

# From Public to Private Domain in a Blink of an Eye

## A Primer on the Role of Land Speculation in the Expansion of the United States West of the Mississippi River

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### INTRODUCTION

Discovery by European explorers of the vast and thinly-populated western hemisphere set into motion a migration of groups from the Old World that eventually overwhelmed others who for tens of thousands of years slowly created their own distinct civilizations. The fate of the First Americans was sealed, their displacement (and in some cases annihilation) secured as soon as they became dependent upon the weapons and other goods introduced by Spanish, French, English and other European traders. Slowly, but steadily, what was traded for or simply taken by force from those First Americans was the land and the resources the land contained.

An endless series of wars, followed by peace treaties that removed tribes of First Americans from territory accessible -- at the moment but also in the somewhat distant future -- to Europeans, opened vast expanses of land for settlement and the establishment of town after town after town. The European-American migration westward from the Atlantic coast and tidal regions exploded following independence from Britain and the end to the war. As Thomas Jefferson assessed the prospects for his new nation, he felt assured of a long and prosperous future. To John Jay, he wrote:

*"We have now lands enough to employ an infinite number of people in their cultivation. Cultivators of the earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country, and wedded to its liberty and interests, by the most lasting bonds. As long, therefore, as they can find employment in this line, I would not convert them into mariners, artisans, or anything else. But our citizens will find employment in this line, till their numbers, and of course their productions, become too great for the demand, both internal and foreign. This is not the case as yet, and probably will not be for a considerable time. As soon as it is, the surplus of hands must be turned to something else."*[1]

Looking back over the 19th century, the historian Frederick Jackson Turner agreed with Jefferson, declaring that the "most significant thing about the American frontier is, that it lies at the hither edge of free land." [2] Remarkably, considering the difficulties of wilderness life, successive stages of migration rapidly turned the frontier into a network of farming communities and growing cities. Absent formal institutions of government, settlers relied on their own collective sense of justice to resolve conflicts over who held the rights to land and, later on, water and mineral deposits. However, as newly-populated regions created their own territorial governments and eventually voted for statehood, the courts were inundated

with conflicting land title claims. More often than not, graft and corruption played a decisive role in how these conflicts were resolved.

One crucial factor to remember is that while the original thirteen states came together to form the Union, each subsequent state was carved out of the federally-held territory. To a national government hard-pressed to raise revenue, selling territory to citizens or investors was far more politically attractive than imposing taxes on an armed population resistant to all but nominal governmental powers. Thomas Jefferson's vision of a nation of freeholders living off the land ran up against both practical considerations and the broad acceptance of land speculation as the surest means of expanding modest wealth into a personal fortune. In his classic study of colonial social structure, Jackson Turner Main observed, for example, that in the southern colonies, "a very small number of wealthy men - many of them absentees - held as much as 70 percent of the real property."<sup>[3]</sup> Many of Jefferson's contemporaries already had long experience as land speculators. As evidence for just how common this was, Charles Beard identified fourteen delegates to the Constitutional Convention as having "invested in land for speculation."<sup>[4]</sup>

Speculation in land continued even as victory in the war for independence from Britain was far from a foregone conclusion. Language included under Article IX of the Articles of Confederation<sup>[5]</sup> empowered the Federal government to intervene when land disputes arose between the states, and commerce in land continued during the war, as investors gambled based on their expectation of which side would emerge victorious and which claims to land would be upheld. In the words of historian Page Smith: "Whereas in virtually every other culture arable land was a rare, treasured, and lovingly cared-for space, ...in America it was primarily a form of currency."<sup>[6]</sup>

Between the end of the French and Indian War and the colonial uprising against British authority, speculation in land at the frontier attracted numerous wealthy investors, in Britain and in the colonies. Many colonial fortunes were at stake, including that of George Washington, who became a principal investor in the Mississippi Company, speculating in land where the two great rivers - the Ohio and Mississippi - meet. Similar ventures included other leading colonial figures, such as Joseph Galloway and Benjamin Franklin. The degree of success experienced by speculators in land from earlier years was recorded by George Washington, who wrote that "the greatest estates ... in [Virginia]" came about "by taking up and purchasing at very low rates the rich back lands."<sup>[7]</sup> Migration into these lands, some of which continued to be occupied by various tribes of First Americans, was well underway when the first shots were fired at Concord and Lexington. In the southern frontier region, local militia defeated the Cherokee and other tribes aligned with the British, clearing even more territory for eventual settlement. The same fate fell upon the Shawnee and even the Iroquois League. In 1779, Washington dispatched a strong force under General John Sullivan through Iroquois territory, destroying every village, orchard and foodcrop in their path.

States anxious to create population buffers in the west essentially gave away land to willing settlers. Thousands of migrants made their way to Pittsburgh and then down the Ohio River, their arrival vigorously opposed by desperate First Americans fighting to retain control over hunting grounds, for their sovereignty and for their very survival. Years of settler encroachment and tribal uprisings in response followed, with the tribes occasionally winning battles but always losing territory and inevitably being displaced by European-Americans.

The First Americans were not the only groups to have land taken from them during and after the colonials fought for and gained their independence. The Continental Congress authorized the appropriation of property from Loyalists who, the Congress declared, had forfeited the right to protection of the government. Confiscated property was sold by the states or awarded to leading Patriots in compensation for their own loss of property or in recognition of their services to the new nation. Despite provisions in the Treaty of Paris prohibiting further confiscations at the conclusion of the war, the practice continued and few Loyalists ever received restitution.

## ESTABLISHING PUBLIC LAND POLICY

Thanks to Benjamin Franklin and John Jay, the newly-independent, sovereign and loosely united States of America became stewards over a vast wilderness empire. The Congress responded by adopting in 1785 a Land Ordinance calling for a survey of this territory. Once again, investors envisioned enormous profits from purchasing large tracts of land cheaply, then reselling surveyed parcels to settlers lured by promises of fertile soils, a mild climate, plentiful rainfall and access to expanding markets along the Ohio, Mississippi and other interior rivers. New England land prices that in some places reached \$50 an acre triggered a large scale migration in the Ohio River Valley, Kentucky and Tennessee.

The restless and adventuresome showed the way westward, living in the wilderness by hunting and trading with the tribes they encountered. Traders followed, then settlers to clear the land and establish their farms. Their motivation is described by historian Ray Allen Billington:

*"Many who left New York and Pennsylvania were frontiersmen who, living on the western fringe of civilization, drifted naturally with the moving tide. In Virginia, Maryland, and North Carolina soil exhaustion forced thousands to abandon their farms, particularly in the hilly Piedmont region where heavy rains had washed essential minerals from cultivated soil. More were driven from their homes by the expansion of plantation agriculture into the Piedmont and Great Valley during the post-Revolutionary years." [8]*

Many speculators - either without cash or not wanting to risk their own cash - entered into contracts to pay for land by installment - hoping to quickly find others to take them out at a substantial profit. Even George Washington continued to invest in land after taking office as the first President of the United States. At his request, Benjamin Stoddert purchased key parcels of land in the area that would become the nation's capital. Thus, Washington benefited significantly by the increase in land prices that occurred after the location was publicly announced.

## DISPOSING OF THE PUBLIC DOMAIN BEGINS

As one could predict, rapidly rising land prices, fueled by credit, ended in a market collapse by early 1792. Shareholders in the most highly-leveraged land companies endured huge losses. Nonetheless, new companies were formed to acquire the holdings of those that failed. Billington writes that by the end of the eighteenth century nothing short of a "mass exodus was under way" from the original states into the wilderness. The Secretary of the

Treasury, Alexander Hamilton, sought to dispose of the public lands in large tracts in order to raise as much revenue as possible as quickly as possible. Responsibility to carry out this policy was entrusted to a new General Land Office headed by three commissioners.

In 1795, Hamilton resigned and was replaced by Oliver Wolcott. Wolcott was charged with implementing the Land Law of 1796, setting up a sales office in Pittsburgh. Yet, at this early date the initial sales went very slowly until the public lands were surveyed. The appointment of Rufus Putnam as surveyor general demonstrated what historian Malcolm Rohrbough described as "the strong connection between the administrators of the public land and the land business."<sup>[9]</sup> Putnam had been a principal of the Ohio Company and heavily involved in land speculation.

Following the creation of the Northwest Territory in 1800, William Henry Harrison was sent to the capital as the Territory's non-voting representative. Harrison, writes Malcolm Rohrbough, was charged with obtaining "changes in the land system: smaller tracts, lower prices, credit, more convenient land offices, and pre-emption."<sup>[10]</sup> A new land law, signed by President Adams, was soon passed and put into effect.

Following his election to the Presidency, Thomas Jefferson appointed Albert Gallatin as Secretary of the Treasury. Gallatin, who had immigrated from Geneva in 1780, was, himself, something of a land speculator. He had speculated in Virginia land warrants, then settled in western Pennsylvania, where he farmed and also speculated in lands. As a matter of public policy, he advocated the sale of small tracts of land to actual settlers.

In 1803, President Jefferson negotiated the purchase from France of the Louisiana territory, adding more than 500 million acres of public lands west of the Mississippi River. Congress created 14 new districts besides those established in 1800. For each new district a land office had to be set up and two new officials appointed to run the district. By law, the land offices were to be closed and districts consolidated when less than 100,000 acres of land in a district remained open for entry.

Over the next twelve years, Gallatin supervised his department's sale of some 4.3 million acres of land. Successive Republican administrations lowered the minimum number of acres required to be purchased. Despite these measures, speculation in land remained a constant. The states facilitated the process by chartering banks with a mandate to provide credit to land companies and individual investors. Sales of public lands doubled, then doubled again. Speculators resold to farmers in tracts of between 40 and 160 acres. Farmers then cleared and planted the land until its fertility disappeared, after which they packed up to move further west. By this process, population moved out along the tributaries of the Mississippi River.

Although laws were passed prohibiting squatters from settling on public land and calling for their forcible removal, these laws failed to prevent settlers from occupying land that was not yet available for sale. In many cases, these settlers were eventually forced off the land by legal purchasers. Eventually, however, the Congress was persuaded that squatters ought to have an opportunity to purchase land they had been living on.

## SPECULATION ALONG THE INLAND CANALS

The earliest and most significant investments in infrastructure were the inland canals. By the early 1790s there were some thirty canal companies in operation. The first major project occurred in Massachusetts, from Boston Harbor to Chelmsford, on the Merrimac River. Speculators purchased all the shares in the company, and between 1794 and 1804 (when the canal was opened for business), the market price for the shares rose from \$225 to \$475. Historian Page Smith describes what then occurred:

*"The Middlesex Canal was a manifestation of ... energy and ingenuity. It was also typical that the undertaking proved much too ambitious. ...Its debts were never discharged, and thousands of investors lost their money. But other thousands who had speculated in the canal stocks during the nine years the canal was being built made small fortunes."*[11]

Other canals followed - in Connecticut, Massachusetts, Rhode Island, and Virginia (with George Washington as President of the Potomac Company).

*"A seven-mile canal around the falls at Richmond was completed in 1789, opening up almost two hundred miles of river, and a flood of goods ... poured into Richmond. The city experienced a boom, and land values rose for the farms and plantations along the river."*[12]

By far, the most ambitious and important canal project was the Erie Canal, begun in 1817. The finished canal stretched out over 363 miles from Lake Erie to the Hudson River. The main impact of the canal was to catapult New York City above Boston and Philadelphia as a commercial center. Moreover, the canal was a financial success, even with the rapid expansion of railroads about to spread across the continent. Pennsylvania countered with a canal system stretching from Philadelphia to Pittsburgh, a \$10 million, 320 mile project, completed in 1834. Ohio's canal system actually opened a year earlier and was continuously extended throughout the decade. More sparsely populated Indiana initiated its canal program in 1832, beginning at Ft. Wayne, with the objective of linking the Wabash and Miami rivers.

## RAILROADS MOVE THE FRONTIER WESTWARD

Even as the canal system continued to be constructed, railways were entering the transportation competition. One of the first was the Baltimore and Ohio Railroad system, which opened operations between Baltimore and Frederick, Maryland in 1831. A decade later the system was extended westward to Cumberland, Maryland, then crossed over the mountain range into northwestern Virginia and Ohio. Railway lines were started across Illinois and Michigan. These and other internal improvements were funded by the issuance of bonds sold in New York and London. The enormous amount of revenue raised by these bond issues, combined with currency issued by state-chartered banks, resulted in a surge in land speculation. As Ray Allen Billington observes:

*"Speculators were so active in laying out 'town sites' in the West that one legislator seriously proposed setting aside two acres in each township for farming."*[13]

In the meantime, the East was experiencing a severe economic downturn, which stimulated Horace Greeley's newspaper, the New York Tribune, to declare: "Fly, scatter through the country, go to the Great West, anything rather than remain here." These stresses brought on a burst of the western speculative land market. Mounting loan losses forced bank after bank to close their doors. State finances collapsed and most defaulted on outstanding bond debt. Investors absorbed losses in excess of \$100 million. Hard currency (i.e., specie) was in extremely short supply, credit was nearly impossible to acquire, so settlers simply resorted to squatting on public lands.

Within a few years, the credit fueled inflation in land prices throughout the frontier regions was checked by the broad economic contraction. Still, huge numbers of settlers poured into the Ohio River Valley and continued on. At the same time, improvements in railroad technology attracted new sources of private investment in railways. New rail lines out of Philadelphia and Baltimore extended deep into the interior - as far as Chicago, Indianapolis and St. Louis.

By a wide margin, the biggest beneficiaries of Federal land grants were the railroads. Thanks to the efforts of U.S. Senator Stephen A. Douglas of Illinois, Congress in 1850 adopted legislation granting "alternate sections of land on either side" of a right of way from Chicago to Cairo, "to a distance of six miles."<sup>[14]</sup> Thusly encouraged, by the early 1870s, the railroads acquired rights to nearly 160 million acres of land adjacent to the new transcontinental rail lines. They were given legal title to an area exceeding the entire northeastern region of the United States.

Expansion of the railroads across the interior of the nation facilitated the growth of cities into industrial and financial centers, as well as creating new markets for agricultural commodities and meat. Immigration provided almost all of the labor force, causing the populations of most cities to explode within just a few decades.

Jefferson's hope for a nation of self-sufficient farmers, working the land they owned, quickly disappeared after conclusion of the War Between the States. By 1900, the population of New York City more than tripled, to 3.4 million. Chicago grew from just over 100,000 to nearly 1.7 million; and, San Francisco's population jumped from around 56,000 to over 340,000. In parts of the cities, many stately homes were replaced with tenement apartment buildings and dirty factories as the industrial demand for land intensified. Sanitation was next to nonexistent, and conditions were, to say the least, dangerously overcrowded. Living through this period in California, Henry George observed:

*"In all the new states of the Union, land monopolization has gone on at an alarming rate, but in none of them as fast as in California, and in none of them, perhaps, are the evil effects so manifest."<sup>[15]</sup>*

A nation growing at such a rapid rate consumed natural resources, particularly timber, at an almost unimaginable rate. Timber companies not only devastated the land, they also engaged in numerous land speculation schemes. Wherever forests existed, the timber companies found ways to circumvent laws to harvest the timber without having to compensate state or Federal agencies for the privilege.

As the frontier receded with the arrival of settlers, the pace of land speculation accelerated. Public land auctions in some regions brought in little revenue, in part because bidders

colluded to keep bids low. Each time government agents negotiated the transfer of tribal lands to the United States, speculators waited in the wings.

The construction of railway lines required other internal improvements, including bridges and tunnels. The mere announcement that a railroad bridge was to be planned ignited speculation in land along the anticipated routes. Sometimes speculators reaped tremendous profits; in other instances, development did not follow as quickly as hoped and speculators were faced with having to carry debt for many years without a corresponding income.

## WESTWARD FROM THE MISSISSIPPI RIVER

The Mississippi River long had been a major thoroughfare for both commerce and people. Other major river systems flowed from the East and the West into the Mississippi and provided a natural path for settlement, although there were significant topographical obstacles and other challenges facing pioneers venturing beyond the Mississippi.

The opening of the Far West to Americans began with the expedition led by Meriwether Lewis and William Clark on orders from Thomas Jefferson. They made their way from the nation's capital to St. Louis late in 1803, and in the spring of 1804 headed west and then north following the course of the Missouri River. After wintering in the Dakotas with the Mandan people, the expedition made its way to the Pacific Ocean. Late in September of 1806 they arrived back at St. Louis. Other expeditions followed, as did a virtual avalanche of frontiersmen eager to trap beaver for sale of the animal's fur in the East. They also served as a vanguard, discovering the best routes westward through the mountains to lands where there was fertile soil, reliable rainfall and few hostile First Americans to engage in a struggle for territorial control.

Settlers had begun to arrive in Missouri soon after the end of war with Britain in 1815, establishing farms along the Missouri and Mississippi rivers. Missouri became a state in 1821, after which immigration accelerated even more. New towns were laid out every year, with a pattern repeating again and again:

*"The earliest newcomers occupied the prize spots: the rich-soil river bottoms, the loess hills, the most fertile grasslands. Nearby salt springs were also an attraction, as were timber stands needed for housing, fuel, and fencing. As these filled, the rate of occupation diminished while later-comers moved onto the better lands of the next adjacent region. This tended to drive down the price of the less-favored portions where the soils were less fertile and the terrain more rugged. As soon as speculators lowered the price to reflect the true value of the land, settlement began again, flowing over the hills and the less-fertile soil regions." [16]*

One after another the tribes of First Americans were encroached upon, defeated in battle, and then forced to move further west. Iowa was thus opened for settlement in 1832, and some 10,000 settlers staked their claims by 1836. Four years later that number had jumped to over 43,000. None had yet acquired legal ownership of the land they claimed, but they joined together to protect one another's claims from outside speculators and agreed to bid only the minimum accepted price once the Federal government set up a land office and conducted formal sales. These measures did not deter all speculators, who found ways to circumvent the wrath of the so-called Claim Associations. One way the speculators did this

was to purchase land, then enter into a contract with another party to sell the land at a stated price at some future date. Iowa entered the Union in 1846, and by 1850 its population had climbed to nearly 200,000.

A similar process occurred to the north, following the 1837 cession of lands by the Sioux and Chippewa nations. Here, the initial attraction was timber. Farmers followed, catering to the needs of the lumber industry. More land was taken from the Sioux in 1851, and a flood of settlers and land speculators followed. Minnesota came into the Union in 1858, with a population of some 172,000.

The story of the settlement of the area that became Kansas City, Missouri is not unique. At the end of 1856 a group of investors arrived in the Kansas Territory with the attention of acquiring land and beginning construction of a new frontier town. They chose the land where two rivers - the Kansas and Missouri - met. At the time, the location was peacefully inhabited by the Wyandot tribe, so the investors met with representatives of the tribe to negotiate purchase of the land. After surveying the area and laying out a plan for the town, sales began in mid-1857 at an initial price of \$500 per share, with the final 400 shares sold at double the initial price.

### Texas Is Added to the Union under Rather Different Circumstances

Decades earlier, in 1825, the newly-independent Mexican government sought to encourage settlement in Texas, exempting new arrivals from taxation for ten years. Stephen Austin had already obtained a significant grant and approval to bring 600 Catholic families into Texas, and by 1833 land was distributed to nearly 1,100 families. Austin received 12-1/2 cents for each acre of land settled on.

The situation in Texas intensified with the election of Andrew Jackson as President of the United States. Jackson wanted to add Texas to United States territory, raising the threat of a military invasion. The government in Mexico City decided to encourage Europeans and Mexicans to settle in Texas and to increase the number of troops based there. Further immigration from U.S. territory was prohibited. These measures all failed; and, in fact, far less law-abiding migrants took the place of Austin's carefully selected settlers.

In 1830, James Bowie went to the capital and obtained a large number of grants purchased from Mexicans who agreed to apply for them based on his promise of purchase. The Mexican government relented on the question of further immigration of Americans into Texas, but tensions were already escalating. The situation worsened when General Santa Anna became president in 1832. Armed conflict broke out in 1835, ending with Santa Anna's defeat and capture in April of 1836, and the independence of Texas.

Between 1836 and 1845 (the year Texas came into the Union as a result of a resolution adopted by the U.S. Congress), immigrants brought the population up to 142,000. Five years later, that number had jumped to 212,000. Every arriving family received an outright grant of 1,280 acres of land.

## EASTWARD FROM THE PACIFIC

The European powers competed for control of the Pacific coast of North America for almost as long as they fought over the Atlantic coast. The Spanish explorer Vasco de Balboa was the first European to set foot on the Pacific coast. Magellan followed by sailing around the southern tip of the continent to enter the Pacific Ocean. The prospect of claiming land in the Americas proved to be extremely enticing to the second or third sons of Europe's aristocratic families, who, because of the laws of primogeniture, were disinherited of their family's landed estates. In quick succession, the Aztec, Mayas and Incas fell to these Spanish conquistadors. Then, firmly in control of these territories, the Spanish sent expeditions north.

Spanish immigrants soon arrived to establish settlements on the South American continent, some 200,000 making the journey during the late 16th century. Their arrival resulted in decimation of the indigenous populations. In less than a century, only 1 million of an estimated 25 million native people survived. Yet, the exploration and settlement of territories north of Mexico City languished. Efforts to colonize the northern reaches of Spanish-held territory finally began as a result of the Seven Years War in 1756 and the challenges this presented to Spain's hegemony in the region. A series of military forts were constructed along the California coast, northward from San Diego to Santa Barbara, San Francisco and Monterey. Small towns (pueblos) sprang up near the forts and missions, and the towns offered land grants to settlers. Even so, very few Spaniards able to do so were interested in settling in New Spain. Eventually, land grants were also awarded to non-Spanish settlers in an effort to encourage loyalty to Spain.

Spanish culture and Spain's system of government in the region survived only until the 1840s and the discovery of gold. The population of San Francisco, a small village of just a few hundred families, became the epicenter for adventurers seeking their fortunes in the gold fields. The demand for land in San Francisco skyrocketed, as entrepreneurs competed for choice locations. Land parcels that sold for just a few dollars in the mid-1840s were commanding over \$40,000 or more by the end of the decade.

No one person benefited more by the Gold Rush to California than Samuel Brannan, who arrived in San Francisco in 1846 intent on establishing himself as a newspaper owner. By January of 1847 his paper, the California Star, was being published. He also owned a hotel, flour mill and general store. When he noticed a trickling of miners were using gold to make purchases, he guessed what was ahead and began to accumulate goods of every kind for resale. He opened several new stores, including one at Sutter's fort. Brannan, it is said, actually went out into the streets of San Francisco, loudly announcing that gold had been discovered on the American River. As prices for supplies needed by the miners skyrocketed, Brannan began to amass a sizeable fortune, a good deal of which he converted into land purchases. By 1856 he owned one-fifth of San Francisco and a similar portion of Sacramento. He went on to establish several banks, as well as railroad and telegraph companies. Ironically, the effects of alcoholism later drained his fortune, and he died in 1889 without notice in rural San Diego county.

The region north of San Francisco was also hotly disputed by the European powers, as well as the fledgling United States. Originally, Spain, Great Britain, Russia, and the United States claimed the territory. In 1819, however, Spain ceded its claims to the territory to the United States. Shortly thereafter the United States challenged the Russians over fishing, whaling,

and commercial rights. The U.S. pointed to the explorations of Lewis and Clark as a basis for its territorial claims, as well as the presence of trading posts built by the Pacific Fur Company (owned by John Jacob Astor). Britain based its claim, in part, on James Cook's exploration of the Columbia River.

As early as 1818 British and American Commissioners agreed to set the border between the United States and Canada at the 49th parallel from the Lake of the Woods (Minnesota Territory) west to the Rocky Mountains and joint occupation of the territory beyond to the Pacific Ocean. Some agreement was reached in 1842, but the treaty of that year still did not define the border of the Oregon Territory. Settlers were making their way along the Oregon Trail in every increasing numbers, creating pressure on U.S. President James Polk to try to get the British to agree to a firm border. With some minor modifications, which reserved the whole of Vancouver Island to Canada, Great Britain agreed to the 49th parallel. The stage was then set for the unrestricted opening of the Oregon Territory to settlement.

A plan for migration to Oregon was put into motion by one Hall Jackson Kelley, who in 1831 formed the American Society for Encouraging the Settlement of the Oregon Territory. Kelley's efforts failed for lack of government support, but his vision stimulated another group under Nathaniel J. Wyeth to make the journey west. Wyeth made it to Ft. Vancouver but was forced to return east because a ship carrying the goods he anticipated to engage in the trading business was lost at sea. A second venture proved only marginally successful, resulting in the construction of several forts soon sold to the monopolistic Hudson's Bay Company. Kelley and Wyeth were followed by several groups of settlers organized by religious leaders eager to bring their Christianity to the far west. By 1840 there were some 120 farmsteads established in the Willamette valley. Economic problems in the East, setting off the Panic of 1837, also contributed to the growing number of settlers arriving. Additional migrations lifted the population to around 6,000 by 1845. A first hand account of the migration is left to us by Francis Parkman, Jr., who wrote in 1847:

*"Many of the emigrants, especially those bound for California, were persons of wealth and standing." "I have often perplexed myself to divine the various motives that give impulse to this strange migration; but whatever they may be, whether an insane hope of a better condition in life, or a desire of shaking off restraints of law and society, or mere restlessness, certain it is that multitudes bitterly repent the journey, and after they have reached the land of promise are happy enough to escape from it." [18]*

## URBAN SPECULATION IN A NATION OF FREEHOLDERS

There are, of course, many more specific stories that might be told, and have been told in the countless books detailing the establishment of settlements throughout the continent. The patterns described above repeated again and again. Only the Mormons settling at the southern tip of the Great Salt Lake adopted a system of land distribution based on need and permanent community control. Everywhere else, land became just another type of commodity, to be bought and sold, its fertility or natural resources exploited, and the land abandoned. The wilderness, after all, was thought to be a limitless expanse.

Cities in the Midwest experienced rapid bursts of population growth once connected to one another by railway lines. In 1855 the first railroad bridge was completed across the

Mississippi River. Additional rail links were constructed throughout the 1860s, halted only by another economic collapse in 1873. Remarkably, the decision to construct a transcontinental rail line was approved by the U.S. Congress in mid-1862 - while war raged on with the rebellious southern states. The two companies enlisted for the project - the Central Pacific Railroad and the Union Pacific Railroad - were granted rights-of-way of four-hundred feet, plus ten alternate sections of land for each mile of track completed. When private financial resources did not materialize, the size of the land grants were doubled and other subsidies were provided by the government. This did the trick. Investors purchased stock in the two companies, enabling construction to be completed in May of 1869, when the rail lines met in Utah.

Railroad lines were crucial to development of an integrated national economy, but they were only one of many technological innovations that encouraged the growth of population in much of the West. Windmills served to secure a steady source of water where rainfall was unreliable. Barbed wire enabled farmers to affordably enclose large areas of cropland and protect crops and domesticated animals from predators and free ranging herds of steers. New cultivating and harvesting machines made large-scale commercial farming profitable. As costs per unit of output fell, farmer profits increased, but the cost advantages were capitalized into higher and higher land prices. The nation was already well into a new era characterized by agrarian and industrial landlordism and political corruption, as described by Ray Allen Billington:

*"With the machine age control of the government slipped from the hands of farmers into those of eastern industrialists. The 'robber barons', concerned less with expansion than exploitation, not only frustrated every western effort to erect a satisfactory land system but plundered the public domain so ruthlessly the frontier advance was seriously retarded." [19]*

In what must be the greatest give-away in human history, the U.S. federal and state governments awarded grants to the railroads of over 180 million acres of land. Road and canal companies received an additional 3 million acres. Millions of acres more were acquired at minimal cost. The final total approached 500 million acres.

Curiously, one of the era's most successful land speculators, John Jacob Astor, brought the profits he made in the Western fur trade back to New York City rather than invest them in the new cities of the interior. At the time, few others looked upon New York City real estate as an opportunity for building a massive fortune. "When Astor began buying property in 1804," observes Dana L. Thomas, "no one could have foreseen that within twenty years a canal would be built - the Erie - linking New York by waterway with the Great Lakes and turning it into the number one commercial center of the nation." [20] Astor's fortune was reported to be around \$20 million when he died in 1848. His son, William, continued to build on his father's real estate holdings. "By 1875, Astor owned over seven hundred buildings and houses, besides numerous tracts of raw land." [21] His fortune was estimated at \$200 million at the end of the nineteenth century.

John Jacob Astor's fortune was nearly matched by a Midwest land speculator named Nicholas Longworth, who managed to gain control over a significant portion of the city of Cincinnati. Longworth arrived in the frontier town in 1803, apprenticed himself to a judge and eventually entered the practice of the law. He soon acquired his first tract of land and, realizing the potential for Cincinnati to develop into a major commercial center, continued

to quietly amass land at the edge of town. By 1830 the population of Cincinnati reached 25,000; twenty years later it reached 173,000. Land values escalated, and Longworth became a very rich man. His heirs received a fortune estimated at \$50 million, which continued to grow as the Cincinnati region grew and prospered.

Every region had its share of successful land speculators. In New Orleans there was Daniel Clark, who settled there after immigrating from Ireland in 1784 and began acquiring acreage in and around the city. His estate had an estimated value of over \$50 million.

In Nebraska, George Francis Train had the foresight to purchase five hundred acres of land where the city of Omaha would soon rise as a meat-packing center served by the Union Pacific Railroad.

The banker Jay Cooke made huge profits as part owner of the Philadelphia and Erie Land Company, then invested heavily in land in northern Minnesota, at the head of Lake Superior, guessing that Duluth would become a major railroad terminus. He then added certainty to his speculation by acquiring a large holding of shares in the Northern Pacific Corporation, after which he used his influence in Congress to obtain a railroad land grant of 1.5 million acres. One Congressman, critical of the giveaway, declared: "It leaves no land for another road in the whole northern part of the United States, and provides a single syndicate with a monopoly of the wheat fields, pastureland, forests, fisheries and mines of the Pacific Northwest." [22] A frenzy of land speculation followed, until other events intervened to bring Cooke's house of cards crashing down. A chain of bank failures and a temporary closing of the New York Stock Exchange occurred in rapid succession. The nation's economy came to a screeching halt. Although Cooke's corporation was forced to declare bankruptcy, his landholdings remained intact and eventually returned huge returns to Cooke and others who managed to hold on during the recession years of 1873-78.

Chicago's growth began in the mid-1830s on news that a canal was planned to connect the city with the East. Speculators arrived daily at a new government land office ready to purchase city lots. Prices for centrally-located parcels in the city tripled within a year. By the middle of 1836, the total market value of land in Chicago reached \$10.5 million, an increase of 10,000 percent from 1830. Even so, the great fortunes made from Chicago land speculation were still to come. Potter Palmer, already wealthy from other business ventures, opened a store in Chicago in 1852 and began acquiring choice land parcels. He was followed by Marshall Field, who came to Chicago to work in the dry-goods business. Field was eventually approached by Palmer, who invited Field to purchase Palmer's store. The deal went through, and Field managed to outlast an economic slowdown following the end of the War Between the States to see a significant return on his investment. Then, in October 1871 fire broke out, spread by a dry wind, consuming everything in its path. Three and a half miles - some 17,000 buildings -- were totally destroyed. And, of course, land values fell dramatically among a pessimistic population. Palmer immediately began to rebuild and acquire additional parcels. Field did much the same, buoyed by a \$2 million insurance policy on his store.

## CONCLUSION

Fortunes built on land speculation depended on one dynamic, more than any other: the rapid increase in population. Thomas Jefferson looked over the vast expanse of the

American domain and thought the wilderness would provide a safety valve for the nation's people for two centuries, perhaps longer. He grossly underestimated the attraction of free or inexpensive land to both Americans of European heritage and millions of people in the Old World. In 1840, just fourteen years after Jefferson's death, there were some 10 million people living in the states from Maine to Florida, as far inland as the Appalachian mountains. Another 6 million resided in the Mississippi Valley and along the Gulf of Mexico. Moreover, the percentage of the population living in villages, towns and cities had increased from 10 percent to 25 percent.

The number of immigrants arriving in 1826 was around 11,000 (half of whom were Irish). Nearly 80,000 immigrants arrived in 1837; and, after the devastating blight hit the Irish population's main food crop, the potato, a flood of Irish immigration began. By 1854, immigration rose to over 427,000, with over 3 million new arrivals entering the United States during the decade. Nearly one-third of this total had come from Germany.

Despite terrible living conditions, low pay for grueling work, and all manner of discriminations against them by earlier arrived European-Americans, immigrants slowly but inevitably established themselves and began to spread out across the continent. Eastern cities were in no position to absorb the huge number of immigrants who passed through on their way westward. Neither employment, housing nor other public services were available. Despite these problems, however, whole sections of eastern cities served as staging areas for wave after wave of new immigrants. One cannot fault New York's mayor in 1826, Philip Hone, for wanting nothing more than to stem the flow of the uneducated poor from abroad:

*"Every part of Europe is uttering the appalling cry of bread! Bread! and (strange and wonderful state of things) the New World supplies the wants of the Old, the mother derives nourishment from the child. ...All Europe is coming across the ocean; all that part at least who cannot make a living at home; and what shall we do with them? They increase our taxes, eat our bread, and encumber our streets, and not one in twenty is competent to keep himself."*[24]

As we now know, tragically unjust socio-political arrangements and institutions destined most immigrants to lives of desperate poverty. The wilderness continent provided some measure of opportunity and a living superior to that offered in the eastern cities, but the safety valve was insufficient to prevent the cities of the East from nurturing the worst behaviors associated with an entrenched class system. Life in the nation's cities would get much worse before essential reforms were even considered. Even then, the one reform that had the power to end speculation in land and its detrimental effects - the public collection of the rental value of land - was rejected by a citizenry addicted to a form of property that often yielded huge profits without the need to risk investing in buildings or commerce.

Henry George lived thru the period covered by this brief historical overview. In his last years, George's message was being spread around the globe by other thoughtful reformers committed to implementing his solution to the land question. His sense of optimism for the future came through in his editorial printed in the final edition of his newspaper, *The Standard*, which ceased publication at the end of August, 1892:

*"Where in the beginning it stood alone, there are now scattered over the United States hundreds of local journals devoted to the same cause, while the columns of general newspapers of the largest circulation are freely opened to the advocacy of*

*our views. ...The ignorance and prejudice which the earlier files of 'the Standard' showed that we then had to meet, have ... almost disappeared, and among our most active friends are thousands of men who then believed our success would be the destruction of society. ..."[25]*

George overestimated the extent to which the movement he started had penetrated and disrupted conventional wisdom around the globe. He underestimated the extent to which entrenched privilege dominated the political will within the world's republics, even those ostensibly democratic in form. Yet, in one of the articles included in his 1883 book, *Social Problems*, he accurately forecasted that time was already running out because of the pervasive nature of land speculation occurring in the United States:

*"The day is near at hand when it will be no longer possible for our increasing population freely to expand over new land; when we shall need for our own millions the immense surplus of food-stuffs now exported; when we shall not only begin to feel that social pressure which comes when natural resources are all monopolized but when increasing social pressure here will increase social pressure in Europe. How momentous is this fact we begin to realize when we cast about for such another outlet as the United States has furnished. We look in vain. ...Where land is already granted and where peon labor can be had for a song, no such emigration can take place as that which has been pushing its way westward over the United States."[26]*

Our struggles to overcome the intense societal problems caused by the concentrated control over nature are ongoing. Under our existing systems of law and taxation, the rewards to those who have the means to speculate in land are often enormous. Even for those of us who own no more land than the parcel on which our residence sits, the gain in the selling price for our property is accepted as a reward for years of taxes paid to our local government and school district. We are, in so many ways, locked in the embrace of land speculation as a financial survival strategy. Individually, this makes perfect sense. For our society, our very civilization, the embrace is a death sentence.

## NOTES AND REFERENCES

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3. Jackson Turner Main. *The Social Structure of Revolutionary America* (Princeton, NJ: Princeton University Press, 1965), p.45.
4. Charles A. Beard. *An Economic Interpretation of the Constitution of the United States* (Toronto, Ontario: Collier-Macmillan edition, 1965. Originally published 1913), p.151.

5. Article IX reads, in part: "All controversies concerning the private right of soil claimed under different grants of two or more States, whose jurisdictions as they may respect such lands, and the States which passed such grants are adjusted, the said grants or either of them being at the same time claimed to have originated antecedent to such settlement of jurisdiction, shall on the petition of either party to the Congress of the United States, be finally determined as near as may be in the same manner as is before prescribed for deciding disputes respecting territorial jurisdiction between different States."
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20. Dana L. Thomas. *Lords of the Land* (New York: G.P.Putnam's Sons, 1977), p.38.
21. *Ibid.*, p.44.
22. Quoted in: *Ibid.*, p.106.
23. This occurred in 1873, triggered by the fires destroying three-fourths of Chicago and the commercial district of Boston, as well as the financial panic caused by Jay Gould's attempt to corner the nation's gold supply.
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25. Quoted in: Henry George, Jr. *The Life of Henry George* (New York: Chelsea House edition. Originally published, 1900), p.575.
26. Henry George. *Social Problems* (New York: Robert Schalkenbach Foundation edition, 1966. Originally published, 1883), pp.27-28.