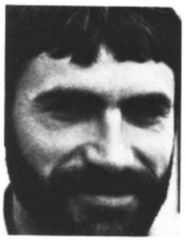
HOW IRELAND BECAME VICTIM OF PRIVATE RENT POSSESSION



By David Richards in Dublin

IRELAND'S land tenure system was the supreme obstacle preventing its participation in the Industrial Revolution. To this day it continues to be allowed to stand in the way of economic progress.

The system implicated is not the landlord system of 19th century infamy, which has long been jettisoned, but the general one by which the possessors of land are also entitled to possession of the land's rent. The unique natural conditions of Ireland have combined with it to produce a particularly powerful deterrent to economic growth.

The mild, wet climate and lowland topography is ideally suited to year-round grazing of livestock. Arable suffers from leaching, from damp-induced pests and diseases, and from unreliable harvests. Rotations with grass or, more productively but less sustainably, fodder crops for manure, are essential for maintaining fertility and breaking pest and disease cycles.

Coupled with an undeveloped external market, these conditions ensured that until 400 years ago semi-nomadic pastoralism under the communal Brehon land laws was able to survive.

The Elizabethan invasion of 1580, however, initiated a century of traumatic change, to which a growing external market added impetus. By 1700 a totally new land tenure system was in place, vesting total ownership of the soil in an alien class of landowners. The old Gaelic aristocracy, elected and bound by prescriptive land rights, had been swept aside. Catholics remained in ownership of just 1m out of 20m acres.

Colonial status also brought the island within the mercantile policy of bleeding colonies of their natural products and stunting any competitive economic growth for the benefit of the mother country.

Additionally, being a natural source of revenue and soldiers for the sometime Catholic Crown, Protestant Parliament sought to impoverish her. The Navigation Acts (1650s) barred direct trade with other colonies, and the Cattle Acts (1660s), the Woollen Act (1699) and the Penal Laws (1690s) were also passed.

Ironically, the outcome was that Ireland became a relatively prosperous country during the eighteenth century. The growing external market had naturally been tending towards the export of live cattle and sheep. When these outlets were prohibited, more intensive forms of farming became relatively profitable for the first (and only) time in Irish history.

In terms of economic analysis the output of the country came to exceed the optimum, or that output at which the income of each unit of land, labour and capital employed could be maximised.

Under an Irish sky, and given certain constraints on the availability of capital which shall be discussed later, the optimum output has always been a combination of livestock products yielding a low total output and supporting, at the highest available return net of costs, a low population.

The new quest for high rents by landowners pushed the economy towards the optimum but the Cattle Acts prevented it being achieved.

The store cattle were fattened and the sheep were sheared at home instead. Then they were slaughtered, salted and barrelled for the slaves in the West Indian sugar plantations and for the navy.

Dairying, the intensive side of the livestock sector, became more competitive. So did tillage, the intensive side of farming in general. Arable required grass or root crop breaks, and so potatoes became important. Dairying, tillage and potatoes each required labour.

"During the century in which the Cattle Acts were in operation Irish agricultural production appears to have expanded at a far faster rate than it has done over any prolonged period subsequently," writes Raymond Crotty in his "pioneering"[1] *Irish Agricultural Production* (Cork 1966, p.9).

This upwelling of primary activity provided resources and market demand for secondary and tertiary activity, the cottage linen industry being the most important.

Agriculture is notorious for the fluctuation of its daily and seasonal demand for labour. Spinning and weaving were able to soak up the pools of labour in off-peak hours, and linen also required the growing of flax.

During the century, linen exports expanded to half the total value of Irish exports of £4m in 1800, multiplying eighty times in volume – "perhaps the most remarkable instance in Europe of an export-based advance in the eighteenth century".[2]

Perhaps those slowest to feel the benefit of this upsurge were the landowners. The turbulence of the 17th century and the alternative attraction of the New World had served to divert prospective English immigrants, and so the native population enjoyed a "tenants' market".

Also, the long leases granted by the

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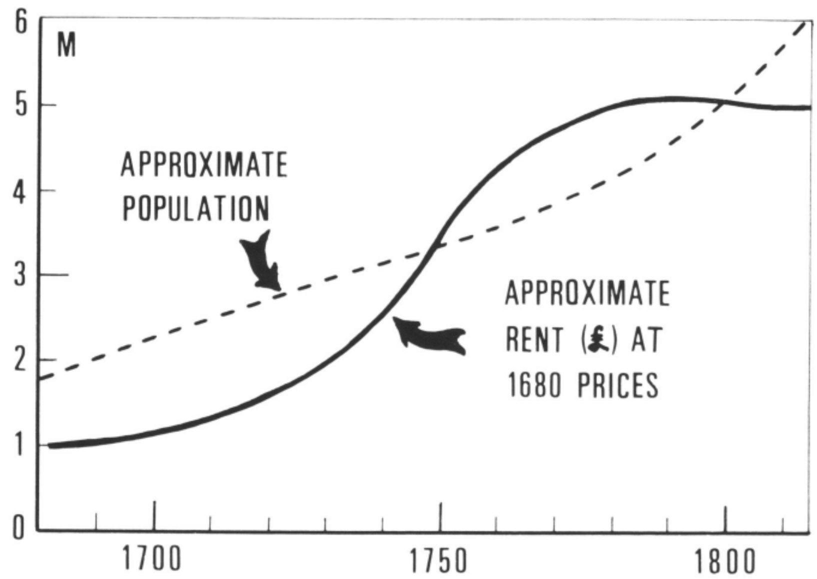
Investment landowners



● **LONG-TERM TRENDS IN THE AGRICULTURAL RENT AND TOTAL POPULATION OF IRELAND**

new owners made rent levels slow to respond to tenants' ability to pay. Real agricultural rent levels perhaps doubled in the 50 years from 1680, whereas they almost tripled in the next 50 years (see figure).

Even the tenants' ability to pay was not what it might have been. Over-optimum output meant that increased costs – in the form of capital and labour supplied within the economy – left a smaller surplus as potential rent.

The ideal situation from the landowners' point of view had been outlined by Sir William Petty. His plan was to turn Ireland into a vast sheep and cattle ranch housing 6m cattle and 300,000 people, the other 1.7m moving to higher wage areas.

Crotty noted almost 300 years later that the landowners had eventually had their way and that the land had indeed come to be dominated by 6m cattle, though the population had managed to rise by half.

Nevertheless, in the early 18th century the landowners could only cash in on the general prosperity by multiplying their tenants, allowing subdivision of farms among children, and encouraging new tenants to enclose waste land in return for potato plots and yarn put-out for weaving.

"Landlords were well-rewarded for a minimum of capital outlay," observes W. H. Crawford. But "the landlords did not supply the dynamics of the economy: that role belonged to the linen drapers and the merchants".[3]

He added: "The domestic linen industry provided labour for all the family and therefore a premium for larger families." This aided and abetted the landlords' quest for higher rents, and did so to the poorest reaches of the island. In County Mayo in 1790 a newspaper proclaimed that linen had become "the principle source of the wealth and independence of the country".

Access to land was available merely through paying the rent, and work was available so that labourers could do so. The need to acquire capital (in the form of livestock) no longer delayed marriage and reduced family size.

"A particular combination of institutional and economic conditions made it possible for the Irish proletariat to acquire land and build cabins on it and to reproduce itself at a rate for which there is scarcely any parallel in rural societies," concludes Crotty (p.56).

This population explosion was to convert a tenant's market in lettings into a landlord's market. By mid-century all land of value had been enclosed and the landowners' position was beginning to strengthen.

THE STORY of the eighteenth century was foreshadowed in the final decade of the previous century. The internal logic of the tenure system and external interference in the pattern of trade combined first to raise and then to depress the vigour of the economy.

Irish currency was artificially cheap during that decade, giving Irish woollen goods an advantage in the English market, and creating a threat of inflation at home. L. M. Cullen writes:

"Expecting a fall in the nominal value of coins in their possession, people became anxious to convert coin as quickly as it came into their possession into goods or land. The price of lands and rent, both low in the first half of the 1690s, was now rising very sharply ... Rising prices and rents meant a reduction in the large margin of competitive advantage that Irish exports enjoyed in 1696."

Exports peaked at £1m in 1698 but fell back by one-third in the next three years. The Woollen Act of 1699; revaluation of the currency in 1701; and a decade of European war from 1702 merely hammered nails in trade's coffin. "Tenants who had rented land at high rates in the 1690s suffered especially," notes Cullen. A currency-induced economic boom

chances the passed by

● Raymond Crotty

had produced a land cycle which served to undermine the boom.

The 18th century as a whole witnessed a land cycle (see figure) triggered by government policy. It was to follow the same inexorable course.

Normal market relations with the rest of the world were restored in the 1730s. Live cattle exports rose for the first time in fifty years, and wool and butter exports rose in the 1740s.

By the 1760s the incipient long-term shift of the better lands of the south and east to pasture was inspiring the first "agrarian outrages" by Whiteboys.

By 1780 all the acts prohibiting Irish trade had been repealed. England was no longer seeking markets for its farmers but food for its towns. At first this meant corn, and Ireland became a corn exporter from 1760 to 1815. But in the long term it meant meat, which was to seal the change over to pasture.

By the 1790s the Whiteboy resistance was becoming more organised. Radical changes, however, were to be delayed until after 1815 by the American war, the French wars, and the doubling of world prices from 1760.

The wars maintained the victualling trade and the demand for arable products. The secular price rise, Crotty has argued, "was particularly conducive to an expansion of tillage". Cereals "gave the highest gross output per acre; the windfall profits which rising prices would bring [inputs bought at today's prices; outputs sold at tomorrow's] would, therefore, be greatest on land under tillage".

Mounting population pressure diverted these windfall profits into land rents and maintained the share of rent in total income despite the increase in arable which would tend to lower it.

Long leases at fixed rents, however, meant that it did not all go to the official land-owning class. Tenants were able to sub-let at profitable rents.

Long leases, therefore, began to be converted to short leases as they fell in, which facilitated the conversion to pasture when prices dictated.

Later, nationalists argued that this reduced the security necessary for tenant investment and explained the low level of investment in agriculture.

But the timing was not right. Joel Mokyr has shown that even by 1845 two-thirds of the land was still held under long leases, whilst low investment had long been endemic.[4]

Mokyr has quantitatively analysed the available historical data to test various hypotheses on the causes of the poverty that made the Great Famine possible.

He concludes that the problem with the Irish economy was "reduced capital formation", and that the paucity of capital was one basic fact:

> Landlords, the only element in Irish society with some access to capital markets, were rarely interested in agricultural progress, and as a class probably invested little.

The incentive to invest lay with the tenants because of the long leases. The potential funds – the agricultural surplus represented by rents, and whatever loans were available – were in the hands of the landowners. But the landowners had a notoriously low "marginal propensity to save":

> Irish landlords, whether they lived in Ireland or not, adopted the lifestyles and English consumption patterns of English gentlemen … Contemporaries tended to think that the source of Irish troubles was that the absentee landlords spent income abroad. The real problem was that they spent their income at all, and that even those who saved some portion of it did not invest it in their (or anybody else's) estates. Not only did Irish landlords save little and invest even less: many of them actually saved negative amounts for decades prior to the Famine …

The colonial legacy exacerbated their behaviour:

> Far more than their English counterparts … they were alienated from their tenants, from the land, and from agriculture in all its technical and economic aspects. The root of the failure of the Irish landlords was a failure of entrepreneurship as well as one of savings behaviour.

The middlemen who sub-letted plots probably accounted for much of the entrepreneurial activity of the eighteenth century. But the rents they were able to siphon off from the increasingly competitive land market ensured that the tenants in general had little left over for land improvement after bare subsistence.

A Royal Commission (1835) reported that the impediments to drainage projects were "in some cases the absence of leases and in many more cases the want of capital in the tenant and of assistance and encouragement from the landlord". (Quoted by Mokyr, p.171).

Contemporaries blamed the poor state of agriculture on the lack of fertiliser. Whatever manure the poor could get went on the potato crop and no potatoes were left over for livestock to provide manure.

William Blacker, a respected author on agriculture, in his *Prize Essay on the Management of Landed Property in Ireland* (Dublin, 1834), proposed that tenants receive loans to permit them to survive a year while they grew crops to feed cattle – and that the obvious person to advance them was the landlord. He admitted, however, that the landlord may reasonably ask, "how can I be secured in the repayment of the sum…?"

Mixed farming based on rotations that included fodder crops was the basis of the Agricultural Revolution in Britain. It was particularly essential if pasture, arable and farm labour were to expand and co-exist in the Emerald Isle.

> Such a system required, however, considerable expenditure in deep field draining, and marling and liming to

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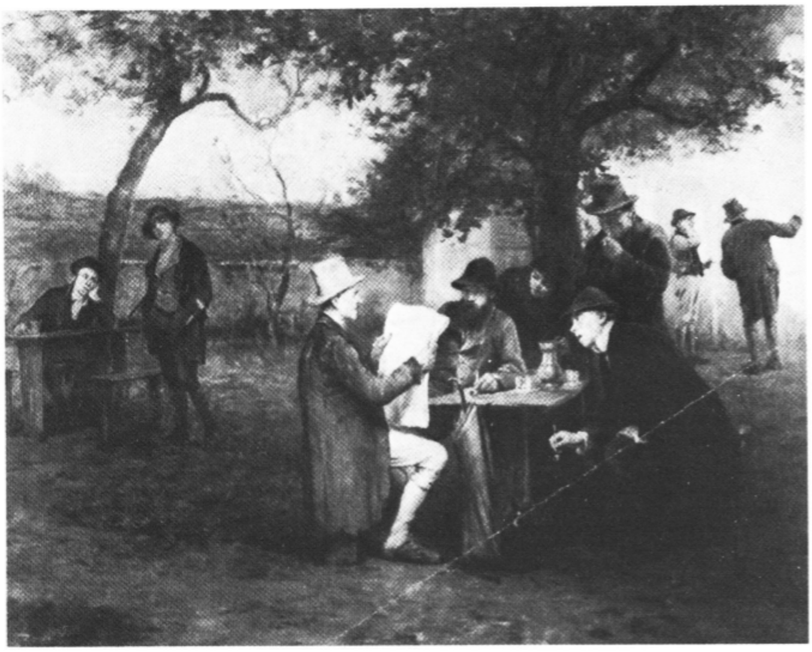
> reduce soil acidity. In addition some funds would be needed for the purchase of fertiliser, until the farm started to produce sufficient quantities itself... Ireland's inability to generate enough capital formation to make the transition to the new husbandry helped to perpetuate the rural conflicts; the latter fed back into the inhibition of the process of capital accumulation.

Cullen and Smout have observed that "No country has ever been transformed into a modern economy without a successful agricultural revolution preceding or coinciding with industrialisation: Ireland could not be an exception to that rule".[5]

In 1767, the first major industrial building in Ireland was erected at Slane. It was a five-storey, water-driven flour mill costing £20,000, and it outshone even English mills. Two of its three partners were landed gentry.

In the 1770s, however, milling felt the pinch of competition from large-scale plant in England. With breweries and glass houses, it began to concentrate in Dublin and the main towns.



● Proclamation of the Land League, 1881

Too much money laid out making new roads!

By the 1780s, the spinning of worsted in rural areas was also suffering competition. New cotton-spinning mills, however, were springing up, like the new sugar refineries, large-scale from the start.

In 1785, Pitt's Commercial Propositions for free trade with Ireland alarmed British industrialists who envisaged an influx of cheap Irish goods and an outflow of British capital and artisans.

"Mechanisation and more effective management might well make it possible for Ireland to capitalize the advantage it enjoyed in terms of the wage rates of unskilled labour," explains Cullen.

However, fifteen years later when the Act of Union put Pitt's aim into practice, those same industrialists were no longer worried. Capitalisation was reducing the role of wages, writes Cullen.

During the 1790s annual imports of cotton wool for the new cotton-spinning industry barely doubled, whereas in Scotland they increased sixteen-fold. The industry did not survive the next 25 years. Nor did wool-weaving. "There appears to have been one exception to the general slowness with which capital accumulated in Ireland: social overhead capital". That is, roads, canals, public buildings.

Thus Mokyr explains the paradox whereby Cullen is able to state that "Investment had been heavy in the late 18th century ... There was no shortage of the capital necessary to finance development ... Landowners provided much of the capital of turnpike trusts, canal companies, and other large-scale ventures."

Mokyr sets this achievement in context: "The main beneficiaries of the expensive road system were graziers and landlords ... and it seems likely that from the point of view of the entire economy ... some of the capital which was used to build these roads would have been more productive had it been applied elsewhere in the economy."

Another serious diversion of savings may also be traced to the land tenure system. The digest of the Devon Commission on land occupancy in Ireland in 1844 noted that "the tenant willingly expends any capital he may possess in obtaining possession of the land and thus leaves himself without the means of tilling it effectively afterwards."

Robert Kane, in an influential book *The Industrial Resources of Ireland* (Dublin, 1845), wrote that "If some money (profits) be made in trade in Ireland it is not so treated (reinvested), it is withdrawn from trade and stock is bought, or land is bought, yielding only a small return, but one with the advantage of not requiring intense exertion or intelligence, and free from serious risk."

Mokyr relates that, apart from government securities "The Guinnesses also owned large estates in Wexford and Wicklow, and there can hardly be any doubt that these and similar transactions reduced the rate of expansion of the entire industrial sector."

A further twist was that "in so far as they [savings] were used to buy out bankrupt landlords who had lived beyond their means in the past ... the negative savings of some landlords

BOTTLENECK REMOVED

LET US postulate that the indigenous Brehon principle that the land should be regarded "primarily as a source of sustenance for its inhabitants" (Crotty, p.63) had been preserved in Ireland.

Instead of treating land as spoils of war and inplanting a system whereby tenants were mere functionaries to raise rent for the landowners, a system of private *possession*, under which the land was used for the benefit of all, could have been created.

To the stimulus of rent-charging could have been added the effective distribution of the rent to the workforce, communal possession of the land's rent replacing communal possession of the land itself.

Precedent for such a system could have been found in the Danelaw of England and in the history of Denmark.[6]

The effect of the introduction of a full "land value tax" (LVT) type of tenure may be analysed by referring to Table 3 in my article in the last issue of *Land & Liberty*, part of which is reproduced right. For illustrative purposes a 100% LVT regime has been added, in which the whole of the proceeds – the rent – is distributed as an equal dividend to the workforce.

The LVT/Dividend regime raises the general wage level by two-thirds, and the average income rises as the role of the landowner disappears.

Income is automatically redistributed from the richer to the poorer region. At 5.8 wages, Property 1 enjoys a two-thirds increase in its total income at the expense of Property 2, which suffers a one-fifth drop (and the emigration of its landlord).

Though the figures used are hypthetical and exaggerated (annual rent may have been as low as 10% of national income, thus providing only an 11% improvement in the average wage), they clearly indicate the direction of change.

They represent a transfer of income to the worker, who had a high incentive to invest, and which therefore would have raised the average "marginal propensity to save". The bottleneck in capital accumulation created by the landlord would have been removed, and the economy released to grow.

Henry George, who advocated the land value tax solution for Ireland in *The Irish Land Question* (New York, 1881), put it like this:

> *Appropriate rent in this way, and ... all the taxes which now weigh upon production and rest upon the consumer could be abolished. The demand for labour would increase, wages would rise, every wheel of production would be set in motion.*

Looking back, Joel Mokyr is more limited in his view of the potential of land reform: "The only efficient solution would have been long-term leases expressed in real (as opposed to nominal) terms with symmetric escalator clauses [both up and down]." This is LVT without the income transfer. This would not have raised the level of savings, nor prevented them being swallowed up by the land capital market. The land cycle would have continued.

	Total Product (Income)	No. of Workers	Workers plus Landowner	Average Product	Rent Charged	General wage level	Income per Capita
Private Landowner Economy				(1÷2)		$(\frac{1-5}{2})$	(1÷3)
Property 1	21	6	6	3.5	0	3.5	3.5
Property 2	66	9	10	7.3	34.5	3.5	6.6
Total	87	15	16	5.8	34.5	3.5	5.44
Land Value Tax/Dividend Economy, Total	87	15	15	5.8	34.5	5.8	5.8

Effect of Tenure System on Production and Distribution, with Capital Fixed

offset the positive savings of the bourgeoisie."

Mokyr's conclusion is that "The wealth of rentiers did not find its way into investment projects that could have helped the economy to modernise. As far as economic development is concerned this capital is then irrelevant, it might as well not have existed."

AS WITH the cycle of the 1690s, the land cycle of the 18th century had done its work before the post-1815 price collapse administered the *coup de grace*.

Having triggered the exponential growth of the farm population and asphyxiated alternative employments, the land system now shifted into reverse gear and, by consolidating holdings for pasture, made much of the workforce redundant.

The inevitable Great Famine of 1845-51 literally killed off resistance to this change. Over a million died, and a million emigrated, and serious discontent with the arrangements for land was postponed for thirty years until the next economic crisis.

REFERENCES

1. Both Michael Winstanley's and Joel Mokyr's adjective. Mokyr adds "but controversial". L. M. Cullen calls it "highly controversial", but "useful".
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3. Crawford, W. H., *The Influence of the Landlord in Ulster*, in Cullen and Smout, op cit., p.200.
4. Mokyr, J., *Why Ireland Starved: 1800-1850*, Allen & Unwin, 1983, p.100.
5. Cullen, L. M. & Smouth, T. C., *Comparative Aspects of Scottish and Irish Economic and Social History, 1600-1900*, John Donald, 1977, p.10.
6. Starcke, Viggo., *Centuries of Experience with Land Taxation in Denmark*, in *1966 International Seminar*, ed. Woodruff, Brown and Lin, John C. Lincoln Inst., 1967.

BOTTOM OF THE HEAP

Sir, Ireland is doing worse than David Richards makes out in the Jan.-Feb. issue. He says her productivity per farm worker was 13% higher than Italy's in 1978. But his Table 5 shows Ireland with average farm productivity of 1,040, an increase to 1978 of 150%; while Italy had 756 and 198. Multiplying those figures out, Italy was within 1% of Ireland output per farmer by 1978 – and all but certain to move ahead by now.

That leaves Ireland at the very bottom of the heap in that regard.

Tertius Chandler,
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