

slight relaxations have been frequently followed by great results. The power of contributing to the deaf and dumb outside the poor-house, helped to promote the establishment of such places as Cabra and Merrion. At present, if one wants to contribute something to relieve the want and misery he cannot but see around him, how can he do it? What society or societies will undertake it? and through the Poor-law system there is no means of accomplishing it. Charity is accordingly often found wedded to proselytism, and is often wayward and partial.

It is in the hope of contributing something to the discussion of such a subject that I have ventured to bring forward this paper, the materials for which have been kindly furnished to me by Dr. Hancock.

IX.—*On the Economic Theory of Rent.* By Murrrough O'Brien, Esq.

[Read 20th April, 1880.]

IN a recent number of the *Contemporary Review*, Professor Bonamy Price, under the title of "What is Rent?" gave an explanation of rent, its "nature" and "character." He limited his explanation to agricultural rent, which he maintains is different from rent used as a legal word connected with the hire of land, or forms of real property connected with land, as houses, rooms, and the like.

Professor Price, in his excellent treatise *Practical Political Economy*, has demolished many baseless theories of economists; but in this essay he seems to me to build again the things he destroyed, and to revert in substance to the Ricardian theory of rent which he nominally condemns. It is with diffidence that I venture to controvert such an eminent economist as Professor Bonamy Price. His explanation of rent, however, if generally accepted, would go far to justify the anti-rent agitation which he condemns (and in passing, it may be remarked, that the agitation is not directed against rent, but against excessive rents and insecurity of tenure), by making persons think that there is a natural, definite, and ascertainable quantity which is all that should be demanded or that can be paid as rent for any particular farm of land. I question whether there is any such clearly marked distinction as he asserts, between the two different uses of the word rent, and whether this economic rent can be said to exist as a reality, or otherwise than an imaginary, unascertainable, and valueless quantity.

According to both legal and common use rent is said to be paid for many other things than land and houses—as for example, rights of shooting and fishing, for rights of way, for water-power, for the right to carry wires and pipes above and below ground, for the right of collecting tithes, which is often included in leases of land. Any controversy as to this would be a mere battle of words, and I wish to confine myself to the question of agricultural rent, which Professor Price says exists "because a selling price is found which yields a surplus, an excess of profit *beyond what the tenant requires.* The

payment for the use of land he says takes the form of handing over to the landlord all excess of profit above *the fitting reward for the farmer*. For the purpose of making an analysis of the subject, Professor Price imagines himself in the position of a farmer about to rent land; and he enters into such a detailed calculation as he supposes a farmer would make in determining to make an offer for the farm. According to this view, whether paid or not, rent exists being

“surplus profit—that is, excess of profit after repayment of the whole cost of production, beyond the legitimate profit which belongs to the tenant as a manufacturer of agricultural produce.”

For determining the rent of any particular farm this explanation and definition is as useless as the Ricardian theory; for no means are given of arriving at the requirements of the tenant or his legitimate profit. Some tenant-farmers live on beef and ale, keep hunters, carriages, dress and educate their family expensively, and think all these are necessary requirements; while others live on potatoes and Indian-meal, dress in coarse and homely garments, are content therewith, or are expected to be so.

Looking at the matter theoretically and *a priori*, a farmer might fairly claim: first, such interest on his capital as he might get if it were invested in first-class security; second, and in addition, trade profit on his capital, being remuneration for risk, superintendence, and personal skill; or, if he be a small farmer, the current wages for his labour.

In his essay on *The Commercial Principles applicable to Contracts for the Hire of Land* (p. 78), the Duke of Argyll says:—

“What the average rate of interest may be upon capital employed in farming it would be difficult to say; but we shall see that a farmer of great experience and skill estimates the rate in his own case at 10 per cent.”

Mr. Mechi says:—

“It is not safe to calculate on a larger *profit* than 10 per cent., besides interest on capital, and a residence on the farm rent free.”

On the other hand, Judge Longfield says* that if, as represented, agriculture is the most honourable, healthy, and delightful of occupations, it follows from an elementary law of political economy that it must also be the least profitable; in which case a profit of 10 per cent. could scarcely be expected.

Here are very divergent views as to the legitimate profit of tenant farmers. Professor Cliffe Leslie asserts in his *Political and Moral Philosophy* (p. 189), that the economical doctrine of equality of profits has no existence in fact; but that in the same trade, and even in the same locality, profits not only vary, but that persons in the same trade are frequently in ignorance of the profits made by their fellow-traders. It is the same as regards wages: at the present time an agricultural labourer gets 10d. a day in Leitrim, and from 2s. 6d. in Dublin, and, as Professor Leslie points out, to say that the average wages of the Dublin and Leitrim labourers is 20d. is to

* *Cobden Club Essays on Land Tenure*, ed. 1876, p. 52.

state a fact that has no real existence. Similarly, rent varies immensely in different localities, and even in the same district, for equally fertile land belonging to different owners, and sometimes even on the same estate; so that it cannot be truly said that the average rent in any particular district is a rent really paid. The rent really paid is more or less of an accident; it is an arrangement between two persons into which almost always other considerations as well as £ s. d. enter.

We are all familiar with the terms high rents, low rents, moderate rents, "live and let live" rents, rack rents. The overwhelming influence of custom seems to be overlooked by Professor Price, as well as a fact that prevails widely, viz.: that agriculturists of all kinds frequently engage in other occupations as well as farming, and that the rent they are willing to pay may be in proportion to the profits they make otherwise than by farming. There is in fact no clearly marked division between land rented for purely agricultural purposes, and land rented from other motives than merely making a profit from the capital employed in agriculture. In Switzerland there are districts where the occupiers of land engage largely in watchmaking. A familiar example given by Adam Smith may be quoted as an illustration. He says:—

"If the sea abound in fish, those who live by fishing must have their houses by the sea. The rent of the landlord is in proportion, not to what the farmer can make by the land, but what he can make both by land and water."

According to Professor Price the rent paid by the fishermen would not be the real and economical rent, nor is this practically ascertainable, for it depends, according to the theory expounded, on other unknown or unsettled quantities, such as the amount of capital in use, the rate of interest; and in the words of Professor Price, "on the requirements of the tenant, and his legitimate profit as a manufacturer of agricultural produce." Rent exists, says Professor Price,

"because a selling price is found which yields a surplus, an excess of profit beyond what the tenant requires;"

but he does not tell us what a tenant requires, or what is his legitimate profit.

I do not differ from Professor Price's explanation of rent without some weight of authority to support the opinions I advance. Mill has been reckoned as a follower of Ricardo on the subject of rent; but he did not hold Ricardo's theory to the exclusion of sounder or more real views, for he qualifies his statements as to the universal prevalence of Ricardo's law. He says:—

"Only so far as rents are determined by competition, laws may be assigned to them."

Now throughout the United Kingdom agricultural rents are not always nor usually settled by competition. A competition rent is synonymous with a rack rent; the good understanding that is stated to exist between landlord and tenant in England rests largely on the fact that rents are not fixed by competition.

Competition doubtless is one determining element; but so are

custom and the generosity of landlords. On many estates the same family has occupied the same farm for generations, and in the words of the Duke of Argyll:—

“The character of owners is, as regards this matter, nearly as hereditary as the succession to the estate.”

Under peasant cultivation, Mill says rent

“Is either determined by custom, or, if fixed by competition, depends upon the ratio of population to lands.”

In Ireland we have a large class of peasant cultivators; but custom has a share with competition in fixing rent. The tendency, however, is for rent to be higher than in England. The conditions then under which, according to Mill, laws may be assigned to rent do not prevail in the United Kingdom. Again Mill says:—

“In the domain of peasant proprietors the distinction of rents, profits, and wages do not exist.”

From which is evident that he did not hold that there was a real and natural proportion of the gross produce which could be assigned as rent.

Mill, however, gives an explanation of rent, its nature and character, which seems to me indisputable.

“Land,” he says, “is the principal of the natural agents which are capable of being appropriated; and the consideration paid for its use is called rent.”

Again:—

“The reason landowners are able to require rent for their land is that it is a commodity which many want, and which no one can obtain but from them.”

It is plain that Mill differed from those followers of Ricardo, who maintained that if the whole earth were a plain of equal fertility throughout there would be no such thing as rent.

It is difficult to contemplate an impossible state of things; but if we adopt, as I think we ought, the above explanation of Mill's as to the cause of rent, we may safely affirm that in such a case as that contemplated, those who were the legal owners of the fertile plain would be in receipt of rent from those who were not. The true explanation of rent is that there are owners of land who are willing to hire it out temporarily to other persons who are willing to pay a consideration for its use. At the same time I think it absurd to claim that there is any scientific explanation of rent. It would be as reasonable to lay down a scientific theory of railway or cab fares, and to speak of their “nature” and “character.” The explanation of the hire of a horse or a bath chair is that the owner, not requiring to use it himself, lends it out temporarily for a consideration.

Ownership is the cause of rent; and it is the fact of our laws permitting the private ownership of land that gives rise to the relation of lessor and lessee and the payment of rent. Rent, moreover, is not a quantity that can be ascertained beforehand by a consideration of the probable produce of the land, the requirements of the tenant, and the legitimate amount of his profits.

Professor Price has shown in his chapter on "Value" in *Practical Political Economy*, that there is a personal element in the idea of "value" altogether irrespective of the intrinsic qualities of the subject valued. Circumstances which no man could possibly take into account beforehand may influence the rent which may be obtained for a plot of land exposed to competition, though it is but seldom that agricultural land is let by competition. The inordinate desire of a rich Ahab for a neighbouring vineyard cannot be foreseen. A, who is more thrifty and skilful than B, or ready to take a smaller profit, or to live more hardly, will give a higher rent, and so the annual value of any plot of land, and the rent which may be obtained for it, will be different with different persons. Experience alone enables a guess, an approximation, to the rent that may be obtained to be made. For rating purposes, for the assessment of compensation for land taken for public purposes, it is often necessary to estimate beforehand the annual value of land, which is defined by the law as the rent at which the premises might reasonably be expected to let from year to year. What is the evidence required in such cases? Do they turn on such calculations as Professor Price's imaginary farmer goes through, or on the requirements of the tenant, or his legitimate profit? Not at all; it is a question of experience, of the analogy of rents for similarly circumstanced land, of the comparison of the property in question with other similar property whose value is known.

As to the question whether rent is wealth, to which Professor Price refers, it is not easy to see how any difference as to this could exist between two economists like Professor Price and Thorold Rogers. It is plain that the gross produce of the soil is wealth; and that rent being a term expressing the value in money of that part assigned to the lessor, or exacted by him in return for the loan of his land, it is just as much wealth as any other portion of the produce. If more than the net produce of the land is given to the lessor as rent, the wealth expressed by the money paid must have been derived from some other source than the land.

The conclusion then that I wish to maintain in opposition to Professor Price, is that there is no absolute quantity, no reality corresponding to what he terms economic rent. Rent is a term which arises out of the relations of landlords and tenants, and this relation is the consequence of those laws which permit private ownership in land.

Mr. Bright recently pointed out the practical application of this. In his speech at Birmingham he said:—

"Well, now, I am in favour myself of fixity of tenure and fair rents. Nothing seems to be more just. But what they propose is that the rent of the land should not be fixed by the tenant or by the landlord, or by the two conjointly, but by some third party, who is supposed to be independent and not interested in the matter. Well, now, that seems on the face of it a reasonable proposition; but to my mind its reasonableness is only in the proposition. I do not think it would be reasonable if it were put into practice. For example, who is to decide what is a fair rent, and what is a fair rent—can any man tell me? The rent upon a given twenty acres of land upon which one Irishman would be prosperous, would be a rent

upon which, I fear, another Irishman would be impoverished and ruined. I will not speak of the different inequalities of land, and whether it would be possible to hand over to some lawyer, county court judge, magistrate, or person in authority, to determine the rent of all these farms between the tenants and landowners. At anyrate that is a principle which we do not adopt in our market and in our exchanges, and we ought to try every other plan before we depart from the principle which economical law teaches. But those who are interested in the bargain should be those by whom the bargain is completed and accepted."

If there be any such thing as a "fair rent" it depends on the relations between the lessor and lessee, and will vary according to the circumstances attendant on the letting. To take an example of common occurrence. Farms on an estate may be let at £2 per acre, while the same land in allotments for labourers is let at double and treble that rate. So land near a village may be let to tradesmen and shopkeepers at a rent independent of its productive value, the tenants in such a case make their living otherwise than by farming, and hold the land as a convenience or luxury. Immediately adjoining, and without any defined limit, land is occupied by farmers living on and making their living by the land, which is let to them much lower than to the tradesmen; and so what is considered a fair rent to one man is not a fair rent to another.

In the report of the Devon Commission the following statement is made as the result of the evidence taken on this subject:—

"It seems hard to discover any sound general principle adopted by the ordinary valuers for rent. Some merely jump at their conclusions; others seem to imagine that certain uniform proportion of the produce ought to be set apart as rent; and this has been variously estimated at one-fifth, one-fourth, one-third, two-fifths. It is somewhat discouraging to find by the evidence of the Ex-Professor of Political Economy that he is hopeless as to the powers of reducing the right theory on this subject to successful practice. The learned professor says he does not think that any man who ever lived, having all the data given to him, could with any certainty determine it"—

viz. : the proportion between produce and rent.

A theory which cannot be reduced to practice, which does correspond with observed facts, should be abandoned. Even if Professor Price had laid down what were the requirements of the tenant, what profit was legitimate, or how much hardship a tenant was to undergo in order to meet his rent, his theory would not have corresponded with the fact there is no such thing as uniformity of rent for equally fertile land, and that the rent really paid varies from one that leaves the tenant a bare subsistence on the coarsest and scantiest food, to one which permits the tenant to save and prosper.

As to the price that may be obtained for any given plot of land if exposed to competition as rent, or in the case of an absolute sale, that, I think, will depend largely on the number of persons anxious to acquire that particular plot of land, and the strength of their desires, and length of their purses; in other words on the effective demand for that particular plot.

In the letting of land competition can never come fully into play to the exclusion of all other motives; the relations that exist between lessor and lessee absolutely prevent it. Though in the possession

and use of the tenant, the owner is still to retain power over both land and tenant. It is otherwise in the case of sale—no continuing relation is to exist between the two parties, and the seller has no other concern except to obtain the best possible price; and therefore in the case of sales alone are prices regulated wholly and only by competition.

X.—*On the Law Reforms which have been successfully advocated by the Trades Union Congress, and the further Law Reforms which they now seek.* By W. Neilson Hancock, LL.D. Q.C.

[Read 25th May, 1880.]

WHEN I learned that the Trades Union Congress, which has held twelve annual meetings, had fixed its next meeting to be held in Dublin, in September—thus visiting Ireland for the first time, I made some inquiries as to their proceedings and publications. One of the most recent of these is a letter from the Parliamentary Committee of the Congress, to the late Home Secretary, referring with satisfaction to the action of Parliament in passing the Summary Jurisdiction Act of 1879 for England and Wales. The Committee refer to this measure as of immense value in improving the administration of justice and in securing the liberty of Englishmen.

Policy of Uniform Laws for Working Men in England, Ireland, and Scotland.

Having achieved so much for themselves, the Congress meeting in Scotland naturally asked to have the principles of the Act extended to Scotland; they did this, not in a doctrinaire and dictatorial manner, but on the wise plan of asking for suggestions from Scotland.

The Parliamentary Committee say:—

“So great did the advantages and benefits of the Act appear to the Congress, that the predominant feeling of the moment (the Congress being in Scotland), was that the Act ought to apply to Scotland.

“We therefore ask you* next session to bring in a Bill which will so apply the Act to the Scotch procedure and law that the people of Scotland may have the possession of similar advantages.

“We hope that our Scotch friends will be able to assist you by laying before you their views of the way this should be done.”

As to Ireland the Parliamentary Committee say:—

“While urging this upon your attention, we cannot refrain from saying that we know of no reason why similar privileges should not be conferred upon the Irish people.

“We beg to inform you that our next Trades Union Congress in September, 1880, will be held in Dublin, and to express our belief that nothing can be calculated more to promote content among the Irish workmen than the voluntary extension of liberties to Ireland similar to those we enjoy.”

* The late Home Secretary, to whom the letter was addressed.