated by the



development of the Bagdad Railway policy. This road was built under a concession, the terms of which involved a kilometric guarantee. Under these terms, in 1909 the contribution of the state amounted to Frs.2,218,737 while the receipts from the operation of the line were Frs.6,899,396.

d. Tripoli-Homs; (102 km). This is a French standard gauge road and constitutes a link in the Damas-Hama et Prolongements (D.H.P.) system. In 1914 a concession was granted for the extension of this line 350 kilometers beyond Homs to Deir es-Zor on the Euphrates. The war prevented the execution of these plans. This road was dismantled during the war and the material was ~~used~~ elsewhere. It was rebuilt in 1921 at a cost of Frs.21,000,000.

e. The Tramways Libanais; This is a narrow gauge line extending 19 kilometers north from Beirut to M'ameltein largely a suburban passenger service.

These five lines constitute what may be regarded as the French system or group in Syria. To complete the survey of railroads serving the country account must be taken of several other lines lying partly or entirely outside the Syrian frontiers. These lines are;

a. Mersine-Tarsus-Adana; The concession for this road was granted in 1883 to two Turks and since then the undertaking has passed through a varied experience. During the early part of its operation it was under French, later under British administration. It was intended to tap the rich plain at the foot of the Taurus Mountains. In 1891 it was acquired by the Germans and since then the

line has played a prominent part in the construction of the Bagdad Railway. More recently it has been incorporated into this system.

b. The Bagdad Road: Though this line lies for the greater part of its length outside of Syria, according to the revised Turco-Syrian frontiers, the connections between the eastern and the western section lies within Syrian territory. The Bagdad line itself plays no important part in the economic life of Syria, except in a negative way in that it serves to divert to Mesopotamia much commerce which once passed through Alexandretta. Of greater importance to Syria than the Bagdad line are the two branch lines of this system.

(1) rainal to Alexandretta, begun in 1913 and put into operation in 1914, has since been completed, and,

(2) Muslimiyeh to Aleppo

These two branches of the Bagdad line are of importance to Syria, partly because they connect the country with the outside world lying to the north, and also strategically because of the connection with the main line which was to have been completed to the head of the Persian Gulf under a 99 year concession involving a kilometric guarantee of 15,000 francs.

c. The Hijaz Railway; (1849 km). This road is of the 1.05 meter gauge. Its chief significance is that under the Turkish regime it possessed strategic value, although it was popularly represented as being based on religious motivation. The capital necessary for its construction was raised by popular subscription from Moslems. The Damascus-Dera' branch ends at Haifa. Inasmuch as the administration of the road had no financial obligations in the form of interest on capital, it was able not only to underbid the

Damascus-Mezarib line, but it could also compete successfully with the Damascus-Beirut line in the trans-Lebanon traffic, to the great disadvantage of Beirut and a great increase of business in Haifa. This road was dismantled during the war, the material being used in the construction and maintenance of other lines. It is not planned to rebuild it.

A study of these various lines results in the conclusion that the so-called system of Syrian railways is not a system at all but a composite of two different systems. Before the war the Bagdad road, together with the Hijaz railway were looked upon as constituting something of a unit, often referred to as the Turko-German system. The remaining railroads have in common the element of being under French management, but they possess no unifying principle. A further lack of unity arises from the fact that they are of different gauge. In some cases the narrow gauge (1.05 M) was decided upon out of consideration of lower cost of construction, under favorable circumstances the difference being 25%. In other cases the narrow gauge was dictated by imperative geographic conditions.

In the construction of railways in Syria, French enterprisers have from the first played the leading part. The various undertakings have been conducted on a more businesslike basis than have similar ones in Asia Minor. Concession-grabbing and political motivation has been less obvious, if not less potent, than in the negotiations leading up to the construction of the Anatolian lines. Of the French lines, only one was accorded a kilometric guarantee, namely the Rayak-Aleppo line. This kilometric guarantee was fixed at 4,500 francs. Of this amount the administration of the road claimed in 1908 Frs.2,110,000; in 1912 Frs.1,314,000 and in 1913 Frs.1,179,000, indicating by the diminishing amount of the annual

subvention that the road was to an increasing degree made self supporting. Others of the French railroads experienced financial difficulties, the Beirut-Damascus line, as well as the Damascus-Mezarib line, also the Tramways Libanais having passed through a process of judicial liquidation.

In recent times, however, the roads have made a better showing. Tripoli-Homs in 1911 made a net profit of Frs.11,212 per kilometer; in 1913 a net profit of Frs.16,000. The Damascus-Beirut line in 1913 made a net profit of 16,000 francs per kilometer.

4. Automobiles: The coming of the automobile in Syria as elsewhere, marks the beginning of a new era in the development of transportation and communication. The introduction of the automobile coincides with the period of the Great War. In 1914 there were three automobiles in the city of Beirut and none in any other part of the country. After the outbreak of the war military operations necessitated the use of trucks and lorries as well as lighter vehicles. This rendered imperative the building of new roads and the remaking of the old ones that were intended to accommodate only horsedrawn vehicles. The restoration of peace has not reduced the number of automobiles in the country. On the contrary, they have greatly and rapidly increased in number. The military lorry has given place to the touring car and the bus, while the heavy trucks, instead of carrying military supplies, are engaged in transporting merchandise from place to place in the country.

Not only does the automobile play an important part in the internal affairs of Syria but it has also served to place the country anew on the map of international relations and diplomatic

affairs. Palestine which, until 1918 was accessible only by horses or by coasting steamer has been brought into very much closer relationship with Syria. Damascus, the capital of the state of Syria, and Beirut, the capital of the state of Lebanon, can be reached within an hour from the Palestine frontier and within half a day from Jerusalem, the capital and the center of the Palestinian mandatory territory. Motor roads make connection at Haifa with the Palestine railways which, in turn, form an integral part of the Egyptian State Railroads.

Of even greater importance is the change that the automobile has brought about in the through east-and-west routes. The old historical route to India which, through the centuries, has shifted northward and southward from Constantinople and the Black Sea to the Cape of Good Hope, the route for the control of which ministers and diplomats have schemed and generals and admirals have fought, that most direct connecting link between western Europe and the Middle East, has again been drawn across Syria. This time it is not by caravan trail through Aleppo and down the Mesopotamian valley, but by automobile straight across the Syria desert. Whereas, until a few years ago, the head of the Persian Gulf was fifteen days' journey removed from the coast of the Mediterranean, the time of transit has now been reduced to less than twenty-four hours. Pioneering begun in 1923 has resulted in the establishing of two routes across the desert with Bagdad at the eastern terminus while the western end of the line is at Beirut or at Tripoli. Passengers and mail, also increasingly merchandise, are being carried with increasing security and diminishing cost from the Mediterranean to the Persian Gulf and in the opposite direction, thus opening a new epoch in the political and the commercial relationship between

the countries of western Europe and the Middle East.

This is, in brief, a historical sketch of the development of land transport in Syria. The survey has more than a historical interest, however, since in no instance has a new phase entirely superseded the preceding one. Each period has left a legacy of its own peculiar form and method of transport. Notwithstanding the ubiquity of the automobile and the cheapness of railway rates, camels, mules and donkeys are still extensively used as means of transport. It is difficult to conceive of their ever being entirely eliminated or replaced by modern methods of transport. For a time after the introduction of new methods the old and the new exist side by side, competing with each other. Gradually, however, under the pressure of competition each form of transport becomes more and more definitely limited to the field for which it is peculiarly adapted, the division being either geographic or according to the form of goods to be transported.

Inland water transport is in Syria a negligible factor. With the exception of the Euphrates which cuts across the north-eastern corner of Syria, the streams are too short, too rapid and too shallow to have any value for transport purposes. In most cases these streams which during the winter season carry a considerable volume of water, largely or entirely disappear during the dry season.

5. Airplanes: Although air transport is of no importance in internal traffic, it already plays a significant role in maintaining contacts between Syria and other countries. In so far as international air lines have their termini in the Near East, these countries again become more important as connecting links between

the East and the West.

Until 1929 no regular air-transportation existed in Syria. In that year, however, the "Compagnie Air-Orient" established direct regular air connections between Syria (Beirut) and France (Marseilles) for the transport of passengers, mail and small packages. In 1931 it opened another line between Damascus and Baghdad which was extended as far as Saigon in Indo-China. Altho the direct linking is only with a few countries, yet the Company has made arrangements with other air transportation companies to forward passengers and mail to those countries that do not lie along the course of the Company's planes.

The Company was organized with a capital of 22,400,000 Francs. It owns its airo and hydroplanes. To facilitate the flight and landing, the Company built a small station at Beirut near the port. At Damascus, the Company's Airoplanes make use of ~~the military~~ station. It cost the Lebanon Government about 17 million Francs.

The project of the second station was approved by the Syrian Government. The station will be at Mezzé near Damascus and will cost about 23 million francs. These two stations will enable the country to receive airo and hydroplanes thus linking Europe with the Far East.

6. Pipe Line: This is a highly specialized form of transportation, being limited to one particular commodity. Nevertheless, in view of the significance of this commodity, both for the internal development of Syria and as contributing to its importance in international relations, this undertaking must be included in any survey, however brief, of transportation facilities in Syria.

The pipe line of the Iraq Petroleum Company is a means for

transporting petroleum from Iraq to the Mediterranean and from there to be distributed to other countries. Petroleum was discovered in Baba-Gurgur near the small city of Kirkouk (Iraq). The potential, annual production is estimated at 4 million tons. The pipe line will be 850 Kms in length and it is estimated that it will cost about a billion Francs.

The pipe line, starting from Kirkouk, will branch into two lines at Haditha. The first is to end in Tripoli and the second in Haifa. Haditha is 241 Kms from the head of the line at Kirkouk. The Haifa line will be 748 kms long all laid down in British territory. The Tripoli line will be 610 kms long. The pipes to be used are about 1900 Kms long and are .30 meters in diameter. These will be buried in a trench at least one meter deep. Pumping stations will be erected on the road to propel the oil to the terminus.

The construction is now going on. It is expected that the pipe lines will go into service in the summer of 1934.

7. Tramways: To meet distinctly local need for passenger transport tramways have been installed in some of the important cities of Syria. They are operated by the tramway companies, all foreign organizations with, for the most part, foreign capital, of Beirut, Damascus, Aleppo, and Tripoli. The first three companies run their tramways by means of electricity while that of Tripoli uses mules. Lately the "Compagnie des Tramways et Eclairage de Beirut" bought out the Tripoli concession with the intention of electrifying the lines.

These companies charge rates varying from one piaster to six piasters, depending upon the city, class and distance covered. The rates are fixed by the terms of the concession but have frequently been modified in response to local, popular pressure. It is believed



that these charges are high as compared with the operation expenses.

8. Inland Water Transport: Inland water transport is in Syria a negligible factor. With the exception of the Euphrates which cuts across the north east corner of Syria, the streams are too short, too rapid and too shallow to have any value for transport purposes. In most cases these streams which during the winter season carry a considerable volume of water, largely or entirely disappear during the dry season.

Coastwise shipping is carried on for the most part by means of sailing vessels.

9. Coastwise Shipping: This, though not strictly a part of the internal transportation system, does serve domestic commerce and condition its development.

From prehistoric times sailing vessels played a large part in the exchange activities and the economic life of the Near East. In recent centuries its relative importance has declined. The increase in the number of automobiles and motive power trucks, with the great advantage of door-to-door service, has restricted the range of usefulness once presented by this form of transport. In competition with more modern forms of carriage coastwise shipping is handicapped by uncertainty of weather; this form of traffic enjoys its open season during the spring and the summer, coming practically to a standstill during the winter months.

Reliable statistics indicating the scope and the trend of coastwise shipping are not available. The following table, however, gives an indication of the ports touched and the number of vessels involved in this form of activity:

	<u>ARRIVALS</u>			<u>DEPARTURES</u>		
	Number	Net Ton.	Cargo	Number	Net Ton.	Cargo Disch.
Tyre	58	726	141	64	821	450
Sidon	65	831	712	75	1,026	591
Beirut	221	4,381	5,836	208	4,470	3,180
Juniyeh	7	58	145	9	102	
Jebail	9	50	15	8	48	1
Batroun	9	39	28	9	39	1
Tripoli	65	919	1,143	73	1,013	315
Riad	134	1,708	104	142	2,020	581
Tartus	196	1,513	250	196	1,513	1,068
Banias	12	77	80	12	77	41
Jebleh	22	56		24		
Latakijeh	36	409	361	44	528	517
Souedieh	2	28	12	8	132	167
Alexandretta	27	512	131	27	512	250
<b>Total</b>	<b>863</b>	<b>11,507</b>	<b>8,956</b>	<b>899</b>	<b>12,301</b>	<b>7,108</b>

Source: Bulletin Economique, March - April 1926

### CONCLUSION

The outstanding feature of internal transport facilities in Syria is their diversity. As in other departments of life so in this also the old exists side by side with the new, the latest and the most antiquated complementing each other and competing with each other. On the highways of the country cameleers and muleteers dodge motor trucks while in the streets of the cities up to date automobiles jostle human porters while the latter are absorbed in observing the maneuvering of aircraft over head. The country constitutes a museum exhibiting the earliest forms of transport devices, side by side with the latest inventions in that field of activity.

It is interesting to speculate on the reason for the persistence of the older forms notwithstanding the introduction of the new and the modern.

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TOPICS SUGGESTED FOR CLASS STUDY AND RESEARCH

1. Comparative costs of transportation by camel, truck, railway, and sail boat.
2. The capitalization and terms of the concessions granted to the Beirut, Aleppo and Damascus Tramway Companies. Also financial statements of these enterprises.
3. Fluctuations over a period of years of the market quotation of D.H. & P. stock; Administrative changes reflected by these fluctuations.
4. Automobile Statistics - Imports, sales, licensing, regulations, etc.
5. The project of the Tripoli-Deri-er-Zor Railway
6. Road building and road maintenance finances. Amounts involved and distribution of cost.

Have you others to add?