A

CONSIDERATION OF THE THEORY

THAT THE

BACKWARD STATE OF AGRICULTURE

IN IRELAND,

IS A CONSEQUENCE OF THE

EXCESSIVE COMPETITION FOR LAND.

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BY

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This society was established in November, 1847, for the purpose of promoting the study of Statistical and Economical Science. The meetings are held on the third Monday in each month, from November till June, inclusive, at 8 p.m. The business is transacted by members reading written communications on subjects of Statistical and Economical Science. No communication is read unless two members of the council certify that they consider it in accordance with the rules and objects of the society. The reading of each paper, unless by express permission of the council previously obtained, is limited to half an hour.

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A Consideration of the Theory, that the backward state of Agriculture in Ireland is a consequence of the excessive competition for Land.
—By Edward Lysaght, Esq.

The theory, that injurious consequences result to the community from excessive competition for land, is one that has many supporters at the present time; and as the choice of measures for better regulating the relation of landlord and tenant depends on the general decision of this important question, it cannot be uninteresting to consider what the principles of economic science teach us are the real effects of unrestrained competition on the knowledge and industry employed in the cultivation of the soil.

Production is the result of the combined action of land, labour, and capital, employed in proportions which vary according to the requirements of the different branches of industry. It will easily be admitted, that it is of considerable importance to society, as well as to individuals, that these instruments of production should be employed in the proportions which will cause the production of desirable commodities of the greatest possible market value; or, in other words, in the proportions which are most conducive to the comfort of the members of the community, and most profitable in the aggregate to their owners. For effecting this distribution, it is necessary that no one class of producers should benefit at the expense of another; which cannot take place without a misdirection of industry from a more to a less profitable mode of employment; since the gain which accrues to one class, under such circumstances, is always far less than the loss to another, and this difference is the measure of the loss to the community.

Although the real and lasting interests of the owners of the different productive instruments is the same, yet their immediate interests may be very much opposed. Landlords, labourers, and capitalists are not usually partners in the work of production, receiving at the completion of the work a certain proportion of the commodity produced. In general, the capitalist pays rent to the landlord for the use of his land, to the labourer the wages of his labour; and by sale, at the completion of the work, of the commodity produced, reimburses himself for his outlay in rent and wages, and retains the surplus as profit on the capital employed. At the moment of the bargain, it is the interest of the owner of each of the instruments of production to obtain for himself the greatest amount of remuneration at the expense of the other two; but, as
we have above seen, any remuneration beyond the just amount thus received must be a cause of loss to the community; and must, in the long run, react to the injury of all classes of producers, by retarding the natural increase in the means of future production. How, then, is the natural distribution to be effected? I answer, by freedom of competition. The individuals of each class competing amongst themselves will prevent landlords, labourers, or capitalists receiving more than a just remuneration for the assistance which they afford to the work of production; and the private interest of every landlord, labourer, and capitalist will prevent him from permitting his land, labour, or capital to be employed at a lower rate of remuneration than he can otherwise obtain. Any general principle of interference with contracts must fail to produce an equitable distribution; and though it may be urged, that in some cases competition, through its influence on individual interests, from an absence of knowledge or forethought, may not be sufficient to insure prudent contracts; it must be remembered that these are exceptional cases, which have a constant tendency to become less frequent, as the knowledge of our individual interests becomes more diffused; and greater freedom of contracts, and facilities of intercourse between different countries and different parts of the same country, render the influence of competition on contracts more complete. Government interference would render that misdirection of industry general, which now takes place to a comparatively limited extent.

To illustrate the operation of competition and individual interest, in producing, by their influence on contracts that distribution which is most beneficial to society, I shall take the case of a landlord who has a farm to let. It is his interest to obtain as tenant the competitor who is possessed of the greatest amount of skill and capital, as such a person will be able to pay the highest rent; and the rate of profit which can be obtained in other branches of industry will prevent a greater amount of capital being employed in the cultivation of the farm, than its capabilities and the price of agricultural produce render profitable to the tenant and the community. The system of free competition possesses the peculiar advantage of leading to the selection of the tenant who will make the most profitable use of the land, as such a tenant can afford to pay the highest rent for it. The community benefits by receiving a larger supply of agricultural produce; the landlord, by a larger and better secured rent; and even those who are outbid as tenants, by a removal of the inducements to embark in a pursuit for success in which they were not adapted.

The advantage of freedom of contract and unrestrained competition, which is universally acknowledged in other branches of industry, has been denied by some with regard to agriculture. The real causes of its backward state in Ireland, and of cottier tenancies, under which the nominal rents far exceed those which can possibly be paid, have been mistaken, and those evils attri-
buted to excessive competition for land. It may be said that, in Ireland especially, landlords do not always consult their own permanent interest in selecting tenants who can be expected to pay rents rather than promise them, and who are likely to improve the value of their estates; and that, in the letting of farms, they, in many cases, prefer a present advantage which is inconsiderable when compared with the consequent future loss. But it can be answered, that if the neglect by individuals of their own interests produces injurious effects on agriculture, which similar neglect does not produce on other branches of industry, the cause must be attributed to those institutions which make the imprudence of individuals operate to so great an extent in retarding the prosperity of the community. Recent political economists have clearly pointed out the manner in which the laws of real property, and the laws of landlord and tenant, produce this effect; by preventing land from passing from the possession of a proprietor who mismanages it, into that of one who has intelligence and judgment in the formation of contracts, and who has capital for its improvement; and by preventing such contracts being entered into, as would secure compensation to the tenant for capital expended on the land.

Political economists of reputation, who have considered this subject, (with but one exception with which I am acquainted) are agreed in attributing the wretched state of agriculture in Ireland to the absence, rather than to the excess of competition; to the absence of the competition of tenants possessed of capital, who can secure the rents they undertake to pay—a consequence of the terms which Irish proprietors, fettered with incumbrances and family settlements, can alone offer; and which restrict the competition to a class who have no capital to lose, and to whom it is a matter of little moment whether the rent they promise is more than they can pay; as the loss of the farm restores them to their original condition of labourers.

Mr. Mill, the exception to which I have above alluded, in his treatise on political economy, vol. 1, p. 369, says, "The produce on the cottier system being divided into two portions—rent, and the remuneration of the labourer,—the one is evidently determined by the other. The labourer has whatever the landlord does not take; the condition of the labourer depends on the amount of rent; but rent being regulated by competition, depends on the relation between the demand for land and the supply of it. The demand for land depends on the number of competitors, and the competitors are the whole rural population. The effect, therefore, of this tenure, is to bring the principle of population to act directly on the land, and not as in England on capital. Rent, in this state of things, depends on the proportion between population and land. As the land is a fixed quantity, while population has an unlimited power of increase; unless something checks that
increase, the competition for land soon forces up rent to the highest point consistent with keeping the people alive."

Professor Hancock, in a lecture delivered in Trinity College, in June, 1850, pointed out two errors into which Mr. Mill has fallen in the passage above quoted. First, produce is not, as Mr. Mill asserts, alone divided into rent and the remuneration of the labourer; for abstinence, or that conduct which gives origin to capital, is also employed. The cottier tenant who can till the land, and wait for the return until harvest, exercises abstinence; he designedly prefers the production of remote to that of immediate effects. Secondly, Mr. Mill, in the assertion that "land is a fixed quantity," has confounded land with the productive powers of land; the latter being capable of almost indefinite increase. In Mr. Mill's argument above quoted, to prove the injurious effects of the principle of competition in fixing rents, he says, "The effect, therefore, of this tenure is to bring the principle of population to act directly on the land, and not as in England on capital." Mr. Mill in another part of his work asserts, and with reason, that the disproportionate increase of population is an evil of the greatest magnitude to society. Here, with much inconsistency, he deplores the controlling tendency which high rents, the result of competition, exercise in restraining the too rapid increase of population.

The members of the Irish Tenant League might be allowed to manifest the absurdity of their own propositions, were it not for the injurious effects of agitation in turning the attention of the Irish people from individual industry and prudence—the only means by which a country can be rendered prosperous.

The following are the requisitions of the Irish Tenant League: "1st., That rent, supposed at present, in consequence of excessive competition for land, to be too high, should be fixed by valuation; 2nd, That the tenant should not be disturbed in the possession of his land while he pays this valuation rent; and 3rd, That he should have power to sell his "tenant right" at the highest market value, without interference on the part of the landlord."

The utility of these propositions seems the first and most important question; since if this be decided in the negative, the consideration of their practicability and justice is unnecessary; therefore, without referring more particularly to the impossibility of discovering any practical principle of determining the annual value of land, as a substitute for that of competition; of preventing collusion between landlord and tenant to defeat the proposed laws, similar to that made use of to defeat the laws prohibiting usury; to the injustice of so grossly violating the rights of property, by depriving the landlord of all control over his land—virtually making a portion of the rent the property of the tenant, and converting the landlord's claim into a fixed rent-charge. I shall point out a few of the many ways in which the requisitions of the Tenant League would violate the principles of economic sci-
ence, and would operate in a manner directly prejudicial to all classes of the community.

1st. By converting the landlord's rent into a fixed rent-charge, they would deprive him of all interest in the improvement of the land, which would be alienated from him for ever, as an increase in its value would bring no increase of rent to him; and they would thus lessen the number of persons interested in the advancement of agriculture.

2nd. They would have a direct tendency to increase the number of absentee landlords; since, with a fixed income, which they would have no power of increasing, by residence on and attention to the management of their estates, they would naturally fix their residence where they could personally obtain the greatest advantages.

3rd. They would have a considerable tendency to reduce the quantity of food produced in the country; as, under the present system of competition-rents, unless a tenant raises from his farm agricultural produce of as large a market value, at as small a cost of production as others could at the time his rent was fixed, he cannot continue to pay the same rent, and must soon resign the farm to a tenant of more skill or industry. Under the proposed system of valuation-rents, the supposition is that the rents would be lower than at present; consequently there would, at the letting of the farm, be a difference between the rent paid, and that which it would be the interest of a tenant to pay rather than lose the possession of the farm; therefore, until the tenant, by mismanagement, had reduced the value of his farm by more than the difference between the valuation and competition rents, it would be his interest to pay the rent fixed, and retain possession of the farm; and until he had thus far reduced its value, the proposed Tenant League legislation would prevent the landlord's interference to stay the depreciation in the value of his land. When, however, the depreciation of value had proceeded so far that no one could be found willing to pay the valuation rent, the farm would come into the landlord's possession. On a reletting, a new valuation would be made, which should, on the Tenant League principles, be lower than the previous one. Thus we see that compulsory tenant-right would injure both the landlord and the community, by facilitating the depreciation of the value and productive capabilities of the land. It may be said that the tenant would sell his interest if unable to farm as profitably as others; but it must be remembered that two causes may lead to the depreciation of the value of a farm; first, a desire on the part of the tenant to enrich himself at the expense of the future value of the land; and, secondly, an injudicious system of farming, the result of ignorance or want of industry, and injurious alike to the farmer and his landlord. The first cause would induce the tenant to keep possession of his farm as a means of furthering his supposed interest; the ignorance and indolence, which formed the second cause of depreciation of value, would render the tenant's
success in any other pursuit even less probable than in farming, to which he had been accustomed, and, when combined with the pride which usually accompanies ignorance, would lead him to attribute his want of success to any cause rather than the real one, and would prevent his forming a just appreciation of the most judicious course to be adopted.

4th. The right which it is proposed to give the tenant, to sell the interest in his farm at the highest market value, is quite inconsistent with the attempt to reduce rent to the amount fixed on the valuation-principle; and it makes the occupying tenant who purchases from another, pay in a manner which lessens his ability to farm efficiently; as, by obliging him to purchase this increased rent, it deprives him of so much of his farming capital, and in return gives him the worst possible security on which he could borrow the money he may require to make up this deficiency; as the profit rent which becomes his is the first to suffer from changes in the value of land, arising from a fall in the price of agricultural produce, or from other causes.

It is said, that the small amount of capital existing in Ireland in proportion to the population, and the absence of other remunerating branches of industry, places the Irish tenant in a more disadvantageous position, in making his contract for land, than the English one. Government is therefore required to interfere for the tenant’s benefit. But the Tenant Right agitators should be reminded that government cannot produce anything; that their interference can only alter the distribution of the wealth produced; and that there are few cases of interference which have not the effect of diverting the labour and capital of the country from a more to a less productive mode of employment. If the population of the country is large in proportion to the means of subsistence, it is the more necessary that the existing land, labour, and capital should be employed as productively as possible. Government cannot increase the number of acres in Ireland. Freedom of competition, acting on the private interests of the individuals concerned in the letting and hiring of land, can secure the possession of the land to those who have the greatest industry and agricultural skill. It is sometimes said, it is for the protection of the foolish that the valuation of rents is required. I have endeavoured to show that it is not for the advantage of the community that the foolish should acquire the possession of land. If Government could farm their land for them on the most approved system, the Tenant League propositions might lay some claim to the merit of being harmless; but as it cannot do this, it had better not interfere to prevent the selection of the most skilful and prudent tenants.

The proposed valuation of rents and fixity of tenure are an attempt to render a few independent of their own industry and good conduct, at the expense of the remaining members of the community.

THE END.