

Chicago's Amazing Growth

By GEORGE C. OLCOTT*

"I CANNOT play upon any stringed instrument; but I can tell you how, of a little village, to make a great and glorious city." These words of Themistocles could have been applied with prophetic vision to the growth and development of the city of Chicago. An increase of population from 100 to 3,376,438 in one century is an achievement not duplicated by any city in the world's history. Chicago is now fourth in size among the world's largest cities.

How was this accomplished? Was it planned that way? Or did some land-grabber acquire possession of a large number of acres at the mouth of the Chicago River and wait for the growth of population at that point to enhance its value? If either of these things had occurred, there would be no Chicago today. No city grows great unless many take part in its activities. No business center in any city has developed unless many persons have prospered. There is no substitute for people in making land values. Brass bands, toy balloons and free lunches don't do it. High pressure salesmen can only give a temporary and fictitious value to a new subdivision.

In order to grow, a city must have its land put to use, preferably in small parcels. The land must be exchanged, bequeathed, devised, given away, sold, or somehow placed into the hands of those who will use it. No city has become large and no local center in any city has grown and prospered where the original owners held valuable corners out of use waiting for a rise in price. Nor can a community grow by a continued business of selling vacant lots. It can prosper only by the production of wealth, the exchange of goods and services, and in no other way. "Strong hands" holding vacant lots have often proved "strangle hands."

Of course, a city must have some reason for its existence, such as a natural harbor, confluence of two navigable rivers, accessibility to mineral deposits, or cultivable soil. Chicago was located at a point where the Indians had discovered the nearest route between the head-waters of the Great Lakes and the head-waters of the Mississippi River. At this point was a narrow portage for them to carry their canoes to the Desplaines River, which empties into the Illinois River and thence into the Mississippi River. A small boy just beginning to study geography asked his father why it was that the Lord always put a large river or harbor near a big city. The answer of course was, He didn't. The reverse was the case.

Several other points near the head of Lake Michigan might have been the favored location. South Chicago, about thirteen

miles south, could have been the chosen site, or Michigan City, Ind., at the tip of the lake. But another factor contributed to making the mouth of the Chicago River the fortunate place. In 1818, when Illinois was admitted into the Union, its boundary line was extended along Lake Michigan, northward, to take in the shortest portage distance between the lake and the Mississippi River for a proposed canal. Prior to that, this strip of land was in the Territory of Wisconsin. The Illinois legislature in 1825 granted a charter to a private company known as the Illinois & Michigan Canal Co., having a capital of \$1,000,000, to dig the canal. It was repealed the following year, for fear it would jeopardize the federal aid that was sought for the project. The legislature of Illinois then petitioned Congress to make a grant of land to aid in building the canal. The grant was made in 1827, notwithstanding the opposition of New Orleans. Alternate sections for five miles on each side of the projected canal route, connecting the lake with the Desplaines River, were selected by commissioners appointed by the legislature. Three-eighths of a square mile of these canal lands, straddling the Chicago River, was set aside for a town site. The canal was to be begun within five years and completed in twenty years. If not completed then, the proceeds of such sales as had been made were to revert to the federal government. The lands were held at \$1.25 per acre. The boom was on.

The site selected for the town was called a "dismal swamp" by a contemporary observer, and it was indeed a barren waste. Speculators were not impressed. No large tracts were sold—only individual parcels for actual use. This was an important factor in Chicago's growth. There was another factor: Chicago was not waterlocked like Manhattan Island, and the soil was too poor within five miles of the town site to be inviting to farmers. Thanks to these two factors—the absence of speculation (except for small holdings) and the remoteness of large tracts of land for farming purposes—no large landed estates were accumulated within the town site, in those early days, to reap unearned wealth from the subsequent growth of population.

However, speculation developed later, after the city had a



*Mr. Olcott, a Geologist for forty years, publishes the annual "Olcott's Land Values Blue Book of Chicago."

good start. It took thirty or forty years for the farm lands to be reached by the growing city. The original farmers did not live to benefit, but their heirs did. Many wealthy families can trace their fortunes to the farm sites they inherited. However, no large fortunes to be compared to those of New York City were secured in this way, because there were boundless opportunities for farming to the west. Many new settlers were able to acquire farming lands, and the competition among them when the demand for subdivision purposes arose had a restraining effect on land prices.

The Illinois & Michigan Canal was the real progenitor of the "Metropolis of the Middle West." It was not started until 1836 and not completed until 1848. Its potentialities had long been foreseen by the early explorers and subsequently by Congress. In 1673, the French explorer Joliet discussed the possibility of a canal. In 1814, President Madison recommended it to Congress. Wild speculation in lands, however, did not develop until two years after the project was started. The delay was due mostly to the 1837 depression then prevailing, the result of unfulfilled expectations. But when the real speculation started, there was no limit. The shrewder ones, as usual, bought on anticipation and sold on realization. The "suckers" came in at what the speculators regarded the highest point—but land values kept going up! Population continued to pour in and carried land values far above the speculator's wildest dream. Land values kept going up after each depression to points higher than before.

Notwithstanding this, it *was* a gamble—and nine-tenths of those who speculated in land never realized any increase. But those who did make an unearned profit were more numerous than those in any other form of gambling, such as lotteries, stock speculation, etc.—and they realized bigger prizes than all the rest put together. In Chicago today (1942) there are 300,000 holders of title deeds to land owning 1,300,000 parcels of land. It would indeed be difficult to convince this vast army of the efficacy of taking the annual ground rent for the needs of government—of the greater benefit that would arise from the imposition of a tax on land values alone!

In 1830, the government bought 2,000,000 acres of land located near Chicago from the Pottawatamie Indians, for six cents an acre. At one time the whole tract was covered with water from a flood and a visitor remarked that he would not give six cents for the entire site. Sales of lands by the Canal Commissioners began in 1830. The prices obtained were slightly above the minimum fixed by the Commissioners. By 1837, the fame of Chicago real estate was such that Chicago lots were sold at public auction in New York. When the news reached the West, the local speculators were amazed at the high prices New York paid, and the speculative mania started anew.

In 1837 Chicago had a population of 4,179 concentrated on 25 blocks, or about 100 acres, although there were boundless expanses of prairie lands beyond. In that year, according

to Homer Hoyt in his book, "One Hundred Years of Land Values in Chicago," there was an abnormal development of stores. There were 29 dry-good stores, 5 hardware stores, 45 grocery stores, 11 taverns and 19 lawyers' offices. (The number of saloons was not stated—perhaps too many to count!)

The aggregation of individuals who flocked to Chicago came mainly from the eastern states. They were tradesmen and professional men who came to this city to provide what they thought was lacking here, directly for their own benefit mainly, but indirectly to the benefit of all. It was not a planned invasion, but an unconscious cooperation. It was a free economy, not a socialistic regulated economy—and despite all its faults, it demonstrated the superiority of the natural way over the stifling regimented bureaucratic way, in building a city.

New York's Five-Cent Fare

A BATTLE over the five-cent fare in New York City is once more being waged. There is a movement afoot to raise the fare to ten cents (two fares for fifteen cents), so that there will be an increased revenue from the subways of approximately \$45,000,000 a year.

Under the present five-cent fare system, there is an annual deficit of about \$35,000,000, which is made up out of the general budget. Since 85 per cent. of municipal revenue is raised from the tax on real estate, the real estate owners and land speculators are insisting upon an increased fare.

When New York's comprehensive subway system was planned, franchises were given to the operating companies. When Mayor Gaynor signed the franchises, he said, "I am giving the operators a principality for a five-cent fare."

Income from the subways was so great in those early days that the operators were paying dividends of more than 17 per cent. annually. Since then, extensions have been made to the outer sections of the four boroughs, Manhattan, Brooklyn, Queens and the Bronx. These extensions had been urged by land speculators who utilized the five-cent fare as a sales talk in selling their vacant land, and when the land was developed the builders advertising homes for sale or tenancy always stressed that their property was within the five-cent fare zone.

In the campaign now being conducted for increasing the fare, the public is being told that property owners always pass on taxes to the tenants, and that if the fare is increased the tenants will benefit by a reduction in taxes. No one, however, has raised the point whether in the event of the increased income the sum total of rent would be reduced by a similar amount.

There will be a State election this fall when the voters will be called on to select an entire State ticket from the Governor down. All political and economic views will be eliminated. The five-cent fare will be the issue. —THE OBSERVER.