PAPERS ON TENANCY

Social Aspects of Tenancy

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The desire to own land is one of the strongest implanted in the human heart. All down through the ages there has been a tendency for men of wealth to acquire large landed estates and all through the ages the greater part of the unrest of the world has been due to the desire of the peasants to own the land they worked.

The Mexican and Russian revolutions derived their main strength from the land hunger of the peasantry. The Balkan states have taken a long step toward stabilization by buying up the big estates and parceling them out among the tenants. France has long been one of the most stable nations in the world, due largely to the fact that most of the land is owned by the peasant’s themselves. Even England, the stronghold of landed estates, is seeking a practical means of breaking up those estates.

"Yes," says the average American, But conditions are different in this country."

But are they?

We have in Illinois 50,000 acres of land owned by the Scully estate and operated by 400 tenants under a system that has brought revolution in many other countries. Here is a story that Lewis Nelson, one of the Scully tenants told the Illinois Legislature last April:

Nelson owned $7,500 worth of buildings on the Scully farm which he was renting. One boy was in France and the other was waiting for his call. Nelson’s own health was not good. So he decided to sell his improvements and quit farming. He found a neighbor and made the sale, receiving $500 down and a note for $7,000.

A short time after this one of the younger Sculllys came to the farm on a trip of inspection. He objected because Nelson had only four acres of clover where the lease called for 20. Nelson patiently explained that he had sown the required acreage but had failed to get a stand, and had put the ground into another crop on the recommendation of the local Scully agent.

"It doesn’t make any difference," said Scully arrogantly. "We are going to enforce the lease. You are fined $30."

"Scully talked with such an English accent that I could hardly understand him," Nelson said, "I objected to his arbitrary statement that he was going to fine me for something I couldn’t help and for following the agent’s instructions, and in the argument, no doubt, said some things that I shouldn’t have said.

"Move your buildings into the road!"

"Scully pointed his finger at me and said, 'You can move your buildings off the place. Tear them down and take them out into the road. We will refuse to rent the place to the man who bought your buildings, and declare the sale void."

"Those buildings were about all I had to show for a lifetime of hard work. I went to see a lawyer, and he told me all I could do
was to go to Scully and apologize. I did so, but Scully wouldn’t even look at me. Fox (one of the Scully agents) told me that I was asking a thousand dollars too much for my buildings. ‘We will give you $7,500 for them or you can move them out on the road,’ he said.

‘He finally agreed to let me sell them for $7,000. He tore up the note that my neighbor had given me, and had him give me one for $500 less. Then he said to my neighbor, ‘If I ever catch you paying Nelson that $500 I will throw you off the place.’"

This did not happen in Russia or in Mexico or in Germany, but in free America—in Illinois. The story was told publicly on the floor of the House of Representatives and is part of the official records of the state of Illinois. Members of the legislature listened spellbound to the amazing recital. The Scully agents did not deny a word of Nelson’s testimony. Later one of them admitted to me privately that it was all true.

Here was a free American citizen selling property that he had bought and paid for to another American citizen at a price mutually agreed upon. Then a third party, a resident of London, England, declared the agreement void, made a threat that meant practical confiscation of the entire property, and finally forced a sale at $500 less than the agreed price. Talk of bolshevism! A bolshevist might have taken more than $500 while he was at it, perhaps, but the principle would have been the same.

The Scully estate is an extreme example of the evils of non-resident land ownership, but it is by no means the only one, and it indicates the direction in which we are drifting.

Every census shows a higher percentage of tenancy in America. The 1920 census will show that almost half the farms in Illinois are operated by tenants. Something must be done to check this increase; to turn the tide in the other direction.

The man who lives on the land and works it must own it, or be working it under conditions that will lead to ownership within a few years, if he proves to be a successful farmer. In no other way can we establish a permanent, prosperous agriculture that will be capable of feeding our increasing population. The problem of land ownership and tenancy is not only our greatest agricultural problem, but one of our greatest national problems. It must be solved quickly if our people are to be sure of getting enough to eat.

Our present tenant system is leading rapidly to disaster. In Livingston county, Illinois, for instance, 20 per cent of the farm land is owned by persons living along the Atlantic seaboard. They never see their land and have no interest in it except as a source of income. They do not buy fertilizers; they do not give the tenant the sort of a lease that would justify him in buying fertilizers or in plowing under clover. The land is declining in fertility rapidly, and no steps are being taken to check that decline. As the land grows poorer, the farmers who work it will grow less efficient, for it will no longer yield a sufficient income to attract the best farmers.

The result of absentee landlordism will be the ruin of the most
productive land in the world; will people it with a class of farmers who are willing to work for a bare living. The whole nation will pay the penalty by going hungry.

The evils of our tenant system are by no means confined to the absentee landlords. A considerable number of the local landlords are little better.

**Higher Land Prices.**

Land values have increased tremendously during the past year, making it still harder for the young farmer to buy land. Every great increase in land prices brings with it harder tenancy conditions and an increase in non-resident ownership. In the vicinity of West Liberty, Iowa, out of 35 farms sold during the first half of this year, 15 passed from the hands of actual farmers into the hands of non-resident owners.

**What is the Remedy.**

Only a radical remedy will meet our present situation. The remedy I have proposed is radical, but only in the same way that every departure from our established way of doing things is radical. That remedy is as follows:

1. The amount of land which can be owned by any person who does not actually live on and operate it should be strictly limited, either by direct legislation or by progressive taxation.

2. The ownership of land by non-residents should be prohibited entirely.

3. The federal farm loan law should be amended to enable any farmer to borrow up to at least 80 per cent of 160 acres of cultivated land. If this cannot be done, the same result should be obtained through state farm loan laws.

Let us consider these points in detail.

1. Is there any logical reason why a banker or a business man should own a farm that he never intends to operate himself? By doing so he is preventing some ambitious young farmer from owning it. He is consigning some farmer to a life of tenancy, a life much less desirable than a life of land ownership.

This is much more than a matter of personal business between the land owner and the tenant. It vitally concerns us all, for our life and the lives of our children depend upon having our farm lands properly handled. The ambitious, efficient young farmer who would like to own this farm does not rent it, as a rule. He ceases to be a farmer and goes into some other business. Some less ambitious and less efficient man, who is willing to remain a tenant all his life, takes the farm. He does not handle the farm as well as it would be handled by a man who owned it.

The farm does not produce as much food in the hands of a tenant as it would in the hands of an owner. More important still, it grows proper in the hands of the tenant where it would grow better in the hands of the owner. Because tenancy is much less desirable than ownership, the entire tone of country life is lowered where the
percentage of tenants is large. Schools and churches do not flourish in a community of tenants as they do in a community of owners.

In order to gratify some business man’s desire to be a land owner, in order to provide his a safe investment for his money, we allow the evils of tenancy to be saddled upon us in increasing degree. With the consequences of such a policy fully in mind, I do not believe that any honest man can say that there would be anything unjust in a law limiting the amount of land that can be owned by any person not actually living upon and operating such land.

**The Evils of Absentee Ownership.**

2. Why should the Scully estate be permitted to own land in Central Illinois, collecting $10 a year rent from land that cost an average of $5 an acre? The Scully estate is not doing anything to build up either the land or the community life of Central Illinois. By holding great tracts of land that are not for sale, that can not be bought at any price, it is depriving many farmers of the opportunity to own their farms, and is thereby a drag upon the progress of Central Illinois agriculture.

From the standpoint of the nation, our only interest in that Central Illinois land is that it produces the largest possible crops on a permanent basis, and that conditions of living upon it shall be such as to produce the best possible crop of American citizens.

Since the Scully estate interferes with these objects, why not compel it to sell the land? The owners of this estate have no sacred, vested rights in it that would oblige us to let them continue to hold it when it would be much better for everyone else for it to be owned by the men working it.

We have used the Scully estate only as an example. What we have said about it applies with almost equal emphasis to every other non-resident landlord.

**Financing the Young Farmer.**

3. There will be no object in restricting land ownership largely to people who work the land, unless we provide a means whereby these people can buy this land and pay for it. The federal farm loan system, properly amended or supplemented, will do this.

At present this system has two points of weakness. The amount of money that can be loaned to one individual $(10,000)$ is too small, and the percentage (50%) of the appraisal of the farm that can be loaned is much too low.

The first point can be remedied by a simple amendment to the law increasing the loan limit to $25,000, or, better still, to $50,000. Perhaps not more than 50 per cent of the appraised value of the farm can be loaned on a first mortgage, however, without increasing the interest rate. The remedy would be the use of second mortgages, covering an additional 30 to 40 per cent of the appraised value. With careful appraisal, and proper consideration of the character of the person to whom the loan is made, at least 80 per cent of the appraised value of the land could safely be loaned on first and second mortgages.
A simple amendment to the federal farm loan law would permit the banks to loan on second mortgages and issue second mortgage bonds, which would be entirely distinct from the first mortgage bonds, and would necessarily bear a higher rate of interest—probably 6 or 6 1/2 per cent.

The experience of Europe with farm loan systems similar to ours, with the amendments proposed, has been that they are most effective in reducing tenancy. Farm loan bonds are a better investment than land for the retired farmer, the banker or the business man. The natural tendency under this system is for the older farmers to surrender their land to the next generation, putting their money into farm loan bonds and giving the young farmers the incentive which goes with land ownership.

One objection that has been made to any plan that will make it easier for the young farmer to buy a farm is that it will increase competition for land and send prices up. This difficulty will be largely avoided by limiting the competition for land to the men who are actually going to work it. Such men will not run the price up to a figure that is out of reason.

In closing I want to read a few paragraphs from one of the latest speeches of Theodore Roosevelt:

“The foundation of our permanent civilization rests on the farmer; and by farmer I mean not the man who owns land which others till, but the man who himself tills or helps till the ground, part of which as least he himself owns. A cardinal feature of our national policy should be the insuring of his rights to this man; and this not only for his sake, but for the sake of all of us.

“Normally, in farming regions, where the land is agricultural land, tenancy should be recognized only as a transitional and temporary phase, and normally the working farmer should himself be the landowner and legislation to secure this should at once be enacted.

“In different sections of the country there are different needs, and, therefore, different methods of meeting the needs will be necessary; nor do I intend to define them; for the remedies may be cumulative, and may in some sections include progressive taxation of land holdings in excess of a quarter section or at most a half section, the rights of tenants to compensation for all improvements or indeed a certain property right to the land itself, and real, not nominal, provision by the government for loaning money to those who need it in order to buy themselves a freehold.”