

# BRING BACK THE GOOD OLD DAYS?

by Frank J. Parker, CRE

*NOTE: Material in the article was drawn from Gustavas Myers, The History of the Great American Fortunes, Modern Library—Random House, New York, 1907 and 1937 and from the author's class notes.*

During the autumn of 1992, the then sitting governor of Arkansas was able to convince 43% of the voting American public that the previous 12 years under the Republican stewardship had been saturated with greed and pilfering. What this nation needed was a return to the more ethical days of the past. For real estate, it would be hard to prove this statement. In fact, savings and loan crises, the Keating Five and even Whitewater, notwithstanding, it can be documented that in earlier times ethics in real estate were less existent than in present day.

Generation after generation of American school children have learned about the Pilgrim's arrival, the Revolutionary War, the Louisiana Purchase and the country's westward expansion to the Pacific Ocean. However, often the reality of these events has been obscured, if not completely misrepresented. Certainly this is true regarding the accumulation of wealth in real estate by the great American fortunes of Astor, Field and others. The society scions and business capitalists carrying these names today, often had ancestors who were considered by many to be ruthless and unforgiving. Ethics in real estate, indeed!

## 17th And 18th Century Real Estate Seizures

To hear Thomas Jefferson tell the story, America always was the land of opportunity and equality for all. Witness this famous passage from his first presidential inaugural address:

Equal and exact justice to all men, of whatever state or persuasion, religious or political; peace, commerce and honest friendship with all nations—entangling alliances with none; the support of the state governments in all their rights as the most competent administrations for our domestic concerns, and the surest bulwarks against anti-republican tendencies; the preservation of the general government in its whole constitutional vigor, as the sheet anchor of our peace at home and safety abroad; . . . freedom of religion; freedom of the press; freedom of person under the protection of the habeas corpus; and trial by juries impartially selected—these principles from the bright constellation which has gone before us, and guided our steps through an age of revolution and reformation.

If as Jefferson did, you were fortunate enough to be born into the landed aristocracy, life held all the promise that he outlined. Otherwise, rhetoric often outstripped reality. Such a trend clearly existed

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from the earliest days of this country, even before the pilgrims landed at Plymouth Rock.

#### *Land Acquisition Virginia*

In Virginia, the London Company, profiting from generous grants of land from a pliant king and Parliament, established a virtual monopoly over soil suitable for the production of tobacco. The workers for this enterprise were indentured servants, purchased in England and sold to the highest bidder in Virginia. Even before 1620, land in this colony was separated between those who could and could not afford to own it. When this source of labor proved to be inadequate, the English court system sentenced many convicts to labor on the tobacco plantations. Still the demand exceeded the supply and, in 1619, the first slave ships arrived from Guinea in west Africa. Slavery had begun and the chasm between those who owned land and those who lived on it already reached a polarity extending from extreme wealth to extreme poverty and suffering. Other southern colonies carried out similar practices. After the London Company was disbanded in 1620, individual landed proprietors extended their holdings by negotiation with King and Parliament.

#### *New England, New Netherlands (New York)*

Similar patterns of land acquisition were found in New England and New Netherlands and later in New York. Farther north there was less need for an intensive supply of labor to produce crops usable in international commerce. Nevertheless, as in the south, the evolution evolved quickly from all powerful trading companies, e.g., the Plymouth Company and the Dutch West India Company, to its extension in the hands of former land owners under the trading companies. Now the land owners were free to bribe local government officials to extend their holdings, sometimes to an astonishing degree. Witness that in 1635, when the directors of the Plymouth Company assigned the land it owned to themselves, one man by lot received title to all of what is now the state of New Hampshire.

#### *Maine*

A similar saga died stillborn in Maine. What is now the state of Maine was ceded by Queen Elizabeth I to Sir Fernando Gorges, a character of questionable integrity. Ownership of Maine evolved through his family to his grandson who, eventually, in 1677 sold the land to a Boston merchant, John Usher, for 1250£. Usher deeded his entire holding to the governor and colony of Massachusetts, where it remained until Maine became an independent state of its own in 1820.

#### *New Netherlands*

This pattern of land distribution also developed in New Netherlands, later to be named New York. Under Dutch sponsorship of its West Indian

Trading Company, land in plentiful quantities was distributed to patrons who established a colony of 48 or more adults within six years. Feudal rights of succession were granted in perpetuity to the heirs and assignees of these patrons. Everyone else on the property was to be left in tenant status. Once established on their landed estate, almost to a man, these newly enriched patrons moved immediately and ruthlessly to swindle the local Indian tribes out of their adjacent holdings. According to historians, duffel bags, knives, axes and wampum, or, in other words, nothing of value, were exchanged for legally binding grants of land many square miles in duration.

After the Dutch were supplanted by the English in New Netherlands, the newly established colony of New York took a leaf from the book of the neighboring colony of Massachusetts (sometimes they had the same governor). Landed estates of great size were freely granted by Dutch merchants to aggressive small land holders or in some cases to domestic based land agents (some of whom never visited these shores).

The granting of tracts of land was left in the hands of local governors of colonies, some of whom were spectacularly corrupt. These men often were aided in their nefarious activities by other local landholders who sat on provincial assemblies and parliaments. Often these men could have their judgments swayed if a gratuity was offered. In this manner, rules were established for auctioning off large holdings of land to the highest bidder under conditions established in advance to exclude from bidding most of those who had not made the proper financial arrangements with the local lawmakers.

It should be kept in mind that this free style distribution of land to the corrupt and privileged was occurring at a time when farm laborers worked 16 hours a day for \$.40 of pay. Equal hours were toiled by carpenters for \$.52 of pay, a blacksmith for \$.70 and a shoemaker for \$.73. The difficulty for these people to accumulate sufficient funds to purchase land holdings can be imagined. By the end of colonial times, a wide chasm already had emerged between holders of land and those who paid rent to live on the land of others.

#### **The Momentum Of Fortune Making**

The advent of the American Revolution established the first major crack in the methods of land distribution in the soon to be established United States of America. The landless soldiers who fought and died in the Revolutionary War were not inclined to remain satisfied with seeing the riches of the nation's real property in the hands of the privileged few. In addition, there was a perception on the part of the average soldier that it was the newly

emerging merchant class in the colonies that saw economic advantage in breaking free from English regulation, rather than the original land owners who were promoting this revolution. Why die yourself, just so some tea merchant could buy more land?

In the wake of the rebellion's successful outcome in the colonies, the populist moved to break up the landed estates of colonial times gathered momentum. The movement was encouraged by westward expansion, such as the Louisiana Purchase, the opening of the northwest territories, and later by the relentless expansion west and south to the Pacific Ocean and the plains of the southwest, including the state of Texas. Those who remained along the eastern sea coast, nevertheless became less accepting of tenant status. An unexpected ally in their discontent was found in the rapidly expanding merchant class which also resented the enormous holdings of the early landed eastern gentry. As any of the gentry families weakened financially, the merchant class came forth to buy the available land. As the 19th century rolled forward, a new hybrid developed—the immigrant tenant who soon graduated to the entrepreneurial merchant class. From this grouping came the founders of many great American land fortunes.

#### *John Jacob Astor*

Among the first and most successful of the immigrant tenant, turned successful merchant, turned vast landholder, was John Jacob Astor. Born in Waldorf, Germany in 1763, the son of a butcher, he came to New York at the age of 20, first serving as a baker's apprentice. Within three years he had allocated enough money to start his own fur trading business, and he also became an importer. On the return trips from Europe to America, his ships would carry British and European goods to resell at huge profits. Finally, he married a rich, well connected woman from an early New York Dutch family. No stopping Astor now.

Astor was not content to restrict his fur purchasing to the eastern portion of the United States. In fact, his company's efforts, and others like it, were so extensive that before the War of 1812 fur trapping in the east was in sharp decline. The American Fur Company, of which Astor was the sole owner, took up huge positions in the Rocky Mountains, in the southwest, along the Missouri River and by the Great Lakes.

Over the years, Astor built enormous holdings of land in Wisconsin, Missouri, Iowa and Upper New York. However, it was in New York City where he made most of his purchases. He specialized in buying underwater land from the city at extremely low prices, helped usually by bribes to willing city officials. Astor then insisted that the city of New

York, at its expense, fill in the land, creating a valuable entity. Having built momentum, Astor then switched his concentration to banking activities. In the wake of the Financial Crisis of 1837, when over 800 banks failed, Astor stepped in, especially in New York City, bought up mortgages at less than their face value, enforced their terms with great rigor, and when default occurred, bought the land at the lowest prices. This was when immigration into New York City reached impressive dimensions. Demand for housing far exceeded supply. There was Astor holding acre after acre of raw city land. On some he built tenements with himself as lessor—landlord. At times he leased the land to others who contracted to build the property at their own expense, pay all the utilities and taxes and turn over to Astor five to six percent of the land's value. Topping all, these ground leases would expire after 21 years, at which time full title would revert to Astor.

#### *Marshall Field*

By the end of the 19th century, Marshall Field was estimated to own \$30 million of land in Chicago, \$48 million in New York City and millions of dollars elsewhere. In 1835, Field was born in Conway, Massachusetts. He later moved to Chicago and started his fortune by selling dry goods to northern troops during the Civil War. From the start, Field was devoted to purchasing property in downtown Chicago. As his wholesale and retail dry goods business prospered, all excess profits were devoted to purchasing block after block of available space in the city.

Field also held significant positions in most major railroads and in a large number of industrial corporations. It has long been forgotten by most that George Pullman, of the famous railroad sleeping car company, was little more than a figurehead for Marshall Field who was the major owner. At Field's direction, the Pullman Company purchased 500 acres of land near Chicago: 300 acres were for the factory and 200 acres were for a model town. In reality however, living conditions were terrible. After his death, the estate of Marshall Field settled with the city of Chicago for close to \$2 million in unpaid back tax assessments. The Field estate was estimated conservatively at \$150 million.

#### **In Retrospect**

Throughout the history of this country there have been many real estate owners who were totally honorable and practitioners of high ethical quality. It must be said however, that they never accumulated the enormous wealth of those less ethical, e.g., Astor and Field. One point clearly is true. Even if real estate ethics are not as they should be today, they are a great deal better than they used to be. Don't bring back the good old days.