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I.—*On the Valuation of Real Property for Taxation.* By  
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As the Valuation Bill for Ireland has not been brought forward this year, the subject is open for discussion by the Statistical Society.

In the reports accompanying the Returns of Local Taxation for 1869, 1870, 1871, Dr. Hancock has drawn attention at length to the difference in principle of the public valuations in England and Ireland. The Bill of 1877 is likely to be brought forward again, and therefore the present time seems suitable for examination of the principle upon which it is drawn, and which is almost the same as that of the previous Acts of 1836, 1846, and 1852.

Quoting from Dr. Hancock's Reports :—

“The principle on which valuation has been based in England and Wales, since 1827, has been the annual profit made out of lands and buildings. In Ireland the rule for valuing land is entirely different from the English rule. Instead of current letting value, a value in relation to certain fixed prices of several articles of agricultural produce is taken, in which the prices are fixed. The proportion in which the several prices are to be used is left to the valuator. The Irish rule for the valuation of buildings is on the current letting value principle of the English valuation.” \*

Thus in Ireland there are two different principles embodied in the Valuation Acts—one for the valuation of land, the other for the valuation of buildings; and the latter is the principle upon which the valuation of all property for taxation is made in England. In Ireland the great bulk of rateable property is in the form of land.

The first object of the public valuation is to provide a basis for taxation; it has also been much used as a standard for rent in Ireland. I propose to refer to it only as used for these two objects.

\* *Local Taxation Returns*, 1871, pp. 13, 14.

The first general principle of taxation laid down by Adam Smith, and assented to by all economists, is the maxim of equality.\*

“The subjects of every state ought to contribute to the support of the government as nearly as possible in proportion to their respective abilities, *i. e.*, in proportion to the revenue which they respectively enjoy under the protection of the state.”

That the present valuation is most uneven, is well known to every one engaged in the management of land. It is doubtful whether, alone, it is any guide whatever to the revenue that is or may be received out of land. Two of the largest and most experienced land agents in Ireland, Messrs. Vernon and Hussey, in their evidence to the Committee on the Irish Land Act this session, stated that they knew lands where double the valuation was a fair rent, while in other places the valuation only equalled a fair rent. Between these extremes in the case of agricultural land, infinitely various proportions between rent and valuation may be found, and the rent of land used for other purposes often far exceeds double the valuation. It is not uncommon to find adjoining estates let at rates differing very widely from each other when compared with the Government valuation. A taxation, then, levied upon the present valuation violates the maxim of equality.

One reason for this unevenness in the valuation arises from the fact of its not being periodically revised. The value of real property is not stationary; and will vary in different localities with the progress of improvements, increase of population and taxation, or the reverse. Under the present system, the value of house property is revised, but that of land has not been altered since the valuation made under the Act of 1852. This partly accounts for the unevenness of the valuation, which, however, is without doubt chiefly due to the unsound principle upon which the land was valued—*viz.* : fixing the value at what it was considered it ought to be, instead of taking the actual observed value. As an example: there is land in the neighbourhood of Dublin, forming demesnes of suburban residences, grounds of villas, gardens, and pleasure grounds, which is valued for rating at about £3 an acre, though the rent it might reasonably be expected to let for would be from £8 to £20. This throws a very unfair share of taxation on house property, especially on the smaller and less durable class of buildings which are least able to bear it.

This principle has the appearance of being an attempt to apply the theory of rent, commonly known as Ricardo's law, to the determination of the annual value for taxation. Ricardo's law has also been claimed as that according to which rent between landlord and tenant should be settled. In a speech at a public meeting, in February, 1877, Dr. Traill, F.T.C.D., a large landowner in the County of Antrim, said: “All economists are agreed in accepting Ricardo's theory of rent;” and he proceeded to explain that this economic rent was what the landlord was entitled to. Ricardo's law is thus stated by Mill:—

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\* *Principles of Political Economy*, J. S. Mill, Book v., chap. ii.

"The rent which any land will yield, is the excess of its produce beyond what would be returned to the same capital, if employed on the worst land in cultivation."

The principle involved in this law is the same as that in the Irish Valuation Acts—viz.: taking the productiveness of land as a guide to its annual value; notwithstanding the evident fact that land often has a commercial or accommodation value far in excess of its value as an instrument of production.

The language of economists on this subject is somewhat inconsistent; for in the same section as that already quoted, Mill says of land too poor to yield this economic rent:—

"Something would probably be obtained for the use of its natural pasture."

Moreover, economists are not all agreed upon this theory. Professor Thorold Rogers says:—

"As an explanation of rent itself, it is neither novel nor true. . . . No better illustration can be given of the utter futility of a deductive or *a priori* method than the Ricardian theory."\*

Professor Bonamy Price says:—

"The overwhelming importance assigned to the relative productiveness of the land is the capital mistake which I am compelled to lay to the charge of most political economists, in their exposition of the theory of rent."†

The principle laid down in the Valuation Acts of 1836, 1846, and 1852, with regard to land, is to fix the annual value with reference to a scale of prices of eight different kinds of produce.

These prices and those proposed for the Bill of last year are as follows:—

	Acts of 1836-1846.	Act of 1852.	Bill of 1877.
Wheat, per 112 lbs. . . . .	10/-	7/6	10/-
Oats, . . . . .	6/-	4/10	7/8
Barley, . . . . .	7/-	5/6	8/4
Flax, . . . . .	nil	40/-	60/-
Potatoes, . . . . .	1/7	nil	nil
Butter, . . . . .	69/-	65/4	121/4
Beef, . . . . .	33/-	35/6	70/-
Mutton, . . . . .	34/6	41/-	74/8
Pork, . . . . .	25/6	32/-	51/4

In order to attempt the application of this scale of prices, it would be necessary to know the amount of capital per acre employed, the rate of interest to be allowed on capital, and also the price of labour. Nothing, however, is said on these matters in the Act, and, in the words of Dr. Hancock, "the effect of the prices is left to the valuator."‡

\* Note to Adam Smith's *Wealth of Nations*, cap. xi., p. 153.

† *Practical Political Economy*, p. 340.

‡ *Report on Local Taxation*, 1869.

On this subject, the evidence of Judge Longfield (ex-Professor of Political Economy), to the Devon Commission, may be quoted. He said :—

“I consider it perfectly impossible to form an accurate opinion as to the proportion which rent ought to bear to the aggregate produce of a farm. . . . Political economists all agree upon this, that there is no fixed proportion between produce and rent. . . . I do not think that any man who ever lived, having all the data given to him, could with any certainty determine the proportion.”

To illustrate this difficulty, I take as an example an account given by Professor Baldwin of the produce and expenditure on a small farm, the rent of which is £11 9s. 3d.\* This farm is very favourably situated, and gives continuous employment to a man and a boy. Three cows are kept, and the gross value of the produce is £77. The payments for rent, seed, artificial manure, and food, and hired horse labour, amount to £32 3s. od., leaving £44 17s. od., or about 17s. 6d. a week, to pay taxes, labour, and interest on capital. If the wages be taken at 18s. per week for the man and boy (the current rate in this district), and interest of 5 per cent. be allowed on a working capital of £100, the rent must be reduced to £4 9s. 3d. to make the account balance. If 10 per cent. be allowed on £100 capital, or £200 be taken at 5 per cent. (no smaller sum would provide buildings and working capital), we come, on the productive principle of valuation, to that state of things which it is predicted will be evolved out of the demands of the farmers' clubs and tenants' defence associations—that instead of paying rent, the tenant should receive a salary for occupying the farm, which in this case would be 11s. 9d. to make both sides of the account even.

As to the relation of the details of farming to the theory of rent, Professor Bonamy Price says :—

“The relative importance to be assigned to fertility, the number of horses and labourers to be employed, the rate of agricultural wages, access to markets, manure, and coals, the burden of tithes and poor-rates, is utterly beyond the power of political economy to calculate, yet they are the very facts which determine the ultimate figures.” †

The rate of interest to be allowed on farming capital is a subject on which there is a wide difference of opinion.

In a recent 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.”

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 return of 10 per cent. could scarcely be expected. Thus a scale of prices, such as is

\* *Irish Farming*, p. 123.

† *Practical Political Economy*, p. 352.

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

given in the Valuation Act, is of but little use to the valuer, without instructions as to prices of labour and rate of interest on capital.

But even if with all these data the valuer were able to determine, contrary to Judge Longfield's opinion, the proportion between rent and produce, the result would not necessarily agree with the income really derived from land, nor be an even basis for taxation. Other causes besides fertility of the soil influence and determine the amount of rent. A general example given by Adam Smith is of frequent occurrence in Ireland. 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.”

Land is sometimes cultivated at a loss; it is rented at a price far above its productive value, for pleasure, convenience, advantage of situation, and many other reasons. The revenue which it yields annually is the proper subject for taxation, and not its value as an instrument of production alone, and therefore the English principle of current letting value is that according to which land would be most justly rated for taxation.

#### *The Government Valuation as a standard for Rent.*

In conversation, in estate management, in sales, in litigation, the Government valuation is continually referred to as a common standard and as a guide to the rent between landlord and tenant. This erroneous opinion has been noticed by Dr. Hancock, who says :—

“As the Irish valuation is used in the Land Act of 1870 as a scale for determining the class to which tenants belong, to be entitled to certain privileges, there is some risk of its being assumed to be a fair measure of rent.”\*

The last valuation has been assumed to be a guide to the fair rent between landlord and tenant; a new one will be viewed with alarm, lest it should be used as an engine for unduly raising rents. Already some of the farmers' clubs have suggested that it will be made at the public expense for the benefit of the landlords, and to the injury of the tenants. It has been proposed that tenants' improvements should be excluded from it; and unless it is thoroughly understood, and perhaps expressed in the Act, that the valuation for taxation is not a guide to the rent between landlord and tenant, a very strong opposition will be made to any new Valuation Bill on this ground.

Under no system would it be possible to exclude from the valuation the tenants' improvements. Whether the productiveness of the farm, or the rent at which it might reasonably be expected to let, be the standard, the public valuer must equally take the premises as they are. He could not act judicially between landlord and tenant, and he would be without those instructions which are given for his assistance in fixing a fair rent between landlord and tenant.

As an example of the method of fixing rent between landlord and

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\* *Report on Local Taxation, 1869.*

tenant, a question, reported in the newspapers, as asked by a chairman of quarter sessions, in a case where the rent was to be settled by him, may be quoted. He asked the valuer selected, "What is the present fair letting value, excluding all permanent improvements in buildings and fences, taking into account the quality of the soil, locality of the farms, rise in value of produce, increase in value of labour, means of communication with market, and such other circumstances as add to the value of the holdings, having regard to the interest of the tenant as well as the landlord, and fixing the amount at what is popularly understood as a 'live-and-let-live rent'?" In such a case, the value for taxation should exceed the landlord's rent, by the annual value of any improvements made by the tenant which added to the letting value of the farm.

In the valuation made under the Act of 1852, it is quite evident that improvements made by the tenants must have been included. The value arising from drainage, reclamation, subsoiling, or fencing done by the tenant, could not have been eliminated; and houses were to be valued at "the rent they would reasonably let for in the situation in which they are placed."\*

It is not at all uncommon for a tenant to spend on a small farm as much or more than that farm would sell for subject to his tenancy. But all expenditure does not add to the letting value. Little or no return is derived from an outlay in building large country houses in remote localities. *E. g.*—Three country houses in the south of Ireland, the costs of erection of which I have ascertained to have been £100,000, £20,000, £10,000, are valued under the Act of 1852 at £120, £66, and £80.

In the same way, houses are built on small farms which may add nothing to the letting value of the land. A farmer builds a house for his comfort, or from necessity, for he must have a house to live in, as much as clothes or food; but the house does not make the farm more productive, and the adjoining farmer would probably pay no more rent for the farm on account of it. To be recouped for his expenditure, the builder of the house must wait till he finds someone who wants a house, and in the case of a sale of tenant-right interest, the cost of the house will then be included in the price of the farm.

But whatever be the nature of the improvements made by the tenant, if they have added to the letting value of his holding, they are justly liable to taxation, and could not possibly be excluded from any public valuation, though they ought to be excluded in fixing the rent paid to the landlord.

It is not now the general custom in Ireland for the landlord to appropriate his tenants' improvements, by exacting an increased rent on account of them. Rents are determined partly by custom and partly by competition. A fair "live-and-let-live" rent, such as is sanctioned by custom on many estates, and which does not include the value of the tenants' improvements, would differ very widely from the rent that would be obtained for the land if put up to open competition. It is probable, however, that the tendency in fixing

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\* *Instructions to Valuers.*

rents is steadily against the tenant. On this point, Adam Smith says (*Book I, c. xi.*):—

“In adjusting the terms, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock, pay labour and other outgoings, together with ordinary profits on farming stock. . . . Improvements are not always made by the stock of landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent as if they had all been made by his own.”

The excessively high rents formerly paid in Ireland have been frequently commented upon, and yet it is a common argument that prices, having so largely increased since the early part of this century, therefore the annual value for taxation and rent should be increased in proportion. This involves the assumption that the rents at any date referred to were just, and, on the productive principle of valuation, that the increase in the rate of wages leaves room for an increase in the rent as well.

That excessively high rents were paid by Irish tenants, at any rate until the last few years, is well known—not unfrequently rents which were more than the whole value of the saleable produce of farms. Without referring to evidence given to committees of enquiry, or statements on the part of the tenant farmers, the opinion of Englishmen on this subject may be quoted. Wakefield, in 1810, says:—\*

“As landlords, they exact more of their tenants than the same class of men in any other country.”

John Wiggins,† an English agent for over thirty years in Ireland, wrote in 1844 :—

“The fact of too high rents arising from these and other causes, having long prevailed, especially in the province of Munster, is too notorious to admit of doubt, and the mischiefs arising out of this circumstance are manifold and grievous. . . . I am clearly of opinion that the rent of land in Munster, and in other provinces partially, is about or nearly double—perhaps 80 per cent. above that in England, in proportion to its saleable produce.”

In 1802, Robert Slade, Secretary to the Irish Society, travelled from Belfast to Derry. Speaking of the poverty-stricken appearance of whole families, he says:—‡

“The husband finds means by working at his loom to pay an extravagant price for four or five acres.”

Elsewhere :—

“By means of their looms they are enabled to pay a heavy rent. . . . The Irishman who cultivates the soil derives no protection by such a rule of conduct [letting to middlemen]. He could not be charged with ingratitude if he appeared to feel no obligation to his landlords in subjecting him to a rent far beyond what can possibly be derived from the produce of the soil, and which can only be paid out of the profits of his loom! The lessee of the Clothworker's proportion having been obliged to raise the rents of his tenants very considerably, in consequence of the large fine he paid, it produced an almost total emigration among them.”

\* *Account of Ireland*, vol. ii. p. 795.

† *Monster Misery of Ireland*, p. 47.

‡ *Slade's Journey in A Concise View of the Irish Society.*

A deputation of the Irish Society visited periodically the estates of the London companies in Derry. The following extracts are from the report of the deputation in 1841:—

“*Clothworkers*.—Tenants who did not hold leases were rack-rented, and paid the highest amount that could be obtained from them! *Skimmers*.—The tenants are depressed by heavy rents and small holdings. *Grocers*.—The agent appears to be more intent upon realizing a large income from the estate than ameliorating the condition of the tenantry. *Goldsmiths*.—The tenants are made to pay very high rents, and the cottiers live in perfect hovels. *Ironmongers*.—Tenants who have no leases are heavily rented.”

Yet in 1844 Sir R. Griffiths said:—

“I have to observe that our valuation is about twenty-five per cent.\* under the full rent value. In Aghanloo, County Derry, the valuation rarely differed so much as one shilling in the pound from the proprietor's rental. The same fact was observed respecting the rentals of the different London companies.”

This opinion has been so often repeated, that it has come to be commonly received, that the Government valuation was twenty-five per cent. below the fair rent of land. Whereas, from the reports of the Irish Society, it seems that the rents of the company's estates were exceedingly high, and it is probable that the valuation followed the rental to a great extent.

A foreigner's observations may be quoted as to the condition of the labouring classes and small farmers at this time. In 1835-'7 Gustave de Beaumont visited Ireland. He was a close observer, and describes in most vivid terms the excessive misery of the whole nation—the perpetual famine. He says that the condition of the Irishman was worse than that of the Indian of the forest or the slave in chains. He had neither the liberty of the one, nor the regular supply of food of the other. In one parish in Mayo, out of 11,761 inhabitants, he says 9,838 had no beds but straw and heather; 7,531 had no bedsteads, but lay on the ground. Of 206 persons in one village, 39 only had bedclothes—“*Les autres, durant la nuit, meurent de froid comme de faim.*” In 1810 the Knight of Kerry is reported to have said in the House of Commons, that “he thought the state of the Irish peasant not superior to that of the negro.”†

Reports of enquiries into the condition of the poor at this time are filled with harrowing descriptions of the state of the labouring classes and the small farmers. The Report and Evidence of the Devon Commission are to the same effect. An improvement therefore in the condition of these classes was desirable from a social point of view, rather than a rise of rent, and as the standard of living has risen, and the rate of wages has more than doubled, it is doubtful whether, economically, a general increase in the valuation can be expected on all classes of land, or the demands for higher rents be justified on the principle laid down in the Irish Valuation Acts.

\* This statement being made in 1844, must have had relation to the scale of prices in the Act of 1836; yet it is constantly referred to as if it applied to the existing tenement valuation of land and the different scale of prices in the Act of 1852. [Editor.]

† Wakefield's *Ireland*, p. 310.



The standard of living is still very low among the small farmers and labourers. Better houses, better food, better clothes, more education, are to be desired rather than increased rents—at any rate before them. Improved conditions of life will supply more vigorous labourers, with greater intelligence, and no doubt an increased production will result. But to assume that the increased prices of produce in all cases justify a rent increased in proportion, or to take the improved letting value, which should be the basis for taxation, as a guide to the fair rent between landlord and tenant, would be both unjust and impolitic, for it would check improvement, and lead to that hand-to-mouth farming which almost always accompanies rack rents, especially in Ireland.

It is difficult to imagine what facts can or could ever have been adduced in support of the Ricardian theory of rent. According to its inventor and his followers, it would not apply to Ireland, nor to continental Europe, for in the words of Mill :—

“Rent under peasant cultivation is not governed by these principles, but is either determined by custom, or if fixed by competition depends on the ratio of population to land ; and in the regime of peasant proprietors the distinction of rent, profits, and wages do not exist.”

The conditions of land tenure in America would also exclude the theory. Turning to England, where we have one of the required conditions, viz., capitalist farmers, the other conditions are wanting, because it is only “so far as rents are determined by competition that laws can be assigned to them.” Rents are not usually settled by competition in England. The good understanding that we are told exists between landlord and tenant rests largely on the fact that rents are low and are not competition rents. As the Duke of Argyll says :—

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

Notwithstanding, however, the absence of facts as a foundation, the Ricardian theory is still taught, and has been re-stated by Professor Jevons in the *Primer of Political Economy* recently published.

The conclusions that I ask this Society to endorse are :—

- (1) That the public valuation of land in Ireland is uneven, and violates one of the fundamental principles of taxation, not only because it has not been revised periodically, but because it has been made upon an unsound principle.
- (2) That it is desirable to adopt the English rule of valuation, on the ground of justice, as well as for the sake of uniformity.
- (3) That the public valuation is no guide to the fair rent between landlord and tenant, and that this should be expressly stated in any future Valuation Act.

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\* *Essay on the Commercial Principles applicable to Contracts for the Price of Land*, p. 45.