

THE ECONOMICS OF TENANT RIGHTS IN
NINETEENTH CENTURY IRISH AGRICULTURE*

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ABSTRACT

The Land Act of 1870, which introduced "tenant rights" to most of Ireland, was the prototype of the modern land reform. This paper develops an alternative to the conventional view that the Land Act was instituted to redistribute wealth. It is suggested that tenant rights became economically valuable as a result of massive emigration from Ireland in the nineteenth century. Data on land rents and landlord investment are consistent with this "efficiency" hypothesis, and tend to refute the "redistribution" hypothesis.

It is often claimed that land tenure relationships are at the heart of low productivity in traditional agriculture. This idea was common in nineteenth century Ireland no less than it is today. One aspect of the widely debated "Irish Land Question" was whether compensation for permanent improvements when tenant farmers left their farms would increase investment in Ireland's rural sector. Specifically, it was claimed that by guaranteeing such compensation for improvements ("tenant rights"), tenants would have a greater incentive to invest and thus agricultural output would rise and tenants' living conditions would improve.

This claim has interesting parallels in much of the recent development literature. The notion that "security of tenure" is, in some way, required for agricultural development dates back at least to the writings of John Stuart Mill on the Irish Land Question.¹ But there have been few investigations of the validity of this idea, either in the specific Irish context in which it originally developed, or in later settings.

In 1870, Parliament passed a Land Act which attempted to institute tenant rights for all tenant farmers in Ireland. If the argument that tenant rights were necessary to insure efficient investment was correct, the enactment of this Land Act should have had a positive impact on the productivity of Irish agriculture. The purpose of this paper is to apply the recently developed economic theory of property rights to the Irish Land Question. Although available data do not permit a conclusive test of the efficiency argument for the Irish land reform, it is possible to specify the conditions under which this argument would be correct, and to make an approximate assessment of the validity of the efficiency argument and of the alternative "redistribution" hypothesis.

I

The Ulster tenant right custom, which was extended in modified form to the rest of Ireland by the Land Act of 1870, had two basic features: (a) "fixity" of tenure, given payment of a "fair rent," and (b) the tenant's right to sell the "good-will" of his farm.² Regarding the first aspect of the custom, a "fair" rent is, of course, a most ambiguous notion. In practice, a "fair" rent was often a rent below the market equilibrium level.³ Minimally, however (and this is the sense of "fair rent" instituted by the Land Act of 1870), rents were not allowed to rise in order to capture the value of investments made by the tenant. The second aspect of the Ulster custom, the right of sale of "good-will," meant that tenants could obtain compensation for the "unexhausted" value of improvements they made on leaving their farms. Normally, this compensation would be made by the incoming tenant, and the value of the tenant right was determined by bidding by potential incoming tenants.⁴ The right to free sale of good-will also provided a means of rationing the excess demand for land created when rents were held below their equilibrium levels.

The Land Act of 1870 had four essential provisions, three of which had the effect of legalizing and extending, in a modified form, the Ulster custom.⁵ First, where the Ulster custom existed prior to 1870, it was conferred the force of law. Second, any custom was legalized which "in all essential respects corresponds with the Ulster tenant right custom." Third, where no such custom existed, the tenant was given two rights: (a) "compensation for disturbance" by eviction, provided the tenant paid his rent,⁶ and (b) compensation for improvements which added to the rental value of the farm. The fourth provision of the Land Act provided for subsidization of tenants who wished to purchase their holdings.

Theoretically, the Land Act should have extended the beneficial aspects of the Ulster custom to areas in which that custom did not previously exist. Two technical problems impeded this goal, however. One problem was the vague phraseology of the "analagous customs" provision, which allowed landlords to prove in court that a custom weaker in its effects than the Ulster custom had the force of law. Second, and perhaps more important, the landlord was left free to raise his rent relative to tenant-financed improvements unless the tenant refused to pay and took the landlord to court on being evicted. Most tenants were in a poorer position to win a court battle than their landlords, and the costs of winning such a battle would often substantially reduce the net value of the compensation for eviction.⁷

Whatever its defects, however, the 1870 Land Act, to the extent that it was enforced, should have had some positive effect on agricultural investment, if the efficiency argument is correct. Nevertheless, most historians appear to view the Land Act as an act of appeasement in the face of growing agrarian unrest in Ireland. The statements of the authors of the Act, particularly Gladstone, and of newspapers prior to its passage, lend considerable credence to this view, which we label the "redistribution hypothesis." Events preceding the Land Act, including the passage of the Reform Bill of 1867 which strengthened anti-landlord interests in England, the Fenian uprising in Ireland in 1867, and acts of terrorism against Irish landlords, also tend to support the redistribution hypothesis.⁸

But the conventional view that the Land Act of 1870 was redistributive in nature leaves one important question unanswered: if redistribution was desired, why use the cumbersome and possibly inefficient means of tenant rights to achieve it? Why not simply fix rents - or, better still, transfer ownership

of the land? Similar questions can be raised about any form of government regulation if it is asserted that such regulations are primarily redistributive in their effects. The alternative hypothesis, that the motivation of the 1870 Land Act was to promote efficiency, provides a simple answer to the question of why the Land Act took its particular form. The efficiency argument, however, poses the interesting question, why was not the Ulster custom extended earlier, if it was economically efficient? To answer these questions, we must examine the two hypotheses in greater detail.

The Redistribution Hypothesis

The redistribution hypothesis emphasizes the potential problems of one aspect of tenant rights, that rents were not to be raised to equal the benefit streams of investments financed by tenants. The question arises of how the contribution to output of the tenant-financed investments was to be distinguished from the benefit streams of landlord-financed investments, from variations in yield due to the weather, and from other factors. Would not this provision of tenant rights lead to a prohibition against rent-raising altogether? The answer, judging from the Ulster experience, appears to be "yes". Long-term fixing of rents occurred all over Ireland during the nineteenth century, but in Ulster much more than elsewhere. According to a survey taken in 1880 by the Irish Land Committee, consisting of landlords whose combined holdings were about one third of the land of Ireland, 19 percent of the land in 1880 was being rented at rates fixed before 1840. But in Ulster, the proportion was 27 percent.⁹

The idea that the "fair rent" aspect of the tenant right custom led to a partial expropriation of landlords also finds support in the historical

development of the Land Acts. The Land Act of 1870 legislated compensation for improvements and for eviction (except eviction due to nonpayment of rent). This Act also provided for rents not being raised due to tenant-financed improvements. The Land Act of 1881, in contrast, effectively fixed rents, regardless of the cause of the rent increase. Thus many historians have been led to view the Land Acts simply as a fulfillment of Gladstone's statement, as he became Prime Minister in 1868, that "my mission is to pacify Ireland."¹⁰

It may be argued that political conditions did not permit, in 1870, an outright transfer of ownership, or even explicit fixing of rents. The power of the landlords in England was too strong for Gladstone to ignore.¹¹ The redistribution hypothesis thus asserts that Gladstone clothed a redistribution of wealth in the guise of an improvement of economic incentives. Thus Gladstone argued in a memorandum to his cabinet in 1870, the Land Bill was "most agreeable to...historical and traditional rights, a contempt or disregard of which is in the worst sense an innovating and revolutionary principle."¹²

The Efficiency Hypothesis

The efficiency hypothesis is that at least part of the motivation of the Land Act of 1870 was to promote agricultural investment in Ireland, and that the Land Act did, in fact, have this effect. Evidence supporting the first part of this hypothesis can be found in the speeches and articles of the major supporters of the extension of tenant rights, including Mill and (somewhat less clearly) Gladstone.¹³

But if tenant rights stimulated investment by tenants, one must explain why the landlord did not see fit to finance such investments himself. One explanation would be that the tenant might "misuse" the investment -- i.e., use it so intensively that its value depreciated at too high a rate. If the

tenant was certain of staying on the farm beyond the "normal" total depreciation of the investment, this would be no problem. The tenant would then, in the process of maximizing his net income, use the improvement optimally. The problem arises when tenants change locations often enough that they can hope to "use up" the improvement and then leave before the improvement normally would have totally depreciated in value.

The tenant right would then serve as a means of inducing tenants not to misuse the improvement. If the right of the occupation of the holding were sold to the highest bidder, the cost of misusing the improvements financed by either landlord or tenant would be borne by the tenant. Thus tenant rights would stimulate investment by landlords as well as by tenants.

Alternatively, of course, the tenant could make the investment himself. Again, if he expected to stay at the holding until after the normal "exhaustion" of the improvement, there would be no problem: the full value of the investment would accrue to the tenant, provided that the landlord kept the rent fixed relative to tenant-financed improvements. But if the tenant expected to leave before this "normal exhaustion" period, he would require some assurance that the unused value would accrue to him, if he was to have an optimal incentive to invest.

The efficiency hypothesis goes on to assert that there were significant transaction costs associated with individual tenant right agreements between landlord and tenant. The function of a tenant right custom or law would be to economize on these costs by guaranteeing compensation in all cases, whether or not such compensation was demanded. Since such customs or laws themselves are costly to make and enforce, we would not expect them to exist everywhere that tenant rights had a positive value. Where, however, the economic value

of a tenant right custom or law exceeded its enforcement costs, tenant rights would be predicted to exist by the efficiency theory.

The above analysis, which stresses the role of the tenant's expected length of stay at the holding, would suggest that the economic value of tenant rights would be higher where tenant turnover was relatively high. If such turnover were positively correlated with urbanization, there is some evidence supporting this hypothesis. In England, a crude index of the prevalence of tenant rights existing in 1873¹⁴ was found to be positively and significantly correlated with the rate of urbanization in counties from 1850 to 1870.¹⁵

In Ireland, the origins of the Ulster tenant right custom are rather obscure. A popular theory places the origin with the departure of English settlers from Ulster in 1617-1620.¹⁶ Whatever the origin of the custom, it is difficult to explain its persistence over a time span of 250 years without referring to some social or economic conditions which differentiated Ulster from the rest of Ireland. This is especially true given the fact that the concept of tenant right - particularly the notion of compensation for improvements - does not appear in records of agrarian grievances of the eighteenth century,¹⁷ suggesting that its importance may have declined. One such social characteristic of Ulster, in the nineteenth century, was that it was the most rapidly urbanizing province. This is consistent with our hypothesis that tenant rights should be relatively common where turnover of tenants is relatively high.

The same prediction of the efficiency theory can provide an economic motive for the extension of tenant rights to the rest of Ireland in the nineteenth

century. The crucial variable here is not turnover per se, of which we have little direct statistical evidence, but emigration. Following the Potato Famine in the late 1840s, Ireland experienced massive emigration, which continued throughout that century. In 1861-1871 alone, official emigration rates varied between counties from 5.2 percent to 22.7 percent.¹⁸ This emigration produced uncertainties on the part of many Irish farmers as to whether they should leave, joining relatives who had already emigrated, or stay. This uncertainty would have effects identical in nature to those of turnover: tenants would be unwilling to invest without compensation for improvements and rents that were stable relative to their own investments. Earlier, for example in the seventeenth century, the expected stay of the tenant at his holding was sufficiently long that this issue did not arise.¹⁹ Thus, according to the efficiency hypothesis, the emigration of the nineteenth century increased the economic value of tenant rights in counties in which such rights did not already exist by custom. The costs of instituting rights could be reduced by a single "global" regulation rather than waiting for local customs to change.

Previous Arguments Against the Efficiency Hypothesis

While most discussion by economists of the period, most notably Mill, favored the hypothesis that tenant rights stimulated investment, the most recent discussion of the Irish Land Question, that of Barbara Solow,²⁰ rejected that hypothesis. Although Solow admitted that one effect of tenant rights was to provide tenants with adequate incentives to invest, she attempted to show that the net effect of introducing tenant rights into the whole of Ireland was to decrease, not to increase, agricultural productivity. If one accepts Solow's arguments, one is forced to conclude either that the Land Acts were products of misguided statesmanship, or that the true motive was to

redistribute wealth from landlords to tenants.

Solow's main argument assumes that there were economies of scale in Irish agriculture, making consolidation of holdings desirable. The necessity of paying tenants to leave their farms, caused by tenant rights, was an obstacle to such consolidation of holdings, she asserts. The fallacy in this argument is that such payments would only be investments, because after the consolidation is completed, the landlord can expect to receive from the incoming tenant the same amount in tenant rights as he paid to the outgoing tenants. Indeed, if consolidation increased the value of the holding and if the landlord kept rent at the same level as before, more would be obtained in subsequent tenant-right payments than the landlord paid to the outgoing tenants.

A second efficiency-related argument against tenant rights is that the price of such rights rose so high (their prices often compared favorably with the value of the holding to the landlord) as to impoverish the incoming tenant and to make investments by him impossible. This argument was made by many landlords in their efforts to prevent passage of the Land Acts. Its flaw is that it ignores the reason for the inflated price of tenant rights: rents were kept below their equilibrium levels. The value of the tenant right was simply the present value of the difference between the equilibrium rent and the actual rent, plus the value of "unexhausted" tenant-financed improvements. While the incoming tenant was "impoverished" by the high price of tenant rights, he was immediately "enriched" by these two components of their value.

Solow, incidentally, incorrectly seems to assume that the high price of tenant rights caused rents to be low, rather than the opposite being the case. There is no reason for the value of tenant rights to be high-priced without either an excess demand for land (caused by below-equilibrium rents) or high levels of tenant-financed investment. Even if Solow were correct in reversing

this causal relationship, she is incorrect in concluding (p. 42) that land was underpriced where tenant rights existed, leading to inefficient resource allocation. As she recognizes, the true rental price of land to the tenant farmer is his rent plus interest on the tenant right. Thus, tenant rights would correct any tendency to underpricing of land caused by below-equilibrium rents.

A brief, but more empirical argument against the efficiency hypothesis was made by Raymond D. Crotty.²¹ Crotty points out that a gradual process of land reclamation before the Land Act of 1870, which increased the area of agricultural land in non-Ulster by 6 percent between 1851 and 1871, reversed itself in 1871. This, he implies, suggests that the Land Act of 1870 decreased agricultural investment. But the area of agricultural land is a very poor measure of agricultural investment. It is a measure of the quantity of only one input - a quantity that will be affected by substitution pressures between inputs, by output prices, and by the relative land-intensity of livestock and tillage farming. The decline of land used in agriculture after 1871 also may have been due to urbanization, or to emigration from Ireland. Crotty also refers to "high levels of yields" and "sound rotations" in tillage, but these are irrelevant to the effect of the Land Acts, which should have caused changes in these variables. Thus Crotty does not seem on solid ground in concluding that "the technical efficiency and the structure of Irish agriculture ... were not to any significant extent, adversely affected by ... insecurity of tenure."

Solow, unfortunately, provides little evidence beyond statements of landlords to support her arguments against the proposition that the Land

Acts stimulated agricultural investment. While quantitative evidence on both sides of this question is scarce, we can employ several fragments of data to obtain a clearer picture of the impact of tenant rights.

II

This section reviews evidence from three sources which have a bearing on the impact of tenant rights: (1) evidence on land rents; (2) evidence on landlord investments; (3) evidence on the value of livestock and on crop yields.

a. Land Rents

One test which, in principle, would discriminate between the two hypotheses would be to examine changes in the value of land, or in land rents, in Ulster and in the rest of Ireland. If the efficiency hypothesis were correct, the value of land in non-Ulster should have risen, or at least stayed constant, relative to the value of land in Ulster after the passage of the Land Acts. Additional investments would be stimulated in the South, leading to a rise in the marginal productivity of land. If these investments were made only by tenants, a strict application of the Ulster tenant right principle would leave rents unchanged. If, however, this principle were not perfectly enforced, or if a lack of tenant rights had previously deterred investment by landlords as well (as suggested in section I), then one would expect rents to rise, if only slightly, as a consequence of the introduction of tenant rights. If, on the other hand, the redistribution theory were correct, the Land Acts should have depressed land values in the South relative to those in Ulster, since future increases

in the rent in the South would be deterred by the "partial expropriation" that the redistribution hypothesis attributes to tenant rights.

Unfortunately, data on land rents were not systematically collected in the period under study. There were, however, official valuations of land (in particular, the so-called Griffiths Valuation) for taxation purposes. These valuations have been criticized for the purpose of making cross-sectional comparisons, because, in the valuations relevant to this study, the Southern counties were covered by the valuation teams in the 1850's just after the Potato Famine, when agricultural prices and productivity were low, while Ulster was valued in the 1860's, after prices and productivity had risen. Some allowance must be made, therefore, for the effect of this rise in prices and productivity on land values.

A second possible criticism of these valuations is that, ostensibly, they were based on estimates of the market value of the produce of the land, using a fixed scale of prices, deducting production costs and taxes. Thus, in Ulster, the valuations would include the interest on tenant-right, making them incomparable with post-1870 market rents, which excluded this opportunity cost. There is ample evidence, however, that the valuations were actually estimates of the net rental price of the land - i.e., net of taxes and rent collection costs, possibly including an allowance for arrears of rent.²² This was affirmed in 1869 by George Hitchcock, an officer in charge of valuation in four counties, and in 1895 by Murrough O'Brien, a member of the Land Commission (who pointed out that lack of data on production costs made the original instructions to valuers impractical). We also have an explicit statement by John Ball Greene, who, for practical purposes, was in charge of the Griffiths Valuation, that the valuation of land in Ulster excluded interest on tenant right.²³

To obtain an estimate of rents after the 1870 Land Act, one can use a table published in 1895 by the Royal Commission on Financial Relations between Great Britain and Ireland, showing the market rental of lands before such rents were fixed by authority of the Land Act of 1881. These post-1881 market rents (covering approximately half the land of Ireland) bore about the same relation to the pre-1865 valuations as the rents on land not covered by the data, according to J.G. Barton, then administrator of the Valuation Office.²⁴ The data, summarized in Table I, show rents being above valuation in non-Ulster by 31 to 46 percent, as compared to only 13 percent in Ulster - a difference of some 28 to 32 percentage points. This differential between Ulster and non-Ulster, if it was not solely caused by differences in the dates of valuation, would be strong evidence for the efficiency argument.

In order to adjust for the differences in the date of pre-Land Act valuations, the ratio of post-Land Act rental to pre-Land Act annual valuation in each of 32 Irish counties was regressed on a measure of pre-Land Act tenant rights, and on the date of completion of valuation. If the Land Act of 1870, which first extended tenant rights to the whole of Ireland, increased agricultural investment, the coefficient of the measure of pre-Land Act tenant rights should be negative - the increase in land value should have been larger where tenant rights did not exist before 1870. The redistribution hypothesis, in contrast, predicts a positive coefficient (a relative decrease in the value of land where tenant rights initially were few).

A third variable is inserted into the regression, measuring the intensity of livestock versus tillage farming, since the change in agricultural prices over the period was quite different for these two branches

b. Landlord Investments

A second source of data, which would permit a direct test of Solow's contention that the Land Acts decreased investment by landlords, is a survey of landlords made by the Irish Land Committee, an association of landlords which lobbied against the Land Acts. In an appendix to the report of the Bessborough Commission,²⁷ a table appears reporting the results of a Land Committee survey of how much investment had been made by landlords between 1840 and 1880. The table is restricted to estates with an annual valuation of over £500; the area covered by the estates included was 4.2 million acres, about one-fifth of the land of Ireland.

In the previous section, it was pointed out that the efficiency hypothesis predicts that tenant rights stimulated not only tenant investment, but also investment by landlords. The reason is that tenant rights provide an incentive for tenants not to misuse landlord-financed improvements: such misuse would decrease the value of the tenant right. Solow, on the other hand, argues that tenant rights impeded landlord investment; this is her primary argument against the proposition that tenant rights increased overall agricultural investment.

Unfortunately, the table in the Bessborough Commission report presents amounts of reported investments for overlapping periods. That is, one figure is presented for a certain group of estates in a given province for the period 1840-1880, a second figure (for the same province but a different set of estates) for 1850-1880 and so forth. In order to infer, from these data, the amount of landlord investment that took place, e.g., in 1840-1850, one must assume either (a) that, in a given (say 20-year) period, investment on the relevant estates was constant over time, or (b) that all estates in a given

province were from the same "population," i.e., per-year, per-acre investment was evenly spread between estates. The latter assumption seems more plausible, since assumption (a) implicitly contradicts the hypothesis that landlord investment changed over the period.

Using assumption (b), Table II presents estimated levels of landlord investment by province. The estimates follow a similar pattern if assumption (a) is employed. They indicate that landlord investment actually rose after the 1870 Land Act, reversing a downward trend in all non-Ulster provinces except Munster, and continuing an upward trend in Ulster. Admittedly, the estimated rate of change between 1860-70 and 1870-80 was greater in Ulster than in Ireland as a whole, but the most dramatic change took place in Connaught, which, as a whole, did not have established tenant rights before the Land Acts. Needless to say, this does not mean that the level of living in Connaught was high relative to the rest of Ireland, but only that landlord-financed investment increased more rapidly after 1870 there than elsewhere.

The fact that Connaught represents the most dramatic increase in landlord investment is itself consistent with the efficiency hypothesis. Connaught had the highest proportion of tenants-at-will (annual tenants without leases) of all Ireland outside of Ulster in 1869 (see Table III). Moreover, when one controls for size of farm (e.g., by examining only farms valued at less than £15 per year), the tenancy rate of Connaught is the highest in Ireland. As we pointed out in section I, one would expect the Land Acts to have stimulated investment by landlords and tenants to the greatest extent where tenant turnover was highest, and tenant turnover

was probably positively correlated with the percentage of tenants without leases. Munster, the only province in which estimated landlord investment did not increase, was also the province with the lowest tenancy rate.

Thus, the evidence by an association of landlords which, if anything, was biased against the Land Acts, seems to support the efficiency hypothesis, and to refute the redistribution hypothesis. One can, of course, explain these estimated investment rates in other ways than by referring to the effects of the Land Acts. But this piece of evidence at least cannot be read as support for Solow's contention that the Land Acts discouraged landlord investment.

c. Livestock Values and Yields

A third, less direct method of assessing the impact of the Land Acts is to examine trends in livestock values and yields. If the Land Acts stimulated investment where tenant rights did not previously exist, one would expect yields to increase (if the investment was in tillage) and investment in livestock to increase. Although livestock is a movable asset (and thus investment in it would not be directly increased by the establishment of tenant rights) the capital associated with raising a herd of livestock (e.g., fences, shelters, etc.) is not movable. Even in an open grazing livestock industry such as Ireland's during this period, such investment in non-movable capital took place. To the extent that this non-movable capital stock increased as a result of the Land Acts, the quality and quantity of livestock should have increased as well.

Here, however, the evidence is fully consistent with either hypothesis. The trends in yields for a wide range of crops including wheat, oats, barley, and hay, do not seem to have been systematically affected by the

Land Acts. The value of livestock also did not increase in non-Ulster relative to Ulster after passage of the Land Acts.²⁸

Cross-sectional comparisons of yields before 1870, between Ulster and non-Ulster, also provide no reliable evidence regarding the effects of tenant rights. The reason is simply that the counties with tenant right customs, being concentrated in the north of Ireland, have different climatic and soil conditions from the rest of Ireland. Controlling for the influence of these conditions is difficult, because of lack of county-specific meteorological data for the period under study. Consequently, cross-sectional differences in yields are quite unstable over time.

III

Evidence from two out of three sources of data support the efficiency hypothesis - that the Land Act of 1870 was intended to increase and had the effect of increasing agricultural investment - over the redistribution hypothesis. The evidence, is, of course, not conclusive; further research, particularly of the effect of the Land Acts on rents in individual estates, would be useful. Nevertheless, the Land Act of 1870 does seem to have had a small, positive impact on agricultural investment.

This finding does not imply that no redistribution of wealth took place. Indeed, redistributive motives may have bulked large in the passing of the Act - motives which might have had no political force without the background of Irish nationalism and growing political power of capitalists and artisans in England. Our tentative conclusion is simply that the Land Act was not misguided from an economic standpoint, and that the dislocation of the Irish rural population following the Potato Famine may have provided much of the impetus for the Irish land reform.

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FOOTNOTES

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¹Mill (1870)

²See O'Brien, (1880), for a discussion of the workings of the Ulster custom.

³See Solow (1971), pp. 40-45, and discussion below for some evidence on this score.

⁴In England, on the other hand, the value was determined by the cost of investment (allowing for depreciation), and was paid by the landlord.

⁵O'Brien (1880), pp. 222-225

⁶If the holding was valued at £15 or less, and if the rents were considered by a court to be "exorbitant," non-payment of rent did not prevent compensation. The compensation in no case was allowed to exceed £250, and was allowed to vary (subject to this constraint) from seven year's rent for a holding valued at £10 and under, to one year's rent for a holding valued above £100.

⁷ See O'Brien (1880), pp. 123-124.

⁸ See Solow (1971), pp. 15-22, and Steele (1974), pp. 68-73.

⁹ Solow (1971), Table 6, p. 72, as quoted from the Bessborough Commission report.

¹⁰ Morley (1905), p. 886. Quoted by Solow (1971), p. 16

¹¹ Steele (1974), pp. 43-44. Steele argues that Gladstone actually wanted to strengthen "the landed element in Liberalism" (p. 46).

¹² Quoted by Steele (1974), p. 45.

¹³ Mill preferred stronger measures than the 1870 Act, arguing that "peasant farming, as a rule, never answers without fixity of tenure... But you want to improve Ireland another way... Well, then, how are the peasant tenantry, or the best of them, to be raised into a superior class of farmers? There is but one way, and this Bill [a bill proposed in 1866, which would have provided compensation for improvements] which is before you affords the means." Quoted by R.D. Collison Black (1960), p. 51. Gladstone's dual motivation is revealed by a statement in the same memorandum quoted above, "We are about to legislate the redress of wrong as well as for the general benefit" (quoted by Solow 1971, p. 20, italics added).

¹⁴ For details on this index see Guttman (1975).

¹⁵ The correlation was .41, which is significant at the .05 level. There are alternative explanations for such correlations - e.g., rising population in nearby urban areas increases the demand for capital on the farm, and thus increasing the demand for tenant rights - but these also tend to assume the validity of the efficiency theory.

¹⁶See O'Brien (1880), pp. 163-167. According to O'Brien, the English settlers were dissatisfied with the conditions of their tenure, and therefore sold the right of possession to Scotch settlers. O'Brien does not fully explain why landlords did not simply charge the Scotch higher rents because of investments made by the English farmers, eliminating the possibility of such "good-will" payments.

¹⁷Cullen (1972), pp. 83-84.

¹⁸Cousens (1964), p. 303.

¹⁹Cullen (1972), p. 84.

²⁰Solow (1971), pp. 42-45, 82-86.

²¹Crotty (1966), pp. 54-55.

²²Testimony of George Hitchcock, in the Report of the Select Committee on General Valuation (1868-69), Q3770-3778. Testimony of Murrough O'Brien, before the Royal Committee on the Financial Relations between Great Britain and Ireland (1895), Q6923, 6926. The admission, even by Sir Richard Griffiths, that the increase in crop prices affected the valuation, also supports the idea that the valuers simply took rents as the basis for their valuation. See testimony of Griffiths to the Committee on General Valuation, Q5294. The fact that rents were 20-25 percent above valuation does not contradict the fact that the valuation was based on rents, because the valuation was an estimate of net rents (net of taxes, collection costs, etc.). Even at the beginning of the Griffiths Valuation, before prices rose, valuation was 20-25 percent below rents. See the testimony of Hitchcock, ibid., and

that of Thomas O'Brien, Committee on General Valuation, Q4616, that of Ball Greene, Q702, and that of J.G. Barton, Royal Commission on Local Taxation. (1898), Q3312.

²³Committee on General Valuation, Q1213, 1280.

²⁴Royal Commission on Financial Relations, Q5671.

²⁵Double-log form seems to be the preferred specification, because the rate of increase of livestock prices between 1850 and 1865 decreased over time, and this increase in livestock prices was the main cause of the increase in land rents over this period. Thus, allowing the time of completion of valuation to enter linearly into the regression would be inappropriate, if our purpose is to control for its effect on the ratio of post-Land Act to pre-Land Act valuation. For the sake of consistency, the other variables in the regression also enter in logarithmic form.

²⁶Based on the Reports of the Poor Law Inspectors in Ireland as to the Existing Relations between Landlord and Tenant in Respect of Improvement on Farms (1870). The index took the value of 4 if tenant rights were a universal custom, 3 if they often existed but not as a general custom, 2 if they were granted only on a case-by-case basis by landlords, and 1 if they were virtually non-existent. With a few exceptions, Ulster counties received a value of 4, and non-Ulster counties a value of 2. The index, and other data, are available from the author on request.

²⁷In the appendix to the Report of the Commission of Inquiry into the Working of the Landlord and Tenant (Ireland) Act, 1870, and the Amending Acts, with Evidence, Appendices, and Index (1881).

²⁸For some reason, however, the value of livestock in Leinster and Munster rose relative to the value of livestock in Ulster and Connaught between 1872 and 1882. These calculations were made using official agricultural statistics and constant (1841) livestock prices.

Table I

Original Valuations and Post-1881 Rental of Lands on Which
Rents Were Fixed Under 1881 Land Act

	<u>Number of Cases</u>	<u>Statute Acreage</u>	<u>Annual Valuation</u>	<u>Post-1881 Rent</u>	<u>Percentage Difference</u>
Ulster	125,482	2,850,761	£ 1,688,753	£ 1,909,684	+13.08
Leinster	45,357	1,913,999	1,233,613	1,619,689	+31.29
Connaught	67,236	1,505,964	580,976	759,227	+30.68
Munster	49,979	2,395,427	1,158,360	1,687,097	+45.64

Source: Royal Commission on the Financial Relations Between Great
Britain and Ireland, p. 434

Table II

Estimated Investment by Landlords Reported by
Irish Land Committee, 1881*

Pounds per acre per year

	<u>Leinster</u>	<u>Munster</u>	<u>Ulster</u>	<u>Connaught</u>	<u>Ireland</u>
1840-50	.05	.29	.12	.41	.20
1850-60	.76	.33	.14	.29	.34
1860-70	.21	.30	.14	-.09	.20
1870-80	.29	.22	.24	.47	.28

* Source: see text

Table III

Tenancy Rates, Ireland, 1869*

	(1) <u>Tenants-at-Will</u>	(2) <u>All Tenants</u>	<u>(1)/(2)</u>	<u>(1)/(2) for Forms Valued < £ 15</u>
Ulster	205,549	230,728	.89	.86
Munster	93,468	145,712	.64	.72
Leinster	100,744	140,086	.72	.81
Connaught	126,778	145,711	.87	.90

* Source: Return of Holdings and Tenure, Sessional Papers 1870 LVI, pp 742-743,
752-753.