

*Read before the Statistical and Social Inquiry Society of Ireland,
Tuesday Evening, May 21st, 1889.*

NOTE

ON THE

REDUCTION OF THE RATE OF INTEREST

SINCE 1870:

WITH SOME REMARKS AS TO THE

PROBABLE AMOUNT OF ENCUMBRANCES

ON IRISH LAND,

AND

THE POSSIBLE FUND AVAILABLE FOR THEIR PAYMENT.

By WENTWORTH ERCK, ESQ., LL.D.

ON THE REDUCTION IN THE RATE OF INTEREST SINCE 1870.

It is evident that capital invested either in mortgage, or in purchase, of land cannot expect to be exempt from the fate of capital invested in other securities.

This fate is a steady, progressive, and of late rapid decline in the rate of interest yielded by all sound investments.

Interest is only the net profit on capital, and as capital increases, interest decreases.

If it can be shown that the rate of interest generally has fallen more than 25 per cent. since 1870, landlords, whether English or Irish, and mortgagees, have no just ground of complaint or surprise in finding their rentals, and their interest, also diminished.

The object of the following Table is to show the decrease since 1870 in the rates of interest yielded by the various classes of securities open to investors, as opposed to speculators.

The reason for selecting this particular year is that prior thereto not one half of the present securities were in existence; and to have gone back to the very infancy of joint-stock enterprise, which, though only introduced in its present form by the Act of 1862, has revolutionized the money market, would be useless to the investor of the present day; and as a mere matter of fact, the last twenty years have done more to reduce the rate of interest than the preceding century.

This result will not appear surprising when it is remembered that since 1870 the wealth of the country, as

estimated from the assessments for Income Tax, has increased 50 per cent. The figures are :—

For 1870	-	445 millions.
„ 1887	-	630 millions.
Estimated for 1889	-	660 millions.

The Table shows the “yield” or profit of investments in the best classes of securities. The dates of comparison are, for 1889, on or about the 30th April; and for every other year, in quinquennial periods as far back as 1870, on or about the 1st January.

The securities selected are of four different classes :—

First—British Government, and Metropolitan Stock; the reduction of the rate of interest yielded by these is from 3·60 to 3·00, or 16 per cent.

The second class consists of Indian and Colonial Stocks and Debentures; the reduction here is from 4·80 to 3·20, or 33 per cent.

The third class consists of British Railway Debentures; the reduction in these is from 4·16 to 2·96, or 29 per cent.

The fourth class consists of Irish Securities, Bank of Ireland and Railway Debentures; the reduction in these is from 4·28 to 3·45, or 20 per cent.; but owing to recent political events, Irish Securities are hardly comparable with others.

The result is that the rate of interest yielded by the best classes of Securities open to investors—the second and third—has fallen a third since 1870, and that in such Securities more than 3·1 per cent. cannot be obtained.

In Scotland the interest on mortgages is revised from half-year to half-year, so as to make the rate of interest reserved by the mortgage agree with the rates prevailing at the time of the revision.

For convenience' sake, it is customary to accept, as the standard, the rate adopted by two or three public bodies in

Edinburgh supposed to be pre-eminently qualified to form an opinion on the subject.

The interest received by the Widows Fund of the Writers to the Signet, and other Incorporated Bodies, for sums invested in landed securities, has been from 1881 to 1888 a never varying rate of $3\frac{1}{2}$ per cent.

But the important question arises—Can the present rate of interest be maintained for any length of time? And the answer is that it cannot.

For the rate of interest depends on the demand for capital; and experience shows that capital increases faster than the demand for it.

Capital increases, as trees grow, without care or labour on the part of the owner; while ever-advancing scientific discovery, by diminishing cost of production, is rapidly increasing it.

These causes are in constant operation, and though from time to time affected by wars and rumours of war, yet these are only temporary and accidental interruptions, and cannot interfere with the general result, which is the accumulation of capital beyond the demand, and the consequent reduction in the rate of interest.

TABLE

Shewing the "yield," or profit of Investments in undermentioned Securities at the dates given.

CLASS.	NAMES OF SECURITIES.	1870	1875	1880	1885	1889
CLASS—I. ...	Consols	3·25	3·20	3·05	3·00	2·95
	Metropolitan Board of Works ...	3·72	3·63	3·43	3·06	2·90
	Bank of England Stock ...	3·82	3·92	3·51	3·10	3·18
	Average	3·60	3·58	3·33	3·05	3·01
CLASS—II. ...	Indian Stock	4·00	3·85	3·83	3·26	3·00
	Canadian Inscribed Debentures ...	5·37	4·76	4·21	3·85	3·10
	New South Wales Debentures ...	5·00	4·66	4·16	3·85	3·69
	Average	4·79	4·42	4·07	3·65	3·26
CLASS—III. ...	Great Western Railway Debentures	4·43	3·92	3·74	3·39	2·96
	London and North-Western Debentures	4·00	3·85	3·67	3·28	2·96
	Midland (England) Debentures ...	4·05	3·92	3·71	3·39	2·96
	Average	4·16	3·93	3·71	3·36	2·96
CLASS—IV. ...	Bank of Ireland Stock ...	4·32	4·00	3·67	3·30	3·56
	Great Southern & Western Railway D.	4·08	4·04	3·71	3·48	3·33
	Midland (Ireland) Debentures ...	4·45	4·37	3·89	3·61	3·45
	Average	4·28	4·14	3·76	3·46	3·45

APPENDIX.

THE object of this Appendix is to endeavour to approximate to the following quantities : viz.—

1. The probable amount of encumbrances on Irish land, and
2. The possible fund available for their payment.

In order to arrive at these quantities, we shall have to ascertain : First—The original rental, say of 1878, on which those encumbrances existed, and secondly—The present rental, or the rental of the immediate future, which now represents the fund available for their payment.

The data for arriving at these quantities are :

First—A return, dated 1866, of the Valuation Department.

Secondly—The Report of the Land Commission, dated October, 1888.

In order to avoid multitudinous figures, the unit used throughout will be the million sterling, and no greater accuracy is claimed than that denoted by the second decimal figure.

I am indebted to Sir J. Ball Greene, Commissioner of Valuation, for a copy of the return referred to, which is now out of print : from this it appears : “ That the rateable valuation of the rural or agricultural area of Ireland, excluding all cities, towns, villages, and railways, was then

£10,175,748," or 10·2 millions ; and as the valuation has never been altered, it is still the valuation of the agricultural holdings of Ireland.

In the last Report of the Land Commission, dated 25th October, 1888, at page 42, will be found a Table No. XXXIV*a*, giving the total results of the working of the Land Acts for the seven years ending 21st August, 1888.

This Table is, however, useless as a guide to the future, inasmuch as it no longer indicates the present working of these Acts ; it fails to do so for two reasons : First—because the one year's working of the Act of 1887, dealing with leaseholds, is masked in the seven years dealing with yearly tenancies ; and secondly—because the scale of reduction has been enormously increased during the seventh year.

Consequently the following Tables have been constructed out of the materials supplied by that Report, viz.—

Table A—Shewing the results of the Act of 1881, for six years ending August, 1887.

Table B—Results of the same Act for the year ending August, 1888. The object of A and B is to shew the difference between the reductions of yearly tenancies in the year 1887-8, and those of the preceding six years.

Table C—Results of the Act of 1887, for the year ending August, 1888. The object of C is to distinguish the reductions on leaseholds from those on yearly tenancies.

Table D—Shewing the combined results of the Acts of 1881 and 1887, for the year ending August, 1888. The object of D is to enable a comparison to be made between the total reductions of 1887-8 (which form the present standard of reductions) and the average reductions of the six years ending August, 1887.

Table E—Shewing the total results of both Acts for the seven years ending August, 1888. This contains the results the Table given in the Land Commission Report.

Table F—Shewing the relation between judicial leaseholds

and the valuation ; also, between judicial yearly tenancies and the valuation, and disclosing the remarkable fact, that the leaseholds, after being reduced 30 per cent., still stand 2 per cent. above the valuation ; whereas the yearly tenancies, similarly reduced, stand 14 per cent. below the valuation.

After each Table is given a set of equivalent figures, for the sake of convenience of comparison ; each of the three quantities, the former rent, the judicial rent, and the valuation, being taken in turn as the standard, and reduced to 100.

The data for these Tables are supplied by the Report of the Land Commission, dated October, 1889.

TABLE A.

Results of the Act of 1881, for six years, ending 21st August, 1887.

Former Rent in millions	Judicial Rent in millions.	Tenement Valuation in millions.	Reduction on Former Rents	References and Remarks.
3·363	2·740	2·578	18·5	This Table = Table E. minus Table D.
EQUIVALENT NUMBERS.				
130·5	106·2	100	—	Valuation as an hundred.
123	100	94·1	—	Judicial rent „
100	81·5	76·6	—	Former „ „

TABLE B.

Results of the Act of 1881, for the year ending 21st August, 1888.

0·205	0·147	0·171	28·3	Settled in Court, Tables III. & IX. of Land Commission Report.
0·111	0·086	0·099	22·5	Settled out of Court, XI. & XIII.
0·004	0·003	0·003	—	By Valuers, etc., V., XV., XVII.
0·320	0·236	0·273	26·3	
EQUIVALENT NUMBERS.				
117·2	86·4	100	—	Valuation as an hundred.
136·2	100	116·2	—	Judicial rent „
100	73·7	85·3	—	Former „ „

TABLE C.

Results of the Act of 1887, for the year ending 21st August, 1888.

Former Rent in millions.	Judicial Rent in millions.	Tenement Valuation in millions.	Reduction on Former Rents.	References and Remarks.
0·169	0·118	0·117	30·0	Tables IVa. and Xa.
EQUIVALENT NUMBERS.				
144	101·5	100	—	Valuation as an hundred.
143·3	100	99	—	Judicial rent „
100	69·8	69·2	—	Former „ „

TABLE D.

Results of the two Acts, for the year ending August, 1888.

0·489	0·354	0·390	27·6	Table B plus Table C.
EQUIVALENT NUMBERS.				
125·4	90·8	100	—	Valuation as an hundred.
138·2	100	110·2	—	Judicial rent „
100	72	79·7	—	Former „ „

TABLE E.

Total Results of both Acts, for seven years, ending 21st August, 1888.

3·852	3·094	2·967	19·7	See p. 42, Land Commission Report. Table A. plus Table D.
EQUIVALENT NUMBERS.				
129·8	104·3	100	—	Valuation as an hundred.
124·5	100	95·5	—	Judicial rent „
100	80·3	77·2	—	Former „ „

TABLE F.

Showing relations of Valuation, Yearly Tenancies, and Leaseholds.

Valuation ...	...	...	...	...	Reduction	100
Yearly Tenancies fixed in Court	...	...	...	...	„ „	86·0
Do. out of Court	...	...	...	...	21·8	87·8
Leaseholds fixed in Court	...	...	...	...	30·0	102·

Our first object is to ascertain the probable amount of the encumbrances in prosperous times, say in 1878; and, with a view to this, we must find out what there was to be encumbered at that time; that is, the net rental of 1878.

We can approximate very closely to this rental from a knowledge of what is known as the "Former Rental," *i.e.*, the rent stated in the Tenant's Originating Notice to have a judicial rent fixed, and knowing the ratio of the former rent to the judicial rent, and of that to the valuation, we can estimate the former rental of Ireland.

Table E. shews that the reductions, during the seven years, were 19·7; or, that the judicial rent = former rent \times 0·803; and consequently the former rent = $\frac{\text{judicial rent}}{0\cdot803}$; but the same Table shews that the judicial rent itself = valuation \times 1·043, and therefore the former rent = valuation \times $\frac{1\cdot043}{0\cdot803} = 10\cdot2 \times 1\cdot30 = 13\cdot25$ millions.

The rental of 1878 must be estimated from the former rental, which itself was, in some cases, a rent voluntarily reduced by the landlords; a small percentage, therefore, must be added to the former rental, to bring it up to the original rental of 1878. Assuming this percentage to have been $2\frac{1}{2}$ on the entire rental, or 10 per cent. by one quarter in value of the landlords, we shall get, as the original rental of 1878, 13·60 millions, which is one-third above the valuation, and thus agrees with the estimate of a fair rental as given by Sir Richard Griffith and Sir John Ball Greene, successive Commissioners of Valuation; and if any should consider this estimate too high, he must remember that since the date of the valuation, 1862, several millions from both public and private sources have been spent in improvements, of which no account is taken in the valuation.

This was the gross rental, but it is with the net rental we are concerned. To obtain this, the following deductions must be made, *viz.* :—

Collection at 5 per cent. on 13·6 millions	...	0·68	millions.
Tithe Rent-charge and Quit-Rent	...	0·45	„
Half Poor Rate levied in 1878	...	0·46	„
Total deductions...	...	1·60	million.

Leaving a net rental in 1878 of 12·00 millions.

The next thing is to ascertain the amount of the present net rental, or that available for payment of the encumbrances created on the rental of 12 millions. There is a considerable element of uncertainty in this, consequent on the uncertainty of the scale of reduction likely to be adopted by the Land Commission in the immediate future.

For example: the average scale of reduction for the six years ending August, 1887, was 18·5 per cent., and the result was to fix the average of judicial rents for that period at 6·2 above the valuation. (See Table A.)

Whereas the scale of reduction, for the same class of rents, for the year ending August, 1888, was 26·3 per cent., and the result was to fix judicial rents at 13·6 below the valuation. (See Table B.) While the scale of reduction for all rents during that year was 27·6, with the result of fixing the average of all rents settled that year at 9·2 below the valuation. (See Table D.)

As exemplifying the fluctuations that have taken place in the scale of reductions, I would introduce a table taken from Archbishop Walsh's paper in the *Contemporary* of November, 1888; which paper appears to be by far the best analysis of the working of the Land Act yet published.

ARCHBISHOP WALSH'S TABLE (IX.)

Showing the ratio of the Fair Rents to the valuation in all the cases in which Judicial Rents have been fixed, whether by the Sub-Commission or by the County Courts.

Years.	Tenement Valuation.	Judicial Fair Rent	Ratio of the Judicial Fair Rent to the Valuation.
1881-82	£240,771	£268,835	111·7
1882-83	476,881	522,129	109·5
1883-84	381,281	418,051	109·5
1884-85	104,963	113,937	107·5
1885-86	54,229	54,242	100·0
1886-87	66,948	57,363	85·7

This Table continued for 1887-8 gives— (see Table D.)

1887-88	354, —	390, —	90·8
---------	--------	--------	------

The great increase in the amount of rents settled in 1887-88, compared to that settled in 1886-87, the former amount being £354,000, and the latter £67,000, is due to the leaseholds having been in this year subjected to revision.

Thus the question is—What scale of reduction is to be applied to that portion of the rental corresponding to 7 millions of valuation, for which the judicial rents have not yet been fixed?

Compared to the valuation, the judicial rents have varied from 6·2 per cent. above, to 9·2 per cent. below, the valuation; and the latter is the now-prevailing figure, with an upward tendency, or, taking Dr. Walsh's extremes, the variation has been from 12 above, to 14 below, the valuation. The mean of the two former scales would be 1·5 per cent. below the valuation. But there are two reasons to apprehend that the future scale may be below the mean.

First—The extension of the Land Act to leaseholds.

Secondly—The enormously increased scale of reduction which has prevailed during the last year, which, in the absence of full and specific information as to the mode and grounds of valuation, can only be attributed to political causes.

We shall assume the future general scale of reduction to be 5 per cent. below valuation.

The error on the total rental, consequent of a variation of 5 per cent. in the scale of reduction above or below the proposed scale, will correspond to 0·35 millions—an amount not sufficient to invalidate the general object of the calculation.

We may now proceed to calculate the present rental as follows :—

Judicial rental already fixed at 4·3 above valuation	
on 3 millions of valuation	3·09 millions.
Judicial rental to be fixed on the remaining 7·2	
millions of the valuation at, say, 5 per cent. below	
valuation	6·84 ..

Total amount of probable judicial or present rental 9·93 millions.

Deductions :—

Collection at 5 per cent.	...	0·50	million.
Tithe and Quit-Rent	...	0·45	„
Half Poor Rate levied in 1888	...	0·51	„
*Extra cost of management	...	0·50	„
<hr/>			
Total deductions (20 per cent. on gross rental)	...		1·96 million.
<hr/>			
Net present rental	...		7·97 millions.

Or say 8 millions.

The result arrived at therefore is, that the net rental capable of being encumbered in 1878 was 12 millions, and the net rental now available for payment of those encumbrances, is 8 millions, or exactly two-thirds of the former.

It curiously happens that 8 millions was the precise figure at which Mr. Giffen, by means unknown to me, assessed the net rental in 1886 ; but an estimate by him, at the present time, would probably be lower.

Having ascertained the amount of the fund capable of being encumbered, it remains to ascertain the extent to which it has been encumbered. There are no certain data

* “ Extra cost of management.” This item includes the various legal expenses to which landlords are now exposed ; loss from derelict farms lying idle ; cost of holding the same ; loss of arrears, etc., etc. —all of which were heretofore unknown.

To this item two objections have been taken—one, that it should not have been inserted, as it is to be hoped that this expenditure is of a temporary, not of a permanent, character ; the other, that the amount is ludicrously insufficient.

The answer to the first objection is, that our object is to ascertain the *present*, not the possible future, rental. Our object is to estimate the rental as *now* available for payment of mortgages, *i.e.*, as it would appear in the eyes of an intending purchaser ; and for this purpose the item must be retained. As regards the other objection, it must be remembered that there still are many cases of amicable relations between landlord and tenants ; and in these cases but a small proportion of this item would be claimed.

to guide us on this point; but inquiries have been made of experienced agents and solicitors, and in their opinion a sum, varying from one-half to three-quarters of the net rental, went in payment of interest on various encumbrances. Let us take the mean, and assume that five-eighths of the net rental—that is 7·5 millions—was thus applied. This, at 5 per cent., represents a capital sum of 150 millions, to which must be added a further sum of at least 10 millions representing arrears of interest and costs accrued due during the last eight years (72). So that the total indebtedness at the present time is probably not less than 160 millions; and this estimate is not inconsistent with the result of inquiries into the statistics of the Landed Estates Court, in which there is now land to the value of 31 million awaiting sale, representing a rental of 1·8 millions derived from 2600 estates: thus, nearly a fifth of the entire rental is already in that Court, and notwithstanding the block that exists, land, to the value of 3 millions, is brought annually into that Court.

But as this debt is not uniformly distributed over the entire rental, so the entire rental is not responsible for its payment. We must therefore endeavour to divide the entire rental into two portions—the one encumbered to its full present value, and upwards; the other comparatively unencumbered.

Here we admittedly enter into the region of pure speculation, controlled only by the general opinion of those conversant with these matters.

Assuming that twelve years of the present, or eight years of the original, rental are well secured, the question is, What proportion of the original rental has been encumbered to more than eight times its amount, and what proportion to a smaller amount?

We shall assume the entire rental to be divided into twelve portions of a million each; that one of these is wholly free and unencumbered; that another is subject to family

charges only, amounting to 5 millions, and that a third portion is subject to family charges and mortgages amounting together to 8 millions, while the remaining nine portions are each subject to various charges, exceeding 8 millions. The result of this will be, that 13 millions, with 0·65 million interest, was secured on a former rental of 3 millions, and 137 millions, with 6·85 millions interest, was secured on a former rental of 9 millions, now represented by a present rental of 6 millions, which is admittedly security for twelve times its amount, or 72 millions. Thus there would be $72+13=85$ millions perfectly secured, leaving a balance of 65 millions unsecured, to which must be added 7 millions for arrears of interest accrued due during the last eight years, together making a total of, say, 75 millions encumbrances wholly unsecured.

Against this calculation it may be urged that the amount of encumbrances is too great, and the purchase-money, twelve times the present net rental, is too small.

In favour of the former objection, it may be said that such an amount of encumbrances would leave too small a free margin to the encumbered landlords—that margin being the difference between 9 and 6·85 millions; but it must be remembered that this is a statement of averages; that some had no margin at all, thus increasing the margin of others. Again, many, by acting as their own agents, would save the 5 per cent. on the gross rental charged among the outgoings. Also that many do not pay so high a rate of interest as 5 per cent. on encumbrances.

As to the other objection—viz., that twelve times the present net rental is too small a purchase-money—it must be remembered that we are here speaking of the actual net cash available, after all deductions, for payment of mortgages, etc.

These deductions must amount to two years' rental—viz., one for cost of making out title, stamp duty on conveyance, and loss on redemption of permanent charges. Another year's rental is inevitably lost in arrears irrecoverable after

the sale. Thus, in order to produce cash equal to twelve times the net rental, the sale must be at nominally fourteen years' purchase of a net rental of 8 millions; and neither Mr. Gladstone's scheme, nor Mr. Chamberlain's, nor the Ashbourne Act would yield more than this for the general average of all Ireland. The number of years' purchase nominally given by these schemes might be higher, but the net rental would be a million less, their deduction from gross rental being 30 per cent., as against 20 per cent. in the preceding calculation.

NOTES ON FAMILY CHARGES.

It may be interesting to endeavour to ascertain what proportion of the total encumbrances represents Family Charges.

These consist of portions for younger children, and jointures for possible widows. The children's portions are generally in the form of capital sums, which we shall assume to be equal to four years' rental; but the jointure is a contingent annuity, and for an uncertain period; this we must endeavour to capitalize.

The chance whether the husband survive the wife, or the wife the husband, is about an equal one; but if the wife survive, her term of survivorship will be that due to the difference of ages of husband and wife at marriage, which will probably be less than eight years.

Assuming the jointure to be a quarter of the rental, it is clear that two years' rental would suffice to pay the eight years' jointure, if the contingency contemplated were certain to arise; but, inasmuch as it is an equal chance whether that contingency will arise or not, it appears that one year's rental will represent the capitalized value of possible jointures,

and thus we shall be justified in estimating the Family Charges at five years' rental, or 45 millions on the encumbered rental of 9 millions, or one-third of the total encumbrances.

Some idea of the encumbrances affecting the land may be derived from the accompanying diagram, containing 300 squares—twelve on one side, and twenty-five on the other; each square represents a million of money, and the area of the entire diagram represents the capital value of the land in 1878, being twenty-five years' purchase of 12 millions rental.*

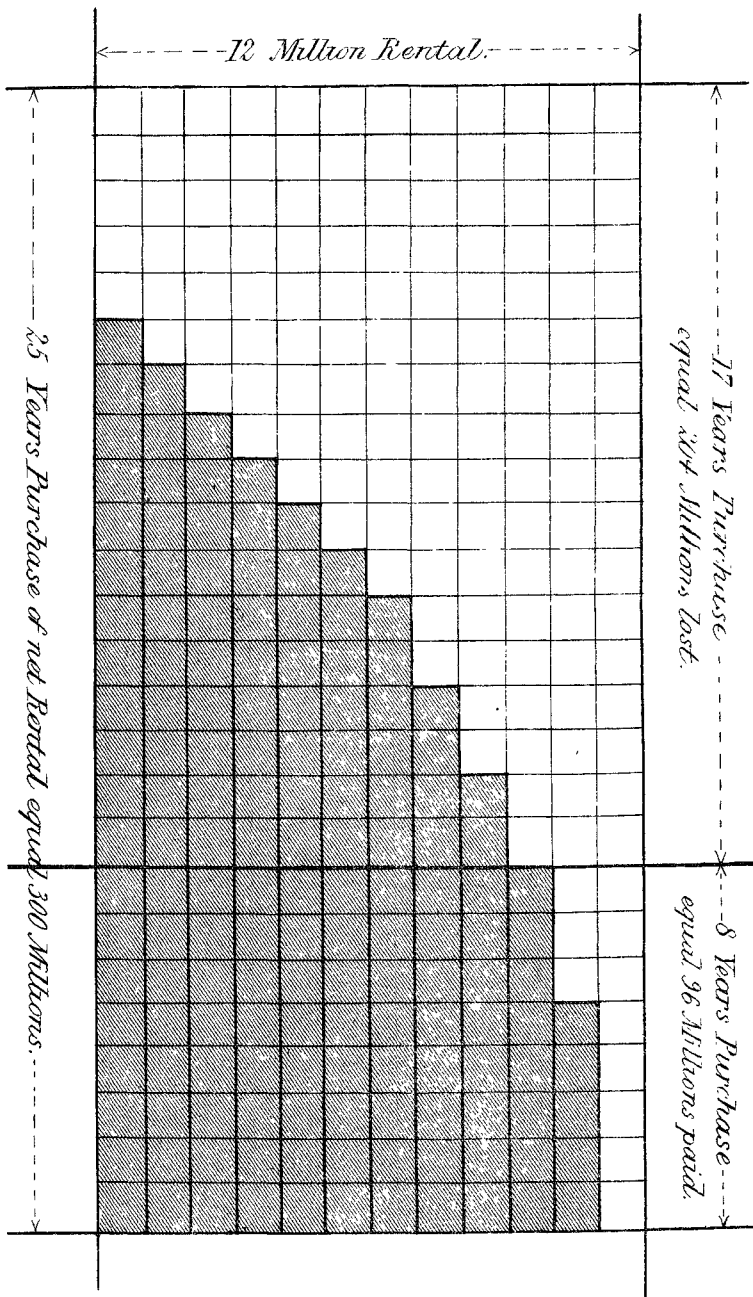
The year's rental is denoted by the row of twelve horizontal squares; and the number of years' purchase is denoted by the various horizontal lines.

In order to represent the *present* capital value in terms of the old rental, the number of years' purchase now obtainable must be reduced a third, *i.e.*, in the same proportion that the old rental exceeded the present, twelve years' purchase of the present rental of 8 millions being the same as eight years' purchase of the old rental of 12 millions.

The shaded portion of the diagram represents the encumbrancer's, while the white represents the owner's, interest in the land.

It will be observed that one million of rental, the first from the right-hand side, is represented as wholly free and unencumbered. Another million is represented as encumbered with the family charges only, amounting to five years' purchase. A third million is represented as encumbered with family charges and mortgages, amounting to 8 millions. While the remaining 9 millions of rental are represented as encumbered with varying amounts up to twenty years' purchase of the rental.

* Twenty-five years' purchase of the net rental is equivalent to twenty-two years' purchase of the gross rental; and this is the rate of purchase which obtained, in the Landed Estates Court in 1878: $13\cdot6 \text{ millions} \times 22 = 12 \text{ millions} \times 25$.



The shaded portion represents the Encumbrances. All, both shaded and unshaded, above the dotted line, must be lost under a Purchase Scheme at 14 years' purchase of a net rental of 8 millions.

The dotted line, drawn across the diagram, represents eight years' purchase of the old, or twelve years' purchase of the present, rental, and corresponds to a nominal fourteen years' purchase. All below the line, amounting to 96 millions, will be paid, and all above the line will be lost, to both the owners and encumbrancers. Valuing the land as in 1878, the loss to owners will be 140 millions and to encumbrancers 75 millions; or the total loss to these two classes, since 1878, will be 200 millions.

To suppose that this enormous loss of capital, equal, according to Mr. Giffen, to one-half the entire capital of Ireland, is due to economic causes, would be an egregious mistake. Granted that agricultural depression may have reduced the annual produce of land one-fifth in value; in this respect the capital invested in land suffers only as capital invested in other securities; the interest on all investments has been reduced more than a fifth within the last twenty years, and how can the capital invested in land, whether it be in the ownership of the land, or on mortgage of the land, expect to be exempted from the general reduction? But the reduction in the rate of interest does not affect the capital value. The capital value of an income of £30 per annum now is as great as was the capital value of an income of £40 some years ago. The same £1,000 which then produced £40 now only produces £30.

So, in like manner, the capital value, as far as economic causes are concerned, of the land is just as great now as in 1878. Admit that economic causes have reduced the net rental from twelve to ten millions; still even the 8 million rental left, with money at 3 per cent., is worth as great a capital sum as the 12 million rental was formerly, when money was worth $4\frac{1}{2}$ per cent.; in other words, the reduction in the rate of interest has more than counterbalanced the reduction in rent; and it is mere folly to attempt to disguise the fact that this enormous loss is due to political causes, and to political causes only.

EXPLANATION OF THE DIFFERENCE IN THE
ESTIMATES OF THE PROBABLE LOSS TO
OWNERS, UNDER ANY SYSTEM OF COMPUL-
SORY SALE.

The loss has been variously estimated at 200, 166, and 130 millions. The difference arises from the difference in the valuations of the landlords' property, the probable net purchase-money being in each case taken as 100 millions.

The first estimate is on a valuation of 300 millions, shewn (54) to have been the *former* value in 1878.

The second estimate on a valuation of the landlords' property at the *present* time, that property consisting of a clear net rent-charge assessed by the State at upwards of 8 millions per annum, representing, at 3 per cent., a principal sum of 166 millions.

The third estimate is based on the same valuation of the property, and its retention in its present investment, affording a rate of interest of $3\frac{1}{2}$, as against 3 per cent., consequent on any change in the investment.

CONCLUSION.

It remains to consider how the funds now available for owners and encumbrancers can be most beneficially applied.

The funds, as has been shewn, consist of a clear net income of eight millions per annum, after allowing half a million per annum for contingencies. Any possible change in the present investment must involve a loss of more than half the income, and therefore any change is to be deprecated. Nothing but extreme panic would account for throwing away 50 or 60 per cent. of present income; and it is necessary that owners should be on their guard against those

who would increase the panic, in order to diminish the price to be paid. The most beneficial application of the fund would therefore be to treat it, as it is in reality, as a perpetual rent-charge, and redistribute it equitably amongst the owners of the former capital, now represented by the rent-charge.

This is done by the proposed scheme, which converts all mortgages prior to the Land Act of 1881 into perpetual rent-charges, at $3\frac{1}{2}$ per cent. on the principal; and reduces annual family charges, so that they shall bear the same proportion to the present rental that the original charges did to the original rental; whilst, at the same time, it gives absolute and summary powers to the rent-chargers to collect their rent-charges irrespective of the owner of the estate. It may be well here to contrast the results of compulsory sale and the rent-charge scheme.

The former is fraught with risk and peril to Great Britain, and involves an advance or guarantee of 130 millions of British money; it tends to alienate present supporters of the Union by a further sacrifice of 130 millions worth of their property; it is of very doubtful advantage to Ireland, and will inflict grievous injustice on her if she alone has to bear the cost; and, lastly, the step, once taken, is irretrievable.

As regards the owners, it is clear they would have to sell at less than sixteen years' net, while they would have to re-invest at thirty-two years' purchase, thus halving incomes already reduced a third; while as regards mortgagees, indications are not wanting that compulsory sale of the land would be accompanied by compulsory reduction of principal of mortgagees, and thus mortgagees would have to re-invest their diminished capital at less than 3 per cent.; they would probably not realize more than 2 per cent. on their present capital; and the transaction would be on such a scale as to involve the loss of upwards of one hundred millions.

On the other hand, the proposed scheme makes no demand whatever on the British Treasury; it may be adopted as a tentative measure, and does not in any way preclude the adoption of compulsory sale, should such hereafter be found necessary.

Meantime, all the creditors, up to twenty-three years' purchase of the present rental, would receive perpetual rent-charges at $3\frac{1}{2}$ per cent. on the full amount of their charges, being more than they could obtain by re-investment; while the majority of the owners would be saved from total ruin, and the incomes of all, now reduced a third, would escape a further reduction of one-half.

Under these circumstances it is submitted that owners and encumbrancers would be wise in combining to forward a scheme which would tend to render compulsory sale unnecessary.

ABSTRACT OF APPENDIX.

	Millions.
The valuation	10·2
Gross rental of 1878 previous to depression ...	13·6
Net rental of 1878	12·0
Judicial rental	—
Present rental, probable gross amount ...	10·00
" " net amount ...	8·00
Estimated capital value of the land, formerly = 25 years' purchase of 12 millions	300
Present capital value of a rental of 10 millions is equally great and equal	300
Present capital value, to the present owner, of an income of 8 millions is	266
It is assumed that five-eighths of the net rental went in payment of encumbrances at 5 per cent.	
Corresponding amount of encumbrances	150
It is assumed that 13 millions of these encumbrances were spread over a rental of 3 millions, leaving 137 millions charged on a rental of 9 millions.	
Present interest on 137 millions	6·9
Net rental available in 1878 for payment	9·0
Net rental now available	6·0
Deficiency	0·9
Consequent arrears accrued during last eight years	7·2
Probable total amount of encumbrances including Family Charges, now owing	160
The Family Charges probably amount to a third of the total encumbrances, or	50