

# *Business History Review*

S U M M E R 1 9 8 9



**REAL ESTATE IN BUSINESS HISTORY**



Cover: Baltimore after the Fire

*The cover panorama, which shows only a part of the burnt district, graphically illustrates the extent of the destruction wrought by Baltimore's 1904 fire. (Baltimore News-Post photograph, reproduced from Maryland Historical Society, Baltimore . . . A Picture History: 1858–1958 [New York, 1957], 98–99.) For an article analyzing the role of business leaders in the political struggles over the urban redevelopment that the fire precipitated, see pp. 283–328.*

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*Ronald A. Shearer* is professor of economics at the University of British Columbia. He is the coauthor of *The Economics of the Canadian Financial System* (1984). At present he is embarked on a research project with Donald G. Paterson on the macroeconomic stability of Canada in the mid-nineteenth century.

*Patricia Burgess Stach*, who is assistant professor in the Institute of Urban Studies at the University of Texas, Arlington, completed an interdisciplinary doctorate in history and city and regional planning at the Ohio State University. Her primary research has focused on the historical development and application of land use controls and their relationship to urban spatial and social structure; she is now exploring land use controls as an aspect of the history of regulation and in their relationship to city planning. Her review essay "Preparing for the Urban Future: The Theory and Practice of City Planning" is forthcoming in the *Journal of Urban History*.

*Marc A. Weiss* is on the faculty of the Graduate School of Architecture, Planning, and Preservation and director of research of the Real Estate Development Program at Columbia University. He is the author of *The Rise of the Community Builders: The American Real Estate Industry and Urban Land Planning* (1987). He is now writing *Own Your Own Home*, a book about the history and political economy of housing policy and homeownership in the United States.



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## Business History of Real Estate\*

**B**usiness history continually widens its focus to new areas of research. An emphasis on corporate biography and the primacy of the manufacturing sector may remain at the core of modern work, but other areas such as service industries, international business structures, comparative studies, business-government relations, and environmental and ecological issues now also receive sustained attention. At the same time, related specialist fields are moving out of antiquarianism and parochialism and linking up with broader business historical concerns. Thus, for example, the history of accountancy, once confined to the chronicling of professional genealogies, has been stimulated by a growing awareness of the importance of management information systems in business strategy, and developments in accounting are now being integrated into dynamic interpretations of business history. The history of real estate is another “specialism” that proves on closer inspection to have broad implications and exciting possibilities for business historians.

This special issue provides an overview and four articles that touch on some important themes of the subject. Marc Weiss provides an extensive review of the field of real estate history from the perspective of business history. The vastness of the field and the multiplicity of themes are at once striking, but some subjects are particularly prominent. First, as Weiss notes, public-private interaction is a pervasive theme, whether in direct forms such as conflicts over planning and city regulation or in the complex implications of changing laws and taxation policies. Second, the process of city growth is not just a demographic process but involves crucial entrepreneurial choices and strategies of promotion and investment, and these processes in turn have profound consequences for the ethnic and social structuring of cities. Third, the financial institutions that have evolved to serve the needs of residential and commercial real estate have also become some of the key financial institutions of the national economy with the widest ramifications in the fields of insurance, brokerage, and institutional investment.

These issues feature prominently in the articles in this issue, notably business-government relations (Rosen and Stach), the process of city building (Friedricks and Stach), and the role of financial institutions

\*Special thanks are due to Marc Weiss for his contribution as an editorial advisor on this issue.

(Paterson and Shearer). In all of these fields (and in those of the history of the construction industry, the design of cities, the role of trade unions, and the macroeconomic history of business and building cycles, which are not centrally addressed in this issue), Weiss notes, much groundwork has been laid and the stage is set for the more synthetic and conceptually ambitious work that is now emerging. As yet urban, demographic, political, and social histories have dominated the study of land, cities, and housing; but business history adds a new and often essential dimension to our understanding.

Christine Rosen examines the role of business in the interrelated spheres of city reconstruction and municipal reform after the great fire in Baltimore in 1904. Rosen stresses that the environmental crises of many late nineteenth century cities had not only physical but also political causes, and when traumas such as fires and floods cut swaths through cities, they also opened up possibilities for rebuilding city decision-making and rearranging coalitions of entrenched urban interests. In this context, she challenges an established view that municipal reform in this period reflected a triumph of conservative, and particularly business, elites at the expense of the working class and blocked Progressive social reforms. By closely analyzing the role of business in city building she shows that antidemocratic and elite politics could be combined with socially progressive environmental improvement. The structural reform of local government was indeed undemocratic and slashed away at pre-existing participatory mechanisms (though the progressiveness of old-style machine politics should not be exaggerated); but such reform also laid the basis for remarkable successes by city improvers and environmental reformers that were not simply self-serving changes in the interests of business but had strong social externalities and relatively redistributive effects.

There have been many other ways in which private entrepreneurs have decisively shaped city growth. William Friedrichs's study of Henry Huntington in the Los Angeles area describes a classic example of "metropolitan entrepreneurship." Huntington was able to use his considerable financial power to underwrite a remarkably integrated and coordinated strategy, based on the three legs of residential development, interurban transport, and light and power utilities. He built rail and trolley lines ahead of demand, stimulating real estate values, construction, and a demand for utilities that his own businesses then supplied. In effect he operated as a powerful private city planner to develop a grand design on a large scale. As a result, the city of Los Angeles grew precociously, based on residential use and services even

before the coming of industry, and the characteristic layout of the city owed much to this distinctive development path.

Patricia Stach examines another aspect of the role of developers in the social and residential structuring of cities. Developers often sought to mold communities through the use of legal restrictions on land use. At times this flowed from quasi-visionary attempts to create ideal communities such as Stewart Hartshorn's Short Hills, New Jersey, or Jesse Clyde Nichols's Country Club District in Kansas City; sometimes it owed more to pure profit maximization, since residents might pay a premium for socially or ethnically segregated communities. It might proceed by purely private and legal means or it might link up with or shape public policy, in the form of zoning and city planning. Stach examines these contentious issues through a case study of the Linden area of Columbus, Ohio, where the strategy of deed restriction was extensively pursued but eventually broke down under the influence of legal and public policy changes and shifting residential demands and economic pressures.

The institutions of real estate finance have grown to be of enormous significance in the national economy, yet specific studies of their origins and development are still rare. Donald Paterson and Ronald Shearer examine an experiment in terminating building societies in mid-nineteenth century Canada. By unraveling the financial history of these precursors of modern mortgage systems, they illustrate the immense difficulties in devising suitable financial intermediaries in this field, in particular the problems of balancing the functions of home-buying and investor institutions with the often divergent needs and problems of long-term individual investment and savings.

This special issue of the *Business History Review* brings together some of the best recent work in the field in the hope that putting real estate history under the spotlight will stimulate further new work and thinking on this important subject.

—S.T.