

CHAPTER VI

LIMITATIONS OF THE LANDOWNER'S RIGHT TO RENT

THE chapters immediately preceding have led to the conclusion that private ownership is the best system of land tenure, and that the individual has a natural right to participate in its advantages. Although this system confers upon the individual owner the power to take the rent of the land, we are not logically debarred from raising the question whether this power is a necessary part of the moral rights of landownership. Does the right to own a piece of land necessarily include the right to take its rent? By what ethical principle of distribution is the landowner justified in appropriating a revenue in return for which he has performed no labor, nor made any sacrifice? This is unquestionably what happens when a man hires out his land to another. And in conditions of perfect competition, those owners who operate their own land are fully remunerated for their labor in the form of profits. Over and above this sum they receive rent, the payment that they could get from the land if they were to let its use to tenants. In the normal situation rent is a workless income. On what moral ground may it be taken by the landowner?

Inasmuch as the principles and pertinent facts involved in this question can be more effectively and more conveniently discussed in relation to interest than in relation to rent, the solution will be deferred to the chapters on interest. Assuming provisionally that the outcome of the discussion will be favorable to the claims of the landowner, let us inquire whether he always has a moral right to *all* the rent. The parallel question regarding the capi-

talist will be considered in connection with the right of the laborer to a living wage.

The Tenant's Right to a Decent Livelihood

The actual payments made by tenants to landowners sometimes leave the former without the means of decent living. Such had been the condition of a large part of the Irish tenant farmers before 1881, when the Land Courts were established. In the course of twenty-five years these courts reduced the rents by twenty per cent on the average in upwards of half a million cases. While a part of the reductions was intended to free the tenants from the unjust burden of paying rent on their own improvements, another part was undoubtedly ordered on the theory that the tenants were entitled to retain a larger share of the product for their own support. Yet the latter portion of the reduction apparently represented true economic rent, for it was included in the difference between the product and the current cost of production; it was included in the amount that men in Ireland were willing to pay for the use of land. It was a part of the surplus that they had left after defraying their expenditures for capital and labor. To be sure, the tenants in some other countries, say the United States, would not have been satisfied with such a small remuneration, and would not have handed over so much to the landlord; but if the concept of economic rent is to have any serviceable meaning it must be determined by the actual returns to capital and labor in each locality, and not by the standards of some other place which are assumed to be normal. In any case, the Irish Land Courts did reduce the rents below the level fixed by competition.

Was this treating the landlords justly? May a tenant ever retain a part of the rent which the free course of competition would yield to the landowner? Here we must distinguish between the tenant who is and the tenant who is not in possession of a holding sufficiently large to require

all the time and labor of a cultivator possessing average efficiency. The tenant who controls and cultivates less than this amount of land ought not to expect to get all his livelihood therefrom. Failure to do so would not necessarily mean that he was paying exorbitant rent. Holdings of this sort are rightly called "uneconomic"; that is, they are too small to permit a profitable and reasonable application of labor and capital. On such holdings the fair rent would be that amount per acre which would be regarded as fair for the use of the same land held in farms of "economic" size. The proper recourse for the occupiers of uneconomic holdings is to get control of more land, which is exactly what has been happening in Ireland through the action of the Congested Districts Board.

This brings us to the case of the man who cannot pay the competitive rent on a holding of normal size, and have sufficient left to provide himself and family with a decent livelihood. The fundamental reason why the rent is so high is to be found in the economic weakness of the great mass of the tenants, who can neither emigrate to another country nor get a better living as wage earners in their own. Their predicament is exactly the same as that of the helpless and unskilled laborers who are compelled by the force of competition to accept less than living wages. In these circumstances it seems clear that a government commission would be justified in reducing the rents to such a level as would leave the tenants of average efficiency on normal holdings the means of maintaining a decent standard of living. In such cases, then, the landowner has not a right to the full economic or competitive rent. His right thereto is morally inferior to the tenant's right to a decent livelihood, just as the capitalist-employer's right to the prevailing rate of interest is morally inferior to the laborer's right to a living wage. Neither in the one case nor in the other is mere competition the final determinant and measure of justice. It has no moral validity when it comes into conflict with man's natural right to get a reasonable liveli-

hood on reasonable conditions from the bounty of the earth. These fundamental questions will be discussed at length in the chapters on wages.

To the possible objection that the concept of a "normal" holding is vague, the sufficient reply is that in practice it can be estimated with as much definiteness as the concept of the "average" laborer. As we see from the history of the Irish Land Courts and their "Judicial Rents," it can be defined with sufficient accuracy to serve the ends of practical justice. More than this is not attained in any department of human relations.

The Laborer's Claim Upon the Rent

Should any part of the rent go to the laborer? Let us take first the case of the laborer who is employed by a tenant, and who is not occupied in personal service but in some productive task connected with the land. Like all other wage earners he has a right to a sufficient share of the product to afford him a decent livelihood. Since the tenant is the employer, the director of the business, and the owner of the product, he rather than the landowner is the person who is primarily charged with the obligation of providing the laborer with a living wage. As noted above, his own claim to a decent livelihood is morally superior to the landlord's claim to rent; but if, having taken this amount from the product, he finds himself unable to pay living wages to all his employees unless he deducts something either from the normal interest-return on his own capital or from the rent that would ordinarily go to the landowner, he is morally bound to choose the former course. He, not the landowner, is the wage payer. That he is obliged to provide living wages to his labor force even at the cost of interest on his own investment in the business, is a proposition that will receive ample discussion and defense in a later chapter.¹

Suppose, however, that the tenant has not the means of

¹ Chapter xxii.

paying full living wages after turning into the wage fund all the money that he had hoped to retain as interest on his capital. May he withhold from the landowner a sufficient portion of the rent to cover the deficit in wages? Were this action practicable it would undoubtedly be justifiable; for the landowner's claim to rent is no stronger than the tenant-capitalist's claim to interest. As claims upon the product, both are morally weaker than the laborer's right to a living wage. Nevertheless, the tenant who should attempt to carry out this course would probably be prosecuted for nonfulfillment of his contract with the landowner, or would be evicted from the holding. Nor is the landowner obliged in such cases to give up the rent in order that a living wage may be paid to the tenant's labor force. He cannot be certain that the failure of the latter to receive full living wages has not been due to inefficiency or fraudulent conduct on the part of the tenant. Moreover, the landowner would be justified in seeking to protect himself against the recurrence of such situations by putting his land in charge of a more capable tenant, or by selling it and investing or lending the money elsewhere. However clear may be the abstract proposition that the claim to a living wage possessed by the employee of the tenant is superior to the claim to rent possessed by the landowner, the difficulty of realizing this right in practice is sufficient to relieve even conscientious proprietors from the obligation of giving up the rent for this purpose.

When the landowner is operating or cultivating his land himself, he is evidently obliged to pay a living wage to all his employees at the expense of rent, just as he is obliged to do so at the cost of interest on his artificial capital. To be sure, the first charge upon the product should be a decent livelihood for himself; but, when he has obtained this, the right of his employees to a living wage is morally superior to his right to either rent or interest.

At present the State takes a part of the rent through taxation. May it take a larger share without violating

justice? This question will be considered in the second chapter following. In the meantime, we shall examine the principal defects of the existing system of land tenure with a view to the suggestion of appropriate remedies, whether through taxation or otherwise.